

DULUTH BUSINESS INDICATORS



BUREAU OF BUSINESS AND ECONOMIC RESEARCH
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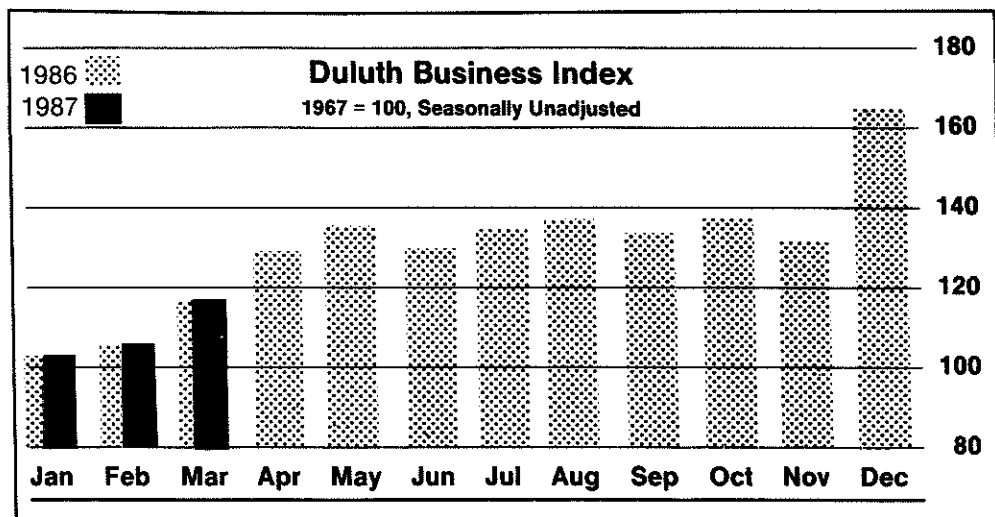
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Highlights

- **Economy Improving.**
- **Employment Level Increases.**
- **Jobless Rate Down.**
- **Building Activity Strong**
- **Retail Sales Show Gain.**



ECONOMIC CONDITIONS

Duluth's economy recorded a better than average upturn in March. The Duluth Business Index (DBI) hit 118 in March, up by 13 index points over February. Experience of the past 10 years shows that the local economy averages a six-point increase in the February-March comparison.

Freight carloadings, the value of building permits issued (adjusted) and electric power used by commercial and industrial customers recorded greater than average March increases. Iron ore and grain shipments posted a minimal amount of activity in March, but generally there has been no seasonal activity in March based on the experience of recent years.

Historically, the first quarter of each year is one of little economic change in Duluth's economy. This year, however, the DBI has shown a modicum of improvement over last year and the first quarter average DBI is up by 1.2 percent over the similar quarter in 1986. The DBI for the month of March is up by two index points over March 1986 which contributed to the first quarter advance over last year. Of the 14 individual barometers which make up the index, one half of them recorded increases over March of last year. It is interesting to note that economic activity for the January-March period this year, as measured by the DBI, surpassed the level for the corresponding period in four of the five preceding years.

Wage and salary employment showed little change from February. This sector of the economy traditionally records

little month-to-month change in level during the first three months of the year and usually does not show any perceptible upward movement until May when seasonal factors become more evident. The job market is a little stronger this year than one year earlier. So far this year employment is up by 0.9 percent over first quarter 1986 figures. Manufacturing job totals are up slightly over last year while nonfactory jobs are averaging at the same level as in 1986. Although construction jobs are up this year, government employment, especially in local units, is running below its 1986 level.

Job opportunities for the unemployed have improved this year. In March, the jobless rate was 8.5 percent, down slightly from the 8.7 percent rate of the previous month. The March rate was significantly below the year ago rate of 9.2 percent.

Despite the improved labor market picture during the first three months of this year, there are more workers collecting unemployment benefits for 15 weeks or longer than at the end of 1986. For the month of March, 24 percent of those persons out of work and eligible to collect unemployment insurance had been collecting jobless benefits for 15 weeks or longer compared to 15 percent during December. This statistic would suggest that despite a little stronger labor market this year the economy still has the problem of generating enough jobs to reduce the duration of unemployment.

The value of building permits issued and under construction (in 1967 dollars) in March increased sharply over

INDEX HIGHLIGHTS

TIME PERIOD	DULUTH INDEX
Mar 1987	118
Feb 1987	105
Feb-Mar Change	+13
Normal Seasonal Change Feb to Mar	+6
March 1986	116
Change, March 1986 to March 1987	+2
Seasonally Adjusted Index March 1986	141
Seasonally Adjusted Index March 1987	144

DULUTH LABOR MARKET

	Current Month Mar. 1987	Year Ago Mar. 1986	% Change
TOTAL LABOR FORCE	29,100	28,900	+0.7
(Duluth Residents)			
Unemployment	2,500	2,700	-7
% of Total (Actual)	8.5%	9.2%	XXX
Seasonally Adjusted	8.2%	9.0%	XXX
Employment	26,600	26,200	+2
% of Total	91.5%	90.8%	XXX
TOTAL WORK FORCE	42,100	41,700	+1
(Duluth Jobs)			
Manufacturing	4,100	3,600	+14
% of Total	9.7%	8.8%	XXX
Nonmanufacturing	38,000	38,000	0
% of Total	90.3%	91.2%	XXX
PERSONS CLAIMING UNEMPLOYMENT BENEFITS (Duluth only)	1,017	1,122	-9
AVERAGE WEEKLY EARNINGS (Manufacturing Only)	\$391.88	\$389.86	+1

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

DULUTH TOURIST INDEX

June, July, August 1979 = 100

FEBRUARY INDEX

	February 1987	January 1987	February 1986
	77	39	53
Estimated Tourist expenditures (in 000's)			
	Feb 1987	Feb 1986	% Change 1986-87
Lodging	\$1,403	\$ 935	+50.1%
Eating, Drinking	3,301	2,243	+47.2%
Retail Sales	1,103	746	+47.9%
Auto, Gas	538	363	+48.2%
Other	853	576	+48.1%
Totals	\$7,198	\$4,863	+48.0%

February. The issuance of a permit for another phase of the construction of the paper mill was mainly responsible for the index jump in March. In addition, the dollar value of building permits issued for alteration and repair work in March was double the \$963,087 valuation in February. The March construction index was down substantially from the previous year when a permit for a large remodeling project was issued. Employment opportunities for work in the construction sector of the economy this past winter have been good. Mild weather plus several large ongoing building projects have combined to keep employment at a high level during the winter months. For the month of March there were 1,745 persons at work on various types of construction projects compared to about 900 one year earlier.

The use of electric power in March by commercial and industrial customers took a sharp rise in March. In recent years this category has experienced a five-point decrease in the February-March comparison. This year there was a sharp reversal in trend as the March index jumped up by 20 points over February. The sharp gain was not broad based, however, as the bulk of the gain was the result of increased power usage by several major industrial users. The same factors also were responsible for this year's increased power usage over one year ago. So far this year electric power consumption by industrial customers is up 2.6 percent over the same months of 1986 and commercial customers have recorded an increase of 8.6 percent for the same period of time.

Historically, grain traffic (receipts and shipments) is up by an average of nine points in the February-to-March comparison. This year the increase was just five points and may be indicative of what can be expected this season. This lower than average seasonal upturn and the lesser amount of grain handled compared to March of 1986 tend to support this hypothesis although early in the year the projection for the 1987 season was for a 10 percent increase over the 1986 level.

Iron ore shipments in March were minimal. Generally there are little or no iron ore shipments in March. Early season shipments by water depend on the market demand and ice conditions on the Great Lakes. A slight increase in iron ore tonnage shipped by lake carrier is forecast this year over 1986 tonnage and represents to a great extent the need to replenish inventories.

An earlier start than usual on import-export cargo (excluding grain) was noted in March. Although the amount of tonnage shipped was small it may be the precursor to a slightly improved shipping season forecast for this year.

Retail sales have exhibited a strong showing so far this year. March sales (deflated) recorded a healthy 14-point gain over February. Sales gains over February were particularly strong in building material and hardware stores, department stores, auto sales, apparel and accessory stores, and eating establishments where alcoholic beverages are primarily served although food sales may account for a significant portion of total sales.

Retail sales in March recorded a 10.6 percent gain over one year earlier. For the first three months of 1986 sales figures averaged 7.2 percent ahead of the corresponding three months of last year. Pacing the over-the-year increase were building materials and hardware stores, and eating and drinking establishments.

The impact of the increased amount of construction in the area appears to have had a positive effect on the sale of building materials and hardware. This classification, during the first quarter of 1987, posted a 46.8 percent increase over first quarter sales of 1986. Not only is construction employment so far this year about double last year's level, but the dollar figures of permits issued for alteration and repair work of residential structures is up by 46 percent over last year. It is not unrealistic to assume that some of the gain can be attributed to do-it-yourself home owners.

Although the number of persons working in metal mining

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

Year-to-date 1987 compared to 1986

INDICATOR	PERCENTAGE CHANGE						
	-15	-10	-5	0	+5	+10	+15
Postal Receipts							+21%
Electric Power (Commercial-Industrial)							+7%
Retail Sales (Adj.)							+7%
Total Duluth Business Index							+1%
Other Lake Cargo							NO CHANGE
Iron Ore Shipments							NO CHANGE
Electric Customers							NO CHANGE
Duluth Nonagricultural Employment							NO CHANGE
Coal Receipts							NO CHANGE
Building Permits (Adj.)	-2%						
Freight Carloadings	-3%						
Bank Debits	-4%						
Electric Power (Residential)	-8%						
Grain Shipments	-15%						
State Metal Mining	-35%						

advanced by 200 workers over February the increase does not portend any major improvement in the industry. One year previous there were 5,300 persons at work.

U.S. CONSUMER PRICE INDEX

	Mar. 1987	Mar. 1986	% Change
All Urban Consumers	335.9	326.0	+3.0%
Urban Wage Earners & Clerical Worker (Revised)	330.5	321.4	+2.8%

Source: Bureau of Labor Statistics

REPORT OF DULUTH FINANCIAL ACTIVITY

	Current Month Year Ago	
	Mar. 1987	Mar. 1986
BANK DEBITS TOTAL	\$1,135.9	\$1,128.8
Individuals	158.7	125.3
% of total	14.0%	11.1%
Commercial Accounts	863.7	915.7
% of total	76.0%	81.1%
Government (State & Local)	113.4	87.8
% of total	10.0%	7.8%
TOTAL DEPOSITS (END-OF-MONTH)	\$960.8	\$838.1
Demand	157.9	148.0
% of total	16.4%	17.7%
Time and Savings	802.8	690.1
% of total	83.6%	82.3%
Savings Only	170.7	125.2
DOLLAR VALUE OF NEW REAL ESTATE MORTGAGE ISSUED (CURRENT MONTH)	\$4.4	\$1.7
Residential	4.1	1.5
% of total	92.0%	91.3%
DEPOSIT TURNOVER RATE*	7.2	7.6

¹ 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.

DULUTH RETAIL SALES

Selected Industry Description	UNADJUSTED (FOR PRICE CHANGES) SALES (000'S OF DOLLARS)				ADJUSTED (1967=100) SALES					
	Mar. 1987		Mar. 1986		MONTHLY			YEAR-TO-DATE		
	1987	% Total	1986	% Total	Mar. 1987	Mar. 1986	% Change	1987	1986	% Change
Bldg., Materials, Hardware, etc.	\$ 2,126	4.4%	\$ 1,350	3.1%	\$ 638	\$ 411	55.2%	\$1,678	\$ 1,143	46.8%
Department Stores	9,098	18.7%	8,522	19.5%	2,731	2,595	5.3%	7,123	6,588	8.1%
Other General Stores	88	0.2%	94	0.2%	27	29	-7.1%	73	75	-3.1%
Grocery Stores	6,917	14.2%	6,984	16.0%	2,195	2,309	-4.9%	7,272	7,276	-0.1%
Other Food Stores	1,477	3.0%	1,368	3.1%	469	452	3.7%	1,333	1,384	-3.7%
Motor Veh. Dealers (New & Used)	5,486	11.3%	5,143	11.8%	1,830	1,621	12.9%	4,394	4,216	4.2%
Other Auto Dealers, Serv. Stations	4,522	9.3%	4,189	9.6%	1,508	1,320	14.2%	4,455	4,232	5.3%
Apparel & Accessory Stores	1,113	2.3%	1,059	2.4%	538	517	4.0%	1,325	1,285	3.2%
Furniture, Home Furnishings	2,442	5.0%	2,242	5.1%	965	901	7.1%	2,575	2,551	0.9%
Eating Places Only	2,874	5.9%	2,520	5.8%	874	798	9.5%	2,708	2,310	17.3%
Other Eating & Drinking Places	4,314	8.9%	1,933	4.4%	1,312	612	114.2%	3,701	1,806	104.9%
Miscellaneous Places	8,276	17.0%	8,248	18.9%	2,485	2,511	-1.1%	6,842	7,674	-10.9%
TOTAL	\$48,735	100.0%	\$43,652	100.0%	\$15,570	\$14,077	10.6%	\$43,478	\$40,540	7.2%

DULUTH RETAIL SALES INDEX 97.2 87.8 10.6% 90.4 84.3 7.2%

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

INDEX NUMBERS (1967 = 100) UNADJUSTED

ORIGINAL DATA

Component	Mar. 1987	Feb. 1987	INDEX CHANGE			Unit	Mar. 1987	Feb. 1987	Mar. 1986
			Mar. 1986	Mar. '86 to Mar. '87	Feb. '87 to Mar. '87				
Freight Carloadings	90	67	90	0	+23	(Cars)	10,169	7,594	10,166
Bank Debits ⁵	317	304	322	-5	+13	(Dollars in '000's)	1,135,875	1,090,875	1,128,799
Building Permits ²	90	38	121	-31	+52	(Actual \$ Value)	8,227,944	2,182,639	4,664,247
Postal Receipts	475	541	456	+19	-66	(Dollars)	1,120,393	1,274,659	1,074,672
Electric Power (Commercial & Industrial)	190	170	150	+40	+20	(K.W.H. in '000's)	47,519	42,406	37,492
Electric Power (Residential)	137	154	149	-12	-17	(K.W.H. in '000's)	19,882	22,419	21,639
Number of Electric Customers	106	106	105	+1	0		35,226	35,265	35,108
Grain Shipments	30	25	35	-5	+5	(Bushels in '000's)	8,674	7,298	10,293
Coal Receipts	0	0	0	0	0	(Short Tons in '000's)	0	0	0
Iron Ore Shipments	4	0	0	+4	+4	(Gross Tons in '000's)	50	0	0
Other Lake Cargo	36	0	0	+36	+36	(Short Tons)	12,613	0	0
Duluth Nonagricultural Empl.	101	101	101 ³	+1	0	(Persons)	42,000	42,100 ³	41,700 ³
Duluth Retail Sales Index ⁴	97	83	88	+9	+14		---	---	---
State Metal Mining Empl.	28	27	42	-14	+1	(Persons)	3,600	3,400	5,300
OVERALL	118	105	116	+2	+13				

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 Duluth, Minnesota Department of Jobs and Training 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.
6. Estimate.

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