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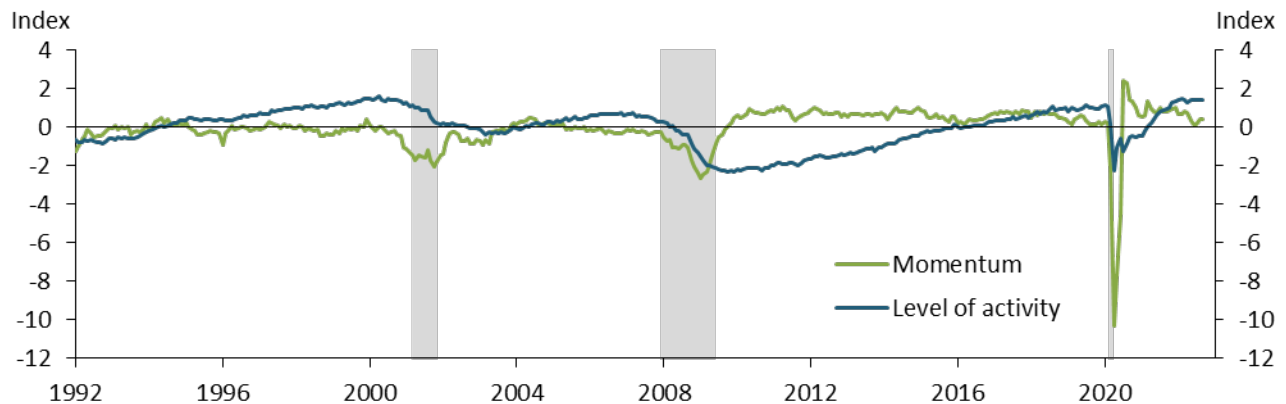
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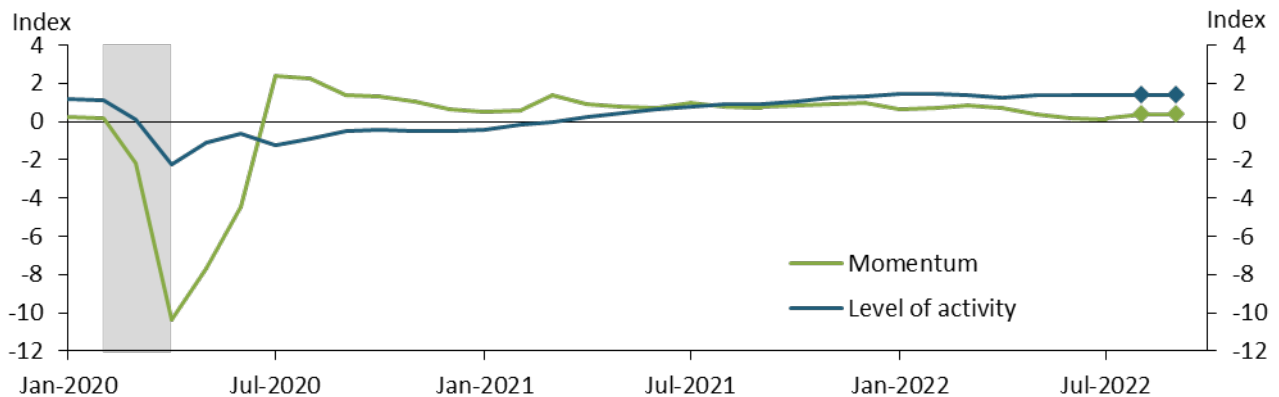
The KC Fed LMCI suggests both the level of activity and momentum were little changed in September.

The Kansas City Fed Labor Market Conditions Indicators (LMCI) suggest both the level of activity and momentum were little changed in September. The level of activity indicator was little changed in September at 1.39, and the momentum indicator was little changed at 0.39. As seen in the chart below, the momentum indicator remained above its longer-run average in September even as the level of activity indicator remained near its cyclical high.

LMCI January 1992–September 2022



LMCI January 2020–September 2022



These readings likely do not fully describe the state of the labor market at the end of September, 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 September 11 through September 17. Additionally, the most recent data from the Job Openings and Labor Turnover Survey (JOLTS) are for August. Therefore, labor market developments in the latter half of September will likely show up in the October 2022 LMCI readings.

The level of activity indicator has remained at a high level and fairly steady over the past six months, increasing by only 0.02 since March. This is the result of trends in some variables improving offset by trends in other variables softening. The first column of the table below shows the five labor market variables that made the largest contributions to the 0.02 increase. Overall, 13 variables made a positive contribution to the change in the activity indicator over the last six months, one variable made no contribution, and 10 variables made a negative contribution. The largest positive contributor to the level of activity was job leavers as a percent of total unemployed. In September, job leavers made up 15.9 percent of the unemployed compared with 13.0 percent in March. This means that an increased percentage of unemployed people left their jobs voluntarily rather than being fired. The largest negative contributor to the level of activity was the JOLTS quits rate. September data for this series are not yet available, but 3.0 percent of the employed quit their jobs in August, down from 3.3 percent in March. Although the quits rate has decreased slightly over the last six months, it is still well above the pre-pandemic average of 2.1 percent. The dynamic of the job leavers rate suggests more and more unemployed workers have become so voluntarily, consistent with a tight labor market favoring workers. In contrast, the dynamic of the quits rate implies fewer employed workers are leaving their jobs, potentially because job-switching opportunities are decreasing—suggesting the labor market may be softening along this dimension.

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 September 2022 |
|--|---|
| Job leavers | Announced job cuts (Challenger-Gray-Christmas) |
| Unemployed 27 or more weeks | Labor force participation rate |
| Percent of firms planning to increase employment (NFIB) | Initial claims |
| Job losers | Percent of firms planning to increase employment (NFIB) |
| Manufacturing employment index (ISM) | Percent of firms with positions not able to fill right now (NFIB) |

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

The second column of the table above shows the five variables that made the largest positive contributions to the momentum indicator in September 2022. Overall, 16 variables made a positive contribution to momentum in September, and eight variables made a negative contribution. The largest positive contributor was announced job cuts (Challenger-Gray-Christmas). In September, firms announced 18 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.

