



# NEWS RELEASE

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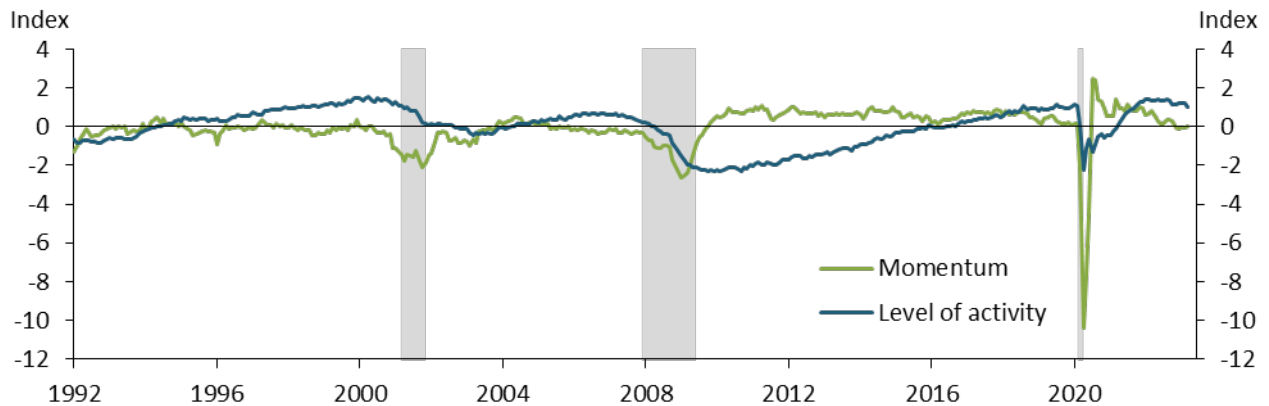
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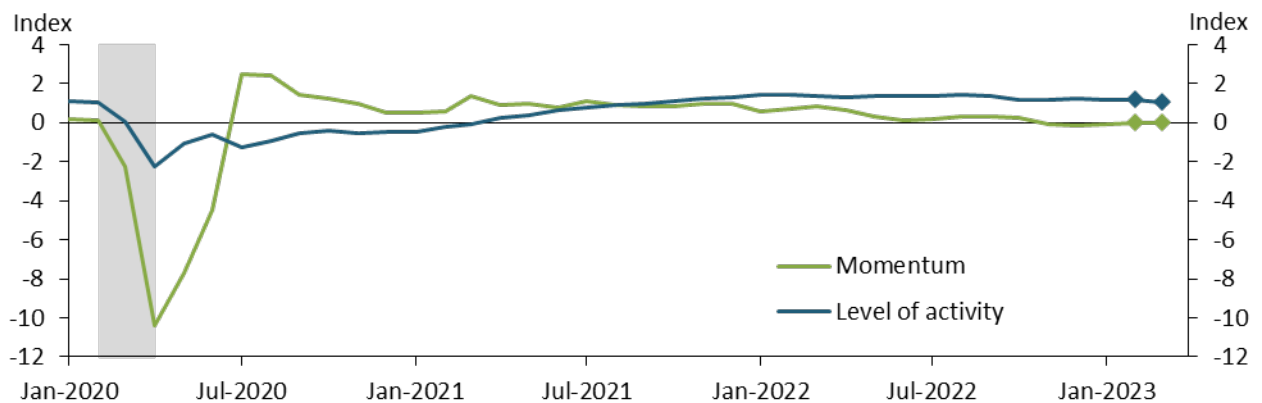
## The KC Fed LMCI suggests the level of activity declined and momentum was little changed in March.

The Kansas City Fed Labor Market Conditions Indicators (LMCI) suggest the level of activity declined and momentum was little changed in March. The level of activity decreased by 0.15, from 1.19 to 1.04 in March. The momentum indicator was little changed at  $-0.01$ , but has been negative for five consecutive months.

### LMCI January 1992–March 2023



### LMCI January 2020–March 2023



These readings likely do not fully describe the state of the labor market at the end of March, 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 March 12 through March 18. Additionally, the most recent data from the Job Openings and Labor Turnover Survey (JOLTS) are for February. Therefore, labor market developments in the latter half of March will likely show up in the April 2023 LMCI readings.

The level of activity indicator has decreased by 0.30 since September 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 decrease in the activity indicator. Overall, 16 variables made a negative contribution to the change in the activity indicator over the last six months, two variables made no contribution, and six variables made a positive contribution. The largest contributor to the decrease in the level of activity was NFIB’s measure of the percent of firms planning to increase employment. In March 2023, 15 percent of firms reported that they were planning to increase employment compared with 23 percent in September 2022. The downward trend in firms reporting plans to increase employment suggests weakening labor demand, thus contributing to the decline in activity.

### Largest Contributions to the LMCI

Contributions to the decrease in the <i>level of activity</i> indicator over the last six months	Negative contributions to the <i>momentum</i> indicator in March 2023
Percent of firms planning to increase employment (NFIB)	Manufacturing employment index (ISM)
Job leavers	Average hourly earnings
Job losers	Unemployed 27 or more weeks
Percent of firms with positions not able to fill right now (NFIB)	Expected job availability (U of Michigan)
Quits rate	Announced job cuts (Challenger-Gray-Christmas)

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 March 2023. The momentum indicator was  $-0.01$  in March. Overall, 12 variables made a negative contribution to momentum in March, and 12 variables made a positive contribution. The largest negative contributor to momentum was the ISM’s manufacturing employment index. The index came in at 46.9 in March, indicating a contraction in manufacturing employment and potentially lower momentum in the labor market moving forward.

