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The Grand Valley Economic Index

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The Grand Valley Index of Economic Activity declined in January to 102.6 from its December, 1980, level of 102.9. This is a slight upturn from a low reached in 1980, when the index value was 100.6. The retail sales and nonresidential construction components of the composite index exerted the greatest negative influence during 1980. The substantial decline in the residential construction component of the index, which began in 1979, appears to have turned upward somewhat. There is also some evidence of an upturn in the use of industrial electric power. Employment also increased slightly at the end of 1980. In Muskegon County, both residential and nonresidential construction activity has declined significantly since 1978.

The composite index is made up of a weighted average of five economic indicators: bank debits, retail sales, residential and nonresidential 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, Ottawa, and Muskegon Counties. The movements of this index are shown by a broken line on the accompanying graph, which gives some evidence of how local economic activity compares with national economic activity.

Inquiries about the detailed facts of the index can be obtained by writing to Dr. Marvin DeVries, Dean, F. E. Seidman College.

Economic Commentary

The Grand Valley Economic Activity Index shows that the 1980 recession in the tri-county area ended as fast as it started, with a remarkably sharp bounceback. That pattern is quite similar to the national experience, but it occurred several months later. Now the regional economy appears to be in the same sluggish growth pattern as the national, which is still burdened by high inflation and high interest rates holding down certain components of demand, such as spending on durables and construction.

It now appears that we have made it through the end-of-the year scare, when interest rates hit record levels, without plunging us back into recession. Up to that time, economic activity was advancing smartly and credit demands were rising even more rapidly. Interest rates were rising sharply, to the point where there was concern that the recovery would be choked off in its infancy. There was concern that the Federal Reserve had tightened up hard on monetary policy and might be bearing down too hard on money and credit. At the