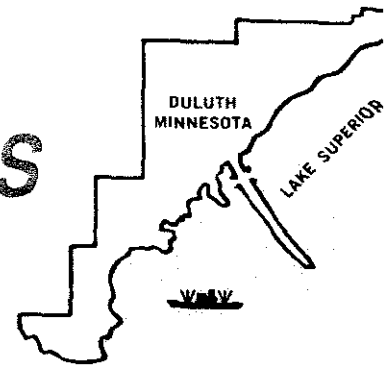


DULUTH BUSINESS INDICATORS

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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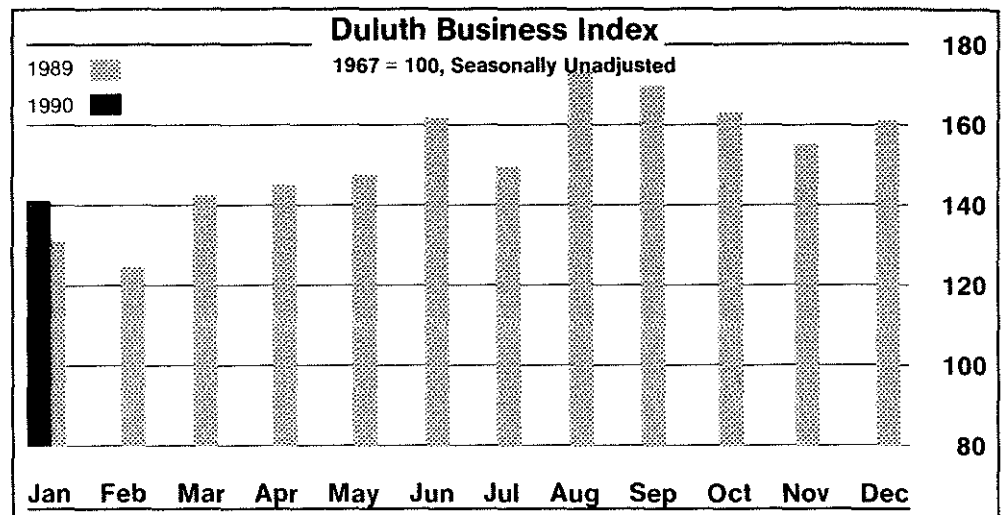
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Highlights

- *DBI Moves Upward*
- *Seasonal Job Pattern Changing*
- *Jobless Rate Low*
- *Retail Sales Still Strong*
- *Tourist Index Stable*



ECONOMIC CONDITIONS

Beginning with this report, there are a couple of changes in the construction of the DBI. Bank deposits have replaced bank debits as one of the components. This change came about as a recommendation from the Eleventh Annual Bureau of Business and Economic Research Forecasting Conference held at UMD in January. It was felt that because of the increase in the use of electronic transfer of funds, the bank deposits figure was a more creditable measure of financial activity in Duluth. The second change involves the substitution of tourist activity for the virtual nonexistence of coal receipts activity. Neither of these two adjustments made a significant impact on the index level compared to the previous method and the seasonal pattern was not altered based on a comparison test.

In January, the Duluth Business Index (DBI) was 142, down from the 158 level of the previous month. Declining business activity at the onset of the new year is a typical pattern in Duluth. Seasonal retrenchment in construction, grain shipments, iron ore shipments, and retail sales exert their influence on the overall business pattern. Despite the index drop in January, the month's figure was still well above the level of 131 of one year earlier. Airline passengers, building permit valuations, grain shipments, and residential use of electric power all posted significant relative gains over the year earlier activity level.

One of the strengths of Duluth's economy in 1989 was employment. The average job level for the year was 48,990, the highest for any year since the job series was first calculated in 1974. The low point in the 1974-1989 period was 1983 when wage and salary jobs averaged 39,380. During that same span of time, factory jobs showed signs of erosion falling from an average of 5,890 workers in 1974 to 4,145 in 1989. The 1989 figure, however, recorded some recovery over 1988 rising by 290 workers. The manufacturing share of total nonagricultural employment has, however, shrunk from a 13.6% share in 1984 to an 8.5% share in 1989.

As we move into the new year, the number of jobs continues to give strong support to the economy. In January, the wage and salary employment figure of 49,200 was the highest for any January since the series started in 1974. Practically all of the gain has been among nonmanufacturing firms. The January figure, however, was down by 560 from December, which was not an abnormal trend for that period of comparison.

This December-January drop in jobs is noteworthy because it is the third lowest December-January decline in jobs on record. It appears that the seasonal pattern of the job market is becoming less subject to change, especially since 1982. During 1974-1982, the average December-January seasonal decline was

INDEX HIGHLIGHTS

TIME PERIOD	DULUTH INDEX
January 1990	142
December 1989	158
December-January Change	-10.1
Normal Seasonal Change Dec. to Jan.	-30
January 1989	132
Change, Jan. 1989 to Jan. 1990	+7.6
Seasonally Adjusted Index January 1989	163
Seasonally Adjusted Index January 1990	176

DULUTH LABOR MARKET

	Current Month Jan 1990	Year Ago Dec 1989	% Change
TOTAL LABOR FORCE	39,571	38,597	+2.5
(Duluth Residents)			
Unemployment	1,662	2,209	-24.8
% of Total (Actual)	4.2%	5.7%	XXX
Seasonally Adjusted	3.9%	5.3%	XXX
Employment	37,909	36,388	+4.2
% of Total	95.8%	94.3%	XXX
TOTAL WORK FORCE	49,203	47,861	+2.8
(Duluth Jobs)			
Manufacturing	4,089	3,933	+4.0
% of Total	8.3%	8.5%	XXX
Nonmanufacturing	45,114	43,928	+2.7
% of Total	91.7%	91.5%	XXX
PERSONS CLAIMING UNEMPLOYMENT BENEFITS (Duluth only)	956	916	+4.4
AVERAGE WEEKLY EARNINGS (Manufacturing Only)	\$422.01	\$401.79	+5.0

1. Revised

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

DULUTH TOURIST INDEX

June, July, August 1978 = 100

JANUARY INDEX

January 1990	December 1989	January 1989
60	61	59

Estimated Tourist expenditures
(in 000's)

	Jan 1990	Jan 1989	% Change 1989-90
Lodging	\$1,244	\$1,169	+6.4%
Eating, Drinking	2,866	2,667	+7.5%
Retail Sales	964	900	+7.1%
Auto, Gas	470	438	+7.3%
Other	745	696	+7.0%
Totals	\$6,289	\$5,870	+7.1%

1,400 workers. Since then, the comparable figure dropped to 855.

The January unemployment rate was 4.2% compared to the 3.4% rate for December. This is a seasonal trend, however, the increase in rate over December still failed to push the January rate above the 5.7% of one year earlier. January's rate was the lowest for that month in recent years and reflects the current favorable condition of the labor market. In January, the local economy benefited by the payment of \$625,149 in unemployment benefits paid to unemployed workers under the regular program. The average weekly benefit check amounted to \$192.

The value of building permits issued and under construction (in 1967 dollars) in January was down from December but managed to show a sizeable gain over one year earlier. Unemployment at the start of this year among union construction workers was 40.4% or about 10 times the overall rate for all industries. This industry is still a highly seasonal activity and peak joblessness is not uncommon for this time of the year. Among the various construction crafts, the jobless rate was highest among painters, roofers, and millwrights.

Electric power usage in January was up over the previous month and one year ago. Industrial and commercial users as well as residential customers shared in the gains.

As expected, the volume of grain shipped in January recorded a seasonal drop from December. The month's shipping figure was, however, up by 77% over what it was for January 1989.

There were no iron ore shipments in January when lake shipping was closed for the winter months. Also, there was no water borne movement of import-export cargo (excluding grain) in January for the same reason.

Tourist activity in January showed a slight decline from December and the tourist index for January was at about the same level as for January of last year. Over-the-year, tourist expenditures increased by 7.1%. The dollar value of tourist expenditures totaled \$6,289,000 for the month of January compared to \$5,870,000 for January 1989. Tourist expenditures for eating and drinking account for about 45% of total expenditures while lodging costs ran about 20% of the total.

Bank deposits in January were up by slightly less than 1% over the year. Demand deposits were off by 15.5% from last year's \$221,000,000 total. Time and savings, however, more than offset the loss sustained in the demand deposit category.

The dollar value of retail sales (adjusted for inflation) in January was \$44,136,000, down 40.9% from December but still 4.8% better than last year. The fact that sales have held up during the year probably reflects the high level of employment in the area as much as anything. Somewhat surprising was the fact that grocery stores suffered a 13% drop over the year during a period when most of the major categories experienced large relative gains.

Department store sales in January made up 17% of all sales compared to its 15.4% share last year. Department and grocery store sales plus those of motor vehicle dealers accounted for 43.3% of sales in January, down from their combined 44.8% share last year for the same month.

Airline passenger traffic in January was down only slightly from December, but showed a healthy 20.9% gain over last year.

Employment levels in the mining industry remained stable in January. The 5,500 employed for that month was up by only 100 workers over December and 200 over one year ago. Some downward adjustment in jobs is expected this year as one company has announced a short term layoff to do some repair and maintenance work.

Conditions in the seven county area in Northeastern

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

INDICATOR	PERCENTAGE CHANGE						
	-15	-10	-5	0	+5	+10	+15
Grain Shipments							+77%
Building Permits (Adj.)							+54%
Airline Passengers							+21%
Electric Power (Residential)							+14%
TOTAL DULUTH BUSINESS INDEX							+8%
Duluth Nonagricultural Employment							+7%
Electric Power (Commercial-Industrial)							+5%
Retail Sales (Adj.)							+5%
State Metal Mining							+3%
Postal Receipts							+2%
Tourists							+1%
Electric Customers							+1%
Iron Ore Shipments							NO CHANGE
Other Lake Cargo							NO CHANGE
Bank Debits							-2%

Minnesota show some recovery developing since 1985. Annual average employment for 1989 was 107,750, up by 4,300 workers over the 1985 total. The recovery in jobs, however, has not been sufficient to bring current levels up to the average figure of 119,355 reached in 1978. Since 1978, construction, manufacturing, and mining have suffered the bulk of the job losses. Among the seven counties which make up Region 3, only Carlton and Cook counties recorded gains over their 1978 job levels.

U.S. CONSUMER PRICE INDEX

(1982-1984 = 100) UNADJUSTED	Jan 1990	Jan 1989	% Change
All Urban Consumers	127.4	121.1	+5.2%
Urban Wage Earners & Clerical Worker (Revised)	125.9	119.7	+5.2%

Source: Bureau of Labor Statistics

REPORT OF DULUTH FINANCIAL ACTIVITY

	Current Month		Year Ago
	Jan 1990	Jan 1989	Jan 1989
BANK DEBITS TOTAL	\$1,169.1		\$1,177.9
Individuals	233.3		135.5
% of total	20.0%		11.5%
Commercial Accounts	842.3		965.8
% of total	72.0%		82.0%
Government (State & Local)	93.5		76.6
% of total	8.0%		6.5%
TOTAL DEPOSITS (END-OF-MONTH)	\$1,019.5		\$1,012.7
Demand	186.7		221.0
% of total	18.3%		21.8%
Time and Savings	832.9		791.7
% of total	81.7%		78.2%
Savings Only	136.0		152.1
DOLLAR VALUE OF NEW REAL ESTATE MORTGAGE ISSUED (CURRENT MONTH)	\$1.6		\$1.3
Residential	1.4		1.1
% of total	84.7%		88.1%
DEPOSIT TURNOVER RATE*	6.3		4.6

*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.
 †Estimated.

DULUTH RETAIL SALES

Selected Industry Description	UNADJUSTED (FOR PRICE CHANGES) SALES (000'S OF DOLLARS)				ADJUSTED (1982-84=100) SALES						
	1990		1989		MONTHLY			YEAR-TO-DATE			
	Jan	%	Jan	%	Jan 1990	Jan 1989	% Change	1990	1989	%	
Bldg., Materials, Hardware, etc.	\$ 1,998	3.7%	\$ 1,568	3.2%	\$ 1,587	\$ 1,304	21.7%	\$1,587	\$1,304	21.7%	
General Merchandise	9,185	17.0%	7,596	15.4%	7,295	6,314	15.5%	7,295	6,314	15.5%	
Grocery Stores	7,238	13.4%	7,835	15.9%	5,753	6,601	-12.8%	5,753	6,601	-12.8%	
Other Food Stores	1,505	2.8%	1,411	2.9%	1,197	1,189	0.7%	1,197	1,189	0.7%	
Motor Veh. Dealers (New & Used)	6,975	12.9%	6,639	13.5%	6,135	6,057	1.3%	6,135	6,057	1.3%	
Other Auto Dealers, Serv. Stations	5,240	9.7%	5,099	10.4%	4,608	4,652	-0.9%	4,608	4,652	-0.9%	
Apparel & Accessory Stores	1,414	2.6%	1,097	2.2%	1,158	915	26.6%	1,158	915	26.6%	
Furniture, Home Furnishings	1,696	3.1%	1,456	3.0%	1,516	1,317	15.1%	1,516	1,317	15.1%	
Eating & Drinking Places	7,331	13.6%	6,673	13.6%	5,777	5,552	4.1%	5,777	5,552	4.1%	
Miscellaneous Places	11,469	21.2%	9,865	20.0%	9,110	8,200	11.1%	9,110	8,200	11.1%	
TOTAL	\$54,051	100.0%	\$49,239	100.0%	\$44,136	\$42,101	4.8%	\$44,136	\$42,101	4.8%	
DULUTH RETAIL SALES INDEX					95.2	90.8	4.8%	95.2	90.8	4.8%	

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	Jan 1990	Dec 1990	Jan 1989	INDEX CHANGE		Unit	Jan 1990	Dec 1989	Jan 1989
				Jan '89 to Jan '90	Dec '89 to Jan '90				
Airline Passengers	106	107	88	18	—1	(Persons)	19,234	19,443	15,906
Bank Debits ²	308	317	314	—6	—9	(Dollars in '000's)	1,019,542	1,040,252	1,012,660
Building Permits ³	106	137	69	37	—31	(Actual \$ Value)	1,164,475	1,510,129	756,682
Postal Receipts	530	563	520	9	—33	(Dollars)	1,248,423	1,326,954	1,226,767
Electric Power (Commercial & Industrial)	333	295	316	17	37	(K.W.H. in '000's)	83,076	73,731	78,822
Electric Power (Residential)	213	163	187	25	50	(K.W.H. in '000's)	30,997	23,727	27,293
Number of Electric Customers	107	107	106	1	0		35,806	35,700	35,543
Grain Shipments	67	92	38	29	—25	(Bushels in '000's)	19,600	26,992	11,084
Tourists Index	60	61	59	1	—1				
Iron Ore Shipments	0	57	0	0	—57	(Gross Tons in '000's)	0	674	0
Other Lake Cargo	0	201	0	0	—201	(Short Tons)	0	70,799	0
Duluth Nonagricultural Empl.	118	114	110 ⁵	8	5	(Persons)	49,203	47,323	45,819 ⁵
Duluth Retail Sales Index ⁴	95	145	91	4	—50	(Dollars in '000's)	44,136	74,662	42,100
State Metal Mining Empl.	43	43	42	1	0	(Persons)	5,456	5,400	5,300
OVERALL	142	158	131	11	—16				

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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