

News Release

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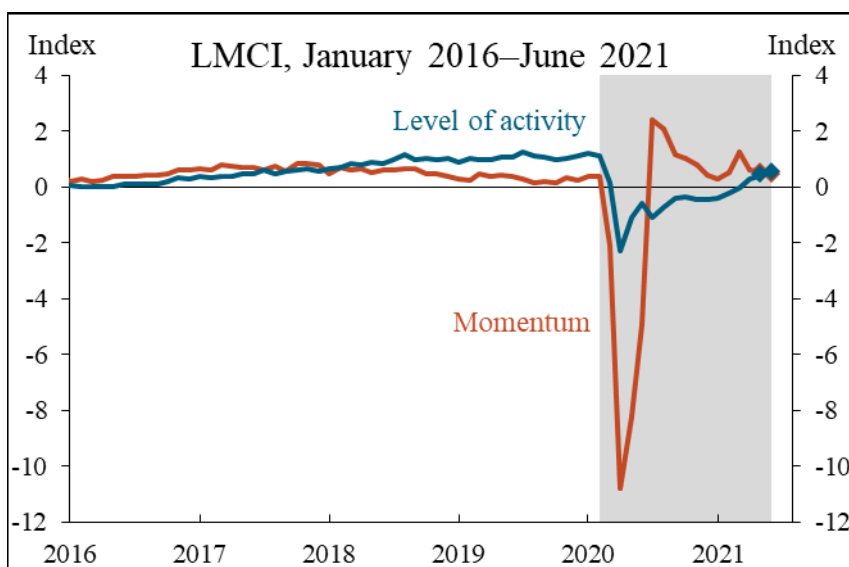
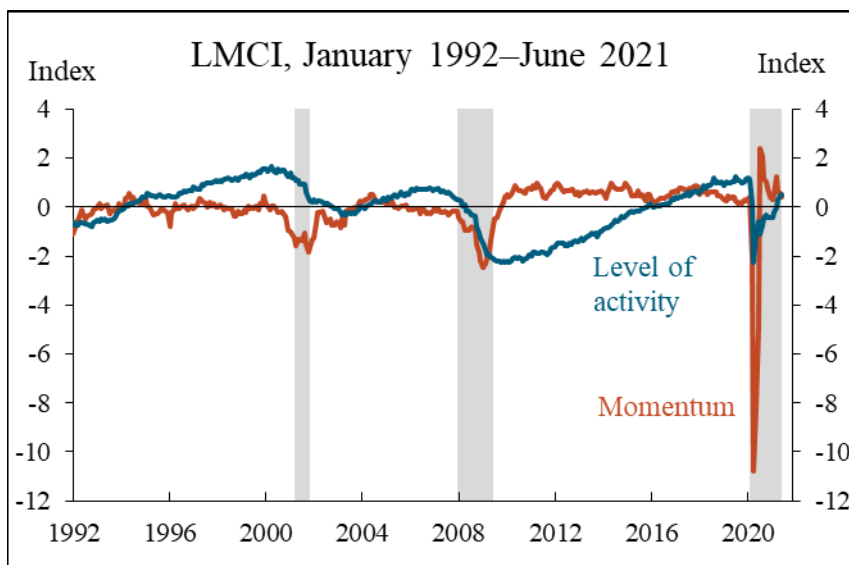
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The KC Fed LMCI suggests the level of activity continued to increase in June while momentum decelerated moderately.

The Kansas City Fed Labor Market Conditions Indicators (LMCI) suggest the level of activity continued to increase in June while momentum decelerated moderately. The level of activity indicator increased by 0.10 in June from 0.43 to 0.53. This recent increase builds on a four-month period of especially strong growth, with the level of activity increasing 0.95 since its January reading of -0.42 . Meanwhile, the momentum indicator decreased by 0.13 in June from 0.56 to 0.43. Both indicators remained above their longer-run averages in June.

These readings likely do not fully describe the state of the labor market at the end of June, as many of the input data series reflect conditions early in the month. In particular, the series do not include the effects of continued vaccine administration or the loosening of some states' COVID-19 restrictions that occurred later in the month. For example, data from the Bureau of Labor Statistics' Household Survey are from the reference period of June 6 through June 12. Additionally, the most recent data from the Job Openings and Labor Turnover Survey (JOLTS) are for May. Therefore, labor market developments in the latter half of June, including the labor market response to recent COVID-19 developments, will likely show up in the July 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 0.97 since December 2020. Overall, 20 variables made a positive contribution to the change in the activity indicator over the last six months, and four variables made a negative contribution. The largest positive contributor to the level of activity was the Conference Board's job availability index. The index increased by 45.4 over the last six months from 98.1 in December 2020 to 143.5 in June 2021, the highest reading in more than two decades. Index values greater than 100 indicate that more people believe that jobs are plentiful than that they are hard to get. 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 over the last six months, from 37.1 percent in December 2020 to 42.1 percent in June 2021, as workers laid off earlier in the pandemic have transitioned into long-term unemployment.

Largest Contributions to the LMCI	
Contributions to the increase in the <i>level of activity</i> indicator over the last six months	Positive contributions to the <i>momentum</i> indicator in June 2021
Job availability index (Conference Board)	Expected job availability (U of Michigan)
Percent of firms with positions not able to fill right now (NFIB)	Unemployed 27 or more weeks
Percent of firms planning to increase employment (NFIB)	Announced job cuts (Challenger-Gray-Christmas)
Job leavers	Private nonfarm payroll employment
Unemployment forecast (Blue Chip)	Labor force participation rate

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

The table also shows the five variables that made the largest positive contributions to the momentum indicator in June 2021. The momentum indicator was 0.43 in June. Overall, 13 variables made a positive contribution to momentum in June, and 11 variables made a negative contribution. The largest positive contributor was the University of Michigan's expected job availability index. The index came in at 41 in June, the highest reading in the history of the series. Positive index values indicate that more people believe that unemployment will decrease in the next year than believe it will increase. In the June survey, a record 56 percent of respondents believed that unemployment would decrease in the next year, while 27 percent expected it would stay the same and 15 percent believed it would increase. The largest negative contributor to momentum was the three-month percent change in average hourly earnings. Average hourly earnings rose by 1.6 percent from March to June, well above the series average of 0.7 percent. Higher wage growth is negatively associated with momentum because it is often associated with slower employment growth in subsequent months. While average hourly earnings increased from March to June in almost all major industries, wage growth was particularly strong in the leisure and hospitality sector, with wages rising 6.2 percent over the last three months. To the extent that the recent rise in average hourly earnings reflects one-time signing bonuses, this negative contribution may be transitory, and labor market momentum may thereby strengthen in the coming months.

