

Consumers are confident, more demanding

Consumer buying attitudes remain upbeat thanks to lower interest rates and agreeable market prices, according to the University of Michigan's Institute of Social Research.

The latest ISR Survey of Consumer Attitudes shows that although consumers expect slow economic growth during the year ahead, they believe it will be accompanied by low rates of inflation and lead to only small increase in the unemployment rate.

The overall level of consumer confidence remained high in the third quarter survey, which included nearly 1,000 interviews nationwide through Sept. 30.

THE ISR INDEX of Consumer Sentiment

registered 92.8, compared to 94.3 in the prior quarter and to 98.9 a year earlier. (February 1986 is used as the base year.) This was the 10th consecutive quarter with an index figure in the 90s, the longest period of consumer optimism at that level since the 1960s.

In the third quarter, 72 percent of all families held favorable attitudes toward buying conditions for large household durables, just below the all-time peak of 74 percent. Attitudes toward home buying set a new record at 71 percent, favorable attitudes toward automobile purchases were unchanged at the record level of 67 percent first established in the second quarter.

Increases in consumer spending, ac-

cording to survey director Richard T. Curtin, are not likely to outpace growth in incomes, indicating a rising saving rate.

He described an emerging "buyer's market."

"THE RESPONSE of consumers to the recent interest rate reductions has demonstrated not only their willingness to spend, but also their resolve to wait for discounts on prices and interest rates. Gone are the days when consumers felt pressured to act by ever-escalating prices."

"Today, consumers are more willing to engage in comparative price shopping and expect to be enticed by discounts on prices as well as interest

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CURTIN SAID changes in various economic conditions are partially offsetting.

The strongest aspects of consumer sentiment — personal finances and

buying attitudes — have resulted from low inflation and widespread discounting," he said. The weakest aspects involve lowered prospects for income and employment. As a result, the pace of real income growth during the year ahead will play a pivotal role.

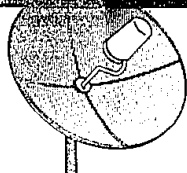
"Declines in spending would be greater if there were a substantial resurgence in inflation, interest rates or unemployment. But given the out-

look for these variables, such a sharp retrenchment in spending is unlikely."

DURING THE past two years, the proportion of consumers who expect continued improvement in the national economy has shown a sharp decline, from 33 percent to 25 percent in the latest survey. Because slower growth but no recession is expected, consumers view the economic outlook as "somewhat dulled, but nonetheless favorable," Curtin said.

The major factor underlying the maintenance of favorable assessments of the economy has been sustained declines in inflation, the report indicated. The primary concern expressed by consumers involved limited job prospects.

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