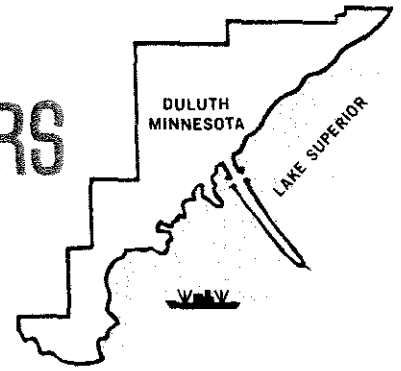


DULUTH BUSINESS INDICATORS

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

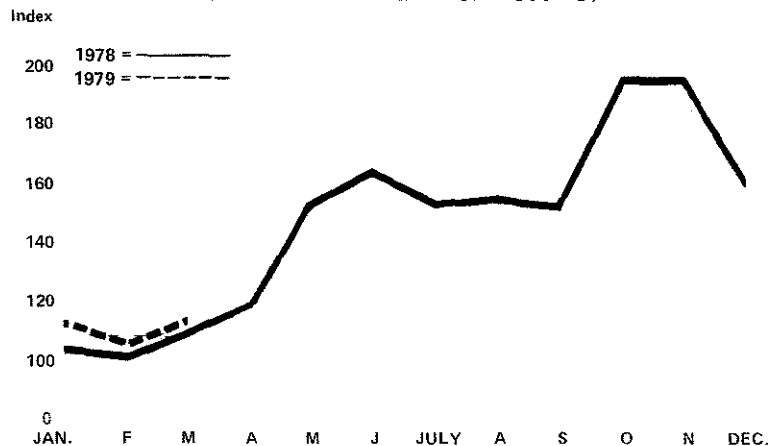


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Highlights

- **Economy Still Strong**
- **First Quarter Index Up**
- **Building Construction Rises**
- **Grain Outlook Promising**
- **Retail Sales Up But Softening**

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



ECONOMIC CONDITIONS

The economic climate in Duluth continued to reflect a healthy condition in March with most of the individual business barometers showing gains over one month ago and one year ago.

In March, the unadjusted index (1967=100) reached 116, up eight points over February. This is slightly above the average seven point seasonal increase of the past 10 years for this period.

For the first quarter of 1979, the index has averaged six percent above the comparable quarter of 1978. While the economy at the national level seems to be giving off mixed signals about the trend of business for the balance of the year, the Duluth index has not offered much evidence of weakening its stride. The national composite index of leading indicators recorded its third successive monthly decline in March. Economists look at this behavior as a sign of an impending recession. However, it should be noted that this index has not in all cases been correct and the lead time prior to a recession has varied from four months to almost two years. At this point the economy of Duluth appears to be headed for another good year.

Nationally, the Federal Reserve Banking System continued to fight inflation by slowing the growth rate of the

money supply during March. During the period from December 1978 through March 1979, the National money supply declined at an annual rate of 2.7 percent to \$359 billion. From February through March, the Demand Deposit component of the money supply declined by 1.4 percent to \$260 billion. At the same time, Time Deposits rose by 1.7 percent to \$521 billion. The slow growth of Demand and Time deposits has led to high and rising financial interest rates.

The Federal Reserve's tight money policy has affected Duluth's financial community somewhat differently than the national pattern. Duluth's Demand deposits have continued to rise from February through March by 1.4 percent. However, the tight money policy, Duluth's spending pattern, Federal and State Tax payments all combined to reduce the Time and Saving deposits by 15 percent from February through March. Savers apparently cut into their savings account in March to the extent that the Time and Savings deposits made up 76.2 percent of total deposits in March compared to 79.2 percent in February and 79.4 percent in March of 1978. The overall impact of these changing financial conditions on the Duluth financial community has been to reduce total deposits by 11.7 percent from \$702 million in February to \$620 million in March.

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INDEX HIGHLIGHTS

| TIME PERIOD | DULUTH INDEX |
|---|--------------|
| March 1979 | 116 |
| February 1979 | 108 |
| February-March Change | + 8 |
| Normal Seasonal Change February to March | + 7 |
| March 1978 | 110 |
| Change, March 1978 to March 1979 | + 6 |
| Seasonal Adjusted Index March 1978 | 135 |
| Seasonally Adjusted Index March 1979 | 143 |

DULUTH LABOR MARKET

| | Mar. 1979 | Mar. 1978 | % Change |
|--|--------------|--------------|-------------|
| Labor Force | 40,600 | INA | INA |
| Unemployment | 2,100 | INA | INA |
| Rate | xxx | xxx | xxx |
| Actual | 5.2% | INA | xxx |
| Seasonally Adjusted | 3.9% | INA | xxx |
| Total Employment (Labor Force) | 38,500 | INA | INA |
| Wage & Salary (Work Force) | 45,800 | 44,600 | + 3 |
| Manufacturing (Work Force) | 6,300 | 6,100 | + 3 |
| Nonmanufacturing (Work Force) | 39,600 | 38,500 | + 3 |
| Job Openings Received During Month | 402 | 453 | -11 |
| Persons Claiming Unemploy- ment Benefits (Area) | 3,452 | 3,065 | +13 |
| Average Weekly Earnings— Mfg. Only | \$235.63 | \$220.41 | + 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. Mar. Aver. 1976-78 | Mar. 1979 | Mar. 1978 | Mar. '78 to |
|------------------------------------|--------------------------------|--------------|--------------|-------------------------|
| | | | | Mar. '79 % Change |
| Total | 109 | 114 | 112 | + 2 |
| General Merchandise | 104 | 103 | 105 | - 2 |
| Apparel Stores | 108 | 95 | 114 | -17 |
| Grocery Stores | 111 | 117 | 120 | - 3 |
| Automotive Sales | 153 | 233 | 175 | +33 |
| | | 1979 | 1978 | % Change |
| Index Average Year-To-Date (Total) | 105 | 98 | 98 | + 7 |

Adjusted for price changes

The flow of deposits out of Duluth financial institutions is further reflected in Total Bank Debits. Total Bank Debits increased by 8 percent over one year ago—even though the figures are adjusted for inflationary factors—the check writing of individuals declined by 9 percent. This loss was offset by increases noted in Commercial and Government checks written.

Freight carloading activity rose in March over February, but not to the same degree as the 10 year average for this period. This DBI component was one of the few that failed to match its year previous level.

While seasonal declines occurred in March in the use of electric power in both the commercial and industrial sectors as well as for residential user, variations in billing days and in industrial consumption also were factors. However, recent growth in the number of commercial establishments and increased production on the industrial front pushed the March power usage above year ago levels.

The volume of grain moved in March was up over February by about three times the average gain for this period. Although the year-to-date figures show a 3 percent decrease from the same months in 1978, the March upsurge portends an optimistic outlook for the year. High water and ice conditions on the Mississippi have diverted more grain cargo to the Twin Ports for trans-shipment this year. This development, plus the fact that southern elevators destroyed by explosions a year ago have not been totally reconstructed, suggests that early season gains this year may be substantially maintained. There also appears to be some feeling that this year's grain volume handled may equal last year's record tonnage.

So far this year the job market has been maintaining its margin of gain of about 3 percent over 1978. Wage and salary employment dipped slightly from the February figure, but at this time of the year the job level will vary only slightly prior to the spring seasonal upturn. The added seasonal hiring this spring will manifest itself more visibly in April. Job gains will be most noticeable in the Construction, Transportation and Service industries which is a typical pattern each spring for Duluth.

A stronger building construction program has been evident this year in Duluth. The March index of the valuation of building construction permits issued and under construction in March (in 1967 dollars) was up substantially over February and was nearly twice the level of one year previous. For the first quarter of 1979, building activity has averaged 7 percent above the same quarter of 1978.

So far this year the increase over the 1978 building permit valuation figure has been in the area of nonresidential construction where permits for several large projects have been issued. Three of the larger projects involve the construction of grain storage bins, a grocery store and sky-walk facilities. The dollar value for permits issued of all types for the January-March 1979 period was \$5.2 million, up 108 percent over the \$2.5 million figure for the same months of 1978.

Some softening in consumer spending appears to be taking place both nationally and in the Duluth area which could be the result of continually rising prices. While retail sales in Duluth (deflated for price changes) averaged 7 percent higher during the first quarter of 1979 as compared to the opening three months of 1978, the margin of gain over last year has slipped. At the end of February, retail sales (deflated) had averaged 10.5 percent above one year previous. The bright spot in the local retail sales field seems to be in the automotive sales category which, in March, registered a 33 percent gain over March of 1978. Observers of the retail sales industry have commented on how long sales will continue to be strong whether it be the result of

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 |
| Postal Receipts | | | | | | | +24% |
| State Metal Mining Empl. | | | | | | | +16% |
| Electric Power (Commercial-Industrial) | | | | | | | +12% |
| Bank Debits | | | | | | | +8% |
| Duluth Retail Sales Index (Adj.) | | | | | | | +7% |
| Building Permits (Adjusted) | | | | | | | +7% |
| Total Duluth Business Index | | | | | | | +6% |
| Duluth Nonagricultural Empl. | | | | | | | +3% |
| Number of Telephones | | | | | | | +2% |
| Number of Electric Customers | | | | | | | +1% |
| Electric Power (Residential) | | | | | | | +1% |
| Iron Ore Shipments | | | | | | | No Change |
| Coal Receipts | | | | | | | No Change |
| Other Lake Cargo | | | | | | | No Change |
| Grain Shipments | | | | | | | -3% |
| Freight Carloadings | | | | | | | -17% |

hedge buying or simply to meet current needs. Market analysts point out that the most current ratio of credit extended through installment loans to disposable personal income reached 18 percent at the end of 1978 which is a record high. How long consumer credit for consumer purchases will be extended and the amount of debt the individual consumer is willing to accept will determine the behavior of retail sales in the months to come.

U. S. CONSUMER PRICE INDEX

| | 1979 Mar. | 1978 Mar. | Change % |
|---|--------------|--------------|-------------|
| All Urban Consumers | 209.1 | 189.8 | 10.2% |
| Urban Wage Earners & Clerical Worker (Revised) | 209.3 | 189.7 | 10.3% |

Source: Bureau of Labor Statistics

REPORT OF DULUTH FINANCIAL ACTIVITY ¹

| | Current Month Mar. 1979 | Year Ago Mar. 1978 |
|---|----------------------------|-----------------------|
| BANK DEBITS - TOTAL | \$704.2 | \$653.7 |
| Individuals | 87.3 | 96.0 |
| % of total | 12.4% | 14.7% |
| Commercial Accounts | 548.1 | 500.1 |
| % of total | 77.8% | 76.5% |
| Government (State & Local) | 68.8 | 57.5 |
| % of total | 9.8% | 8.8% |
| TOTAL DEPOSITS (END-OF-MONTH) | 620.1 | 686.3 |
| Demand | 147.4 | 141.1 |
| % of total | 23.8% | 20.6% |
| Time and Savings | 472.7 | 545.3 |
| % of total | 76.2% | 79.4% |
| Savings Only | 231.7 | 232.0 |
| DOLLAR VALUE OF NEW REAL ESTATE MORTGAGES ISSUED (CURRENT MONTH) | 3.2 | 5.8 |
| Residential | 3.2 | 4.8 |
| % of total | 98.3% | 83.4% |
| DEPOSIT TURNOVER RATE* | 4.8 | 4.6 |

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.

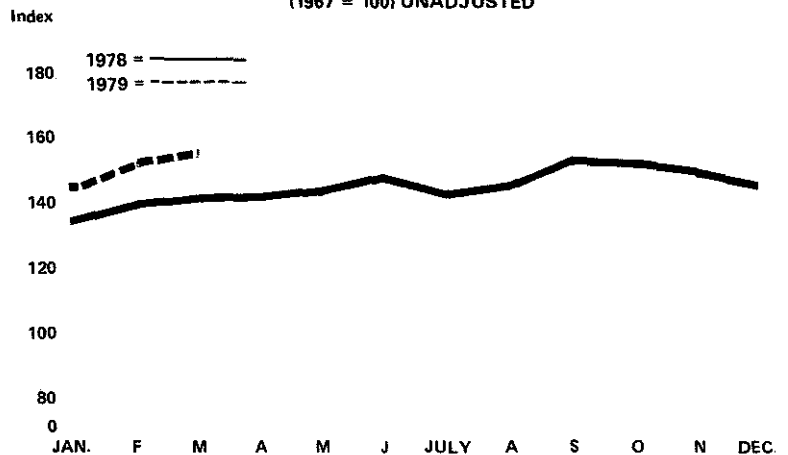
HIGHLIGHTS OF THE U. S. INDEX OF INDUSTRIAL PRODUCTION

March 1979 compared to March 1978

- Total Index up 8.2%**
- Consumer Goods Production up 4.4%**
- Manufacturing Production up 8.7%**

U. S. INDEX OF INDUSTRIAL PRODUCTION

(1967 = 100) UNADJUSTED



Source: Federal Reserve Board of Governors

DULUTH BUSINESS INDICATORS

| INDEX NUMBERS (1967 = 100) UNADJUSTED | | | | | | ORIGINAL DATA | | | |
|--|--------------|--------------|------------------|--|------------|------------------------|-----------|-----------|---------------------|
| COMPONENT | Mar. 1979 | Feb. 1979 | Mar. 1978 | INDEX CHANGE Mar. '78 Feb. '79 to to | | UNIT | Mar. 1979 | Feb. 1979 | Mar. 1978 |
| | | | | Mar. '79 | Mar. '79 | | | | |
| Freight Carloadings | 72 | 58 | 98 | - 26 | + 14 | (Cars) | 8,143 | 6,538 | 11,042 |
| Bank Debits ⁵ | 301 | 262 | 303 | - 2 | + 39 | (Dollars in '000's) | 704,187 | 601,293 | 653,696 |
| Building Permits ² | 83 | 61 | 48 | + 35 | + 22 | (Actual \$ Value) | 2,987,639 | 1,743,605 | 2,987,639 |
| Postal Receipts | 277 | 245 | 216 | + 61 | + 32 | (Dollars) | 652,338 | 577,470 | 510,112 |
| Number of Telephones | 134 | 134 | 131 | + 3 | 0 | (Units) | 94,352 | 94,104 | 92,801 |
| Electric Power (Commercial & Industrial) | 165 | 180 | 146 | + 19 | - 15 | (K.W.H. in '000's) | 41,330 | 45,079 | 36,539 |
| Electric Power (Residential) | 148 | 159 | 142 | + 6 | - 11 | (K.W.H. in '000's) | 21,597 | 23,154 | 20,745 |
| Number of Electric Customers | 105 | 105 | 104 | + 1 | 0 | | 35,059 | 35,068 | 34,865 |
| Grain Shipments | 60 | 35 | 47 | + 13 | + 25 | (Bushels in '000's) | 17,507 | 10,198 | 13,741 |
| 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. | 110 | 111 | 107 ³ | + 3 | - 1 | (Persons) | 45,800 | 46,000 | 44,600 ³ |
| Duluth Retail Sales Index ⁴ | 114 | 99 | 112 | + 2 | + 15 | | ----- | ----- | ----- |
| State Metal Mining Empl. | 119 | 120 | 109 ³ | + 10 | - 1 | (Persons) | 15,100 | 15,300 | 13,900 ³ |
| OVERALL | 116 | 108 | 110 | + 6 | + 8 | | | | |

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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DULUTH, MINNESOTA 55812

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