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The Grand Rapids Economic Index

By William Peterson

The Grand Rapids Economic Activity Index rose to 113.3 in August, up from its level of 103.6 one year ago. This is a change of 9.4 percent. The index had fallen during the 1981-1982 recession from a peak reached in August, 1981, of 108.8 to a low point reached in November, 1982, of 101.7. This substantial recovery is matched by a similar pattern shown by the U.S. Economic Activity Index. The evidence of a substantial recovery in the Grand Rapids area is also supported by the detailed facts which make up its components.

Check-writing activity, as measured by the bank-debits component index, increased 29% during this recovery period. The indicator which shows similar activity for the United States as a whole also increased substantially during that time. Check-writing activity is measured in a way that excludes the effects of general increases in the price level—infla-

tion. Part of the increase we see would be due to very substantial increases in financial activities such as stock buying and money market fund transactions. But it also reflects the impact of increased retail selling and construction activity during the recovery period.

Residential construction increased almost 103% from August to August. This remarkable change is due partly to the fact that residential construction activity in August, 1982, was at its lowest point since late 1975. The residential construction index had reached a high point of about 124 in 1978 and dropped to around 32 in 1982. The present level of the index, 65.3, is still below its base-year value of 100 in 1977. The changes for the United States as a whole, as measured by the U.S. Residential Construction Index, are substantial but not as dramatic as for the Grand Rapids area. This is due to the statistical characteris-

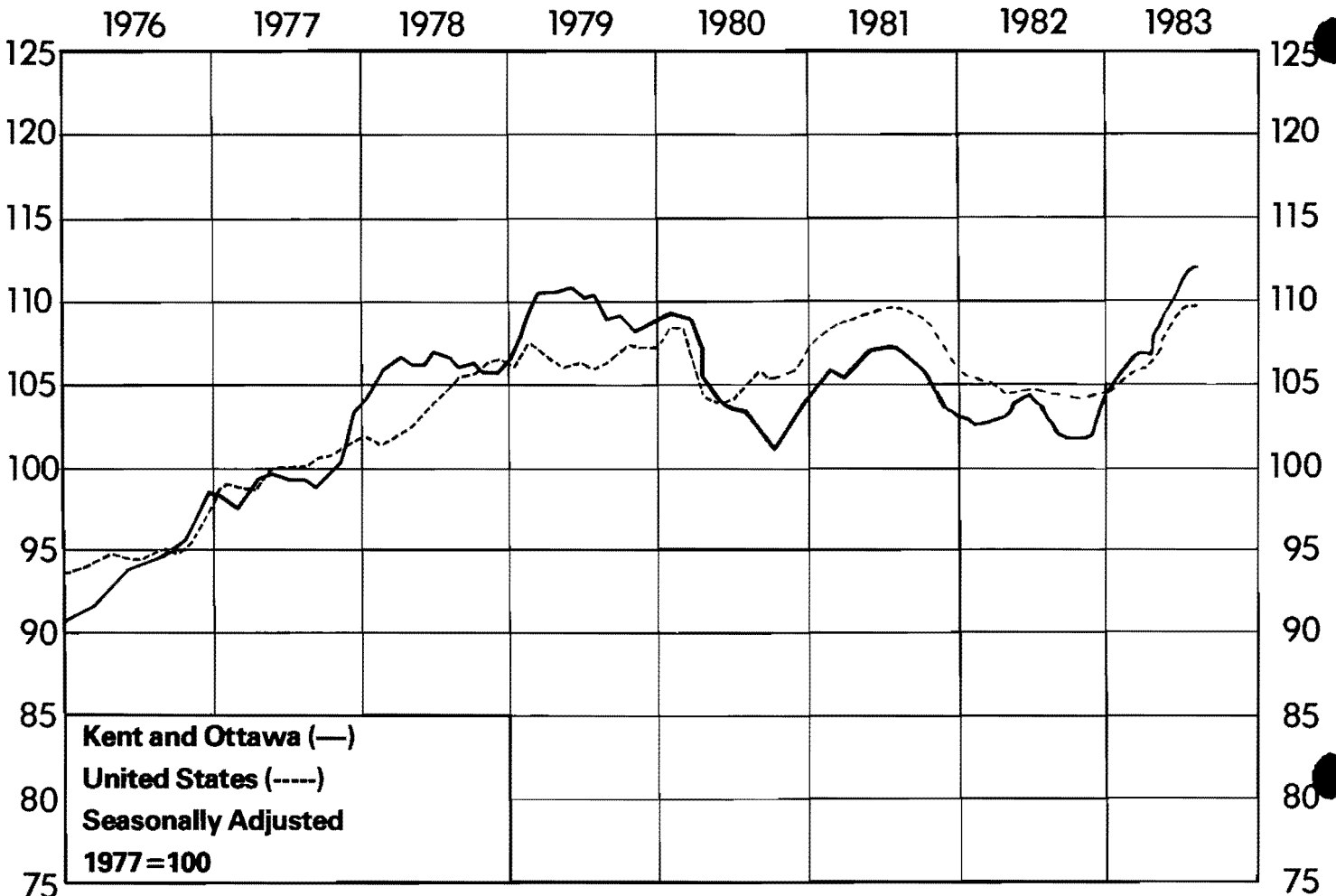
tics of small size. For the U.S., residential construction activity rose almost 50% during the one-year period between August, 1982 and 1983.

Non-residential construction activity in the Grand Rapids area has also shown a large percentage increase of almost 60%. But this, too, begins from a low point in the history of the index. This index had reached a high point of over 200 early in 1980 and then dropped to the low nineties in late 1982.

The Grand Rapids Industrial Power Index is the best local indicator of manufacturing activity. It shows that there were substantial reductions in manufacturing activity in late-1977, mid-1980, late-1981 and late-1982. It shows that there is now a substantial recovery. The increase from August, 1982, to August, 1983, of 5.1% does not capture the substance of the recovery because the index

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Seidman School Celebrates Its Tenth Birthday

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staff included two faculty members, Dr. Donald Klein (now chairman of the Accounting and Taxation Department) and Dr. John Bornhofen (now chairman of the Finance Department), with DeVries serving as dean. Since then, the faculty has grown to include 28 full-time instructors and 15 adjunct faculty members. Today enrollment stands at 950 undergraduate majors and 550 graduate students. As the student population has grown, the percentage of women students has increased from around 10 percent in the early years to 27 percent today.

Over the years, the business school has undergone several organizational changes. It started as a graduate college, with DeVries serving not only as its dean but also as director of the under-

graduate School of Business. In 1974, Grand Valley hired a separate director for the undergraduate business program, enabling DeVries to become full-time dean of the graduate college. In 1979, the undergraduate and graduate business programs were united in the F. E. Seidman College of Business and Administration. Last year, as a result of an institutional reorganization, the name was changed to the F. E. Seidman School of Business.

Throughout its history, the school has maintained a strong involvement in the business community of west Michigan, offering the region a variety of resources, including valuable information about local economic trends, through this publication, a quarterly consumer attitude survey, and the monthly Grand Rapids Economic Index. The school has also gained a reputation for excellence in its

academic programs, as evidenced by recent statistics showing that it ranked first in Michigan, and among the top ten schools nationally, for its students' performance on the Certified Public Accounting exam.

During this academic year the Seidman School faculty will be involved in assessing its programs and reviewing its mission for the future. Area business leaders, who helped establish the Seidman School will be involved in the process. A celebration is being planned for sometime in the spring, according to DeVries. At that time the goals and objectives of the Seidman School for the next five to ten years will be articulated. We are pleased with the progress we have made, said DeVries, and look forward to maintaining our high-quality standards in the future while responding to regional needs for business education.

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was still dropping in late-1982. Measured from January to August, 1983, the increase is close to 15%. The comparable index for the United States does not show those fluctuations and low points described for Grand Rapids. That means that the changes are due to the unique characteristics of the Grand Rapids community rather than to the general business cycle.

The employment index does not show much of a change from August to August. The percentage increase from January to August of 1983 was 1.5%. For the U.S. it was 1.6%.

Retail selling activity is recovering from

its 1982 low points. The index shows that retail selling activity is now about equal to its level in 1977, adjusted for inflation. It had gone to a high point of about 111 in 1978 and has dropped since then to the low nineties.

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 it can be obtained by writing to Dr. Marvin G. DeVries, Dean, F. E. Seidman School of Business.

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