Recovery in Employment Indexes Continues

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.2

Figures 1 and 2 depict the coincident and leading indexes with data through October 2016. Figure 1 encompasses four recessions in employment, including the most recent Great Recession. The peak of the last employment cycle in Nevada occurred in March 2007. The coincident index then regressed steadily through October 2009, where it bottomed out. 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 January 2006, fourteen months before the coincident index reached its peak, and reached a bottom in May 2009, five months before the coincident index reached its bottom.

The October release tells a consistent, positive story for both the coincident and leading indexes on a year-over-year basis. For the coincident index, the unemployment rate (inverted), household employment, nonfarm employment, and the insured unemployment rate (inverted) all moved in a positive direction. For the leading index, initial claims for unemployment insurance (inverted), housing permits, commercial permits, the short-duration unemployment rate (inverted), construction employment, and the real 10-year Treasury interest rate (inverted) all moved in a positive direction.3

On a month-over-month basis, the coincident and leading indexes both convey a mixed story. That is, for the coincident index, the insured unemployment rate (inverted),
nonfarm employment, and household employment all moved in a positive direction while the unemployment rate (inverted) moved in a negative direction. For the leading index, commercial permits and construction employment moved in a positive direction, while the short-duration unemployment rate (inverted), the real 10-year Treasury interest rate (inverted), housing permits, and initial claims for unemployment insurance (inverted) moved in a negative direction.

Overall, the coincident and leading indexes rose on a year-over-year and a month-over-month basis. See Figures 1 and 2.