

# 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 INDICATORS are: Glenn O. Gronseth, Supervisor Regional L.M.I. Center, Minnesota Dept. of Economic Security and Associate Professor, Jerrold M. Peterson, University of Minnesota, Duluth. Extra copies of the INDICATORS are available upon request from the Bureau of Business and Economic Research, UMD, 55812, or from Minnesota Department of Economic Security, Duluth 55802, as long as the supply lasts.

VOL. 16

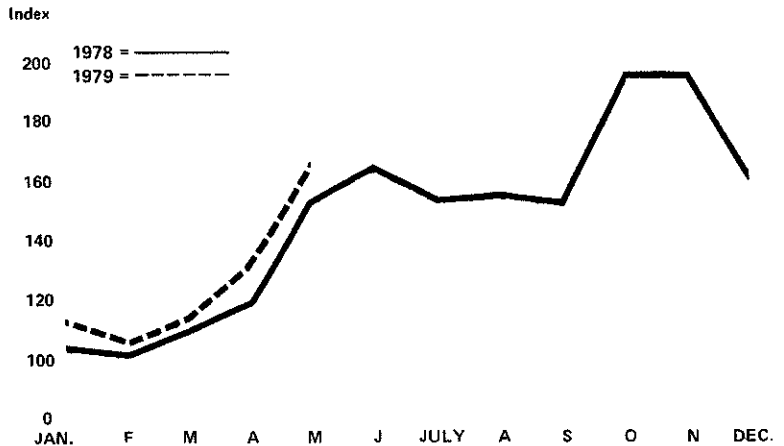
MAY 1979

NO. 5

## Highlights

- **Index Continues Strong**
- **Financial Base Improved**
- **Shipping Activity Paces Trend**
- **Building Construction Slows**
- **Retail Trade Softens**

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



## ECONOMIC CONDITIONS

Duluth's economic growth continued to accelerate through the second quarter of 1979. The year-to-date Duluth Business Index (DBI) is up 8 percent over the corresponding period of time for 1978. In May the unadjusted index (1967=100) reached 168, up 27 percent over last month.

In contrast, the national economy continues to weaken. Economic developments in May clearly reflect a slowing in national economic activity. Income and sales have slowed significantly since late 1978 and have been accompanied by a sharp acceleration in prices at both producer and consumer levels. Moderation in the advance of income and sales reflects a slow-down in the rate of monetary expansion since late last fall. Accelerating prices have made the slowing in real growth even more pronounced. Industrial production has risen only at a 3.4 percent annual rate since November compared to a 7.5 percent increase in the year ending fourth quarter, 1978.

Many economic observers continue to rely on the analysis of monetary policy to provide a key indicator as to the near future national economic developments. Although the Federal Reserve Banking System eased its monetary policy in April, this change may be only a technical adjust-

ment. Last month we reported that the Federal Reserve had increased the Money Supply to \$363 billion or at an annual rate of 10.9 percent. This month the Federal Reserve has slowed the growth rate of the money supply considerably. The money supply,  $M_1$ , increased to \$364.7 billion or  $M_1$  increased at an annual rate of 1.3 percent. This tighter money policy is reflected somewhat more dramatically by the growth of commercial bank demand deposits (i.e., checking accounts) of a negative 1.4 percent annually.

Duluth's similarity to the impact of the current monetary policy on the national banking community ends with these totals. For example Duluth's demand deposits dropped dramatically from April's \$154.8 million to May's \$149.9 million. If the May decline were to continue for the next eleven months, Duluth's demand deposits would drop by 38.1 percent while the national rate of decline would be only 5.2 percent for the same period. At the same time, Duluth's time and savings accounts rose much more dramatically than the national average. Duluth's time and savings accounts rose from April's \$560.4 million to May's \$568.6 million.

While one month is too short a period of time to fully

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## INDEX HIGHLIGHTS

TIME PERIOD	DULUTH INDEX
May 1979 .....	168
April 1979 .....	132
April-May Change .....	+ 36
Normal Seasonal Change April to May .....	+ 18
May 1978 .....	155
Change, May 1978 to May 1979 .....	+ 13
Seasonally Adjusted Index May 1978 .....	146
Seasonally Adjusted Index May 1979 .....	158

## DULUTH LABOR MARKET

	May 1979	May 1978	% Change
Labor Force .....	41,000	41,900	- 2
Unemployment .....	1,900	1,800	+ 6
Rate .....	xxx	xxx	xxx
Actual .....	4.8%	4.4%	xxx
Seasonally Adjusted....	4.9%	4.7%	xxx
Total Employment (Labor Force) .....	39,000	40,000	- 3
Wage & Salary (Work Force) .....	47,000	46,600	+ 1
Manufacturing (Work Force) .....	6,100	6,100	0
Nonmanufacturing (Work Force) .....	40,900	40,500	+ 1
Job Openings Received During Month .....	372	663	-44
Persons Claiming Unemployment Benefits (Area) .....	2,239	1,986	+13
Average Weekly Earnings—			
Mfg. Only .....	\$243.92	\$220.35	+11

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. May			May '78 to May '79 % Change
	Aver. 1976-78	May 1979	May 1978	
Total .....	127	124	132	- 6
General Merchandise ....	130	125	131	- 5
Apparel Stores .....	109	89	103	-14
Grocery Stores .....	112	109	120	- 9
Automotive Sales .....	163	192	217	-12

	1979	1978	% Change
Index Average Year-To-Year (Total)	111.2	108.8	+ 2

Adjusted for price changes

develop a trend, it would appear that the Duluth's financial community is in somewhat better condition than the national financial community. National financial conditions appear to have eased again in May. However, unlike April, Duluth's financial conditions appeared to have eased a little more significantly than the national situation.

Duluth's growth continues to be broad based, but not as broad as April's expansion. Duluth's continued economic expansion has several weakening areas. In May, 10 of the 15 component indices were ahead of the year-to-date activity of a year ago. Beyond the improving financial conditions, Duluth's basic industries continue to do quite well in May with several notable exceptions. In particular, the growth in DBI continues to be the result of the strength of port activity, state metal mining employment, industrial use of electricity and Duluth employment. Duluth building activity appears to be quite erratic and a notable change from April. In addition retail sales, while year-to-date are ahead of last year, have fallen off dramatically since April.

Shipping activity out of Duluth continued strong in May. Import-export cargo (excluding grain), primarily sunflower seeds, continues to lead all other indices with an index of 768, up 59 percent year-to-date over the last year. Grain shipments have also risen to an index of 253, up 7 percent year-to-date over 1978. In addition, iron ore shipments have risen dramatically since their slow beginning in April. Shipments in May were 1,746,000 tons, 23,000 above May of 1978.

Area employment continues to be the second major factor in the current strength of the Duluth and regional economies. However, state metal mining employment appears to have leveled off in May at 15,400 jobs. The index is up 5 points from a year ago but off slightly from April. On the other hand, Duluth employment has continued to rise through May. Duluth nonagricultural employment rose to 47,100 jobs, up 500 jobs from both April 1979 and May a year ago. The Duluth employment index year-to-date is 2 percent ahead of the same period in 1978.

Electric power for commercial and industrial usage continues to be substantially above 1978 levels. The KWH index for these users was 7 percent ahead of May 1978 and the year-to-date index was almost 13 percent ahead for the same period last year. As was true last month, the increase over last year may be partially explained by revised billing procedures for the commercial sector.

Finally, Duluth has experienced a rapid increase in railroad shipments as indicated by the number of freight carloadings which occurred in May. The freight carloading index rose to 114 in May, up 14 percent from May of 1978 and 30 percent over April 1979. The index year-to-date is still negative but has improved from its April figure of minus 8 percent to May of minus 3 percent.

The early building activity noted for April of this year has apparently tapered off in May. The building permit valuations index (in 1967 dollars) stands at 85, down 41 points from a year ago and off 1 point from April. Much of this decline appears to be caused by the decline in residential house construction. In the first five months of 1978, residential construction accounted for 31.7 percent of all building activity. In contrast, during the first five months of 1979, residential construction accounted for only 19 percent of all construction. Much of the current year's construction is of commercial variety, including a supermarket, skywalk, and grain elevator.

The second cloud over Duluth's current economic activity is the decline in retail sales activity. The May 1979 retail sales index was 124, down from 132 of May 1978 and also below the three year average for May. Duluth's spending on all items has fallen in comparison to May 1978. Automotive sales represents the most dramatic change in the

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

*Year-to-date 1979 compared to 1978*

INDICATOR	PERCENTAGE CHANGE						
	-15	-10	-5	0	+5	+10	+15
Other Lake Cargo							+59%
Postal Receipts							+17%
Electric Power (Commercial-Industrial)							+13%
State Metal Mining Empl.							+12%
Bank Debits							+8%
Grain Shipments							+7%
<b>Total Duluth Business Index</b>							+7%
Duluth Retail Sales Index (Adj.)							+3%
Duluth Nonagricultural Empl.							+2%
Electric Power (Residential)							+1%
Number of Telephones							+1%
Number of Electric Customers							No Change
Freight Carloadings			-3%				
Building Permits (Adjusted)			-4%				
Iron Ore Shipments			-5%				
Coal Receipts			-73%				

components of the general index. Until May, auto sales had been the only component of the retail sales index which consistently showed any strength. For the present, it appears the Duluthians have reduced their purchases off all items in response to rising prices, declining real income and the energy crisis. In this respect, Duluth citizen spending is very much in the national pattern.

**U. S. CONSUMER PRICE INDEX**  
(1967 = 100)

	May 1979	May 1978	% Change
All Urban Consumers .....	214.1	193.3	10.8
Urban Wage Earners & Clerical Worker (Revised) .....	214.3	193.3	10.9

Source: Bureau of Labor Statistics.

**REPORT OF DULUTH FINANCIAL ACTIVITY<sup>1</sup>**

	Current Month May 1979	Year Ago May 1978
<b>BANK DEBITS -- TOTAL</b> .....	\$706.0	\$609.2
Individuals .....	99.7	89.3
% of total .....	14.1%	14.7%
Commercial Accounts .....	551.5	473.3
% of total .....	78.1%	77.7%
Government (State & Local) .....	54.7	46.6
% of total .....	7.8%	7.6%
<b>TOTAL DEPOSITS (END-OF-MONTH)</b> .....	\$718.5	\$704.1
Demand .....	149.9	153.2
% of total .....	20.9%	21.8%
Time and Savings .....	568.6	550.9
% of total .....	79.1%	78.2%
Savings Only .....	217.2	230.3

	May 1979	May 1978
<b>DOLLAR VALUE OF NEW REAL ESTATE MORTGAGES ISSUED (CURRENT MONTH)</b> .....	\$ 5.0	\$ 6.2
Residential .....	4.9	5.7
% of total .....	98.2%	91.7%

DEPOSIT TURNOVER RATE\* .....

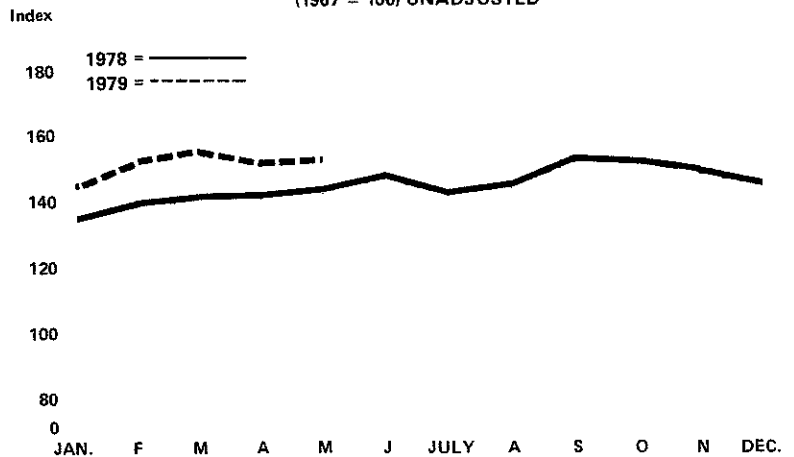
1979	4.7
1978	4.0

<sup>1</sup>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.

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

(1967 = 100) UNADJUSTED



Source: Federal Reserve Board of Governors

**Total Index up 5.7%**

**Consumer Goods Production up 3.1%**

**Manufacturing Production up 6.2%**

# DULUTH BUSINESS INDICATORS<sup>1</sup>

INDEX NUMBERS (1967 = 100) UNADJUSTED						ORIGINAL DATA			
COMPONENT	May 1979	Apr. 1979	May 1978	INDEX CHANGE May '78 Apr. '79 to to May '79 May '79		UNIT	May 1979	April 1979	May 1978
Freight Carloadings	114	88	100	+ 14	+ 26	(Cars)	12,909	9,918	11,283
Bank Debits <sup>5</sup>	295	290	277	+ 18	+ 5	(Dollars in '000's)	705,950	680,098	609,235
Building Permits <sup>2</sup>	85	86	126	- 41	- 1	(Actual \$ Value)	1,894,024	1,578,274	3,658,303
Postal Receipts	232	258	225	+ 7	+ 4	(Dollars)	546,814	608,087	530,629
Number of Telephones	133	134	132	+ 1	- 1	(Units)	93,756	94,548	93,157
Electric Power (Commercial & Industrial)	149	171	139	+ 10	- 22	(K.W.H. in '000's)	37,165	42,786	34,607
Electric Power (Residential)	120	139	121	- 1	- 19	(K.W.H. in '000's)	17,508	20,191	17,624
Number of Electric Customers	105	104	105	0	+ 1		34,964	34,877	34,894
Grain Shipments	253	115	226	+ 27	+138	(Bushels in '000's)	74,078	33,590	66,185
Coal Receipts	23	0	71	- 48	+ 23	(Short Tons in '000's)	53	0	166
Iron Ore Shipments	149	36	147	+ 2	+113	(Gross Tons in '000's)	1,746	420	1,723
Other Lake Cargo	768	228	458	+310	+540	(Short Tons)	270,338	80,338	161,055
Duluth Nonagricultural Empl.	113	111	112	+ 1	+ 2	(Persons)	47,100	46,600	46,600 <sup>3</sup>
Duluth Retail Sales Index <sup>4</sup>	124	120	132	- 8	+ 4		-----	-----	-----
State Metal Mining Empl.	121	122	116	+ 5	- 1	(Persons)	15,400	15,500	14,700 <sup>3</sup>
<b>OVERALL</b>	<b>168</b>	<b>132</b>	<b>155</b>	<b>+ 13</b>	<b>+ 36</b>				

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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