

# News Release

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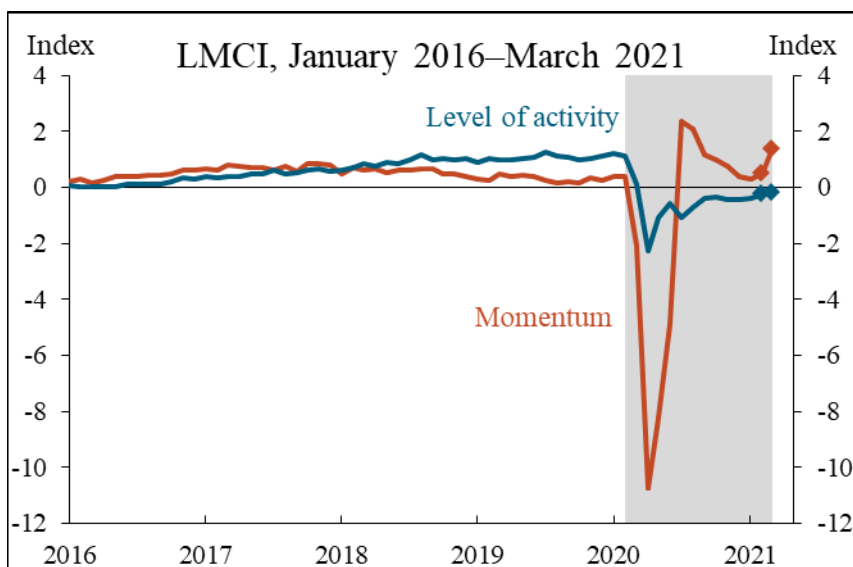
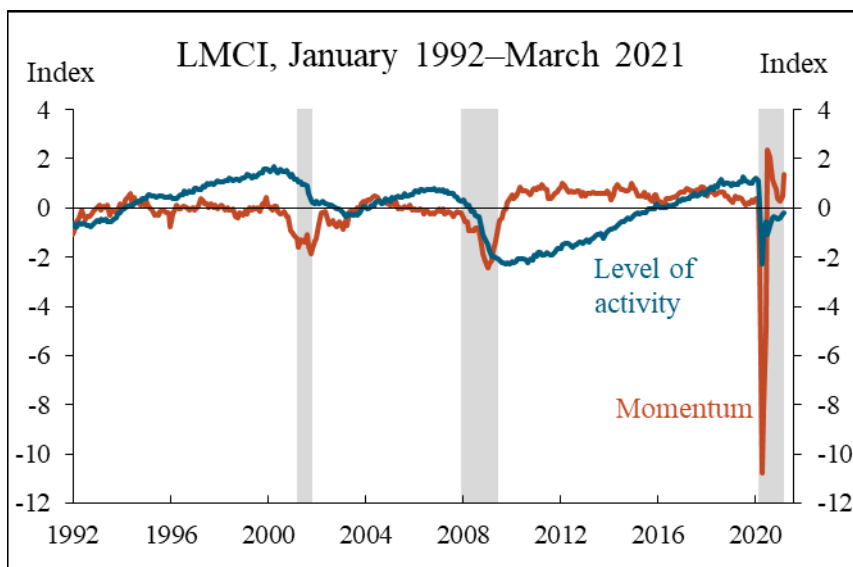
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## The KC Fed LMCI suggests the level of activity increased modestly in March while momentum accelerated sharply.

The Kansas City Fed Labor Market Conditions Indicators (LMCI) suggest the level of activity increased modestly in March while momentum accelerated sharply. The level of activity indicator increased by 0.06 in March from  $-0.25$  to  $-0.19$ . Meanwhile, the momentum indicator increased by 0.88 from 0.49 to 1.37. This is the fourth largest one-month increase in the history of the momentum series. The three largest increases occurred in May, June, and July of 2020.

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. In particular, the series do not include the effects of the continued acceleration in vaccine administration that occurred later in the month. For example, data from the Bureau of Labor Statistics' Household Survey are from the reference period of March 7 through March 13. 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, including the labor market response to recent COVID-19 developments, will likely show up in the April 2021 LMCI readings.



The table to the right shows the five labor market variables that made the largest contributions to the increase in the activity indicator over the last six months. The activity indicator increased by 0.21 over the last six months. Overall, 15 variables made a positive contribution to the change in the activity indicator over the last six months, and nine variables made a negative contribution. The largest positive contributor to the level of activity was Blue Chip's four-quarter-ahead unemployment rate forecast. This series fell 2.4 percentage points over the last six months, from 7.5 percent in September 2020 to 5.1 percent in March 2021. This mirrored a drop in the current

unemployment rate from 7.8 percent in September 2020 to 6.0 percent in March 2021. The largest negative contributor to the level of activity was the percent of unemployed that have been unemployed 27 or more weeks. This series has risen dramatically over the last six months, from 19.0 percent in September 2020 to 43.4 percent in March 2021, as workers laid off in the early months of the pandemic have transitioned into long-term unemployment.

The table also shows the five variables that made the largest positive contributions to the momentum indicator in March 2021. The momentum indicator was 1.37 in March. Overall, 16 variables made a positive contribution to momentum in March, and 8 variables made a negative contribution. The largest positive contributor was ISM's Manufacturing Employment Index. The index came in at 59.6 in March, the highest reading since February 2018. Index values above 50 represent an expansion in manufacturing employment. The largest negative contributor to momentum was initial claims in regular state programs. In each week of March 2021, 0.45 percent of the labor force, on average, made an initial unemployment insurance claim. This is well above pre-pandemic levels. However, March's reading is lower than February's reading of 0.50 percent and thereby contributed to the increase in the momentum indicator. The initial claims data used in the LMCI do not include data from federal unemployment insurance programs, which have become much more important during the pandemic. In March 2021, the federal government's Pandemic Unemployment Assistance program had about 44 percent as many initial claims as regular state programs. If initial claims in federal programs had been included in the LMCI input data, the momentum indicator would likely have been lower the last ten months.

<b>Largest Contributions to the LMCI</b>	
<b>Contributions to the increase in the <i>level of activity</i> indicator over the last six months</b>	<b>Positive contributions to the <i>momentum</i> indicator in March 2021</b>
Unemployment forecast (Blue Chip)	Manufacturing employment index (ISM)
Unemployment rate (U3)	Unemployed 27 or more weeks
Job losers	Expected job availability (U of Michigan)
Broad unemployment rate (U6)	Temporary help employment
Percent of firms with positions not able to fill right now (NFIB)	Average hourly earnings

*Note: Contributions are ordered from largest in absolute value to smallest.*

