



NEWS RELEASE

FEDERAL RESERVE BANK *of* KANSAS CITY
DENVER • OKLAHOMA CITY • OMAHA

FOR IMMEDIATE RELEASE

May 9, 2023

Contact: Bill Medley

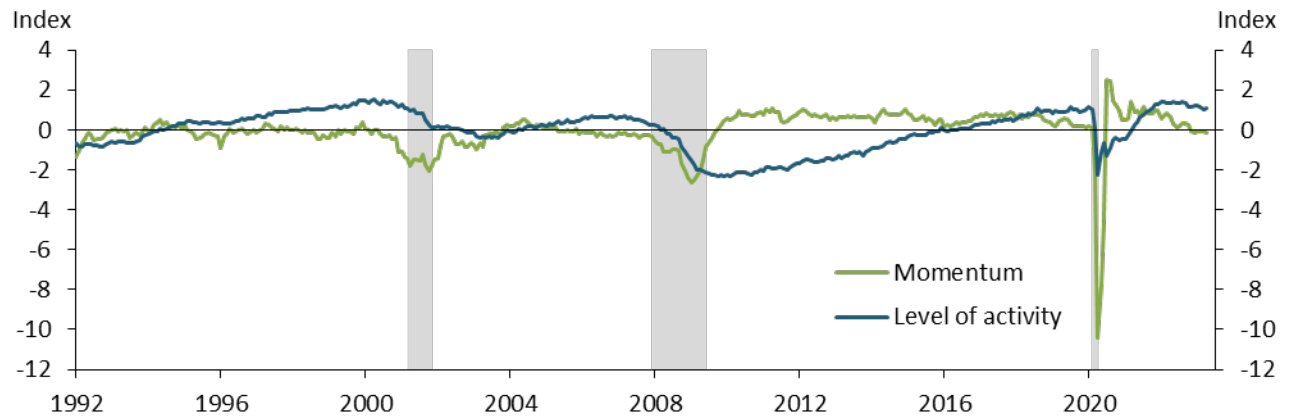
816-881-2556

Bill.Medley@kc.frb.org

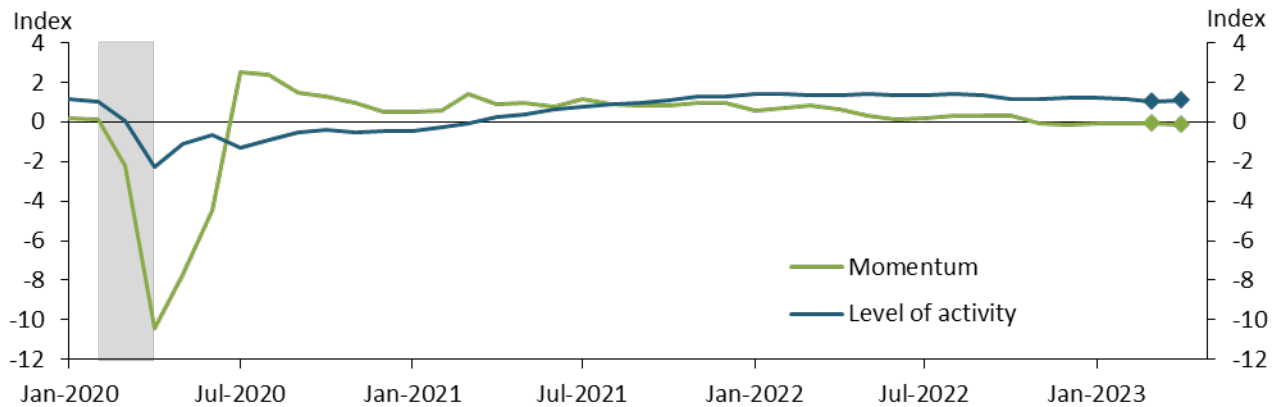
The KC Fed LMCI suggests the level of activity increased slightly and momentum decelerated moderately in April.

The Kansas City Fed Labor Market Conditions Indicators (LMCI) suggest the level of activity increased slightly and momentum decelerated moderately in April. The level of activity increased by 0.06, from 1.01 to 1.07, in April. The momentum indicator decreased by 0.11 from -0.06 to -0.17 and has been negative for six consecutive months.

LMCI January 1992–April 2023



LMCI January 2020–April 2023



These readings likely do not fully describe the state of the labor market at the end of April, 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 April 9 through April 15. Additionally, the most recent data from the Job Openings and Labor Turnover Survey (JOLTS) are for March. Therefore, labor market developments in the latter half of April will likely show up in the May 2023 LMCI readings.

The level of activity indicator has decreased by 0.09 since October 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, 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 contributor to the decrease in the level of activity was the JOLTS quits rate. April data for this series are not yet available, but 2.7 percent of the employed quit their jobs in March, down from 2.9 percent in September. 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	Negative contributions to the <i>momentum</i> indicator in April 2023
Quits rate	Average hourly earnings
Percent of firms planning to increase employment (NFIB)	Expected job availability (U of Michigan)
Expected job availability (Conference Board)	Temporary help employment
Job leavers	Aggregate weekly hours
Unemployed 27 or more weeks	Unemployed 27 or more weeks

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 April 2023. The momentum indicator was -0.17 in April. Overall, 11 variables made a negative contribution to momentum in April, and 13 variables made a positive contribution. 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, thus signaling less momentum in the labor market.

