News Release

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DENVER • OKLAHOMA CITY • OMAHA

One Memorial Drive • Kansas City, MO 64198 • Phone: 816.881.2683

The KC Fed LMCI suggests both the level of activity and momentum continued to rebound in June.

The Kansas City Fed Labor Market Conditions Indicators (LMCI) suggest both the level of activity and momentum continued to rebound in June from their historic lows in April. The level of activity indicator increased by 0.36 in June from −0.97 to −0.60, while the momentum indicator increased by 3.37 from −8.63 to −5.26. This is the largest one-month increase in the momentum indicator in the history of the series. The previous largest increase in the momentum indicator occurred last month, when momentum increased by 2.82.

These readings likely do not fully describe the state of the labor market at the end of June, 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 June 7 through June 13. Additionally, the most recent data from the Job Openings and Labor Turnover Survey (JOLTS) are for May. Therefore, labor market developments in the latter half of June will likely show up in the July 2020 LMCI readings.
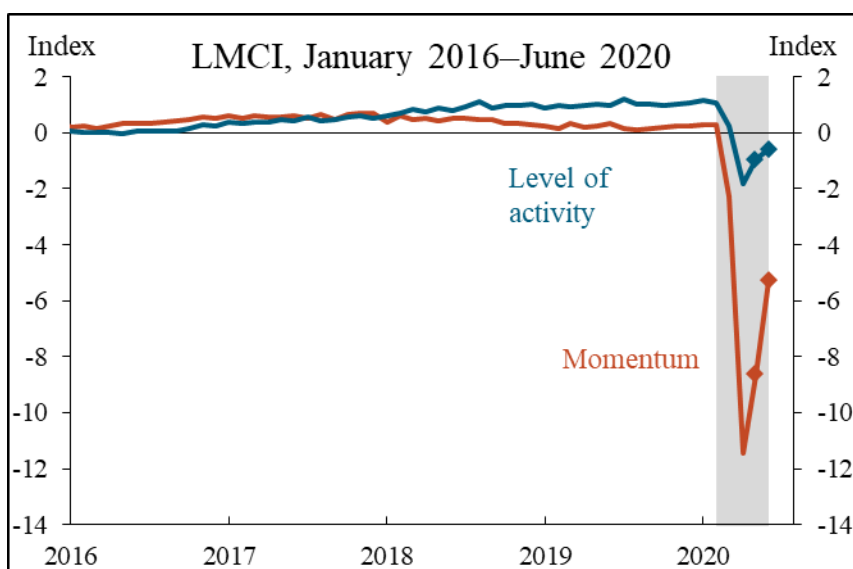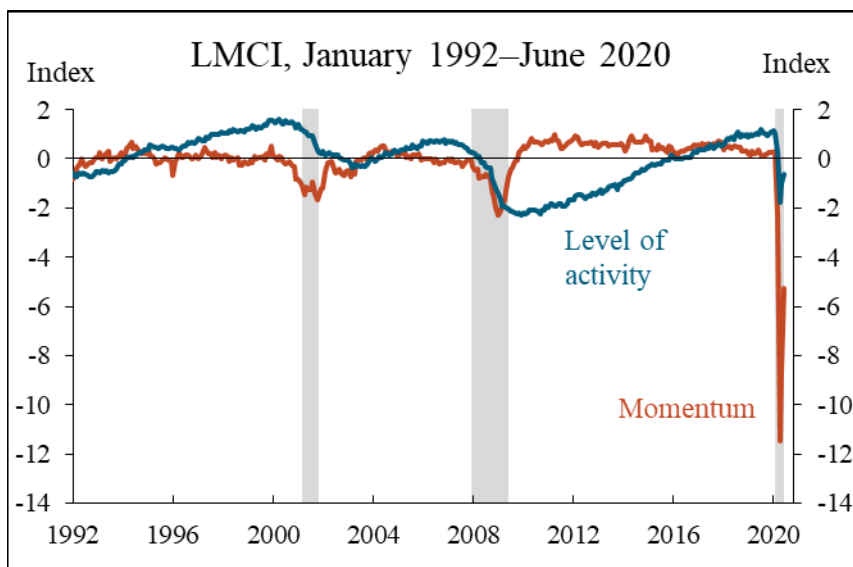
The table to the right shows the five labor market variables that made the largest contributions to the decrease in the activity indicator over the last six months. The activity indicator decreased by 1.69 over the last six months. The largest contributor to the decrease in the level of activity was job leavers as a percent of total unemployed. This series has only rebounded to 3.2 percent from its cyclical low of 2.5 percent in April and still remains 11.3 percentage points below the December 2019 reading of 14.5 percent. Overall, 14 variables made a negative contribution to the change in the activity indicator over the last six months, and 10 variables made a positive contribution. The largest positive

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 June 2020**
Job leavers	Private nonfarm payroll employment
Job losers	Aggregate weekly hours
Unemployment rate (U3)	Temporary help employment
Broad unemployment rate (U6)	Average hourly earnings
Unemployment forecast (Blue Chip)	Initial claims

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

contributor to the level of activity indicator was average hourly earnings. However, this signal is likely misleading. Although average hourly earnings remained elevated in June, this was largely due to many low-wage workers remaining jobless. Thus, the true level of activity is likely lower than the June reading suggests.

The table also shows the five variables that made the largest negative contributions to the momentum indicator in June 2020. The momentum indicator was −5.26 in June, where the largest negative contributor was private nonfarm payroll employment. In June, private nonfarm payroll employment rose by an unprecedented 4.8 million jobs. However, the LMCI uses as its input the three-month percent change in private nonfarm payroll employment; though June's gains were significant, private employment is still more than 9 percent below its level in March. Overall, 17 variables made a negative contribution to momentum in June, and seven variables made a positive contribution. The variable that made the largest positive contribution to momentum was expected job availability from the University of Michigan Survey of Consumers. In June, the number of respondents expecting unemployment to decline in the next year rose notably. Thus, the rebound in the momentum indicator reflects improving sentiment of the medium-term outlook for the labor market.