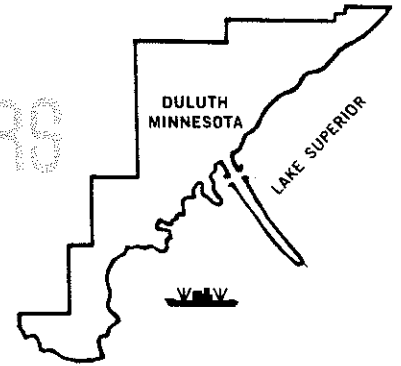


# DULUTH BUSINESS INDICATORS



**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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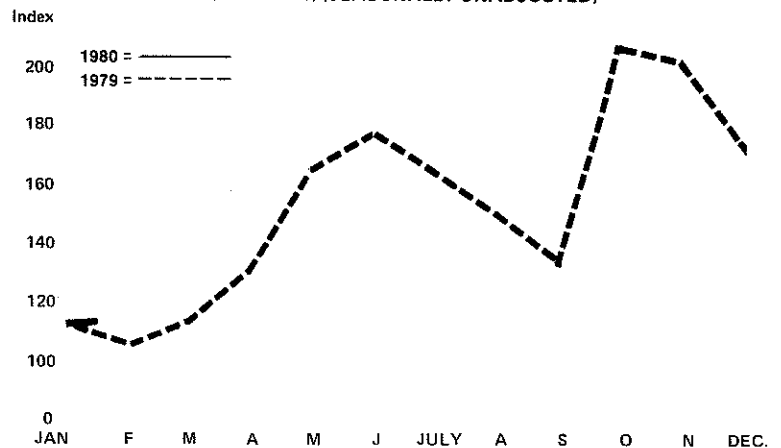
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*Highlights*

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



- *Duluth Business Index Continues Seasonal Decline.*
- *Retail Sales Activity Sharply Down.*
- *Metal Mining Employment Falls.*
- *Financial Markets Remain Tight.*
- *Duluth Tourist Insert.*

The Duluth Business Index has continued its seasonal decline into January as the total index fell to 114. This decline represents a 34 percent reduction from December 1979. However, the index is up slightly from January 1979. The fourth quarter strength of the Duluth Business Index ended with the closing of the Duluth shipping season. With the end of port activity, the Duluth economic weakness became more apparent. These weaknesses appear in retail sales, construction, Duluth employment and state metal mining employment. The Duluth and regional economy appear to be influenced strongly by the uncertain character of the National Economy.

The Federal Reserve System stringent monetary policy continues to dominate the national financial markets. The growth rate of the money supply continue to be relatively slow, averaging 4.6 percent from November through January. In addition, the growth rate of Time Deposits, a close money substitute, also appeared relatively slow, averaging 7.4 percent for the same period of time. Although the Federal Reserve System operating procedures now stress bank aggregates, the impact of these policies continue to affect interest rates. In January, interest rates at the national level appeared to be stabilizing. Important short term interest rates, such as the

Federal Reserves Discount rate, averaged 12 percent while the Federal Funds rate averaged about 13.9 percent for the month. In addition the prime rate charged by commercial banks to their best commercial customers averaged 15 percent.

Unfortunately, the Federal Government has not helped much in the fight against inflation. Federal Government expenditures continue to expand at a rate faster than the growth of the economy and at about the growth of inflation. Expenditures by the third quarter of 1979 reached the annualized rate of \$516 billion. The growth rate of Federal expenditures during the period from third quarter 1978 to third quarter 1979 was 11.6 percent and accelerating. The Federal Budget deficit for calendar year 1979 appears to be about \$40 billion, which is nearly \$13 billion above the administration original projection.

As the result of this peculiar economic policy mix of tight money and Federal deficits, the pace of economic activity slowed but inflation has accelerated. For the year ending in the fourth quarter 1979, total national spending grew at about 10 percent as compared with 13.4 percent in 1978. The seasonal unadjusted production index rose only slightly in January to 147.8.

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## INDEX HIGHLIGHTS

TIME PERIOD	DULUTH INDEX
January 1980 .....	114
December 1979 .....	174
December-January Change .....	- 60
Normal Seasonal Change Dec. to Jan. ....	- 38
January 1979 .....	113
Change, Jan. 1979 to Jan. 1980 .....	+ 1
Seasonally Adjusted Index January 1979 .....	153
Seasonally Adjusted Index January 1980 .....	153

## DULUTH LABOR MARKET

	January 1980	January 1979	% Change
Labor Force .....	41,500	40,700	+ 2
Unemployment .....	2,800	2,200	+ 27
Rate .....	XXX	XXX	XXX
Actual .....	6.7%	5.4%	XXX
Seasonally Adjusted .....	5.5%	4.4%	XXX
Total Employment (Labor Force) .....	38,700	38,500	+ 1
Wage & Salary (Work Force) .....	45,400	46,100	- 2
Manufacturing (Work Force) .....	6,300	6,200	+ 2
Nonmanufacturing (Work Force) .....	39,100	39,900	- 2
Job Openings Received During Month .....	283	375	- 25
Persons Claiming Unemployment Benefits (Area) .....	3,604	3,299	+ 9
Average Weekly Earnings—Mfg. Only .....	\$245.72	\$238.79	+ 3

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. Aver. 1977-79	Jan. 1980	Jan. 1979	% Change
Total .....	92	87	102	-14.7
General Merchandise .....	83	74	93	-20.6
Apparel Stores .....	86	85	90	-5.3
Grocery Stores .....	114	125	114	+9.4
Automotive Sales .....	132	126	164	-23.1

	1980	1979	% Change
Index Average Year-To-Date (Total) Adjusted for price changes	87.2	102.2	-14.7

In the local financial markets, the Duluth bank activity has settled down from the unusual flow through activity of December. The bank debit index fell by 46 points from December to 319 in January. Financial markets in Duluth remain very tight. Total deposits in Duluth grew only 3.6 percent from January 1979 to January 1980. This rate of growth is considerably slower than the national rate. The lack of funds and high interest rates appear to have dried up the home mortgage market. Financial institutions in Duluth made only \$1.7 million in new real estate mortgages as opposed to \$3.3 million in January of last year.

The tight financial markets and high interest rates has also slowed construction activity. Building Permits are down 73 points from December 1978 and 11 points from January 1978. Interest rates on home mortgages had reached 13 percent and were continuing to rise during the month.

In addition the Duluth retail trade index fell to 87, off from 102 in January 1979 and below the three-year average of 92. All components of the Duluth retail trade index are down in January except grocery stores. Automotive sales lead the decline by falling 23.1 percent to 126. General Merchandise has fallen by 20.6 percent to 74 and Apparel Stores by 5.3 percent to 85 for January. Grocery sales were the only bright spot in retail pattern. Grocery components of the retail index rose to 125, up 9.5 percent over January 1979. Preliminary results of a recently completed study indicate that Duluth's total retail sales volume in January 1980 amounted to an estimated \$32,996,000. In contrast, Duluth retail sales in January 1979 was estimated to have been \$40,632,000. Hence, the decline in retail sales index reflects a \$7,636,000 decline in sales volume from January of last year.

Metal Mining employment showed a decline in January. A softening demand for steel led to some layoffs in the industry for an indeterminate period. A shortened work week for some miners has also added some uncertainty to the mining industry outlook for 1980.

Seasonal layoffs plus the partial completion of several large construction projects in the area has added significantly to the unemployment problem. While the Duluth employment rolls do not reflect this decline in construction employment since they are located outside the area, local residents employed there return home when their work is completed and become a statistic on the jobless rolls.

In the City of Duluth the number of persons collecting unemployment benefits rose from 1,018 in December to 1,478 in January for a 45 percent gain. Unemployed claimants who last worked in the construction industry accounted for 30 percent of all claimants in December. This percentage rose to 35 percent in January.

With the increase in the number of persons out of work and the fact that the number of job openings listed with the Duluth Office of Minnesota State Job Service in January was down from December, the competition among job seekers will understandably become keener.

A seasonal increase in the commercial use of electric power more than offset the scattered declines noted in January among industrial users. Residential users upped their electric power consumption seasonally in January over December, but their January consumption rate was down 8.6 percent from one year previous because of milder weather this winter and greater efforts to economize.

As the lake shipping season came to a close in December, the lake movement of grain dropped to zero for January. Rail and truck shipments continued to take place during the month, however. Grain receipts by rail and truck ran heavy during January, accounting for more than three-fourths of the total movement of grain handled. During the season when lake shipping is available, rail and truck receipts account for about one-half of the volume handled.

With lake shipping down during the winter months, there was no activity to report on the movement of iron ore, coal or lake cargo (excluding grain).

## DULUTH TOURIST INDUSTRY

The Duluth and regional economy is made up of four major export industries, taconite, timber, transportation and tourism. In the coming months, we will be attempting to add a tourist industry component index to the Duluth Business Index. This tourist index will measure the impact that changing tourist activities have on the Duluth economy. Although the current DBI measures aspects of the impact of tourism on the Duluth economy, the overall impact of tourist activity cannot be directly assessed using the current index.

The tourist component of the Duluth Business Index will be developed and reported in a manner similar to that used by Retail Sales Index. This procedure required the collection of data such as tourist registration at key attractions, estimates of hotel registration, and traffic counters at key locations. Much of this data is being collected already by various agencies. The Bureau of Business and Economic Research will attempt to accurately reflect changing tourist patterns.

As part of this study, the Bureau has been able to estimate the total value of tourist related activity on the Duluth economy for 1978. These estimates are based on several studies completed by the Minnesota Department of Economic Development and the University of Minnesota, Duluth, Bureau of Business and Economic Research. Table I suggests that total tourist spending in Duluth amounted to \$55,348,000 in 1978 and directly resulted in 2,861 jobs and \$21,598,000 in wage and salary income.

A breakdown of this spending shows that tourist spent \$10,090,000 on lodging; \$21,897,000 on restaurants and drinking establishments; \$4,691,000 on gasoline and automobiles. In addition, these tourists also spent \$10,050,000 on retail sales and \$8,620,000 on amusements and other activities. In the future months, we shall attempt to develop the Duluth Tourist Index in such a way that we may be able to estimate gross sales to tourists.

## DULUTH TOURIST ACTIVITY

1978

(in thousands of dollars)

	No. of Firms*	Spending	Total Employment	Wage & Salary Income
Lodging <sup>1</sup>	55	\$10,090	523	\$ 3,947
Eating, Drinking	585	21,897	1,132	8,540
Auto, Gas	799	4,691	242	1,829
Retail Sales	45	10,050	519	3,920
Other	493	<u>8,620</u>	<u>445</u>	<u>3,362</u>
 TOTALS		 \$55,348	 2,861	 \$21,598

<sup>1</sup>Department of Economic Development, Minnesota 1978 Lodging Receipts, pp. 8-9.

Department of Economic Development, Minnesota 1978 Tourist-Travel Industry.

Department of Economic Development, Minnesota 1978 Retail Sales, p. 31.

Peterson, Jerrold M. Duluth Tourist Survey, 1978, p. 31.

\*Number of Firms represent filers of tax reports.



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

*Year-to-date 1980 compared to 1979*

INDICATOR	PERCENTAGE CHANGE						
	-15	-10	-5	0	+5	+10	+15
Grain Shipments							+47%
Freight Carloadings							+24%
Electric Power (Commercial-Industrial)							+4%
Bank Debits							+3%
Number of Telephones							+2%
Number of Electric Customers							No Change
Coal Receipts							No Change
<b>Total Duluth Business Index</b>							No Change
Other Lake Cargo							No Change
Postal Receipts							-1%
Duluth Nonagricultural Empl.							-2%
State Metal Mining Empl.							-3%
Electric Power (Residential)							-9%
Duluth Retail Sales Index (Adj.)							-15%
Building Permits (Adj.)							-22%
Iron Ore Shipments							-100%

**Total Index up 0.8%**

**Consumer Goods Production down 1.5%**

**Manufacturing Production up 0.6%**

**Mining and Utilities up 3.9%**

Although the overall economy in January was at about the same level as for January 1979, there appears to be a greater amount of uncertainty regarding the balance of the year. Government policies set forth to fight inflation, the softness of the steel industry, the embargo of Russian grain shipments, the unknown residual effects on shipping as a result of the grain strike last year make the outlook for 1980 more cloudy than ever.

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

	Jan. 1980	Jan. 1979	% Change
All Urban Consumers .....	233.2	204.7	+13.9%
Urban Wage Earners & Clerical Worker (Revised) .....	233.3	204.7	+14.0%

Source: Bureau of Labor Statistics

**REPORT OF DULUTH FINANCIAL INSTITUTIONS**

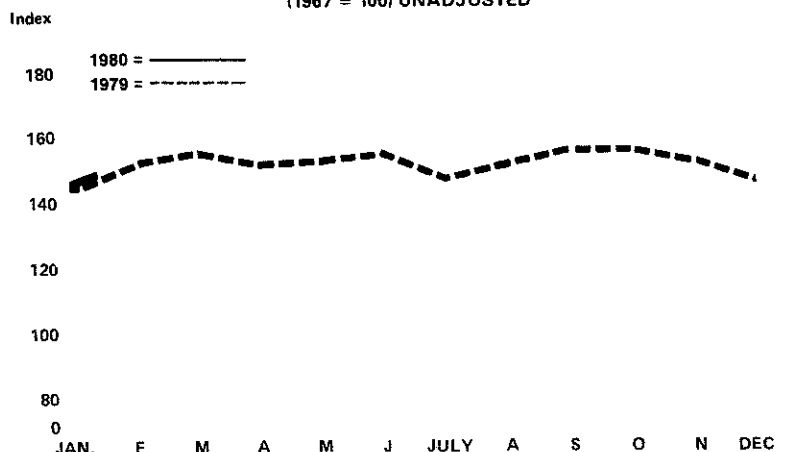
	Current Month Jan. 1980	Year Ago Jan. 1979
<b>BANK DEBITS TOTAL</b> .....	\$748.1	\$714.8
Individuals .....	137.1	100.1
% of total .....	17.2%	14.0%
Commercial Accounts .....	572.3	560.6
% of total .....	71.7%	78.4%
Government (State & Local) .....	88.7	54.1
% of total .....	11.1%	7.6%
<b>TOTAL DEPOSITS (END-OF-MONTH)</b> .....	\$718.9	\$693.7
Demand .....	134.0	141.8
% of total .....	18.6%	20.4%
Time and Savings .....	585.0	552.0
% of total .....	81.4%	79.6%
Savings Only .....	193.2	219.5
<b>DOLLAR VALUE OF NEW REAL ESTATE MORTGAGES ISSUED (CURRENT MONTH)</b> .....	\$ 1.7	\$ 3.3
Residential .....	1.3	3.0
% of total .....	78.6%	91.7%

DEPOSIT TURNOVER RATE\* .....

1980 = 6.0      1979 = 5.0

\*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

# DULUTH BUSINESS INDICATORS

INDEX NUMBERS (1967 = 100) UNADJUSTED						ORIGINAL DATA			
Component	Jan. 1980	Dec. 1979	Jan. 1979	INDEX CHANGE		UNIT	Jan. 1980	Dec. 1979	Jan. 1979
				Jan. '79 to Jan. '80	Dec. '79 to Jan. '80				
Freight Carloadings	77	103	62	+ 15	-26	(Cars)	8,661	11,584	7,031
Bank Debits <sup>5</sup>	319	365	311	+ 8	-46	(Dollars in '000's)	798,104	912,435	714,795
Building Permits <sup>2</sup>	40	113	51	-11	-73	(Actual \$ Value)	829,579	2,897,216	482,173
Postal Receipts	273	317	276	- 3	-44	(Dollars)	643,042	747,380	651,703
Number of Telephones	136	136	134	+ 2	0	(Units)	95,935	95,690	94,090
Electric Power (Commercial & Industrial)	179	171	172	+ 7	+ 8	(K.W.H. in '000's)	44,623	42,848	42,870
Electric Power (Residential)	162	136	177	-15	+ 26	(K.W.H. in '000's)	23,524	15,640	25,149
Number of Electric Customers	105	105	105	0	0		35,087	35,100	34,986
Grain Shipments	75	181	51	+ 24	-106	(Bushels in '000's)	21,955	53,086	14,832
Coal Receipts	0	9	0	0	- 9	(Short Tons in '000's)	0	21	0
Iron Ore Shipments	0	61	2	- 2	-61	(Gross Tons in '000's)	0	711	24
Other Lake Cargo	0	728	0	0	-728	(Short Tons)	0	256,110	0
Duluth Nonagricultural Empl.	109	114	111 <sup>3</sup>	- 2	- 5	(Persons)	45,400	47,600	46,100 <sup>3</sup>
Duluth Retail Sales Index <sup>4</sup>	87	190	102	-15	-103		---	---	---
State Metal Mining Empl.	113	117	114 <sup>3</sup>	- 1	- 4	(Persons)	14,400	14,900	14,500 <sup>3</sup>
<b>OVERALL</b>	114	174	113	+ 1	-60				

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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