

## Builder, banker forecast contrary economic tides

The construction industry is looking forward to recovery after a "disastrous" 1980. But the long-term loans which normally support construction may be hard to find.

Those "contradictory pictures" were drawn by a contractor and a banker when they spoke Monday at the annual economic outlook luncheon of the Detroit Economic Club. Lawrence C. Dailey, president of R.E. Dailey & Co., is looking forward to business capital spending on "re-industrialization," new offices and new houses to satisfy pent-up demand. Dailey is also president of the Detroit chapter of Associated General Contractors of America.

BUT A GLOOMY picture of the capital market was painted by Robert M. Surdam, chairman and chief executive officer of National Bank of Detroit.

Characterizing credit markets as "turbulent," Surdam said:

"In the longer-term credit markets, we have witnessed a growing reluctance, even an inability, by many investors, personal and institutional, to commit funds to long-term fixed-rate bonds and mortgage loans. This is a natural result of the highly inflationary environment in which we now find ourselves."

Surdam predicted "a higher and more volatile interest rate pattern in the 1980s" because:

• Banks will seek "interest rate sensitivity between their assets and liabilities." There will be "greater

competition for deposits," and interest rate fluctuations will be passed onto borrowers more quickly.

• Savers are hesitant to invest in long-term, fixed-rate assets because of inflation. New debt issues will carry shorter maturities and/or variable interest rates.

• Companies are showing a propensity to finance new plants, equipment and working capital with debt (loans, bonds) rather than equity (shares of stock).

"This may be resulting in a tendency to make our economy more vulnerable to credit crunches," the NBD president said.

DAILEY'S PICTURE of the construction industry — "our nation's largest single business" — was the most optimistic of any of the five economic forecasts heard by some 1,200 leaders of business in southeast Michigan.

While construction contracts in 1980 plummeted 15 percent (\$26 billion) from 1979, he predicted "an increase in the contract value for all construction in 1981 of between 12 and 15 percent. However, this would result in real growth of only 3 to 6 percent, depending on inflation."

Business investment — "The decade of the 1980s is already being called the decade of re-industrialization, with new emphasis on supply-side economics (as opposed to consumer demand stimulation)." Conversion from oil to coal, power

plant construction and major investments in synthetic fuels will help construction.

Offices — "One of the bright spots in 1980 and '81... Office construction will grow by approximately 10 percent in 1981 due to continued demand for prime office space."

Residential — It will "increase significantly with housing starts expected to increase by 30 percent to 1.7 million units from this year's 1.3 million. This remains significantly below the generally accepted level of two million units."

There were some bad spots, however, in Dailey's forecast. Shopping centers, commercial building and institutions (schools and hospitals) will stay at the 1980 level. Highways, bridges and utilities will show little increase and in Michigan will be down.

CHRISTMAS may show a pickup for retail activity, said B.M. Fauber, president and chief executive officer of Kmart Corp.

"The first reason is that I believe American consumers did a very good job this past spring and summer in correcting their balance sheets — that is, reducing their debt levels relative to income. Consumers caught the message of the Federal Reserve last March when it imposed its versions of credit controls," said the Kmart chief.

"The second reason is a significant improvement in consumer confidence and buying plans."

## Band-O-Rama slated Dec. 11

A Band-O-Rama Concert will be presented at 7:30 p.m. Dec. 11 at Southfield High School. Various musical groups will perform.

Guest soloist will be James Underwood, cornet virtuoso. The concert will also feature Southfield High's jazz ensemble, symphony band, marching band, pom pom girls, flag corps, rifle squad and movies of the marching band.

A reception honoring Underwood and the band alumni will follow the concert.

Admission is free, but donations will be accepted. For more information, call 354-8278.

## Red Cross seeks help for Italy

People who want to help the victims of the earthquake which destroyed villages in Italy can send a contribution to the American Red Cross' Italian Earthquake Relief fund.

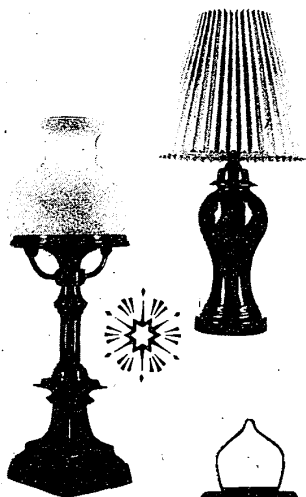
Mail it to the Southeastern Michigan Chapter of the American Red Cross, P.O. Box 351, Detroit 48232. Mark it to the attention of the Executive Office.

Officials of the League of Red Cross Societies in Geneva say the real need is for financial contributions for local purchase of specific supplies that are readily available in Europe, according to the American Red Cross.

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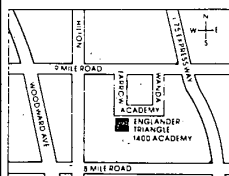
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