

Nearly 10,000 New Jobs by 2000

By John Boucher

Extending Alaska's 10-year string of job gains, the state's economy will continue to grow through 1999. Services, the oil and gas industry, air cargo handling, trade, and the visitor sector will combine to add nearly 10,000 new jobs by the year 2000. On the down side, manufacturing, particularly seafood processing and timber, along with the public sector, will contract. Overall, Alaska will see job growth of over two percent in 1998 followed by slower growth in 1999. (See Table 1.)

After two years of relatively slow job growth, Alaska's economy rebounded in 1997 when the services and air transportation industries fueled a broad-based 1.8% job gain. (See Figure 1.) The oil, tourism, retail trade, and hard rock mining industries all added jobs. The momentum these industries carry into 1998 is a key factor in the forecast.

This forecast is based on several assumptions. The most important is that there will be no dramatic deviation from the oil price or production levels forecast in the Alaska Department of Revenue's Spring 1998 revenue forecast. Other assumptions key to a specific industry's outlook are mentioned in the pertinent sections later in this report.

Services continues growth leadership

As it has for most of the 1990s, the services industry will drive job growth. (See Figure 2.) Pacesetters for services growth include hotels and lodging places, amusement and recreation services, business services, social services and the health care industry.

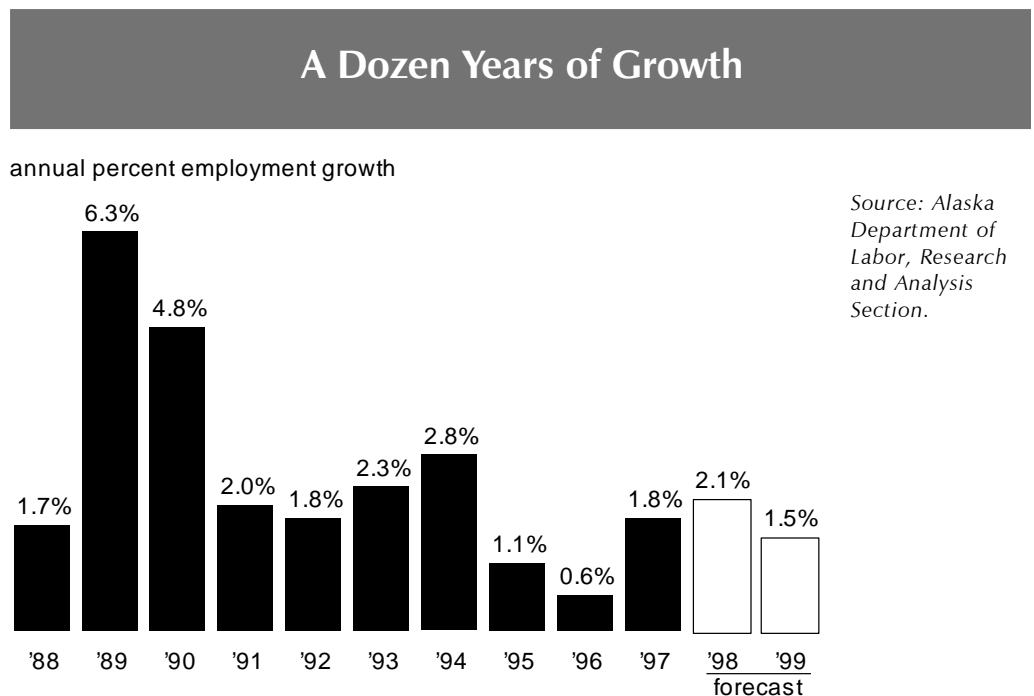
The number of visitors to Alaska has climbed, resulting in increased visitor-related services

employment. In the next two years, more tourists than ever will visit Alaska, which will help boost the number of jobs in the services industry. Employment at hotels and lodging places will grow on the strength of the visitor industry. Hotels that came on line last year will contribute employment growth by operating for a full year. In addition, new hotels or expansions are scheduled to open in Anchorage, Fairbanks, and Juneau in 1998, and more projects are planned that would add capacity in 1999. In rural destinations, seasonal lodges catering to fishing, hunting and wildlife-watching tourists will boost summer lodging employment. Amusement and recreation services employment will also expand along with the number of visitors. Excursion tour operations, such as float trips, walking tours, and numerous other recreational services, are counted in this sector.

A relatively healthy outlook for the construction sector, along with development projects in the oil industry, will keep professional service providers

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Figure • 1



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

like engineers, accountants, architects, and surveyors in demand the next two years. Business services, such as advertisers and data processing firms, will grow in support of the oil and gas, tourism and other industries. Data processing firms are expected to hire more individuals to address the "year 2000" data processing problem as its urgency increases.

Health care services should also grow, although not at the rates posted the last several years. This forecast assumes that the majority of the employment at the Alaska Native Medical Hospital in Anchorage will remain in federal government at least through the end of 1999. If that facility is privatized in a rapid fashion, a substantial gain in private health care services would occur, while federal government employment would show a concurrent drop.

Air cargo carries transportation gain

The air transportation sector, particularly the air cargo business, was the state's most dynamic industry last year. While growth will slow during the next two years, this industry will remain an important source of new jobs. Federal Express is close to

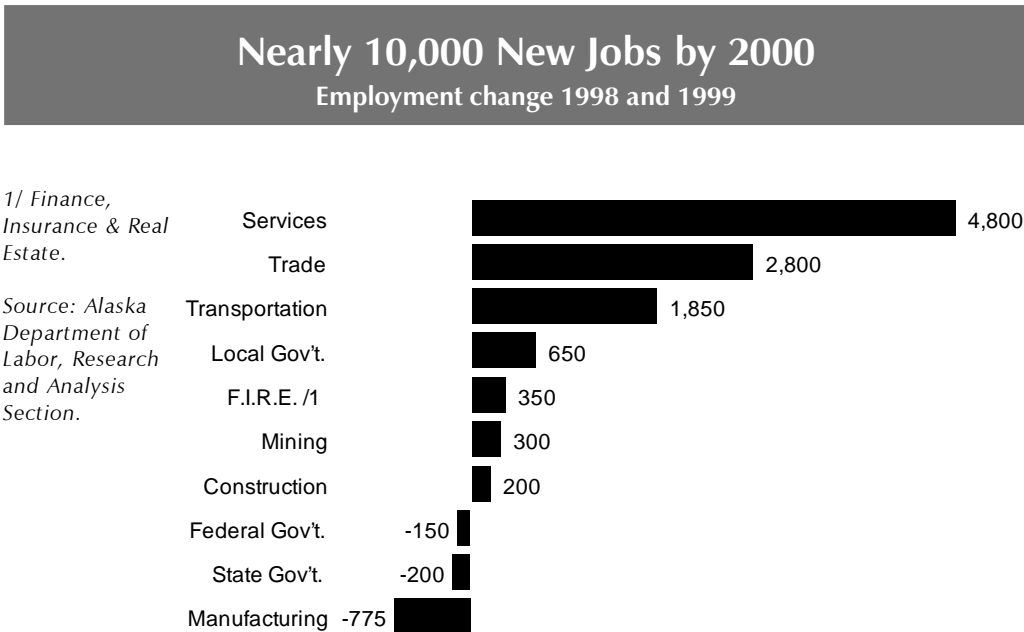
completing a new facility and will be a key player in this industry's expansion. In the longer term, if the proposed major capital improvement effort at the Anchorage International Airport goes forward, this will position the industry for future growth.

Outside of air cargo, the airline industry expects continued growth. Lower fuel prices and a healthy national economy could promote additional traffic to Alaska destinations this season. International traffic from European destinations should be strong again this year; however, the Asian currency crisis has adversely affected small segments of the Asian tourist trade, especially Korean travel. Smaller air carriers will post gains as the relatively healthy outlook for tourism, construction and the oil and gas industries stimulates traffic to rural locations.

Spurred by an expected retail expansion, a solid construction industry, and oil development activity, water transportation should grow. Tourism-related sectors of water transportation also should grow. Boat charters and water-based sightseeing excursions should benefit from the increased number of visitors.

Privatization of two of the state's largest municipal utilities will result in a sharp employment gain for the communications and utilities sector. In 1998, the biggest gain in communications will be associated with a full year of private operation of the Fairbanks Municipal Utilities System. In 1999, the sale of the Anchorage Telephone Utility will occur, moving more than 700 communications jobs into the private sector. On an annual average basis, more than half of those will move from local government to the private sector. Initially, this will shift employment from government to the private sector with no net change in the total job count. Beyond the forecast horizon, though, it is possible these entities will begin to reduce employee counts.

Figure • 2



1/ Finance, Insurance & Real Estate.

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

Other segments of transportation have mixed outlooks. Bus and ground transportation will grow in response to increased numbers of tourists. Trucking will grow due to the solid outlook for construction.

Pipeline transportation of oil is one sector likely to contract. Alyeska Pipeline has been undergoing a slow but steady restructuring, and its employment levels will continue to decrease as pump stations along the Trans-Alaska Pipeline are closed and the company downsizes.

Gold fever chills

The last two years have seen Alaska's mineral mining industry undergo an employment revival. Gold fever generated jobs in Fairbanks, rural interior, northern and Southeast Alaska. Last year, the outlook for minerals changed when gold fever turned into a gold price chill. Low gold prices hit placer gold mining operations particularly hard. The Alaska Gold operation in Nome, which plans to close this spring, is the largest casualty.

Due primarily to lower gold prices, the next two years will be less dynamic in this industry than the last two. This assumes that the Kensington mine near Juneau, which could eventually mean 300 additional mining jobs, will not contribute any significant employment in 1998 or 1999. While the forecast projects no Kensington-related growth in the next two years, exploration and development will continue. The Pogo strike southeast of Fairbanks is generating excitement due to the high grade of its gold. The expansion of the Red Dog Mine will mean a slow rise in employment there, and the Usibelli coal mine near Healy could see a slight increase in employment due to the Healy Clean Coal power project coming on-line. The gain at Usibelli could be offset if the company's contract with the Korean company Suneel succumbs to the Asian economic flu.

Alaska's oil and gas industry rebounded strongly last year, but there is cause for concern if oil prices persist at low levels. For this year and next, the industry has expansion projects on the North Slope which will boost oil patch employment. The Bad-

ami, West Sak and Tarn fields will result in employment gains. Other developments could keep employment up in 1999. While there is good news on the exploration and development side, British Petroleum has been on a steady path of reducing its Alaska workforce, a trend expected to continue.

Construction stays on course

Alaska's construction sector put in a solid performance last year, and although minimal growth is expected, the industry should hold steady through 1999. Highway and street construction activity could bolster the industry, especially if the planned increase in federal highway funds is approved. Residential building construction will fall off in some areas of the state, but the economic momentum of low interest rates and employment growth should mean a fairly strong performance. Commercial construction could be on the verge of another mini-boom, especially if a number of large retail outlets go forward during the next two construction seasons.

After two strong years, residential construction employment fell slightly in 1997. The total number of building permits for residential construction declined six percent from 1996. Anchorage was the hotspot for residential construction in 1997, while activity slowed in other urban areas of Alaska. Early indications for 1998 portend a further drop in residential construction. Anchorage, Fairbanks and the Mat-Su Borough are expected to have the most activity in 1998. In rural Alaska, residential activity should run close to last year's levels. In 1997, the U.S. Department of Housing and Urban Development and the Alaska Housing Finance Corporation financed most rural residential construction. The state's regional housing authorities will again be active with pockets of housing activity occurring throughout rural Alaska.

Federally funded building construction will also provide a significant stimulus through 1999. Military construction projects will be a major source of activity, with retail facilities, base infrastructure and housing upgrades all contributing during the next two seasons. On the civilian agency side, Juneau will see the continuing renovation of the Menden-

hall Glacier Visitor Center. Kodiak Island Borough will be a hot spot with construction of the Near Island fisheries research center and progress toward the building of a rocket launching facility. In the wings for Juneau could be a \$95 million fisheries research facility that would consolidate employees of the National Oceanic and Atmospheric Administration.

State-funded building construction will occur at both the University of Alaska and state agencies. Dormitories, research facilities and maintenance projects are the big-ticket construction projects on the University's docket for the next two years. Alaska's Department of Health and Social Services will construct several additions to youth detention facilities, the largest being a 22-bed addition to Juneau's Johnson Youth Center. The state also is poised to add capacity to correctional facilities. As of this writing, an 800-bed facility at Fort Greely and a \$56 million replacement of Anchorage's Sixth Avenue Correction center are under consideration. At the local level, Fairbanks will continue work related to its \$62 million bond issue to fund public facilities construction. Juneau will build a new police station, and planning is underway to identify whether to renovate the existing high school or construct a new facility.

An increased budget in each of the next two federal fiscal years insures that highway, street, and community transportation programs should make a solid contribution to construction employment. Airport-related construction will also make a significant contribution to employment, particularly the planned renovation and expansion projects slated for Anchorage International Airport.

Industrial and commercial construction will make significant contributions in the next two years. Facilities are planned to handle the oil and gas and tourism expansions and a new round of retail expansion. Hotel construction and renovation are expected to be major sources of activity. Construction of oil field modules for the Alpine field is occurring this year, and the Northstar oil field will have a significant impact on construction and oil field services employment next season if the project goes. A new Fred Meyer grocery and general merchandise store will be constructed in the Mat-

Su Valley, and Safeway is planning a new supermarket in Anchorage. Wal-Mart is considering as many as five new locations, and Carrs food stores is planning on renovating some locations and building a new store.

Retail on the rebound

With new facilities on the verge of opening and more under consideration, the retail sector is poised for expansion. General merchandise stores, including a new Fred Meyer in Mat-Su, the new Alaska Commercial Company store in Barrow, and the probability of Wal-Marts opening in at least two locations, should contribute to job growth. On the other hand, the closure of J.C. Penney stores in Fairbanks and Juneau, and Rite Aid's¹ retreat from the Alaska market, will curtail some of this growth. Food stores will also experience some growth when new facilities, such as the planned Safeway and Fred Meyer, open their doors.

Eating and drinking establishments will be a critical factor in employment growth in retail during the next two years. Last year, this sector surged on the strength of new establishments and food service activity associated with the tourism and oil industries. New establishments will continue to ratchet up employment during the next two years, but catering and food service firms are unlikely to be the source of rapid growth that they were in 1997. This points to steady, but slower, growth in eating and drinking establishments.

In the building materials and furniture store sectors, an employment boost will occur with the opening of Home Depot in Anchorage. However, with a slower residential construction outlook, gains may be limited. Elsewhere, Alaska's burgeoning tourism industry should boost retail trade employment as new gift shops vie for the growing tourist trade.

Native corporations, refinancing spur finance growth

The finance, insurance and real estate portion of the economy will grow steadily. The financial sector which has the most potential for growth during the next two years is Alaska's Native corpo-

1/ Rite Aid's disclosure to close its Alaska stores was announced at Trends press time. Employment numbers are not reflected in the referenced charts.

Alaska Nonagricultural Wage & Salary Employment Forecast 1998-1999

STATEWIDE	1996 Annual Average	1997 Annual Average	Percent Change 96-97	1998 Annual Average	Absolute Change 97-98	Percent Change 97-98	1999 Annual Average	Absolute Change 98-99	Percent Change 98-99	Totals may not add due to rounding.
Nonag. Wage and Salary	263,600	268,300	1.8%	274,000	5,700	2.1%	278,025	4,025	1.5%	<i>1/ Includes Pulp Mills and Lumber and Paper Products.</i>
Goods-producing	38,400	38,000	-1.0	38,500	500	1.3	37,825	-675	-1.8	
Mining	9,900	10,000	1.0	10,800	800	8.0	10,300	-500	-4.6	
Construction	12,600	12,700	0.8	12,900	200	1.6	12,900	0	0.0	
Manufacturing	15,900	15,400	-3.1	14,800	-600	-3.9	14,625	-175	-1.2	
Seafood Processing	9,800	9,600	-2.0	9,400	-200	-2.1	9,200	-200	-2.1	
Forest Products ^{1/}	2,400	2,100	-12.5	1,650	-450	-21.4	1,650	0	0.0	<i>Source: Alaska Department of Labor, Research and Analysis Section.</i>
Service-producing	225,200	230,300	2.3	235,500	5,200	2.3	240,200	4,700	2.0	
Transportation	22,900	24,000	4.8	24,900	900	3.8	25,850	950	3.8	
Trade	54,600	55,600	1.8	57,050	1,450	2.6	58,400	1,350	2.4	
Wholesale Trade	8,700	8,800	1.1	8,850	50	0.6	8,900	50	0.6	
Retail Trade	45,900	46,700	1.7	48,200	1,500	3.2	49,500	1,300	2.7	
Finance-Ins. & Real Estate	11,900	12,100	1.7	12,300	200	1.7	12,450	150	1.2	
Services & Misc.	62,900	65,400	4.0	67,600	2,400	3.4	70,000	2,400	3.6	
Government	73,000	73,200	0.3	73,650	450	0.6	73,500	-150	-0.2	
Federal	17,300	17,300	0.0	17,250	-50	-0.3	17,150	-100	-0.6	
State	21,500	21,400	-0.5	21,300	-100	-0.5	21,200	-100	-0.5	
Local	34,200	34,500	0.9	35,100	600	1.7	35,150	50	0.1	

rations; however, the varied business activities that they are currently investing in will show up in a broad range of industries, including finance. Alaska's banking sector is relatively healthy, although competitive pressures and technological changes are forcing banks to cut back on personnel. One exception to this trend in banking and other lending institutions has been the steady flow of refinancing activity spawned by low interest rates.

Timber, fish markets make for grim manufacturing outlook

After losing jobs last year, Alaska's seafood processors and the wood products industry both have dim prospects.

Alaska's forest products industry is expected to lose employment in 1998 followed by a stable outlook for 1999. Two factors control this forecast. First is the lingering effect of the Ketchikan Pulp Company (KPC) pulp mill closure. Another factor is the current soft Asian market for round log

exports. Timber harvesting plans for Southeast Alaska's Native corporations are being curtailed substantially, and outside of Southeast, logging activity has already slowed. Sawmills are suffering, too, as KPC recently announced an indefinite closure of its Metlakatla mill due to the soft Asian market. The good news in this sector is that relief appears to be on the horizon. A new veneer plant is planned for Ketchikan, and the Wrangell sawmill recently reopened. These facilities help brighten the industry's outlook for 1999.

Alaska's seafood processors are entering the 1998 season with trepidation about salmon prices and the Asian market. With low prices last year, inventories high, and a salmon run projected to exceed last year's, all signs point to another rough season for fishers and processors. A positive development is that winter processing employment related to bottomfish and shellfish is ahead of last year's pace, primarily due to an extremely successful opilio, or Snow crab, harvest. One unknown that could influence employment is if a larger portion of the bottomfish allocation is dedicated to on-shore

processing facilities. Many offshore processors are excluded from Alaska employment statistics because the companies pay unemployment insurance taxes on offshore workers, even those hired from within Alaska, to the state of Washington.

Public sector downsizing continues at a slower pace

Most of the federal government's downsizing effort appears to be over in Alaska. The last expected major blow, the Fort Greely base realignment, is scheduled for the year 2000, beyond the horizon of this forecast. While the next two years look relatively stable for federal government employment, some areas appear vulnerable to slight losses. Civilian jobs associated with Alaska's military installations could fall. On the agency side, the Forest Service plans to cut personnel associated with the Tongass timber-harvesting program. This assumes that there will be no takeover of subsistence management by the federal government and that the impact of the privatization of the Alaska Native Medical Health Center results in gradual reductions to federal employment.

State government employment is forecast to move steadily downward. Spending is being ratcheted down, and lower employment counts are likely to result. Attrition, early retirements and privatization of some state services also reduce employment levels. The University of Alaska is also feeling the budget pinch, and its employment counts are expected to dwindle through attrition.

Offsetting the drops in federal and state government employment will be a slow increase in local government jobs. Local government is the likely exception to the trend of government downsizing because education-related local government employment is being beefed up. A number of school districts are reacting to increased student enrollments by adding staff, although financial pressures will limit expansion. It is noteworthy to mention that local government growth during the next two years would have been even greater had not the privatization of the Fairbanks and Anchorage utilities occurred.

What if?

Several key assumptions underpin this forecast. Given what's known today, here's a best guess at how different assumptions could change the outlook. First, world oil prices or Alaska oil production always has the potential to impact employment substantially. The forecast assumes that oil prices will not stay at their current low levels. If they were to stay down for the entire forecast period, the outlook for oil and gas mining, the public sector, and support sectors of the oil industry would be dampened significantly. A run-up in oil prices would notably brighten the outlook for these sectors.

While it's not as important a commodity to the Alaska economy as oil, gold with its current low price affects the poor outlook for Alaska's mining industry. If gold prices improve significantly, developments currently on the back burner could be pushed forward and planned closures postponed.

Growth continues to 2000

This two-year employment forecast predicts continued employment growth, with gains exceeding two percent in 1998 followed by slower growth in 1999. The oil and gas industry, services, tourism, the air cargo industry, and retail trade will spur job gains of nearly 10,000 jobs. If projections come to pass, by 2000 Alaska will be poised to enter the new millennium riding a 12-year growth wave.

Notable about this forecast is the relatively steady outlook for Alaska's economy. Given the uncertainties about oil prices and the Asian crisis, caution is advised. If events play out differently from what is assumed, job growth could easily turn into job losses. Also, periods of extended, relatively steady employment growth are unusual for Alaska. So, while Alaska's employment picture appears relatively predictable at the moment, a sudden swing in the state's economic outlook would not be surprising.

Momentum Keeps Anchorage's Economy Rolling

By Neal Fried

Anchorage's economy picked up steam in 1997, building momentum that will carry through this year and part of next. Employment growth should run over two percent in 1998, moderating a bit in 1999. During this time, Anchorage's economy should produce well over 4,000 new jobs. (See Table 1 and Figure 1.) If this prediction holds, Anchorage will have enjoyed a dozen years of uninterrupted expansion.

Services, Anchorage's largest industry, will continue to provide most of the impetus for employment growth. Air transportation and retail will also remain important ingredients. Following a six-year hiatus, the oil patch in 1998 and possibly 1999 will return to growth. Construction will remain near present levels and public sector employment could dip slightly.

However, no forecast guarantees the future. A major event or combination of events can easily change the outlook. Two events already unfolding are low, low oil prices and the Asian financial crisis. If oil prices fall further and persist for longer than expected, Anchorage's economic picture for 1999 could look quite different. Like oil, the depth and the length of the Asian crisis will dictate its impact on Anchorage's economy. However, the downside of the Asian crisis does not carry the potential punch of persistently low oil prices.

Despite low prices, oil patch employment looks good

Despite low prices, work in the state's oil industry is on the upswing. This year will be the first since 1992 that oil industry em-

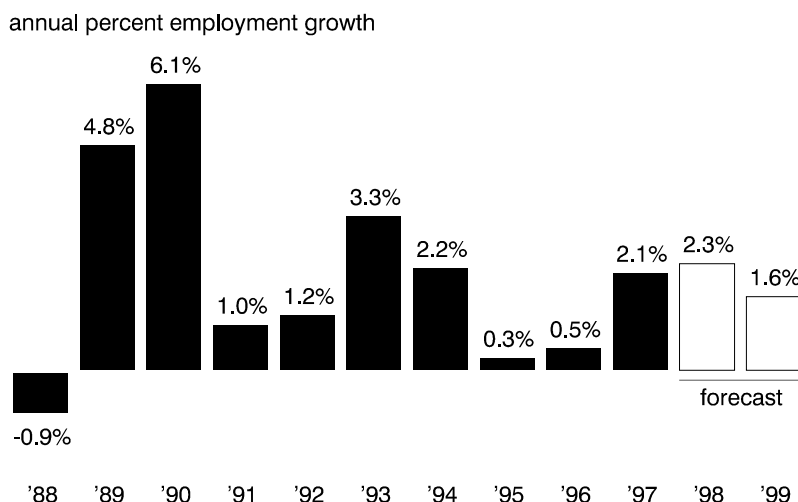
ployment rises. Atlantic Richfield's (ARCO) development of the new Alpine and Tarn fields and drilling at West Sak are driving the growth. British Petroleum's development of the Badami oil field will also boost this year's employment. While most of this growth is on the North Slope, Anchorage, as a headquarters city, reaps direct and indirect benefits. Though employment at major oil producers will change little, their contractors in oil field services, construction and other industries will benefit.

Work will continue through 1999. Additional projects could include field development at North Star, Sourdough, Liberty and possibly Sambuco and Midnight Sun. However, if low oil prices persist, many of these planned projects could be pushed into the future. Regardless of this possibility, many in the oil industry say they "have learned to survive when prices are low and thrive when they are high." The industry has drastically reduced

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Figure • 1

Momentum Is on Anchorage's Side



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

Anchorage Nonagricultural Wage and Salary Employment Forecast 1998-1999

Totals may not add due to rounding.

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

	1996 Annual Average	1997 Annual Average	Percent Change 96-97	1998 Annual Average	Absolute Change 97-98	Percent Change 97-98	1999 Annual Average	Absolute Change 98-99	Percent Change 98-99
Nonag. Wage & Salary	121,100	123,600	2.1%	126,500	2,900	2.3%	128,500	2,000	1.6%
Goods-producing	10,900	10,900	0.0	11,300	400	3.5	11,200	-100	-0.9
Mining	2,500	2,400	-4.0	2,700	300	12.5	2,500	-200	-7.4
Construction	6,400	6,500	1.6	6,600	100	1.5	6,700	100	1.5
Manufacturing	2,000	2,000	0.0	2,000	0	0.0	2,000	0	0.0
Service-producing	110,200	112,800	2.4	115,200	2,400	0.0	117,300	2,100	1.8
Transportation	11,900	12,100	1.7	12,500	400	3.3	13,000	500	3.8
Trade	29,800	30,500	2.3	31,100	600	2.0	31,600	500	1.6
Wholesale Trade	6,500	6,400	-1.5	6,400	0	0.0	6,400	0	0.0
Retail Trade	23,300	24,100	-3.4	24,700	600	2.5	25,200	500	2.0
Finance-Ins. & Real Estate	7,200	7,200	0.0	7,300	100	1.4	7,300	0	0.0
Services & Misc.	33,600	35,000	4.2	36,200	1,200	3.4	37,500	1,300	3.6
Government	27,700	28,000	1.1	28,100	100	0.5	27,900	-200	-0.7
Federal	10,000	9,900	-1.0	9,800	-100	-1.0	9,800	0	0.0
State	8,000	8,200	2.5	8,200	0	0.0	8,100	-100	-1.2
Local	9,700	9,900	2.1	10,100	200	2.0	10,000	-100	-1.0

its cost structure over the past six years and most of the current development is close to existing infrastructure. These factors mean that the drop in oil prices should not cause the dramatic reaction it did in earlier years.

Construction goes "stable"

Construction has been uncharacteristically stable and employment is not expected to stray far from the levels of the past three years. A few big projects, a sprinkling of medium-sized commercial and public projects, a bigger highway season, a robust residential market, and healthy activity in the rest of the state should keep Anchorage contractors busy.

The two largest projects proposed for the 1998-99 construction seasons are the \$125 million Alaska Seafood Center and Columbia-Sussex Corporation's new 350-room, full-service hotel. Ground was broken for the hotel in April, and the seafood center, while not a certainty, looks promising. Highway construction should be strong, especially as Congress is increasing funding. The biggest highway projects are the \$38 million Whittier access tunnel and a \$20 million Minnesota/Inter-

national Airport Road interchange. A considerable amount of work also remains on the Seward Highway between Bird Creek and Girdwood. Other sizable projects include construction of Federal Express's new \$38 million freight handling facility and a new \$40 million Commissary/Exchange on Elmendorf. The Army Corps of Engineers plans a considerable amount of work on both Anchorage bases, including work on the fuel tank farms and the continued renovation of on-base housing.

School construction will be slow in 1998, but because Anchorage voters passed the school bond package in April, work will pick up in 1999. In addition to the new Columbia-Sussex Hotel, Nana/Marriot should break ground early this season on a Residence Inn, and at least one other hotel is planned. Safeway hopes to build at least one new supermarket in 1998, and smaller retail-related construction projects should go. Construction will also start on the new \$14.8 million Native Heritage Cultural Center.

Anchorage International Airport and its associated infrastructure are due for major replacement and expansion work; cost estimates could exceed \$190 million. Some work has begun and more will get

underway in 1999. The biggest year for this construction activity will likely be 2000.

In 1997, Anchorage permitted over 1,150 new residential units, the most since 1985. The year 1998 may repeat this strong performance, since the number of permits issued through February is already 30 ahead of year-ago levels. Low interest and vacancy rates and moderate growth in the economy should mean another good year for Anchorage's housing contractors.

Air transportation hits small air pocket?

Recently, both the domestic and the international sides of air transportation have fared well. A healthy visitor sector explains some of the robustness of both local and domestic carriers. Alaska Airlines' employment and its number of flights should continue to grow. America West, which had pulled out of the market, is returning to Anchorage this summer. Employment for flight-seeing operators should climb with the number of visitors.

Asia's financial problems have muddied the outlook for international carriers. This crisis is already slowing or delaying some of the planned investments at the airport. Although no flights from the affected countries have been canceled, international air passenger traffic has suffered. For December of 1997 through the first two months of 1998, traffic fell by about 22 percent compared to year-ago levels. However, air cargo, where most of the employment impacts and growth potential exist, has yet to feel much effect. In fact, for the same period, international cargo loads were running 20 percent ahead of year-ago levels. While this pace may slow, there is still expectation for growth. For exam-

ple, Federal Express plans to hire additional staff to operate its new \$38 million facility opening in September of 1998. Employment at United Airlines' new cargo operation continues to climb. Possibly a more important development is the recent agreement between the U.S. and Japan which allows Japan Airlines and Nippon Air to trans-load cargo and provide other services at Anchorage International. Instead of simply refueling, doing some maintenance and changing crews, these airlines could perform important hubbing activity in Anchorage.

Long-term optimism surrounding air transportation is leading to plans for major infrastructure work at Anchorage International Airport. (See construction section.) Even considerable private money is chasing these opportunities. One example is Lynx/MAPCO consortium's plans to build over \$10 million worth of parking aprons and warehousing space to lease to carriers.

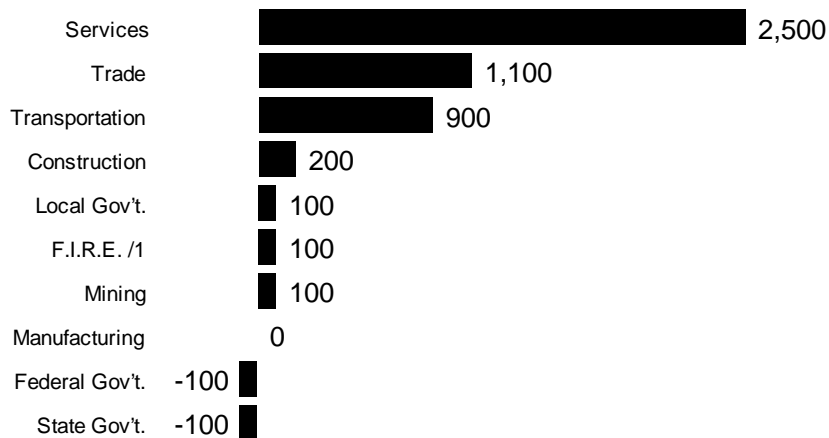
Chaos in communications and utilities

Deregulation in communications and utilities along with rapid technological changes make these in-

Figure • 2

A Combination of Industries Will Keep Employment in Anchorage in the Black

Employment change 1998 and 1999



1/ Finance, Insurance & Real Estate.

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

dustries harder to predict. However, with expansion in the number of providers and services, communications and utility employment is expected to grow. This growth is reflected in the transportation industry, where private sector communications and utilities are accounted for.

In late April, voters in Anchorage decided to privatize the publicly owned telephone company, Anchorage Telephone Utility (ATU). When ATU is sold, its present workforce of 700 employees will shift from local government to transportation, communications and utilities. Initially, this change may simply represent a shift in employment. Since privatization will not take place until early to mid-1999, its impact on the forecast will cause a shift of 300 workers from local government to transportation on an annual average basis. Beyond this forecast horizon, the absolute size of this workforce will likely change.

Visitor industry should be kicker

The visitor industry remains a bright light in Anchorage's economy. Visitors, whose numbers are expected to grow, provide substantial benefits to the transportation, retail and services industries.

Last year, hotel receipts in Anchorage grew by about five percent. This trend should continue within the horizons of this forecast. The state's large tour operators, airlines and railroad are all planning for growth in 1998. Cruise ship capacity and sailings are up around the state. Holland America will dock two ships in Anchorage twice every other week. Four new hotels in Anchorage will be open during this summer's season, providing 400 new rooms and 150-200 jobs in the services industry. If the recent boom in hotel construction is a testament to the faith many have in the visitor industry's future, the rate of growth could accelerate. As already noted, another two to three hotels are planned. They include the Marriot Residence Inn, the 350-room Columbia-Sussex and possibly a third project, accounting for over 500 more rooms and hundreds of additional jobs. In addition to these hotels, the Native Cultural Center will open for business in 1999. It will have a visitor season workforce of 120-140 employees.

Without services, growth would be minimal

Without growth in services, Anchorage's largest private sector industry, overall gains in employment would be lackluster at best. But services will not let the economy down; employment in services is expected to grow by three percent or better for the next two years. Most segments of this industry will grow, but the perennial leader, health care, will contribute the most. Business services, social services, and hotel and lodging employment will also add to the industry's growth.

An aging population and advances in medical care explain some of the growth in health care. Also, a growing number of practitioners are seeking opportunities in Alaska or moving here to escape managed care. Privatization of the Alaska Native Medical Center will also boost health care employment. (See public sector discussion.) Within business services, growth will be most pronounced in computer services and personnel supply services. With the explosion in technology and the work needed to fix the year 2000 problem, there is no reason to believe that growth in computer services will slow. And with tight labor markets and a growing number of employers using contract or temporary workers, personnel services should also continue to expand. Social services will benefit from expansion in childcare, job training, increased use of residential care and growing privatization.

Retail will ring up more employment

In retail trade, enough new projects are confirmed to insure steady growth. The single largest addition in 1998 will come from the 140-160 jobs at the new Home Depot hardware store. Staffing began in March and the store opened in April. Safeway hopes to build a new supermarket that would open in late 1999. Gap Inc. announced intentions to open its apparel store this July. Other smaller retailers will also surely enter the market.

The eating and drinking segment of retail has been a major source of growth, a trend expected to continue. The new Sullivan Steak House in the Anchorage 5th Avenue shopping mall is the only

big eatery to announce plans for a 1998 opening. However, smaller players, which usually open with little fanfare, but which employ most of this industry's workforce, dominate this industry.

Although the increasingly competitive retail market is claiming some victims such as Rite Aid, which will be closing later this year, retail employment will still reach new highs in Anchorage.

City's finance sector could feel small bounce

Employment in Anchorage's finance sector has not budged in four years in spite of a healthy real estate market, a roaring stock market, low interest rates and positive balance sheets in the banking sector. Technological changes and consolidations help explain this lack of growth. Now, however, the industry seems poised finally to enjoy moderate growth in 1998.

Public sector could dip slightly

After four years of downsizing, federal employment remained largely unchanged in 1997. With no budget deficit looming and no immediate threat of further base closures, federal employment should remain stable during the next two years. Military-related civilian employment could dip with the growth in contracting out services. However, growth in other departments like the Federal Aviation Agency could offset these losses.

The biggest change for federal employment will come when the Alaska Native Medical Center is turned over to nonprofit health organizations. Presently, nearly all 1,400 of these workers are federal government employees. Most will have the option of remaining federal employees with their new employers. However, over time, through attrition and other changes, they will be replaced by private sector employees counted in the services industry. Part of the Medical Center is presently being handed over to the Southcentral Health Foundation. By early 1999, the rest will be transferred to the Alaska Native Tribal Health Consortium. Because this transition from public to private

employment will come relatively slowly, the biggest effects will be felt beyond this forecast period.

Over the next two years, low oil prices and the desire to reduce the budget are expected to cut the size of state government. The University of Alaska is feeling similar pressures and plans slight cuts to its workforce.

At the local level, employment will continue to inch upwards. School enrollments are expected to rise nearly three percent over the next two school years. The reason local government's employment figures fall in 1999 is because of the sale of ATU. (See section on communications and utilities for details.) If this transfer of ATU's employment had not happened, local government employment in 1999 would have grown by 200, or about two percent.

Summary: outlook generally positive

Employment growth heated up in 1997, and until three months ago there was little doubt this momentum would carry into 1998 and 1999. However, the arrival of low oil prices and the Asian crisis has forced some modifications to the forecast. Instead of three percent growth, a more moderate two percent is forecast for 1998, with some further cooling in 1999. Most of the growth will be led by the steady and dependable services industry. Retail trade is also being counted on for some decent growth. Both of these industries, along with transportation, should profit from a good visitor season. Possibly the biggest change is the turnaround in oil industry employment. It is already injecting new life into Anchorage's economy.

Private Sector Growth Brightens Forecast for Fairbanks

By Brigitta Windisch-Cole

Brigitta Windisch-Cole is a labor economist with the Research and Analysis Section, Administrative Services Division, Alaska Department of Labor. Brigitta is located in Anchorage.

Employment in Fairbanks has grown for the past decade, a trend expected to continue for the next two years. This forecast predicts an increase of 800 jobs in 1998 and 700 more in 1999, with annual growth rates of 2.5% and 2.1% respectively. (See Table 1 and Figure 1.) Job growth will concentrate in the private sector, a result of privatization, corporate job relocation and new business growth. Nearly half of the employment gain in 1998 will come in the transportation, communications and utilities industry. Construction and mining, particularly oil field services, will also push up employment. In response to growing business activity and a growing population, Fairbanks' service-producing industries will also grow. During this two-year forecast period, the overall economic climate in Fairbanks, especially in the private sector, will be upbeat.

Transportation employment will advance

Privatization of Fairbanks' Municipal Utilities System (MUS), the PTI Communications headquarters move, and the relocation of Alyeska Pipeline Service Company personnel will continue to transform Fairbanks' economy. These three events account for much of the expected employment growth in the transportation, communications, and utilities industry. By the end of 1998, about nine percent of all wage and salary workers will be employed in transportation-related industries. In 1996, before the moves and the MUS sale, only 7.3% of all workers held private sector transportation jobs.

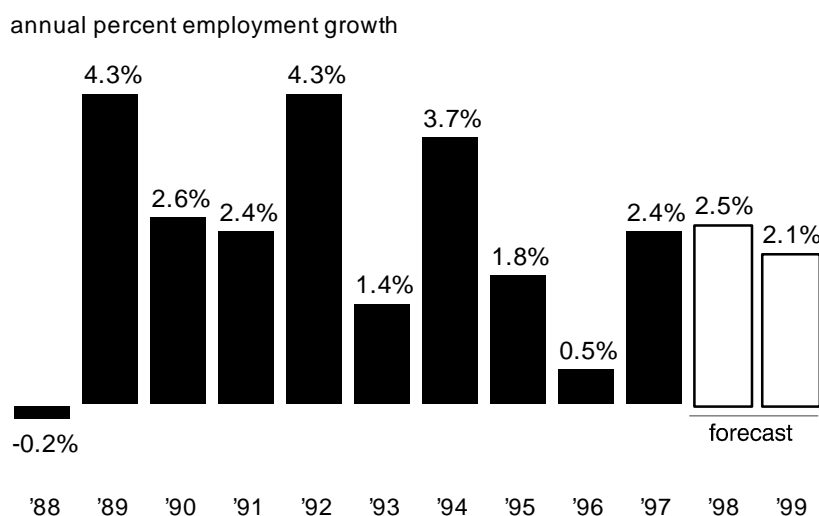
Of these three events, the largest employment boost for Fairbanks stems from the Alyeska Pipeline Service Company reorganization. In May 1997, Alyeska began to decentralize its organization, moving nearly 250 jobs to Fairbanks. This move

will be completed soon when a new office building is finished. Alyeska's relocation will have continuing positive impacts. Some of the company's contractors may relocate to Fairbanks, and businesses already existing in Fairbanks will benefit as well.

The PTI headquarters move from Anchorage to Fairbanks will also increase Fairbanks' total employment. The move of between 60 and 80 jobs will be completed by July 1998. PTI's acquisition of MUS makes Fairbanks PTI's largest Alaska service area.

Figure • 1

Employment in Fairbanks Continues to Grow



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

Although the MUS sale will show as a sizable boost in private transportation employment, privatization will not immediately affect Fairbanks' total job count. PTI, Utilities Services of Alaska, and Golden Valley Electric Association, Inc. have agreed to retain all former city personnel for at least three years. These transfers, which affected approximately 260 workers, shifted jobs to the private sector from local government.

Combined, the PTI and Alyeska moves account for nearly 300 new transportation jobs. These good-paying, year-round jobs will sweeten this enlarged slice of Fairbanks' employment pie. Others in this industry should also grow. Another utility company, Fairbanks Natural Gas, has found a market in Fairbanks and is expanding its service area. Ground and air transportation companies will expand as demand increases. The transportation industry is, undoubtedly, growing in importance in Fairbanks, and will transmit some of its energy to other industries.

Oil and gas service companies will push up mining employment

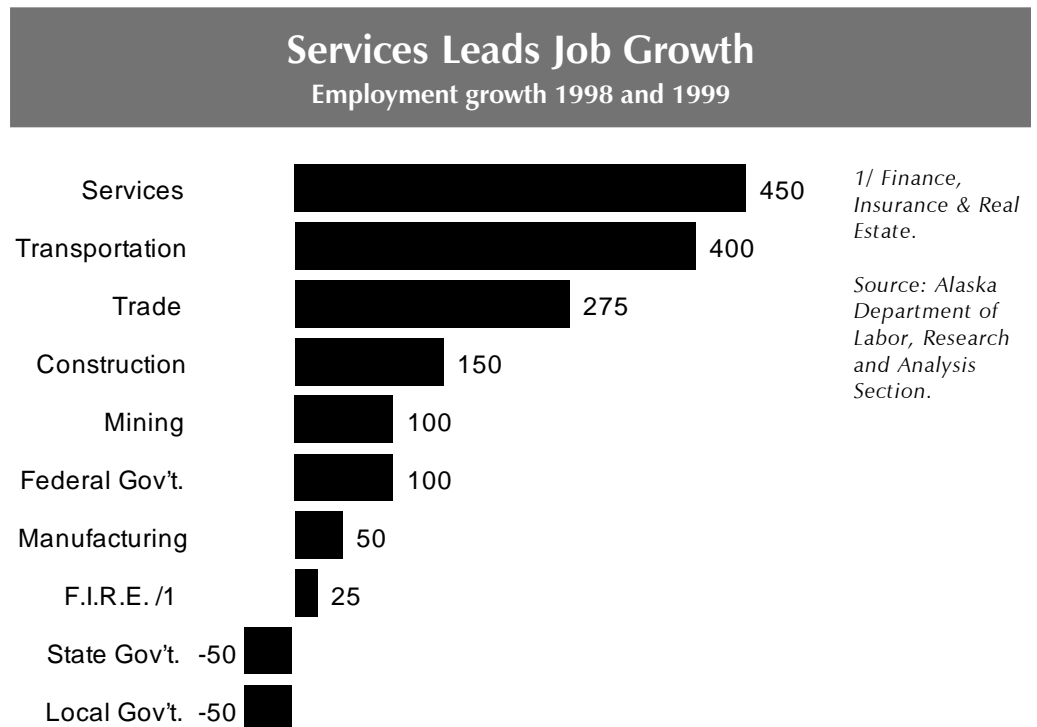
In mining, the oil industry will spur job growth for the next two years, while gold mining companies may feel stress stemming from lower gold prices. Although oil prices have also fallen, commitments to explore and develop new fields on the North Slope will raise oil industry employment. Projects underway will proceed and new ones may come on line.

Fairbanks has again become a staging area for North Slope oil field development activities. Two airline companies recently resumed direct service to Deadhorse to transport workers. Houston Contracting, an Arctic Slope

Regional Corporation subsidiary, has been selected to lay new pipe connecting the Badami and Alpine fields to the existing system. Houston/NANA, a joint venture between Houston and NANA, was formed in 1997 when this new company won the pipeline equipment maintenance contract. The company was recently awarded a consolidated contract for all pipeline maintenance work from Prudhoe Bay to Valdez. Gains in oil and gas employment, therefore, will more than offset any job losses in gold mining industries.

Because of slumping gold prices, gold producers, especially placer mining operators, may find it hard to maintain employment levels. If prices do not recover soon, some companies may have to curtail operations. So far, low-cost producers are able to carry on. Exploration and prospecting work, however, will continue on identified deposits. Sizable and high-grade discoveries have helped to sustain optimism. To continue exploration efforts, mining companies may consolidate or form joint ventures to pool expertise and financial strength.

Figure • 2



Fairbanks North Star Borough Nonagricultural Wage & Salary Employment Forecast 1998-1999

Totals may not
add due to
rounding.

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

	1996 Annual Average	1997 Annual Average	Percent Change 96-97	1998 Annual Average	Absolute Change 97-98	Percent Change 97-98	1999 Annual Average	Absolute Change 98-99	Percent Change 98-99
Total Nonag. Wage & Salary	31,350	32,100	2.4%	32,900	800	2.5%	33,600	700	2.1%
Goods-producing	3,200	3,300	3.1	3,500	200	6.1	3,600	100	2.9
Mining	900	1,100	22.2	1,200	100	9.1	1,200	0	0.0
Construction	1,750	1,650	-5.7	1,750	100	6.1	1,800	50	2.9
Manufacturing	500	550	10.0	550	0	0.0	600	50	9.1
Service-producing	28,150	28,800	2.3	29,400	600	2.1	30,000	600	2.0
Transportation	2,300	2,600	13.0	2,975	375	14.4	3,000	25	0.8
Trade	6,550	6,750	3.1	6,800	50	0.7	7,025	225	3.3
Wholesale Trade	750	800	6.7	825	25	3.1	850	25	3.0
Retail Trade	5,800	5,950	2.6	5,975	25	0.4	6,175	200	3.3
Finance-Ins. & Real Estate	1,000	1,050	5.0	1,050	0	0.0	1,075	25	2.4
Services & Misc.	7,850	8,000	1.9	8,275	275	3.4	8,450	175	2.1
Government	10,500	10,450	-0.5	10,300	-150	-1.4	10,450	150	1.5
Federal	3,200	3,300	3.1	3,350	50	1.5	3,400	50	1.5
State	4,350	4,250	-2.3	4,200	-50	-1.2	4,200	0	0.0
Local	2,950	2,900	-1.7	2,750	-150	-5.2	2,850	100	3.6

A good construction season lies ahead

Fairbanks' construction industry will move forward at a brisk pace. Many public and private projects have already been let. In recent years, construction employment has been relatively stable and this trend will continue.

Over the next two years, Fairbanks' largest construction jobs will be school renovations and upgrades. At the University of Alaska Fairbanks, work will progress on the International Arctic Research Center and upgrades to campus facilities under the deferred maintenance program. The Alaska Department of Transportation and Public Facilities' (DOTPF) northern region will be working with a larger budget this year than last. Its costliest project is the reconstruction of the Chena Hot Springs Road. Other DOTPF jobs in the Interior include repairs on the Alaska, Dalton and Elliott (the Manley route) highways. In addition, DOTPF will oversee construction of the Fairbanks Armory Readiness Center. Military construction contractors, both on Eielson Air Force Base and at Fort Wainwright,

will continue renovating family housing units and modernizing troop housing quarters. During this year, work worth \$20 million for dormitories at the Clear Air Station, about 80 miles southwest of Fairbanks, will go to bid. Construction at this location of a \$47 million radar building started this spring.

Several commercial construction projects were carried over from 1997. Doyon Real Estate is building office space for Alyeska Pipeline Service Company employees. Mapco will finish a \$70 million expansion to its refinery. PTI will complete a remodel of the old Woolworth store by July 1998 for its incoming personnel. In the upcoming building season, River's Edge Resort will add 40 cabins to accommodate visitors to Fairbanks. Carr's will build a new supermarket and renovate its existing store. In addition, the company will remodel its newly acquired Super Valu market in North Pole. Wal-Mart soon may commit to build. Residential housing construction should also perform well over the next two years because of new families moving to Fairbanks.

Fairbanks' retail scene is changing

Trade employment in Fairbanks will grow with a projected 275 new jobs during this forecast period. (See Figure 2.) About 50 will come in 1998. Job growth will accelerate in 1999 if Wal-Mart enters the market. Other retailers may follow suit. The 1998 employment gains, in part, will reflect growth from last year, including the expansion at Sears, renovation at the Fred Meyer supermarket and general merchandise center, and openings of new convenience store/gasoline stations. A new Office Max store, opened in February, also increased job counts in retail employment. During expansion and renovation at Carr's supermarket, some retail workers may be temporarily out of work. Two retailers, however, are shutting down. J.C. Penney will close this summer, leaving nearly 150 workers without jobs, and Rite Aid will also close this summer, leaving about 200 workers without jobs. A few other retailers have also left the Fairbanks market. In spite of these shifts, a small net gain should result. Restaurants will contribute to employment growth. At least one larger family-type restaurant will open this year. A variety of retailers may add staff because more customers will shop in Fairbanks. The relocation of employees to Fairbanks from Anchorage and incoming Air Force personnel from Georgia mean that the local population is growing. Retail employment may also get another lift from tourism. If lower gasoline prices entice road travelers to Alaska, retailers among Fairbanks' visitor industry members will benefit.

Services industries will support economic activity

In services, employment growth will be spread among a variety of providers. Several factors are contributing to this growth, including a growing population and a widening spectrum of available services. New businesses will also stimulate services employment because they too need support. Tourism has been an important impetus for job growth. More cruise ship passengers touring the

Interior and independent travelers, taking advantage of lower gasoline prices, may heat up summer traffic. Often, independent travelers to the state visit Fairbanks. This group typically uses a large variety of local services. If visitors to Alaska fill Fairbanks' hotels during the upcoming seasons, employment will rebound from last year's somewhat subdued performance.

Public sector employment will shrink

As a result of the October 1997 Municipal Utilities System sale, the City of Fairbanks shed about 260 jobs from public sector payrolls. Therefore, local government employment will show losses until September 1998. Rising school-related employment, however, will narrow the size of the losses. School enrollment in the Fairbanks North Star Borough will increase as families of transferred workers settle in. In addition, over 130 new Air Force personnel will be stationed at Eielson Air Force Base. In state government employment, a slight downturn can be expected. The University, already feeling a budget crunch, started the 1998 academic year with fewer staff. Downsizing, by attrition, will continue at the Fairbanks campus. Federal government employment has regained ground, and small increases in agencies, such as the U.S. Postal Service or the Federal Aviation Administration, are possible.

Summary

The economic forecast for Fairbanks bodes a bright outlook for the next two years. In 1998, job growth will occur in most industry categories except government. In 1999, even this small negative may disappear. The transportation, communications and utilities sector will gain the most new employment in 1998 because of privatization and corporate job relocations. In 1999, retail, serving a revitalized market, may become once again a dominant contributor to job growth.

Southeast Rides the Waves

By Kristen Tromble

Kristen Tromble is a labor economist with the Research and Analysis Section, Administrative Services Division, Alaska Department of Labor. Kristen is located in Juneau.

In Southeast, employment is forecast to drop in 1998. (See Figure 1.) Job losses in the timber industry and in government are driving the decline. Modest growth should return in 1999 with broad-based increases in several industries. (See Table 1.)

This forecast assumes that construction on the Kensington mine will not start before 2000. If work does ramp up significantly in 1999, employment, particularly in construction, would rise.

Goods-producers pressured

The forecast for employment in all of the goods-producing industries is expected to fall or hold even in 1998. However, by 1999, losses should abate, with small gains possible in mining and other manufacturing.

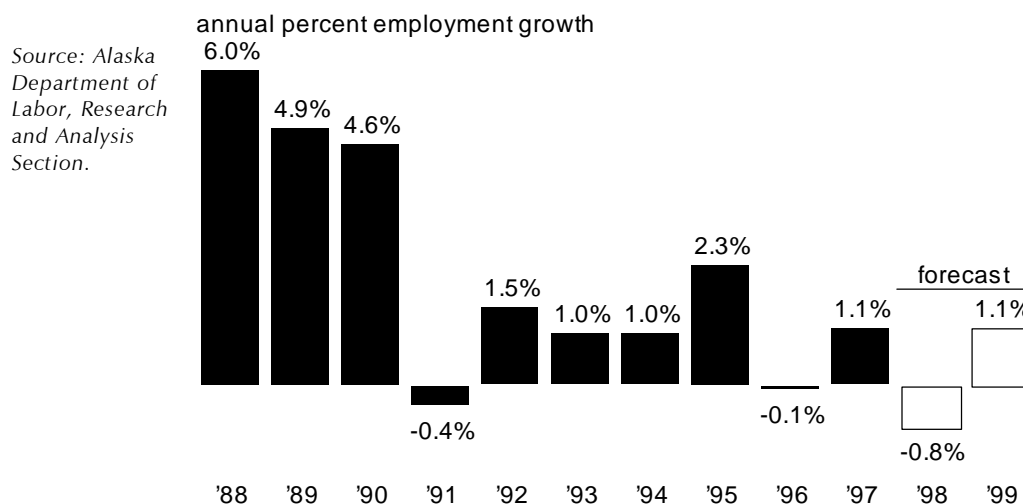
In construction, although the number of jobs is expected to fall to 1,600 for this year and next, the

employment level is still about 150 jobs over the industry's average employment in the 1990s. Residential construction appears to have leveled off, but other projects should keep crews busy. Major road projects include highway reconstruction in Ketchikan, Sitka and Juneau, and work on Big Salt Lake Road on Prince of Wales. A variety of airport, harbor and ferry terminal upgrades is also planned. Juneau is building a new police station. Expansion and renovation work at several of the region's health care facilities will continue. Commercial projects include further development at the Spruce Mill site in Ketchikan.

Low gold prices have stalled the start of construction on Coeur Alaska's Kensington mine, which, with all permits now in place, might have begun this summer. The company will continue exploring for new reserves and looking for cost reductions. Work could begin in 1999, but this forecast assumes that it will not.

Figure • 1

Southeast's Growth Wavers



While no new major mines are anticipated in this forecast, incremental increases in exploration and production activity may bump up mining employment. More exploration is planned at the Niblack prospect and interest is developing in a large yttrium deposit. This forecast assumes that Greens Creek will operate at full employment and the production of limestone on Prince of Wales will continue for the period.

Manufacturing responds to challenges

Employment losses from the closure of the pulp mill in Ketchikan will continue to drag down timber industry employment.

However, an even greater negative impact is expected from the continuing economic crisis in Asia.

The demand for logs and wood products in Korea and Japan, two of the industry's primary markets, has dropped sharply. A stronger dollar relative to devalued Asian currencies makes our exports more expensive at the same time that increased timber production in Russia and other countries competes for market share. In addition, increased production from Canada is competing in domestic markets.

The immediate impacts on Southeast's timber industry are many. Several Native corporations report they expect to reduce harvests this season, at least one by as much as two-thirds. Another logging operation has shut down, possibly for the entire year. Ketchikan Pulp Company indefinitely shut down its sawmill in Metlakatla. It is also stopping operations at its Ketchikan sawmill for a few weeks as it retools the mill to produce for the domestic market.

The recent turmoil throws a pall over what had seemed likely to be a period of restructuring and eventual recovery of some timber industry jobs. A new sawmill opened in Ketchikan earlier this year, and a veneer plant could be operating at the pulp mill site next year. Silver Bay Logging is proceeding with plans for a sawmill in Wrangell. Small, specialty processors are also locating in the region. However, if this forecast holds, Southeast's timber industry employment will fall to its lowest level since at least 1975, almost one-third of its 1990 level.

Seafood processing employment is predicted to hold steady over the next two years, at a level near the average for this decade. In Southeast, the forecast

for a pink salmon run up one-third over last year's should keep processing workers busy. Pink salmon, primarily sold domestically, may escape some of the negative impacts of the collapse in Asian markets. On the other hand, it could be hurt by increased competition from other species in the domestic market. Expansion of dive fisheries and related processing will also boost employment in the fishing industry.

Employment in other manufacturing is expected to grow. Alaska Ship and Drydock in Ketchikan is working to expand, and Allen Marine in Sitka is doing well. In Juneau, a new manufactured home plant will provide up to 40 new jobs. A water bottling plant in Metlakatla also may be developed.

Private sector service-producers carry growth

Private sector service-producing industries are the only ones projected to grow in 1998. They will also provide most of the new jobs in 1999.

In transportation, commuter traffic is expanding. Allen Marine is adding routes to its private ferry

Figure • 2

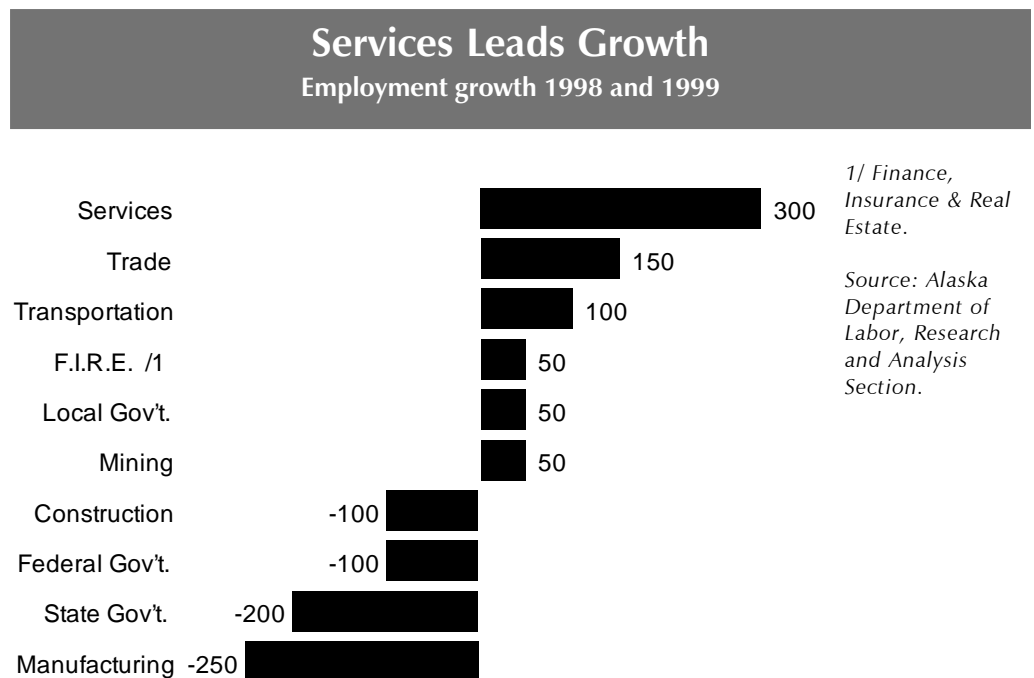


Table • 1

Southeast Alaska Nonagricultural Wage and Salary Employment Forecast 1998-1999

		1996	1997	Percent	1998	Absolute	Percent	1999	Absolute	Percent
		Annual	Annual	Change	Annual	Change	Change	Annual	Change	Change
		Average	Average	96-97	Average	97-98	97-98	Average	98-99	98-99
<i>Subtotals may not add to totals due to rounding.</i>										
<i>1/ Includes Pulp Mills and Lumber and Wood Products.</i>	Total Nonag. Wage & Salary	35,650	36,050	1.1%	35,750	-300	-0.8%	36,150	400	1.1%
	Goods-producing	5,600	5,450	-2.7	5,100	-350	-6.4	5,200	100	2.0
	Mining	250	350	40.0	350	0	0.0	400	50	14.3
	Construction	1,750	1,700	-2.9	1,600	-100	-5.9	1,600	0	0.0
	Manufacturing	3,550	3,450	-2.8	3,150	-300	-8.7	3,200	50	1.6
	Seafood Processing	1,400	1,450	3.6	1,450	0	0.0	1,450	0	0.0
	Forest Products 1/	1,700	1,550	-8.8	1,200	-350	-22.6	1,200	0	0.0
	Service-producing	30,100	30,600	1.7	30,650	50	0.2	30,950	300	1.0
	Transportation	2,850	2,950	3.5	2,950	0	0.0	3,050	100	3.4
	Trade	6,600	6,650	0.8	6,700	50	0.8	6,800	100	1.5
Wholesale Trade	500	600	20.0	600	0	0.0	600	0	0.0	
Retail Trade	6,100	6,050	-0.8	6,100	50	0.8	6,200	100	1.6	
Finance-Ins. & Real Estate	1,400	1,550	10.7	1,600	50	3.2	1,600	0	0.0	
Services & Misc.	6,700	7,050	5.2	7,250	200	2.8	7,350	100	1.4	
Government	12,450	12,400	-0.4	12,150	-250	-2.0	12,150	0	0.0	
Federal	1,950	1,950	0.0	1,850	-100	-5.1	1,850	0	0.0	
State	5,350	5,300	-0.9	5,150	-150	-2.8	5,100	-50	-1.0	
Local	5,150	5,150	0.0	5,150	0	0.0	5,200	50	1.0	

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

service. In May, Taquan Air is launching AirOne with service between several Southeast communities. Transportation should continue to benefit from increased tourist traffic. However, these gains could be offset if reduced logging causes marine cargo handling employment to fall.

After two years' stagnation, Southeast's retail sector may return to growth. The recent trend favoring general merchandisers will likely continue. Costco is looking at expanding its Juneau store, and Wal-Mart is said to be considering a site in Ketchikan. However, not all general merchandisers are doing well. Both the J.C. Penney store, with about 45 jobs, and Rite Aid will be closing stores in Juneau this summer. While specialty stores serving locals appear to be suffering from competition with general merchandisers, expansion of tourist-oriented specialty retailers looks certain. Construction has added a lot of new space that will open this season.

Tlingit and Haida Regional Housing Authority, a main contributor to recent growth in the finance, insurance and real estate sector, will continue to work on several projects in the region. As these are completed over the next two years, its employment will likely drop. Growth at Native corporations, another driver in this sector, is likely to continue. No major changes in employment are anticipated in the banking sector.

In recent years, the services industry has assumed a larger role in Southeast's economy. Expansion in services will continue during this forecast period with the addition of a significant number of the new jobs. (See Figure 2.) Health care is one services sector that has grown rapidly. This growth should continue but at a slower pace. Other areas of services are boosted by more visitor traffic. Again this year, an increase in the number of cruise passengers is projected. A new hotel in Juneau is scheduled to open this spring. New jobs in amuse-

ment and recreation are also expected. However, the amusement and recreation sector is unlikely to grow as fast as last year, when the opening of a second facility by a Juneau health club added many jobs.

Public sector leads losses

In 1997, the public sector provided over one-third of the region's jobs. In 1998, government is projected to be the region's largest job loser as cuts at the federal and state levels sting.

Federal government employment should decrease as the Forest Service continues to downsize. A second Coast Guard cutter, with a crew of 76, is relocating to Ketchikan. While it will eventually replace the existing ship, the city will have two cutters for most of this forecast period. However, neither crew is counted in this forecast because, as uniformed military personnel, they are not included in Department of Labor employment numbers.

During the last half of 1997, state government employment averaged about 125 below year-ago levels. Attrition resulting from the early retirement program accounted for much of the loss, which will continue to reflect in 1998's numbers. Another opening for early retirements this summer could accentuate the drop.

Summary

Southeast can expect an employment drop in 1998 with a return to growth in 1999. This pattern is similar to that seen from 1996 to 1997. The timber industry and the public sector will lose the largest number of jobs, followed by construction. All industries except state government are forecast to grow or hold even in 1999.