

# 1984 - 1985 FAIRBANKS EMPLOYMENT FORECAST

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To see if the recent record levels of unemployment are indications of a softening of employment demand in Fairbanks, Research & Analysis has made a forecast of employment demand over the next 18 months.

## The Model

An 18 month employment forecast for Fairbanks was produced by using the ARIMA (Auto Regressive Integrated Moving Average) modeling technique. This is the first time this model has been used to forecast employment in Fairbanks. The model is designed to provide a two year forecast. In many ways the ARIMA model is better suited for short-term forecasting than more sophisticated econometric models. Each industry is forecast individually, using past years experience to arrive at estimated future employment. These figures were reviewed and adjusted where it was determined the model was unable to account for specific events. Most of the forecasts are based on 5 years of data. The historical data are limited to 5 years to avoid using pipeline era data which can be extreme due to rapid in-migration.

## Employment Outlook

Employment in Fairbanks has grown rapidly during the past 3 years, and the forecast indicates continued growth through the first 6 months of 1985 (see table). The growth rate for 1984 is projected to be 3.0%. This reflects a slowing of employment growth from a high of 9.5% in 1981 to 7.2% in 1983. The slowdown is a result of moderating growth rates for past high growth industries and no growth from other industries.

## High Growth Industries

The industries which will be responsible for most of the employment growth during the forecast period include trade, services and government. During the past 3 years it was not unusual for services and trade to grow at double digit levels in a year. These industries have grown as a result of increased incomes, population and state spending. The rate of growth will slow during the forecast period, but nevertheless trade and services are forecast to create most of the growth in private sector employment. Government will also increase employment. Federal government will inch upwards as additional military civilian support personnel are needed. State government is expected to grow because of increasing University of Alaska enrollments and a growing population. Local government em-

ployment is forecasted to respond the most to Fairbanks' growing school enrollment and larger population.

### Other Industries

Construction employment is the big question mark. According to the forecast, construction employment is expected to remain stable in 1984, largely a result of easing residential construction. There is the possibility that construction employment could remain very strong, particularly if Eielson AFB housing is built this year.

Transportation, communications and utilities will remain flat after experiencing some losses due to Alascom's layoffs. Trucking employment slowed last year and is not expected to pick up in 1984. This is largely a result of less activity on the North Slope this year. Employment in finance, insurance and real estate will remain flat, partially due to the banking industry's consolidation and increased efficiencies. This industry also tends to be more stable than most others.

Fairbanks Employment Forecast  
1983-1985\*

	Annual Average		Changes		First 6 Months	
	1983	1984	Percent	# of Jobs	1984	1985
Total Nonag. Employment	26700	27500	3.0	800	26500	27300
Mining	300	350	16.6	50	200	250
Construction	2700	2700	-	-	2300	2200
Manufacturing	500	450	-10.0	-50	500	500
Trans. Comm. & Utilities	2800	2800	-	-	2700	2700
Trade	5500	5750	4.5	250	5500	5800
Wholesale	900	950	5.6	50	950	1000
Retail	4600	4800	4.3	200	4550	4800
Fin.-Ins. & Real Estate	1000	1000	-	-	950	1000
Service & Miscellaneous	5100	5250	2.9	150	5050	5250
Government	8900	9250	3.9	350	9300	9600
Federal	2600	2700	3.8	100	2650	2650
State	3800	3950	3.9	150	3950	4100
Local	2500	2650	6.0	150	2700	2850

\* 1985 Forecast is only for the first six months of the year.