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## Consumer Confidence Continues to Increase

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# Consumer Confidence Continues to Increase

By Marvin DeVries

Grand Rapids area consumers registered increased optimism about their financial situation and the condition of the economy, according to a recent survey conducted by the F. E. Seidman School of Business at Grand Valley State. The Grand Rapids area index of consumer sentiment stood at 105.8 for January, 1984, compared with 97.5 three months ago, 98.4 six months ago, and 76.0 in January, 1983. This increase is in large part the result of a very good economic recovery in 1983.

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 30 years. Recent results from the Michigan national survey have shown continued consumer optimism nationally, just as they have locally. The national index of consumer sentiment has been set at 100.1 for January, 1984, up from 89.3 three months ago, 93.9 six months ago, and 70.4 in January, 1983. The recent national index of 100.1 is the highest level recorded since February, 1966, and just below the all-time record of 103.4 set in 1965. These findings maintain the upward trend in consumer attitudes that began in November, 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, all five components of the index registered increases. Area residents felt their current personal financial situations have improved and that their financial picture in the future would continue to improve. Consumers thought business conditions nationally would be good and would continue to improve during the next five years. Consumers also continue to believe that now is a good time to buy a major household item. This high level of optimism can be attributed to a lower than expected unemployment rate, the appeal of lower prices for consumer durable goods, and more favorable income trends.

A decrease was registered in the percentage of area residents who thought the local economy was in better shape

than the national economy, dropping from 33 percent in October, 1983, to 29 percent in January, 1984. However, the percentage who thought the local economy was worse off than the national also declined, from 34 percent in October to 33 percent in January. Thus, more people felt the local economy was the same as or better than the national economy in January than last October.

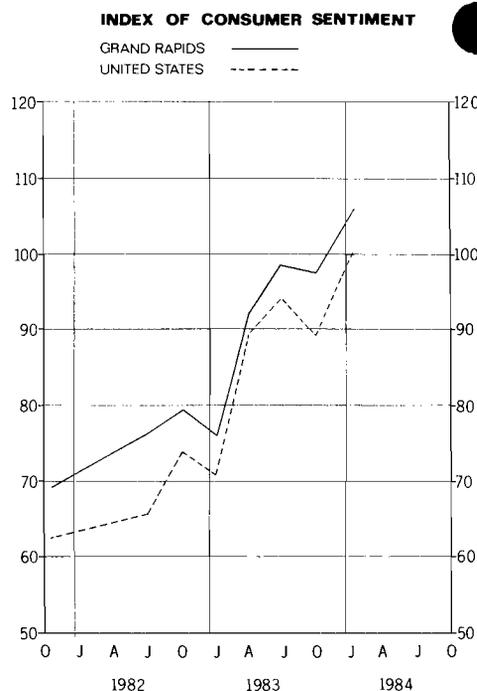
Among all families in the Grand Rapids area, 36 percent expected interest rates to increase during the next twelve months, the same as in October but down from 15 percent in July. The proportion of families that expected interest rates to decrease was 13 percent in January, down from 20 percent in October and 15 percent in July. These results differ from the national survey for January, in which 32 percent expected interest rates to increase, down from 43 percent in October and 40 percent in July.

Consumer buying attitudes still remain high. Among all consumers, 58 percent said that now is a good time to buy a house, up from 52 percent in October and down slightly from 59 percent in July. Nationally there was a similar pattern, with 59 percent indicating that now is a good time to buy a house, up from 55 percent in October and the same as the 59 percent figure in July.

When asked about the automobile market, 63 percent of the local consumers indicated now was a good time to buy a car, up somewhat from the 57 percent figure in October but down from the 68 percent in July. Furthermore, only 20 percent said it was a bad time to buy a car, which is down from 25 percent in October and up from 19 percent in July. Across the United States the results were very similar.

Grand Rapids families reported, on balance, more favorable evaluations of their personal financial situation than they did previously. Among the survey respondents, 46 percent said their financial situation is better now than a year ago, up dramatically from 36 percent in October and 34 percent in July. At the same time, only 19 percent indicated the situation was worse, down from 25 percent in October and 31 percent in July. Nationally, the results were similar.

Grand Rapids consumers continue to be optimistic about their financial situation in the future. When questioned



about the next twelve-month period, 42 percent thought their situation would be improved, up from 40 percent in October but down from 46 percent in July. However, the percentage who thought their financial situation was worse also decreased. Nationally, the level of optimism among the consumers was not as high, with 38 percent of the people expecting an improvement, up slightly from the 37 percent October figure and the 35 percent July figure.

Area residents were quite optimistic about the national economy. Fully 84 percent of the consumers felt business conditions were better than a year ago, up from 80 percent in October and 78 percent in July. At the same time, 93 percent thought conditions would be the same or better a year from now, which is about the same percentage as in October and July. When asked about business conditions during the next five years, 44 percent thought they would be good, up from 40 percent in October and 43 percent in July. And, there was a continued reduction in the percentage of people who expected bad times in the economy in the next five years. Nationally, the percentage of people expecting good times in the next five years was also 44 percent.

Survey respondents gave the government reasonably good marks on economic policy, with 31 percent saying

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# The Grand Rapids Economics Index

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Construction activity is used to measure economic well-being because the data are readily available, construction affects most of us positively, and construction activity is a sign of a hopeful view of the future.

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 em-

ployment, 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 shown on an accompanying chart, which gives some evidence of how local economic activity compares with na-

tional 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.

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the government is doing a good job, 55 percent a fair job, and only 14 percent a poor job. They are somewhat concerned about prices, since 63 percent believe prices will increase during the next year, down from 69 percent in October and up from 61 percent in July. When asked to think about prices over the next five years, 81 percent thought prices would increase, the same as in October and up from 77 percent in July. However, area people are slightly more concerned about unemployment than they were earlier in the year. When asked to consider the potential problems of unemployment and inflation, 59 percent thought unemployment would be the more serious economic hardship, up from 55 percent in October and about the same as the 60 percent in January.

However, of those who were concerned about inflation, 34 percent considered it to be a potentially serious problem, up from 33 percent in October and 28 percent in July.

The good increase in consumer attitudes is likely to result in increased consumer sales during 1984 as long as no significant changes occur in interest rates and prices.

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.

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## Medical Service Purchases

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should be on the basis of increased attention with decreased waiting time and lower costs. However, it appears that most Americans will continue to put up with considerable inconvenience and heavy cost burdens in order to obtain what they perceive as higher quality service from the traditional medical doctor.

1. An example of the recent emphasis on health care marketing is the initiation of annual symposia on the subject sponsored by the American Marketing Association and several other organizations.
2. In western Michigan alone, four major hospitals have undertaken such projects in the past year.
3. "The Upheaval in Health Care," *Business Week*. July 25, 1983, pp. 44-58.
4. "I Like You, Doc, and You Care About Me, but a Pox on All Your Waiting Games." *Texas Medicine*. Vol. 79, March, 1983, pp. 33-37.

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