

DULUTH BUSINESS INDICATORS



BUREAU OF BUSINESS AND ECONOMIC RESEARCH
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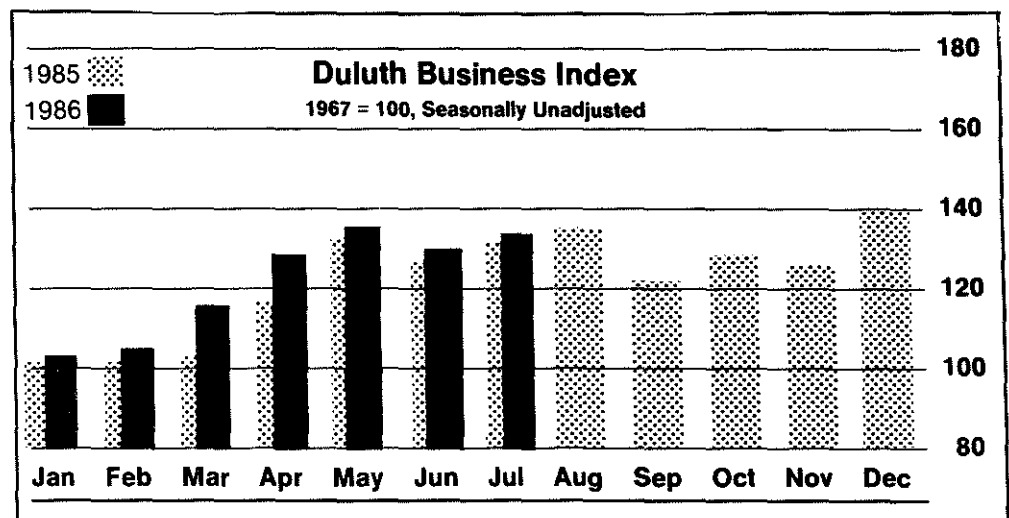
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Highlights

- *Business Pace Slows.*
- *Construction Activity Accelerates.*
- *Grain Shipments Holding Strong.*
- *Iron Ore Tonnage Down.*
- *Metal Mining Jobs Unchanged.*



ECONOMIC CONDITIONS

During the past 10 years the economy of Duluth has experienced an average drop of six index points between June and July. This year, however, the Duluth Business Index (DBI) recorded a three-point gain, bringing the July index up to 133 compared to 130 for June. The current condition of the business climate is improved over last year when the index was 131.

Since the first of the year the DBI has averaged 4.2 percent above the same seven months of 1985 although since the end of the first quarter the margin of improvement has narrowed somewhat. Building permit valuations, lake cargo (except grain) and wage and salary employment were influential in the index increase over June and recorded improvement over their average seasonal gains of the past 10 years or did not experience their usual seasonal decrease.

Wage and salary employment showed a slight decrease from June but for the year has averaged 660 workers above the same seven months of 1985. One area that has begun to show significant growth is the construction industry. The 1,670 workers on building construction jobs in Duluth in July is the highest for any month so far this year and represents the highest employment figure for the month of July since 1979. The improved job picture for this industry reflects the emerging impact of the construction of the new paper mill although highway work and other building construction and alteration and repair jobs also contributed to the improved work opportunities this year for construction workers.

The unemployment rate in July was 5.2 percent repre-

senting some 1,800 persons who were without jobs in that month. The July rate was well below the 6.4 percent rate of June and probably reflects, as much as anything, the usual mid-summer pattern of youth dropping out of the labor force when unable to find jobs. In July of 1985 the jobless rate was also at 6.4 percent.

Of those persons who were unemployed in July and who were also collecting unemployment benefits under the regular program, 21 percent had previous work experience in professional, technical or managerial jobs. This is about the same ratio as prevailed in the State. Layoffs from retail trade and service firms in Duluth made up 54 percent of those unemployed persons collecting jobless benefits in July, a much higher rate than the 36 percent that existed for Minnesota.

During July the local economy benefited by the nearly \$300,000 that was paid out in unemployment insurance benefits to unemployed job seekers under the regular program. The average weekly benefit check was \$140.99 per recipient.

Freight carloading activity dropped slightly in July but the decrease was only one-third the average seasonal slowdown for the June-July period. The dollar value of bank debits (deflated) dropped from June by more than the usual seasonal pattern and the index was also down from last year with commercial and government check writing recording decreases.

One bright spot in the local economy this year is the building industry. After a slower than anticipated start in the new projects expected to get under way this year,

INDEX HIGHLIGHTS

TIME PERIOD	DULUTH INDEX
July 1986	133
June 1986	130
June-July Change	+3
Normal Seasonal Change June to July	-6
July 1985	131
Change, July 1985 to July 1986	+2
Seasonally Adjusted Index July 1985	125
Seasonally Adjusted Index June 1986	127

DULUTH LABOR MARKET

	Current Month July 1986	Year Ago July 1985	% Change
TOTAL LABOR FORCE	34,000	33,100	+3
(Duluth Residents)			
Unemployment	1,800	2,100	-14
% of Total (Actual)	5.2%	6.4%	XXX
Seasonally Adjusted	5.2%	6.3%	XXX
Employment	32,200	31,000	+4
% of Total	94.8%	93.6%	XXX
TOTAL WORK FORCE	41,900	41,200	+2
(Duluth Jobs)			
Manufacturing	3,700	3,800	-3
% of Total	8.7%	9.2%	XXX
Nonmanufacturing	38,300	37,400	+2
% of Total	91.3%	90.8%	XXX
PERSONS CLAIMING UNEMPLOYMENT BENEFITS (Duluth only)	499	613	-19
AVERAGE WEEKLY EARNINGS (Manufacturing Only)	\$354.62	\$377.67	-6

NOTE: Employment totals may not add up due to rounding.
Source: Minnesota Dept. of Jobs and Training.

DULUTH TOURIST INDEX

June, July, August 1978 = 100

JUNE INDEX

	June 1986	May 1986	June 1985
	92	59	85
Estimated Tourist Expenditures (in '000's)			
	June 1986	June 1985	% Change 1985-86
Lodging	\$1,842	\$1,663	+10.8%
Eating, Drinking	2,624	2,502	+4.9%
Retail Sales	1,048	977	+7.3%
Auto, Gas	511	476	+7.4%
Other	810	755	+7.3%
Totals	\$6,835	\$6,373	+7.2%

building activity is picking up. Although street and highway work is under way in full force again there are several major projects started that have resulted in an accelerated hiring pattern. The major project involves the construction of a \$400 million paper mill but work on school buildings, storage buildings, an apartment complex and skywalk construction have had a positive effect so far on this industry and further gains will be occurring during the last half of the year.

Since January, a total of \$15.5 million dollars worth of building permits have been issued in Duluth. This figure is double the \$7.3 million issued last year for the same seven months. Since the permits for the major buildings for the paper mill and new shopping mall have yet to be issued, the major share of the building dollar so far has gone toward alteration and repair work. This year three-fourths of the valuations have been for renovation work compared to 68 percent last year for the same seven months.

Historically, the consumption of electric power by commercial and industrial users declines slightly from June but this year the decrease was greater than the average for the past 10 years. Commercial usage posted an increase over June, but this gain was offset by industrial cutbacks and was rather broad based among the major customers. Compared to one year ago the commercial sector was up by 6 percent and again the industrial sector showed a drop that partially offset the commercial gain.

Although grain shipments in July fell slightly from their June level a seasonal downturn is generally experienced at this time of the year, however, this year the June-July decrease was less than average. July shipments were, however, up by 58 percent over last year's monthly total. Last year's market was poor so comparisons with a low period tend to look good. In addition, shipments of durum wheat to Algeria in 1986 have provided some added strength to the grain shipments total. So far this year grain shipments are running 13 percent ahead of last year and the outlook for this season is one of cautious optimism for volume to equal or possibly exceed last year's record.

Import-export cargo (other than grain) was up sharply over June in contrast to the historical decline that has occurred in July. The record for the season so far shows 1986 lagging last year's tonnage figure by one percent.

Lake shipments of iron ore in July were at the same level as for June but were 28 percent below one year earlier due to the less than robust demand for steel using local ores. The impact of foreign steel imports continues to affect the local shipments of iron ore. At midyear ore shipments are down 16 percent from the corresponding period of last year.

July employment in the iron ore mines held stable at the June level of 6,000 workers and was higher than one year ago by a modest 100 workers. The job level in July is likely to remain at about the same level for the rest of the year once the 1,300 workers on strike at one mine as of August settle their negotiations with management.

NOTICE

With this issue the DBI has undergone some important changes that should make it more reflective of the current economy. The DBI now consists of 14 components, rather than 15, since telephone lines was dropped because it no longer measured that industry after deregulation. Also, the weightings of the components have been changed to incorporate this change.

The most important change is a new retail sales system which is based on information being provided by the City of Duluth, rather than the previous survey of retailers. The new data are more comprehensive and should more accurately reflect changes in the Duluth retail sector. For those interested, the Bureau has prepared a paper which

PERCENTAGE CHANGE IN 14 INDIVIDUAL BUSINESS INDICATORS FOR THE CITY OF DULUTH

Year-to-date 1986 compared to 1985

INDICATOR	PERCENTAGE CHANGE						
	-15	-10	-5	0	+5	+10	+15
Coal Receipts							+450%
Building Permits (Adj.)							+84%
Postal Receipts							+23%
Grain Shipments							+13%
Total Duluth Business Index							+4%
Electric Power (Commercial-Industrial)							+4%
Duluth Nonagricultural Employment							+2%
Retail Sales (adj.)							+1%
Freight Carloadings							+1%
Electric Power (Residential)							NO CHANGE
Electric Customers							NO CHANGE
Other Lake Cargo							-1%
Bank Debits							-1%
State Metal Mining							-13%
Iron Ore Shipments							-16%

explains this new system and provides retail sales data for 1985-86 which are similar in format to the Retail Sales Data in this issue.

In addition to these changes in content, the format of the DBI has been improved. Most noticeable is the new bar chart on the front page which replaces the old line graph and makes comparisons with the previous year much clearer.

U.S. CONSUMER PRICE INDEX

	July 1986	July 1985	% Change
All Urban Consumers	328.0	322.1	+1.8%
Urban Wage Earners & Clerical Worker (Revised)	322.8	319.1	+1.2%

Source: Bureau of Labor Statistics

REPORT OF DULUTH FINANCIAL ACTIVITY

	Current Month July 1986	Year Ago July 1985
BANK DEBITS TOTAL	\$1,086.5	\$1,184.2
Individuals	144.8	141.3
% of total	13.3%	11.9%
Commercial Accounts	834.7	913.7
% of total	76.8%	77.2%
Government (State & Local)	107.0	129.1
% of total	9.9%	10.9%
TOTAL DEPOSITS (END-OF-MONTH)	\$884.2	\$957.7
Demand	149.3	129.6
% of total	16.9%	13.5%
Time and Savings	734.9	828.1
% of total	83.1%	86.5%
Savings Only	148.4	215.8
DOLLAR VALUE OF NEW REAL ESTATE MORTGAGE ISSUED (CURRENT MONTH)	\$7.6	\$3.4
Residential	7.6	2.9
% of total	99.7%	84.6%
DEPOSIT TURNOVER RATE*	7.3	9.1

¹ Figures rounded in millions. Shown in current dollars. Sub-totals may not sum to totals due to rounding. Percentages calculated from unrounded data. Above data covers commercial banks and savings and loan associations only.
*Deposit Turnover—Bank debits divided by demand deposits.

DULUTH RETAIL SALES

Selected Industry Description	UNADJUSTED (FOR PRICE CHANGES) SALES (000'S OF DOLLARS)				ADJUSTED (1967=100) SALES						
					MONTHLY			YEAR-TO-DATE			
	July 1986	% Total	July 1985	% Total	July 1986	July 1985	% Change	1986	1985	% Change	
Bldg., Materials, Hardware, etc.	\$ 2,620	5.1%	\$ 2,396	5.1%	\$ 803	\$ 746	7.6%	\$ 4,216	\$ 4,117	2.4%	
Department Stores	9,210	18.1%	8,339	17.7%	2,822	2,595	8.7%	18,298	17,855	2.5%	
Other General Stores	95	0.2%	103	0.2%	29	32	-9.3%	188	194	-2.9%	
Grocery Stores	8,006	15.7%	7,675	16.3%	2,650	2,591	2.3%	17,232	15,279	12.8%	
Other Food Stores	1,537	3.0%	1,824	3.9%	509	616	-17.4%	3,305	3,892	-15.1%	
Motor Veh. Dealers (New & Used)	6,195	12.1%	5,227	11.1%	2,080	1,654	25.8%	13,771	11,559	19.1%	
Other Auto Dealers, Serv. Stations	5,164	10.1%	5,515	11.7%	1,734	1,745	-0.6%	10,439	10,904	-4.3%	
Apparel & Accessory Stores	1,067	2.1%	834	1.8%	517	406	27.3%	3,196	2,967	7.7%	
Furniture, Home Furnishings	2,208	4.3%	2,204	4.7%	884	890	-0.8%	6,138	6,022	1.9%	
Eating Places Only	3,508	6.9%	2,835	6.0%	1,106	918	20.6%	6,221	7,469	-16.7%	
Other Eating & Drinking Places	3,354	6.6%	2,346	5.0%	1,058	759	39.3%	4,804	4,887	-1.7%	
Miscellaneous Places	8,039	15.8%	7,786	16.5%	2,464	2,423	1.7%	17,941	17,693	1.4%	
TOTAL	\$51,002	100.0%	\$47,083	100.0%	\$16,656	\$15,376	8.3	\$105,748	\$102,838	2.8%	
DULUTH RETAIL SALES INDEX					103.9	95.9	8.3%	94.3	91.7	2.8%	

Note: The information contained in this table reflects actual sales of Duluth firms who report sales taxes on a monthly basis. Information on sales of other firms and on the methodology used to prepare this table can be obtained on request.

Source: City of Duluth, Treasurer's Office.

DULUTH BUSINESS INDICATORS

INDEX NUMBERS (1967 = 100) UNADJUSTED

ORIGINAL DATA

Component	July 1986	June 1986	July 1985	INDEX CHANGE July '85 to July '86 June '86 to July '86		Unit	July 1986	June 1986	July 1985
				July '85 to July '86	June '86 to July '86				
Freight Carloadings	101	103	117	-16	-2	(Cars)	11,400	11,600	13,171
Bank Debits ⁵	308	333	345	-37	-25	(Dollars in '000's)	1,086,466	1,174,887	1,184,166
Building Permits ²	82	62	43	+39	+20	(Actual \$ Value)	3,283,737	3,118,764	1,739,578
Postal Receipts	389	400	328	+61	-11	(Dollars)	918,079	943,335	773,722
Electric Power (Commercial & Industrial)	145	150	144	+1	-5	(K.W.H. in '000's)	36,316	37,573	36,082
Electric Power (Residential)	116	119	112	+4	-3	(K.W.H. in '000's)	16,869	17,371	16,855
Number of Electric Customers	104	104	104	0	0		34,640	34,720	34,839
Grain Shipments	99	100	63	+36	-1	(Bushels in '000's)	29,170	29,285	18,433
Coal Receipts	12	30	0	+12	-18	(Short Tons in '000's)	28	70	0
Iron Ore Shipments	61	61	85	-24	0	(Gross Tons in '000's)	717	718	1,001
Other Lake Cargo	361	258	377	-16	+103	(Short Tons)	126,966	91,854	132,645
Duluth Nonagricultural Empl.	101	101	99	+2	0	(Persons)	41,900	42,100	41,200
Duluth Retail Sales Index ⁴	104	99	96	+8	+5		---	---	---
State Metal Mining Empl.	47	47	46	+1	0	(Persons)	6,000	6,000	5,900
OVERALL	133	130	131	+2	+3				

1. Source of data: Duluth Industrial Bureau, Building Inspector's Office of the City of Duluth, U.S. Post Office in Duluth, Minnesota Power Company, Minneapolis Grain Exchange, American Iron Ore Association, Seaway Port Authority of Duluth, Minnesota Department of Jobs and Training and the Department of Economics, University of Minnesota, Duluth.
2. The Building Permits Index is adjusted to reflect the amount of construction occurring during the month.
3. Revised.
4. Deflated for price changes.
5. Beginning with January 1978 and for subsequent months the Bank Debits Index number will be adjusted by the GNP Implicit Price Deflator. All dollar figures shown for Bank Debits are in current dollars.
6. Estimate.

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