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 August 2015. Figure 1 encompasses four recessions in employment, including the most recent Great Recession. The peak of the last employment cycle in Nevada occurred in December 2006. 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, eleven 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 August release conveys a positive story for the coincident index and a mixed story for the leading index 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), the short-duration unemployment rate (inverted),
and construction employment moved in a positive direction, while the real Moody’s Baa bond rate (inverted), housing permits, and commercial permits moved in a negative direction.

On a month-over-month basis, the coincident and leading indexes both tell a largely negative story. That is, for the coincident index, nonfarm employment, the insured unemployment rate (inverted), household employment, and the unemployment rate (inverted) moved in a negative direction. For the leading index, initial claims for unemployment insurance (inverted), the short-duration unemployment rate (inverted), the real Moody’s Baa bond rate (inverted), housing permits, and construction employment moved in a negative direction, while commercial permits moved in a positive direction.

Overall, the coincident and leading indexes rose on a year-over-year basis, although the leading index barely exceeds its August 2014 value and falls just below its July 2014 value. See Figures 1 and 2. The coincident index has recovered 86 percent of its loss from its prior peak, whereas the leading index has recovered 38 percent of its loss.

Stephen M. Miller, PhD