

DULUTH BUSINESS INDICATORS

BUREAU OF BUSINESS
AND ECONOMIC RESEARCH

UNIVERSITY OF MINNESOTA
DULUTH



Duluth Business Indicators is compiled and written by Dr. Cecil H. Meyers, Professor, Department of Economics, University of Minnesota, Duluth, and Glenn O. Gronseth, Research Analyst, Duluth, Office, Minnesota Department of Employment Services, Extra copies are available on request.

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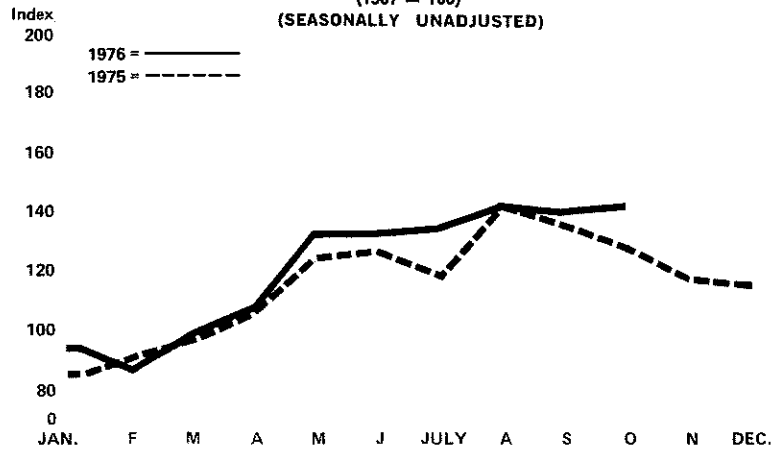
OCTOBER 1976

NO. 10

Highlights

- *October index up*
- *Construction permits rise*
- *Prices, demand affect grain*
- *DBI average above 1975*
- *Retail sales recover*

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



ECONOMIC CONDITIONS

After two consecutive months of slippage, the Duluth economy in October reversed its previous trend and climbed upward by two points over September's index level of 140. However, it should be noted that a seasonal upturn in activity usually occurs in the September - October period. Over the past 10 years this seasonal increase has averaged five index points.

Pacing this year's October rise were major gains in the value of building permits issued and import-export cargo (excluding grain). However, many of the 15 components of the index failed to match their previous October patterns of gain which in effect tended to minimize the overall September-October increase this year. While the total index recorded a gain over September the more restrained upturn this October might be viewed as a slight slowing down of economic activity locally. Nationally, the economy has not been advancing strongly and leading economic indicators suggest a downturn in the nation's economy is possible.

The October index of freight carloadings took a sharp drop from September. Grain receipts by rail recorded a drastic decrease from September and iron ore shipments also fell below its September level. Both of these categories played a part in the carloading decrease. Both wheat and durum rail receipts were well below their volume for Sep-

tember. The depressed price for grain has resulted in a holding action at country elevators by growers.

The dollar value of bank debits in Duluth in October recorded a 1.5% decrease from the previous month. This September-October decline is contrary to the 10% average seasonal gain noted in the previous 10 years. For the same two month comparison the State of Minnesota debit figure declined 0.9 percent and in the 9th Federal Reserve District the decline amounted to 1.2%. The bulk of the Duluth debit decrease in October was chiefly noted in government spending. Debit figures for individuals were also down from September.

A sharp upswing in the building construction index (1967=100) occurred in October paced by the issuance of large building permits for construction in the Lyric Block. The number of persons employed in construction, however, remained stable in the September-October comparison, but construction hiring generally lags the issuance of permits. Of the total number of weeks claimed for unemployment in Duluth in mid-October 9.3% were construction workers. One month earlier there were 100 more claims processed, but only 6.7% were from construction. This suggests a weakness developing in the construction job picture.

The minor decline in the use of electric power by in-

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INDEX HIGHLIGHTS

TIME PERIOD	DULUTH INDEX
October 1976	142
September 1976	140
September-October Change	+ 2
Normal Seasonal Change September to October	+ 5
October 1975	127
Change, October 1975 to October 1976	+ 15
Seasonally Adjusted Index September 1975	109
Seasonally Adjusted Index October 1976	122

DULUTH LABOR MARKET

	October 1976	October 1975	% Change
Work Force	50,400	50,200	0
Unemployment	2,700	3,500	-23
Rate	xxx	xxx	xxx
Actual	5.4%	7.0%	xxx
Seasonally Adjusted	7.0%	9.0%	xxx
Total Employment	47,700	46,700	+ 2
Wage & Salary	44,500	43,600	+ 2
Manufacturing	5,700	5,800	- 2
Nonmanufacturing	38,800	37,800	+ 3
Job Openings Received During Month	646	599	+ 8
Persons Claiming Unemploy- ment Benefits (Area)	3,072	3,535	-13
Average Weekly Earnings— Mfg. Only	\$192.77	\$182.87	+ 5

NOTE: Employment totals may not add up due to rounding.
Source: Minnesota Dep. of Employment Services.

RETAIL SALES INDEX

ADJUSTED FOR PRICE CHANGES (1967 = 100)

	3 yr. Oct. Aver. 1973-75	Oct. 1976	Oct. 1975	Oct. '75 to Oct. '76 % Change
Total	111	123	113	+ 9
General Merchandise	110	123	119	+ 3
Apparel Stores	120	135	133	+ 2
Grocery Stores	100	115	104	+11
Automotive Sales	138	135	141	- 4
		1976	1975	Change
Index Average Year-To-Date (Total)		112.5	107.4	+ 5
Adjusted for price changes				

dustrial and commercial customers in October is not significant and can be, in part, attributed to reading days variances. Increased electrical power consumption by local residences over September was seasonal in nature.

Grain shipments were down sharply in October by more than the usual seasonal decline. Import-export trade (excluding grain) took a big jump in October compared to September. Large export shipments of potatoes, onions, and sunflower seeds plus sizeable imports of fertilizer and woodpulp pushed the October index to a near record high for that month.

Each year a seasonal retrenchment in local wage and salary employment begins to show up in October. This year, however, the slight decline observed was not seasonal, but was due primarily to some scattered nonseasonal layoffs in manufacturing.

October's rate of unemployment was 5.4% compared to 5.3% for September. The slight increase probably can be attributed more to the rounding the statistical calculations than any shift in the status of the economy.

The Duluth business index in October of 142 was well above the 127 level of October 1975, as some of the major components of the index recorded rather sizeable gains over a year ago. Considering the fact that, nationally, the economic recovery has shown some evidence of faltering the continued strength in Duluth's business climate has been encouraging. For the first 10 months of 1976 the local index has averaged 4.6% above the same period of 1975. One year ago it was projected that the 1976 business index would experience a growth rate of 3-4% over 1975. So far this year the statistics appear to be reasonably close to the projected range of improvement.

As a result of a weakened demand from foreign markets for grain plus the holding back of crops by growers because of low prices, the volume of grain handled this October is down substantially from a year ago. This situation has also played a major role in the big decline in freight carloadings from a year ago. This past October grain receipts by rail were down 75% from October 1975.

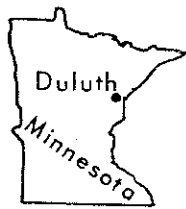
Residential construction, both single and multi-unit, has been the name of the game in construction this year. In October, the building construction index (in 1967 dollars) was up substantially over a year ago influenced by the renovation of the Lyric Block. For the first 10 months of 1976 the number of permits issued for single and multi-unit residential structures totaled 112, up 84% over the same months in 1975. So far this year the loan value of real estate mortgages issued for residential purposes in current dollars is averaging about 34% of the total. Last year the average was 23%.

Import-export cargo (excluding grain) showed a sharp improvement in October over the same month of 1975. The Duluth-Superior port, which ranked third among Great Lakes ports in total import-export cargo shipped during 1975, recorded noticeable October gains over last year in fertilizer, woodpulp and newsprint imports and in the export of grain by-products.

The number of employed people in Duluth continues to be a bright spot in the area. Wage and salary employment in October totaled 44,500, up 900 or 2% over last year. The job gain has been essentially nonmanufacturing in nature with transportation accounting for the bulk of the gain. It should be noted, however, that 1975 employment was not up to the level of the preceding two years.

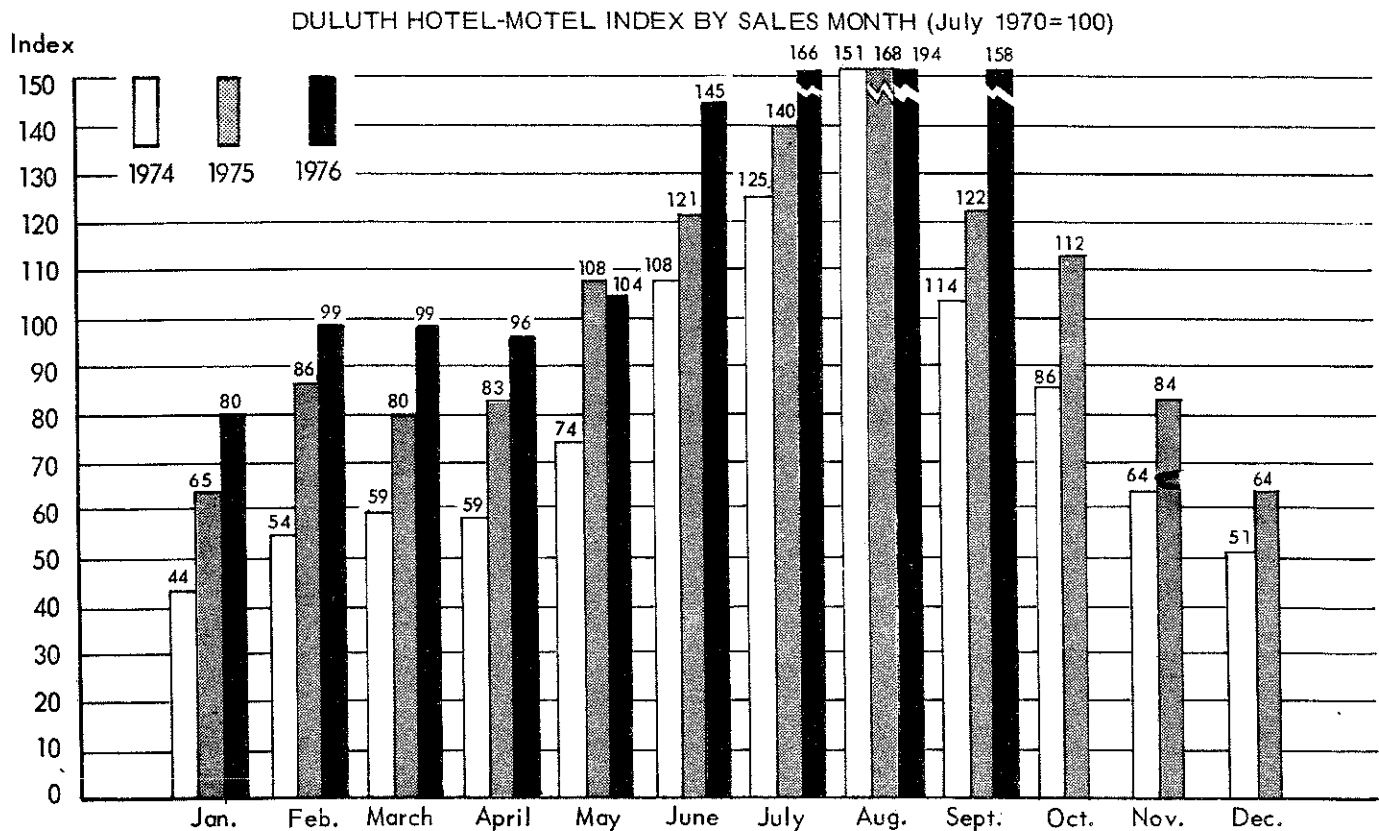
There were 2,700 unemployed in October 1976 compared to 3,500 in October 1975. The rate of unemployment this past October — 5.4% — compares favorably with the State of Minnesota rate of 5.6% and even more so with the 7.2% rate for the nation for the same month.

After two months of decline, the Duluth retail sales index (deflated) strengthened in October by posting a gain



Duluth Hotel-Motel Indicators

VOLUME VI, NUMBER 10, 1976



ANALYSIS

DULUTH

During the month of September, 1976 room rental receipts for Duluth hotels and motels were \$679,827 which was an increase of \$154,714 or 29% over the September, 1975 room rental receipts of \$525,113.

By comparison during the month of August, 1976 room rental receipts for Duluth hotels and motels were \$861,439 which was an increase of \$110,741 or 15% over the August, 1975 room rental receipts of \$750,698.

In May, 1976 room rental receipts for Duluth hotels and motels were \$462,815 which was a decrease of \$18,212 or 3.8% from the May, 1975 room rental receipts of \$481,027. This was the only decrease in the first nine months of 1976.

Total hotel-motel room rental receipts for the first nine months of 1976 were \$5,049,008 which was an increase of \$781,311 or 18.3% over the room rental receipts for the first nine-months of 1975 of \$4,267,697.

MINNESOTA

Room rental sales for the Minneapolis-St. Paul area

lodging industry changed as follows during 1976 as compared with 1975:

January (+7%), February (+7%), March (+17%), April (-1%), May (-14%), and June (+12%) and July (+2%). The overall increase in sales of rooms for the first half of 1976 as compared with the first half of 1975 in the Minneapolis-St. Paul area was 10%. For the first seven months of 1976 the increase was +7%. (Source: Minnesota Department of Economic Development Research Bulletin No. 13-2nd Quarter 1976).

Overall Hotel-motel receipts in Minnesota for the first quarter of 1976 were \$55,000,000 which amount was \$8,000,000 more than in the first quarter of 1975 (\$47,000,000).

UNITED STATES

Average room rental receipts per occupied room rose to \$23.45 for motor hotels in August, 1976 as compared with \$21.77 in August, 1975. For hotels the average rental receipts per occupied room rose to \$32.16 in August, 1976 as compared with \$26.89 in August, 1975.

by Richard O. Sietlaff, Professor of Business Administration and Economics, University of Minnesota, Duluth

Month of publication, NOVEMBER, 1976

Duluth Hotel-Motel Indicators is published by the Bureau of Business and Economic Research as a service for the State of Minnesota and mailed with the Duluth Business Indicators.

Bureau of Business and Economic Research, University of Minnesota, Duluth, Duluth, Minnesota 55812

DULUTH, MINNESOTA, UNITED STATES HOTEL-MOTEL INDICATORS—TABLES

By Richard O. Sieloff, published by Bureau of Business and Economic Research, University of Minnesota-Duluth

MONTH YEAR	Duluth Hotel-Motel Room Rental Receipts	Minnesota Hotel/Lodging Gross Sales Millions by Quarter	Average Occupancy by month	U.S. Average Rental Receipts Per Occupied Room by month	MONTH YEAR	Duluth Hotel-Motel Room Rental Receipts	Minnesota Hotel/Lodging Gross Sales Millions by Quarter	Average Occupancy by month	U.S. Average Rental Receipts Per Occupied Room by month
			U.S. % Hotel/Mtr. Hotel	Hotels/Motor Hotels				U.S. % Hotel/Mtr. Hotels	Hotels/Motor Hotels
JAN. 1970	\$156,493				AUG. 1970	\$546,730			
1971	192,789		52%	\$17.78	1971	530,906		65%	\$19.30
1972	190,706		55	19.03	1972	541,068		68	19.83
1973	193,314		57	19.52	1973	565,673		70	20.93
1974	193,985		56	20.35	1974	670,905		63/76	23.71/19.48
1975	288,971		55/57	27.34/19.90	1975	750,698		60/76	26.89/21.77
1976	355,528		56/58	29.41/21.24	1976	861,439		69/78	32.16/23.45
FEB. 1970	\$160,799				SEPT. 1970	\$403,475	Third Quarter		
1971	206,485		57	\$17.77	1971	387,155		62	\$18.79
1972	197,494		57	19.01	1972	432,629		64	19.54
1973	185,815		60	19.85	1973	408,374		66	20.71
1974	218,187		63	21.86	1974	490,717	71	62/67	25.80/19.34
1975	345,334		59/59	28.63/20.22	1975	525,113	80	58/65	27.01/20.72
1976	410,807		57/63	30.48/21.11	1976	679,827			
MAR 1970	\$199,966	First Quarter			OCT. 1970	\$298,451			
1971	196,148		61	\$18.29	1971	297,598		68	\$19.91
1972	211,752		63	19.36	1972	310,696		71	20.43
1973	224,067		65	20.32	1973	347,287		74	20.64
1974	263,549	42	65/66	24.46/18.46	1974	380,299		72/70	26.17/19.86
1975	356,609	47	57/61	27.61/21.93	1975	498,985		70/69	29.55/21.31
1976	489,033	55	62/66	29.28/21.64					
APR. 1970	\$196,223				NOV. 1970	\$191,523			
1971	227,065		62	\$18.73	1971	212,197		58	\$18.96
1972	234,750		66	19.07	1972	206,509		60	19.38
1973	239,521		67	20.06	1973	219,026		63	21.04
1974	253,105		66/68	23.98/19.80	1974	275,172		62/60	25.88/19.83
1975	355,407		61/65	27.57/21.69	1975	360,831		60/60	28.19/21.16
1976	427,269		64/66	30.88/21.93					
MAY 1970	\$250,987				DEC. 1970	\$122,567	Fourth Quarter		
1971	256,415		62	\$18.93	1971	149,230		45	\$18.16
1972	277,107		66	19.35	1972	172,601		48	18.88
1973	277,211		69	20.53	1973	171,432		46	20.36
1974	329,930		67/69	24.78/19.42	1974	227,786	46	44/48	25.28/19.74
1975	481,027		59/63	27.67/20.82	1975	285,802	55	43/48	27.67/20.83
1976	462,815		67/71	32.10/22.92	1976				
JUNE 1970	\$376,141	Second Quarter			ANNUAL TOTAL	TOTAL	TOTAL	AVERAGE	AVERAGE
1971	320,512		63	\$19.26	1970	\$3,348,185.		—	—
1972	418,645		68	19.53	1971	3,481,437.	160	59.66%	\$18.74
1973	425,022		68	20.39	1972	3,732,199.	168	62.42%	19.41
1974	464,972	58	67/72	25.01/19.36	1973	3,764,839.	192	64/68	22.39/18.29
1975	537,782	63	64/71	27.18/21.51	1974	4,324,565	222	62/67	25.02/19.38
1976	622,310		67/74	30.71/23.30	1975	5,413,315	245	59/64	27.60/21.23
JULY 1970	\$444,830				1976				
1971	504,937		61	\$18.95					
1972	538,242		63	19.45					
1973	513,097		65	20.25					
1974	555,958		60/71	23.84/19.81					
1975	626,756		59/71	27.31/22.81					
1976	739,980		64/75	31.34/24.04					

SOURCES: (1) Survey of Current Business, U.S. Dept. of Commerce
(2) Minnesota Sales and Use Tax Report
(3) Department of Finance and Records, City of Duluth

of nearly 1% over September. With a softening retail sales picture nationally plus the fact that historically local retail sales (deflated) has shown a decrease in the September-October comparison it represents a notable accomplishment to record a gain even of only 1%.

For the January-October period the volume of retail sales (deflated) has averaged 4.7% above the same months of 1975. This year-to-date figure is not as impressive as the picture at mid-year, however, when the margin of gain was 6.1%.

If consumer confidence holds steady or improves, the means to translate that confidence into retail sales appears to be available. In October bank deposits totaled \$629 million, up \$52 million or about 9% over one year previous. During this 12 month comparison the consumer price index rose by 5.3%. It will be interesting to see how November and December sales develop. This is an important period for the retailer since about one-fifth of all retail sales occur in this two month period.

PERCENTAGE CHANGE IN 15 INDIVIDUAL BUSINESS INDICATORS FOR THE CITY OF DULUTH
Year-to-date compared to 1975

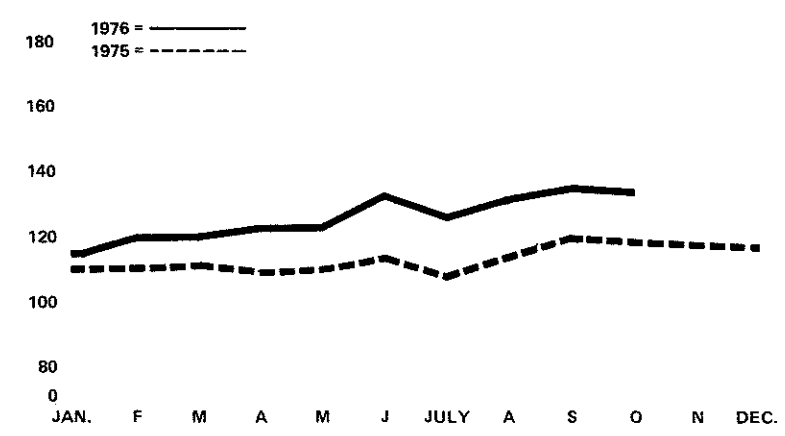
INDICATOR	Percentage Change						
	-15	-10	-5	0	+5	+10	+15
Other Lake Cargo						+63%	
Postal Receipts						+29%	
Bank Debits						+11%	
Total Duluth Business Index						+5%	
Duluth Retail Sales Index (Adj.)						+5%	
State Metal Mining Empl.						+3%	
Duluth Nonagricultural Empl.						+3%	
Freight Carloadings						+2%	
Number of Telephones						+2%	
Electric Power (Commercial-Industrial)						+2%	
Electric Power (Residential)						+2%	
Number of Electric Customers						No Change	
Iron Ore Shipments						-1%	
Coal Receipts						-1%	
Grain Shipments						-10%	
Building Permits (Adjusted)						-19%	

	Current Month Oct. 1976	Year Ago Oct. 1975
BANK DEBITS - TOTAL	\$468.7	\$419.4
Individuals	60.8	56.2
% of total	13.0%	13.4%
Commercial	364.9	314.4
% of total	77.9%	75.9%
Government (State & Local)	43.1	48.9
% of total	9.2%	11.7%
TOTAL DEPOSITS (END-OF-MONTH)	\$628.8	\$577.0
Demand	138.6	138.5
% of total	22.1%	24.0%
Time & Savings	490.2	438.5
% of total	78.0%	76.0%
Savings	210.3*	181.8
% of total	xxx	xxx
DOLLAR VALUE OF NEW REAL ESTATE MORTGAGES ISSUED (CURRENT MONTH)	\$ 6.1	\$ 4.2
Residential	4.7	2.8
% of total	77.1%	66.1%
Deposit Turnover Rate	3.4	3.0

*Figures rounded in millions.
 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.
 *As of January 1976 this item also includes business firms now permitted to deposit funds in savings accounts.
 Deposit Turnover - Bank debits divided by demand deposits.

Total Index up 7%
Consumer Goods Production up 5%
Manufactured Production up 7%

U. S. INDEX OF INDUSTRIAL PRODUCTION
 (1967 = 100)
 UNADJUSTED



Source: Federal Reserve Board of Governors

DULUTH BUSINESS INDICATORS

INDEX NUMBERS (1967 = 100)						ORIGINAL DATA			
COMPONENT	Oct. 1976	Sept. 1976	Oct. 1975	INDEX CHANGE		UNIT	Oct. 1976	Sept. 1976	Oct. 1975
				Oct. '75 to Oct. '76	Sept. '76 to Oct. '76				
Freight Carloadings	95	138	120	- 25	- 43	(Cars)	10,682	15,625	13,539
Bank Debits	220	224	197	+ 23	- 4	(Dollars in '000's)	468,695	475,947	419,436
Building Permits ²	131	106	95	+ 36	+ 25	(Actual \$ Value)	10,962,575	3,198,977	1,045,025
Postal Receipts	215	212	156	+ 59	+ 3	(Dollars)	506,858	498,750	368,850
Number of Telephones	130	130	127	+ 3	0	(Units)	91,505	91,207	89,345
Electric Power (Commercial & Industrial)	127	128	127	0	- 1	(K.W.H. in '000's)	31,720	31,913	31,839
Electric Power (Residential)	114	111	109	+ 5	+ 3	((K.W.H. in '000's)	16,592	16,231	15,853
Number of Electric Customers	103	102	102	+ 1	+ 1		34,232	34,161	34,147
Grain Shipments	118	195	230	-112	- 77	(Bushels in '000's)	34,565	57,260	67,575
Coal Receipts	76	70	62	+ 14	+ 6	(Short Tons in '000's)	178	165	146
Iron Ore Shipments	165	177	134	+ 31	- 12	(Gross Tons in '000's)	1,942	2,081	1,569
Other Lake Cargo	353	194	153	+200	+159	(Short Tons)	124,191	68,295	53,770
Duluth Nonagricultural Empl.	107	107	105 ³	+ 2	0	(Persons)	44,500	44,600 ³	43,600 ³
Duluth Retail Sales Index ⁴	123	122	113	+ 10	+ 1	
State Metal Mining Empl.	110	112	99 ³	+ 11	- 2	(Persons)	14,000	14,200	12,600 ³
OVERALL	142	140	127	+ 15	+ 2				

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 Employment Services 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. Adjusted for price changes.

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