News Release

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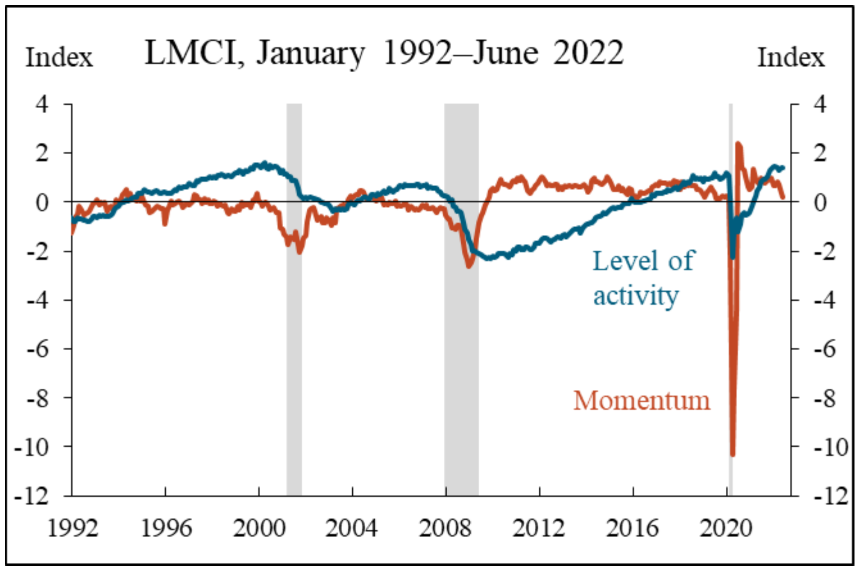
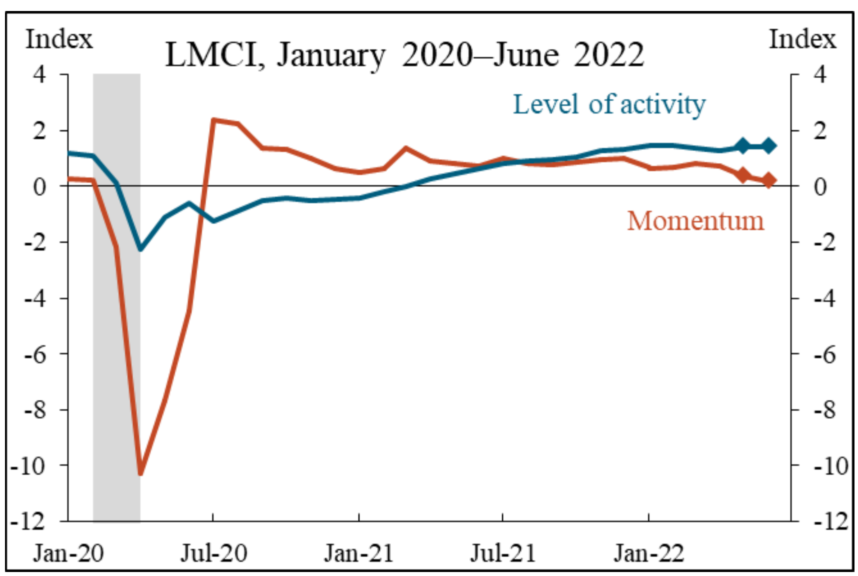
The KC Fed LMCI suggests the level of activity was little changed and momentum decelerated moderately in June.

The Kansas City Fed Labor Market Conditions Indicators (LMCI) suggest the level of activity was little changed and momentum decelerated moderately in June. The level of activity indicator was little changed in June at 1.42. Meanwhile, the momentum indicator decelerated by 0.18 in June from 0.36 to 0.18. With declines in April and May as well, the momentum indicator has decelerated by a cumulative 0.64 since March. However, the momentum indicator remained above its longer-run average in June even as the level of activity indicator remained near its cyclical high.



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 12 through June 18. 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 2022 LMCI readings.



The level of activity indicator has increased by 0.09 since December 2021. The table to the right shows the five labor market variables that made the largest contributions to this increase. Overall, 16 variables made a positive contribution to the change in the activity indicator over the last six months, and eight variables made a negative contribution. The largest positive contributor to the level of activity was job leavers as a percent of total unemployed. In June, job leavers made up 14 percent of the unemployed compared with 11.4 percent in December 2021. This means that an increased percentage of unemployed people left their jobs voluntarily rather than being fired. The largest negative contributor to the level of activity was the percent of firms planning to increase employment (NFIB). In June, 19 percent of surveyed firms reported plans to increase employment, down from 28 percent in December 2021. However, the June reading is still well above the pre-pandemic average of 10 percent. Overall, both of these contributors indicate a tight labor market in which job opportunities are plentiful.

Largest Contributions to the LMCI

Contributions to the increase in the *level of activity* indicator over the last six months	**Positive contributions to the *momentum* indicator in June 2022**
Job leavers	Announced job cuts (Challenger-Gray-Christmas)
Unemployed 27 or more weeks	Labor force participation rate
Job losers	Initial claims
Temporary help employment	Percent of firms with positions not able to fill right now (NFIB)
Job flows from U to E	Private nonfarm payroll employment

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

The table also shows the five variables that made the largest positive contributions to the momentum indicator in June 2022. The momentum indicator was 0.18 in June. Overall, 14 variables made a positive contribution to momentum in June, and 10 variables made a negative contribution. The largest positive contributor was announced job cuts (Challenger-Gray-Christmas). In June, firms announced 20 job cuts per 100,000 members of the labor force. Although this is well below the pre-pandemic average of 44 job cuts per 100,000 members of the labor force, the number of announced job cuts has more than doubled since February. Therefore, while the series continues to make a strong positive contribution to momentum, that contribution has been shrinking, leading to a weaker momentum reading this month. 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. Aside from wage growth, both the ISM manufacturing employment index and the University of Michigan expected job availability index have contributed to a slowdown in the momentum indicator since March. The ISM manufacturing employment index is now in contractionary territory, while the University of Michigan survey appears to be signalling increased pessimism about the future of the labor market. Put together, these indicators suggest the slowdown in momentum observed over the past three months may continue.