

News Release

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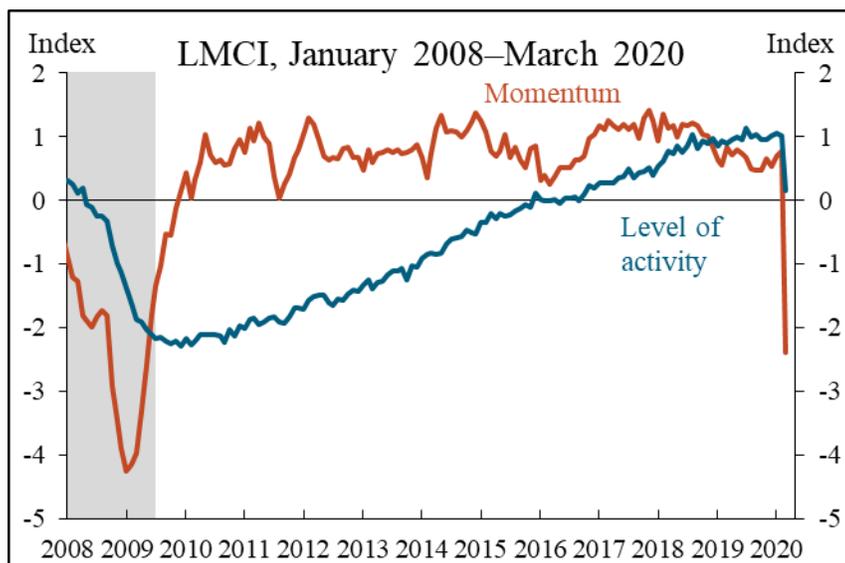
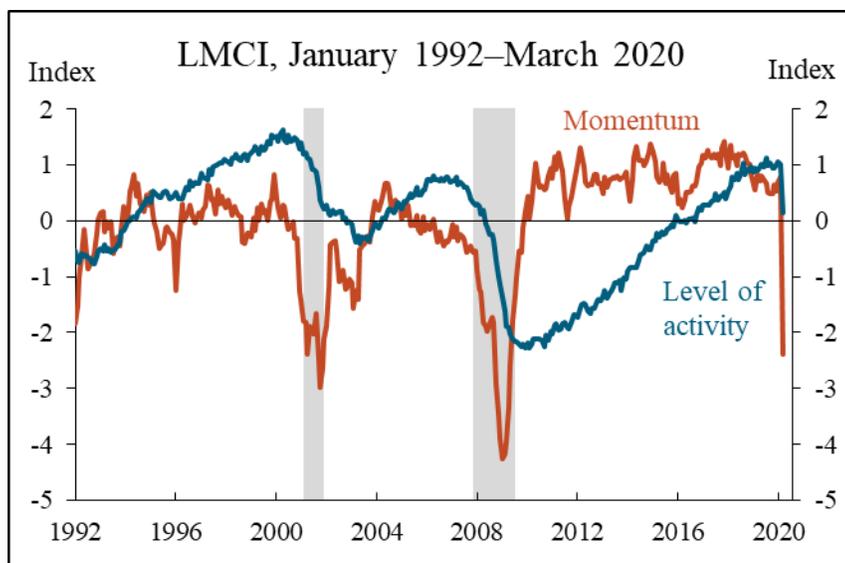
FOR IMMEDIATE RELEASE
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The KC Fed LMCI suggests the level of activity declined sharply and momentum decelerated sharply in March.

The Kansas City Fed Labor Market Conditions Indicators (LMCI) suggest the level of activity declined sharply and momentum decelerated sharply in March. The level of activity indicator decreased by 0.87 in March from 1.02 to 0.15, while the momentum indicator decreased by 3.18 from 0.78 to -2.40 . These are the largest one-month declines in the history of the series. The previous largest declines occurred in October 2008, when the level of activity dropped by 0.37 and momentum dropped by 1.10.

Although these were unprecedented declines, the input data likely understate the deterioration in the labor market during March. Many of the input data series were calculated based on conditions early in the month. For example, data from the Bureau of Labor Statistics' Household Survey used a reference period of March 8 through March 14. Additionally, the most recent data from the Job Openings and Labor Turnover Survey (JOLTS) are for February. Therefore, some of the March deterioration in labor market conditions will likely show up in the April 2020 LMCI readings.



The table below shows the five labor market variables that made the largest contributions to the decrease in the activity indicator over the last six months and the five variables that made the largest negative contributions to the momentum indicator in March 2020. The activity indicator decreased 0.88 over the last six months. The largest contributor to the decrease in the level of activity was initial claims. Seventeen variables made a negative contribution, two variables made no contribution, and five variables made a positive contribution. The momentum indicator was -2.40 in March, where the largest negative contributor was initial claims. Fifteen variables made a negative contribution, and nine variables made a positive contribution.

| 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 2020 |
| Initial claims | Initial claims |
| Job losers | Announced job cuts (Challenger-Gray-Christmas) |
| Job leavers | Aggregate weekly hours |
| Percent of firms planning to increase employment (NFIB) | Manufacturing employment index (ISM) |
| Working part time for economic reasons | Private nonfarm payroll employment |
| <i>Note: Contributions are ordered from largest in absolute value to smallest.</i> | |

