The Grand Valley Economic Index

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The level of the Grand Valley Economic Activity Index in August, 1982, was 104. This was only slightly lower than its July level of 104.1 and 2.4% below its August, 1981, level of 106.6. The level of the index declined during the latter half of 1981, and has risen very slowly from a low point of 102.4 in January, 1982. (The index, which had a value of 100 in 1977, reached a high point in May, 1979, of 110.8.)

While the composite Grand Valley Index has not shown much change during 1982, some of its components have. The level of the employment index is below its 1981 level and has been remaining constant. Nonresidential construction activity is about the same as its 1981 level and has remained constant, at its lowest level since 1976. Residential construction activity continued to decline during the early part of 1982. Industrial power consumption activity showed some significant increases early in 1982. The other components of the index did not make notable changes.

The comparable U.S. index of economic activity has shown movements similar to those in the local index. This suggests that what is happening in this area reflects what is happening in the United States as a whole and does not display any problems unique to this area. It implies that the Grand Rapids area is diversified as to its economic activities.

The composite index is made up of a weighted average of five economic indicators: bank debits, retail stores, 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 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 United States.

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