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September 7, 2022

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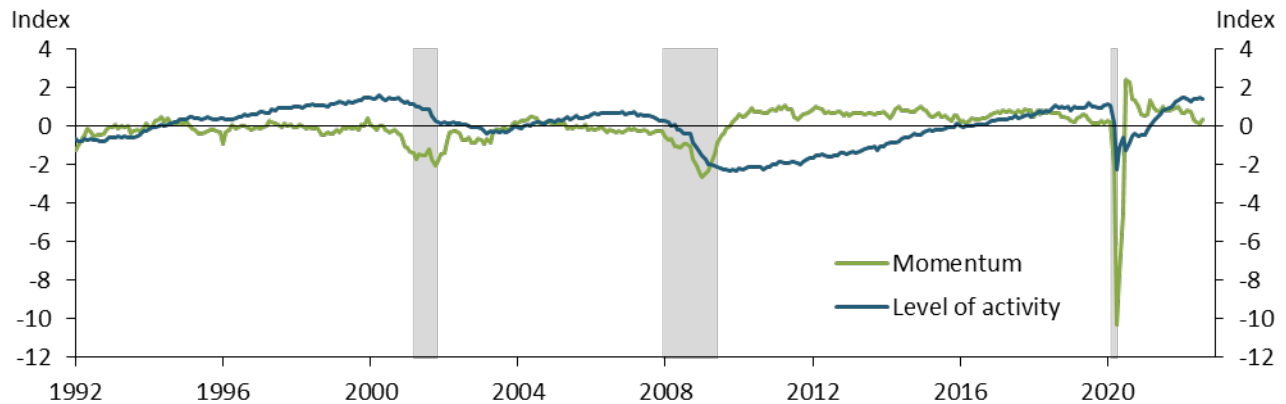
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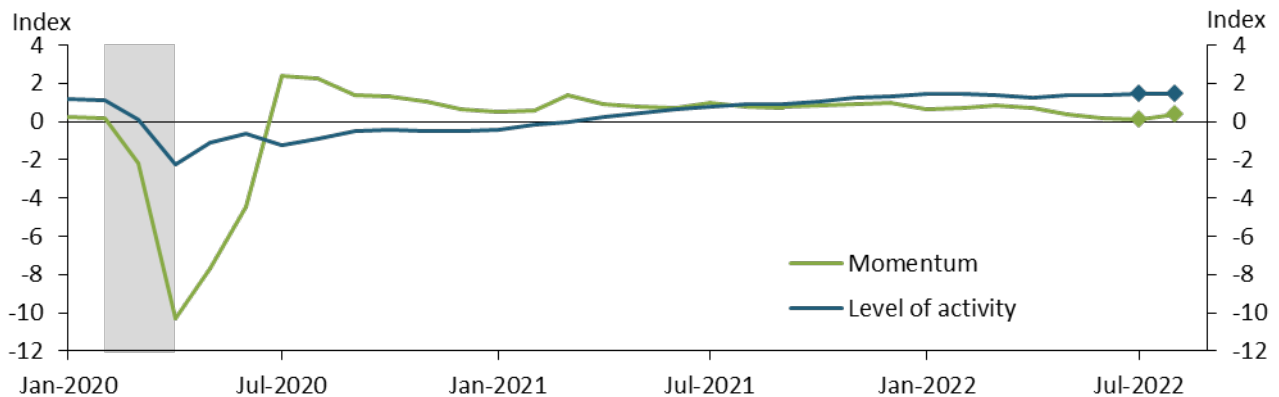
The KC Fed LMCI suggests the level of activity was little changed and momentum accelerated in August.

The Kansas City Fed Labor Market Conditions Indicators (LMCI) suggest the level of activity was little changed and momentum accelerated in August. The level of activity indicator was little changed in August at 1.43. Meanwhile, the momentum indicator accelerated by 0.22 in August from 0.14 to 0.36. As seen in the chart below, the momentum indicator remained above its longer-run average in August even as the level of activity indicator remained near its cyclical high.

LMCI January 1992–August 2022



LMCI January 2020–August 2022



These readings likely do not fully describe the state of the labor market at the end of August, 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 August 7 through August 13. Additionally, the most recent data from the Job Openings and Labor Turnover Survey (JOLTS) are for July. Therefore, labor market developments in the latter half of August will likely show up in the September 2022 LMCI readings.

The level of activity indicator has remained fairly steady at a high level over the past six months, decreasing by only 0.02 since its cyclical high in February. 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 0.02 decrease. Overall, nine variables made a negative contribution to the change in the activity indicator over the last six months, and 15 variables made a positive contribution. The largest negative contributor to the level of activity was the JOLTS hires rate. August data for this series are not yet available, but 4.6 percent of the employed were hired in July, down from 5.0 percent in February. Although the hires rate has decreased slightly over the last six months, it is still well above the pre-pandemic average of 4.0 percent. 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 27 percent in February to 19 percent in August.

Largest Contributions to the LMCI

Contributions to the decrease in the <i>level of activity</i> indicator over the last six months	Positive contributions to the <i>momentum</i> indicator in August 2022
Hires rate	Announced job cuts (Challenger-Gray-Christmas)
Quits rate	Manufacturing employment index (ISM)
Unemployment forecast (Blue Chip)	Labor force participation rate
Average hourly earnings	Initial claims
Job availability index (Conference Board)	Percent of firms with positions not able to fill right now (NFIB)

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

After several months of declines, the momentum indicator increased in August, coming in at 0.36. The second column of the table above shows the five variables that made the largest positive contributions to the momentum indicator in August 2022. Overall, 15 variables made a positive contribution to momentum in August, and nine variables made a negative contribution. The largest positive contributor was announced job cuts (Challenger-Gray-Christmas). In August, firms announced 12 job cuts per 100,000 members of the labor force, down from 16 job

cuts per 100,000 members of the labor force in July. 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.

