NEWS RELEASE
FEDERAL RESERVE BANK of KANSAS CITY
DENVER • OKLAHOMA CITY • OMAHA

The KC Fed LMCI suggests the level of activity declined and momentum edged slightly higher in May.

The Kansas City Fed Labor Market Conditions Indicators (LMCI) suggest the level of activity declined and momentum was little changed in May. The level of activity decreased by 0.13, from 1.06 to 0.93, in May. Although the momentum indicator remained in negative territory for the seventh consecutive month, it did move slightly closer to its historical average coming in at −0.002.

LMCI January 1992–May 2023
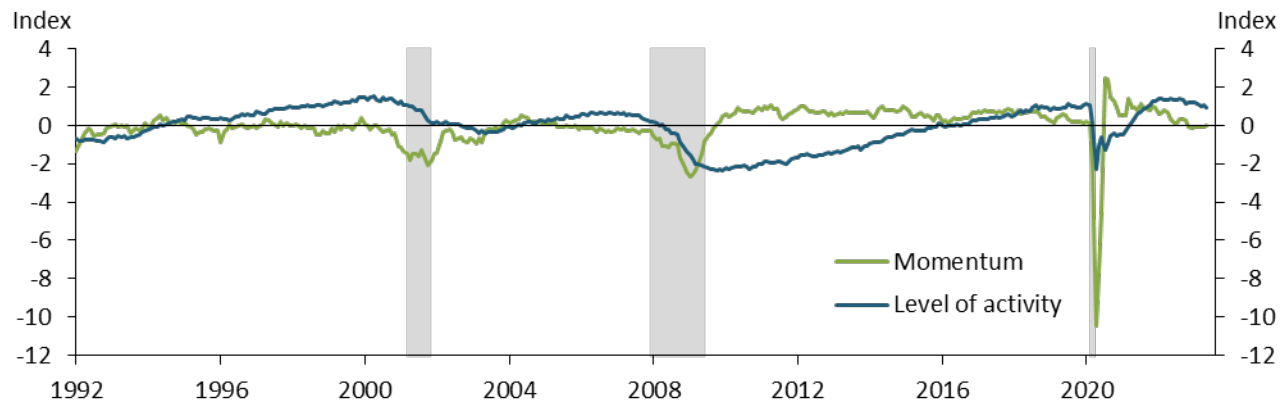
LMCI January 2020–May 2023
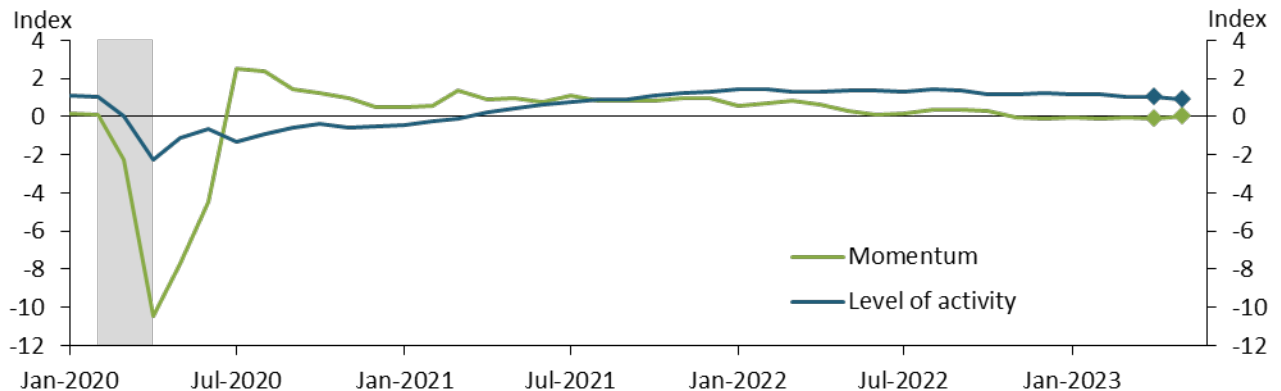
These readings likely do not fully describe the state of the labor market at the end of May, as many of the input data series reflect conditions early in the month. For example, data from the Bureau of Labor Statistics' Household Survey are from the reference period of May 7 through May 13. Additionally, the most recent data from the Job Openings and Labor Turnover Survey (JOLTS) are for April. Therefore, labor market developments in the latter half of May will likely show up in the June 2023 LMCI readings.

The level of activity indicator has decreased by 0.24 since November. 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, 15 variables made a negative contribution to the change in the activity indicator over the last six months, two variables made no contribution, and seven variables made a positive contribution. The largest contributor to the decrease in the level of activity was job flows from unemployment to employment as a percent of total unemployed. In May, 26 percent of workers who were unemployed in the previous month became employed compared with 30 percent in November 2023. The downward trend in job flows from unemployment to employment suggests unemployed workers are taking longer to find new jobs, thus contributing to the decline in activity.

Largest Contributions to the LMCI

Contributions to the decrease in the *level of activity* indicator over the last six months	Negative contributions to the *momentum* indicator in May 2023
Job flows from U to E	Average hourly earnings
Quits rate	Expected job availability (U of Michigan)
Job leavers	Unemployed 27 or more weeks
Job losers	Temporary help employment
Expected job availability (Conference Board)	Expected job availability (Conference Board)

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 May 2023. The momentum indicator was −0.002 in May. Overall, 12 variables made a negative contribution to momentum in May, and 12 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.