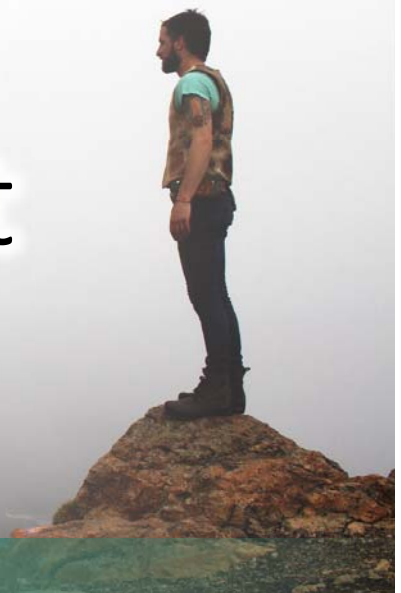


Economic Forecast for 2014



By CAROLINE SCHULTZ, NEAL FRIED, ALYSSA SHANKS, and MALI ABRAHAMSON

Alaska's employment to grow by 0.4 percent this year

By CAROLINE SCHULTZ

Preliminary data show Alaska's job growth slowed to 0.5 percent in 2013, and the state is expected to add jobs at a rate of 0.4 percent this year. (See Exhibit 1.) That would make 2014 the fifth straight year of employment increases since the 2009 downturn, but the growth will be at a lower rate than the state's 10-year average.

Shrinking government employment is a major

Statewide



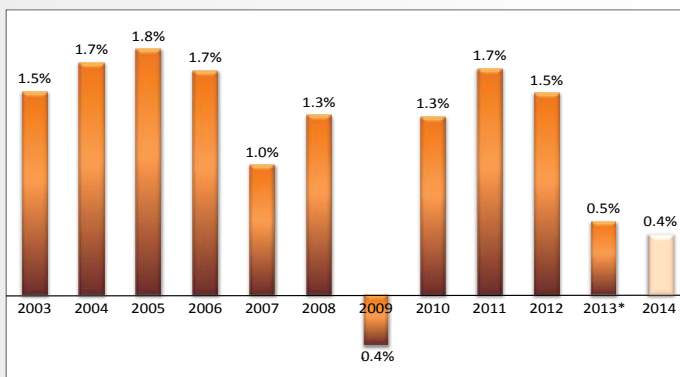
reason for this tempered forecast. Government has traditionally provided slow but steady job growth in Alaska, but several years of cuts — mainly federal — have put a damper on overall job growth.

Predicted declines in federal spending and oil revenue, foundationally important to Alaska's economy, make a conservative forecast necessary. An overall decline in employment is not likely, though, as industries with strong growth — such as health care, natural resource extraction, and leisure and hospitality — will likely compensate for losses elsewhere.

Relatively few economic drivers

Compared to most other states, Alaska relies on a small number of economic drivers — oil, federal government spending, fishing, tourism, and mining are the largest — and this lack of diversity can be a boon. The state avoided the worst of the recent recession because the demand for

1 More Modest Growth for Alaska Employment change, 2003 to 2014



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

2 Oil, Mining Growth to Offset Government Job Losses

Statewide employment forecast, 2013 and 2014

	2012 Monthly Average	2013 Monthly Average ¹	Change 2012 to 2013	Percent Change 2012 to 2013	2014 Monthly Average	Change 2013 to 2014	Percent Change 2013 to 2014
Total Nonfarm Employment ²	334,400	336,200	1,800	0.5%	337,700	1,500	0.4%
Total Private Employment	250,300	253,100	2,800	1.1%	255,500	2,400	0.9%
Natural Resources and Mining	17,000	17,700	700	4.1%	18,300	600	3.4%
Oil and Gas	13,700	14,200	500	3.6%	14,700	500	3.5%
Construction	16,400	16,300	-100	-0.6%	16,200	-100	-0.6%
Manufacturing	14,000	14,100	100	0.7%	14,200	100	0.7%
Wholesale Trade	6,300	6,600	300	4.8%	6,500	-100	-1.5%
Retail Trade	35,800	35,700	-100	-0.3%	35,900	200	0.6%
Transportation, Warehousing, and Utilities	21,800	21,800	0	0%	21,900	100	0.5%
Information	6,200	6,100	-100	-1.6%	6,000	-100	-1.6%
Financial Activities	12,300	12,400	100	0.8%	12,500	100	0.8%
Professional and Business Services	29,600	30,000	400	1.4%	30,400	400	1.3%
Educational ³ and Health Services	46,300	47,200	900	1.9%	47,900	700	1.5%
Health Care	32,900	33,500	600	1.8%	34,100	600	1.8%
Leisure and Hospitality	33,000	33,400	400	1.2%	33,800	400	1.2%
Other Services	11,600	11,800	200	1.7%	11,900	100	0.8%
Total Government	84,100	83,100	-1,000	-1.2%	82,200	-900	-1.1%
Federal ⁴	16,400	15,600	-800	-4.9%	15,000	-600	-3.8%
State ⁵	26,100	26,300	200	0.8%	26,300	0	0%
Local ⁶	41,600	41,200	-400	-1.0%	40,900	-300	-0.7%

¹Preliminary estimates

²Excludes the self-employed, fishermen and other agricultural workers, and private household workers. For estimates of fish harvesting employment and other fisheries data, go to labor.alaska.gov/research/seafood/seafood.htm.

³Private education only

⁴Excludes uniformed military

⁵Includes the University of Alaska. Variations in academic calendars from year to year occasionally create temporarily large over-the-year changes.

⁶Includes public school systems. Variations in academic calendars from year to year occasionally create temporarily large over-the-year changes.

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

oil, minerals, and fish stayed relatively high and Alaska didn't have the manufacturing or financial jobs that disappeared in large numbers elsewhere. Another thing the state didn't have was an overheated construction industry fueled by speculative home-buying.

But Alaska's lack of economic diversity also means that when one of its economic drivers veers off course, it has a more noticeable effect on the state's economic trajectory.

The 2014 employment forecast doesn't anticipate a worst-case scenario, but almost-certain declines in government spending will have a ripple effect through other industries as well as stifle public job growth.

Although federal spending will remain important to Alaska's economy, sequestration and increased scrutiny in Washington, D.C. have resulted in lower spending levels. The obvious result is the steep decline in federal employment that began in

3 Growth for Oil and Gas

Statewide, 2003 to 2014



*Preliminary

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

About these forecasts

Because of the ongoing revision process, the 2012 and 2013 employment numbers these forecasts use as base years are not necessarily the same as the employment numbers available on the Research and Analysis site, laborstats.alaska.gov, at any point in time.

Employment numbers go through several revisions before they are considered final. The first and largest revisions are early in the year, and those revised numbers are released in March. Economists had a portion of these updated data when creating the forecasts.

All job numbers in these forecasts are annual averages. In other words, they are the average job counts for 12 months and not an actual count for any specific month. Forecasts are modeled using previous years' trends and subjectively modified by analyst interpretation.

Economists base these forecasts on the assumption that what drives job demand in specific industries won't change dramatically, and don't include the possibility of catastrophic economic events. While it's unlikely these employment forecasts will be exact, they represent the mostly likely middle outcomes given these assumptions.

2011 and has accelerated since.

The federal government's reach extends far beyond civilian employment. The military is a massive player in Alaska's economy, and while these employment forecasts don't include active-duty soldiers, many civilian jobs are tied to the military.

Military-related construction is likely to take a hit in 2014, even without any cuts to active-duty personnel. Nonmilitary federal spending is also anticipated to fall this year as federal austerity measures ripple through departments.

Over much of the last decade, rising oil prices offset production declines and legislators passed large capital budgets. State-funded projects have mitigated some declines in federal construction spending, but new state revenue forecasts suggest belt-tightening will be in order. Unless oil prices are higher than anticipated, state capital and possibly operating budgets will be leaner.

Government job losses

Most of 2014's job losses will be in government, with an expected decrease of 900 jobs following a loss of 1,000 in 2013.

Of those 900 forecasted lost jobs, 600 are expected to be federal, and this is assuming agencies won't be forced to enact severe layoffs.

State government is expected to be flat in 2014 following a 2013 increase of 200 jobs driven mostly by the opening of the Goose Creek Correctional Center in the Matanuska-Susitna Borough.

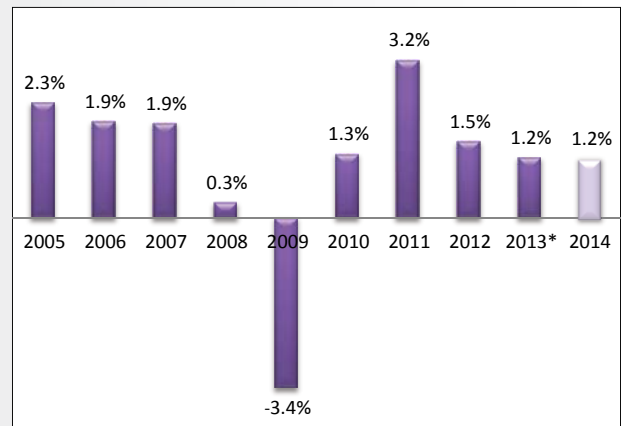
Local government employment fell further than expected in 2013, largely due to cutbacks in the Municipality of Anchorage and the Anchorage School District. This trend is expected to continue in 2014. Although some districts and city governments are expected to grow in 2014, reductions in Anchorage and other larger communities will likely overwhelm any growth. Some city governments may already feel the pinch of reduced state and federal funding, but others may reduce payrolls in anticipation of future revenue shortfalls.

Though these public sector losses will put a damper on job growth, they'll be neutralized by modest gains in private industries.

Health care to grow, but slower

Alaska's health care industry has been on an unparalleled growth streak over the past decade, adding nearly 10,000 jobs since 2003. Although the industry has added jobs at a slightly slower

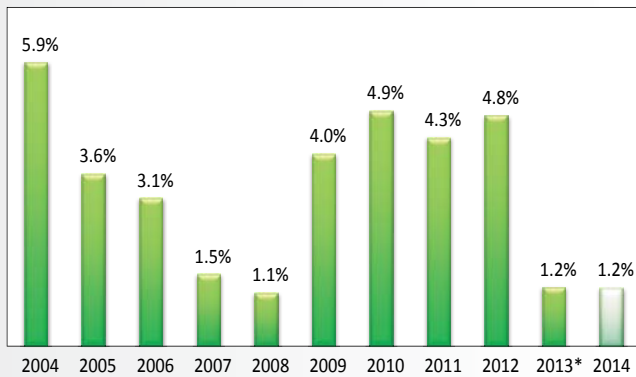
5 Eateries, Lodging to Grow 1.2% Statewide, 2005 to 2014



*Preliminary

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

4 Health Care Growth Slows Statewide, 2004 to 2014



*Preliminary

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

rate in recent years, the growth trend will likely continue this year with a forecast of 600 new jobs.

As a young state, Alaska has historically been underserved in health care, especially outside the Anchorage area. Many specialized services are still not available in Alaska's larger communities, and in some ways, Alaska is still playing catch-up to the rest of the country.

Increased insurance coverage as a result of the Affordable Care Act could increase demand for health care among some populations. The state's changing demographics also play a role in increasing health care demand. Alaska's population has always been young, but the population of those 65 and over is growing quickly and is anticipated to increase by more than 20,000 between 2010 and 2015.

Social assistance has also expanded throughout the decade, and despite pressure from government funding cuts, it is forecasted to grow slightly in 2014.

Energy, mining to remain strong

Mining and oil and gas have been a strong source of new jobs since 2010, and this growth is forecasted to continue in 2014. Though not quite at their recent peaks, oil and mineral prices have remained relatively high, which will encourage development.

Oil industry employment is expected to drive most of the growth in the larger category this year, with an increase of about 500 jobs. Oil companies have announced plans to increase activity in the near future following a change in Alaska's oil taxes, though most of those efforts wouldn't show up in job numbers this year.

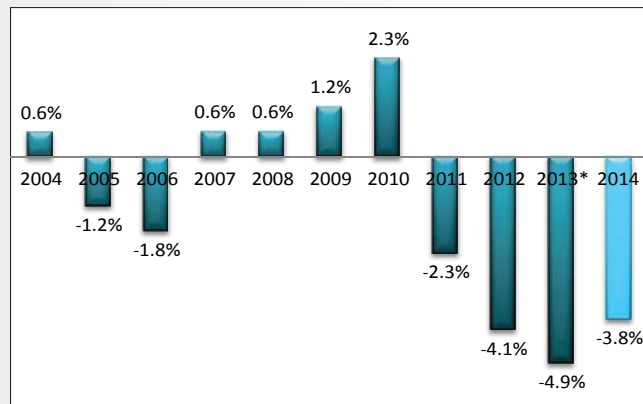
The mining industry is expected to add jobs as well, but at a slower rate than in previous years. No new mines will open in 2014, and some current projects face challenges. Nixon Fork mine operations have ceased, and Anglo American has withdrawn as a shareholder in the Pebble project. Despite these setbacks, the industry is expected to grow slightly this year.

Leisure, hospitality to grow

The majority of Alaska's leisure and hospitality jobs are in food services and drinking establishments, and Alaskans and visitors appear to be going out more frequently. The balance of jobs is in accommodations and the arts, entertainment, and recreation industries, which are also expected to grow modestly.

Continued on page 19

6 A Fourth Year of Federal Declines Statewide, 2004 to 2014



*Preliminary

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

Mixed outlook for Anchorage to produce slight growth

By NEAL FRIED

Anchorage's employment grew by less than 1 percent in 2013 — and with the city's economic fundamentals unlikely to change much in the near future, that's the forecast for this year as well.

The plus side of the ledger includes a robust oil industry, buoyed by continued high oil prices, and an ever-expanding visitor industry. After a long dry spell, retail is forecasted to grow somewhat in 2014, and health care is expected to continue its long contribution to new Anchorage jobs, though at a slower rate. The biggest losses are expected in government, and particularly in federal jobs.



Anchorage

Decline for government jobs

Federal losses were steep last year at about 400 jobs in Anchorage, a trend that's likely to continue into 2014. The assumption is the federal government will spend less money in Alaska again next year and possibly into the foreseeable future. With federal spending driving about a third of the state's

economy, this is a meaningful shift.

At the state government level, which includes the University of Alaska Anchorage, employment could fall slightly in 2014. Slightly lower oil prices in recent months and production declines have put pressure on state budgets, but Alaska is in the enviable position of having billions of dollars in its two rainy-day funds, the Constitutional Budget Reserve and the Statutory Budget Reserve.

Most of that money was put away when oil prices were high and the state had large budget surpluses, but withdrawals will be necessary to balance the budget in the short term and that will restrain spending.

Employment in local government fell by 400 in 2013 and additional declines are forecasted for 2014, a continuance of four years of downsizing for the Municipality of Anchorage's workforce. Local government's largest employer, the Anchorage School District, took a relatively big hit in 2013 when it lost approximately 500 jobs, and because of tighter budgets and falling enrollment, more losses are anticipated in 2014.

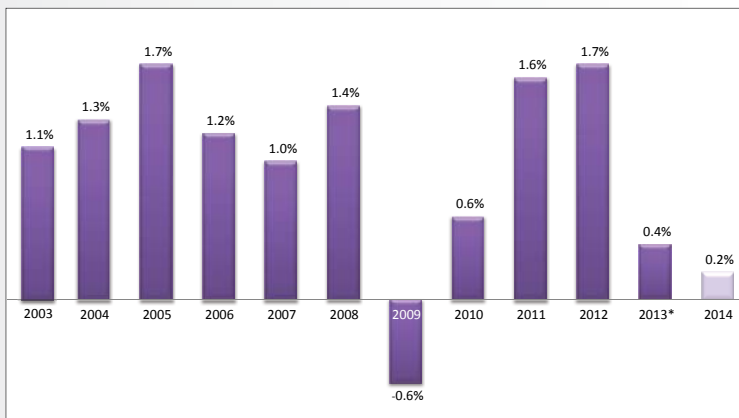
Oil production down, oil jobs up

Besides government declines, the other possible downside for the Anchorage economy is the price of oil, which has become a more critical point as production continues to fall. Any significant drop in oil prices could cause work in the oil patch to fall off quickly and put a bigger dent in state revenues.

Although production is down, the North Slope has continued to expand its record-size workforce over the past six years and that's been good for Anchorage, the state's oil industry headquarters.

BP Alaska and ConocoPhillips plan to sustain their current levels of staff and activity in 2014, with a possible bump-up in work. ExxonMobil's Point Thompson project that began in 2013 and generated considerable employment will continue in 2014, including the construction of a 22-mile pipeline that

1 Minor Job Growth for Anchorage 2003 to 2014*



*Preliminary
Source: Alaska Department of Labor and Workforce Development

2 Losses in Government Offset by Other Industries

Anchorage employment forecast, 2013 and 2014

	2012 Monthly Average	2013 Monthly Average ¹	Change 2012 to 2013	Percent Change 2012 to 2013	2014 Monthly Average	Change 2013 to 2014	Percent Change 2013 to 2014
Total Nonfarm Employment ²	157,200	157,700	500	0.3%	158,000	300	0.2%
Natural Resources and Mining	3,400	3,500	100	2.9%	3,600	100	2.8%
Oil and Gas	3,300	3,400	100	3.0%	3,400	—	—
Construction	8,400	8,400	—	0%	8,400	—	0%
Manufacturing	2,300	2,300	—	0%	2,300	—	0%
Wholesale Trade	4,600	4,800	200	4.3%	4,800	—	0%
Retail Trade	17,100	17,000	-100	-0.6%	17,300	300	1.7%
Transportation, Warehousing, and Utilities	11,300	11,100	-200	-1.8%	11,000	-100	-0.9%
Information	3,900	3,800	-100	-2.6%	3,800	—	0%
Financial Activities	7,800	7,800	—	0%	7,800	—	0%
Professional and Business Services	20,400	20,900	500	4.5%	21,200	300	1.4%
Educational ³ and Health Services	24,600	25,100	500	2.5%	25,400	300	1.2%
Health Care	18,000	18,200	200	1.1%	18,500	300	1.6%
Leisure and Hospitality	16,900	17,100	200	1.2%	17,300	200	1.2%
Other Services	5,800	6,000	200	3.4%	6,100	100	1.6%
Total Government	30,700	29,900	-800	-2.6%	29,000	-900	—
Federal ⁴	9,100	8,700	-400	-4.4%	8,400	-300	-3.6%
State ⁵	10,700	10,800	100	0.9%	10,500	-300	-2.9%
Local ⁶	10,800	10,400	-400	-3.7%	10,100	-300	-3.0%

¹Preliminary estimates

²Excludes the self-employed, fishermen and other agricultural workers, and private household workers. For estimates of fish harvesting employment and other fisheries data, go to labor.alaska.gov/research/seafood/seafood.htm.

³Private education only

⁴Excludes uniformed military

⁵Includes the University of Alaska. Variations in academic calendars from year to year occasionally create temporarily large over-the-year changes.

⁶Includes public school systems. Variations in academic calendars from year to year occasionally create temporarily large over-the-year changes.

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

will connect to the Trans-Alaska Pipeline System. Royal Dutch Shell recently announced plans to resume drilling in the Chukchi Sea, possibly as early as 2014.

Stability for construction

Building permit valuation in Anchorage was up by \$169 million, or 40 percent, for the first 11 months of 2013 — the highest since 2007.

Construction employment was flat in 2013 and is expected to hold steady in 2014. Three new sizable office buildings will go up this year, and buildings with construction that will continue in 2014 include a retail-outlet shopping center and some smaller stores, two large parking garages, the new University of Alaska Anchorage Sports Arena, the new UAA Engineering and Industrial building, and one or two hotels.

Highway construction is forecasted to remain high in 2014, even at the federal level, as the U.S. Army Corps of Engineers has revised its numbers upward for 2014.

Residential construction could pick up somewhat after a number of lackluster years. Low interest rates and a very small housing inventory on the market could prompt more home construction.

Modest growth for health care

Health care has generated the largest number of new jobs in Anchorage for many years. Between 2002 and 2012, health care employment grew by nearly 6,800, or just shy of 5 percent per year, versus 1 percent for overall employment.

Growth in 2013 was more modest, adding approximately 200 jobs, or 1 percent. A decline in federal

spending could affect these numbers for 2014. A possible offset would be the implementation of the Affordable Care Act, which some predict would increase the demand for health services.

New players for retail

After a decade of little change in retail employment, Anchorage could see some growth in 2014 — but that comes with a cautionary note because of past employment trends in this industry. Anchorage retail employment has barely budged over the past decade despite construction of the city's largest shopping center and major expansions of existing retailers. However, a slew of new large retailers could give this industry a boost this year, assuming existing stores don't cut back or close their doors, which is always possible in retail.

Some of the new players opening in 2014 include Cabella's, Bass Pro Shop, a new and much larger Natural Pantry, a Three Bears, and an expanded Fred Meyer. A new Walmart opened in Anchorage in fall of 2013, so most of its new jobs will be counted in 2014. The number of new jobs from these stores alone could add up to 700-900, but the net gain, if there is any, will likely be smaller as existing retailers react to the new competition.

Professional and business services

Professional and business services is a tough industry to forecast because it has so many components with little relation to each other — law firms, engineering firms, employment services, tech support, janitorial businesses, and refuse companies are grouped together. However, this sector generated more jobs in Anchorage than any other in 2013, and healthy levels of oil and construction plus an overall

forecast for some growth should translate into another positive year.

Tourism expected to do well

Bars and restaurants represent two-thirds of Anchorage's leisure and hospitality employment, with hotels representing another fifth and the balance in entertainment. Most of this sector, which includes tourism, counts on local consumption as well as visitor spending.

Tourism is important to Anchorage, however, and it's expected to fare well in 2014. Bed taxes were up 4 percent through the first three quarters of 2013 and are forecasted to grow another 5 percent in 2014. The Anchorage Visitor and Convention Bureau also predicts another good year for the broader industry.

One new hotel will open in late 2014 and at least half a dozen new eating and drinking places have announced they will open soon. Some of these include Hard Rock Café, Texas Roadhouse, Chili's, The Fat Ptarmigan, three Krispy Kreme stores, and Turnagain Arm Pit BBQ.

Financial industry stays positive

Continued low interest rates and a robust stock market — as well as a healthy real estate market and business climate — should keep Anchorage banks, insurance companies, credit unions, and other financial companies in relatively good shape this year.

Home sales in Anchorage were up 15 percent during the first half of 2013 despite flat residential construction. If construction picks up this year, it will give this industry an additional boost.

Some growth for Fairbanks after 1 percent loss in 2013

By ALYSSA SHANKS

Several years of relatively stable job growth in Fairbanks was interrupted in 2013 as the borough's employment declined by 1 percent, driven primarily by job losses in construction and federal government. (See exhibits 1 and 2.)

The employment outlook for 2014 is a bit more promising, with forecasted growth of 0.5 percent, though it wouldn't be quite enough to regain last year's losses.



stores, though those businesses are a fairly small portion of retail employment. General merchandise stores such as Fred Meyer and Walmart make up nearly 30 percent of the industry, and stability in these larger stores led to steady employment for the industry overall in 2013.

With the end of the construction downturn and the addition of several new businesses, such as REI, Walgreen's, and Kay Jewelers, retail employment in Fairbanks is expected to hold steady this year.

Attrition in utilities

Utilities make up approximately 17 percent of the transportation, warehousing, and utilities sector in the Fairbanks North Star Borough. While transportation and warehousing have been a source of stable employment for years, Fairbanks' power companies have lost jobs.

This highly automated utilities sector has not undergone major changes, but has steadily lost employees over the last two years through attrition, or not replacing employees who retire. However, the job losses through the end of 2013 were large enough that additional losses in 2014 are unlikely.

Construction lost ground in 2013

Fairbanks' construction industry had a difficult year in 2013, losing 100 jobs despite visible construction projects around the borough. The main cause was a switch from mostly vertical construction — houses and other buildings — to horizontal construction projects, or the building of roads, highways, and bridges. Horizontal construction requires more heavy equipment and fewer workers.

New structures of all types were down significantly from 2012 to 2013, according to the Fairbanks North Star Borough. This led to a decline in construction jobs, particularly specialty trade contractors, which include framing, glass and glazing, roofing, and siding contractors. (See Exhibit 3.) With no new large housing projects planned for 2014, employment in vertical construction is expected to remain at the same level as last year.

Overall, the construction industry is forecasted to grow somewhat in 2014, as six additional highway construction projects slated for the Parks Highway will increase employment in the heavy and civil engineering piece of the construction industry.

New stores, but few new jobs

Road construction disrupted shopping downtown last year and put pressure on some of the area's

1 Some Job Recovery Forecasted Fairbanks borough, 2003 to 2014



*Preliminary

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

2 Construction, Health Care Expected to Balance out Government Losses

Fairbanks North Star Borough employment forecast, 2013 and 2014

	2012 Monthly Average	2013 Monthly Average ¹	Change 2012 to 2013	Percentage Change 2012 to 2013	2014 Monthly Average	Change 2013 to 2014	Percentage Change 2013 to 2014
Total Nonfarm Employment ²	39,300	38,900	-400	-1.0%	39,100	200	0.5%
Natural Resources and Mining	1,500	1,500	0	0%	1,500	0	0%
Construction	2,600	2,500	-100	-3.8%	2,600	100	4.0%
Manufacturing	600	600	0	0%	600	0	0%
Trade, Transportation, and Utilities	7,900	7,800	-100	-1.3%	7,800	0	0%
Retail Trade	4,700	4,700	0	0%	4,700	0	0%
Transportation, Warehousing, and Utilities	2,500	2,400	-100	-4.0%	2,400	0	0%
Information	500	500	0	0%	500	0	0%
Financial Activities	1,400	1,400	0	0%	1,400	0	0%
Professional and Business Services	2,500	2,400	-100	-4.0%	2,400	0	0%
Educational ³ and Health Services	5,200	5,300	100	1.9%	5,400	100	1.9%
Health Care	3,800	3,900	100	2.6%	4,000	100	2.6%
Leisure and Hospitality	4,200	4,200	0	0%	4,200	0	0%
Other Services	1,200	1,200	0	0%	1,200	0	0%
Total Government	11,700	11,500	-200	-1.7%	11,500	0	0%
Federal ⁴	3,300	3,100	-200	-6.1%	3,000	-100	-3.2%
State ⁵	5,400	5,400	0	0%	5,400	0	0%
Local ⁶	3,000	3,000	0	0%	3,100	100	3.3%

¹Preliminary estimates

²Excludes the self-employed, fishermen and other agricultural workers, and private household workers. For estimates of fish harvesting employment and other fisheries data, go to labor.alaska.gov/research/seafood/seafood.htm.

³Private education only

⁴Excludes uniformed military

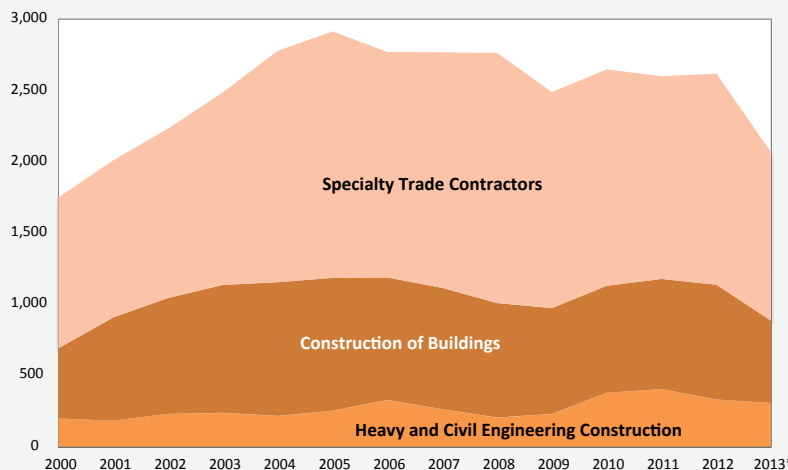
⁵Includes the University of Alaska. Variations in academic calendars from year to year occasionally create temporarily large over-the-year changes.

⁶Includes public school systems. Variations in academic calendars from year to year occasionally create temporarily large over-the-year changes.

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

3 Construction Jobs Took a Hit in 2013

Fairbanks North Star Borough, 2000 to 2013



*Preliminary

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

Financial sector remains low

The general slowdown of the Fairbanks economy in 2013 limited the need for new jobs in the financial sector. Individuals and businesses also seem to be sitting on their money instead of reinvesting, as shown by a decrease in the value of loans with an increase in account deposits.

The uncertainty during the first half of 2013 surrounding the possible movement of the F-16 Squadron from Eielson Air Force Base may have reduced the number of military families that might otherwise have purchased homes during the year. This uncertainty likely spilled over into other private industries and reduced investments on a broad scale.

With the F16s remaining in Fairbanks and no deployments scheduled for this year, this industry may see an increase in

the coming year, but it's unlikely to be enough to move the industry average by much.

Health care still growing

Health care has grown consistently for decades, gaining 100 jobs in 2013 and forecasted to produce another 100 in 2014. Hospital employment, which makes up 45 percent of all health care in the borough, has been stable since 2010 and will likely continue that trend. (See Exhibit 4.)

The vast majority of the growth has come from ambulatory, nursing, and residential care and will continue into 2014 as an aging population increases the demand, especially for nursing and residential care.

The pace of health care's growth has slowed with time, however, a trend that conflicts with the increasing need of an aging population and makes the industry's distant future uncertain. Whether the industry continues to grow after 2014 will depend somewhat on whether borough residents stay in the area as they get older.

Social services structure changes

Employment in private social services has been fairly stable for more than a decade in the Fairbanks area and will continue to be stable into 2014. (See Exhibit 4.)

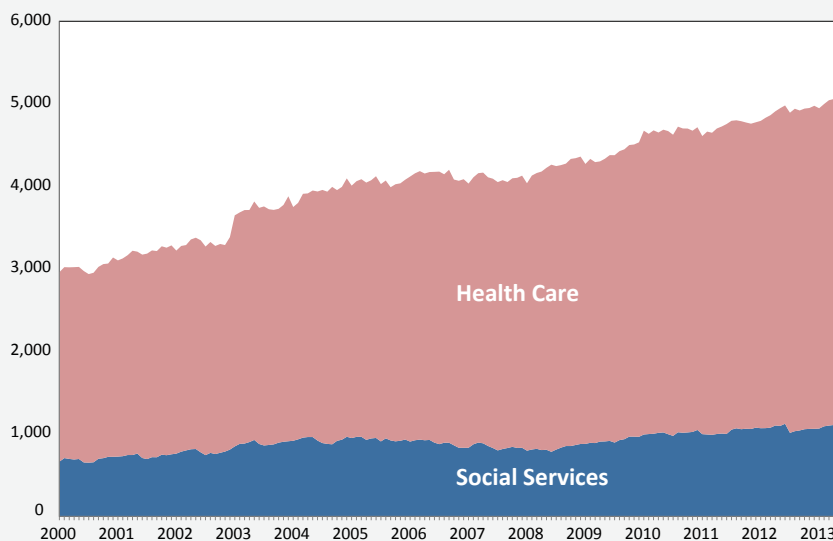
The makeup of support services jobs has changed, though, with strong growth in individual and family services, which makes up 34 percent of all social services, mostly offset by losses in child day care, vocational rehabilitation, and emergency relief.

More visitors, but not more jobs

Preliminary counts of borough visitors were up slightly in 2013, though bed tax receipts for the third quarter of 2013 were down 11 percent compared to 2012. These numbers seem contradictory, so it's likely the additional visitors were mostly day-visitors or visitors staying with area residents. There were no other increases elsewhere in the leisure and hospitality industry in 2013.

4 Health Care Grows, Social Services Steady

Fairbanks North Star Borough, 2000 to 2013



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

The 2013-2014 winter closure of the Princess Hotel will likely reduce employment in 2014, but it will be a boon to the remaining hotels hosting aurora borealis-viewing tourists this winter. Additional jobs from expected increased winter and summer tourism in 2014 would balance employment losses from the closure of the Princess Hotel.

Fewer federal job declines

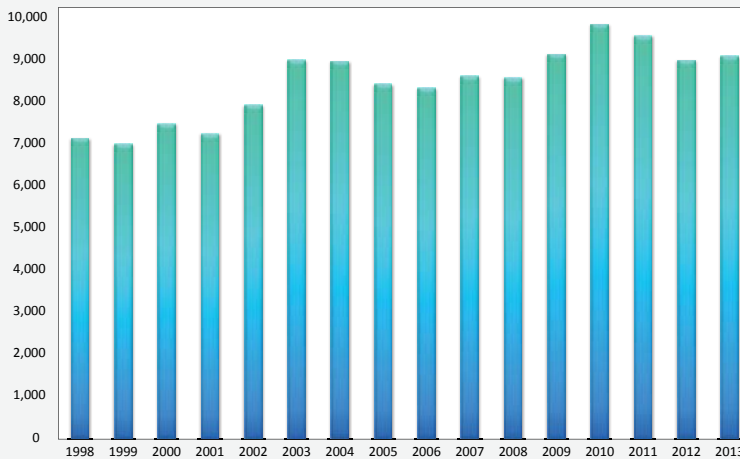
Federal employment has been declining through attrition and budget cuts since 2008, and fell by an additional 200 jobs in 2013. Due to the 400 jobs lost between 2008 and 2013, losses are likely to number just 100 in 2014.

When it comes to reducing payroll spending, the low-hanging fruit has already been plucked — additional declines in federal employment may have to start coming from layoffs instead of just retirements.

University enrollment inches up

Jobs at the University of Alaska Fairbanks remained stable in 2013 as enrollment increased slightly. Enrollment had declined each year since 2010 after a long-term upward trajectory, likely an after-effect of the recent national recession. (See Exhibit 5.)

5 Upward Bump for UAF Enrollment University of Alaska Fairbanks, 1998 to 2013



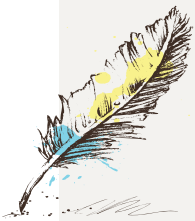
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

With increased enrollment and fairly stable university budgets, employment at the university as well as state government as a whole is unlikely to change in Fairbanks in 2014.

More kids will mean more jobs

Public education makes up nearly two-thirds of all local government employment in the Fairbanks North Star Borough, and schools will likely need more jobs this year. Enrollment went up last year, and fall increases in both employment and enrollment will carry over into 2014.

This growth will likely continue for several years due to increasing numbers of borough children entering their school-age years, prompting an increase in employment as well.



This month in Trends history

JANUARY 1966

Nineteen-sixty-five registered the greatest year-to-year workforce gains since statehood. Backed up by this substantial boost, the January workforce level topped all comparable months, in spite of the seasonal employment dip over the last 30 days.

Manufacturing, trade, finance, services, and state and local government segments reached employment heights never before recorded for this time of year. Correlating with this growth, personal income, at an adjusted annual rate, continued climbing and marked a 64 percent rise since 1958.

Alaska figured in the national military construction cutback announced recently, with the postponement of a \$15 million program. Several construction bid invitations issued by the U.S. Army Corps of Engineers have been canceled, with the Air Force taking the largest losses.

The value of total mineral production during the past year exceeded the 1964 level, due primarily to natural gas and crude oil output, as stated by the U.S. Bureau of Mines. In spite of a striking rise in gas production over December 1964, the yearly average was down, while oil production rose steadily but at a slower pace.

Alaska Economic Trends has been published in Alaska since 1961. Historical articles are available at labor.alaska.gov/trends as far back as 1978, and complete issues are available from 1994.

Modest growth for Southeast after slight loss last year

By MALI ABRAHAMSON

Southeast is forecasted to add about 100 jobs this year, for mild growth of 0.3 percent. Relatively small government job losses will mostly offset scattered private sector gains.

In the absence of any large foundational changes to the region's economy in 2014, three main factors are expected to influence 2014's numbers: 1) lack of population growth, 2) disproportionately retirement-age workers, and 3) piecemeal ongoing recovery in several private-sector industries.



Southeast

Government plays major role

Government is Southeast's biggest economic driver, providing 35 percent of jobs and 43 percent of wages, but federal and local jobs have fallen since 2010. Government jobs pay 40 percent more on average than the private sector and tend to be year-round, so those declines have a larger-than-average impact on the region's economy.

With the exception of 2010, when the temporary hiring of Census workers raised job numbers, federal government employment has been shrinking in

Southeast since 2004, primarily due to reductions in Forest Service jobs within the U.S. Department of Agriculture.

This differs from other parts of the state where the defense-related jobs play a more important role and where federal government numbers have been more affected by sequestration and tighter federal budgets. (See Exhibit 4.) Another difference is that Southeast's losses have been more gradual and long-term.

Southeast's economic strengths in 2014 will be fishing and tourism, while government and surprisingly health care will be weak spots. The mild growth will be a directional change from 2013, when Southeast lost jobs for the first time since 2009. (See Exhibit 1.)

Economy changed in the '90s

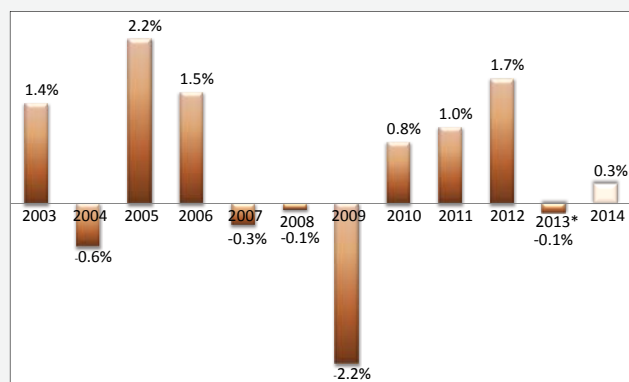
Between statehood and the early 1990s, Southeast added jobs at about 800 per year. In the last two decades, which included the declines of the timber and pulp industries and the population loss that followed, growth slowed to about 150 jobs a year on average. (See Exhibit 2.)

A shifting age structure

Two big questions for Southeast's future are how much of its growing retirement-age population will stay and who will replace them at work. The age group in their prime working years, ages 25 to 54, grew from 2009 to 2011, possibly related to the opening of Kensington Mine near Juneau, but that growth slowed in 2012. (See Exhibit 3.)

Overall, population projections are mostly flat through 2015 and show an increasingly older population, which means fewer workers.

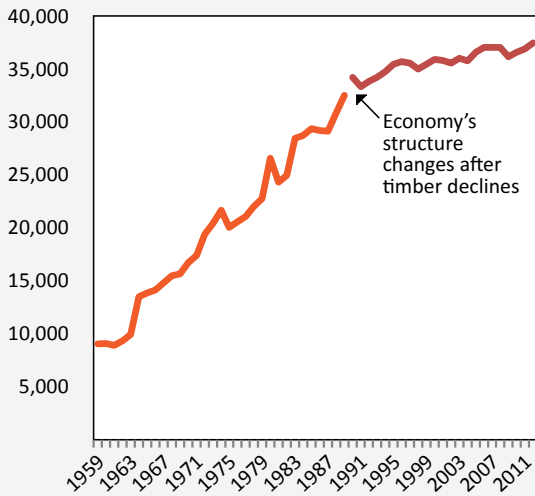
1 Modest Job Growth for 2014 Southeast Alaska, 2003 to 2014



*Preliminary

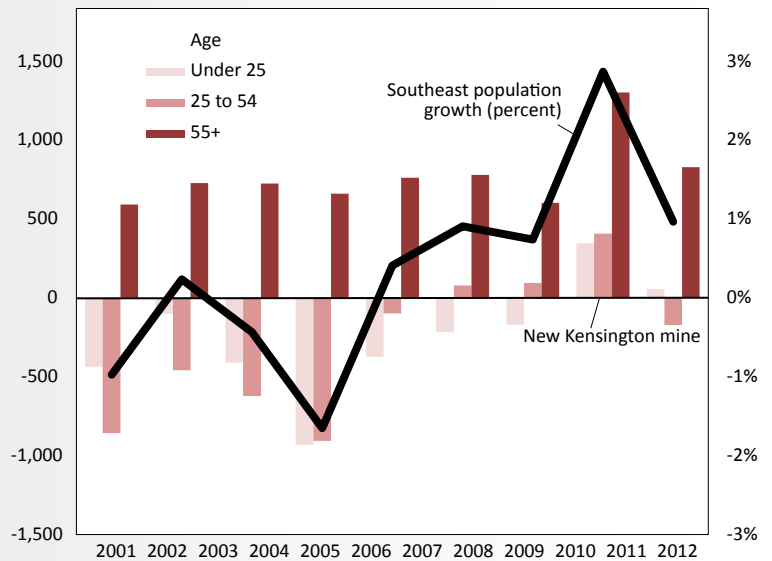
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

2 Historical Job Growth Southeast, 1959 to 2012



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

3 Southeast's Population Gets Older Percent change, 2001 to 2012



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

Local government cutbacks have also become the norm over the past three years, decreasing by about 50 jobs a year, or 1 percent. This sector provides 16 percent of the region's jobs. Tribal jobs — counted under local government — fell in 2011, bounced back in 2012, and fell again in 2013 while schools districts and municipal government have shed jobs since 2011.

State government employment has been flat for a decade in the region, and neither the governor's budget nor the most recent revenue forecasts suggest job growth is likely in 2014.

Effect on the private sector

Flat or declining government job counts impact private sector employment as well. Aside from job losses, retirements can also affect local economies given that workers with more experience tend to make more money. As they retire, many of those workers will be replaced by less experienced, less costly workers, which could temporarily lower both total and average wages.

If retirees remain and spend their retirement incomes and savings in the region, however, they

could also stimulate local economies.

Several sectors will grow

Leisure and hospitality will add 100 jobs in Southeast in 2014, continuing its upswing and recovery from the U.S recession. Transportation and trade saw an uptick in jobs in 2013 after dropping sharply in 2009 and staying low for a few years. Transportation and trade jobs are forecasted to grow by 100 again this year, on the way to regaining their 2008 peak of 7,800 jobs.

Health care growth slows

Private education, health care, and social services employment in Southeast has had a long growth streak of about 4 percent per year over the past decade. Though the health care demands of an aging population suggest more growth is possible, the industry is forecasted to decline by 1 percent this year. This may seem like a surprising drop for such a high-growth industry, but isn't unprecedented — job counts also dipped briefly in 2007 and 2008.

The industry provides 17 percent of jobs in the region but just 10 percent statewide, and this

figure doesn't include health care facilities run by local governments.

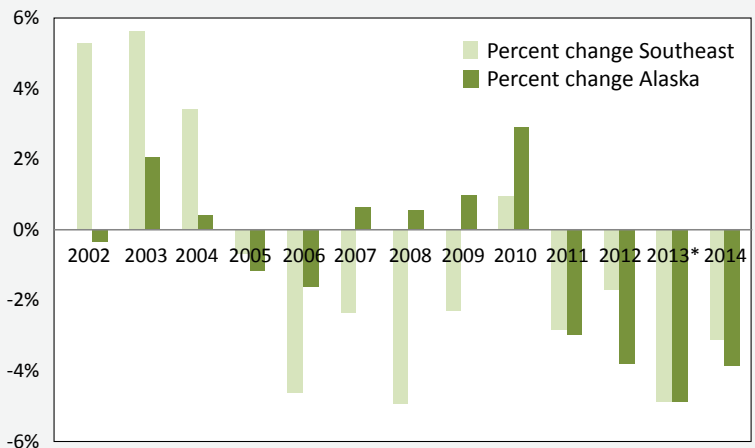
Health care run by local governments — the medical centers in Juneau, Wrangell, Petersburg, and Sitka — have added about 25 jobs a year, reaching 850 in 2013.

Mining growth levels off

Much of the recent growth in mining and logging, mostly from the Kensington mine near Juneau, has leveled off. Despite a busy exploration schedule — exploration and development expenditures in Southeast totaled \$121 million in 2012 according to the most recent estimates by the Department of Natural Resources — no notable new mining projects are slated for 2014, so the industry isn't forecasted to add jobs.

Continued on page 19

4 Federal Jobs Used to Track Differently Southeast vs. statewide, 2002 to 2014



*Preliminary

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

5 Professional Services, Tourism To Offset Federal Job Losses Southeast Alaska employment forecast, 2013 and 2014

	2012 Monthly Average	2013 Monthly Average ¹	Change 2012 to 2013	Percent Change 2012 to 2013	2014 Monthly Average	Change 2013 to 2014	Percent Change 2013 to 2014
Total Nonfarm Employment ²	37,550	37,450	-100	-0.3%	37,550	100	0.3%
Total Private Employment	24,050	24,150	100	0.4%	24,350	200	0.8%
Natural Resources and Mining	1,000	1,000	0	0%	1,000	0	0%
Construction	1,550	1,600	50	3.2%	1,600	0	0%
Manufacturing	2,050	2,100	50	2.4%	2,100	0	0%
Trade, Transportation and Utilities	7,100	7,150	50	0.7%	7,250	100	1.4%
Information	450	500	50	11.1%	500	0	0%
Financial Services	1,250	1,150	-100	-8.0%	1,150	0	0%
Professional and Business Services	1,650	1,600	-50	-3.0%	1,650	50	3.0%
Educational ³ and Health Services	4,050	3,950	-100	-2.5%	3,900	-50	-1.3%
Leisure and Hospitality	3,700	3,750	50	1.4%	3,850	100	2.6%
Other Services	1,250	1,350	100	8.0%	1,350	0	0%
Government	13,500	13,300	-200	-1.5%	13,200	-100	-0.8%
Federal ⁴	1,700	1,600	-100	-5.9%	1,550	-50	-3.2%
State ⁵	5,550	5,550	0	0%	5,550	0	0%
Local ⁶	6,250	6,150	-100	-1.6%	6,100	-50	-1.0%

¹Preliminary estimates

²Excludes the self-employed, fishermen and other agricultural workers, and private household workers. For estimates of fish harvesting employment and other fisheries data, go to labor.alaska.gov/research/seafood/seafood.htm.

³Private education only

⁴Excludes uniformed military

⁵Includes the University of Alaska. Variations in academic calendars from year to year occasionally create temporarily large over-the-year changes.

⁶Includes public school systems. Variations in academic calendars from year to year occasionally create temporarily large over-the-year changes.

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