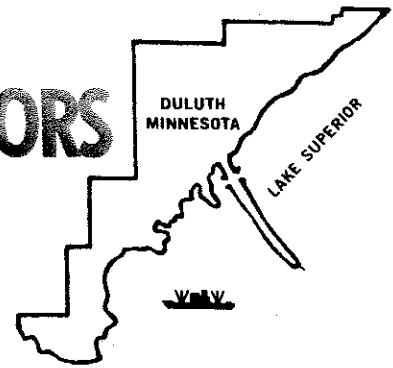


DULUTH BUSINESS INDICATORS

BUREAU OF BUSINESS AND ECONOMIC RESEARCH
 SCHOOL OF BUSINESS AND ECONOMICS
 University of Minnesota, Duluth
 In Cooperation with the Minnesota
 Department of Jobs and Training



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Highlights

- *November Business Index Drops.*
- *Jobs Picture Improved.*
- *Workweek Shrinks.*
- *Building Construction Lagging.*
- *Metal Mining Employment Soft.*

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



ECONOMIC CONDITIONS

Duluth's economy in November dipped by two points from the October index of 127. This decrease of two points is in contrast to the past 10-year average increase of five points for this two-month comparison.

During the year, the local economy has failed to respond positively as was anticipated at the beginning of 1985. For the first 11 months of 1985 the Duluth Business Index (DBI) is averaging 8.4 percent below the same months of 1984. Lake cargo, iron ore and grain shipments and building permits issued have suffered most heavily in comparison with their year ago levels of activity.

The November DBI of 125 was substantially below one year ago when the index totaled 163. Major losses from November 1984 were most noticeable in grain and iron ore shipments, other lake cargo (other than grain), retail sales, and freight carloadings. Comparisons with last year, particularly for lake cargo, must be viewed in light of the fact that in 1984 the index for lake cargo activity was out of proportion to what would be more normal level of activity. A further explanation appears later on in this text.

The number of wage and salary jobs in Duluth rose to 41,700 in November, an increase of 200 over the revised October figure and 600 workers over one year ago. The October-November gain was mostly in retail sales establishments. In the over-the-year comparison, service establishments and government offices, primarily local government, were the chief contributors to the 600-worker gain over November 1984.

In 1985, employment levels rose by 2,480 workers between January and November compared to an increase of 2,200 workers for the same period in 1984. Because of the seasonal nature of our labor market the comparison of January jobs with the November figure also includes seasonal factors since January is in the slow period of our seasonal pattern. The year-to-date index of employment in 1985 has averaged 1.2 percent over the same 11 months of 1984 indicating a moderate improvement in the job market.

Unemployment in Duluth in November stood at 2,500 persons which represented 7.5 percent of the November labor force. The jobless rate in October was 6.4 percent involving 2,200 job seekers. Although there are fewer persons classified as unemployed this year compared to the 2,800 one year ago this does not mean that the job market has absorbed those unemployed workers. Actually the labor force (employed plus unemployed) in November 1985 was down by 2,500 persons from one year previous which strongly implies that there has been an exodus of workers from the area or the jobless have simply dropped out of the labor market because of the lack of work opportunities in the area.

The average length of the workweek for production workers in manufacturing in November was 35.5 hours compared to 36.4 hours in October. Despite the decline in the length of the workweek the average hourly earnings rose by 37 cents over October thus boosting the average weekly pay check to \$379.50 in November from \$375.50 in October.

During the month of November a total of \$367,496 was paid

INDEX HIGHLIGHTS

TIME PERIOD	DULUTH INDEX
November 1985	125
October 1985	127
October-November Change	-2
Normal Seasonal Change Oct. to Nov.	+5
November 1984	163
Change, Nov. 1984 to Nov. 1985	-38
Seasonally Adjusted Index November 1984	138
Seasonally Adjusted Index November 1985	106

DULUTH LABOR MARKET

	Current Month Nov. 1985	Year Ago Nov. 1984	% Change
TOTAL LABOR FORCE	33,900	36,400	-7
(Duluth Residents)			
Unemployment	2,500	2,800	-11
% of Total (Actual)	7.5%	7.8%	XXX
Seasonally Adjusted	8.6%	8.9%	XXX
Employment	31,400	33,600	-7
% of Total	92.5%	92.2%	XXX
TOTAL WORK FORCE	41,700	41,100	+1
(Duluth Jobs)			
Manufacturing	3,300	3,400	-3
% of Total	8.0%	8.3%	XXX
Nonmanufacturing	38,400	37,700	+2
% of Total	92.0%	91.7%	XXX
PERSONS CLAIMING UNEMPLOYMENT BENEFITS (Duluth only)	542	627	-14
AVERAGE WEEKLY EARNINGS (Manufacturing Only)	\$379.50	\$373.70	+2

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

RETAIL SALES INDEX

	ADJUSTED FOR PRICE CHANGES (1967 = 100)			Nov. '84 to Nov. '85 % Change
	3 Yr. Aver. 1982-84	Nov. 1985	Nov. 1984	
Total	121	115	123	-7
General Merchandise ..	138	142	141	+1
Apparel Stores	119	111	117	-5
Grocery Stores	113	110	122	-10
Automotive Sales	100	78	91	-14
		1985	1984	% Change
Index Average Year-To-Date (Total) Adjusted for price changes		101.3	105.9	-4.3

out to unemployed workers in the form of unemployment insurance benefits under the regular program. The comparable figure for one month previous was \$337,814.

The index of freight carloadings sustained a much greater than average seasonal decline in the October-November comparison. Carloadings in November were about one-half of the year previous total. A 19 percent drop in grain handled by rail in November was a major factor in the decline in carloadings. Although this year a greater percentage of the incoming receipts of grain was hauled by rail compared to 1984, the total amount of bushels handled was below last year.

In November, the total value of bank debits was down substantially from October. Historically, this sector does experience a seasonal decline in November, but this year the decrease was far greater than the average of recent years.

During the first 11 months of 1985 the value of building permits issued and under construction (in 1967 dollars) averaged 44 percent below the comparable months of 1984 which is just a complete reversal of what was expected of this industry in 1985. The November index, however, showed some improvement over the month previous. Contributing to the November improvement were two major permits issued for alteration and repair work at the College of St. Scholastica and for renovating the Sears Roebuck building into a bingo hall. The November building index was also above the November 1984 level by a significant margin. As has been the case all year, the bulk of the building dollar has gone for alteration and repair work. For the first 11 months of 1985 about three-fourths of the building dollars has been channeled into renovation work, the highest such percentage since 1970 when this data was first computed. About 72 percent of the alteration work this year has been to nonresidential structures.

Commercial and industrial consumption of electricity was up in November compared to October which is in line with the seasonal pattern of recent years. Residential usage of electricity also rose seasonally over October at about the same rate as experienced in the past 10 years.

Grain shipments picked up moderately in November in contrast in the historical average eight-point drop that has been noted over the past 10 years. Part of the gain might be attributed to the fact that some of the increase reflects catch-up shipments that were deferred from October due to the shutdown of the Welland Canal for repairs to part of the concrete wall which collapsed. The grain shipping season in 1985 will not match the previous year's total, however, and for the season's record through November, the statistics show a decrease of 42 percent when compared to the same 11 months of 1984.

Another water borne commodity, iron ore, is also experiencing a poorer season than was the case in 1984. This index sector so far this season has averaged 22 percent below the same period in 1984. A declining need for iron ore due to reduced industry demand for steel plus imports of steel from foreign countries has left its mark on ore shipments to down lake ports. The nearby port of Two Harbors, however, has enjoyed an improved ore shipping season compared to 1984 but part of this gain can be attributed to the redirection of ore shipments in 1985 to Two Harbors from Duluth docks, a reversal of the 1984 picture. This, in effect, lowered this year's shipments from Duluth's docks and enhanced the 1985 tonnage figures for Two Harbors in the 1984-1985 comparison.

Import-export cargo, excluding grain, rose at a sharper pace over October than the average seasonal gain of recent years for this two-month comparison. The increased exports of grain by-products (sunflower seeds) overseas and miscellaneous bulk cargo to Canada paced the November gain in port activity. November's tonnage was significantly below one year previous. The reason for the atypically high November 1984 index was due to the unusually large amount of sunflower seeds shipped. A rain delayed harvest in the fall of

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

INDICATOR	PERCENTAGE CHANGE						
	-15	-10	-5	0	+5	+10	+15
Postal Receipts							+5%
Duluth Nonagricultural Employment							+1%
Electric Power (Commercial-Industrial)							+1%
Electric Power (Residential)							+1%
Telephone Lines							NO CHANGE
Bank Debits							NO CHANGE
Electric Customers							NO CHANGE
Retail Sales (adj.)							-4%
Freight Carloadings							-5%
Total Duluth Business Index							-8%
State Metal Mining							-15%
Iron Ore Shipments							-22%
Other Lake Cargo							-36%
Grain Shipments							-42%
Coal Receipts							-43%
Building Permits (Adj.)							-44%

1984 resulted in the fall crop coming in during November rather than spread over the normal two-month period of October and November which resulted in the year ago index for November reaching an atypical high level.

Metal mining employment in November was 6,300, down 300 workers from October, but at the same level as one year ago. Little improvement is expected before the new year when some callbacks are slated to occur.

U.S. CONSUMER PRICE INDEX

	Nov. 1985	Nov. 1984	% Change
All Urban Consumers	326.6	315.3	+3.6%
Urban Wage Earners & Clerical Worker (Revised)	322.6	311.9	+3.4%

Source: Bureau of Labor Statistics

REPORT OF DULUTH FINANCIAL ACTIVITY

	Current Month Nov. 1985	Year Ago Nov. 1984
BANK DEBITS TOTAL	\$1,033.2	\$1,000.4
Individuals	161.3	117.6
% of total	15.6%	11.8%
Commercial Accounts	775.8	779.4
% of total	75.1%	77.9%
Government (State & Local)	96.2	103.4
% of total	9.3%	10.3%
TOTAL DEPOSITS (END-OF-MONTH)	\$919.8	\$930.4
Demand	158.2	130.6
% of total	17.2%	14.0%
Time and Savings	761.6	799.8
% of total	82.8%	86.0%
Savings Only	177.7	178.4
DOLLAR VALUE OF NEW REAL ESTATE MORTGAGE ISSUED (CURRENT MONTH)	\$2.5	\$3.7
Residential	2.2	2.3
% of total	88.0%	61.7%
DEPOSIT TURNOVER RATE*	6.5	7.7

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

(1977 = 100) SEASONALLY UNADJUSTED

Ave. Mo.

Total Index	November 1985 124.5
	November 1984 123.0

Total Index Up 1.2%

Consumer Goods Production Up 1.6%

Manufacturing Production Up 1.7%

Mining and Utilities Down 1.7%

DULUTH TOURIST INDEX

June, July, August 1978 = 100

OCTOBER INDEX

Oct. 1985	Sept. 1985	Oct. 1984
63	87	69

Estimated Tourist Expenditures
(in '000's)

	Oct. 1985	Oct. 1984	% Change
Lodging	\$1,225	1,261	-2.9%
Eating, Drinking	1,996	2,328	-14.3%
Retail Sales	756	842	-10.2%
Auto, Gas	368	410	-10.2%
Other	584	651	-10.3%
Totals	\$4,929	\$5,492	-10.3%

DULUTH BUSINESS INDICATORS

INDEX NUMBERS

(1967 = 100)

ORIGINAL DATA

Component	Nov. 1985	Oct. 1985	INDEX CHANGE		Unit	Nov. 1985	Oct. 1985	Nov. 1984	
			Nov. 1984	Oct. Nov. '85					
Freight Carloadings	68	113	122	-54	-45	(Cars)	7,706	12,767	13,763
Bank Debits ⁵	299	375	301	-2	-76	(Dollars in '000's)	1,033,235	1,286,745	1,000,408
Building Permits ²	79	69	49	+30	+10	(Actual \$ Value)	2,733,375	2,334,706	1,192,782
Postal Receipts	357	361	313	+44	-4	(Dollars)	842,555	851,662	736,863
Telephone Lines	127	127	127	0	0	(Units)	54,572	54,526	54,379
Electric Power (Commercial & Industrial)	153	150	151	+2	+3	(K.W.H. in '000's)	38,138	37,461	37,703
Electric Power (Residential)	122	118	127	-5	+4	(K.W.H. in '000's)	17,776	17,187	18,418
Number of Electric Customers	105	105	105	0	0		35,007	34,924	35,141
Grain Shipments	98	89	172	-74	+9	(Bushels in '000's)	28,701	26,091	50,427
Coal Receipts	9	3	5	+4	+6	(Short Tons in '000's)	22	6	11
Iron Ore Shipments	64	62	98	-34	+2	(Gross Tons in '000's)	747	724	1,152
Other Lake Cargo	239	82	1,042	-803	+157	(Short Tons)	83,993	28,954	366,641
Duluth Nonagricultural Empl.	100	100	99	+1	0	(Persons)	41,700	41,500	41,100 ³
Duluth Retail Sales Index ⁴	115	101	123	-8	+14		---	---	---
State Metal Mining Empl.	50	52	50	0	-2	(Persons)	6,300	6,600	6,300
OVERALL	125	127	163	-38	-2				

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 Duluth, Minnesota Department of Jobs and Training 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.
6. Estimate.

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