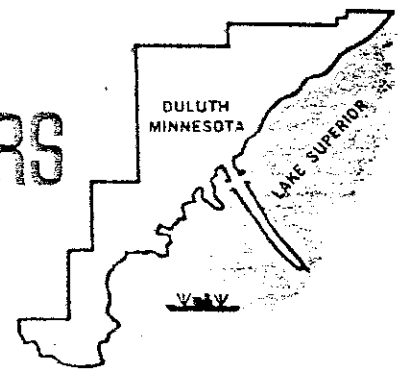


# DULUTH BUSINESS INDICATORS

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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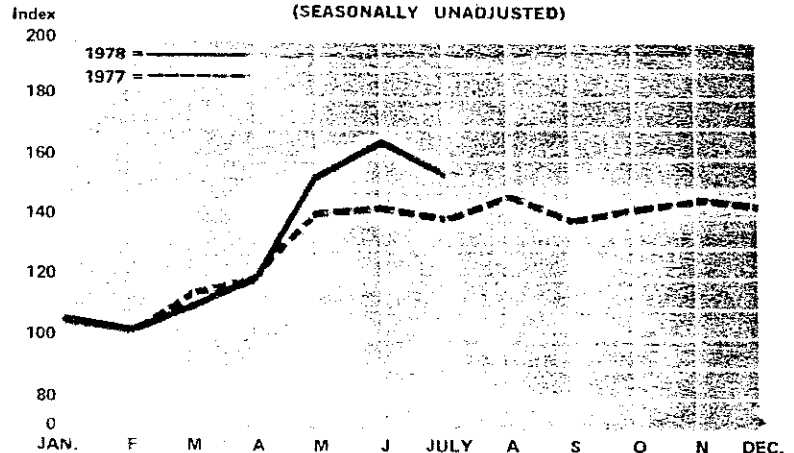
JULY 1978

NO. 7

## Highlights

- Index Drops in July
- Job Market Still Bullish
- Building Permits Down Sharply
- Money Flow Continues Strong
- Retail Sales Show Yearly Gain

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



## ECONOMIC CONDITIONS

The Duluth Business Index was down somewhat more than seasonally in July from June but up over a year ago. In July, the index stood at 152 (1967=100) whereas in June the posted value was 166. However in July of one year ago, the index was 141 indicating that the current economic situation is somewhat better than at this same time last year. The level of economic activity is subject to wide seasonal swings as well as irregular changes, so that a balance may be seen by averaging. Thus, when the first seven months of this year are compared against the first seven months of last year, the Duluth economy is currently about 4 percent higher. Incidentally, the figure of 4 percent is at the high end of the forecast made by the authors last January.

Taking a broad view of the year so far, the first quarter was something less than outstanding. But, it may be recalled that a national coal strike and a generally severe winter had a depressing overall effect on business. It was generally anticipated that the first quarter would be disappointing, the second quarter would pick up, and the third and fourth quarters would be sufficiently high to make the

year's average look good. The economy seems to be just about on that target as of this writing.

The number of wage and salary workers employed in July rose over the June level by 580 workers. This increase represents a 1.3 percent advance or more than twice the average June-July increase noted in recent years. The factory worker figure remained unchanged from June, while Construction, Government and Trade paced the nonmanufacturing gain.

Labor-management disputes and bad weather apparently had some adverse effect on employment levels in Construction at the mid-point of the year. With the settlement of contractual negotiations and improved weather, however, the level of building construction employment picked up in July and reached its highest level so far this year.

July Retail Trade jobs rose slightly over June. This rise occurred despite the usual dip that happens each year in the July volume of retail sales (deflated for price changes). It was noted, however, that the summer drop in retail sales

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### INDEX HIGHLIGHTS

TIME PERIOD	DULUTH INDEX
July 1978 .....	152
June 1978 .....	166
June-July Change .....	- 14
Normal Seasonal Change June to July .....	- 8
July 1977 .....	141
Change, July 1977 to July 1978 .....	+ 11
Seasonally Adjusted Index July 1977 .....	130
Seasonally Adjusted Index July 1978 .....	140

### DULUTH LABOR MARKET

	July 1978	July 1977	% Change
Labor Force .....	43,600	45,100	- 3
Unemployment .....	1,900	3,000	-37
Rate .....	xxx	xxx	xxx
Actual .....	4.4%	6.7%	xxx
Seasonally Adjusted .....	4.7%	7.2%	xxx
Total Employment (Labor Force) .....	41,700	42,100	- 1
Wage & Salary (Work Force) .....	47,100	46,100	+ 2
Manufacturing (Work Force) .....	6,300	6,100	+ 3
Nonmanufacturing (Work Force) .....	40,800	40,000	+ 2
Job Openings Received During Month .....	408	937	-56
Persons Claiming Unemploy- ment Benefits (Area) .....	1,540	3,821	-60
Average Weekly Earnings— Mfg. Only .....	\$219.27	\$203.99	+ 7

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. July Aver. 1975-77	July 1978	July 1977	July '77 to July '78 % Change
Total .....	109	116	111	+ 5
General Merchandise .....	108	108	112	- 4
Apparel Stores .....	107	98	97	+ 1
Grocery Stores .....	111	116	109	+ 6
Automotive Sales .....	126	210	130	+62
		1978	1977	% Change
Index Average Year-To-Date (Total) .....	111.4	109.5		+ 2

adjusted for price changes

this July was only about one-third of the historical average of the past 10 years.

With the work force job figure up by 1,000 over July of last year, there has been a corresponding decline in unemployment. The rate of unemployment in July 1978 was 4.4 percent compared to the 6.7 percent rate of a year ago.

The value of building permits issued and under construction in July (in 1967 dollars) dropped dramatically from the June level and is well below the index of a year ago. Alteration and repair work continues to account for the major share of the building dollar this year. So far in 1978 this category averaged 47 percent of the permit valuations issued (in current dollars) compared to only 24 percent for the same period in 1977.

The components of change which showed the greatest gains over the same month last year included lake cargo (other than grain and iron ore) which was up 95% over last year. The seasonal influence of Lake Superior season was also a major plus factor this year with coal receipts up 68% over July last year, grain shipments up 53% and freight carloadings up some 18 percent. However, it should be cautioned that these large numbers should be viewed in perspective—against the longer term trends—in which case the averages at the end of the year are on the bottom line and they tell the full story. Month-to-month figures will bounce around greatly, while the averages are the stable analytical data on which to base reasoned judgments.

Iron ore shipments are down in the year-to-year comparison. The reasons for the decline this year from last year are not readily apparent.

Money flowing through the economy as measured by bank debits in current dollars continues to be well ahead of last year. The percentage increase is 7 percent in the month-to-month comparison. When these figures are adjusted for inflation, it would appear that the amount of financial traffic reflecting exchanges of goods and services and other assets this year is about the same as last year. However, the composition of economic activity may be somewhat different than a year ago but the bank debit measures available to the authors does not show compositional changes.

Bank debits to commercial accounts was 76% of the total this July and 75.8 percent in the same month last year. Individual account percentages remained basically unchanged as did government accounts percentages. However, the total deposits in Duluth banks increased from \$656 million last July to \$710 this July. To the casual observer, it might appear that the increase would be reflected largely in savings accounts, but the data shows that the gains are distributed between savings and checking accounts in the same proportion as last year. In other words, the public appears to prefer holding about 22 percent of their liquid bank assets in checking and 78 percent in savings and as deposit totals change, the percentage distribution remains the same.

Noting the velocity of circulation, i.e., the number of times per year a dollar jumps from one checking account to the next, the July to July comparison shows no change. Ordinarily, in a period of inflation, velocity increases, but this has not been the case in the present month of July.

Retail trade, when adjusted for price changes, is up two percent over the first seven months of last year. The composition of change, however, shows that food sales are up 6 percent, apparel rose one percent, and general merchandise declined by 4 percent. The continuing surprise is, however, automobile sales. When compared to last July, auto sales were up a hefty 62 percent. The sales pattern in auto sales is subject to fairly wide seasonal and erratic changes, but for most of this year it seems clear that the public is anticipating inflation, and perhaps feels that the newer models of autos farther down the line will be sufficiently

**PERCENTAGE CHANGE IN KEY INDIVIDUAL BUSINESS INDICATORS FOR THE CITY OF DULUTH**

*Year-to-date compared to 1977*

INDICATOR	Percentage Change						
	-15	-10	-5	0	+5	+10	+15
Other Lake Cargo						+95%	
Coal Receipts						+68%	
Grain Shipments						+53%	
Freight Carloadings						+18%	
Bank Debits						+12%	
Postal Receipts						+12%	
Electric Power (Commercial-Industrial)						+10%	
State Metal Mining Empl.						+4%	
<b>Total Duluth Business Index</b>						+4%	
Duluth Nonagricultural Empl.						+4%	
Electric Power (Residential)						+2%	
Duluth Retail Sales Index (Adj.)						+2%	
Number of Telephones						+1%	
Number of Electric Customers						+1%	
Iron Ore Shipments						-13%	
Building Permits (Adjusted)						-49%	

different from the present cars (in size, power and accouterments, etc.), that they are willing to sacrifice money in the present to face the future with a current or near-current model. In any case, auto sales were booming in July.

National economic trends in the realm of inflation appear disheartening. The rise in the general level of prices (adjusted to an annual basis) approached the double digit range during the second quarter of 1978 and was at 10.8 percent in July. An upward price change vis-a-vis consumer behavior, savings levels and unemployment is probably not well understood—perhaps because the United States has never experienced high levels of inflation for protracted periods of time. Unemployment has dropped in the U. S. (to 6.2 percent) but is still above what many consider to be a critical value. If these trends are to be abated in the future, the U. S. will require a high level of economic statesmanship.

**REPORT OF DULUTH'S FINANCIAL ACTIVITY**

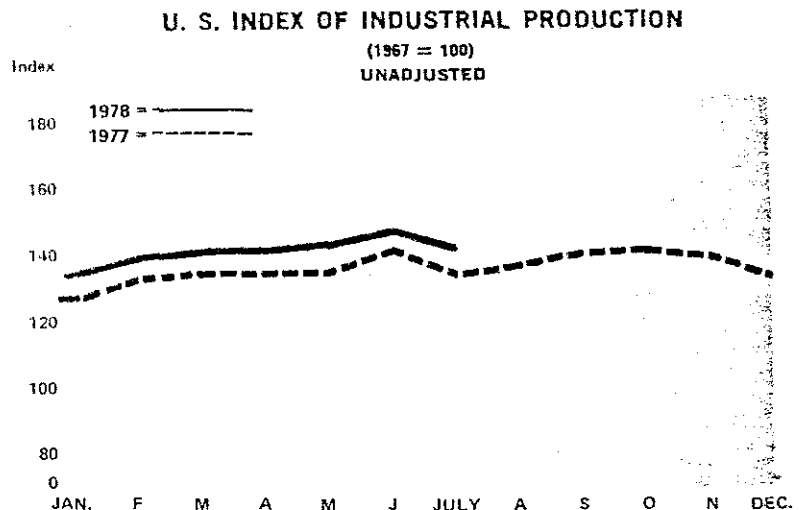
	Current Month July 1978	Year Ago July 1977
<b>BANK DEBITS — TOTAL</b> .....	\$625.4	\$583.9
Individuals .....	83.7	77.4
% of total .....	13.4%	13.3%
Commercial Accounts .....	475.5	442.8
% of total .....	76.0%	75.8%
Government (State & Local) .....	66.2	63.6
% of total .....	10.6%	10.9%
<b>TOTAL DEPOSITS (END-OF-MONTH)</b> .....	\$710.1	\$656.4
Demand .....	153.1	141.0
% of total .....	21.6%	21.5%
Time and Savings .....	557.0	515.4
% of total .....	78.4%	78.5%
Savings Only .....	228.7	220.7
<b>DOLLAR VALUE OF NEW REAL ESTATE MORTGAGES ISSUED (CURRENT MONTH)</b> .....	\$ 4.1	\$ 5.5
Residential .....	4.1	5.4
% of total .....	99.2%	98.1%
<b>DEPOSIT TURNOVER RATE*</b> .....	4.1	4.1

\*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.

**HIGHLIGHTS OF THE U. S. INDEX OF INDUSTRIAL PRODUCTION**

*July 1978 compared to July 1977*

- Total Index up 5.0%
- Consumer Goods Production up 1.5%
- Manufacturing Production up 5.1%



Source: Federal Reserve Board of Governors

# DULUTH BUSINESS INDICATORS

INDEX NUMBERS (1967 = 100) UNADJUSTED						ORIGINAL DATA			
COMPONENT	July 1978	June 1978	July 1977	INDEX CHANGE		UNIT	July 1978	June 1978	July 1977
				July '77 to July '78	June '78 to July '78				
Freight Carloadings	129	104	93	+ 36	+ 25	(Cars)	14,586	11,727	10,485
Bank Debits	285	315	274	+ 11	- 30	(Dollars in '000's)	606,098	671,175	583,886
Building Permits <sup>2</sup>	73	123	179	-106	- 50	(Actual \$ Value)	1,410,000	4,592,442	5,803,137
Postal Receipts	235	239	186	+ 49	- 4	(Dollars)	553,200	564,442	439,158
Number of Telephones	131	131	130	+ 1	0	(Units)	92,267	92,306	91,379
Electric Power (Commercial & Industrial)	136	143	123	+ 13	- 7	(K.W.H. in '000's)	33,976	35,761	30,610
Electric Power (Residential)	112	119	109	+ 3	- 7	(K.W.H. in '000's)	16,321	17,266	15,856
Number of Electric Customers	104	104	103	+ 1	0		34,713	34,823	34,343
Grain Shipments	286	292	166	+120	- 6	(Bushels in '000's)	83,763	85,765	48,766
Coal Receipts	24	48	15	+ 9	- 24	(Short Tons in '000's)	56	113	36
Iron Ore Shipments	190	159	179	+ 11	+ 31	(Gross Tons in '000's)	2,228	1,871	2,103
Other Lake Cargo	319	569	137	+182	-250	(Short Tons)	112,133	200,323	48,176
Duluth Nonagricultural Empl.	113	113	111 <sup>3</sup>	+ 2	+ 0	(Persons)	47,100	46,900	46,100 <sup>3</sup>
Duluth Retail Sales Index <sup>4</sup>	116	120	111	+ 5	- 4		-----	-----	-----
State Metal Mining Empl.	130	125	108 <sup>3</sup>	+ 22	+ 5	(Persons)	16,500	15,900	13,700 <sup>3</sup>
<b>OVERALL</b>	152	166	141 <sup>3</sup>	+ 11	- 14				

**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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