



# NEWS RELEASE

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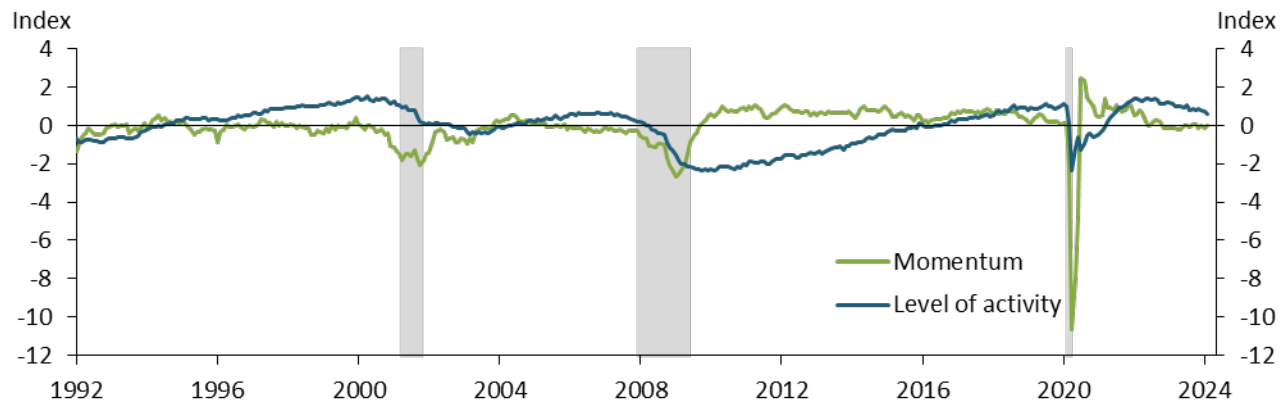
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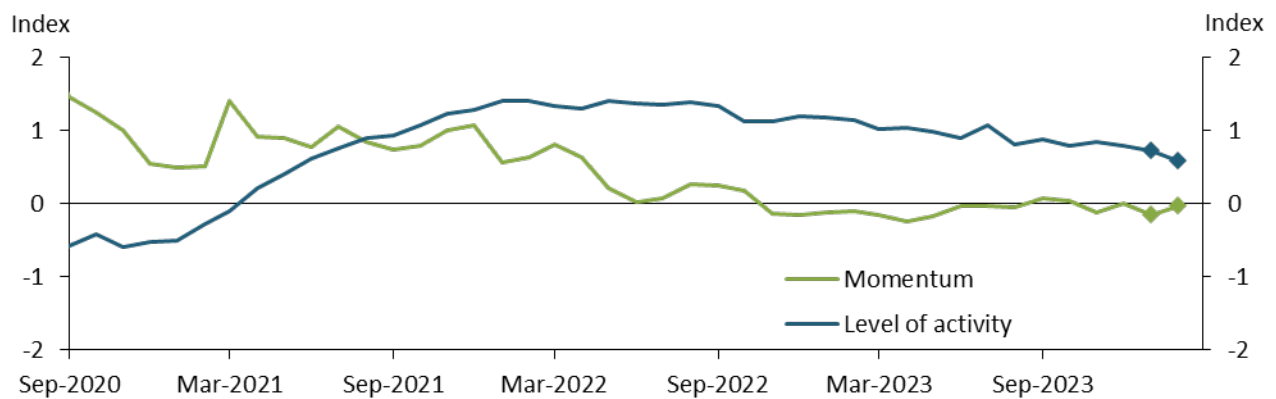
## The KC Fed LMCI suggests the level of activity declined, and momentum accelerated moderately in February.

The Kansas City Fed Labor Market Conditions Indicators (LMCI) suggest the level of activity declined, and momentum accelerated moderately in February. The level of activity decreased by 0.15, from 0.73 to 0.58, but remained above its historical average. The momentum indicator increased by 0.11, from  $-0.14$  to  $-0.03$ . Momentum has been very close to its historical average for the last year and a half.

### LMCI January 1992–February 2024



### LMCI September 2020–February 2024



Note: Bottom chart begins in September 2020 to remove pandemic-related volatility and more clearly illustrate recent developments in the series.

These readings likely do not fully describe the state of the labor market at the end of February, 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 February 11 through February 17. Additionally, the most recent data from the Job Openings and Labor Turnover Survey (JOLTS) are for January. Therefore, labor market developments in the latter half of February will likely show up in the March 2024 LMCI readings.

As previously noted, the level of activity indicator decreased by 0.15 from January to February. The first column of the table below shows the five labor market variables that made the largest contributions to the decrease in the activity indicator this month. Overall, 15 variables made a negative contribution to the change in the activity indicator, three variables made no contribution, and six variables made a positive contribution. The largest contributor to the decrease in the level of activity was job leavers as a percent of the unemployed. In February, 11 percent of unemployed workers had voluntarily left their previous jobs, down from 12.8 percent in January. Excluding the pandemic, this measure is now at its lowest level since December 2017. This decline suggests the composition of unemployment is tilting toward involuntary unemployment. Consistently, the share of job losers (a proxy for involuntary unemployment) is now at its highest level since late 2021—or since early 2017, excluding the pandemic.

### Largest Contributions to the LMCI

Contributions to the decrease in the <i>level of activity</i> indicator in February 2024	Negative contributions to the <i>momentum</i> indicator in February 2024
Job leavers	Manufacturing employment index (ISM)
Percent of firms planning to increase employment (NFIB)	Temporary help employment
Average hourly earnings	Unemployed 27 or more weeks
Percent of firms with positions not able to fill right now (NFIB)	Average hourly earnings
Job flows from U to E	Announced job cuts (Challenger-Gray-Christmas)

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

The second column of the table shows the five variables that made the largest negative contributions to the momentum indicator in February 2024. The momentum indicator was  $-0.03$  in February. Overall, 12 variables made a negative contribution to momentum in February, and 12 variables made a positive contribution. The largest negative contributor to momentum was the ISM manufacturing employment index. Readings above 50 indicate economic expansion. The index came in at 45.9 in February, the second lowest reading since July 2020—or since January 2016, excluding the pandemic.

