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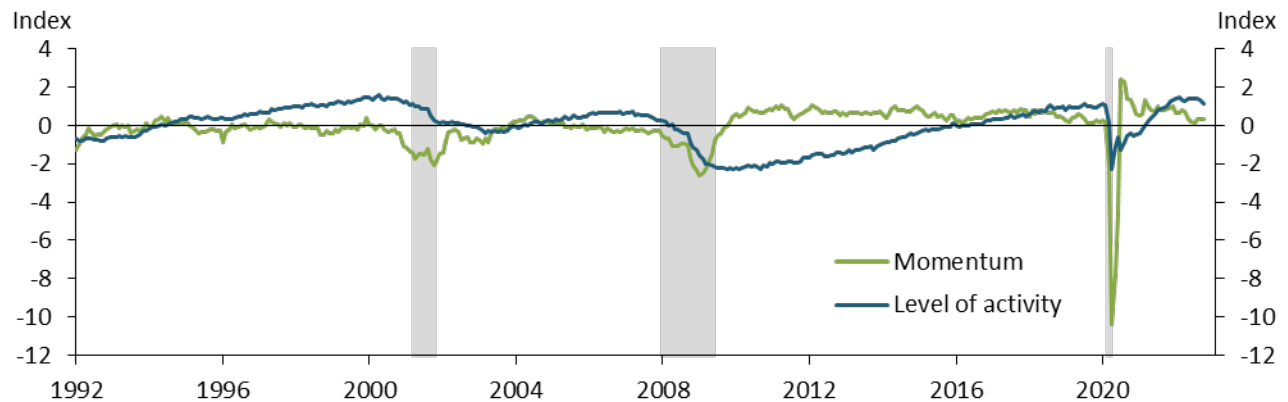
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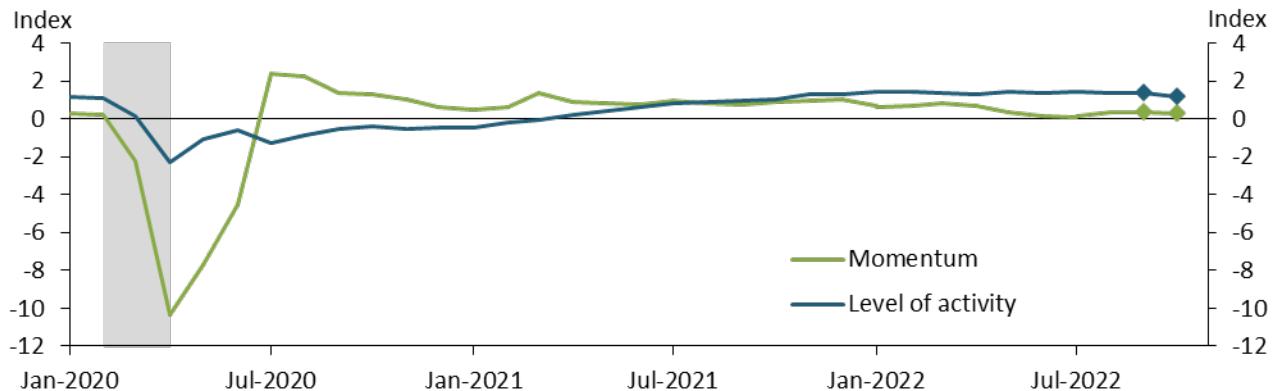
The KC Fed LMCI suggests the level of activity declined and momentum was little changed in October.

The Kansas City Fed Labor Market Conditions Indicators (LMCI) suggest the level of activity declined and momentum was little changed in October. The level of activity indicator declined by 0.22 in October from 1.37 to 1.15. Meanwhile, the momentum indicator was little changed at 0.30. As seen in the chart below, the momentum indicator remained above its longer-run average in October, and the level of activity indicator remained high.

LMCI January 1992–October 2022



LMCI January 2020–October 2022



These readings likely do not fully describe the state of the labor market at the end of October, 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 October 9 through October 15. Additionally, the most recent data from the Job Openings and Labor Turnover Survey (JOLTS) are for September. Therefore, labor market developments in the latter half of October will likely show up in the November 2022 LMCI readings.

The level of activity indicator has decreased by 0.12 since April. 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 0.12 decrease. Overall, 11 variables made a negative contribution to the change in the activity indicator over the last six months, three variables made no contribution, and 10 variables made a positive contribution. The largest negative contributor to the level of activity was the JOLTS quits rate. October data for this series are not yet available, but 2.9 percent of the employed quit their jobs in September, down from 3.2 percent in April. The largest positive contributor to the level of activity was job leavers as a percent of total unemployed. In September, job leavers made up 14.6 percent of the unemployed compared with 13.1 percent in April. This means that an increased percentage of unemployed people left their jobs voluntarily rather than being fired, consistent with a tight labor market favoring workers. However, the downward trend of the quits rate suggests fewer employed workers are leaving their current jobs for new ones, suggesting the labor market may be softening along this dimension.

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 October 2022
Quits rate	Announced job cuts (Challenger-Gray-Christmas)
Hires rate	Labor force participation rate
Unemployment forecast (Blue Chip)	Initial claims
Job availability index (Conference Board)	Percent of firms with positions not able to fill right now (NFIB)
Job flows from U to E	Percent of firms planning to increase employment (NFIB)

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

The second column of the table above shows the five variables that made the largest positive contributions to the momentum indicator in October 2022. Overall, 14 variables made a positive contribution to momentum in October, and 10 variables made a negative contribution. The largest positive contributor was announced job cuts (Challenger-Gray-Christmas). In October,

firms announced 21 job cuts per 100,000 members of the labor force, well below the pre-pandemic average of 44 job cuts per 100,000 members of the labor force. 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. Although this measure remains elevated, it has been declining since June, suggesting its drag on momentum could wane in the coming months.

