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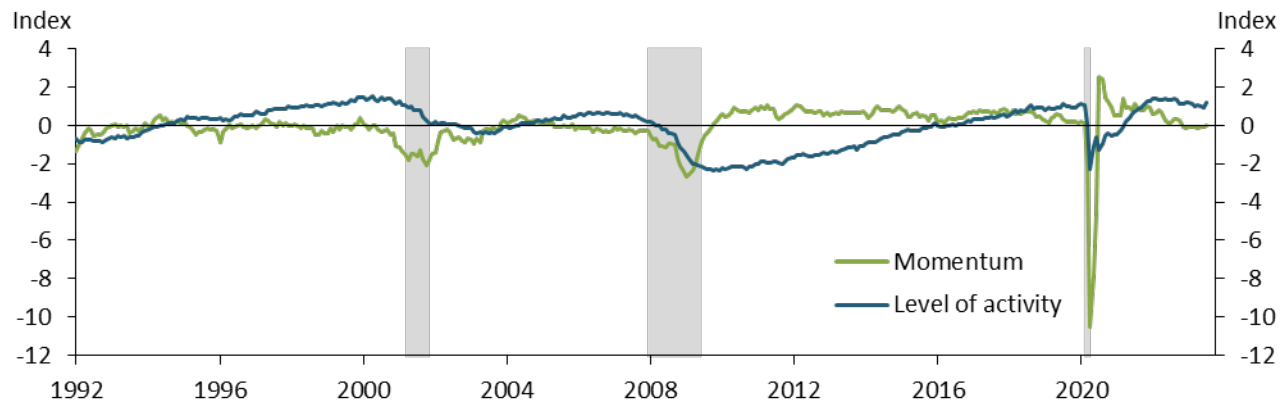
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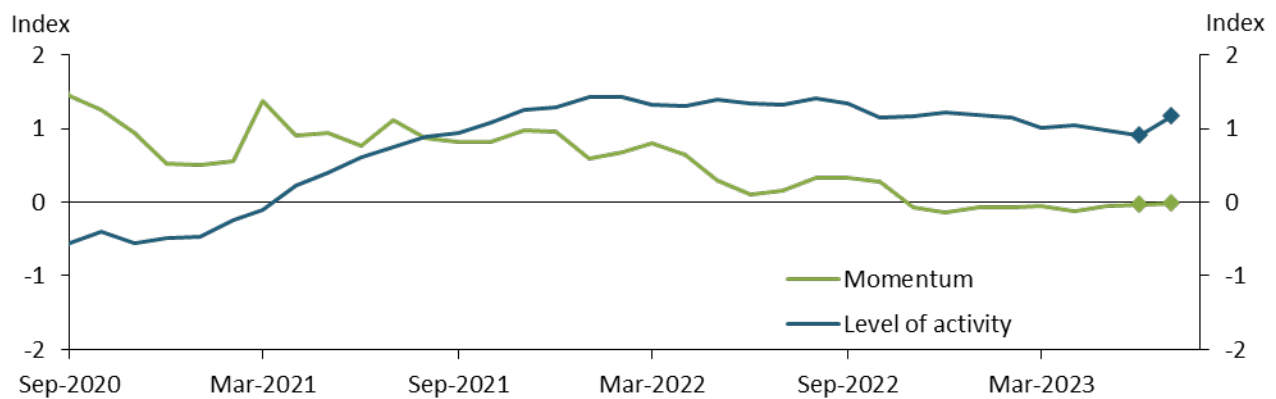
The KC Fed LMCI suggests the level of activity increased sharply yet momentum was little changed in July.

The Kansas City Fed Labor Market Conditions Indicators (LMCI) suggest the level of activity increased sharply and momentum was little changed in July. The level of activity increased by 0.26, from 0.91 to 1.17 in July. Although the momentum indicator remained in negative territory for the ninth consecutive month, it remained close to its historical average at -0.01 .

LMCI January 1992–July 2023



LMCI September 2020–July 2023



Note: Bottom chart begins in September 2020 to remove pandemic-related volatility and more clearly illustrate recent developments in the series.

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

As previously noted, the level of activity indicator increased by 0.26 from June to July, erasing almost all of the decline seen in the first half of the year. The first column of the table below shows the five labor market variables that made the largest contributions to the increase in the activity indicator this month. Overall, 16 variables made a positive contribution to the change in the activity indicator, two variables made no contribution, and six variables made a negative contribution. The largest contributor to the increase in the level of activity were flows from unemployment to employment (the job finding rate). In July, 31 percent of workers who were previously unemployed found a job, up from 27 percent a month ago.

Largest Contributions to the LMCI

Contributions to the increase in the <i>level of activity</i> indicator in July 2023	Negative contributions to the <i>momentum</i> indicator in July 2023
Job flows from U to E	Manufacturing employment index (ISM)
Job leavers	Average hourly earnings
Job losers	Temporary help employment
Hires rate	Job flows from U to E
Percent of firms planning to increase employment (NFIB)	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 July 2023. The momentum indicator was -0.01 in July. Overall, nine variables made a negative contribution to momentum in July, and 15 variables made a positive contribution. The largest negative contributor to momentum was the ISM manufacturing employment index. Readings above 50 indicate economic expansion. The index came in at 44.4 in July, the lowest reading in three years.

Overall, these LMCI readings suggest the labor market remains tight and favorable for workers. The activity indicator highlights that opportunities remain for job seekers, while the essentially flat momentum indicator suggests the labor market is less likely to be at a turning point.

