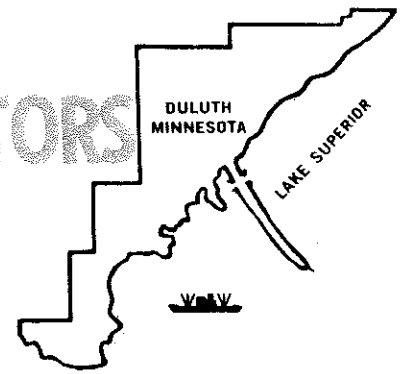


DULUTH BUSINESS INDICATORS

BUREAU OF BUSINESS AND ECONOMIC RESEARCH
 SCHOOL OF BUSINESS AND ECONOMICS
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 Department of Jobs and Training



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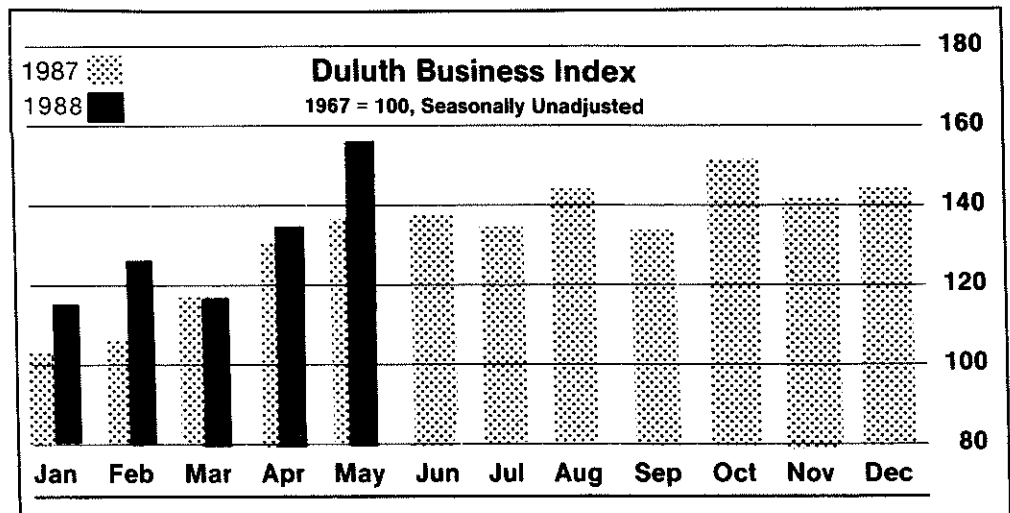
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Highlights

- *Upward Momentum Continues.*
- *Job Total Up in May.*
- *Building Construction Slows.*
- *Grain, Iron Ore Shipping Improves.*
- *Retail Sales Holding Firm.*



ECONOMIC CONDITIONS

The recovery noted in Duluth's economy since the first of the year continued to maintain its momentum in May. The Duluth Business Index (DBI) in May was 156, up from both the 138 level in April and the 139 level one year earlier. During the previous 10 years the average April-May increase was 13 points as opposed to the 18 point gain this year. This above average increase reflects not only a seasonal upturn in the economy but also the fact that some of the index components experienced greater than usual spring gains.

Bank debits, kilowatt hours used by industrial and commercial users and grain shipments all posted better than average April-May increases. Bank debits, industrial and commercial electric power users, grain shipments, iron ore shipments, retail sales and state metal mining all reported activity higher than one year ago. Since the first of the year the Duluth Business Index has averaged about seven percent above the same five months in 1987. If this margin is maintained for the rest of the year, it will come close to the eight percent gain in the 1988 economy over 1987 forecast made last January.

The job market recorded a slight gain over April which is consistent with the average 1.5 percent gain experienced during the past 10 years for the April-May period. The number of jobs in manufacturing remained stable for each of the two months. In the nonmanufacturing category the number of jobs rose with increases in construction, service and government pacing the job upturn.

The 43,600 persons employed in May represents a loss of more than 500 jobs from one year earlier. Since last year the largest single loss was in construction where major projects

have been completed. Partially offsetting gains in transportation, communications and public utilities, retail trade, service and government, however, helped soften this loss. Despite the drop in jobs from last year, the current May job total was the second highest for the month of May since 1981.

Manufacturing employment continues to make up eight percent of the total wage and hour employment figure, the same as it did one year ago. Since 1980 the manufacturing share of the total work force figure has slipped, however, from 12 percent to the current eight percent share.

The bank debit dollar figure in May (value of checks written) was up sharply over April and greatly exceeded the average seasonal upturn. May's index was also up significantly over one year ago. Commercial check writing in May posted a 39 percent increase over last year.

In May the value of building permits issued and under construction (in 1967 dollars) showed an increase of 17 percent over April which was less than the past 10 year average increase of 22 percent. May's figure was also below the May 1987 valuation figure. Building construction permit valuations during the first half of the year have averaged six percent below the same six months of last year. Unemployment among union building construction tradesmen, although improved during the second quarter of 1988, was still much worse than during the second quarter of last year when a number of major construction projects were under way. Some further improvement in the construction industry is foreseen beginning late in the third quarter but the statistics for the year are likely to show fewer

INDEX HIGHLIGHTS

| TIME PERIOD | DULUTH INDEX |
|--|--------------|
| May 1988 | 156 |
| April 1988 | 138 |
| April-May Change | +18 |
| Normal Seasonal Change Apr. to May | +13 |
| May 1987 | 139 |
| Change, May 1987 to May 1988 | +17 |
| Seasonally Adjusted Index May 1987 | 129 |
| Seasonally Adjusted Index May 1988 | 144 |

DULUTH LABOR MARKETS

| | Current Month May 1988 | Year Ago May 1987 | % Change |
|--|---------------------------|----------------------|-------------|
| TOTAL LABOR FORCE | 38,400 | 37,400 | +3 |
| (Duluth Residents) | | | |
| Unemployment | 1,900 | 2,400 | -21 |
| % of Total (Actual) | 5.0% | 6.5% | XXX |
| Seasonally Adjusted | 5.0% | 6.4% | XXX |
| Employment | 36,400 | 35,000 | +4 |
| % of Total | 95.0% | 93.5% | XXX |
| TOTAL WORK FORCE | 43,700 | 44,100 | -0.9 |
| (Duluth Jobs) | | | |
| Manufacturing | 3,900 | 3,900 | 0.0 |
| % of Total | 8.9% | 9.0% | XXX |
| Nonmanufacturing | 39,800 | 40,300 | -1 |
| % of Total | 91.1% | 91.2% | XXX |
| PERSONS CLAIMING UNEMPLOYMENT BENEFITS (Duluth only) | 690 | 649 | +6 |
| AVERAGE WEEKLY EARNINGS (Manufacturing Only) | \$399.17 | \$392.92 | +2 |

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

MAY INDEX

| | May 1988 | April 1988 | May 1987 | |
|--|---------------------|---------------------|-----------------------------|--|
| | 66 | 64 | 67 | |
| Estimated Tourist expenditures (in 000's) | | | | |
| | May 1988 | May 1987 | % Change 1987-88 | |
| Lodging | \$1,465 | \$1,240 | +18.1% | |
| Eating, Drinking | 2,676 | 2,600 | + 2.9% | |
| Retail Sales | 971 | 901 | + 7.8% | |
| Auto, Gas | 473 | 439 | + 7.7% | |
| Other | 751 | 696 | + 7.9% | |
| Totals | \$6,336 | \$5,876 | + 7.8% | |

construction workers on jobs than was the case in 1987.

A newly developed index showing the magnitude of new single residential construction in Duluth shows an index for May of 85.7 (1980=100). For the first five months of 1988 the index has averaged 86 compared to 71 for the same five months of last year. So far this year permits have been issued for 30 new single residence homes compared to 25 last year with an average value of \$79,790 this year compared to \$59,123 last year. A pick-up in the number of new single residential construction permits issued became evident in 1987.

The use of electric power by commercial and industrial users showed an increase over April in contrast to the average decline of 6 percent noted in the past 10 years for the April-May period. Commercial consumption was down but this decrease was offset by the increase that occurred among industrial customers. The sharp increase in power consumption over last year can be attributed primarily to the operation of the new paper mill which became operative late last fall.

The volume of grain handled in May was well above the month previous as the early season surge in the demand for grain out-paced the average seasonal gain usually experienced in May. The same factors affecting this year's increase in grain activity over April also apply to the sharp increase in May's shipments compared to one year earlier. Since lake shipping opened this spring the volume of grain handled is up by 83 percent over 1987. The improved grain shipping picture this year has played an important role in the overall economic improvement in Duluth over 1987.

With the strengthening of the steel market there has been an upturn in the tonnage figures of iron ore shipped. In May the index for iron ore shipments was 64, down from the 69 level in April, but up by three points over last year. Since the opening of lake shipping this spring there has been a 17 percent increase in ore tonnage shipped compared to last year. Although the improved market for steel products has had its imprint on the amount of iron ore mined and made into taconite pellets in Northeastern Minnesota, a greater impact has been noted in the nearby docks located at Two Harbors. Up through the month of May the amount of tonnage handled at the Duluth docks was up by 17 percent over last year, but at the Two Harbors docks this year's tonnage figure for the year-to-date is up by 245 percent over last year due to more favorable operating conditions at that site.

Other lake cargo (excluding grain) shipments in May rose by 49 points over April in contrast to a historical average gain of 72 percent noted in recent years. May's tonnage figure, however, did not reach the level of one year previous. So far this year the season's tonnage figure is lagging that of the same five months of 1987 by 12 percent. General cargo exports are below last year as are exports of coal and coke. Canadian imports of dry bulk products so far this year are only 34 percent of the comparable figure for 1987, while imports of newsprint from Canada are down 13 percent from last year.

Consumer spending showed a slight gain in May over April and managed to record a 3.7 percent increase over May 1987. For the first five months of this year, retail sales, when deflated for price changes, registered an increase of three percent over the same months of last year. Sales of building materials, hardware, furniture and home furnishings are soft this year. Sales figures from eating and drinking establishments are also averaging below last year's level. On the other hand auto dealers are enjoying a good first half of this year compared to last year.

In conjunction with the improvement in the steel industry there has been an upturn in the number of workers employed in mining. The total of 5,200 workers with mining jobs in May was up by 100 workers over April and marks the fifth consecutive month the job total has either

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

Year-to-date 1988 compared to 1987

| INDICATOR | PERCENTAGE CHANGE | | | | | | |
|---|-------------------|-----|----|---|----|-----|-----------|
| | -15 | -10 | -5 | 0 | +5 | +10 | +15 |
| Grain Shipments | | | | | | | +83% |
| Electric Power (Commercial-Industrial) | | | | | | | +56% |
| State Metal Mining | | | | | | | +41% |
| Iron Ore Shipments | | | | | | | +17% |
| Electric Power (Residential) | | | | | | | +11% |
| Total Duluth Business Index | | | | | | | +7% |
| Postal Receipts | | | | | | | +7% |
| Retail Sales (Adj.) | | | | | | | +3% |
| Electric Customers | | | | | | | +1% |
| Coal Receipts | | | | | | | NO CHANGE |
| Duluth Nonagricultural Employment | | | | | | | -1% |
| Bank Debits | | | | | | | -6% |
| Building Permits (Adj.) | | | | | | | -6% |
| Other Lake Cargo | | | | | | | -12% |
| Airline Passengers | | | | | | | -17% |

remained stable or shown a slight month-to-month gain. The 5,200 persons with jobs in May was also the highest for that month since 1986.

In May the Duluth Tourist Index was 66 which represents a 3.1 percent increase over April but was a shade under the May 1987 index of 67. The estimated \$6,336,000 in tourist expenditures in May was up by 7.8 percent over the \$5,876,000 figure for May 1987.

U.S. CONSUMER PRICE INDEX

(1982-1984 = 100) UNADJUSTED

| | May 1988 | May 1987 | % Change |
|---|----------|----------|----------|
| All Urban Consumers | 117.5 | 113.7 | +3.9% |
| Urban Wage Earners & Clerical Worker (Revised) | 116.2 | 111.9 | +3.8% |

Source: Bureau of Labor Statistics

REPORT OF DULUTH FINANCIAL ACTIVITY

| | Current Month May 1988 | Year Ago May 1987 |
|--|---------------------------|----------------------|
| BANK DEBITS TOTAL | \$1,483.9 | \$1,180.8 |
| Individuals | 163.4 | 216.5 |
| % of total | 11.0% | 18.3% |
| Commercial Accounts | 1,193.3 | 861.0 |
| % of total | 80.4% | 72.9% |
| Government (State & Local) | 127.2 | 103.3 |
| % of total | 8.6% | 8.8% |
| TOTAL DEPOSITS (END-OF-MONTH) | \$809.7 | \$966.3 |
| Demand | 236.0 | 157.9 |
| % of total | 29.1% | 16.3% |
| Time and Savings | 573.7 | 808.4 |
| % of total | 70.9% | 83.7% |
| Savings Only | 121.0 | 169.6 |
| DOLLAR VALUE OF NEW REAL ESTATE MORTGAGE ISSUED (CURRENT MONTH) | \$2.9 | \$6.1 |
| Residential | 2.7 | 5.7 |
| % of total | 93.0% | 93.9% |
| DEPOSIT TURNOVER RATE* | 6.3 | 7.5 |

* 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 (1967=100) SALES | | | | | |
|--|--|---------------|-----------------|---------------|---------------------------|-----------------|-------------|------------------|------------------|-------------|
| | May 1988 | | May 1987 | | MONTHLY | | | YEAR-TO-DATE | | |
| | May 1988 | % Total | May 1987 | % Total | May 1988 | May 1987 | % Change | 1988 | 1987 | % Change |
| Bldg., Materials, Hardware, etc. | \$ 2,412 | 4.3% | \$ 2,295 | 4.4% | \$ 2,159 | \$ 2,029 | 6.4% | \$7,836 | \$9,269 | -15.5% |
| General Merchandise | 11,276 | 20.0% | 10,154 | 19.3% | 9,596 | 8,979 | 6.9% | 40,974 | 39,102 | 4.8% |
| Grocery Stores | 8,436 | 15.0% | 7,425 | 14.1% | 7,329 | 6,629 | 10.6% | 34,241 | 34,821 | -1.7% |
| Other Food Stores | 1,600 | 2.8% | 1,701 | 3.2% | 1,390 | 1,518 | -8.4% | 7,036 | 6,717 | 4.7% |
| Motor Veh. Dealers (New & Used) | 7,995 | 14.2% | 5,716 | 10.8% | 7,472 | 5,523 | 35.3% | 31,309 | 24,336 | 28.7% |
| Other Auto Dealers, Serv. Stations | 5,393 | 9.6% | 5,182 | 9.8% | 5,040 | 5,007 | 0.7% | 24,472 | 22,865 | 7.0% |
| Apparel & Accessory Stores | 1,260 | 2.2% | 939 | 1.8% | 1,084 | 882 | 22.9% | 5,121 | 4,651 | 10.1% |
| Furniture, Home Furnishings | 1,562 | 2.8% | 2,052 | 3.9% | 1,429 | 1,916 | -25.4% | 7,359 | 10,172 | -27.7% |
| Eating & Drinking Places | 7,256 | 12.9% | 7,914 | 15.0% | 6,202 | 6,979 | -11.1% | 29,384 | 32,194 | -8.7% |
| Miscellaneous Places | 9,153 | 16.2% | 9,343 | 17.7% | 7,790 | 8,261 | -5.7% | 39,945 | 36,545 | 9.3% |
| TOTAL | \$56,343 | 100.0% | \$52,722 | 100.0% | \$49,492 | \$47,723 | 3.7% | \$227,677 | \$220,672 | 3.2% |
| DULUTH RETAIL SALES INDEX | | | | | 106.8 | 103.0 | 3.7% | 98.3 | 95.2 | 3.2% |

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 ¹

INDEX NUMBERS (1967 = 100) UNADJUSTED

ORIGINAL DATA

| Component | INDEX CHANGE | | | | | Unit | May 1988 | Apr. 1988 | May 1987 |
|--|--------------|--------------|-------------|--------------------------|---------------------------|------------------------|-------------|--------------|-------------|
| | May 1988 | Apr. 1988 | May 1987 | May '87 to May '88 | Apr. '88 to May '88 | | | | |
| Airline Passengers | 101 | 93 | 115 | -14 | +8 | (Persons) | 18,366 | 16,960 | 20,874 |
| Bank Debits ² | 407 | 268 | 327 | +80 | +139 | (Dollars in '000's) | 1,483,939 | 978,192 | 1,180,829 |
| Building Permits ³ | 91 | 78 | 103 | -12 | +13 | (Actual \$ Value) | 3,675,650 | 2,394,413 | 3,007,330 |
| Postal Receipts | 495 | 538 | 502 | -7 | -43 | (Dollars) | 1,166,712 | 1,269,342 | 1,182,690 |
| Electric Power (Commercial & Industrial) | 277 | 269 | 169 | +108 | +8 | (K.W.H. in '000's) | 69,107 | 67,086 | 42,107 |
| Electric Power (Residential) | 121 | 153 | 122 | -1 | -32 | (K.W.H. in '000's) | 17,612 | 22,205 | 17,745 |
| Number of Electric Customers | 106 | 106 | 105 | +1 | 0 | | 35,420 | 35,451 | 35,142 |
| Grain Shipments | 180 | 115 | 94 | +86 | +65 | (Bushels in '000's) | 52,882 | 33,692 | 27,476 |
| Coal Receipts | 2 | 0 | 0 | +2 | +2 | (Short Tons in '000's) | 5 | 0 | 0 |
| Iron Ore Shipments | 64 | 69 | 61 | +3 | -5 | (Gross Tons in '000's) | 750 | 811 | 711 |
| Other Lake Cargo | 221 | 172 | 288 | -67 | +49 | (Short Tons) | 77,889 | 60,693 | 101,328 |
| Duluth Nonagricultural Empl. | 105 | 104 | 106 | -1 | +1 | (Persons) | 43,600 | 43,200 | 44,100 |
| Duluth Retail Sales Index ⁴ | 107 | 106 | 103 | +4 | +1 | (Dollars in '000's) | 56,343 | 55,843 | 52,722 |
| State Metal Mining Empl. | 41 | 40 | 32 | +9 | +1 | (Persons) | 5,200 | 5,100 | 4,000 |
| OVERALL | 156 | 138 | 139 | +18 | +17 | | | | |

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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