

ECONOMIC TRENDS AND THEIR INFLUENCE

ON THE CONSTRUCTION AND SOD INDUSTRIES

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It may sound a bit corny to begin a paper before this conference by stating that we've been over some mighty rough turf in the last eighteen to twenty four months, but there isn't any truer statement abounding in the grass today when it comes to the economics of the construction industry and its allies -- particularly the sod growers and seed specialists. I'm sure you all know of what I speak. The economics of the construction components of our great nation have been in tough shape -- in many areas to the point of complete demoralization and terrific financial loss and frustration.

Well -- let's see just what's happened in the past -- then let's take a look at where we are at this time -- and then let's see what lies ahead for us.

Great new vocabularies and expressions have been developed to help us tell the world what's gone on in our country in the last two years -- good news and bad news stories seem to abound everywhere and fancy financial terms like "DISINTERMEDIATION" are used to explain away the disaster to our businesses. That was the term accorded to the outflow of funds from the banks into higher yielding government securities and higher yielding corporate investments many months ago. A mad stampede descended on the banks of the nation as depositors rushed in to withdraw their savings (pegged at lower interest rates) so they could get some of that 7½% government money and snap up some of that 8-9 and 10% corporate investment paper.

You can guess the rest -- the banks deposits were lowered -- and since banks can only lend on the strength of their footings -- loans were practically eliminated. Rising loan rates -- responding to the unavailability of dollars -- sounded the death knoll by making borrowings too expensive to handle and all construction seemed to ground to a halt.

Then came the Penn-Central debacle and the confidence in the high priced papers tumbled out of bed.

The Federal money managers had reviewed the effects of their actions at the same time and rates began to recede as strong pressures began to be applied to bring inflation under control.

That was the bad news side of our story. It was strong medicine for a sick, sick economy. But good news had to be around the corner and once again the "word - fabricators" pulled and tugged and out came a new financial expression -- RE-INTERMEDIATION.

People began to return to their savings accounts and bank certificates as reasonable investments and once more the footings of the nation's financial institutions began to rebuild. In time the banks were once again in a position to lend to their customers at reasonable rates.

And that is where we are today -- on the threshold of a burgeoning and expanding economy. We've been all over the landscape but now we appear to be returning to the norms you used to know.

All kinds of analysts have been at work drawing up new words and new expressions, but the great majority of them are in agreement that things will be much better this year in the construction industry -- and I am sure this will benefit those of you who are here today.

Some of the best of the analysts are saying encouraging things like:

1. "THE UPTURN IN CONSUMER SPENDING that began in Late 1970 (after the auto strike) and the revival in housing starts that came even earlier began to supply a lift"
2. "xxx Construction spending ran at a seasonally adjusted annual rate xxx well above the \$96.3 billion of a year ago xxx"
3. "xxx this is a year of solid economic advance xxx"
4. "xxx we've had such a surge in home starts that there's an unusually large volume of homes in the pipeline, and there's been an unusually large increase in 1971 in the number of homes under construction. Thus, completions in 1972 are almost bound to be 2 million, or possibly more xxx. This surge in home completions xxx has obvious implications for a number of markets in 1972,"
5. "Economic forecasts for 1972 are almost without exception pointing to a year of rapid economic advance xxx new orders for factory goods were up sharply xxx business capital spending plans are being upgraded xxx consumer spending picked up strongly xxx a build up of confidence xxx stimulative monetary and fiscal policies xxx recent tax reductions xxx business activity improves and the rate of inflation slows xxx"
6. "Housing activity will continue strong into 1972 after reaching a record level in 1971."
7. "It's going to be a good year for business xxx profits this year, better on the whole xxx."

Indeed - we have truly been over some pretty rough turf in the last twenty four months, but the financial managers of the nation seem to have brought our economic ills under control. Earlier, I referred to the tough medicine we have had to take in the way of fiscal and monetary manipulation to bring inflationary pressures under control. These applications have been carried forward more recently in the now well famed PHASE I and PHASE II programs of the Nixon Administration. I am sure you are all aware of the scope of the President's plans -- many of you have been effected in one way or another by the wage and price control systems. The trends of Nixon's plans are unfolding day by day and we will soon have all the ground rules set for the operations of our businesses. New words, new phrases are emerging as each new days paper hits the streets. Their application will be something interesting to watch and certainly confusing to participate in. Their influence will have differing effects on all of us.

However, if I were to suggest any generalism at all, I would say that a golden thread runs through all of our individual economies and that thread heralds the fact that 1972 will be a good year for the construction and sod industries.