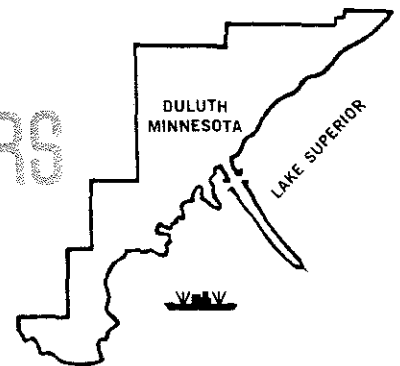


DULUTH BUSINESS INDICATORS

BUREAU OF BUSINESS AND ECONOMIC RESEARCH
SCHOOL OF BUSINESS AND ECONOMICS
University of Minnesota Duluth
In Cooperation with the Regional LMI Center —
Department of Economic Security



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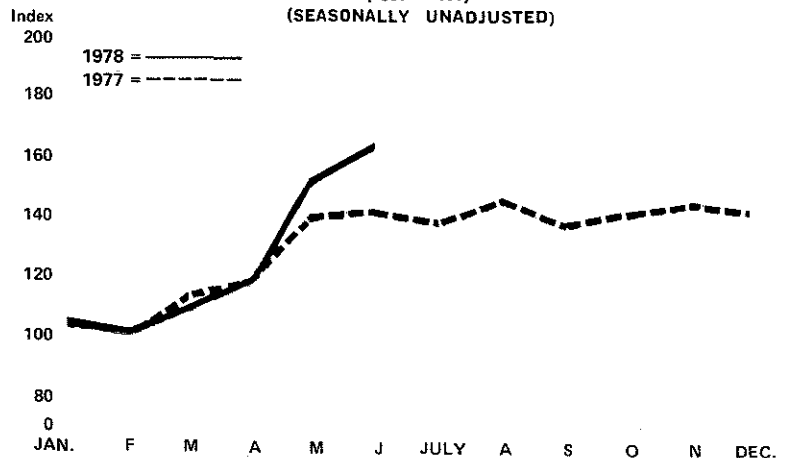
JUNE 1978

NO. 6

Highlights

- June Business Activity Up
- Port Activity off to a Good Start
- Employment Up From a Year Ago
- Automobile Sales Brisk
- Building Permits Down

DULUTH BUSINESS INDEX (1967 = 100) (SEASONALLY UNADJUSTED)



ECONOMIC CONDITIONS

The Duluth Business Index reached 166 in June (1967=100) this year while in the same month last year the index stood at 145. Clearly, the summer of 1978 is off to an excellent start. It is true, of course, that Duluth economic activity is subject to wide seasonal swings and that a single month is not to be interpreted as a harbinger of the future. However, the trend this year has been generally favorable with the May experience being above expected activity levels, a fact which continued in June.

Looking at the broader picture for the year, the first four months of 1978 were, generally speaking, lackluster. At the present half-way point in the year, a comparison between 1978 and 1977 shows the Duluth Business Index to be up slightly over 3 percent for the year-to-date period. While this record is somewhat less than the national average—Industrial Production for the United States as a whole is up about 4.7 percent—the local gains are positive and are generally following recent trends.

One of the significant components of economic change, is of course, the movement of trade on Lake Superior. The season moves into high levels of activity in the summer, and

in June the increase in port traffic was up considerably over the levels of last year as measured by general lake cargo (other than grain, iron ore and coal) and noted on the chart on page 3. It should be remembered, however, that lake traffic is subject to wide month-to-month swings during the summer so that one needs to see the entire range of summer months in perspective—and this will not be known for some time yet. For the early months lake shipping is off to a good start.

Wage and salary employment in Duluth declined by 100 workers from May. This is atypical in nature since historical patterns showed a slight advance in the May-June comparison. Scattered decreases in Construction, Wholesale Trade, Service and State Government more than offset gains recorded by other industries.

Despite the minor downward adjustment in June's job level, the overall labor market appears stronger this year than was the case 12 months ago. There are approximately 1,500 more workers this year than in June 1977 and the number of claimants collecting unemployment benefits is about one-half of the year ago figure. The unemployment

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INDEX HIGHLIGHTS

TIME PERIOD	DULUTH INDEX
June 1978	166
May 1978	154
May-June Change	+ 12
Normal Seasonal Change	
May to June	+ 3
June 1977	145
Change, June 1977 to June 1978	+ 21
Seasonally Adjusted Index June 1977	132
Seasonally Adjusted Index June 1978	151

DULUTH LABOR MARKET

	June 1978	June 1977	% Change
Labor Force	44,000	45,600	- 4
Unemployment	2,100	2,800	-25
Rate	xxx	xxx	xxx
Actual	4.8%	5.7%	xxx
Seasonally Adjusted	4.6%	5.9%	xxx
Total Employment			
(Labor Force)	41,900	42,800	- 2
Wage & Salary			
(Work Force)	46,600	45,100	+ 3
Manufacturing			
(Work Force)	6,300	5,500	+15
Nonmanufacturing			
(Work Force)	40,200	39,600	+ 2
Job Openings Received			
During Month	663	1,572	-58
Persons Claiming Unemployment Benefits (Area)	1,756	3,608	-51
Average Weekly Earnings—			
Mfg. Only	\$218.20	\$197.68	+10

NOTE: Employment totals may not add up due to rounding.
Source: Minnesota Dept. of Economic Security.

RETAIL SALES INDEX

ADJUSTED FOR PRICE CHANGES
(1967 = 100)

	3 Yr. June Aver. 1975-77	June 1978	June 1977	June '77 to June '78 % Change
Total	120	120	121	- 1
General Merchandise	121	114	120	- 5
Apparel Stores	123	103	109	- 6
Grocery Stores	107	121	109	+11
Automotive Sales	137	192	169	+14
		1978	1977	% Change
Index Average Year-To-Date (Total)		110.7	109.2	+ 1

Adjusted for price changes

rate for June 1977 (unadjusted) of 5.9 percent is down to 4.6 percent this year and average weekly earnings of production workers in manufacturing rose to \$218.20 in June of 1978 from \$196.68 in June of last year. This is an increase of 10 percent.

Employment in manufacturing as compared to the total job figure, has also shown some improvement. In June of this year 13.5 percent of the wage and salary workers were employed on factory jobs. One year previous the rate was 12.2 percent.

The value of building permits issued and under construction (in 1967 dollars) showed a decrease in the May-June comparison which is not typical for this period of the year. This has not been a particularly good year for building construction. The value of building permits issued for the first half of 1978 (in 1967 dollars) is down 47 percent from the same period of 1977.

A major share of the building dollar during the first half of this year has gone into the less labor intensive alteration and repair type of construction. This segment of building construction accounted for 41 percent of the permit valuations this year compared to 30 percent last year and residential housing construction accounted for 24 percent of the building dollar this year, down from the 31 percent rate for the first six months of 1977.

Grain shipments to and from Duluth were running 47 percent ahead of last year measured by the year-to-date figures. Freight carloadings too, continued to show a pace well above last year with a 13 percent gain over the same six months of 1977. Postal receipts, too, continue to pace last year, but much of this gain is probably due to the increased postal rates.

Iron ore shipments continue to be down in the year-to-year comparison. The reasons for the decline are not readily apparent.

Money flowing through the economy, as measured by bank debits, was up 14 percent for the current year-to-date comparison over last year. Since business activity itself is up by 3 percent, the presence of inflation in the national economy appears to explain much of the discrepancy.

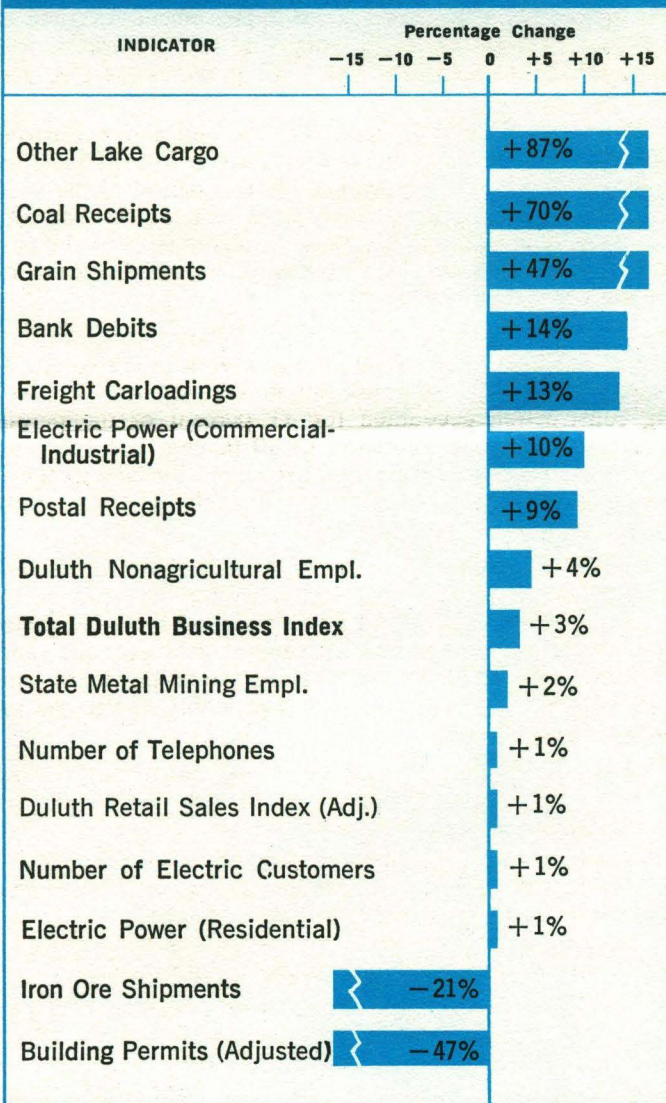
Debits to individual accounts formed some 14.9 percent of total bank debits in June compared to 12.4 percent last year. Debits to commercial accounts as a percent of total debits declined slightly from last June although the volume of money changing hands in these accounts increased from \$469 millions to \$543 millions. Government transactions also were up in dollar volume, but declined slightly from the percent of total debits noted a year ago. Again, it should be cautioned that slight changes in the percentage figures are probably not indicative of a trend since month-to-month changes are expected, but tend to average out over a several month period.

The total bank debits for Duluth read \$693 millions this June as compared to \$582 millions last June. The distribution of funds between demand (checking) accounts and savings (time) accounts, continues to hold at about 22 percent in demand and 78 percent in time deposits. In other words, inflation has increased the volume of these accounts, but has not changed the percentage distribution between them.

As these monthly commentaries have stated previously the presence of inflation in an economy changes the length of time a dollar remains in one checking account before that same dollar jumps to another bank account. This is known as velocity of circulation, or deposit turnover rate. A measure of turnover for Duluth bank deposits shows that velocity has been increasing with the ratio in June this year

PERCENTAGE CHANGE IN 15 INDIVIDUAL BUSINESS INDICATORS FOR THE CITY OF DULUTH

Year-to-date compared to 1977



being 4.4 while last June the ratio was 4.2.

In the case of retail trade (adjusted for price changes) only automotive sales are up substantially. However, food sales (adjusted for price changes) which are usually quite stable from month to month have been increasing moderately this year over last. The factors responsible for the 6.8 percent year-to-date food gain over last year are largely unknown.

Automobile sales continue to show dramatic increases this year over last—even when adjusted for price changes. Used autos which have sometimes been thought of as a “glut on the market” have been moving exceptionally well as Americans and Duluthians trade up to newer models.

Retail sales trends noted in Duluth seem to parallel the National trends, i.e., modest sales generally, but up dramatically in autos.

REPORT OF DULUTH FINANCIAL ACTIVITY ¹

	Current Month June 1978	Year Ago June 1977
BANK DEBITS — TOTAL	\$692.6	\$582.4
Individuals	103.0	71.9
% of total	14.9%	12.4%
Commercial Accounts	542.9	468.8
% of total	78.4%	80.5%
Government (State & Local)	46.7	41.7
% of total	6.7%	7.1%
TOTAL DEPOSITS (END-OF-MONTH)	\$718.1	\$653.2
Demand	158.2	139.2
% of total	22.0%	21.3%
Time and Savings	559.9	514.0
% of total	78.0%	78.7%
Savings Only	228.7	218.9
DOLLAR VALUE OF NEW REAL ESTATE MORTGAGES ISSUED (CURRENT MONTH)	\$ 7.7	\$ 7.0
Residential	6.9	6.6
% of total	89.4%	93.1%
DEPOSIT TURNOVER RATE*	4.4	4.2

¹Figures 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.

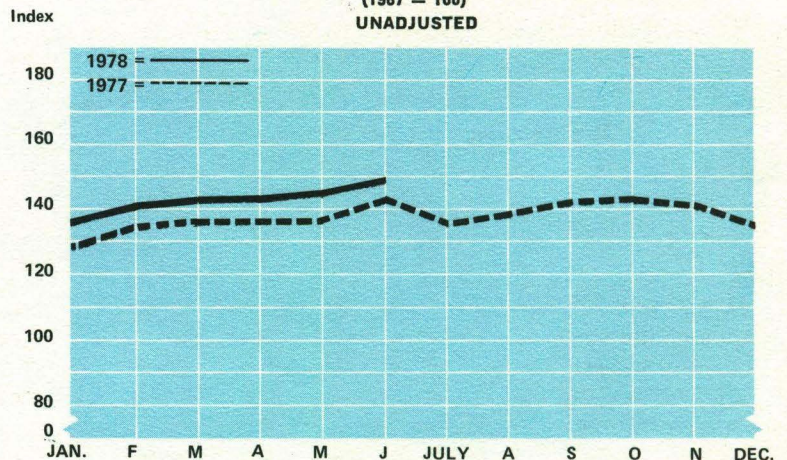
HIGHLIGHTS OF THE U. S. INDEX OF INDUSTRIAL PRODUCTION

June 1978 compared to June 1977

- Total Index up 4.5%**
- Consumer Goods Production up 6.4%**
- Manufacturing Production up 4.9%**

U. S. INDEX OF INDUSTRIAL PRODUCTION

(1967 = 100)
UNADJUSTED



Source: Federal Reserve Board of Governors

DULUTH BUSINESS INDICATORS

INDEX NUMBERS (1967 = 100) UNADJUSTED						ORIGINAL DATA			
COMPONENT	June 1978	May 1978	June 1977	INDEX CHANGE June '77 to to June '78		UNIT	June 1978	May 1978	June 1977
				June '78	June '78				
Freight Carloadings	104	100	83	+ 21	+ 4	(Cars)	11,727	11,283	9,329
Bank Debits	315	277	274	+ 41	+ 38	(Dollars in '000's)	671,175	590,385	582,410
Building Permits ²	123	126	188	- 65	- 3	(Actual \$ Value)	4,592,442	3,658,303	6,934,644
Postal Receipts	239	225	199	+ 40	+ 14	(Dollars)	504,442	530,629	468,934
Number of Telephones	131	132	130	+ 1	- 1	(Units)	92,306	93,157	91,438
Electric Power (Commercial & Industrial)	143	139	123	+ 20	+ 4	(K.W.H. in '000's)	35,761	34,607	30,751
Electric Power (Residential)	119	121	113	+ 6	- 2	(K.W.H. in '000's)	17,266	17,624	16,425
Number of Electric Customers	104	105	103	+ 1	- 1		34,823	34,894	34,378
Grain Shipments	292	226	149	+143	+ 66	(Bushels in '000's)	85,765	66,185	43,567
Coal Receipts	48	71	27	+ 21	- 23	(Short Tons in '000's)	113	166	63
Iron Ore Shipments	159	147	184	- 25	+ 12	(Gross Tons in '000's)	1,871	1,723	2,161
Other Lake Cargo	569	458	238	-331	+111	(Short Tons)	200,323	161,055	83,802
Duluth Nonagricultural Empl.	112	112	108 ³	+ 4	0	(Persons)	46,600	46,700	45,100 ³
Duluth Retail Sales Index ⁴	120	131	121	- 1	- 11	
State Metal Mining Empl.	125	122	114 ³	+ 11	- 3	(Persons)	15,900	15,500	14,500 ³
OVERALL	166	154	145 ³	+ 21	+ 12				

1. Source of data:
Duluth Industrial Bureau, Federal Reserve Bank of Minneapolis, Building Inspector's Office of the City of Duluth, U. S. Post Office in Duluth, Minnesota Power & Light Company, Duluth Board of Trade, Corps of Engineers, U. S. Army, Lake Superior Area Office, American Iron Ore Association, Seaway Port Authority of Duluth, Minnesota Department of Economic Security 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.

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