The LMCI-Implied Unemployment Rate Suggests Actual Unemployment May Begin to Rise

by: José Mustre-del-Río and Emily Pollard

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Despite some signals of labor market slackening, the unemployment rate (blue line) has shown little upward movement over the past several months. However, the Kansas City Fed’s Labor Market Conditions Indicators (LMCI) unemployment rate (green line) suggests some loosening has begun. This alternative measure of the unemployment rate (updated from Glover, Mustre-del-Río, and Pollard 2021) began rising early in 2022 and now stands at 4.1 percent. Historically, turning points in this alternative measure have preceded turning points in the official measure, suggesting actual unemployment may begin to rise.

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