

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—
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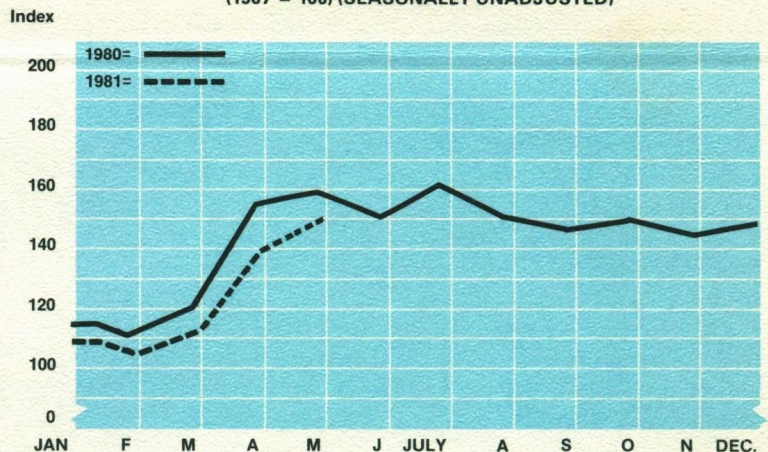


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Highlights

- *DBI Continues Season Upswing.*
- *Retail Sales Improve Over April.*
- *Financial Activity Mirrors National Markets.*
- *Job Market Remains Sluggish.*
- *Grain Shipments and Harbor Activity Slow.*

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



ECONOMIC CONDITIONS

Duluth Business Indicators (DBI) continued to rise seasonally from April's 139 to May's 150, but remained 10 points below May 1980's. The seasonal upswing has continued since March. The index reflects the continuation of the regional recession of 1980, but also gives signs that the recession is ending. Nevertheless, the recession remains with the major impact falling on Duluth's nonagricultural employment, which is off 1,800 from May 1980. In addition, the Duluth Port Activity is slow with both grain shipments and other lake cargo below 1980's levels.

In May, the Federal Reserve System continued to moderate the growth of the Money Supply by slowing down the growth rate of the adjusted Monetary base. Over the last six months the Money Supply, as measured by M₂ (essentially currency plus all deposits), rose at the annual rate of 9.1 percent. By comparison, M₂ grew at the rate of 13.3 percent over the previous six months, ending November 1980. This stringent monetary policy, coupled with high credit demands, sent interest rates soaring again. The prime rate of interest rose above 20 percent and the Federal Funds rate reaching 19 percent.

In Duluth, local financial institutions continue to experience the same general trends as outlined for the National Economy. The Bank Debit sub-index rose in May to 301, up from April's 297 and May 1980's 271. This continued surge in

bank activity reflects the growth in the National Money Supply as well as the seasonal rebirth in the Duluth Economy. Total Bank Deposits rose from April to May's reading, an end-of-month level of \$798.7 million, up from May of 1980's level of 746.0 million. Total deposits, therefore, grew at an annual rate of 7.1 percent over the year in Duluth. This rate of growth is considerably slower than the national growth rate of deposits. Despite the slower growth rate of the Money Supply and the apparent depression in real estate markets, the new mortgage lending from May 1980's level of \$1.962 million to May 1981's level of \$2.766, an increase of \$804,000.

The continued spiraling interest rates, as well as restrictions on credit and the regional recession, continues to plague retail sales. May's retail sales, however, have rebounded significantly after a disappointing April. The May retail sales index rose to 106, up from April's 100, which represents a normal seasonal increase in activity. The general increase in the retail sales index occurred as the result of improvements in general merchandise sales and grocery sales. On the other hand, the increase occurred in spite of a slight decline in apparel sales index and a significant decline in automotive sales.

In dollar volume, the Duluth retail sales are estimated to be \$53.825 million in May, up from the 1980's level of \$50,577 million. This increase in dollar value is due entirely to inflation. The real volume of sales fell from May 1980 to May

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INDEX HIGHLIGHTS

TIME PERIOD	DULUTH INDEX
May 1981	150
April 1981	139
April-May Change	+11
Normal Seasonal Change Apr. to May	+20
May 1980	160
Change, May 1980 to May 1981	-10
Seasonally Adjusted Index May 1980	148
Seasonally Adjusted Index May 1981	138

DULUTH LABOR MARKET

	May 1981	May 1980	% Change
Labor Force	40,700	41,300	-1
Unemployment	2,700	3,100	-13
Rate	XXX	XXX	XXX
Actual	6.7%	7.5%	XXX
Seasonally Adjusted	7.4%	8.3%	XXX
Total Employment (Labor Force)	38,000	38,200	-1
Wage & Salary (Work Force)	44,600	46,100	-3
Manufacturing (Work Force)	6,000	5,700	+5
Nonmanufacturing (Work Force)	38,600	40,400	-4
Job Openings Received During Month	245	207	+18
Persons Claiming Unemployment Benefits (Area)	2,978	4,267	-30
Average Weekly Earnings—Mfg. Only	\$312.58	\$235.59	+33

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. Aver. 1978-80	May 1981	May 1980	% Change
Total	122	106	111	-4
General Merchandise	125	106	119	-11
Apparel Stores	89	86	74	+17
Grocery Stores	119	153	130	+18
Automotive Sales	166	83	89	-7

	1981	1980	% Change
Index Average Year-To-Date (Total) Adjusted for price changes	98.7	98.8	-0.1%

1981 by 3.1 percent. Nevertheless the dollar volume and real volume of retail activity is up significantly from last month. Duluth retail sales rose \$2.5 million from last month's \$51.325 million level. Assuming that Duluth retail industry is maintaining a 15 percent employee compensation to sales ratio, the Duluth retail industry generated an estimated \$8.1 million in wage and salary compensation during May. Finally, if Duluth's retail sales industry performs as forecasted, the June retail sales index should increase to 117 and the dollar volume of retail sale ought to be \$58 million.

The job market in Duluth continues to be weak and shows no indication of an early significant reversal in trend. In May, the 44,300 worker level equaled the number working in April. Historically, the average April-May increase in jobs has been 3 percent compared to this year's zero change. If the usual season factors, which come into play each May, had been a part of the scenario this year, wage and salary employment would have advanced by about 1,300 over April.

Wage and salary employment is down by 1,800 workers from one year previous with the losses in Nonmanufacturing only partially offset by a 300 worker gain in factory jobs. Average employment figures for the first five months of this year are running 3 percent below last year's average.

The Manufacturing component of the job picture has exhibited increased strength during the past 12 months with a growth figure of 230 workers. About 85 percent of this increase was in Durable Goods, a category generally expected to show a decline during a recession. Industrial demand rather than individual consumer demand for several locally produced Durable Goods products has been strong enough to result in additional hiring over the past year.

Among Nonmanufacturing industries, major over-the-year employment losses were in Construction, Transportation and Retail Trade. These three industries account for most of the loss. Only the Service industry, particularly lodging places and health services, recorded an increase over last year.

The 2,700 persons unemployed in May represented 6.7 percent of the labor force. These figures indicate an improvement over April when 7.2 percent of the labor force or 2,900 persons were jobless. Although there were fewer unemployed persons in May than one year previous there were also a lesser number of people working which resulted in a decline in the labor force total. This suggests that a number of persons have left the area seeking work elsewhere or have simply dropped out of the labor market.

Jobs are not as plentiful this year compared to last year. Job openings listed with the Job Service office showed a slight gain over April, but even with this slight upturn, the May total of 245 was still more than 120 less than last year. So far this year a total of 1,150 openings have been placed with the Duluth office by employers representing a decline of more than 700 or 39 percent from last year's season-to-date total of 1,894.

Freight carloading activity picked up seasonally in May, but the gain was about one-half of the historical average gain for this period.

The value of building permits issued and under construction (in 1967 dollars) showed a slight upward movement over April, however, but the index for the month was significantly below one year ago. This decline in building activity is also reflected in construction employment. Employment in this industry in May dropped by 460 workers from a year ago due to a soft building market this year.

A spring upturn in grain shipments was noted in May as lake shipping moved into its regular pattern. The volume of grain moving so far this season is well below last year's pace. Compared to last year the May grain volume this year was only about 60 percent of the year ago figure. For the season so far, grain shipments are running 37 percent below 1980's volume.

Iron ore tonnage picked up in May and also surpassed the May 1980 level. Further improvement is expected during the season as shipment projections for the 1981 season are slightly

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

Year-to-date 1981 compared to 1980

INDICATOR	PERCENTAGE CHANGE						
	-15	-10	-5	0	+5	+10	+15
Postal Receipts						+10%	
Electric Power (Commercial-Industrial)					+2%		
Electric Power (Residential)					+1%		
Number of Electric Customers					+1%		
Number of Telephones					No Change		
Duluth Retail Sales (Adj.)					No Change		
Iron Ore Shipments	-2%						
Bank Debits	-3%						
Duluth Nonagricultural Empl.	-3%						
State Metal Mining Empl.	-4%						
Total Duluth Business Index	-7%						
Building Permits (Adj.)	-21%						
Freight Carloadings	-22%						
Other Lake Cargo	-23%						
Grain Shipments	-37%						
Coal Receipts	-55%						

above the 1980 season.

Employment in metal mining has been on the increase since the first of the year as call backs of previously laid off workers plus seasonal returns-to-work moved the employment total to 14,000 in May, up 400 over April. The May figure is probably close to the level it will maintain during the year although some tightening up of staffing may yet occur.

U. S. CONSUMER PRICE INDEX

(1967 = 100) UNADJUSTED

	May 1981	May 1980	% Change
All Urban Consumers	269.0	244.9	+9.8%
Urban Wage Earners & Clerical Worker (Revised)	269.1	245.1	+9.8%

Source: Bureau of Labor Statistics

REPORT OF DULUTH FINANCIAL ACTIVITY ¹

	Current Month May 1981	Year Ago May 1980
BANK DEBITS TOTAL	\$848.1	\$708.3
Individuals	100.5	100.6
% of total	11.8%	14.2%
Commercial Accounts	681.2	529.9
% of total	80.3%	74.8%
Government (State & Local)	66.5	77.8
% of total	7.9%	11.0%
TOTAL DEPOSITS (END-OF-MONTH)	\$798.7	\$746.0
Demand	117.5	141.4
% of total	14.7%	19.0%
Time and Savings	681.2	604.6
% of total	85.3%	81.0%
Savings Only	179.4	186.8
DOLLAR VALUE OF NEW REAL ESTATE MORTGAGES ISSUED (CURRENT MONTH)	\$ 2.8	\$ 2.0
Residential	2.8	1.8
% of total	100%	91.1%
DEPOSIT TURNOVER RATE*	7.2	5.0

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

(1967 = 100) SEASONALLY UNADJUSTED

		Ave. Mo.
Total Index	May 1981	152.5
	May 1980	144.5

Total Index up 5.5%

Consumer Goods Production up 5.8%

Manufacturing Production up 6.1%

Mining and Utilities up 1.5%

DULUTH TOURIST INDEX

June, July, August 1978 = 100

	April Index			% Change 1980-81
	Apr. '81 57	Mar. '81 62	Apr. '80 60	
Estimated Tourist Expenditures in '000's				
Lodging	\$806	\$732		+10.1%
Eating, Drinking	1,985	2,059		-3.6%
Retail Sales	655	655		0.0%
Auto, Gas	319	319		0.0%
Other	506	506		0.0%
Totals	\$4,271	\$4,271		0.0%

DULUTH BUSINESS INDICATORS ¹

INDEX NUMBERS (1967 = 100) UNADJUSTED						ORIGINAL DATA			
Component	May 1981	Apr. 1981	May 1980	INDEX CHANGE		Unit	May 1981	Apr. 1981	May 1980
				May '80 to May '81	Apr. '81 to May '81				
Freight Carloadings	78	72	93	-15	+ 6	(Cars)	8,841	8,118	10,459
Bank Debits ⁵	301	297	271	+ 30	+ 4	(Dollars in '000's)	848,065	815,893	708,313
Building Permits ²	80	78	143	-63	+ 2	(Actual \$ Value)	4,475,602	1,787,426	3,445,725
Postal Receipts	310	343	262	+ 48	-33	(Dollars)	731,967	808,813	618,062
Number of Telephones	135	136	136	- 1	- 1	(Units)	95,117	95,706	95,624
Electric Power (Commercial & Industrial)	159	168	157	+ 2	- 9	(K.W.H. in '000's)	39,683	41,932	39,290
Electric Power (Residential)	127	136	129	- 2	- 9	(K.W.H. in '000's)	18,503	19,788	18,837
Number of Electric Customers	106	106	105	+ 1	0		35,492	35,547	35,181
Grain Shipments	121	98	201	-80	+ 23	(Bushels in '000's)	35,396	28,603	59,061
Coal Receipts	9	0	15	- 7	+ 9	(Short Tons in '000's)	22	0	36
Iron Ore Shipments	181	62	158	+ 23	+ 119	(Gross Tons in '000's)	2,130	723	1,849
Other Lake Cargo	505	467	580	-75	+ 38	(Short Tons)	177,650	164,373	204,306
Duluth Nonagricultural Empl.	106	106	111 ³	- 5	0	(Persons)	44,300	44,300	46,100 ³
Duluth Retail Sales Index ⁴	106	100	111	- 5	+ 6		---	---	---
State Metal Mining Empl.	110	107	108 ³	+ 2	+ 3	(Persons)	14,000	13,600	13,700 ³
OVERALL	150	139	160	-10	+ 11				

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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