

# Employment Forecast for 2008

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## Make it 20...and counting

By Dan Robinson, Economist

For 20 consecutive years now Alaska's job count has grown. It's the longest uninterrupted stretch of growth since statehood and one that only seven other states can match. The streak is expected to continue in 2008, although growth is forecasted to slow to 0.6 percent.

### Slower growth in 2007

Preliminary numbers show that job growth slipped to 1.1 percent in 2007, the lowest rate since 1999. (See Exhibit 1.) It was a strong year

for the oil and gas industry, which added 1,200 annualized jobs,<sup>1</sup> but construction employment fell for the second year in a row and health care added just 300 jobs after years of much more robust growth. (See Exhibit 2.)

To some degree, all three of those trends – growth in oil and gas, losses in construction, and slowing growth in health care and other service-sector industries – are expected to continue in 2008.

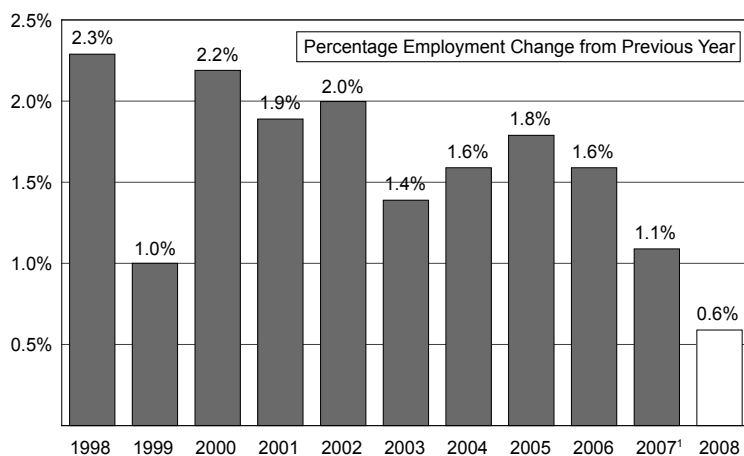
### A top-down look at two decades of expansion

For an economy to grow consistently for 20 years, it needs consistent infusions of new money or consistent improvement at capturing and re-circulating the money that's already flowing in. Alaska has had both, at various times, from three major sources.

New money has been injected into the economy from, first, the ongoing development and marketing of the state's wealth of natural resources – including everything from oil and minerals to fishing and tourism – and, second, from ever larger amounts of federal government spending. The third major source of growth has been an expanding service sector that has grown up to meet an increasingly larger share of local demand for both services and retail goods.

There have been other smaller contributors to the long period of growth, including the development of the air cargo business in Anchorage, for example, but these three economic forces are the primary reasons Alaska has added jobs to its economy every year since 1988.

## 1 Growth Forecasted to Slow in 2008 Statewide employment growth, 1998 to 2008



<sup>1</sup> Preliminary estimate

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

<sup>1</sup> All job counts referred to in this article are monthly averages for the specified years. No distinction is made between full- and part-time jobs.

## Natural resource development has been a bumpy ride

Much of the state's job growth came directly or indirectly from the oil industry in 2007, the second year in a row it has added more than 1,000 jobs. Following the initial booms oil generated in the 1970s and 1980s, however, the oil industry has been a sporadic contributor to growth. In fact, during the 1990s, oil and several other important resource industries were shrinking rather than growing.

Between 1990 and 1999, oil industry employment fell from 10,300 to 7,900, production consistently declined, and oil prices bounced around at levels generally below \$20 a barrel. Although the industry continued to play a central role in the state's economy over that period, and the legacy from oil in the form of state savings accounts made possible by oil development were particularly important, the industry itself was cutting jobs and its indirect contributions were declining.

At the same time, two of the state's other important resource industries – fishing and timber – also struggled. Timber-related employment fell from 3,100 to 1,700 and 600 seafood processing jobs disappeared, bringing the combined job losses in the three industries to more than 4,000.

The situation has improved for both oil and fishing in more recent years, but their declines of the 1990s combined with overall job gains during that period point out that the state's economy has had other drivers to keep things moving forward.

## Government spending as a shock absorber

A more consistent source of money being injected into the economy has been Uncle Sam. In federal fiscal year 2005,<sup>2</sup> the federal government spent \$9.2 billion in Alaska. That's nearly \$14,000 per capita, almost twice the national average and easily the highest among the 50 states.

<sup>2</sup> More recent numbers aren't available. The federal fiscal year runs from Oct. 1 through Sept. 30.

As a young state with an enormous land mass and relatively little infrastructure, the federal government has always spent extra on Alaska, but the amount ballooned by \$5 billion from 1995 to 2005. Defense spending rose from \$1.4 billion to \$3.2 billion and non-defense spending jumped from \$2.8 billion to over \$6 billion. An additional \$5 billion from the national treasury has helped sustain and create a lot of jobs.

Alaska's state government has also pumped a substantial amount of money into the economy over the last two decades, most of which came from the development of oil. Oil revenue and the savings accounts that are the legacy of oil development have allowed state government to provide a relatively consistent stream of money into the economy. Because none of the money comes from sales or income taxes, as it does in most other states, it comes closer to being an injection of new money into the economy rather than a redistribution of existing money from consumers and state residents.

## Support industries have played catch-up

Although some of Alaska's traditional resource-based industries had shrinking job counts during the 1990s, the state still added nearly 40,000 jobs over those years. Retail trade grew by more than 10,000 jobs; health care by 5,000; and a variety of other service-sector industries combined to add thousands more.

Much of that growth was the simple result of a young economy growing up after the massive transformation and infusion of wealth that oil development brought to the state. Incrementally, local providers expanded and new providers entered the market to capture more of the local demand for goods and services. In doing so, they provided a steady stream of economic growth during lean years for some of the state's basic-sector industries like oil and fishing. Growth has continued during the 2000s, but at a slower rate.

## Outlook for 2008 is mixed

The outlook for these three broad sources of job growth – natural resources, federal and

state spending, and the catch-up of private-sector support industries – is mixed for 2008, but the balance still tips toward growth.

### **Healthy climate for natural resources**

The biggest obstacle to more growth in the oil and gas industry is the strength of the last two years and the high bar they have set. The 11,400 jobs in 2007 were an all-time high despite continuing declines in production. High oil prices have stimulated exploration and development and made more projects feasible, and simply maintaining current high levels of activity and employment would be a boon to the state's economy.

The 2007 salmon harvest was the fourth largest since statehood and the \$374 million value of the catch was a \$28 million increase from 2006. Those numbers conform to the general trend since 2002 of guarded improvement in the state's salmon fisheries. The state's other fisheries are generally healthy and expected to contribute modest growth in 2008.

One of Alaska's most marketable natural resources over the last 20 years has been its unique natural beauty and recreational and cultural offerings. Slightly more than a million cruise ship passengers visited Alaska in 2007, more than quadruple the 235,000 that came in 1990. The number of independent travelers has grown less dramatically, but reached an estimated 673,000 in 2007, bringing the total visitor count to 1.7 million.

Room for more cruise ships is limited, given current dock capacity, but a weak dollar reduces the cost of an Alaska vacation for international visitors and makes it a more attractive option for domestic visitors trying to decide between a trip abroad and a trip to Alaska. Barring a slowdown in the U.S. or world economy, which is a real possibility, tourism will continue to grow in 2008.

The 2008 outlook for Alaska's resurgent mining industry could hardly be stronger. In 2006, the most recent year available, minerals from Alaska's mines were worth \$2.9 billion, a huge

increase from 2005's figure of \$1.4 billion. Both production and mineral prices were up, which stimulated exploration and development and boosted job counts. Conflicts with some of Alaska's other resource-based industries – fishing and tourism in particular – may slow growth, but there's little doubt that mining's influence is growing or that it will boost the economy in 2008.

### **Federal belt-tightening, but more oil revenue for the state**

A decline in federal dollars to Alaska is less a question of if than when. The flow is almost certain to slow as a result of two factors. First, there's pressure nationwide to cut non-military spending and begin reining in record budget deficits. Second, Alaska's Congressional delegation has warned of a growing sentiment among lawmakers that Alaska should spend more money from its own large savings accounts and be given less from the national treasury, especially when it comes to controversial legislative earmarks.

But because there's a lot of appropriated money still on its way to Alaska, the declines are likely to be incremental. Federal dollars will play a critical role in the state's economy for years to come, but it's a role more likely to shrink than grow in 2008.

The scenario for state government is night-and-day different. High oil prices and a new tax system are expected to bring in billions of additional revenue in 2008 and beyond. Much of that money appears headed for various savings accounts as protection against future rainy days, but however they're invested, revenue surpluses tend to be very good signs for job growth and economic health.

### **Service sector may be all caught up**

For most of the 1990s and 2000s, Alaska's service industries were like adolescent kids: they would have grown no matter what they were fed. Strong economic and population growth in the 1970s and 1980s left under-served markets and created all kinds of growth opportunities

for retail and health care providers, engineering and law firms, and a host of other service-sector businesses.

A slowing growth trend in those industries indicates that the growth process may be nearly complete. When that happens, service-sector growth will rise and fall more in tune with the broader economy instead of steadily producing jobs the way it did during the last 20 years. That could all change, of course, if the equilibrium were to be affected by a large new infusion of dollars from something like the construction of a natural gas pipeline. But that's a discussion for farther down the road than 2008.

## Construction's woes and business cycles

Uninterrupted growth over decades is unusual for a mature economy. More normal is a repeating cycle of expansion, contraction and recovery. Unless it's either young and developing or steadily declining, an economy can expect an occasional downturn – if only to rebalance itself for future growth.

At the industry level, construction has been a reminder of that more familiar pattern, losing 900 jobs over the last two years after gaining 6,000 over the previous nine. All of the reasons for the losses would be difficult to unravel, but more contraction is expected in 2008.

There's concern nationally that declines in home values and associated job losses in con-

# Statewide Wage and Salary Employment Forecast for 2008 **2**

					Forecast		
	2006 Monthly Average	2007 Monthly Average <sup>1</sup>	Change 2006 to 2007	Percentage Change 2006 to 2007	2008 Monthly Average	Change 2007 to 2008	Percentage Change 2007 to 2008
Total Nonfarm Wage and Salary <sup>2</sup>	314,700	318,200	3,500	1.1%	320,200	2,000	0.6%
Goods-Producing <sup>3</sup>	43,600	44,500	900	2.1%	44,700	200	0.5%
Service-Providing <sup>4</sup>	271,100	273,700	2,600	1.0%	275,500	1,800	0.7%
Natural Resources and Mining	12,400	13,800	1,400	11.3%	14,100	300	2.4%
Oil and Gas Extraction	10,200	11,400	1,200	11.8%	11,600	200	2.0%
Construction	18,100	17,700	-400	-2.2%	17,500	-200	-1.1%
Manufacturing	13,100	13,000	-100	-0.8%	13,100	100	0.8%
Seafood Processing	9,300	9,200	-100	-1.1%	9,300	100	1.1%
Trade, Transportation and Utilities	63,700	64,300	600	0.9%	64,900	600	0.9%
Wholesale Trade	6,600	6,700	100	1.5%	6,800	100	1.5%
Retail Trade	35,700	36,000	300	0.8%	36,400	400	1.1%
Transportation, Warehousing and Utilities	21,400	21,600	200	0.9%	21,700	100	0.5%
Information	6,900	6,900	0	0.0%	6,900	0	0.0%
Financial Activities	14,900	15,000	100	0.7%	14,900	-100	-0.7%
Professional and Business Services	24,300	25,000	700	2.9%	25,200	200	0.8%
Educational <sup>5</sup> and Health Services	37,100	37,600	500	1.3%	37,900	300	0.8%
Health Care	26,500	26,800	300	1.1%	27,100	300	1.1%
Leisure and Hospitality	31,400	32,200	800	2.5%	32,800	600	1.9%
Other Services	11,400	11,500	100	0.9%	11,600	100	0.9%
Government	81,400	81,200	-200	-0.2%	81,300	100	0.1%
Federal Government <sup>6</sup>	16,700	16,600	-100	-0.6%	16,600	0	0.0%
State Government <sup>7</sup>	24,500	24,700	200	0.8%	24,800	100	0.4%
Local Government <sup>8</sup>	40,200	39,900	-300	-0.7%	39,900	0	0.0%

<sup>1</sup> Preliminary estimates

<sup>2</sup> Excludes self-employed workers, fishermen, domestic workers, unpaid family workers and nonprofit volunteers.

<sup>3</sup> Goods-producing sectors include natural resources and mining, construction and manufacturing.

<sup>4</sup> Service-providing sectors include all others not listed as goods-producing sectors.

<sup>5</sup> Private education only

<sup>6</sup> Excludes uniformed military

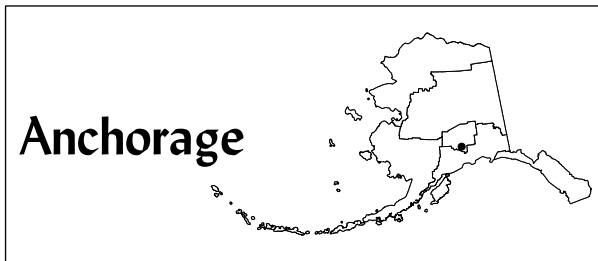
<sup>7</sup> Includes the University of Alaska

<sup>8</sup> Includes public school systems

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

struction will seep into the broader economy by reducing consumers' willingness to spend. That's less of a risk for Alaska, which is more driven by natural resource development and public-sector spending than by consumer spending and what happens in the residential housing market.

There are signs that a few of Alaska's growth engines are sputtering, with federal spending at the top of the list. Strength in resource-based industries, however, and the secondary but related benefit of state government's ability to invest and spend more, should make up for the weaknesses in 2008 and produce the state's 21st consecutive year of job growth.



## Economic gains could continue in 2008

By Neal Fried, Economist

Anchorage’s economy just finished 19 years of uninterrupted growth – a major accomplishment. However, for the first time since 1996, employment grew by less than 1 percent. (See Exhibit 3.) By itself, that fact isn’t significant, but when we look to the future, the loss of momentum makes it a bit more difficult to forecast growth in 2008.

The probable cause for the decelerating growth rate is the current slowdown in construction activity and the reversal of the federal spending curve. Both were important factors that buoyed the economy in recent years. Other economic actors, however, such as the oil industry, along with the retail, air cargo and visitor industries, should collectively expand enough to eke out another year of growth. A strong oil revenue picture is another big plus. The forecast calls

for an increase of 800 jobs in Anchorage for 2008. (See Exhibit 4.)

### Another strong year in the oil patch

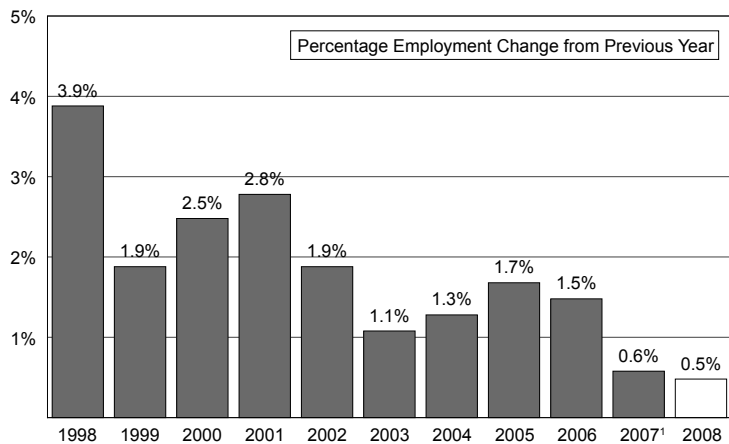
With five years of above-average oil prices and near-record prices in 2007, it’s not surprising that the oil industry finally came to life in a big way in 2006 and by 2007, the North Slope had a record number of workers. That high activity level should remain during the forecast period.

BP plans to continue to hire staff in 2008 and pipeline rebuilding will continue to be the company’s major focus. Conoco Phillips continues to develop a number of satellite fields around Alpine and expand its West Sak heavy oil project.

The story on the independents and other new players is mixed. Shell Oil’s plans to drill four wells in the Beaufort Sea in 2007 were shelved due to permitting problems. Shell probably won’t seriously ramp up activity there until 2009.

Pioneer Natural Resources is just finishing the major development of its offshore Oooguruk project. By early 2008 it will be producing oil, making it the first independent-operated oil field on the North Slope. Other companies have exploration plans for the next two years, which is good news for Anchorage, the headquarters city for the state’s oil industry.

## 3 Growth Will Likely Slow in 2008 Anchorage forecast for 2008



<sup>1</sup> Preliminary estimate

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

### Construction is slowing

Although a record number of building cranes now grace the Anchorage skyline and the overall activity level at the end of 2007’s construction season remained near record highs, construction employment for the second time in more than a decade fell moderately.

Building valuation was also down by 25 percent for the first 11 months of 2007. Residential construction hit a 13-year low in 2007 and no rebound is expected in 2008. The U.S. Army Corps of Engineers will again put a long list of projects out to bid but those projects will be at reduced levels in 2008, and highway construction activity at best will stay close to current levels.

That said, it's important to remember that an extensive project inventory will sustain construction activity at above-average levels during 2008. Some of those ventures include the \$107 million Dena'ina Civic and Convention Center, two new office towers in Midtown Anchorage and the University of Alaska Anchorage's \$67 million Integrated Science Building. All four projects are slated to be completed in late 2008.

Other larger projects that will continue through 2008 will be a \$50 to \$60 million Veterans Affairs' clinic, \$116 million Anchorage Museum expansion, \$207 million renovation of Concourse B at Ted Steven International Airport, the Clark Middle School replacement, along with a number of new retail stores, including two Target stores and at least one Wal-Mart.

Yet, even with Anchorage's above-average construction activity, it appears construction employment will continue to slide in 2008.

### Transportation should remain solid

Another good visitor season and robust growth in the international air cargo arena should bode well for the transportation industry. The huge increase in cargo coming from China continues to push most of the cargo growth. The list of international cargo carriers just gets longer – in 2007, there were seven Chinese carriers, 12 other international carriers and 14 domestic cargo carriers maintaining international routes through Ted Stevens International Airport.

# Anchorage Wage and Salary Employment Forecast for 2008 **4**

	2006 Monthly Average	2007 Monthly Average <sup>1</sup>	Change 2006 to 2007	Percentage Change 2006 to 2007	Forecast		
					2008 Monthly Average	Change 2007 to 2008	Percentage Change 2007 to 2008
Total Nonfarm Wage and Salary <sup>2</sup>	148,800	149,700	900	0.6%	150,500	800	0.5%
Goods-Producing <sup>3</sup>	13,800	13,500	-300	-2.2%	13,100	-400	-3.1%
Service Providing <sup>4</sup>	135,000	136,200	1,200	0.9%	137,400	1,200	0.9%
Natural Resources and Mining	2,300	2,400	100	4.3%	2,500	100	4.0%
Oil and Gas Extraction	2,300	2,400	100	4.3%	2,500	100	4.0%
Construction	9,600	9,100	-500	-5.2%	8,600	-500	-5.8%
Manufacturing	1,900	2,000	100	5.3%	2,000	0	0.0%
Trade, Transportation and Utilities	33,600	33,900	300	0.9%	34,200	300	0.9%
Wholesale Trade	5,000	5,200	200	4.0%	5,200	0	0.0%
Retail Trade	17,300	17,400	100	0.6%	17,700	300	1.7%
Transportation, Warehousing and Utilities	11,300	11,300	0	0.0%	11,300	0	0.0%
Information	4,500	4,400	-100	-2.2%	4,400	0	0.0%
Financial Activities	9,300	9,300	0	0.0%	9,200	-100	-1.1%
Professional and Business Services	17,100	17,600	500	2.9%	17,900	300	1.7%
Educational <sup>5</sup> and Health Services	19,600	19,800	200	1.0%	20,200	400	2.0%
Leisure and Hospitality	15,300	15,500	200	1.3%	15,600	100	0.6%
Other Services	5,600	5,700	0	0.0%	5,800	100	1.7%
Government	30,000	30,000	0	0.0%	30,100	100	0.3%
Federal Government <sup>6</sup>	9,400	9,300	-100	-1.1%	9,200	-100	-1.1%
State Government <sup>7</sup>	9,900	10,100	200	2.0%	10,300	200	1.9%
Local Government <sup>8</sup>	10,700	10,600	-100	-0.9%	10,600	0	0.0%

<sup>1</sup> Preliminary estimates

<sup>2</sup> Excludes self-employed workers, fishermen, domestic workers, unpaid family workers and nonprofit volunteers.

<sup>3</sup> Goods-producing sectors include natural resources and mining, construction and manufacturing.

<sup>4</sup> Service-providing sectors include all others not listed as goods-producing sectors.

<sup>5</sup> Private education only

<sup>6</sup> Excludes uniformed military

<sup>7</sup> Includes the University of Alaska

<sup>8</sup> Includes public school systems

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Airport managers expect cargo activity to rise at least 5 percent a year.

The big international cargo employers, FedEx, UPS and Northwest Airlines continue to expand their operations. UPS just bumped up its plans to base 320 more of its pilots out of Anchorage. Although many of those pilots won't live in the Anchorage area, some in the industry estimate that 40 percent of locally based pilots buy homes locally. UPS is also building a flight simulator for pilot training in Anchorage – one of two in the nation.

### Professional and business services growth will slow

After two back-to-back strong growth years, gains in the wide-ranging professional and busi-

ness sector will moderate. The slowdown in construction will put a damper on employment in the architectural and engineering slice of the industry. Yet strong oil and mining industry activity will help offset some of those losses. Legal, accounting, computer and other professional-type services could continue to expand gradually with the rest of the economy.

### **Leisure and hospitality – new hotels come on line**

The basic ingredients for the continued expansion of Anchorage's leisure and hospitality industry are largely in place for 2008. A healthy national and international economy and a very weak U.S. dollar should keep domestic visitors closer to home and attract more visitors from overseas.

Although it's early in the season, there are some indications that bookings are up. Cruise ship capacity will probably change little, but the number of independent travelers is growing and that trend should continue. The Alaska Travel Industry Association is predicting a 2 percent to 3 percent increase in the numbers of visitors for 2008. Convention activity also looks positive, according to the Anchorage Convention & Visitors Bureau.

Last year leisure and hospitality employment grew by nearly 250. The industry includes accommodations, food services, arts, entertainment and recreation. Eighty-eight percent of the category's employment is in accommodations and food services. Two new hotels will open their doors in 2008 – the 169-room Embassy Suites in Midtown during the first quarter of 2008, and a 166-room hotel (the franchise isn't set yet) at Tudor Road and West International Airport Boulevard during the last quarter of 2008.

Food services, which represents more than half of all leisure and hospitality employment, will continue to expand, benefiting from both the healthy visitor industry and the voracious appetite local residents seem to have for new eateries. Food services employment has grown by 700 in the last five years; it now represents

7 percent of all wage and salary employment in Anchorage. Plans are in the works for at least two new larger restaurants in Anchorage and there will certainly be others.

### **Health care growth might slow**

Health care employment in 2007 grew by 300 – a far cry from the years when it was the city's No. 1 job machine. There were times when the health care industry generated nearly half of new jobs. Employment is forecasted to grow, but at a moderate pace.

Anchorage's second- and third-largest health care providers, the Alaska Native Tribal Health Consortium and Southcentral Foundation, grew very little in 2007; that trend won't change in 2008. Constraints on federal dollars and capacity are both factors.

Providence Alaska Medical Center, Anchorage's largest private-sector employer, grew by roughly 100 in 2007 and could repeat that growth in 2008. Modest gains will also come from medical clinics of all kinds, doctors and other health practitioners' offices, medical laboratories and other outpatient care providers.

### **A new retail boomlet will start in 2008**

After five years of little change in retail employment, 2008 will mark the beginning of a new retail expansion phase in Anchorage. Stores in the new 240,000-square-foot Glenn Square retail development in Mountain View began to open late 2007 and will continue to open in early 2008.

A partial list of the Glenn Square retailers includes Old Navy, Famous Footwear, Bed Bath & Beyond, Natural Pantry, Michaels and Petco. The mall represents 200 to 250 retail jobs. A 12-screen movie complex will be also opening there in the end of 2008.

Wal-Mart is now expanding its Eagle River store to become a supercenter and will add a new Wal-Mart supercenter and Sam's Club in Muldoon to open in late 2008 or early 2009. There may be others. The existing East Anchorage

Sam's Club will likely close when the new one opens. Wal-Mart supercenters typically employ a large work force. For example, Wal-Mart's Wasilla supercenter – currently the only one of its kind in the state – has roughly 500 employees, and that number could increase by 100 to 200 in 2008.

The largest retail development now under construction is Cook Inlet Regional Inc.'s \$100 million Tikahtnu Commons in Muldoon, anchored by Target. Target expects to open in October 2008. The center will also include Lowe's, Sports Authority, Best Buy, a movie theater and other stores, entertainment businesses and restaurants. Altogether, CIRI plans to have a total of 900,000 square feet of new space, making it the largest retail center in the state. CIRI estimates a work force of 600 by the winter of 2008-2009; that number could double by 2010.

Another Target store is proposed to open in late 2008 in South Anchorage. There are also plenty of substantive rumors of other retail developments. All said, by late 2008 or early 2009, there could be 1,000 new retail jobs in Anchorage.

### **The Army's return from Iraq will be a boost in 2008**

For the fifth year in a row, troop levels in Anchorage continued to trend upward. In 2007, the uniformed military count reached 12,200, the highest level since 1988. And those levels are expected to remain about the same during 2008.

The other big positive is the return of 3,500 soldiers from Fort Richardson's 4th Brigade Combat Team (Airborne), 25th Infantry Division. Deployed in October 2006, their return in November and December has resulted in a big plus for many businesses around the city.

### **Little changes in the public sector**

Overall public-sector employment will change little in 2008. Federal employment has fallen for four years and it could fall a bit again in 2008.

In light of oil revenue surpluses and growing University of Alaska Anchorage school enrollment, state government employment is forecasted to grow slightly. Local government will likely remain at current levels. The Anchorage School District's enrollment fell slightly in 2007, just as it's expected to do in 2008.



## **Growth to continue in 2008**

By Brigitta Windisch-Cole, Economist

Perpetual employment growth is rare for an economy, but Fairbanks has now experienced annual growth for 19 consecutive years. Growth, albeit small, most likely will continue in 2008. The forecast calls for an addition of 250 jobs or a growth rate of less than 1 percent. (See Exhibits 5 and 6.)

### **Construction is relatively solid**

The overall construction outlook in Fairbanks remains positive for 2008, although job counts may retreat a bit. While public-sector construction should perform well, commercial and residential building are expected to slow. The rapid expansion of commercial and residential real estate appears to be over.

### **Public-sector construction still going strong**

During the 2008 season public-sector construction will dominate and repeat its high-gear performance. Military-sponsored construction will remain the heavyweight. Foundations were laid last summer on Fort Wainwright for three family housing projects, totaling 200 units and costing \$117 million. Building will continue throughout 2008 and most of 2009. Bids will open in 2008 for a \$10 million company facility building and



\$20 million in new barracks. Pending authorization, a \$10 million child development center could be added.

A \$9 million project to renew, bundle and place utilities underground is also underway. Additional Fort Wainwright projects are on hold until a legal dispute over long-term preferential-bid awards can be resolved.

On Eielson Air Force Base, the finishing phases of a new physical fitness center and the renovation of the base chapel will be the largest construction projects. Upgrades to structures, aprons and taxiways are scheduled as well as a new phase of the base's utility upgrade project. In all, the 2008 Eielson projects total \$34 million.

The University of Alaska Fairbanks will begin construction of a \$105 million biology research center this summer. Several building upgrades and code corrections, which total \$9.2 million to \$10.6 million, are also scheduled.

State construction spending commitments should match last year's and range between \$145 million and \$150 million. That amount includes not only Fairbanks but rural construction in surrounding areas. Fairbanks' contractors often bid successfully on out-of-town projects.

Highway rehabilitation and renewal, interchanges, a substantial makeover of the Fairbanks International Airport terminal, rural airport upgrades and bridge projects should contribute to a busy season. Work will also continue on the state's \$28 million virology lab on the UAF campus.

At the local government level, the Fairbanks North Star Borough has many capital projects of varying size that will carry over from the 2007 season. Major new undertakings in 2008 will be the construction of a Fairbanks North Star Borough School District central kitchen, upgrades to Barnette Magnet School and the development of a multipurpose recreational park in the Tanana Lakes area.

### Commercial construction expected to slow

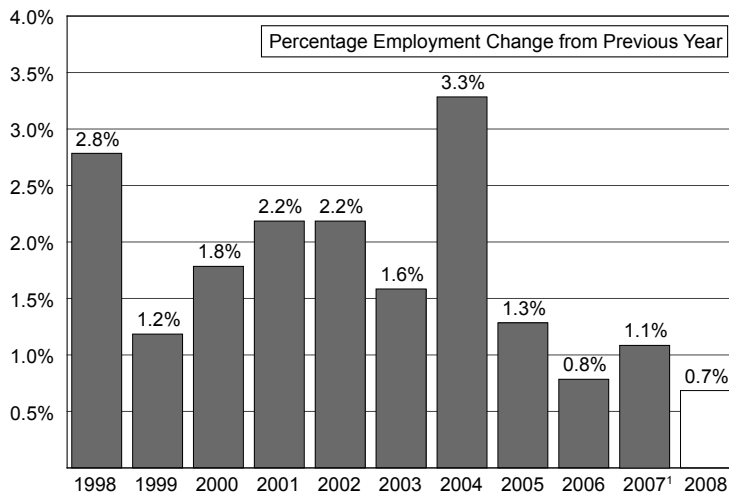
Commercial construction in 2008 will include a Wal-Mart expansion, Sam's Club remodel, new McDonald's and the demolition of the University Center Mall, including an old Safeway. A new Safeway and mini-mall that were built near the mall opened in late 2007.

A 114-room Holiday Inn Express hotel, bank and several warehouses will also be finished in 2008, and the \$12 million Morris Thompson Cultural and Visitors Center and \$20 million Boys and Girls Home project will enter their finishing phases. Additional commercial development in 2008 will center on Fairbanks' historical district, as downtown building renovation and upgrades are planned to support a beautification theme.

### Reduced action in residential construction

Uncertainties surrounding residential construction in Fairbanks are difficult to untangle. To a large degree, demand for housing in the borough is influenced by the military where two divergent population trends exist: Fort Wainwright is still building to its desired station strength, while Eielson Air Force Base is downsizing. The housing crunch is softening and it'll ease more when the military has replenished its on-base housing inventory. In all, slow growth can be

## 5 Another Year of Growth Fairbanks forecast for 2008



<sup>1</sup> Preliminary estimate

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

expected while the housing market gets closer to saturation.

# Fairbanks Wage and Salary Employment Forecast for 2008 **6**

## More growth for leisure and hospitality

Hotel room revenues increased by an average of 10 percent from 2002 to 2006 and strong growth continued in 2007. Through September 2007, revenue was up 7.5 percent over the same period in 2006. Industry growth, which has been nearly perennial, should extend to 2008.

The dollar's low exchange rate should not only attract foreign visitors but also entice more Americans to travel domestically. Moreover, the growing number of retiring U.S. baby boomers should stimulate travel to Alaska and Fairbanks, popular tourist destinations.

Growth in hotel and restaurant employment is expected when the Holiday Inn Express, McDonald's and other restaurants open. The possible 2008 deployment of a Fort Wainwright Stryker Brigade, however, would affect restaurant business.

## Trade, transportation and utilities – a mixed bag

The 2008 forecast calls for employment growth in trade, transportation and utilities, driven by increases in retail trade and utilities. Transportation should be stable. Most expected job gains in retail stem from store expansions and renovations rather than from new businesses. For example, as mentioned earlier, both Safeway and Wal-Mart are expanding their stores.

Utility employment in Fairbanks will grow because the Army has privatized the post's support function. A \$3.9 billion and 50-year service contract for water, sewer, heat and electricity was awarded in October to the newly formed Doyon Utilities LLC, which is owned jointly by Fairbanks Water and Sewer Inc. and Doyon Properties Inc. The contract that extends to 2058 will provide services to Fort Wainwright, Fort Greely in Delta Junction and Fort Richardson in Anchorage.

## Modest growth for health care

No dramatic changes to health care or social services employment are foreseen, although some growth is expected. A few new providers may settle in Fairbanks but industry consolidation could also occur. Some of the recent years'

	2006 Monthly Average	2007 Monthly Average <sup>1</sup>	Change 2006 to 2007	Percentage Change 2006 to 2007	Forecast		
					2008 Monthly Average	Change 2007 to 2008	Percentage Change 2007 to 2008
Total Nonfarm Wage and Salary <sup>2</sup>	38,000	38,400	400	1.1%	38,650	250	0.7%
Goods-Producing <sup>3</sup>	4,400	4,300	-100	-2.3%	4,200	-100	-2.3%
Service-Providing <sup>2</sup>	33,600	34,100	500	1.5%	34,450	350	1.0%
Natural Resources and Mining	1,000	1,000	0	0.0%	950	-50	-5.0%
Construction	2,800	2,700	-100	-3.6%	2,650	-50	-1.9%
Manufacturing	600	600	0	0.0%	600	0	0.0%
Trade, Transportation and Utilities	7,700	7,900	200	2.6%	8,050	150	1.9%
Wholesale Trade	700	800	100	14.3%	800	0	0.0%
Retail Trade	4,600	4,600	0	0.0%	4,700	100	2.2%
Transportation, Warehousing and Utilities	2,400	2,500	100	4.2%	2,550	50	2.0%
Information	600	500	-100	-16.7%	500	0	0.0%
Financial Activities	1,600	1,600	0	0.0%	1,600	0	0.0%
Professional and Business Services	2,200	2,400	200	9.1%	2,450	50	2.1%
Educational <sup>5</sup> Health Services	4,300	4,300	0	0.0%	4,350	50	1.2%
Leisure and Hospitality	4,100	4,300	200	4.9%	4,400	100	2.3%
Other Services	1,400	1,300	-100	-7.1%	1,300	0	0.0%
Government	11,700	11,800	100	0.9%	11,800	0	0.0%
Federal Government <sup>6</sup>	3,400	3,500	100	2.9%	3,400	-100	-2.9%
State Government <sup>7</sup>	5,200	5,200	0	0.0%	5,300	50	1.0%
Local Government <sup>8</sup>	3,100	3,100	0	0.0%	3,150	50	1.6%

<sup>1</sup> Preliminary estimates

<sup>2</sup> Excludes self-employed workers, fishermen, domestic workers, unpaid family workers and nonprofit volunteers.

<sup>3</sup> Goods-producing sectors include natural resources and mining, construction and manufacturing.

<sup>4</sup> Service-providing sectors include all others not listed as goods-producing sectors.

<sup>5</sup> Private education only

<sup>6</sup> Excludes uniformed military

<sup>7</sup> Includes the University of Alaska

<sup>8</sup> Includes public school systems

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

weak growth in health care and social services can be attributed to one employer, Tanana Chiefs Conference. Due to reduced funding, the Native health care and social services provider had to cut its staff levels by 23 percent between 2004 and 2006. Since then the organization's employment has stabilized.

### **Offsetting trends in financial activities**

Little change is expected in the financial activities sector, which consists of financial institutions, insurance agencies, real estate offices, and rental and leasing businesses. Financial institutions and rental businesses experienced growth in 2006 and 2007 due to expansion, but real estate shed jobs in 2007.

Housing sales were up just 2.6 percent for the first nine months of 2007, compared to the same period in 2006. That's a big drop-off from the 16.6 percent growth over the same months in 2005 and 2006. Although average housing prices are still holding strong, during the third quarter of 2007, the apartment vacancy rate rose to 11.9 percent, more than double what it was for the same quarter in 2006. That may indicate a cooling trend in the housing market.

### **Small declines in natural resource employment**

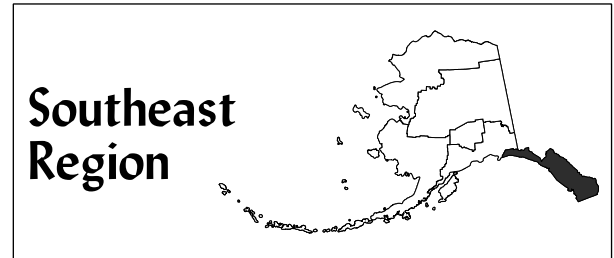
Both mining and oil industry employment could soften a bit because Fairbanks' 11-year-old Fort Knox gold mine has surpassed its peak employment level and the local oil support industry that contracts with the pipeline company has cut back a bit.

Alyeska Pipeline Service Company is in the middle of a major reconfiguration project. The company has switched over Pump Station 9 near Delta Junction to new equipment and has now shifted its focus to Pump Station 3 on the north side of the Brooks Range. The pump stations are the first two of four being overhauled.

### **No net change for government**

Public-sector employment will be flat. Losses in federal employment will be offset by small gains

in state and local government. On the federal level budget woes and privatization will reduce job counts. Both state and local governments will grow slightly in education-related employment, but only enough to offset the federal job loss.



## **Very modest growth to continue in Southeast**

By Alyssa Shanks, Economist

Southeast may be finding a rhythm. Over the last decade the region has added 1,750 wage and salary jobs, but the growth has been unsteady with almost as many down years as up. The trend has been smoother in recent years, though, with 2007 marking the third straight year of growth. A fourth year is forecasted for 2008 and although the gains will be small, the move toward consistent growth is noteworthy.

The region is expected to add 200 jobs in 2008, which equates to 0.5 percent growth. (See Exhibit 7.) That's just a small increase from the 10-year average annual growth rate of 0.3 percent, but the real news would be a fourth consecutive year of growth after several years of unsteadiness.

### **Government is the biggest employer**

Government is easily the largest employer in Southeast, providing 36 percent of the region's jobs in 2007. Government employment fell by 200 in 2007 and has grown by only a few hundred jobs over the last decade.<sup>1</sup> Juneau has the largest slice of the region's government jobs – about 56 percent – but government employ-

<sup>1</sup> Certain federally recognized tribal entities were moved from the private sector to local government in 2001, making precise comparisons difficult. See the April 2002 *Trends* for a detailed explanation.

ment is still an important source of employment throughout the region.

The 2008 forecast is for a decline of 100 jobs, all in federal government. (See Exhibit 8.) Federal jobs have fallen by 250 since 2004, with the heaviest losses coming from the departments of Agriculture and Interior, which run the Forest Service and National Park Service, respectively.

State government employment, which includes the University of Alaska Southeast, has been relatively stable over the last decade, but fell by 100 jobs in 2007. Employment levels are expected to remain constant in 2008.

Local government jobs – including those in the public school system – have increased by only 100 since 2001. In general, local government budgets are tight and schools have seen few increases in enrollment. As a result, little change in the largest slice of government employment is forecasted for 2008.

## Tourism growth continues

Tourism is one of a handful of core economic drivers in Southeast. It creates both direct and indirect jobs throughout the economy in a variety of categories. Final numbers for 2007 visitors to Southeast aren't yet available, but in 2006 more than a million people visited the region.

Growth has slowed in recent years as dock space and other facilities have approached capacity. Visitor growth in 2006 was 1 percent and similar growth is expected when the final 2007 numbers are compiled. A weak dollar will continue to encourage both international and U.S. travelers to vacation in Alaska and other U.S. destinations. A weakening U.S. economy, on the other hand, could limit 2008 growth.

Tourism growth generally means more jobs in the leisure and hospitality sector. Hotels, lodges, restaurants and bars are counted there, along with museums and historical sites.

In Southeast, however, the connection between tourism and leisure and hospitality jobs is noticeably weaker, because nearly all tourist traffic

comes from cruise ships. Despite consistent growth in visitors, leisure and hospitality jobs were at a slightly lower level in 2007 than they were in 2001.<sup>2</sup> Slight job growth is expected in 2008.

The more direct beneficiaries of growing tourism in Southeast are small employment categories such as scenic and sightseeing transportation, which added roughly 200 jobs from 2001 to 2006,<sup>3</sup> and jewelry and gift stores, which added about 70 jobs in the same period.<sup>4</sup>

## Fishing impacts the health of Southeast

One of Southeast's most important economic drivers is fishing. Fishing jobs themselves aren't captured directly in wage and salary job counts,<sup>5</sup> but the health of the industry influences the region's overall economic health.

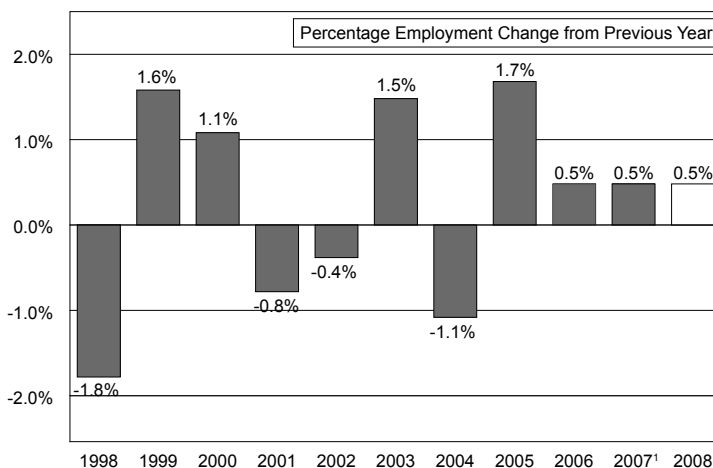
<sup>2</sup> Meaningful comparisons to years prior to 2001 are difficult due to a new employment classification system that was implemented in 2001. See the July 2002 *Trends* for more information.

<sup>3</sup> The year 2001 is most recent year for which detailed data are available.

<sup>4</sup> All job counts reported are annualized. Annualized job counts are the yearly average of each month's total wage and salary employment. Employment during peak months may be larger than annualized employment. For example, scenic and sightseeing employment in 2006 was nearly 1,600 in July compared to just 250 in January, an 84 percent difference.

<sup>5</sup> Wage and salary jobs exclude fishermen, self-employed workers, domestic workers, unpaid family workers, nonprofit volunteers and other jobs not covered by state unemployment insurance.

## Small Gains to Continue in 2008 Southeast employment growth, 1999 to 2008



<sup>1</sup> Preliminary estimate

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section



# Southeast Wage and Salary Employment Forecast for 2008

## Forecast

	2006 Monthly Average	2007 Monthly Average <sup>1</sup>	Change 2006 to 2007	Percentage Change 2006 to 2007	2008 Monthly Average	Change 2007 to 2008	Percentage Change 2007 to 2008
Total Nonfarm <sup>2</sup>	36,850	37,050	200	0.5%	37,250	200	0.5%
Goods Producing <sup>3</sup>	4,150	4,150	0	0.0%	4,250	100	2.4%
Services Providing <sup>4</sup>	32,700	32,850	150	0.5%	32,950	100	0.3%
Natural Resources Mining	700	650	-50	-7.1%	750	100	15.4%
Construction	1,600	1,650	50	3.1%	1,650	0	0.0%
Manufacturing	1,850	1,850	0	0.0%	1,850	0	0.0%
Seafood Processing	1,500	1,500	0	0.0%	1,500	0	0.0%
Trade, Transportation and Utilities	7,450	7,600	150	2.0%	7,750	150	2.0%
Retail Trade	4,600	4,750	150	3.3%	4,850	100	2.1%
Information	600	600	0	0.0%	600	0	0.0%
Financial Activities	1,300	1,300	0	0.0%	1,300	0	0.0%
Professional and Business Services	1,350	1,400	50	3.7%	1,350	-50	-3.6%
Educational <sup>5</sup> and Health Services	3,700	3,800	100	2.7%	3,850	50	1.3%
Leisure and Hospitality	3,600	3,700	100	2.8%	3,750	50	1.4%
Other Services	1,200	1,150	-50	-4.2%	1,150	0	0.0%
Government	13,500	13,300	-200	-1.5%	13,200	-100	-0.8%
Federal Government <sup>6</sup>	1,900	1,800	-100	-5.3%	1,700	-100	-5.6%
State Government <sup>7</sup>	5,550	5,450	-100	-1.8%	5,450	0	0.0%
Local Government <sup>8</sup>	6,050	6,050	0	0.0%	6,050	0	0.0%

<sup>1</sup> Preliminary estimates

<sup>2</sup> Excludes self-employed workers, fishermen, domestic workers, unpaid family workers and nonprofit volunteers.

<sup>3</sup> Goods-producing sectors include natural resources and mining, construction and manufacturing.

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Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Since hitting a low point in 2002, fisheries data have shown steady improvement. The final ex-vessel value<sup>6</sup> for the 2006 Southeast salmon harvest was \$103 million, while four years earlier in 2002 the harvest was valued at less than half that amount. On the other hand, the 2006 value is still significantly below the values from the 1980s and 1990s, and competition from farmed salmon remains a factor.

Ties between commercial fish harvests and seafood processing employment are important but loose, and variations in ex-vessel value or pounds harvested don't necessarily create proportional changes in seafood processing employment. Seafood processing since 2003 has maintained a consistent level of annualized employment, and is expected to hold steady in 2008.

<sup>6</sup> The ex-vessel value is the dockside value of fish and shellfish sold by fishing vessels.

## Mining looks bright, but little growth in timber

Employment gains in mining have been modest over the last decade but stronger growth is expected in 2008. Construction is complete at the Kensington mine north of Juneau; assuming a tailings dispute is resolved, the mine's job count is expected to climb to 200. Annualized growth is forecasted to be smaller, however, because the mine is unlikely to open early in the year.

Logging and wood-product manufacturing have both steadily declined for decades. In 2006 they provided less than 400 jobs, a small fraction of historical levels.

Wood-product manufacturing got a small boost when a veneer mill opened in Ketchikan in September 2007, but logging and wood-product manufacturing are unlikely to grow in 2008.

## Marginal downstream growth

The relative stability of government combined with healthier fisheries and growth in tourism and mining will promote general stability, or in some cases modest growth, to downstream industries in 2008. Retail trade, for example, is expected to add 100 jobs. That follows a strong 2007 when Home Depot and Wal-Mart opened Juneau stores and Fred Meyer completed a major expansion.

Other industries such as construction have been stable in recent years and are expected to hold fast at 2007 levels. Overall, modest growth is expected to continue in the region as 2008 unfolds.