



# NEWS RELEASE

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Contact: Bill Medley

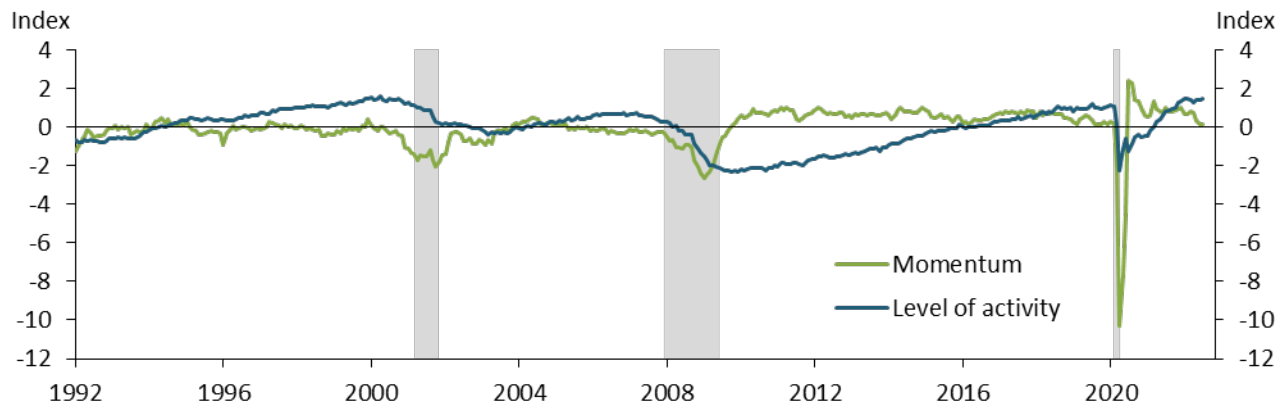
816-881-2556

[Bill.Medley@kc.frb.org](mailto:Bill.Medley@kc.frb.org)

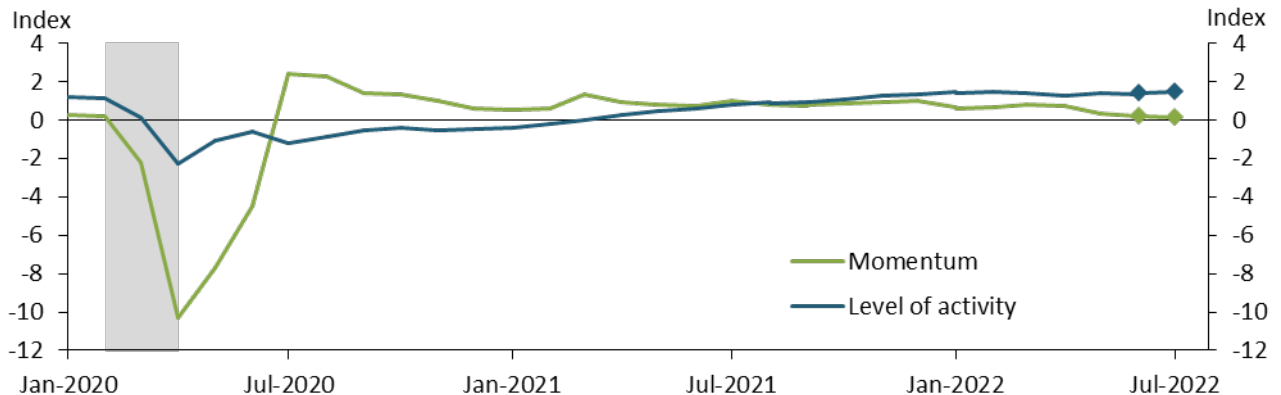
## The KC Fed LMCI suggests the level of activity increased slightly and momentum was little changed in July.

The Kansas City Fed Labor Market Conditions Indicators (LMCI) suggest the level of activity increased slightly and momentum was little changed in July. The level of activity indicator increased by 0.07 in July from 1.39 to 1.46. Meanwhile, the momentum indicator was little changed in July at 0.14. As seen in the chart below, the momentum indicator remained above its longer-run average in July even as the level of activity indicator remained near its cyclical high.

### LMCI January 1992–July 2022



### LMCI January 2020–July 2022



These readings likely do not fully describe the state of the labor market at the end of July, 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 July 10 through July 16. Additionally, the most recent data from the Job Openings and Labor Turnover Survey (JOLTS) are for June. Therefore, labor market developments in the latter half of July will likely show up in the August 2022 LMCI readings.

The level of activity indicator has remained fairly steady over the past six months, increasing by only 0.01 since January. This is the result of improving trends in some variables offset by softening trends in others. The first column of the table below shows the five labor market variables that made the largest contributions to the 0.01 increase. Overall, 14 variables made a positive contribution to the change in the activity indicator over the last six months, and 10 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 (that is, the share of long-term unemployed), which declined from 26 percent in January to 19 percent in July. This positive contribution was offset by the softening trend in employment plans captured by the NFIB survey. Indeed, the largest negative contributor to the level of activity was the percent of firms planning to increase employment. In July, 20 percent of surveyed firms reported plans to increase employment, down from 26 percent in January. The July reading is still well above the pre-pandemic average of 10 percent, but appears to be moderating.

### Largest Contributions to the LMCI

Contributions to the increase in the <i>level of activity</i> indicator over the last six months	Positive contributions to the <i>momentum</i> indicator in July 2022
Unemployed 27 or more weeks	Announced job cuts (Challenger-Gray-Christmas)
Job losers	Labor force participation rate
Job flows from U to E	Initial claims
Unemployment rate (U3)	Private nonfarm payroll employment
Percent of firms with positions not able to fill right now (NFIB)	Percent of firms with positions not able to fill right now (NFIB)

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

Although momentum has been edging down since January, the momentum indicator remained positive at 0.14 in July. The second column of the table shows the five variables that made the largest positive contributions to the momentum indicator in July 2022. Overall, 13 variables made a positive contribution to momentum in July, and 11 variables made a negative contribution. The largest positive contributor was announced job cuts (Challenger-Gray-

Christmas). In July, firms announced 16 job cuts per 100,000 members of the labor force. As in prior months, the largest negative contributor to momentum was the three-month percent change in average hourly earnings for production and nonsupervisory employees. 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.

