# NEWS RELEASE

FEDERAL RESERVE BANK of KANSAS CITY

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**FOR IMMEDIATE RELEASE**
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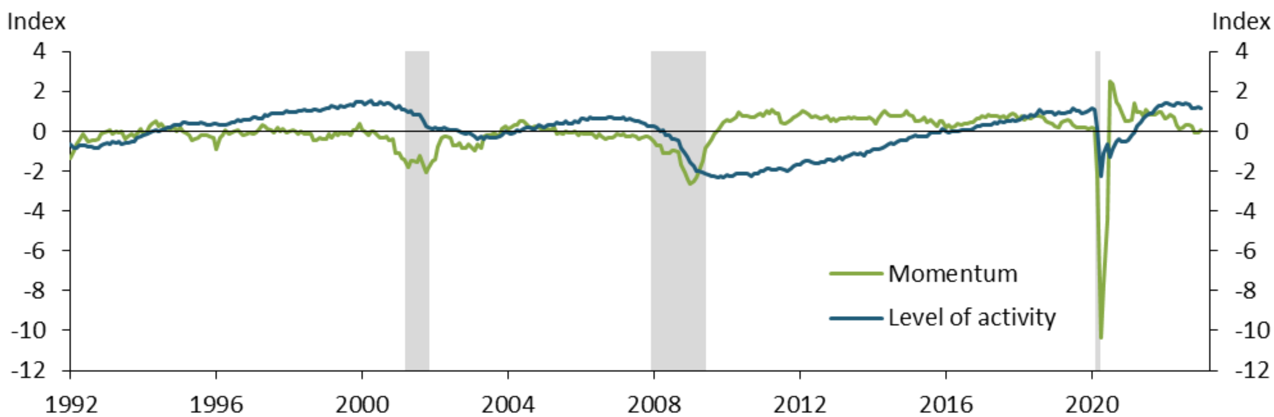
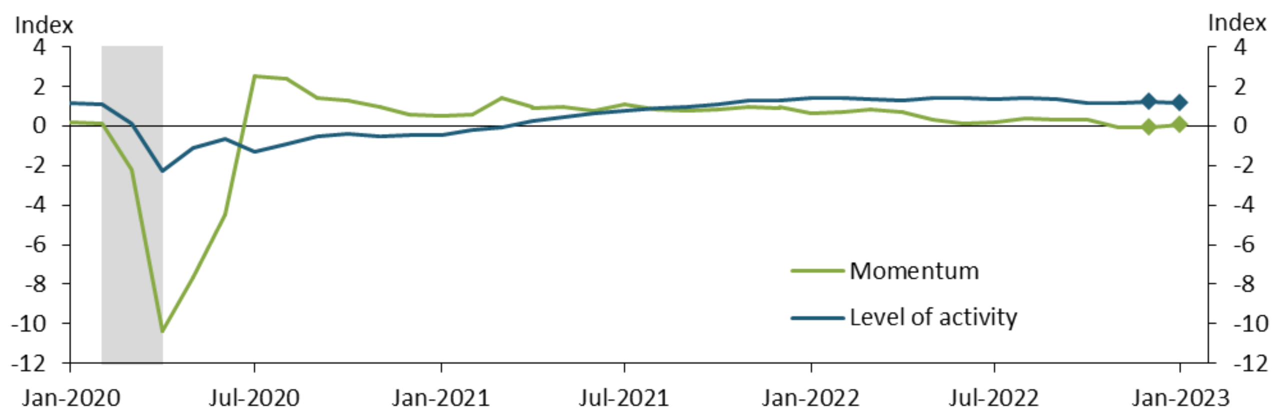
## The KC Fed LMCI suggests the level of activity declined slightly while momentum accelerated moderately in January.

The Kansas City Fed Labor Market Conditions Indicators (LMCI) suggest the level of activity declined slightly while momentum accelerated moderately in January. The level of activity indicator decreased by 0.05, from 1.22 to 1.17 in January. Meanwhile, the momentum indicator accelerated by 0.12, from −0.05 to 0.07. This month marks the first positive turn for momentum after two months of negative readings. However, in all three months, the momentum indicator was near its longer-run average; over the same period, the level of activity remained high.

### LMCI January 1992–January 2023




### LMCI January 2020–January 2023



These readings likely do not fully describe the state of the labor market at the end of January, 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 January 8 through January 14. Additionally, the most recent data from the Job Openings and Labor Turnover Survey (JOLTS) are for December 2022. Therefore, labor market developments in the latter half of January will likely show up in the February 2023 LMCI readings.

The level of activity indicator has decreased by 0.19 since July but 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 0.19 decrease. Overall, 13 variables made a negative contribution to the change in the activity indicator over the last six months, and 11 variables made a positive contribution. The largest negative contributor to the level of activity was job flows from unemployment to employment as a percent of total unemployed. In January, 27 percent of workers who were unemployed in the previous month became employed compared with 31 percent in July. The largest positive contributor to the level of activity was job leavers as a percent of total unemployed. In January, job leavers made up 15.3 percent of the unemployed compared with 14.7 percent in July. This increase means that a higher percentage of unemployed people left their jobs voluntarily rather than being fired, consistent with a tight labor market favoring workers. However, the downward trend in job flows from unemployment to employment suggests unemployed workers are finding new jobs less quickly.

## Largest Contributions to the LMCI

| **Contributions to the decrease in the *level of activity* indicator over the last six months** | **Positive contributions to the *momentum* indicator in January 2023** |
|---|---|
| Job flows from U to E | Initial claims |
| Unemployment forecast (Blue Chip) | Labor force participation rate |
| Hires rate | Aggregate weekly hours |
| Percent of firms with positions not able to fill right now (NFIB) | Percent of firms with positions not able to fill right now (NFIB) |
| Quits rate | Private nonfarm payroll employment |

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 positive contributions to the momentum indicator in January 2023. Overall, 13 variables made a positive contribution to momentum in January, and 11 variables made a negative contribution. The largest positive contributor to momentum in January 2023 was initial claims. In January, initial claims averaged roughly 192,000 per week, a step-down from the pace of 216,000 seen in

December. The largest negative contributor to momentum in January 2023 was the three-month percent change in temporary help employment. While temporary help employment increased in January, this followed two consecutive months of declines. Temporary help employment is often viewed as a leading indicator of activity in the labor market and has been a negative contributor to the momentum indicator for the past four months.