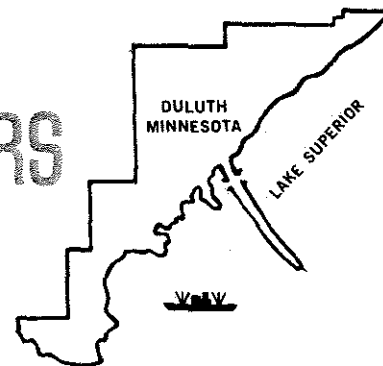


DULUTH BUSINESS INDICATORS

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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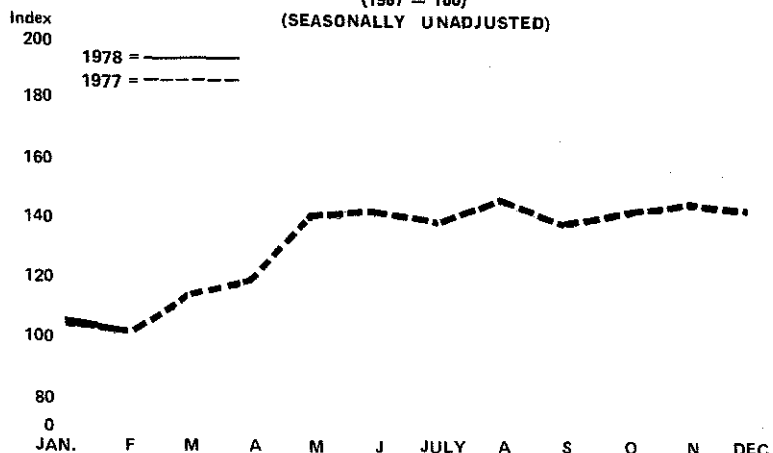
FEBRUARY 1978

NO. 2

Highlights

- February Economy Softens
- Business Activity Down From 1977
- Demand Deposits Up Over January
- Long Term Unemployment Lessens
- Retail Sales Below Last Year's Average

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



ECONOMIC CONDITIONS

Duluth's economy showed a further softening in February with the unadjusted Duluth business index experiencing a decline of five points from January which is more than twice the two point January-February average rate of decline of the preceding 10 years.

For the first two months of 1978 the overall index averaged 0.2 percent below the similar period in 1977. As a matter of comparison for the January-February period of 1977 the index averaged 14.5 percent above the same two months for 1976 which indicates that the economy so far this year is not maintaining the same pace noted in 1977 when compared to 1976.

In the past, the volume of freight carloadings generally rose seasonally in February, but this winter this component showed a 11 point decrease. Declining cargo receipts in coal, general cargo and grain receipts by rail were the major factors. Total bank debits, unadjusted for price changes, recorded a slight rise over January due to the increased dollar value of commercial check writing. The value of checks written by individuals and government agencies both showed declines from their January figures. The deposit turnover rate, a general barometer of the movement of

money in the local economy, fell from 4.0 in January to 3.8 in February.

While overall bank deposits rose by 1.8 percent between January and February, demand deposits recorded a 6.0 percent gain for this period. Passbook savings showed relatively little gain over January.

The value of building permits issued and under construction (in 1967 dollars) showed a marked departure from previous January-February trends with a 43 point decline as compared to a 10 year average decline of 12 points for this two month comparison.

Usage of electric power in the commercial and industrial sector picked up sharply over January with increased consumption noted particularly in the manufacturing of steel products category. During the same two month comparison residential use of electric power dropped seasonally.

Grain traffic dropped in February, but that is a normal pattern for this time of the year. With the winter closing of lake navigation there are no activity reports of lake shipments for iron ore, coal or import-export cargo (excluding grain) for February.

A slight seasonal downturn in wage and salary employ-

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INDEX HIGHLIGHTS

TIME PERIOD	DULUTH INDEX
February 1978	102
January 1978	107
January-February Change	- 5
Normal Seasonal Change January to February	- 2
February 1977	104
Change, Feb. '77 to Feb. '78	- 2
Seasonally Adjusted Index February 1977	139
Seasonally Adjusted Index February 1978	137

DULUTH LABOR MARKET

	February 1978	February 1977	% Change
Labor Force	45,500	44,100	+ 3
Unemployment	2,900	3,600	-19
Rate	xxx	xxx	xxx
Actual	6.4%	8.1%	xxx
Seasonally Adjusted	5.2%	6.6%	xxx
Total Employment	INA	INA	INA
Wage & Salary (Work Force)	44,600	43,100	+ 3
Manufacturing (Work Force)	6,200	5,800	+ 7
Nonmanufacturing (Work Force)	38,400	37,300	+ 3
Job Openings Received During Month	354	353	0
Persons Claiming Unemploy- ment Benefits	3,065	5,954	-49
Average Weekly Earnings— Mfg. Only	\$216.03	\$191.62	+13

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. February Aver. 1975-77	Feb. 1978	Feb. 1977	Feb. '77 to Feb. '78 % Change
Total	92	97	96	+ 1
General Merchandise	90	93	88	+ 6
Apparel Stores	82	82	89	- 8
Grocery Stores	98	107	95	+13
Automotive Sales	111	126	114	+11
		1977	1978	% Change
Index Average Year-To-Date (Total)		92.2	90.9	- 1

Adjusted for price changes

ment was noted in February. Manufacturing jobs showed no change from January. Nonmanufacturing employment decreased by less than 100 workers in February with transportation and retail trade the major factor in the decline.

The rate of unemployment in February of 6.4 percent of the labor force was down from the 7.3 percent level in January. Also it was noted that the number of persons collecting unemployment benefits in February for 15 weeks or longer was down slightly from January. Approximately 19.9 percent of the claimants drawing unemployment benefits in January were long term unemployed claimants. In February, this figure had dropped to 17.7 percent.

Employment in metal mining rose slightly in February as the final recall of the miners affected by last fall's labor dispute in the mining industry returned most of the workers to their jobs.

The economic climate in Duluth for the first two months of 1978 was somewhat sluggish. In February the business index of 102 (1967=100) was down two points from the same month of 1977.

Some components of the index were at about the same level as they were a year ago, while about one-half of the 15 barometers that make up the index recorded gains over February 1977. Of the four barometers that reported decreases in the over-the-year comparison, two of them — building permits and metal mining—were well below their year ago levels.

Freight carloading activity was down only slightly from last year, however, bank debits (undeflated) were up sharply in the year-to-year comparison. The value of bank debits of individuals recorded a 33 percent gain over February 1977 and accounted for 11.8 percent of total debits. This percentage is up from the 11.3 percent of last year. Commercial check writing rose by 29 percent over the year and government agency check writing advanced by 13 percent.

While bank deposits at \$686 million in February were up by 5 percent over 12 months earlier, it was noted that the category of demand deposits (that fund from which checks are drawn) dropped by \$4.1 million from February 1977. It appears that consumers are placing their money in interest bearing accounts as time and savings funds grew by \$38.6 million in the February 1977 - February 1978 comparison with \$9.5 million of that total going into the passbook type savings account.

The value of building permits issued and under construction (in 1967 dollars) in February was well below the year previous level. One year ago the valuation figure was boosted substantially by the issuance of a permit for a multi-unit apartment dwelling. Also in February 1977 there was a permit issued for a large industrial plant which did not occur this year.

New commercial firms plus increased activity among some of the metal working establishments resulted in the index of kilowatt hours used rising significantly over one year ago.

Retail sales, when deflated for price changes, were up seasonally in February over January. The gain over January, however, was not of sufficient size to pull the year-to-date figure ahead of the 1977 two month average.

The January - February retail sales average index was about 1 percent below the 1977 average for the same two months.

General merchandise stores recorded a gain in retail sales (deflated figures) over their February 1977 level as did grocery stores and automotive sales, however, sales in men's and women's apparel were down from their year ago level.

PERCENTAGE CHANGE IN 15 INDIVIDUAL BUSINESS INDICATORS FOR THE CITY OF DULUTH
Year-to-date compared to 1977

INDICATOR	Percentage Change						
	-15	-10	-5	0	+5	+10	+15
Grain Shipments							+35%
Freight Carloadings							+17%
Bank Debits							+14%
Electric Power (Commercial-Industrial)							+6%
Postal Receipts							+6%
Duluth Nonagricultural Empl.							+3%
Number of Telephones							+1%
Number of Electric Customers							+1%
Coal Receipts							No Change
Iron Ore Shipments							No Change
Other Lake Cargo							No Change
Electric Power (Residential)							No Change
Total Duluth Business Index							-1%
Duluth Retail Sales Index (Adj.)							-1%
State Metal Mining Empl.							-12%
Building Permits (Adjusted)							-51%

NATIONAL CONDITIONS

As observed in earlier paragraphs, economic activity in the Duluth economy in February was not as high as the same period last year. While the difference was small (-0.2%) it nevertheless indicates a current no-growth situation. However, the National economy performed similarly. Problems of the winter, the adverse balance of payments, the prolonged coal strike and inflation appear to have been contributing causes to a slight decline in the Gross National Product when measured in real terms. Thus, the Duluth economy tracked the national economy in an almost one-to-one correspondence.

Nevertheless, given all the problems an economy encounters as the weeks and months unfold, the National and Duluth economies are strong and the authors remain optimistic that the approach of spring will see a performance more in line with the earlier forecasts of 3 to 4 percent real growth for the remainder of the year.

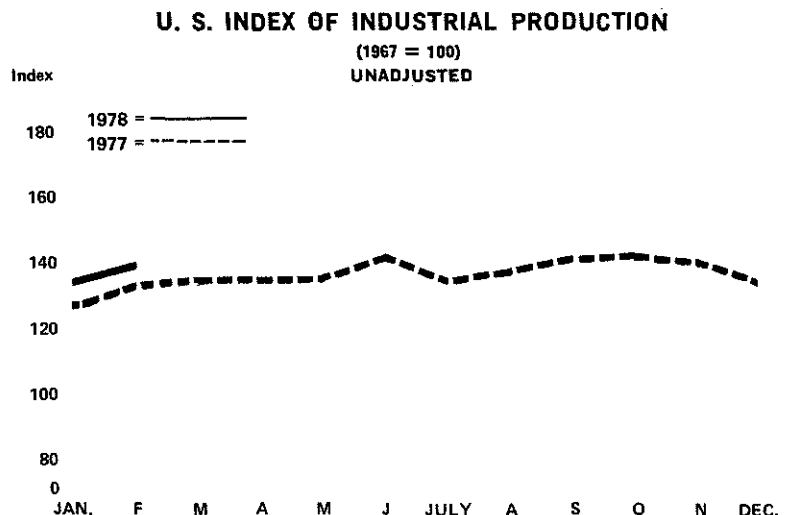
REPORT OF DULUTH FINANCIAL ACTIVITY

	Current Month Feb. 1978	Year Ago Feb. 1977
BANK DEBITS - TOTAL	\$550.3	\$431.5
Individuals	65.1	48.9
% of total	11.8%	11.3%
Commercial Accounts	435.1	338.0
% of total	79.1%	78.4%
Government (State & Local)	50.2	44.6
% of total	9.1%	10.3%
TOTAL DEPOSITS (END-OF-MONTH)	\$686.2	\$651.8
Demand	145.8	150.0
% of total	21.3%	23.0%
Time and Savings	540.4	501.8
% of total	78.8%	77.0%
Savings Only	225.0	215.4
DOLLAR VALUE OF NEW REAL ESTATE MORTGAGES ISSUED (CURRENT MONTH)	\$ 3.6	\$ 2.8
Residential	2.6	2.3
% of total	72.1%	84.4%
DEPOSIT TURNOVER RATE*	3.8	2.9

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
February 1978 compared to February 1977

Total Index up 4.5%
Consumer Goods Production up 2.5%
Manufacturing Production up 5.2%



Source: Federal Reserve Board of Governors

DULUTH BUSINESS INDICATORS

COMPONENT	INDEX NUMBERS (1967 = 100) UNADJUSTED					ORIGINAL DATA			
	Feb. 1976	Jan. 1978	Feb. 1977	INDEX CHANGE Feb. '77 Jan. '78 to to Feb. '78 Feb. '78		UNIT	Feb. 1978	Jan. 1978	Feb. 1977
Freight Carloadings	62	73	63	- 1	- 11	(Cars)	6,964	8,292	7,084
Bank Debits ⁵	255	251	203	+ 52	+ 4	(Dollars in '000's)	542,152	535,208	431,493
Building Permits ²	45	88	133	- 88	- 43	(Actual \$ Value)	700,251	600,813	2,487,668
Postal Receipts	209	220	200	+ 9	- 11	(Dollars)	492,168	517,684	471,808
Number of Telephones	132	132	130	+ 2	0	(Units)	92,882	92,757	91,809
Electric Power (Commercial & Industrial)	164	153	147	+ 17	+ 11	(K.W.H. In '000's)	40,889	38,209	36,732
Electric Power (Residential)	160	176	162	- 2	- 16	(K.W.H. In '000's)	23,282	25,582	23,527
Number of Electric Customers	104	104	103	+ 1	0		34,870	34,810	34,477
Grain Shipments	46	58	40	+ 6	- 12	(Bushels in '000's)	13,372	16,913	11,659
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.	107	107 ³	104 ³	+ 3	0	(Persons)	44,600	44,300 ³	43,100 ³
Duluth Retail Sales Index ⁴	97	85	97	0	+ 12		-----	-----	-----
State Metal Mining Empl.	93	89	103 ³	- 10	+ 4	(Persons)	11,800	11,300	13,100 ³
OVERALL	102	107	104	- 2	- 5				

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.

UNIVERSITY OF MINNESOTA, DULUTH
DULUTH, MINNESOTA 55812

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