

Slower Job Growth Projected

by John Boucher

Alaska's economy will continue to grow during 1995 and 1996, extending the trend of job gains for two more years. Expansion keyed to tourism, retail, construction and hard rock mining best describes Alaska's current economic outlook. Conversely, employment in Alaska's oil and forest products industries will continue to contract. In addition, Alaska's public sector will shed employees as pressure to downsize government on all levels builds. (See Table 1.)

The 1995-96 forecast projects more of the steady job growth that has characterized Alaska's economy from the late 1980s. Since 1987, except for the oil spill affected years of 1989 and 1990, Alaska's annual employment growth has averaged around 2 percent. During the next two years, job growth will decelerate as the affects of oil industry and public sector downsizing ripple through the economy. In spite of these negative factors, positive influences on the economy should tip the scales toward job increases. The result will be meager overall job growth near the 1 percent mark. (See Figure 1.)

The forecast is based upon several assumptions. The most important assumption is that there will be no dramatic deviation from the oil prices or oil production levels forecast in the Alaska Department of Revenue's Spring 1995 mid-case revenue scenario.

Retail role lessens 1995-96

During the next two years, Alaska's retail trade industry will fall back from its position as the state's job growth leader. In the last two years, Alaska's economy added 12,900 jobs; 4,800 (about 37 percent) of those jobs were in retail trade establishments.

Driven by a flurry of store openings and refurbishments, the retail expansion reached its zenith last year. By the end of 1994, the vast majority of the new retail capacity, particularly the large scale general merchandise variety, was built and operating. How-

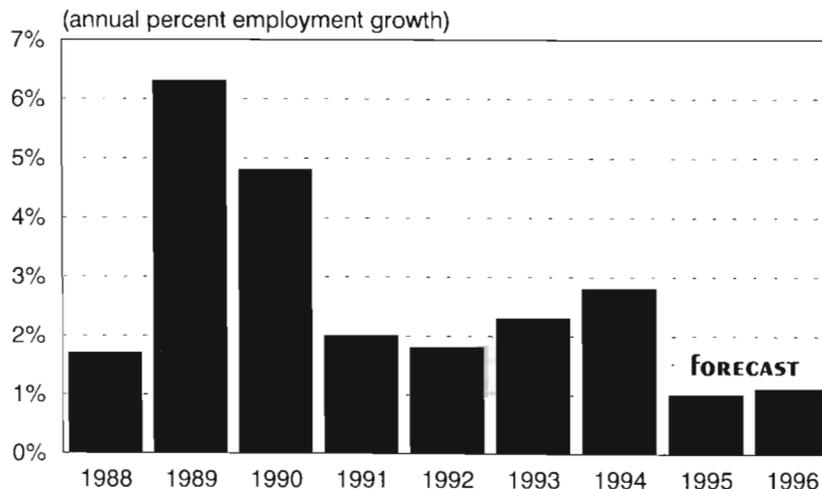
ever, "big store" retail expansion is not over yet. Most of the new stores operated less than a full year last year, so only a fraction of their employment was counted in 1994. A few fairly large stores opened in 1995, most notably the Juneau Carr's. Other stores, particularly Home Depot, are eyeing the Alaskan market. Safeway, another large Alaskan grocer, announced that it will begin a major overhaul of its Alaska stores this year. Due to these factors, the "big store" expansion will continue to push general merchandise and food store employment growth through 1996, but at a much slower pace than the last two years.

In addition to the "big store" expansion, other segments of retail trade will grow during the next two years. Eating and drinking establishments should make a significant contribution to retail job growth. Fast food and lower cost dining establishments along with the proliferation of coffee houses will fuel job growth. Alaska's burgeoning tourism industry should also boost retail trade

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Figure • 1

State's Job Growth Will Slow



Source: Alaska Department of Labor, Research & Analysis Section.

Table • 1

Alaska Nonagricultural Wage & Salary Employment Forecast 1995-1996

	1993 Annual Average	1994 Annual Average	Percent Change 93-94	1995 Annual Average	Absolute Change 94-95	Percent Change 94-95	1996 Annual Average	Absolute Change 95-96	Percent Change 95-96
Nonag. Wage and Salary	252,900	260,100	2.8	262,825	2,725	1.0	265,650	2,825	1.1
Goods-producing	39,000	39,600	1.5	38,850	-750	-1.9	38,975	125	0.3
Mining	10,300	10,600	2.9	9,600	-1,000	-9.4	9,900	300	3.1
Construction	11,500	12,500	8.7	13,150	650	5.2	13,000	-150	-1.1
Manufacturing	17,100	16,500	-3.5	16,100	-400	-2.4	16,075	-25	-0.2
Seafood Processing	10,600	10,200	-3.8	10,050	-150	-1.5	10,000	-50	-0.5
Forest Products 1/	3,100	2,800	-9.7	2,500	-300	-10.7	2,500	0	0.0
Service-producing	213,900	220,500	3.1	223,975	3,475	1.6	226,675	2,700	1.2
Transportation	22,900	23,500	2.6	24,100	600	2.6	24,750	650	2.7
Trade	49,000	53,000	8.2	54,550	1,550	2.9	55,425	875	1.6
Wholesale Trade	8,000	8,300	3.8	8,350	50	0.6	8,425	75	0.9
Retail Trade	41,000	44,700	9.0	46,200	1,500	3.4	47,000	800	1.7
Finance-Ins. & Real	11,200	12,000	7.1	12,350	350	2.9	12,600	250	2.0
Services & Misc.	56,200	58,200	3.6	59,750	1,550	2.7	61,500	1,750	2.9
Government	74,600	74,000	-0.8	73,225	-775	-1.0	72,400	-825	-1.1
Federal	20,000	18,900	-5.5	18,400	-500	-2.6	18,000	-400	-2.2
State	21,500	21,600	0.5	21,325	-275	-1.3	21,050	-275	-1.3
Local	33,100	33,500	1.2	33,500	0	0.0	33,350	-150	-0.4

1/ Includes Pulp Mills as well as Lumber & Wood Products.

Note: Numbers may not total due to rounding.

Source: Alaska Department of Labor, Research and Analysis Section.

employment as new gift shops and restaurants vie for a piece of the growing tourist trade.

Construction adds to job growth

Alaska's construction sector put in another solid performance last year and should have another good year in 1995. However, growth will be curtailed. The end of the retail building boom is one reason for the slowdown. Another reason is that slower demand and higher interest rates are expected to curb statewide residential construction from last year's levels. Public construction projects will add a significant amount of construction activity, while commercial construction will cool from its torrid performance of the last several years.

After a strong year in 1994, residential construction will fall off during the next two years. Higher interest rates and slower demand, particularly in Anchorage, are two important factors affecting this sector. Outside of Anchorage, the residential construction outlook is brighter. Expectations for good years in Juneau, the Mat-Su Borough and Fairbanks portend a significant amount

of residential construction activity. In rural Alaska, residential activity should also be strong. In 1994, significant increases in rural residential construction were financed by the U.S. Department of Housing and Urban Development (HUD) and the Alaska Housing Finance Corporation. Provided there is no major recision of HUD monies, the state's regional housing authorities should be very active during the next two years. Statewide, single-family unit construction is expected to fall off, but increased investment in multi-family and low-income units should keep residential construction moving along during the next two years.

The most active sector of the construction industry during the next two years appears to be publicly-funded construction. A hefty portion of the public buildings constructed during the next two years will be in Anchorage, which will help offset the downturn in residential building activity there. Hospitals and schools make up most of the public projects under construction in the state's largest city. Another publicly-funded project is the Healy Clean Coal power project. These projects along with a relatively healthy highway and airport construction budget will help boost the industry.

Oil layoffs; a gold rush?

Employment in Alaska's oil and gas industry will drop off sharply in 1995 as oil industry layoffs take their toll. For most of 1994, employment gains at oil field services firms helped offset layoffs at the major producers. By the end of the year the industry was posting massive job losses as the GHX-2 and other construction projects wound down. While the short-term outlook in the industry is for job losses, the exploration and development climate for Alaska's oil industry has improved. The major producers are looking at development projects on the North Slope to boost industry employment. Another source of employment for oil field services firms, at least for 1995, will be the Alyeska pipeline terminal. Work continues on upgrading the terminal's electrical system, and a \$50 million project to install a vapor recovery system is also planned.

In contrast to the oil and gas industry, the outlook for hard rock mining is for slight employment gains, although there will be bumps on the road to those gains. The closure of the Valdez Creek mine in early 1995 will deal a temporary setback to hard rock mining employment. On the other hand several projects are likely to backfill that loss. Prospects look good for reopening of the Greens Creek Mine near Juneau. At its peak, Greens Creek was the second largest mine in Alaska, employing over 225 people. During the last year they have gradually staffed up, with a target of returning to preclosure employment levels by the end of 1996. Meanwhile the Fort Knox mine near Fairbanks has infected Interior Alaska with gold fever. Fort Knox, combined with other mines in the Interior, may signal the revival of the Alaska hard rock mining industry.

Two new hotels and an assortment of seasonal lodges are scheduled to come on line during the next several years. Combining these with the first full year of operation of the Prince Hotel at Alyeska insures continued job growth in hotel and lodging places.

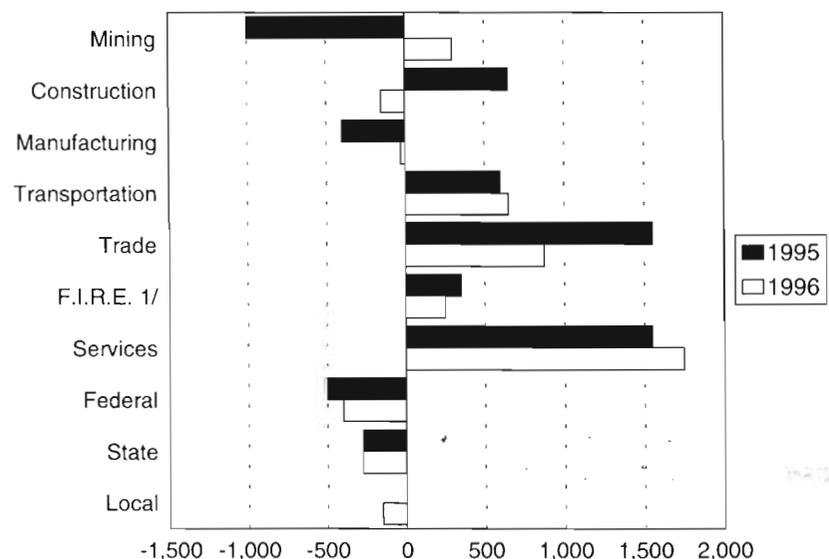
The healthy outlook for Alaska's construction sector will keep professional service providers like architects, engineers and surveyors in demand during the next two years. Business services should also grow during the next two years. Business and the professional services sectors have capitalized on some of the downsizing occurring in other sectors of the economy. For example, private firms are providing caretaker and environmental clean-up assistance to some of Alaska's mothballed military installations. Another contributor to business services' growth has been temporary help agencies. These firms provide contract employees to other businesses. As Alaska's oil industry has downsized, they have followed the national trend to increase utilization of temporary help agencies. With current conditions it is likely that this segment of services will grow during the next two years. Health care services

Services assume growth leadership

While the mining industry will struggle, the services sector will be the major catalyst for job growth through 1996. (See Figure 2.) The pacesetters for growth in the services sector have been hotels and lodging places, professional and social services, and the health care industry.

Figure • 2

Services, Trade Lead Slim Job Gain



1/ Finance, Insurance & Real Estate.
Source: Alaska Department of Labor, Research & Analysis Section.

should also grow, although it is unlikely to keep pace with the growth rates it posted the last several years.

Transportation to post steady growth

The transportation, communication and utilities sector has been a steady producer of new jobs in Alaska for the last several years. Last year, this industry experienced broad-based growth with the air, water and ground sectors contributing. Expansion of Alaska's retail infrastructure played a big part in the growth of some sectors, while tourism growth and air cargo handling have also been important reasons for the industry's steady performance.

During the next two years segments of transportation will flourish while others struggle to maintain current levels. One portion of the industry expected to falter is air transportation. Recently announced layoffs at MarkAir will result in job losses in the near term. The possibility of the relocation of the carrier's headquarters looms as a potential blow to employment in the airline industry. Smaller air carriers could experience some growth as the hard rock mining, tourism and construction industries increase traffic volumes to remote Alaskan destinations. Air cargo employment has flourished throughout the 1990s and the outlook in this sector is for continued growth.

Water transportation will be a robust sector of the industry during the next two years. The introduction of new retailers, a solid construction industry, potential for increased mining and oil development activity point to good times in the water transportation industry. Tourism-related sectors of water transportation will also grow. Boat charters and water-based sightseeing excursions will benefit from the increased number of visitors.

Other segments of transportation have mixed expectations. Bus and ground transportation should also grow in response to the increased numbers of tourists. Trucking should contribute growth due to the solid outlook for the construction industry. Communications and utilities could experience some modest growth, primarily due to popu-

lation increases, although an AT&T buyout of Alascom could result in some contraction in the communications industry. Pipeline transportation of oil is another sector likely to contract. Alyeska Pipeline has indicated that its employment levels will decrease during the next two years as pipeline rehabilitation construction projects wind down and some employment is contracted out.

Manufacturing outlook remains bleak

Alaska's manufacturing industry was hit with another plant closure in 1994 when the Wrangell sawmill closed. This blow came on the heels of sawmill closures and *The Anchorage Times* shutdown in 1991 and 1992 and the Sitka pulp mill closure in 1993. Even a strong performance in the salmon fishery couldn't stave off job losses in 1994.

The poor outlook for Alaska manufacturing continues, particularly in Alaska's forest products industry. Sawmills are certain to experience employment drops in 1995 due to the Wrangell sawmill closure. Associated logging operations are bound to be affected by the mill's closure. If the industry can avoid another plant closure, 1995 could be the low water mark for Alaska's timber industry with slight employment gains following in 1996.

While Alaska's forest products industry is an important ingredient to the manufacturing forecast, the overall direction depends on a steady performance from Alaska's fishing industry. Since the mid-1980s, winter groundfish and shellfish employment has been the impetus for industry employment growth. Recently winter fisheries employment has declined, especially as shellfish harvests in western Alaska have fallen dramatically. Assuming employment related to Alaska's salmon fishery remains constant, the outlook for seafood processing employment is for slight declines. One new wrinkle affecting seafood processors will be implementation of the Individual Fishing Quota (IFQ) system for some species. In the halibut fishery for example, the IFQs will spread the delivery of product out over a longer period than in the past. Since product delivery will be spread out, processors probably won't hire as many workers. However,

those hired are likely to work for longer periods of time.

Financial sector will perk along

The finance sector should grow during the next two years. Alaska's banking sector is healthy, although higher interest rates and a slower economy make the banking environment more competitive. In this environment employment gains are likely to be marginal. A significant contributor to employment growth in the financial sector the past few years has been Alaska's Native corporations. These companies are expected to grow in an attempt to expand upon their Alaskan economic base.

Public sector to continue downsizing

Proposed military base closures and realignments will combine with federal agency downsizing to extend the trend of falling federal government employment. The biggest expected blow is the Fort Greely base realignment. The Delta Junction area could lose 300 civilian jobs and more than 400 military personnel in the realignment. Another 130 civilian and 540 military personnel will be lost if the proposed closure of Adak Naval Station occurs. Civilian agency downsizing will continue, although most federal government job loss will be in defense-related positions.

Accompanying the federal government employment drop will be a steady decline in state and local government jobs. The possible exception to that trend could be education-related local government employment. A number of school districts have new school facilities either planned or under construction. These facilities will need teachers and administrative staff, although financial pressures on local school districts may limit any expansion. Other segments of state and local government also face fiscal constraints, making job cuts a probability for the new state fiscal year.

Guessing the wild cards

Speculating on events that would throw a curve into this forecast is a little risky, but given history and what's known today, here's a "best guess" at what could change the industry employment outlook. First, an extraordinary event affecting world oil prices or Alaskan oil production would have substantial employment impacts. Higher oil prices would notably brighten the outlook, especially for construction and public employment.

In the private sector, one potential dramatic employment change would be a complete shutdown of Alaska operations by MarkAir. That scenario could have major employment impacts on air transportation. A crash in the bottomfish or salmon fishery would gut the manufacturing industry even further than projected. On the other hand, if a dramatic turnaround allows the Wrangell sawmill to reopen, the outlook for the wood products industry brightens significantly.

Summary: Slow, steady growth

The 1995-96 employment forecast calls for continued, albeit slower growth rates of slightly more than 1 percent per year. Tourism, retail, and services will spur the job gains, with a healthy construction sector and a hard rock mining rebound making important contributions. If projections come to pass, by 1997 Alaska will be on its ninth consecutive year of employment growth, and its sixth year of slow, steady growth.

What is notable about this forecast is the relatively grim outlook for some of Alaska's bellwether industries. The oil, wood products, and public sector provide a significant number of the highest paid employment opportunities available for Alaskans. Competition for these jobs will be keen, even while some industries experience difficulty finding employees. Another point worth mentioning is that periods of extended, relatively steady employment growth are unusual for Alaska. So while Alaska's employment picture appears relatively predictable at the moment, it wouldn't be surprising if some unforeseen economic event changes Alaska's economic outlook.

Anchorage's Economy Will Lose Steam

by Neal Fried

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During the next two years Anchorage's economy will settle into a period of unremarkable growth. Employment will grow 1% or less per year. (See Figure 1.) No event or group of events on the horizon will cause a strong shift in the economy. Although this appears to be stagnation, beneath the total employment figures there will be turmoil. For example, the visitor, retail and services industries are predicted to help Anchorage's work force grow. Simultaneously, the oil industry, and federal and state governments will sustain losses. Employment in other industries, such as local government, construction and the city's finance sector, will be relatively unchanged. (See Table 1 and Figure 2.)

No one should be lulled into believing this forecast is certain. Anchorage's economic fortunes can shift without warning. Assumptions like oil prices remaining in the \$15-18 per barrel range or no major disruptions occurring in the airline industry were critical to the outlook. With this in mind, caution is recommended.

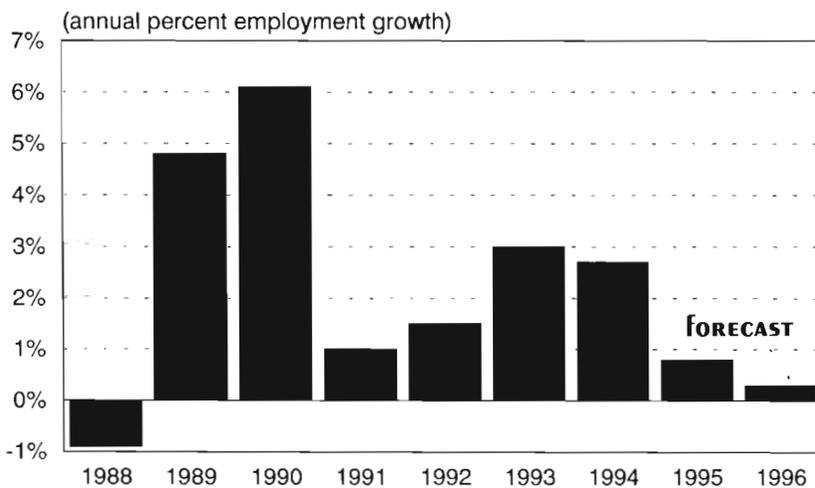
Anchorage's economy shifting

The forecast's temperate numbers belie the importance of this period in Anchorage's economic history. Important shifts in the economy are in the making. The federal sector, the military, oil revenues and the oil industry itself are shrinking from the role they have played in Anchorage's economy over the past 25-30 years. No longer will these industries propel the economy forward. Instead, many of these industries will become a drag on the city's economy. Yes, they will remain important players. However, depending on them for growth will no longer be possible. This represents a fundamental change.

Another previous economic strength that has turned against Anchorage is its position as an administrative center. Anchorage is home to the main office or headquarters for many businesses and organizations. This was one of the city's economic strengths because it meant stable, good paying year-round jobs. However, Anchorage might feel the brunt of the current wave of corporate downsizing and the "reinvention" of government. Headquarters and administrative centers are often hit hardest in these reorganizations. Examples include the downsizing of Alyeska Pipeline Service Company, Atlantic Richfield (ARCO), British Petroleum and the federal government.

Figure 1

Employment Growth for Anchorage Slows



Source: Alaska Department of Labor, Research & Analysis Section.

Oil patch numbers look dim

Anchorage would love to forget what happened to its oil industry during the past year. ARCO, the state's largest oil industry employer, cut its highly paid work force by a third. Anchorage felt the biggest impact of the ARCO job loss. Since most of this downsizing took place in late 1994 and early 1995 its influence is just now being felt. In 1995 Anchorage oil industry employment will fall to an eight-year low with little prospect of full recovery.

Anchorage Nonagricultural Wage & Salary Employment Forecast 1995-1996

	1993 Annual Average	1994 Annual Average	Percent Change 1993-94	1995 Annual Average	Absolute Change 1994-95	Percent Change 1994-95	1996 Annual Change	Absolute Change 1995-96	Percent Change 1995-96
Total Nonag. Wage & Salary	117,500	120,700	2.7	121,700	1,000	0.8	122,100	400	0.3
Goods-producing	11,500	11,900	3.5	11,700	-200	-1.7	11,200	-500	-4.3
Mining	3,400	3,300	-2.9	2,900	-400	-12.1	2,800	-100	-3.4
Construction	6,200	6,600	6.5	6,700	100	1.5	6,300	-400	-6.0
Manufacturing	1,900	2,000	5.3	2,100	100	5.0	2,100	0	0.0
Service-producing	106,100	108,900	2.6	110,000	1,100	1.0	110,900	900	0.8
Transportation	12,400	12,700	2.4	12,800	100	0.8	12,900	100	0.8
Trade	26,400	28,700	8.7	29,300	600	2.1	29,500	200	0.7
Wholesale Trade	5,800	6,100	5.2	6,100	0	0.0	6,100	0	0.0
Retail Trade	20,600	22,600	9.7	23,200	600	2.7	23,400	200	0.9
Finance-Ins. & Real Estate	6,800	7,300	7.4	7,300	0	0.0	7,300	0	0.0
Services & Misc.	31,100	31,400	1.0	32,200	900	2.5	33,100	900	2.8
Government	29,400	28,800	-2.0	28,400	-400	-1.4	28,100	-300	-1.1
Federal	11,800	11,200	-5.1	10,900	-300	-2.7	10,700	-200	-1.8
State	8,100	8,100	0.0	8,000	-100	-1.2	7,900	-100	-1.3
Local	9,400	9,500	1.1	9,500	0	0.0	9,500	0	0.0

In spite of the job loss, renewed optimism emerges in the oil patch. Higher oil prices have helped the industry outlook. More important is the sense that development of more marginal fields might take place. The feasibility of these fields has changed because of technological breakthroughs, financial incentives, and the expanding infrastructure on the North Slope. Prospects include Badami, West Sak, Colville and Kuvlum. But because of the time horizon of this forecast, development of most of these prospects is beyond this two-year outlook.

Big public projects sustain construction

In 1993 the construction industry sizzled because of the construction of half a dozen big retail stores and a giant hotel. Residential building took off as well. Some of this activity combined with an increase in publicly funded construction kept the industry growing in 1994.

During the next two years a massive school construction program and a list of other big public projects will sustain the higher levels of construction activity. Construction will

begin on four new elementary schools and two new middle schools. The price tag for these schools and renovation work is \$140 million. Construction of the \$120 million hospital on Elmendorf Air Force base, a three-year project, began in February. Construction of the \$160 million Native hospital and the \$40 million state court house addition will continue through 1995. Some increased military construction activity will also boost the industry's numbers. Highway construction work will be similar to 1994 levels.

Residential construction activity is expected to taper off in 1995. In 1994, 858 building permits were issued. In 1995 this number could fall to 600-650 permits. Oil industry layoffs have put a chill on the market as have higher interest rates. Most observers feel the new homes will be in the moderate price range. In addition some multi-family unit construction is expected to occur.

Transportation should gain some altitude

Strong growth in the visitor industry, low air fares and small increases in air cargo activity should keep air transportation on a mod-

Note: Numbers may not total due to rounding.

Source: Alaska Department of Labor, Research and Analysis Section.

erate growth path. Predicted growth could derail if MarkAir curtails employment significantly.

Another sector of transportation, the trucking industry, is likely to follow a similar path. The busy public building construction season should boost trucking. Oil industry downsizing will affect the oil pipeline segment of the transportation industry. Alyeska Pipeline Service Company plans to trim its work force by approximately 150 over the next year. Approximately 100 of these jobs will be lost in Anchorage.

curred elsewhere in the state could also dampen demand in Anchorage's retail sector. Residents in other parts of the state who purchased in Anchorage can now spend more of their dollars at home. This points to attrition taking place in Anchorage's retail market during the next two years as retailers adjust to this new hyper-competitive marketplace.

Some growth in the retail sector will come in the eating and drinking sector. The surge in restaurant employment that began in 1994 will continue into 1995. Several new eateries are planning to open their doors in 1995.

Retail growth slows to a snail's pace

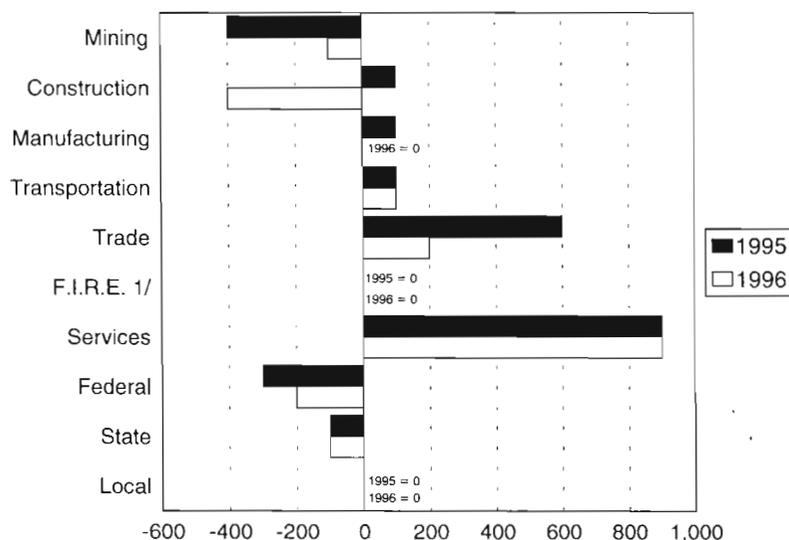
In 1994 Anchorage's retail work force grew by 2,000, the biggest increase since 1982. During the next two years employment gains in retail trade will be considerably smaller. Smaller because there will be fewer new store openings, possibly a new Home Depot, and also because the recent retail expansion was not accompanied by a commensurate increase in population or income. The dramatic increase in retail capacity that oc-

City's finance sector will hold its own

After two years of strong growth, Anchorage's financial sector employment should plateau. Higher interest rates and a sluggish economy are putting a damper on the real estate market. The number of deeds of trust and real estate listings have trended downwards. This will affect activity for banks, other financial institutions, mortgage companies, appraisers, insurance brokers and others. In some cases financial institutions expect staffing levels will drift downwards through attrition. There are, however, banks that plan to open new branches that might offset these losses.

Figure • 2

Anchorage's Industry Outlook is Mixed



1/ Finance, Insurance & Real Estate.
Source: Alaska Department of Labor, Research & Analysis Section.

Visitor industry will boost service sector

By all accounts Anchorage will enjoy another strong visitor season. New cruise ship capacity, low air fares, the cheap dollar, a healthy national economy and a strong desire to see Alaska will keep the number of visitors growing over the next two years. Hotel employment will be a major beneficiary. This year hotel employment will get an extra boost because the new 300 room Prince Hotel in Girdwood will be open for its first summer season. Strong visitor seasons will also benefit other service sectors, retail and transportation.

Another segment of the service sector expected to grow is business services. It benefits from the strong growth in the temporary and contract work force. And by most accounts their numbers will continue to climb

as a growing number of employers turn to this work force.

Employment in professional services will remain sluggish. Legal services employment fell in 1994 and will repeat this performance again in 1995. Health services employment will most likely hold its own and engineering management services will either remain relatively flat or possibly decline a bit.

The public sector will shrink

Anchorage's public sector will get a little smaller during the next two years. After fairly big losses in 1994, the good news at the federal level is that the Department of Defense's civilian work force should remain stable during the next two years. Anchorage breathed a sigh of relief when its bases were not on the latest base closure list. The story for the rest of the federal government is different. Most other federal government departments expect to see additional trimming.

At the state level employment is predicted to fall slightly. The University of Alaska Anchorage expects its work force to inch down a bit because of budget restraints. Losses are expected to be small enough that attrition will take care of most of the reductions. It appears that the rest of state government's employee count will come in at slightly lower levels.

Local government employment will be unchanged. Even though school district enrollment is climbing and new schools are opening, financial pressures will keep a lid on personnel increases. The Municipality of Anchorage's staffing levels will also change little.

Finding a good job will remain a tough task

During next two years looking for a job may be a trying experience. The good news is that the unemployment rate will remain low and a healthy national job market will mean the number of job seekers moving to Alaska will not be a big factor. But the combination of sluggish job growth and a dearth of good paying jobs means many job seekers will experience job seeker frustration. Since job growth in the higher paying sectors will remain flat and sometimes shrink, finding a well-paying job will be that much tougher. Having the right skills, education, experience and staying power will be more important than ever before to succeed in Anchorage's job market.

Summary: Economy will slow down

The next two years will be a mixed bag for Anchorage's economy. No one or two industries will dominate the economic landscape. Instead, there will be small gains and losses and the gains will be slightly larger than the losses. Job losses in the oil industry and the public sector will be offset by increases in the visitor industry, other services and retail. Although these changes are unremarkable one important change is taking place. Anchorage will no longer be able to rely on some of its old mainstays like oil revenues, the oil industry and the public sector to expand the economy. Instead, Anchorage must look to new performers to keep its economy moving forward.

Thumbs Up for Fairbanks

by Brigitta Windisch-Cole

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In 1994, employment in Fairbanks grew by 1,150 jobs or 3.9%. In 1995, Fairbanks' economy will match last year's growth rate, adding 1,200 jobs. (See Figure 1.) Oil services, retail trade, and services contributed the bulk of last year's growth. The pipeline rehabilitation program, military construction, the visitor industry, and a full year of Kmart's operation propelled these gains in employment. This year, the construction and visitor industries will be the big movers in the economy. Strong visitor and construction seasons will in turn boost employment in services, retail trade, and transportation. The 1996 forecast calls for a less vigorous economy as most of the larger construction projects near completion. (See Table 1.) The growing concern over dwindling public funds for capital construction may affect Fairbanks in future years and could be felt as early as 1996. However, if potential mining prospects become reality, the long-term outlook looks more promising.

A construction boom(let)

In 1995 the construction industry will employ more workers than it has since 1985. Mining-related construction will be in the spotlight for the next two building seasons. Some commercial construction and a hesitant but revived residential sector will also promote growth.

This year's construction schedule marks the start-up of the Fort Knox Gold mine, a \$256 million project. This project will stretch over two years with construction employment peaking at 400 jobs. The \$250 million Healy Clean Coal project will also draw on the Fairbanks labor pool resulting in a gain of another 110 jobs at the height of the season.

Public construction projects include the finishing phase of the \$55.5 million housing project on Eielson Air Force Base. This project will continue to provide jobs throughout the summer. Crews will also complete the conversion of 8-plexes to larger apartments at Fort Wainwright and Eielson Air Force Base.

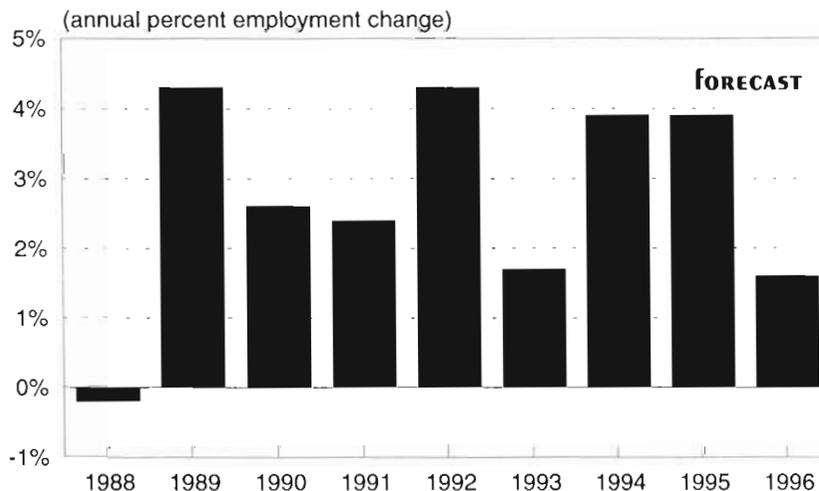
The Koyukuk flood reconstruction project continues to employ about 130 workers, but will finish in August 1995. The final phase of the Anne Hopkins Wien Elementary School is the main project for the North Star Borough this year. Winter construction is expected to remain strong.

Road construction projects around Fairbanks will continue. The main projects are work on Badger Road and an upgrade of the Parks Highway. Erosion control work on the Richardson Highway and near Chena Hot Springs Road starts this year.

The governor has proposed funding \$20 million in construction for the Fairbanks campus. The University of Alaska hopes to renovate existing student housing and other buildings. If the appropriation is passed by the legislature, more construction jobs would result during 1995 and 1996.

Figure • 1

Fairbanks' Job Growth Will Continue



Source: Alaska Department of Labor, Research & Analysis Section.

Fairbanks North Star Borough Nonagricultural Wage & Salary Employment Forecast 1995-1996

	1993 Annual Average	1994 Annual Average	Percent Change 93-94	1995 Annual Average	Absolute Change 94-95	Percent Change 94-95	1996 Annual Average	Absolute Change 95-96	Percent Change 95-96
Total Nonag. Wage & Salary	29,550	30,700	3.9	31,900	1,200	3.9	32,400	500	1.6
Goods-producing	2,550	2,850	11.8	3,250	400	14.0	3,100	-150	-4.6
Mining	550	750	36.4	650	-100	-13.3	800	150	23.1
Construction	1,450	1,500	3.4	2,000	500	33.3	1,700	-300	-15.0
Manufacturing	550	550	0.0	600	50	9.1	600	0	0.0
Service-producing	27,000	27,850	3.1	28,600	750	2.7	29,300	700	2.4
Transportation	2,100	2,200	4.8	2,400	200	9.1	2,500	100	4.2
Trade	6,850	7,150	4.4	7,350	200	2.8	7,550	200	2.7
Wholesale Trade	800	800	0.0	850	50	6.3	900	50	5.9
Retail Trade	6,050	6,350	5.0	6,500	150	2.4	6,650	150	2.3
Finance-Ins. & Real Estate	1,050	1,050	0.0	1,100	50	4.8	1,150	50	4.5
Services & Misc	6,650	7,200	8.3	7,400	200	2.8	7,600	200	2.7
Government	10,400	10,300	-1.0	10,350	50	0.5	10,500	150	1.4
Federal	3,250	3,100	-4.6	3,100	0	0.0	3,150	50	1.6
State	4,250	4,350	2.4	4,350	0	0.0	4,400	50	1.1
Local	2,900	2,850	-1.7	2,900	50	1.8	2,950	50	1.7

Commercial construction centers around two new Fairbanks hotels. One project at the Alaska Railroad land site will have 75 rooms and the other on College Road will be a seasonal hotel with 150 rooms.

The residential housing market is tightening as inventories dwindle. With prospects of increased employment in the mining industry, developers plan to build more homes this year.

A Gold Rush?

Rich gold deposits around Fairbanks have reawakened the interest of major mining companies. AMAX Gold, the Fort Knox developer, has made a considerable investment. Fort Knox will employ 50 miners at year-end, with 200 more to follow as operations start in 1996. AMAX hopes to produce 300,000 ounces of gold per year. At this production level, this mine alone could double Alaska's 1993 gold output. Mining at Fort Knox may provide jobs for 16 years.

Other mining prospects in the area are also generating excitement. Several prospects may come on line in the next two years, which could significantly impact mining employment in Fairbanks.

The major impact of increases in employment in gold mining should be felt in 1996. The average annual wage for the hard rock mining industry is significantly above the average wage paid in Fairbanks. With future job counts up in gold mining, a sizable payroll could further stimulate Fairbanks' economy.

The outlook for oil service companies is less optimistic. With the pipeline rehabilitation project nearing completion, fewer workers are needed to perform routine maintenance tasks. Fairbanks' pipeline service crews will shrink. Some of this reduction will show up in the mining employment numbers for 1995.

Another good visitor season

Another plus in Fairbanks' economy has been the visitor industry. Fairbanks remained a favorite destination for out-of-state visitors during the 1994 season. Statewide cruise prebookings for 1995 are up 15-20% over last year. This indicates another strong year for tourism; projections anticipate 5-7% growth. A new twist in tourist traffic is direct-flight service from Minneapolis to Fairbanks. Fairbanks, which often marked a midpoint in travelers' itineraries, will now be a starting and ending point for some Midwest vacation-

Note: Numbers may not total due to rounding.

Source: Alaska Department of Labor, Research and Analysis Section.

ers. As a result of tourism's growth, transportation, service, and retail trade industries will gain employment during this year's season.

Retail trade and services employment slows a bit

Since the early nineties Fairbanks has added 1,150 retail trade jobs. This year no large retail stores will open to add significant retail employment to the work force. While the rapid growth of the past few years cannot be repeated, the number of workers in this industry will be sustained and moderate growth is possible. (See Figure 2.)

Service industry jobs have also grown rapidly in recent years. Yet some service companies, currently under contract with oil-related industries, may have to cut back. Downsizing of Alyeska Pipeline Service Company will impact employment in the transportation industry sector. However, gains related to construction activity and tourism will more than offset lost pipeline jobs.

Little change in public sector jobs

This forecast calls for only slight changes in government employment for the next two years. Statewide public service employment has dwindled and Fairbanks has taken its share of the cuts.

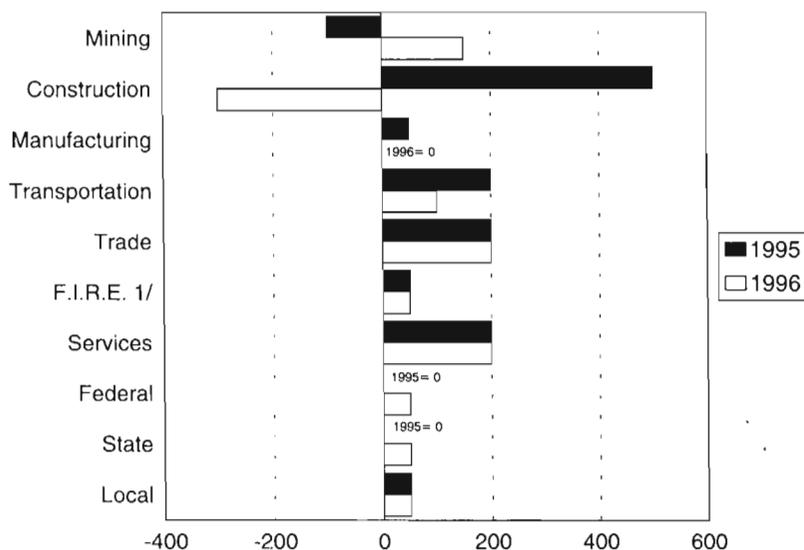
The military has been realigning uniformed personnel since 1993. In 1995 and 1996, Fort Wainwright will gain personnel at the expense of Fort Greely when the Cold Region Test Activity Division and the Northern Warfare Training Center are transferred to Fairbanks. This move may halt further reductions in federal employment for Fairbanks.

Organizational changes at the University call for layoffs in 1995 to deal with a \$6.5 million budget cut. Affected areas are academic and administrative services employment. However, privately-funded research positions have been on the rise. The University expects the job losses in academic and administrative functions to be offset by a gain in research positions.

Assuming that the state budget includes further cuts, local government will feel another squeeze of funds. With student enrollment at all grade levels increasing by a mere 1.2%, the district will not receive a big hike in resources. A small increase in employment in local government may follow for 1995 and continue for 1996, when schools gain more students from the influx of mining and military families.

Figure • 2

Fairbanks' Industries Will Do Well



1/ Finance, Insurance & Real Estate.
Source: Alaska Department of Labor, Research & Analysis Section.

Summary: An optimistic outlook

The forecast contains lots of pluses for Fairbanks. The projected growth rate of 3.9% would match last year's healthy growth. This translates to an addition of 1,200 jobs in 1995 and 550 jobs for 1996. Brisk construction activity of 1995 will not continue in 1996 as some big projects are completed. This will put the brakes on growth in Fairbanks' economy. But in 1996, long-term, year-round gold mining jobs will add stability to the local market. A growing number of visitors will support summer employment. Troops arriving from Fort Greely with civilian support personnel will also help sustain Fairbanks' economy.

Southeast Struggles to Maintain Employment

by Kristen Tromble

Over the next two years, communities in Southeast Alaska will need to fight to maintain employment levels. Led by a drop in forest product employment, over 10 percent of manufacturing jobs could disappear in '95. A declining harvest may impact seafood employment. On the bright side, construction, buoyed by residential and public works projects, should enjoy a good year. Mining offers another glitter of growth in the goods-producing sector. Despite setbacks for Echo Bay's AJ mine, increased activity at Greens Creek promises to boost employment significantly by the end of '96. (See Table 1.)

Following recent trends, new service-producing jobs should increase as manufacturing employment declines. Tourism will fuel growth in services and retail trade as, once again, a record number of visitors inundate Southeast. Growth in financial services should continue, but at a slower rate. Likely declines in government employment temper these gains. Into '96, increased competition in retail will exert downward pressure on trade's growth rate. Overall, the combination of pressures is projected to hold employment growth under 1%. (See Figure 1.)

Mixed prospects for mining

Greens Creek sees sunny skies ahead as it seeks permits to reopen its mine on Admiralty Island. The future darkened for Echo Bay's quest to reopen the AJ mine when the Environmental Protection Agency refused a permit for tailings disposal. These counter trends should result in stable employment levels for the first part of 1995 with steady growth occurring through 1996 as gains at Greens Creek offset losses at Echo Bay. (See Figure 2.)

Greens Creek continues exploration and drilling work needed to expand onto nearby U.S. Forest Service land. Preliminary work indicates the expansion will result in increased volume and an ore mix more adaptable to market conditions, improving the mine's prof-

itability. Underground development activity has already increased in '95 and employment will continue to grow steadily through '96. As the new area is deeper than the original mine, 12-18 months of tunneling work are needed after permits are received to prepare the area for production. Employment gains during this forecast period should occur in underground mining, development, and support positions, with mill employment picking up toward the end of '96 or beginning of '97. By this time employment will return to a preclosing level near 250.

As Echo Bay must develop and resubmit alternative tailings disposal plans, the AJ mine is not expected to open during this forecast period. Seventeen people lost jobs in March with further cuts likely. The outlook for Echo Bay's Kensington mine is more hopeful. If some permits are received this year, activity will increase in '96.

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Figure • 1

Southeast's Employment Creeps Upward

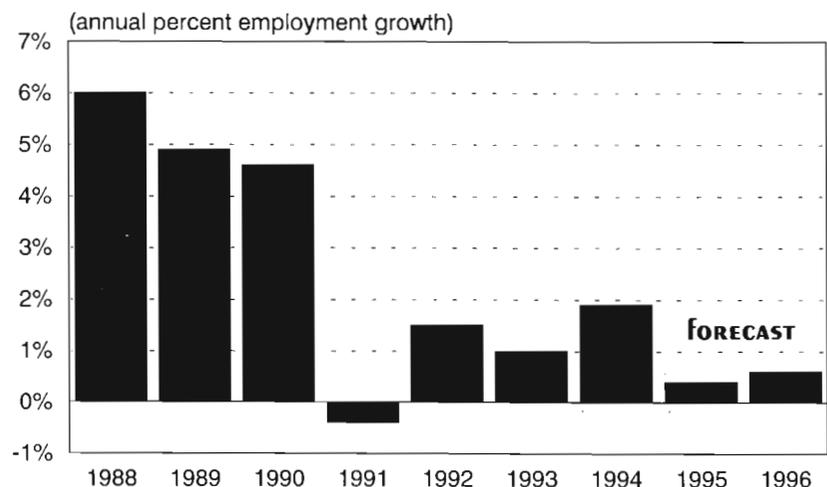


Table • 1

Southeast Alaska Nonagricultural Wage & Salary Employment Forecast 1995-1996

	1993 Annual Average	1994 Annual Average	Percent Change 93-94	1995 Annual Average	Absolute Change 94-95	Percent Change 94-95	1996 Annual Average	Absolute Change 95-96	Percent Change 95-96
Total Nonag. Wage & Salary	34,550	35,200	1.9	35,325	125	0.4	35,550	225	0.6
Goods-producing	6,100	5,850	-4.1	5,500	-350	-6.0	5,550	50	0.9
Mining	150	150	0.0	175	25	16.7	225	50	28.6
Construction	1,550	1,550	0.0	1,600	50	3.2	1,525	-75	-4.7
Manufacturing	4,400	4,150	-5.7	3,725	-425	-10.2	3,800	75	2.0
Seafood Processing	1,550	1,650	6.5	1,500	-150	-9.1	1,525	25	1.7
Forest Products 1/	2,550	2,200	-13.7	1,925	-275	-12.5	1,950	25	1.3
Service-producing	28,450	29,350	3.2	29,825	475	1.6	30,000	175	0.6
Transportation	2,800	2,900	3.6	2,925	25	0.9	2,975	50	1.7
Trade	5,950	6,550	10.1	6,800	250	3.8	6,750	-50	-0.7
Wholesale Trade	550	550	0.0	550	0	0.0	550	0	0.0
Retail Trade	5,450	6,000	10.1	6,250	250	4.2	6,200	-50	-0.8
Finance-Ins. & Real Estate	1,300	1,450	11.5	1,525	75	5.2	1,600	75	4.9
Services & Misc.	5,900	6,200	5.1	6,350	200	3.2	6,575	225	3.5
Government	12,450	12,300	-1.2	12,225	-75	-0.6	12,100	-125	-1.0
Federal	2,050	2,000	-2.4	1,975	-25	-1.3	1,950	-25	-1.3
State	5,450	5,350	-1.8	5,300	-50	-0.9	5,250	50	0.9
Local	4,950	4,950	0.0	4,950	0	0.0	4,900	-50	-1.0

1/ Includes Pulp Mills as well as Lumber & Wood Products.

Note: Numbers may not total due to rounding.

Source: Alaska Department of Labor, Research and Analysis Section.

Public works and housing projects underpin construction

Road projects should pump up public construction in '95. Juneau drivers will contend with repairs to Egan Highway, Douglas Highway, and the Mendenhall Loop Road as well as several smaller projects. Crews will also undertake major work in Sitka, Ketchikan, Petersburg, Gustavus and Prince of Wales Island. Other projects include a new ferry terminal in Kake, upgrades to ferry terminals in Sitka and Juneau, port improvements in Sitka and Wrangell, and trail work in Juneau.

A surge of activity in Juneau will boost residential construction as the market finally responds to a severe housing shortage. Permits or proposals are in process for nearly 350 additional housing units and 50 apartments in Cedar Park may be rebuilt. In the first half of '95, workers will complete new senior citizen housing and two apartment projects. The University of Alaska Southeast is ready to break ground for new student housing when funding is confirmed. Surprisingly, building permit activity in Sitka looks strong compared to last year. In the rest of Southeast, residential construction levels should remain flat.

Commercial construction will fall from recent high levels as major retail expansions are completed. However, activity continues with several projects proposed or underway throughout Southeast. Petersburg gains a new grocery store and retail space, a convenience store and an expanded hardware store opening in late spring. Also, owners of the Scandia House hotel which burned last year aim to rebuild by mid-summer. Projects planned for this forecast period include a downtown development in Ketchikan with proposed hotel, restaurants and retail shops, and a tram with restaurant and retail space in Juneau. If plans are approved, golfers will tee off on a golf course in Juneau.

Changes afoot for seafood

Seafood harvests in Southeast will dive from last year's record levels with declines in the '95 salmon, halibut and herring roe fisheries. The effects of 1993's dry weather are expected to severely impact this summer's salmon stock. Forecasters predict drops from last year levels of 56% in salmon, 55% in Sitka Sound herring roe, and at least 12 percent in halibut. As seafood processing employment depends on the timing of the

catch more than the volume, a correspondingly large drop in employment is not expected.

Positive factors influencing seafood employment include expansion of the cannery and smokery in Kake, and a processor in Petersburg. Processors anticipate the new IFQ system for halibut will help stabilize prices and employment. The net effect could be steadier employment for residents but fewer short term seasonal processing jobs and fishing crew positions. Development of new products such as salmon sausage and salad sprinkles promises to stimulate demand.

Forest products jobs felled

The closure of the sawmill in Wrangell insures that forest product employment will fall, but at least no other major shutdowns in this industry are expected. Long term, logging employment will continue to drop unless more trees become available. For this year, the outlook for logging in the Sitka area is good. By '96, new small specialty operations may add a few jobs, but nothing in sight replaces the jobs lost in the Sitka and Wrangell closures. Pulp mill employment should hold steady as demand for pulp puts upward pressure on prices.

While Sitka is weathering the loss of its pulp mill with expanding opportunities in tourism and health care, Wrangell's immediate future looks bleak. As severance pay ends, residents are reluctantly leaving town and local businesses are feeling pinched. Several ideas are afloat to replace the city's economic base but none promise a quick recovery.

This forecast assumes no major long-term disruptions in the timber supply. However, court action continues to introduce uncertainty in the stability of the timber supply from the Tongass National Forest. A limitation on logging would impact jobs. At best, a short term event might shift work from the beginning to the end of the season. The loss of an entire logging season could cost not only logging jobs but cut sawmill employment and force a temporary closure of the Ketchikan Pulp Mill in late '95 or early '96.

Transportation: Steady as she goes

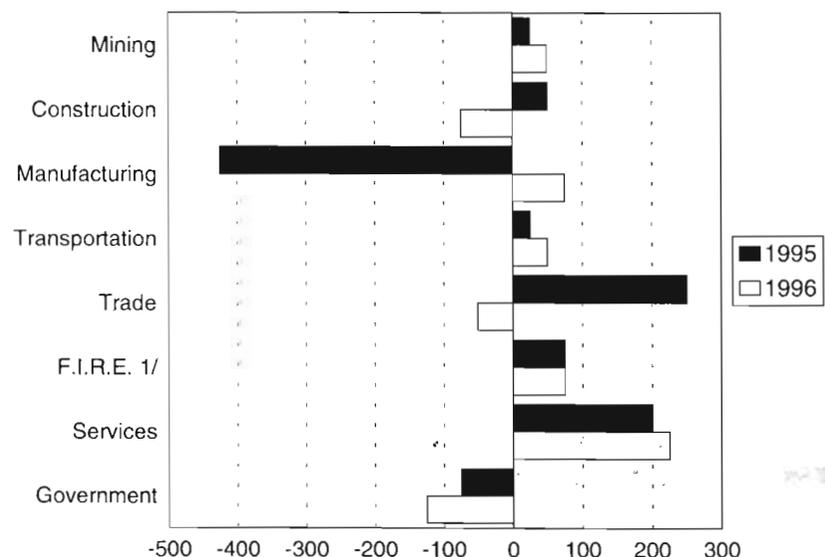
Cruise ship capacity will rise nearly 10 percent in each year. The numbers of ships, port calls and bookings will all increase from last year. Smaller charter boat and land tour operations will also expand along with new businesses catering to the increasing numbers of independent, nature-exploring and family travelers. These factors should nudge employment in water and land transportation upward. On the other hand, material moving activity related to the timber industry may decline. While air-passenger traffic is projected to rise in '95, airlines expect current employment levels to continue. Mark Air's withdrawal from Juneau will not noticeably impact employment in Southeast, but could affect air-passenger traffic in '96 if capacity declines and rates rise. Overall, transportation employment should closely follow last year's level.

Trade tags tourists

Major retailers' expansion ended this spring with the opening of Carr-Gottstein's 65,000 square foot grocery and liquor store in Ju-

Figure • 2

Job Gains and Losses in Southeast, 1995-96



1/ Finance, Insurance & Real Estate.
Source: Alaska Department of Labor, Research & Analysis Section.

neau. This store employs 170 people. Future retail growth may occur in smaller shops located to benefit from the larger stores' traffic. By the end of '96, the bite of increased competition may sting retail sectors such as grocery and general merchandise. Tourism related trade is forecast to grow in both years. Growth in eating & drinking places will continue, though not at last year's runaway rate. Wholesale trade should hold steady.

Services continue growth

Growth in financial services, recently driven by Native corporation employment, is expected to moderate. Rising interest rates may slow loan activity. On the plus side, Bank of America recently opened a branch in Juneau's new Carr's store. Tourist related services, such as hotels and lodging places, should continue to prosper. Sitka's Super 8 is expanding and lodges offering access to wilderness adventures are opening throughout Southeast. Health care services will grow with Sitka based Southeast Alaska Regional Health Corporation adding 40 to 50 employees in each of the forecast years.

Governments diet, workers trimmed

Federal and state government employment will continue to fall. Assuming the Forest Service office stays in Juneau, attrition rather than large program cuts should account for most of the decrease. Conflicting pressures on local government may eventually lead to a drop in employment. Recently the demands of rising school enrollments has sustained local employment levels. With projected tight budgets, cuts in state aid, and new federal rules lowering the maximum level of local contributions to education, employment levels may suffer.

Summary: Slight increases expected

Despite setbacks in some of the area's most prominent industries, Southeast employment should manage slight increases over the next two years. Good years in the construction, mining, service, and tourist related industries will counter declines in forest products, seafood processing and government. Longer term, the outlook could well be less promising as government employment continues to decline and construction activity levels off. Communities in Southeast will need to encourage diversification and expanded entrepreneurial activity in order to maintain employment levels.