News Release
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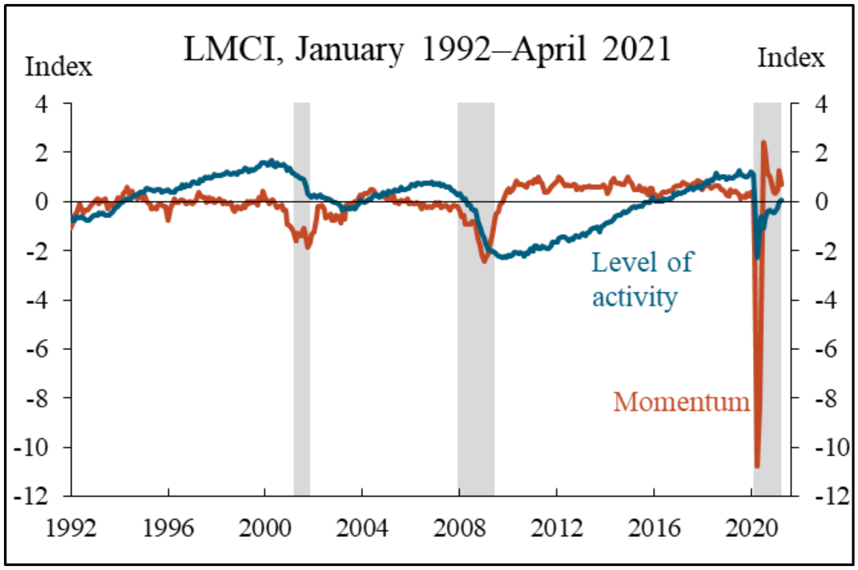
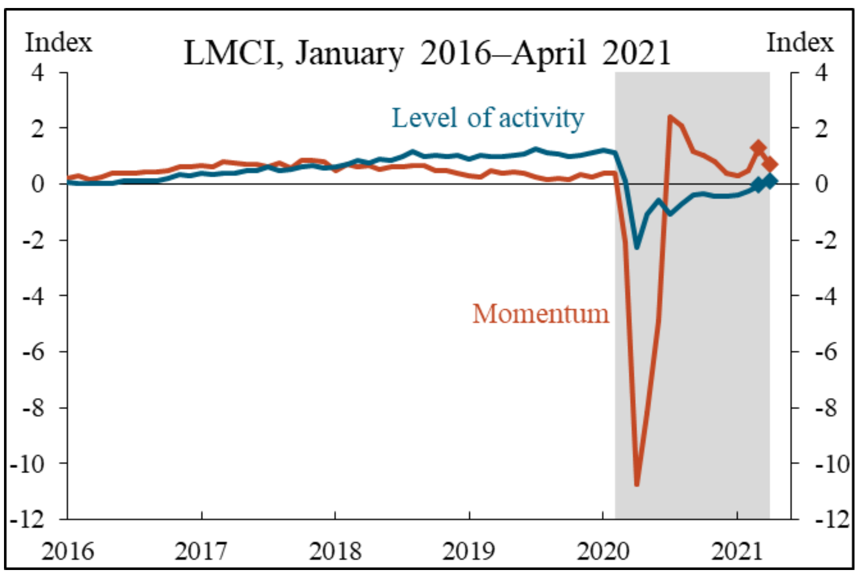
The KC Fed LMCI suggests the level of activity increased in April while momentum decelerated sharply.

The Kansas City Fed Labor Market Conditions Indicators (LMCI) suggest the level of activity increased in April while momentum decelerated sharply. The level of activity indicator increased by 0.14 in April from −0.05 to 0.09, the first positive activity reading since March 2020 and an indication that activity levels were above their longer-run averages in April. Meanwhile, the momentum indicator decreased by 0.58, from 1.27 to 0.69. Following a sharp increase from February to March, the current decrease still leaves the momentum indicator higher than in many recent months.





These readings likely do not fully describe the state of the labor market at the end of April, 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 many 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 April 11 through April 17. Additionally, the most recent data from the Job Openings and Labor Turnover Survey (JOLTS) are for March. Therefore, labor market developments in the latter half of April, including the labor market response to recent COVID-19 developments, will likely show up in the May 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 0.42 since October 2020. Overall, 16 variables made a positive contribution to the change in the activity indicator over the last six months, and eight 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 2.1 percentage points over the last six months, from 6.6 percent in October 2020 to 4.5 percent in April 2021. Similarly, the actual unemployment rate decreased from 6.9 percent in October 2020 to 6.1 percent in April 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 over the last six months, from 32.1 percent in October 2020 to 43.0 percent in April 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 *level of activity* indicator over the last six months	**Positive contributions to the *momentum* indicator in April 2021**
Unemployment forecast (Blue Chip)	Expected job availability (U of Michigan)
Percent of firms with positions not able to fill right now (NFIB)	Unemployed 27 or more weeks
Working part time for economic reasons	Announced job cuts (Challenger-Gray-Christmas)
Job availability index (Conference Board)	Manufacturing employment index (ISM)
Job losers	Private nonfarm payroll employment

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 April 2021. The momentum indicator was 0.69 in April. Overall, 15 variables made a positive contribution to momentum in April, and nine variables made a negative contribution. The largest positive contributor was the University of Michigan's expected job availability index. The index came in at 31 in April, the highest reading since February 1966. Positive index values indicate that more people believe that unemployment will decrease in the next year than believe it will increase. In the April survey, a record 52 percent of respondents believed that unemployment would decrease in the next year, while 26 percent expected it would stay the same and 21 percent believed it would increase. The variable that made the largest negative contribution to momentum was the three-month percent change in average hourly earnings. Average hourly earnings rose by 1.2 percent from January to April, 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 January to April in all major industries, wage growth was particularly strong in the leisure and hospitality sector, rising 3.7 percent over the last three months.