

# News Release

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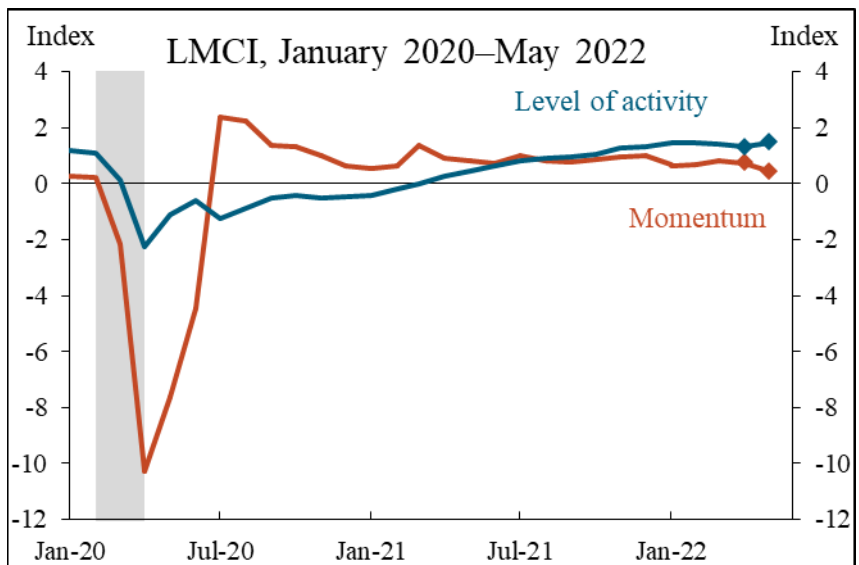
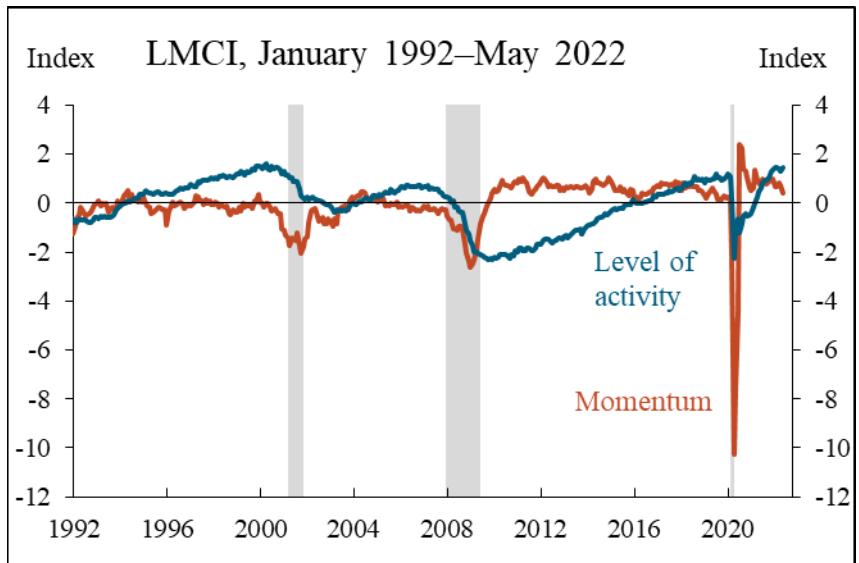
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## The KC Fed LMCI suggests the level of activity increased and momentum decelerated in May.

The Kansas City Fed Labor Market Conditions Indicators (LMCI) suggest the level of activity increased and momentum decelerated in May. The level of activity indicator increased by 0.15 in May from 1.31 to 1.46. Meanwhile, the momentum indicator decelerated by 0.31 in May from 0.74 to 0.43. Both indicators remained above their longer-run averages in May.

These readings likely do not fully describe the state of the labor market at the end of May, as many of the input data series reflect conditions early in the month. For example, data from the Bureau of Labor Statistics' Household Survey are from the reference period of May 8 through May 14. Additionally, the most recent data from the Job Openings and Labor Turnover Survey (JOLTS) are for April. Therefore, labor market developments in the latter half of May will likely show up in the June 2022 LMCI readings.



The level of activity indicator has increased by 0.17 since November 2021.

The table to the right shows the five labor market variables that made the largest contributions to this increase.

Overall, 18 variables made a positive contribution to the change in the activity indicator over the last six months, and six variables made a negative contribution.

The largest positive contributor to the level of activity was the percent of total unemployed who had been unemployed 27 or more weeks, which declined from 33 percent in November 2021 to 23 percent in May 2022. The largest negative contributor to the level of activity was the JOLTS quits rate, the

number of people who quit their jobs as a percent of total employed. In April 2022, the last month for which data are available, 3.2 percent of employed workers voluntarily quit their jobs, down from 3.4 percent in November 2021. A reduction in the quits rate is typically associated with slower wage growth, as workers are less likely to switch to jobs with higher pay or use outside offers to demand higher pay in their current jobs. However, the November number was the highest reading in the history of the series, and the April reading is still well above the series average of 2.2 percent. Overall, both of these contributors indicate a tight labor market in which job opportunities are plentiful.

The table also shows the five variables that made the largest positive contributions to the momentum indicator in May 2022. The momentum indicator was 0.43 in May. Overall, 16 variables made a positive contribution to momentum in May, and eight variables made a negative contribution. The largest positive contributor was announced job cuts (Challenger-Gray-Christmas). In May, firms announced 13 job cuts per 100,000 members of the labor force, well below the pre-pandemic average of 44 job cuts per 100,000 members of the labor force. The largest negative contributor to momentum was the three-month percent change in average hourly earnings for production and nonsupervisory employees. Average hourly earnings rose by 1.4 percent from February to May 2022, well above the series average of 0.8 percent. Historically, higher wage growth is negatively correlated with the LMCI's momentum indicator because higher wage growth is often associated with slower employment growth in subsequent months. However, the typical relationship between the momentum indicator and wage growth may not hold during this labor market recovery, as robust wage growth has coexisted with strong employment growth. Thus, true momentum in the labor market may in fact be stronger than the momentum indicator suggests.

<b>Largest Contributions to the LMCI</b>	
<b>Contributions to the increase in the <i>level of activity</i> indicator over the last six months</b>	<b>Positive contributions to the <i>momentum</i> indicator in May 2022</b>
Unemployed 27 or more weeks	Announced job cuts (Challenger-Gray-Christmas)
Job losers	Labor force participation rate
Unemployment rate (U3)	Initial claims
Employment-population ratio	Percent of firms with positions not able to fill right now (NFIB)
Percent of firms with positions not able to fill right now (NFIB)	Percent of firms planning to increase employment (NFIB)

*Note: Contributions are ordered from largest in absolute value to smallest.*

