CBER-DETR Nevada Coincident and Leading Employment Indexes

No Clear Signal

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The Nevada Coincident Employment Index measures the ups and downs of the Nevada economy using an index of employment variables. The Nevada Leading Employment Index also measures the ups and downs of the Nevada economy, providing a signal about the future direction of the coincident index. The coincident index provides the benchmark series that defines the employment cycle or reference cycle in Nevada. The leading index then tracks the economy relative to that reference cycle. A good leading index will provide signals about the future path of the reference cycle.

Figures 1 and 2 depict the coincident and leading indexes with data through April 2011. Figure 1 encompasses four recessions in employment, including the current recession. The peak of the last employment cycle in Nevada occurred in December 2006. The coincident index then regressed steadily through October 2009. At this point, the coincident index appears to have reached a bottom. The coincident index rose the first four months in 2011, rising to a level not seen since March 2009. Figure 2 shows the leading index and its movements relative to the recessions in the Nevada employment cycle captured by the coincident index. For the current employment recession, the leading index provided a clear signal by peaking in March 2006, nine months before the coincident index reached its peak. Since then, the leading index reached its lowest point in November 2010, was essentially flat in December, but jumped up sharply in January. In February it experienced a slight downtick, rebounded again in March, and has dropped slightly again in April. We continue to monitor the data to determine if, and when, the Great Recession really ended in Nevada.

The release of the April seasonally adjusted data tell a mixed story for the coincident index. Both the unemployment rate (inverted) and insured unemployment rate (inverted) moved in a positive direction while nonfarm employment and household employment moved in a negative direction. The same release shows that five of the six seasonally adjusted components of the leading index declined. Initial claims for unemployment insurance (inverted), housing permits, commercial permits, construction employment, and the short-duration unemployment rate (inverted) moved in a negative direction, whereas the real Moody’s Baa bond rate (inverted) moved in a positive direction.
Figure 1: CBER-DETR Nevada Coincident Employment Index

Figure 2: CBER-DETR Nevada Leading Employment Index
All series are initially not seasonally adjusted and then seasonally adjusted using Census X12. In some instances, our seasonally adjusted series differ from the seasonally adjusted data reported by the Bureau of Labor Statistics. The Nevada Coincident Employment Index includes four employment measures – household employment, nonfarm employment, the unemployment rate (inverted, since an upward movement in the jobless rate is a “negative”), and the insured unemployment rate (inverted). The Nevada Leading Employment Index includes six employment related measures – initial claims for unemployment insurance (inverted), the real Moody’s Baa bond rate (inverted), housing permits, commercial permits, construction employment, and the short-duration unemployment rate (inverted). While not employment variables, housing and commercial permits, as well as the Moody’s Baa bond rate, closely relate to construction activity and construction employment. All data are seasonally adjusted and come from DETR, CBER, and the Federal Reserve Bank of St. Louis FRED® data. The description of the construction method is posted at http://cber.unlv.edu/nvindices.pdf. Data availability restricts our coverage in the two indexes to monthly series beginning in January 1976. The data series for household employment, nonfarm employment, the unemployment rate, initial claims, and the real Moody’s Baa bond rate all begin in January 1976. Housing permits and the insured unemployment rate begins in January 1980 and March 1987, respectively. Commercial permits, construction employment, and the short-duration unemployment rate begin in January 1988, January 1990, and January 2001, respectively. Thus, the coincident index uses three series through March 1987, when we add the insured unemployment rate. The leading index begins with two series and adds housing permits in January 1980, commercial permits in January 1988, construction employment in January 1990, and finally, the short-duration unemployment rate in January 2001.