# NEWS RELEASE
## FEDERAL RESERVE BANK *of* KANSAS CITY
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## The KC Fed LMCI suggests the level of activity increased slightly while momentum was little changed in December.

The Kansas City Fed Labor Market Conditions Indicators (LMCI) suggest the level of activity increased slightly while momentum was little changed in December. The level of activity indicator increased by 0.04, from 1.17 to 1.21 in December. Meanwhile, the momentum indicator was little changed at −0.05. The momentum indicator remained below its longer-run average in December, while the level of activity indicator remained high.

### LMCI January 1992–December 2022
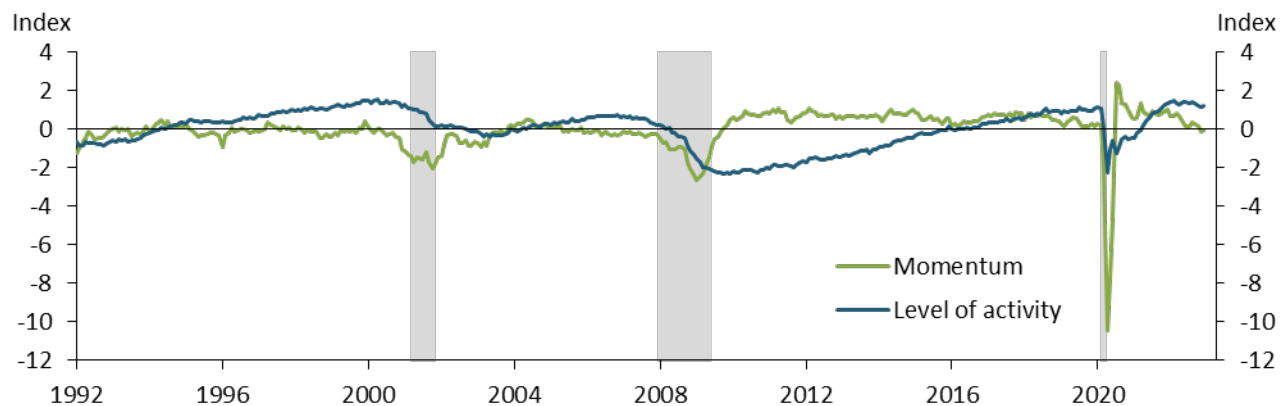


### LMCI January 2020–December 2022
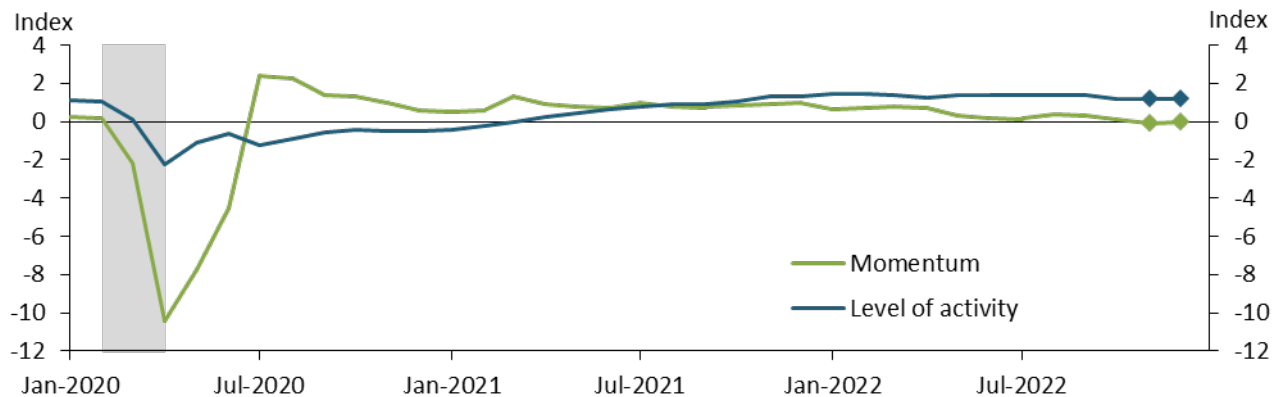
These readings likely do not fully describe the state of the labor market at the end of December, as many of the input data series reflect conditions early in the month. For example, data from the Bureau of Labor Statistics' Household Survey are from the reference period of December 11 through December 17. Additionally, the most recent data from the Job Openings and Labor Turnover Survey (JOLTS) are for November. Therefore, labor market developments in the latter half of December will likely show up in the January 2023 LMCI readings.

The level of activity indicator has decreased by 0.17 since June. However, the level of activity remains more than one standard deviation above its historical norm. The first column of the table below shows the five labor market variables that made the largest contributions to the 0.17 decrease. Overall, 12 variables made a negative contribution to the change in the activity indicator over the last six months, and 12 variables made a positive contribution. The largest negative contributor to the level of activity was the percent of firms with positions not able to fill right now (NFIB). In December, 41 percent of firms surveyed by the NFIB had positions they were not able to fill compared with 50 percent in June. The largest positive contributor to the level of activity was job flows from unemployment to employment as a percent of total unemployed. In December, 31 percent of workers who had been unemployed in the previous month found a job compared with 29 percent in June.

## Largest Contributions to the LMCI

| Contributions to the decrease in the *level of activity* indicator over the last six months | Negative contributions to the *momentum* indicator in December 2022 |
| --- | --- |
| Percent of firms with positions not able to fill right now (NFIB) | Temporary help employment |
| Unemployment forecast (Blue Chip) | Expected job availability (U of Michigan) |
| Quits rate | Average hourly earnings |
| Average hourly earnings | Job flows from U to E |
| Hires rate | Aggregate weekly hours |

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 December 2022. Overall, 10 variables made a negative contribution to momentum in December, and 14 variables made a positive contribution. The largest negative contributor to momentum in December 2022 was the three-month percent change in temporary help employment. From September to December 2022, temporary help employment fell 2.8 percent, the biggest decrease since June 2020. This is the first time since April 2021 that the three-month percent change in average hourly earnings for production and

nonsupervisory employees has not been the largest negative contributor to momentum. The largest positive contributor to momentum in December 2022 was initial claims. In each week of December 2022, 0.13 percent of the labor force, on average, made an initial unemployment insurance claim. This is near the series minimum of 0.11 percent and is a sign of a tight labor market.