

DULUTH BUSINESS INDICATORS

Bureau of Business and Economic Research
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University of Minnesota, Duluth

In cooperation with the Minnesota Department of Jobs and Training



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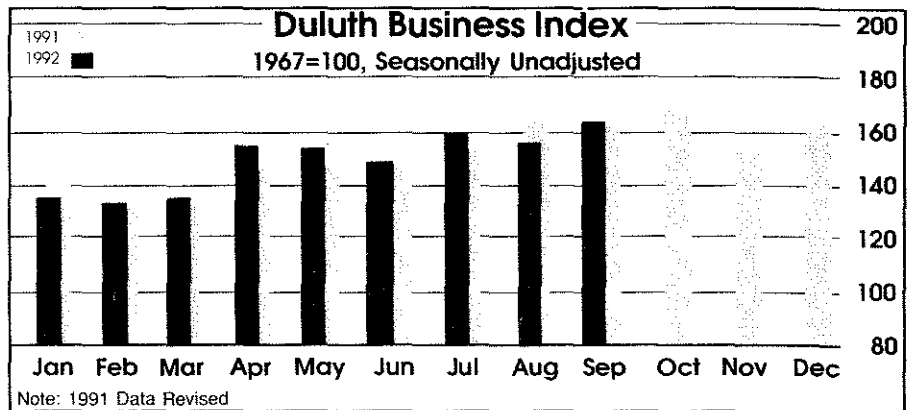
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Highlights

- *DBI recovers*
- *Construction strong*
- *Port activity strengthens*
- *Fall retail sales up*
- *Tourism improves*



ECONOMIC CONDITIONS

For the month of September, the Duluth Business Index (DBI) rose to 164, up from 157 in August. The resurgence of the Duluth economy in September probably resulted from an increase in building activity and improved port activity, both of which were tempered by a stalled national recovery. The strength of September's business is reflected in the fact that, normally, September's activity is five points below August's activity, while this month's DBI posted a gain of seven points. In addition, this September's DBI is three points above September 1991. Year-to-date, the DBI is 2.3% above the same period in 1991.

Although the performance has strengthened, the year-to-date performance continues to fall below the forecast of a 9.8% increase made in January of 1992. The forecast DBI for September was 171, as compared to the actual experienced of 164. The September forecast was based on a national recovery that was expected to be significant by the second quarter of 1992, and continue through the remainder of the year. This national recovery never materialized. The delay in the national recovery is reflected in our local economy in two DBI components: building permits expected to be 95% above 1991 levels, and other lake cargo expected to be 13% above last year's experience by the early part of the year. Both component indices exceeded these percentage changes in September for the first time this year. The growth rate of the national economy by the second quarter of 1992 was only 1.5% in real Gross Domestic Product, not 3% as expected in our original forecast. It would appear that the earlier, optimistic forecast for September continues to be revised by the delay in the anticipated start of the Northwest Airbus facility.

The forecast miss seems to have been the result of

unwarranted optimism in two major areas of Duluth's economy: transportation and taconite. In the transportation sector, port activity was expected to be strong as the world economy moved out of recession. However, the world economy did not improve, and international cargoes were not nearly as strong as originally expected. In addition, the taconite industry did not improve as expected. Metal mining employment was down 6%, rather than 5% as forecast, with restructuring. Moreover, iron ore shipments were down 5% rather than growing by 1% as forecast.

September wage and salary employment fell by 711 jobs to 50,487 in September. The instability in employment is in sharp contrast to the expected late summer seasonal increase of 0.4% from August to September. The employment level in September is 1.4% below the 51,198 recorded in September 1991. While this September's employment level appears to be weakening, the year-to-date employment increase of 2.2% is still significantly above last year.

The September level of employment was the result of a loss of 459 service sector jobs and 252 manufacturing jobs. Moreover, the labor market still appears quite sluggish, with few shortage occupations. Average weekly earnings in manufacturing of \$450.47 are above both August 1992 and September 1991.

Duluth's unemployment rate in September was 6.2%, which represents an increase from August's level of 5.4% and September 1991's level of 5.8%. A decline in the unemployment rate of 7.8% from August to September is normally expected. Thus, the increase in the unemployment rate for September 1992 represents a significant departure from a normal September. The national unemployment rate in September 1992 was 7.5%. Duluth's

INDEX HIGHLIGHTS

| TIME PERIOD | DULUTH INDEX |
|--------------------------------------|-----------------|
| Sept. 1992 | 164 |
| Aug. 1992 | 157 |
| Aug.-Sept. Change | +7 |
| Normal Seasonal Change | |
| Aug.-Sept. | -5 |
| Sept. 1991 | 161 |
| Change, Aug. 1991 to Aug. 1992 | +3 |
| Seasonally Adjusted Index | |
| Sept. 1991 | 158 |
| Seasonally Adjusted Index | |
| Sept. 1992 | 161 |

DULUTH LABOR MARKET

| | Sept. 1992 | Sept. 1991 | % |
|---|---------------|---------------------|--------|
| | | | Change |
| TOTAL LABOR FORCE | 40,321 | 41,266 | -2.3 |
| (Duluth Residents) | | | |
| Unemployment | 2,493 | 2,388 | 4.4 |
| % of Total (Actual) | 6.2% | 5.8% | xxx |
| Seasonally Adjusted | 6.7% | 6.3% | xxx |
| Employment | 37,828 | 38,878 | -2.7 |
| % of Total | 93.8% | 94.2% | xxx |
| TOTAL WORK FORCE | 50,487 | 51,198 ¹ | -1.4 |
| (Duluth Jobs) | | | |
| Manufacturing | 3,890 | 4,142 ¹ | -6.1 |
| % of Total | 7.7% | 8.1% | xxx |
| Nonmanufacturing | 46,597 | 47,056 ¹ | -1 |
| % of Total | 92.3% | 91.9% | xxx |
| PERSONS CLAIMING UNEMPLOYMENT BENEFITS | 574 | 476 | 20.6 |
| (Duluth Only) | | | |
| AVERAGE WEEKLY EARNINGS | \$450.47 | \$426.49 | 5.6 |
| (Manufacturing Only) | | | |

¹ Revised

NOTE: Employment totals may not add up due to rounding.
Source: Minnesota Dept. of Jobs & Training

DULUTH TOURIST INDEX

June, July, August 1978=100

SEPTEMBER INDEX

| Aug. 1992 | Sept. 1992 | Sept. 1991 |
|-----------|------------|------------|
| 132 | 113 | 109 |

Estimated Tourist Expenditures (in 000s)

| | Sept. 1992 | Sept. 1991 | % Change 1991-92 |
|-----------------------|---------------|---------------|---------------------|
| Lodging | \$2,962 | \$2,765 | +7.1% |
| Eating-Drinking | 3,779 | 3,385 | +11.6% |
| Retail Sales | 1,581 | 1,443 | +9.6% |
| Auto. Gas | 771 | 703 | +9.7% |
| Other | 1,222 | 1,115 | +9.6% |
| TOTAL | \$10,315 | \$9,411 | +9.6% |

labor market appears to be significantly better off than the national labor market.

The major industries included in local economy are export-related industries such as transportation, wood products, taconite, and tourism. The DBI subindices track the performance of these export-related activities.

The transportation industries are tracked through airline passengers, grain shipments, iron ore shipments, and other lake cargo subindices. In September, these subindices showed mixed results. Airline passengers were up 20 points over September of 1991. This increase reflects the continued airfare wars of the summer of 1992. Several other transportation subindices were down. Iron ore shipments were down four points, while other lake cargo and grain shipments were down from September 1991.

The taconite industry is tracked by the state metal mining employment. This subindex was down three points from September 1991, but up ten points from August 1992. Actual metal mining employment in September 1992 was 6,267 employees; up from August's level of 5,002, but down from September 1991's level of 6,600.

The wood products industry is tracked only indirectly by commercial and industrial electric power and Duluth non-agricultural employment. The electric power (C&I) was down 23 points from September 1991 and up 14 points from August 1992. Duluth non-agricultural employment was up one point from September 1991, but unchanged from August 1992. It appears that the wood products industry in Duluth has slowed somewhat in comparison to 1991.

The tourist industry is tracked by the tourist index, which was up four points from September 1991, but down 30 points or 21% from August 1992. Tourist spending in Duluth, as measured in current dollars, increased by 9.6% from the September 1991 expenditure of \$9,411,000 to \$10,315,000 in September 1992. This level of spending showed a 12.8% increase from last month's performance of \$11,831,000. The consumer price index (CPI) rose from 411 in September 1991 to 423.3 in September 1992, resulting in a 3% increase in the general price level. When adjusted for inflation, real tourist spending rose by 6.4% from the September 1991 figure of \$2,289,777 to \$2,436,736 in September 1992.

Local and regional economic conditions will be reflected in the retail sales and bank deposit subindices. The Duluth regional economy continued to grow in September. The retail sales index was unchanged from August, but rose by 3.9% from September 1991's level in real terms. Total retail sales in September 1992 were \$78,439,757 in current dollars. The greatest growth occurred in building materials (+56.9%), other food stores (+23.9%), new and used automobile dealers (+8.5%), and service stations (+4.2%). Several retail activities were down significantly, including department store sales (-3.1%), furniture stores (-6.8%), grocery stores (-6.0%), and eating and drinking sales (-3%). Bank deposits, an indication of the financial strength of the area's economy, declined from September 1991 by 6.6%, but rose by 1.9% from August 1992. This change reflects a revision in the estimation procedure used in calculating the real bank deposits, not a change in local financial conditions. It appears that the regional financial markets are quite strong relative to the year previous.

The forecast for October is significantly revised from that of January 1992. The DBI for October was forecast to be 177; now the forecast suggests that the DBI will be 156, down 21 point from the earlier forecast. This revision stems from the weakness in the taconite and transportation industries. Tourism will be down seasonally from its relatively good September performance.

PERCENTAGE CHANGE IN 14 INDIVIDUAL BUSINESS INDICATORS FOR THE CITY OF DULUTH

Year-to-date 1992 compared to 1991

PERCENTAGE CHANGE

INDICATOR -15 -10 -5 0 +5 +10 +15

| | |
|--|------------|
| Airline Passengers | +18% |
| Building Permits | +18% |
| Postal Receipts | +12% |
| Grain Shipments | +12% |
| Iron Ore Shipments | +4% |
| Retail Sales | +3% |
| Tourist Index | +2% |
| Duluth Nonagricultural Employment | +2% |
| Total Business Index | +2% |
| Electric customers | -1% |
| Bank Deposits | -2% |
| Electric Power (Commercial and Industrial) | -2% |
| Electric Power (Residential) | -2% |
| State metal mining | -7% |
| Other Lake Cargo | -28% |

mance of 113. The tourist index is expected to be 89 in October, below the 93 level projected in January 1992. Retail sales will remain relatively strong: the retail sales index will reach 112 in October. Duluth non-agricultural employment will remain stable throughout September.

U.S. CONSUMER PRICE INDEX

| | Aug. 1992 | Aug. 1991 | % Change |
|---|-----------|-----------|----------|
| (1982-1984=100) Unadjusted | 141.3 | 137.2 | +3.0% |
| All Urban Consumers | 141.3 | 137.2 | +3.0% |
| Urban Wage Earners & Clerical Workers (Revised) | 139.1 | 135.2 | +2.9% |

Source: Bureau of Labor Statistics

REPORT OF DULUTH FINANCIAL ACTIVITY¹

| | Sept. 1992 | Sept. 1991 |
|---|----------------|----------------|
| BANK DEBITS - TOTAL | \$1,215 | \$1,110 |
| Individuals | 149.0 | 122.5 |
| % of Total | 12.3% | 11.0 |
| Commercial Accounts | 940.1 | 832.3 |
| % of Total | 77.4% | 75.0% |
| Government (State and Local) | 126.1 | 155.2 |
| % of Total | 10.4% | 14.0% |
| TOTAL DEPOSITS (END-OF-MONTH) | \$946.7 | \$990.4 |
| Demand | 182.9 | 185.8 |
| % of Total | 19.3% | 18.8% |
| Time and Savings | 763.7 | 804.6 |
| % of Total | 80.7% | 81.2% |
| Savings Only | 212.8 | 131.7 |
| DOLLAR VALUE OF NEW REAL ESTATE MORTGAGES ISSUED (CURRENT MONTH)² | 8.5 | 5.9 |
| Residential ² | 8.4 | 2.9 |
| % of Total | 98.4% | 49.8% |
| DEPOSIT TURNOVER RATE³ | 6.7 | 6.0 |

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.

² Estimated figure

³ Deposit turnover - bank debits divided by demand deposits.

DULUTH RETAIL SALES

| Selected Industry Description | UNADJUSTED (FOR PRICE CHANGES) | | | | ADJUSTED (1982-1984=100) SALES | | | | | | |
|------------------------------------|--------------------------------|---------------|-----------------|---------------|--------------------------------|-----------------|-------------|------------------|------------------|-------------|--|
| | SALES ('000'S OF DOLLARS) | | | | MONTHLY | | | YEAR-TO-DATE | | | |
| | Sept. 1992 | % Total | Sept. 1991 | % Total | Sept. 1992 | Sept. 1991 | % Change | 1992 | 1991 | % Change | |
| Bldg., Materials, Hardware, etc. | \$ 5,646 | 4.7% | \$ 3,508 | 4.7% | \$4,041 | \$ 2,576 | 56.9% | \$23,852 | \$ 17,402 | 37.1% | |
| Department Stores | 12,585 | 17.1% | 12,662 | 17.1% | 9,009 | 9,296 | -3.1% | 71,903 | 78,859 | -8.8% | |
| Grocery Stores | 8,553 | 12.3% | 9,083 | 12.3% | 6,280 | 6,679 | -6.0% | 60,227 | 61,144 | -1.5% | |
| Other Food Stores | 1,846 | 2.0% | 1,488 | 2.0% | 1,356 | 1,094 | 23.9% | 11,273 | 11,116 | 1.4% | |
| Motor Veh. Dealers (New & Used) | 10,660 | 13.0% | 9,616 | 13.0% | 8,576 | 7,901 | 8.5% | 74,558 | 63,287 | 17.8% | |
| Other Auto Dealers, Serv. Stations | 6,792 | 8.6% | 6,382 | 8.6% | 5,464 | 5,244 | 4.2% | 47,308 | 47,241 | 0.1% | |
| Apparel & Accessory Stores | 3,194 | 4.0% | 2,974 | 4.0% | 2,400 | 2,375 | 1.0% | 16,404 | 16,386 | 0.1% | |
| Furniture, Home Furnishings | 1,909 | 2.7% | 2,021 | 2.7% | 1,619 | 1,738 | -6.8% | 12,458 | 16,555 | -24.7% | |
| Eating & Drinking Places | 9,288 | 12.9% | 9,512 | 12.9% | 6,759 | 6,969 | -3.0% | 58,103 | 59,380 | -2.2% | |
| Miscellaneous Places | 17,967 | 22.7% | 16,770 | 22.7% | 12,861 | 12,313 | 4.5% | 103,514 | 93,970 | 10.2% | |
| TOTAL | \$78,440 | 100.0% | \$74,016 | 100.0% | \$58,365 | \$56,185 | 3.9% | \$479,603 | \$465,341 | 3.1% | |
| DULUTH RETAIL SALES INDEX | | | | | 125.9 | 121.2 | 3.9% | 129.4 | 125.5 | 3.1% | |

Note: The information contained in this table reflects actual sales of Duluth firms who report sales taxes on a monthly basis. Information on sales of other firms and on the methodology used to prepare this table can be obtained from the Bureau on request.

Source: City of Duluth, Treasurer's Office

DULUTH BUSINESS INDICATORS

INDEX NUMBERS
(1967 = 100) UNADJUSTED

ORIGINAL DATA

| Component | INDEX CHANGE | | | | | Unit | ORIGINAL DATA | | |
|--|--------------|------------|------------------|------------------------|-----------------------|------------------------|---------------|-----------|---------------------|
| | Sept. 1992 | Aug. 1992 | Sept. 1991 | Sept. '91 to Sept. '92 | Aug. '92 to Sept. '92 | | Sept. 1992 | Aug. 1992 | Sept. 1991 |
| Airline Passengers | 132 | 192 | 112 | +20 | -60 | (Persons) | 23,929 | 34,883 | 20,242 |
| Bank Deposits ² | 270 | 265 | 289 | -19 | +5 | (Dollars in '000's) | 946,655 | 972,889 | 990,393 |
| Building Permits ³ | 203 | 103 | 92 | +111 | +100 | (Actual \$ Value) | 8,233,258 | 4,156,777 | 2,572,038 |
| Postal Receipts | 580 | 549 | 434 | +146 | +31 | (Dollars) | 1,368,448 | 1,294,626 | 1,022,161 |
| Electric Power (Commercial & Industrial) | 306 | 320 | 329 | -23 | -14 | (K.W.H. in '000's) | 76,413 | 79,855 | 82,216 |
| Electric Power (Residential) | 125 | 122 | 129 | -4 | +3 | (K.W.H. in '000's) | 18,154 | 17,789 | 18,748 |
| Number of Electric Customers | 106 | 106 | 107 | -1 | 0 | | 35,513 | 35,546 | 35,730 |
| Grain Shipments | 118 | 69 | 142 | -24 | +49 | (Bushels in '000's) | 34,693 | 20,107 | 41,639 |
| Tourist Index | 113 | 143 | 109 | +4 | -30 | | --- | --- | --- |
| Iron Ore Shipments | 78 | 87 | 82 | -4 | -9 | (Gross Tons in '000's) | 919 | 1,021 | 963 |
| Other Lake Cargo | 92 | 70 | 304 | -212 | +22 | (Short Tons) | 32,540 | 24,811 | 106,922 |
| Duluth Nonagricultural Employment | 121 | 121 | 120 ⁵ | +1 | 0 | (Persons) | 50,487 | 50,279 | 50,700 ⁵ |
| Duluth Retail Sales Index ⁴ | 127 | 127 | 121 | +6 | 0 | (Dollars in '000's) | 78,440 | 79,102 | 74,016 |
| State Metal Mining Employment | 49 | 39 | 52 | -3 | +10 | (Persons) | 6,267 | 5,002 | 6,600 |
| OVERALL | 164 | 157 | 161 | +3 | +7 | | | | |

1. Source of data: Duluth Industrial Bureau, Building Inspector's Office of the City of Duluth, U.S. Post Office in Duluth, Minnesota Power Company, Minneapolis Grain Exchange, American Iron Ore Association, Seaway Port Authority of Minnesota, Minnesota Department of Jobs & Training, and the Department of Economics, University of Minnesota-Duluth.
2. 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.
3. The Building Permits Index is adjusted to reflect the amount of construction occurring during the month.
4. Deflated for price changes. All dollar figures shown for retail sales are in current (unadjusted for price changes) dollars.
5. Revised.

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