

CBER-DETR Nevada Coincident and Leading Employment Indexes¹

Did 2010 form the Bottom of the Great Recession: Will 2011 See recovery?

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 December 2010. Figure 1 encompasses four recessions in employment, including the current recession. The peak of the last employment cycle in Nevada occurred in December 2006. Since then, the coincident index regressed steadily through October 2009. Since then, the coincident index appears to have reached a bottom, where the most recent reading still lies slightly above the October 2009 number. But since reaching its most recent high value in January 2010, the coincident index fell eight of the last 11 months, including decreases in five of the last six months. 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. Based on current data, the leading index reached a trough in May 2009. After reaching its most recent high in February 2010, the leading index fell in six of the last 10 months, retracing its steps back to just above its May 2009 low in December 2010.

Although we have seen improvements in a number of economic variables, Nevada remains buried at the bottom of the current employment recession. Both the coincident and leading indexes spent the entire 2010 bouncing around at the bottom. At some point, future data releases will signal that the Nevada recovery is underway. Will that occur in 2011? The current data do not show any movement toward recovery. Based on our seasonally adjusted data, the unemployment rate (inverted) and nonfarm employment moved in a negative direction while household employment and the insured unemployment rate (inverted) moved in a positive direction with the December data release. The same release shows that the components of the leading index depict a mixed picture -- the short-duration unemployment rate (inverted) and construction employment moved in a negative direction while initial claims for unemployment insurance (inverted), housing permits, commercial permits, and the real Moody's Baa bond rate (inverted) moved in a positive direction.

Figure 1: CBER-DETR Nevada Coincident Employment Index

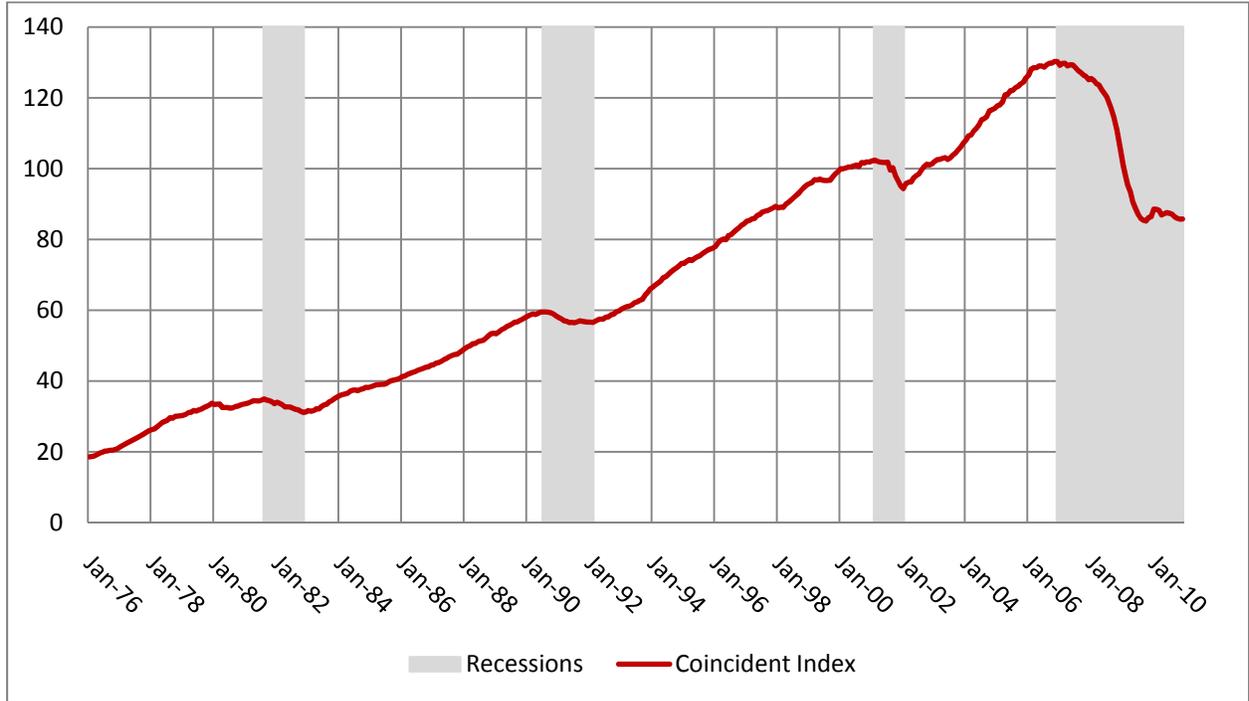
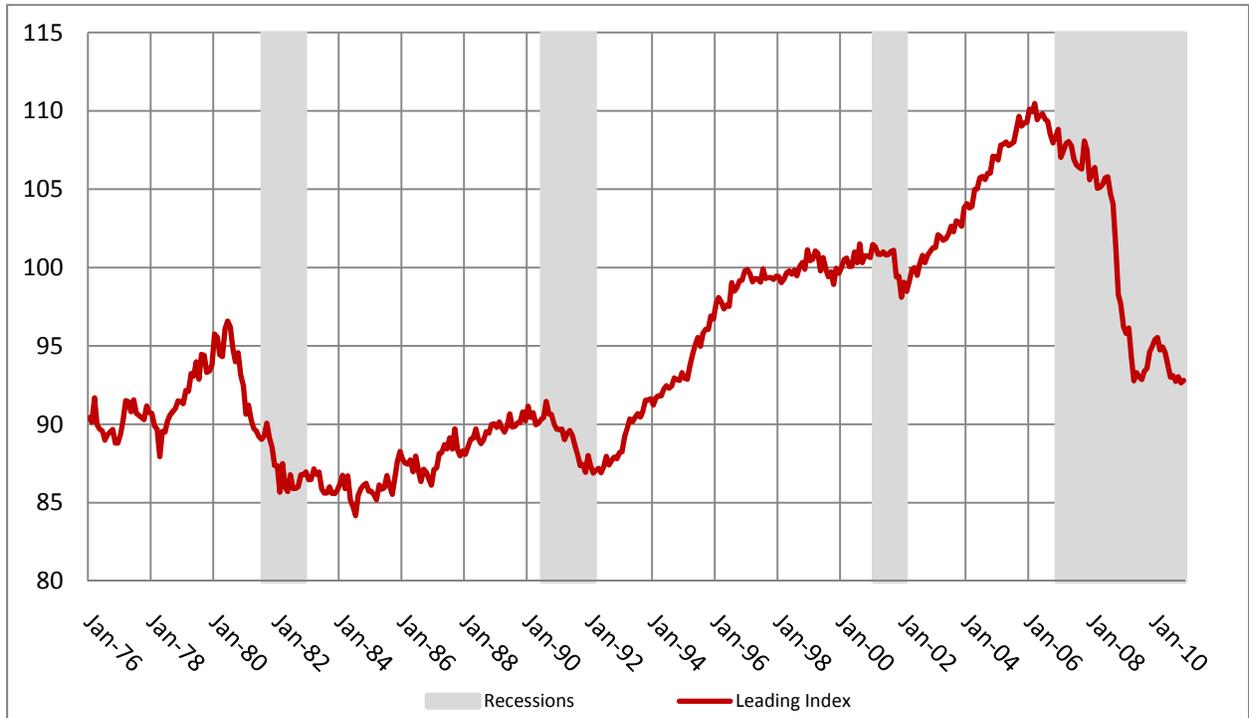


Figure 2: CBER-DETR Nevada Leading Employment Index



¹ *Source:* Center for Business and Economic research (CBER, 702-895-3191) in the College of Business at the University of Nevada, Las Vegas and the Department of Employment Training and Rehabilitation (DETR). Developed by Stephen M. Miller (Professor and Chair of Economics, 702-895-3969) and Mustafa Gunaydin (Graduate Student in Economics). DETR provided a grant to support Mr. Gunaydin's research during the development of the indexes.

² 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.