

10-1-1981

## The Grand Valley Economic Index

William Peterson  
*Grand Valley State University*

Follow this and additional works at: <http://scholarworks.gvsu.edu/wmbm>

---

### Recommended Citation

Peterson, William (1981) "The Grand Valley Economic Index," *West Michigan Management Memo*: Vol. 2: Iss. 1, Article 3.  
Available at: <http://scholarworks.gvsu.edu/wmbm/vol2/iss1/3>

This Article is brought to you for free and open access by the Seidman College of Business at ScholarWorks@GVSU. It has been accepted for inclusion in West Michigan Management Memo by an authorized administrator of ScholarWorks@GVSU. For more information, please contact [scholarworks@gvsu.edu](mailto:scholarworks@gvsu.edu).

# The Grand Valley Economic Index

The Grand Valley Index of Economic Activity has been increasing since its low point in late 1980 when the index value was 102. A preliminary estimate of its value in November, 1981, is 107.9. The growth in the index values since late 1980 can be attributed to all of the components of the index except nonresidential construction. Nonresidential construction activity has been declining rapidly since 1980 when the index reached its high point of 190. The value of the Nonresidential Construction Index in June, 1980, was 56. During the one-year period from January, 1980, to January, 1981, the index value declined 55 percent, which means that activity was less than half its level of one year before. The Bank Debits Index gives evidence of a decline in overall financial activity early in 1980, and both the Employment Index and Power Consumption index show

a decline in industrial activity late in 1980.

The Grand Valley area is sensitive to changes in overall economic activity as measured by the real U.S. Gross National Product. It is also especially sensitive to changes in heavy industrial activity as measured by auto sales. Prospects for auto sales and for the general level of activity through the end of 1981 were used to project the Composite Index to the end of 1981. Some analysis shows that there is evidence of a short leading relationship between auto sales and economic activity in the Grand Valley area.

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 varia-

tions 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 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.

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

## GRAND VALLEY ECONOMIC ACTIVITY INDEX

