

4-1-1982

The Grand Valley Economic Index

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Recommended Citation

Peterson, William (1981) "The Grand Valley Economic Index," *West Michigan Management Memo*: Vol. 2: Iss. 2, Article 4.
Available at: <http://scholarworks.gvsu.edu/wmbm/vol2/iss2/4>

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The Grand Valley Economic Index

The Grand Valley Index of Economic Activity increased early in 1981 from its low point in 1980 when the index value was 102.6. But this growth came to an end in mid-1981, and the index has been declining since its peak 1981 value of 106.9. The decline in the index since mid-1981 can be attributed to several factors each of which receives some weight in the composite index. Employment declined, after adjustment for seasonal variation, approximately 2% during the last half of 1981. The retail-sales indicator declined by about 8% and the industrial-electric-power indicator declined by about 11% during that same period. Both residential and non-residential construction activity are at very

low levels early in 1982. But they have been low since the beginning of 1981. Check-writing activity—an overall indicator of business activity measured by bank debits—increased during that period but not enough to offset the declines in retail sales, industrial power and employment.

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 ap-

proximately the same components that make up the index for Kent, Ottawa and Muskegon Counties. The movements of this index also are shown on an 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, who is 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

