

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**



DULUTH BUSINESS INDICATORS is published by the Bureau of Business and Economic Research of UMD. The Minnesota Department of Economic Security is a cooperating Agency. The authors of the DBI are: Glenn O. Gronseth, Supervisor, Regional L.M.I. Center, Minnesota Department of Economic Security and Jerrold M. Peterson, Professor and Director of the Bureau of Business and Economic Research, University of Minnesota, Duluth. Extra copies of the DBI are available upon request from the Bureau of Business and Economic Research, UMD, Duluth, MN. 55812, or from Minnesota Department of Economic Security, Duluth, MN. 55802, as long as the supply lasts.

VOL. 19

MARCH 1982

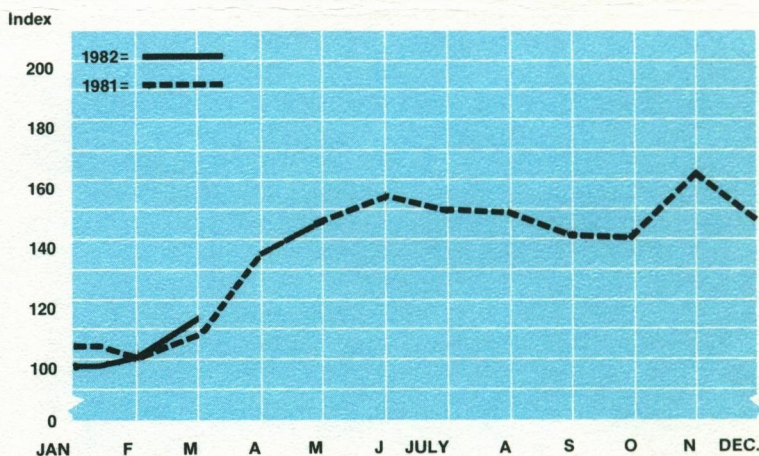
NO. 3

DULUTH BUSINESS INDEX

(1967 = 100) (SEASONALLY UNADJUSTED)

Highlights

- *Regional Economic Depression Continues.*
- *Seasonal Upswing Starts.*
- *Increased Grain Shipments.*
- *Retail Sales Slow.*
- *Employment Depressed.*



ECONOMIC CONDITIONS

The regional depression continues through March 1982. However, the Duluth Business Indicators (DBI) rose seasonally to 116 in March. As a result, March 1982 is fractionally better than March 1981, but Duluth and regional employment remain much lower than last year. The seasonal strength in the DBI occurred primarily in financial activity, grain shipments and electric power usage. For the most part, these activities have only minor impacts on employment and regional business activity.

The nation's output of goods and services declined sharply during the first quarter of 1982. Real personal consumption expenditures for motor vehicles have been particularly volatile leading to sizable inventory adjustments. In the fourth quarter of 1981, final sales of automobiles and trucks dropped causing auto and truck inventories to increase. The fact that auto dealers were attempting to reduce inventories at the time is borne out by the large decline in motor vehicle inventories in the first quarter of 1982. Even though final sales picked up by \$6.9 billion (real dollars) seasonally and annually adjusted in the first quarter of 1982, the decline in auto inventories more than offset this increase. The auto inventories decline of \$9.7 billion represented half of the total decline in business inventories experienced during this time. In fact, the continued 1982 recession appears to have been the result of businesses disinvesting in inventories. Real GNP fell by \$14.8

billion in the first quarter of 1982 with business inventory reductions amounting to \$21.7 billion, measured in constant 1972 dollar.

The national economic recession in the automobile, construction and steel industry continues to be the major reason for the Northeastern Minnesota economic problems. However, the seasonal upswing in the DBI was led by significant upswings in the bank debit activity, postal receipts, freight carloadings, grain shipments and electric power usage.

The unusually strong bank debit activity appears to have been caused by increased turnover of deposits, probably due to the high interest rates. The bank debit subindex was 403, adjusted for inflation, up from both February 1982 and March 1981. However, total deposits (a measure of money available in the area) were significantly down from a year ago. This decline in deposits and increase in activities probably reflects the financial activity caused by outmigrational population and the unemployment of current labor force. The outmigrational population has drawn out their checking and savings accounts for redeposit elsewhere. The unemployed are using up their financial resources while waiting reemployment.

Both the grain shipment and freight carloading subindexes rose significantly in March, reflecting a relatively strong early shipping season. Although the March shipments were by

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INDEX HIGHLIGHTS

TIME PERIOD	DULUTH INDEX
March 1982	116
February 1982	104
February-March Change	+ 12
Normal Seasonal Change Feb. to Mar.	+ 6
March 1981	112
Change, March 1981 to March 1982	+ 4
Seasonally Adjusted Index March 1981	140
Seasonally Adjusted Index March 1982	145

DULUTH LABOR MARKET

	Mar. 1982	Mar. 1981	% Change
Labor Force	37,300	39,200	-5
Unemployment	3,800	3,300	+15
Rate	XXX	XXX	XXX
Actual	10.1%	8.4%	XXX
Seasonally Adjusted	8.9%	7.4%	XXX
Total Employment (Labor Force)	33,600	35,900	-6
Wage & Salary (Work Force)	41,700	43,800	-5
Manufacturing (Work Force)	5,100	5,500	-7
Nonmanufacturing (Work Force)	36,600	38,300	-4
Job Openings Received During Month	279	174	+60
Persons Claiming Unemployment Benefits (Area)	6,393	3,969	+ 61
Average Weekly Earnings—Mfg. Only	\$345.69	\$293.37	+18

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. 1979-81	Mar. 1982	Mar. 1981	Mar. '81 to Mar. '82 % Change
Total	106	81	103	-21
General Merchandise	99	71	94	-24
Apparel Stores	94	79	96	-18
Grocery Stores	120	126	128	- 2
Automotive Sales	164	106	148	-28

	1982	1981	% Change
Index Average Year-To-Date (Total) Adjusted for price changes	74.9	91.0	-17.7%

ground transport, the strength of this activity seems to suggest the Port of Duluth will have a reasonably strong shipping season. The increase in both residential and commercial electric power subindexes appear to have been related to the severe cold in March rather than increased economic activity.

The good economic news in March is vastly overshadowed by the depression in retail sales and employment. The Retail Sales Index (RSI) fell to 81 in March, up slightly from 78 last month and down dramatically from 103 of March 1981. The decline in this RSI was led by a 20.8 percent decline in general merchandise sales, 12.6 percent decline in apparel sales, a 12.0 percent decline in grocery sales from last year, and 1.8 percent decline in auto sales volume. The dollar retail sales volume in March 1982 was \$47,055,000, measured in current dollars. By comparison, March 1981 retail sales volume was \$51,873,000 and February retail sales were \$46,120,000.

The job market in March offered no hope of an early upturn in the Duluth economy. The 41,700 wage and salary workers total in March was down by 200 workers from the previous month. This fractional decrease is in contrast to the average 0.7 percent gain noted for the last 10 years for this period. Although the numerical decrease was not large, the inability of the job market to maintain its seasonal pattern does suggest that structural weaknesses in the economy continue to exist.

Wage and salary employment in March was 5 percent below the previous year's figure of 43,800 and clearly indicates the depressed condition of the economy this year. About 20 percent of the over-the-year loss was in manufacturing plants where staff reductions are beginning to show up in increasing volume.

Factory employment began to show signs of erosion last December and the downward trend has continued into the first quarter. Recession related conditions have forced layoffs and shortened work weeks in addition to the shutdown of several production lines in the nondurable category. Factory job totals are likely to show further declines during the second quarter.

Nonfactory employment, although up by less than 100 workers over February, lagged the previous year's figure by 1,700 workers. Major job losses from last year were noted in construction and retail trade. These two industries accounted for nearly two-thirds of the over-the-year loss. Employment cutbacks were also noted in other components of the non-manufacturing sector.

Unemployment continued to rise in March, reaching a level of 3,800 or 10.1 percent of the labor force. This is the highest rate for any March in 10 years. With the decline in employment, there has been a corresponding drop in the number of jobs available. The 279 job openings listed with the Duluth Job Service Office in March was up considerably over February's 97 figure, but represents a number of part-time, short-term openings. However, for the first quarter of 1982, the job opening figure was down 11 percent from 1981 and a substantial 47 percent from 1980.

During March a total of \$1.1 million was paid out in the form of unemployment insurance benefits under the regular program to jobless persons. Since the first of the year, \$2.8 million has been paid out compared to \$2.0 million for the same three months of 1981.

Building construction activity showed a slight rebound in March, although the month's index was well below last year's. The first quarter total valuation of building permits issued (in current dollars) was \$1.8 million and is the lowest first quarter since 1972. More than three-fourths of the building dollar so far this year has gone for alteration and repair work and represents the highest such percentage since 1962 when statistics for this report were first collected. Lack of construction jobs in the area resulted in the jobless rate among the building construction trades rising to 62 percent in March.

Employment in metal mining in March recorded a minor gain over February as planned recalls of workers took place.

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

Year-to-date 1982 compared to 1981

INDICATOR	PERCENTAGE CHANGE					
	-15	-10	-5	0	+5	+10 +15
Postal Receipts						+29%
Bank Debits						+22%
Grain Shipments						+18%
Electric Power (Residential)						+7%
Number of Electric Customers						+3%
Freight Carloadings						+1%
Coal Receipts						No Change
Iron Ore Shipments						No Change
Other Lake Cargo						No Change
Total Duluth Business Index						No Change
Electric Power (Commercial-Industrial)			-4%			
Number of Telephones			-4%			
Duluth Nonagricultural Empl.			-5%			
Duluth Retail Sales (Adj.)						-18%
State Metal Mining Empl.						-22%
Building Permits (Adj.)						-58%

This slight upturn does not mean the industry is in the early stages of recovery. Subsequent layoffs and short work weeks will plague the industry, and the probability of any improvement in the mining industry during the balance of 1982 is indeed slim.

No data for coal receipts, iron ore shipments or lake cargo was reported for March due to the fact that lake shipping had not yet reopened for the season.

U. S. CONSUMER PRICE INDEX

(1967 = 100) UNADJUSTED

	Mar. 1982	Mar. 1981	% Change
All Urban Consumers	283.1	265.1	+6.8%
Urban Wage Earners & Clerical Worker (Revised)	282.5	265.2	+6.5%

Source: Bureau of Labor Statistics

REPORT OF DULUTH FINANCIAL ACTIVITY ¹

	Current Month Mar. 1982	Year Ago Mar. 1981
BANK DEBITS TOTAL	\$1,208.1	\$845.6
Individuals	119.8	97.4
% of total	9.9%	11.5%
Commercial Accounts	980.9	655.6
% of total	81.2%	77.5%
Government (State & Local)	107.4	92.5
% of total	8.9%	11.0%
TOTAL DEPOSITS (END-OF-MONTH)	\$736.3	\$792.7
Demand	110.0	123.3
% of total	14.9%	15.6%
Time and Savings	626.2	669.3
% of total	85.1%	84.4%
Savings Only	171.6	179.7
DOLLAR VALUE OF NEW REAL ESTATE MORTGAGES ISSUED (CURRENT MONTH)	\$ 0.7	\$ 1.4
Residential	0.7	1.4
% of total	100.0%	100.0%
DEPOSIT TURNOVER RATE*	11.0	6.9

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	March 1982	141.5
	March 1981	152.7

Total Index down 7.3%

Consumer Goods Production down 5.1%

Manufacturing Production down 8.1%

Mining and Utilities down 1.2%

DULUTH TOURIST INDEX

June, July, August 1978 = 100

February Index

	Feb. '82	Jan. '82	Feb. '81	% Change
	54	44	56	
Estimated Tourist Expenditures in '000's				
	Feb. 1982	Feb. 1981		1981-82
Lodging	\$ 789	\$ 772		+2.2%
Eating, Drinking	2,127	2,005		+6.1%
Retail Sales	684	652		+4.9%
Auto, Gas	333	317		+5.1%
Other	528	504		+4.8%
Totals	\$4,461	\$4,250		+5.0%

DULUTH BUSINESS INDICATORS ¹

INDEX NUMBERS (1967 = 100) UNADJUSTED						ORIGINAL DATA			
Component	Mar. 1982	Feb. 1982	Mar. 1981	INDEX CHANGE		Unit	Mar. 1982	Feb. 1982	Mar. 1981
				Mar. '81 to Mar. '82	Feb. '82 to Mar. '82				
Freight Carloadings	84	59	77	+ 7	+ 25	(Cars)	9,500	6,702	8,713
Bank Debits ⁵	403	318	307	+ 96	+ 85	(Dollars in '000's)	1,208,068	930,360	845,568
Building Permits ²	28	16	64	-36	+ 12	(Actual \$ Value)	772,150	329,482	879,067
Postal Receipts	365	361	278	+ 87	+ 4	(Dollars)	860,774	851,075	654,325
Number of Telephones	130	131	137	- 7	- 1	(Units)	91,624	92,181	96,304
Electric Power (Commercial & Industrial)	166	166	164	+ 2	0	(K.W.H. in '000's)	41,362	41,496	40,998
Electric Power (Residential)	155	155	135	+ 20	0	(K.W.H. in '000's)	22,580	22,521	19,646
Number of Electric Customers	106	106	106	0	0		35,486	35,485	35,514
Grain Shipments	81	59	57	+ 24	+ 22	(Bushels in '000's)	23,618	17,186	16,683
Coal Receipts	0	0	0	0	0	(Short Tons in '000's)	0	0	0
Iron Ore Shipments	0	0	0	0	0	(Gross Tons in '000's)	0	0	0
Other Lake Cargo	0	0	0	0	0	(Short Tons)	0	0	0
Duluth Nonagricultural Empl.	100	101 ³	105 ³	- 5	- 1	(Persons)	41,700	41,900 ³	43,800 ³
Duluth Retail Sales Index ⁴	81	78	103	-22	+ 3		----	----	----
State Metal Mining Empl.	77	75 ³	107 ³	-30	+ 2	(Persons)	9,800	9,500 ³	13,600 ³
OVERALL	116	104 ³	112	+ 4	+ 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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