

CBER-DETR Nevada Coincident and Leading Employment Indexes¹

Benchmark Revisions in Employment Data Lead to Positive News

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

This data release incorporates the benchmark revisions to employment data that caused changes in the data back to January 2009. Figures 1 and 2 depict the coincident and leading indexes with data through January 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. Since then, the coincident index regressed steadily through October 2009. Since then, the coincident index appears to have reached a bottom, where the December 2010 reading still lies slightly above the October 2009 number. January 2011 saw a large jump up in the coincident index, rising to a level not seen since April 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. Based on current data, the leading indexed 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. Just like the coincident index, the leading index also jumped up in January 2011, rising to a level not seen since May 2010. Moreover, the leading index exceeds its value in May 2009, just like the coincident index. If this one-month change translates into continued upward movements in the two indexes, we can say that the Great Recession ended and 2011 and beyond will see economic recovery in Nevada.

As noted in prior reports, both the coincident and leading indexes spent the entire 2010 bouncing around at the bottom. Did the January 2011 release signal expansion? The current data are consistent with recovery. Based on our seasonally adjusted data, the unemployment rate (inverted), nonfarm employment, household employment, and the insured unemployment rate (inverted) all moved in a positive direction with the January data release. The same release shows that the seasonally adjusted components of the leading index provide a more mixed picture -- the short-duration unemployment rate (inverted), construction employment, housing permits, and commercial permits moved in a positive direction whereas initial claims for unemployment insurance (inverted) and the real Moody's Baa bond rate (inverted) moved in a negative direction.

Figure 1: CBER-DETR Nevada Coincident Employment Index

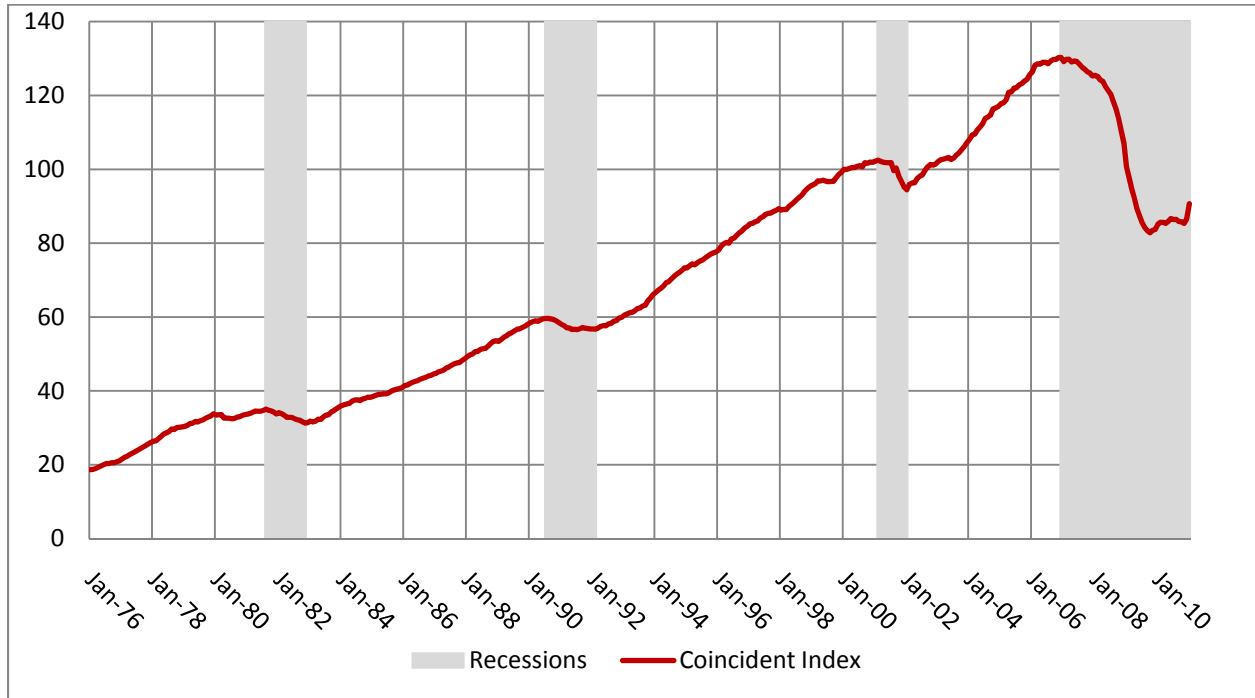
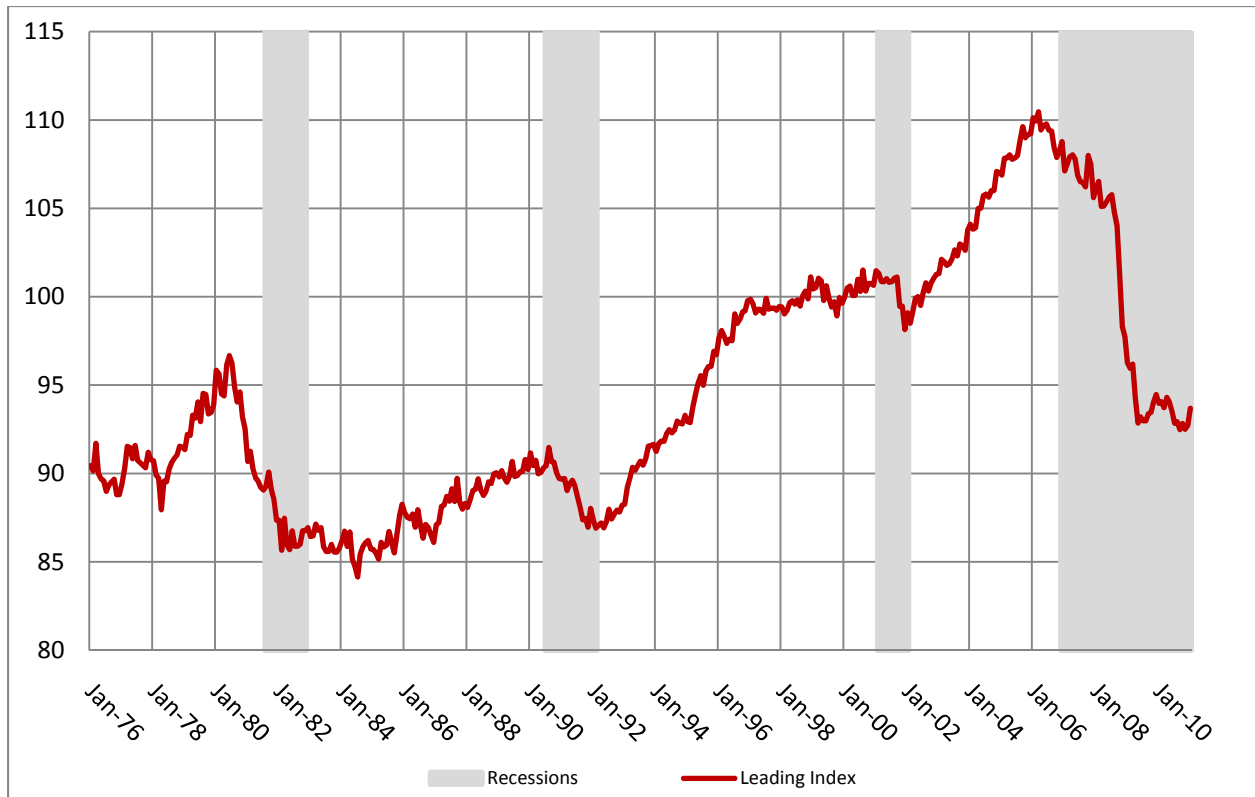


Figure 2: CBER-DETR Nevada Leading Employment Index



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.