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Consumer Optimism Grows Despite Interest Rates Concerns

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Seidman School Celebrates Its Tenth Birthday

A blending of regional and national perspectives has characterized the first decade of the Seidman School of Business, according to its dean, Marvin DeVries. Before the school was established, in 1973, Dean DeVries spent ten weeks visiting twelve business schools throughout the nation, ranging from the University of California at Irvine to Tulane and Vanderbilt, to study their business programs. In addition, DeVries and other representatives of Grand Valley met with business and community leaders from throughout west Michigan to talk about the potential for a graduate program in business and to exchange ideas about the kind of program that could best serve the needs of the area.

Statistics on Seidman graduates offer evidence that the school has indeed served the region. More than 65 percent of the graduates remain in west Michigan after they complete their degrees, DeVries says. At the same time, he points out that as local firms strengthen their ties with national organizational structures, more and more alumni are moving into positions in other parts of the country.

Ties with national organizations are also reflected in concerns brought into the classroom by Seidman students, according to DeVries. "The issues they are concerned with are increasingly those of larger corporate structures rather than just small enterprises," he says.

Some of the general characteristics of the student population of Seidman have changed little over the past decade, however. The average student age is from 30 to 33 years, and 95 percent of the students at Seidman are employed in full-time jobs, pursuing their studies on a part-time basis through evening courses. Sixty percent do not have undergraduate degrees in business; they are engineers, educators, and others who have moved into management within their organizations or who are seeking to make such a move, says DeVries.

Probably the most significant change in the student population is reflected in the educational needs expressed by students. Not surprisingly, they want to know more about computers. As a re-

sult, the use of computers is being integrated into courses throughout the curriculum, while new, in-depth computer courses designed to meet the needs of business students are being developed.

A related development, DeVries says, is a growing interest in human relations. "With the increasing use of computers and the rapid pace of technological development, students are more and more interested in where individuals fit in organizations. As a result, we are strengthening our offerings in the personnel and labor relations areas."

Probably the biggest surprise in Seidman's first ten years, according to DeVries, has been the rapid growth of the school. When it opened in 1973, the

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Consumer Optimism Grows Despite Interest Rates Concerns

By Marvin G. DeVries

Grand Rapids area consumers continue to show more optimism about the condition of the economy and their own household financial situation despite some concerns about interest rates. The Grand Rapids area index of consumer sentiment stands at 98.4 for the month of July compared with 91.6 three months ago and 76.0 six months ago.

The findings are based on a telephone survey of 400 area consumers selected at random to represent the entire area population. Findings are accurate to within four percentage points. The survey is patterned after the University of Michigan's national survey of consumer sentiment, which has closely monitored consumer attitudes for over thirty years. Recent results from the Michigan national survey have shown continued improvements in attitudes nationally, just as they have locally. The national index of consumer sentiment has been placed

at 93.9 for July, up from 89.1 three months ago and 70.4 six months ago.

These findings continue the upward trend in consumer attitudes that began in November of 1981. However, the most dramatic increases both locally and nationally have occurred since the beginning of 1983.

According to the results of the current survey, four of the five components of the index registered improvements. Area respondents felt their current and future personal financial situations have been and will be improved. They also indicated that business conditions nationally would be good during the next twelve months but registered some *slight* concern about conditions during the next five years. Consumers continue to believe that now is a good time to buy a major household item.

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Consumer Optimism Grows

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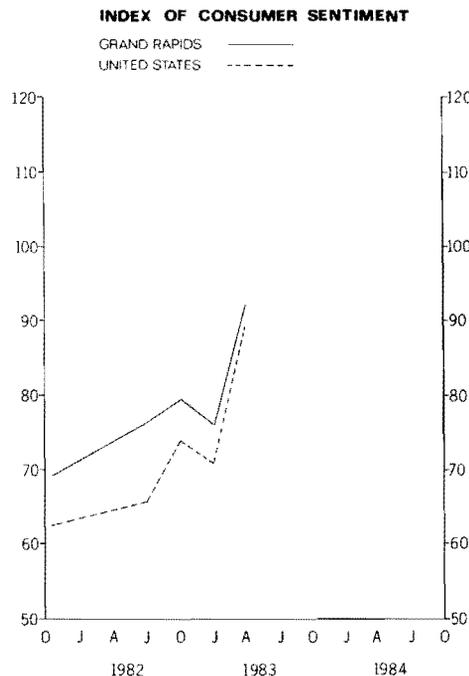
The most dramatic change in consumer attitudes since the last survey is in their concern about interest rates. Among all families in the Grand Rapids area, 51 percent expected interest rates to increase during the next twelve months, up from 17 percent in April and 20 percent in January. The proportion of families that expected interest rates to climb was 15 percent in July, down from 37 percent in April and 41 percent in January. These results are consistent with the national survey for July, in which 40 percent expected interest rates to increase, up from 21 percent in April and in which 20 percent expected interest rates to decline, down from 34 percent in April.

Consumer buying attitudes still remain high. Among all consumers, 59 percent said now is a good time to buy a house, up slightly from 56 percent in April but up substantially from 42 percent in January. Nationally, there was a slightly different pattern, with 59 percent indicating that now is a good time to buy a house, down from 61 percent in April but up from 44 percent in January.

When asked about the automobile market, 68 percent of the local consumers indicated now was a good time to buy a car, up from 63 percent in April and 60 percent in January, while 19 percent said it was a bad time to buy a car, down from 24 percent in April and 29 percent in January. Across the United States, 65 percent said now was a good time to buy a car, down slightly from 66 percent in April, but up significantly from 51 percent in January. The percent who indicated now was a bad time to buy a car was 27 percent in July, down from 29 percent in April and 41 percent in January.

Grand Rapids families reported, on balance, more favorable evaluations of their personal financial situation than they did previously. Among the survey respondents, 34 percent said their financial situation is better now than a year ago, up from 28 percent in April and 23 percent in January. At the same time, 31 percent indicated the situation was worse, down from 34 percent in April and 42 percent in January. Nationally, the results are similar.

Grand Rapids consumers were quite optimistic about their financial situation



during the next twelve months. When questioned, 46 percent of the consumers thought their situation would be improved, up from 32 percent in April and 29 percent in January. Nationally, consumers were not quite so optimistic. Only 35 percent thought they would be better off, down from 40 percent in April but up from 34 percent in January.

Area residents were quite optimistic about the national economy. Almost eight out of ten consumers felt business conditions were better now than a year ago, up from 64 percent in April and 22 percent in January. At the same time, 61 percent thought conditions would be better a year from now, which is about the same percentage as in April, but up from 49 percent in January. When asked about business conditions during the next five years, 43 percent thought they would be good, but that was down from 45 percent in April. Nationally, the figure was 39 percent for both July and April.

Survey respondents gave the government reasonably good marks on economic policy, with 29 percent saying the government is doing a good job, 51 percent a fair job, and only 19 percent a poor job. However, they are concerned about prices since 61 percent believe prices will increase during the next year, up from 52 percent in April and 47 per-

cent in January. When asked to think about prices over the next five years, 77 percent thought prices would increase, about the same percentage as in April and January.

Consumers are also showing more optimism about the local economy. When asked to compare this area with the national economy, 30 percent indicated it was in better shape, up from 23 percent in April and 19 percent in January. Although 37 percent felt it was in worse shape, this figure was down from 44 percent in April and 50 percent in January. Consumers particularly felt the local economy had improved dramatically, with 58 percent reporting the economy was in better shape than a year ago, up from 35 percent in April and only 9 percent in January. Only 13 percent felt the economy was in worse shape.

The survey of consumer attitudes is conducted quarterly as part of the Seidman School's continuing study of local economic activity. Insight Marketing, Inc., a Grand Rapids based market research firm, coordinates the interviews.

Dr. Marvin G. DeVries is the Dean of the Seidman School of Business.

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The *Seidman School Management Memo* is published twice a year, in the spring and fall, and is sent to all contributors to and friends of the Seidman School of Business. Gifts from these sources enable the Seidman School to sponsor activities and programs designed to increase understanding of our economic system, facilitate exchanges of ideas between students, faculty, and businessmen, and support faculty research and professional development and, in general, enrich the business and academic communities. Persons interested in more information about the *Memo* or the published articles should contact Dr. Marvin G. DeVries, Dean, F. E. Seidman School of Business, Lake Huron Hall, Grand Valley State, Allendale, Michigan, 49401. Telephone 616-895-3271.