Nevada’s Coincident and Leading Employment Indexes Move Upward

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 September 2019. 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 most recent employment recession the leading index provided a clear signal by peaking in January 2006, fourteen months before the coincident index reached its peak, and bottoming out in May 2009, five months before the coincident index bottomed out.

The September release tells a consistent, positive story for the coincident index and tells 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, the real 10-year Treasury interest rate (inverted), construction employment, housing permits, and the short-duration unemployment rate (inverted) all moved in a positive direction. The initial claims for unemployment insurance (inverted) and commercial permits, however, moved in a negative direction.

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

Overall, the coincident and leading indexes rose on a year-over-year basis by 6.3 and 2.0 percent, respectively. The coincident index now lies 22.1 percent above its previous peak, whereas the leading index lies 4.7 percent below its previous peak. See Figures 1 and 2.