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The Grand Rapids Economic Index

By William Peterson

Beginning with this issue of the *West Michigan Management Memo*, the Grand Valley Economic Index will become the Grand Rapids Economic Index and will represent economic activity in Kent and Ottawa Counties (the Grand Rapids Standard Metropolitan Statistical Area). The Grand Rapids and Muskegon metropolitan areas are two different economic communities, with different industry structures and unique characteristics. Combining economic activity in a single measure, as we have in the past, has concealed important information about each community. Since information about retail sales (an important part of the composite index) is currently available for Grand Rapids and not Muskegon, it is relatively easy to construct a separate composite index for the Grand Rapids area. As soon as arrangements can be made to obtain similar retail sales information in Muskegon, a separate

composite index for that area will be constructed.

The Grand Rapids Area Economic Activity Index increased substantially from November, 1982, to March, 1983. The value of the composite index in March, 1983, was 105.9. This represents a 5% increase from its November, 1982, level of 101. It is still below its high point of 110.8, however, which was reached in May, 1979. The November low point was the lowest level of the index since 1977. The evidence seems to suggest that Grand Rapids has seen the low point of the current recession and is emerging rapidly toward better times. It appears from preliminary information that the Grand Rapids index continued at a higher level through April, 1983.

The main cause of the recent growth in the index is the substantial turnabout in retail selling, which began in October, 1982, and has continued to increase

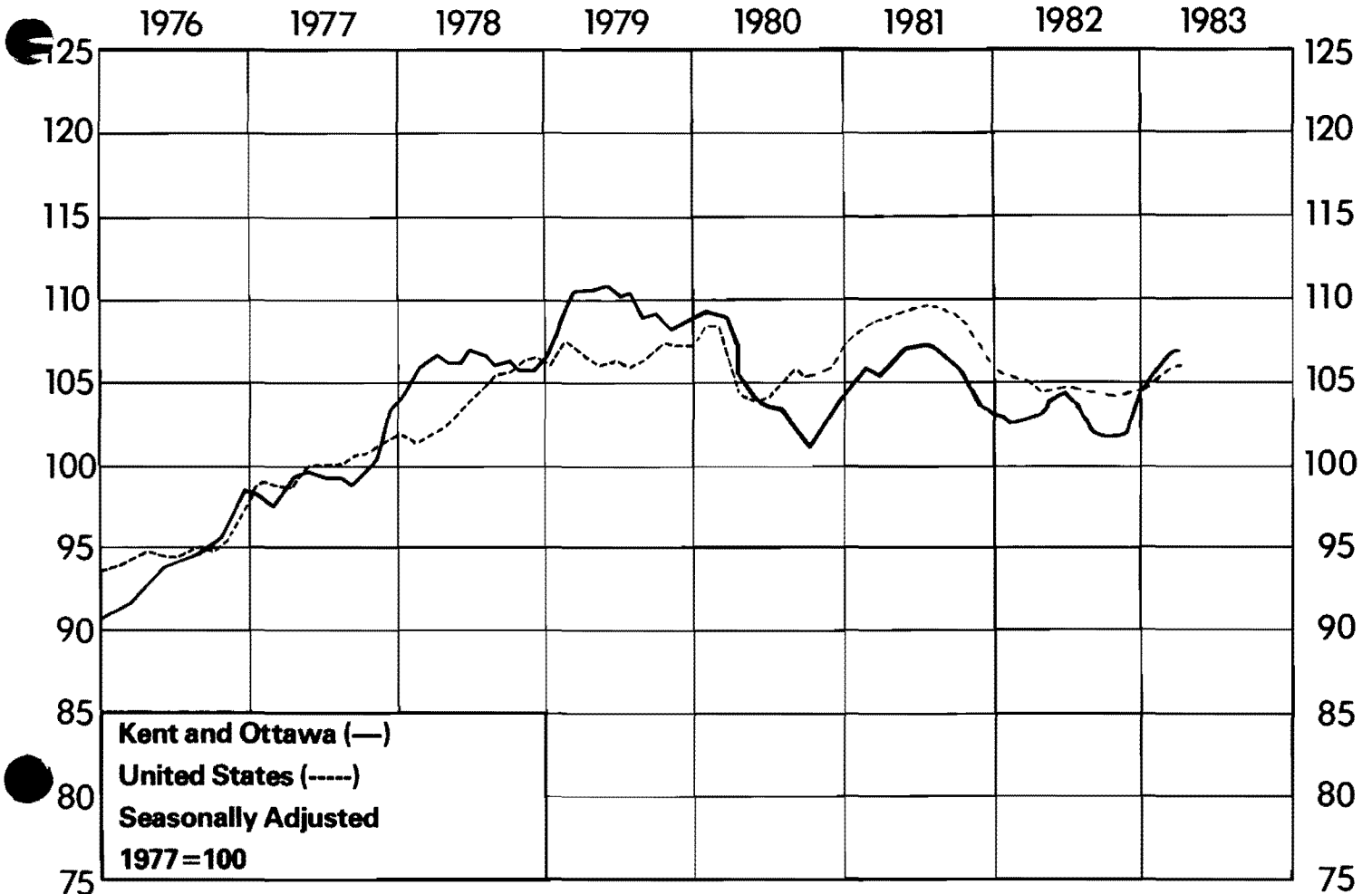
through February, for a total percent change of 16.0%. This significant change brings the index of retail sales up to its 1978 level. The highest point of the retail sales index was reached early in 1978, when its value was 111.6.

This apparent surge of business activity also shows up in the bank debits index. This index, which measures the monthly volume of check-writing activity, grew at the rate of 17.2% between November, 1982, and March, 1983.

Other components of the index have not given signs of response to this renewed growth in business. The industrial power index is at its lowest point since 1977. Residential and non-residential construction activity is still painfully low. Employment, which is typically late in responding to improved business conditions, is late again. The employment index stopped growing in 1979 and has

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not given any signs of returning to that rapid growth path that started in 1975.

The composite index is made up of a weighted average of five economic indicators: bank debits, retail sales, residential and non-residential construction, industrial power consumption, and employment, all of which are adjusted for seasonal variations and for the effects of inflation.

An index has been prepared for the United States which makes use of approximately the same components that make up the index for Kent and Ottawa Counties. The movements of this index are also shown on the accompanying chart, which gives some evidence of how local economic activity compares with national economic activity. The composite U.S. index is correlated with real

U.S. Gross National Product movements. These movements reflect changes in the general economic health of the U.S. Gross National Product movements.

The index and its components are prepared by Dr. William Peterson, Professor of Economics at GVSC. Inquiries about the index and detailed facts about the index can be obtained by writing to Dr. Marvin G. DeVries, Dean, F. E. Seidman School of Business.

New Library Service

FINDS, the Grand Valley Library's *Fast Information Delivery Service*, uses a computer to search for information on a wide variety of business-related and other topics. Such information includes market forecast reports; data from the U.S. Bureau of Labor Statistics; extracts

of reports filed with the U.S. Securities and Exchange Commission; export statistics; descriptions of market research reports and investment banking studies; abstracts of annual reports from publicly held companies; patent abstracts; federal government regulations and rec-

ords; and indexes to professional journals, government reports, and other publications on advertising, insurance, industry, economics, finance, and labor law, to name only a few. For more details on FINDS, contact the GVSC library at 895-7611.

Lecture on Economics and Ethics

Dr. Robert Benne, formerly of the Lutheran School of Theology in Chicago, and currently director of the Center for the Study of Church and Society at Roanoke College in Virginia, spoke about the ethical basis for the United States'

current economic system in lectures at Grand Valley State College and the Gerald R. Ford Museum in Grand Rapids on Wednesday, April 13. The title of the lectures was "The Challenges of Democratic Capitalism."

Dr. Benne is the author of *The Ethic of Democratic Capitalism: A Moral Reassessment and Defining America—A Christian Critique of the American Dream*.

