

The Year 2003 in Review

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State marks 16 consecutive years of employment growth

STATEWIDE by Dan Robinson

Alaska added about 4,500 new jobs in 2003, continuing an impressive sixteen consecutive years of employment growth. (See Exhibits 1 and 2.) Slightly more than half of the new jobs were in health care and social assistance. The state's 1.5 percent growth rate in 2003 was down from the levels of the last three years, but was still healthy compared to most of the country, which continued to struggle to create jobs following the 2001 recession.

Oil down for second year in a row

The oil industry job count fell again in 2003 and at 8,100 is now 15 percent lower than in 2001. Spending on both exploration and development was down despite oil prices near \$30 a barrel. Since completion of the big Northstar and Alpine projects a few years ago, the industry appears to be in a holding pattern.

Seafood processing lifts manufacturing

A strong year for seafood processing employment created growth in the state's manufacturing sector. Although the average number of processing jobs was 400 higher than in 2002, low salmon prices are a continuing concern for the industry. The remainder of the state's manufacturing sector, which includes everything from sawmills and fertilizer plants to refineries and commercial printing businesses, employed approximately 3,700 people in 2003, the same number as in 2002.

Wage and Salary Employment

Statewide — 2002-2003

	2002	2003	Change	Percent Change
Total Nonfarm Wage & Salary	295,100	299,600	4,500	1.5%
Goods Producing	38,100	38,600	500	1.3%
Services Providing	256,900	261,000	4,100	1.6%
Natural Resources & Mining	11,000	10,200	-800	-7.3%
Logging	600	600	0	0.0%
Mining	10,400	9,600	-800	-7.7%
Oil & Gas Extraction	8,900	8,100	-800	-9.0%
Construction	15,800	16,700	900	5.7%
Manufacturing	11,300	11,700	400	3.5%
Wood Products Mfg.	300	300	0	0.0%
Seafood Processing	7,600	8,000	400	5.3%
Trade, Transportation & Utilities	61,200	61,100	-100	-0.2%
Wholesale Trade	6,200	6,100	-100	-1.6%
Retail Trade	33,900	34,100	200	0.6%
General Merchandise Stores	5,700	5,900	200	3.5%
Food and Beverage Stores	9,400	8,700	-700	-7.4%
Trans/Warehousing/Utilities	21,100	20,800	-300	-1.4%
Air Transportation	6,600	6,500	-100	-1.5%
Truck Transportation	2,700	2,700	0	0.0%
Information	7,100	6,900	-200	-2.8%
Telecommunications	4,100	4,100	0	0.0%
Financial Activities	13,800	14,400	600	4.3%
Professional & Business Svcs	22,700	23,100	400	1.8%
Educational & Health Services	30,600	32,900	2,300	7.5%
Health Care & Social Assistance	28,400	30,700	2,300	8.1%
Ambulatory Health Care	12,000	12,500	500	4.2%
Hospitals	7,500	8,400	900	12.0%
Leisure & Hospitality	29,400	29,700	300	1.0%
Accommodation	7,500	7,700	200	2.7%
Food Svcs & Drinking Places	17,800	18,200	400	2.2%
Other Services	11,800	11,300	-500	-4.2%
Government	80,600	81,600	1,000	1.2%
Federal Government	16,800	17,200	400	2.4%
State Government	23,800	24,100	300	1.3%
State Education	6,800	7,100	300	4.4%
Local Government	40,000	40,200	200	0.5%
Tribal Government	3,500	3,800	300	8.6%
Local Education	22,200	22,300	100	0.5%

Benchmark: March 2003. Subtotals may not add due to rounding. Prepared in part with funding from the Employment Security Division. "Government" includes employees of public schools and the University of Alaska.

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

Construction builds on previous growth

Over the last two years the construction industry has added 1,800 jobs to the state's economy. Military spending on base infrastructure was strong in 2003 and activity continued on a number of public sector projects such as the Ted Stevens International Airport expansion in Anchorage. On the private side, low interest rates encouraged residential building, as has been the case for several years in a row.

Retail trade weathers Kmart closure

About 12 percent of the state's jobs are in retail trade industries, which saw only minimal growth in 2003. Any growth at all, however, was a healthy sign considering the loss of approximately 600 jobs due to Kmart's closing all of its Alaska stores. One bright spot for the past several years has been building material and garden equipment stores. Stores catering to both professional and do-it-yourself builders and landscapers are thriving both in Alaska and throughout the country.

A strong year for banking and real estate

After a flat year in 2002, financial institutions and real estate businesses saw strong growth in 2003. Both industries profited from low interest rates and brisk residential construction. Insurance carriers, which added about 100 jobs in 2003, are also counted in this category.

Health care and social assistance booms

Employment in health care and social assistance has grown rapidly for the last decade; in the last two years alone these employers have added 4,800 jobs to the state's total, 2,300 of them in 2003. Health care growth has been well documented, but the social assistance component receives less attention. It reached more than 7,000 jobs in 2003 and grew at a faster rate than health care. Much of the growth came from multipurpose social service centers that provide services to families and individuals and from agencies providing services to the elderly and disabled.

A modest year for hotels and restaurants

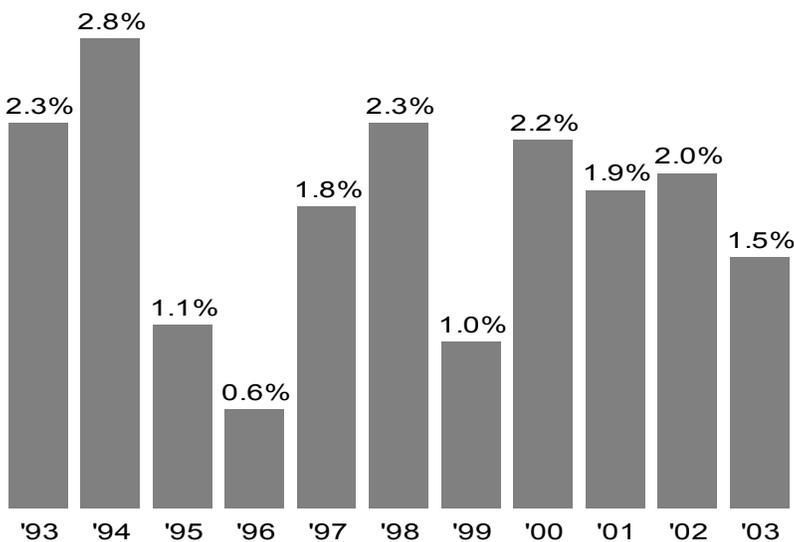
Both the accommodations industry and restaurants/drinking places added jobs in 2003, but not in large numbers. The visitor industry has faced uncertain prospects in recent years because of travel concerns related to terrorism and the national recession, but so far the lure of Alaska seems nearly as strong as ever. National hotel chains and cruise ship companies have invested heavily in new facilities over the past two years in anticipation of growing visitor interest. Growth in restaurants and drinking places slowed to 2.2 percent in 2003, but over the last two years these establishments have added 1,000 jobs.

Restrained growth in government

Average monthly employment for government was 1,000 jobs higher in 2003 than in 2002. The federalization of airport security accounted for

2 State Maintains Modest Growth

Percent employment change from previous year



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

400 of those jobs, and the remainder were in the University of Alaska system, the public elementary and secondary schools, and tribal government. Budget concerns kept the rest of state government from growing and reduced the number of municipal employees.

Unemployment rate rises

The state's 8.0 percent unemployment rate in 2003 was the highest since 1992. The rate increased three-tenths of a percentage point from 2002, and is eight-tenths of a percentage point higher than the ten-year average of 7.2 percent. The small increase in unemployment correlates with the slower rate of employment growth in 2003.

ANCHORAGE by Neal Fried

It is official—Anchorage's economy completed its fifteenth consecutive year of employment growth, a new post-statehood record for the state's largest city. Anchorage's growth run began a year after that of the state, because the city was not affected by the 1988 gains in seafood processing and timber. In 2003, employment climbed by 1.3 percent or by 1,800 jobs. (See Exhibit 4.) This growth is below par for the decade, which has been running at approximately two percent a year. The highest growth rate during the past decade was 3.9 percent in 1998, and the lowest was 0.3 percent in 1995. (See Exhibit 3.) For most of this past decade the range of annual growth rates has been tight. This is quite the contrast with the historic volatility of Anchorage's economy. During the turbulent 1980s, employment grew by 9,400 in 1982 and fell by 7,300 in 1987.

The slightly weaker growth is not surprising given the continued weak level of activity in the oil

industry along with another soft year for the visitor sector. The overarching influence of federal dollars has remained a key factor in keeping the overall economic numbers positive. Most responsible for keeping Anchorage's employment picture in the black were construction, financial activities, government, and health care. The year 2003 was largely uneventful, in that no single project or handful of projects moved the economy, but broad-based activity kept the economy on an even keel.

Oil prices high but employment falls

When after four years of \$22 per barrel oil, prices rose to nearly \$30 per barrel in 2003, the normal expectation would have been for petroleum activity to either remain high or rebound, but growth was again elusive in 2003. Oil industry employment in Anchorage fell by 600 jobs or twenty-two percent—similar to the 2002 losses. Most of the losses came from the oil field services share of the industry but BP also scaled back their workforce in 2003. Work performed on the North Slope was either of the maintenance variety or drilling that took place close to existing fields. Exploration was slower than usual. Exploration increased in Cook Inlet but the employment numbers were relatively small.

Another very good year for construction

It was another strong year for construction in Anchorage. Employment grew by 400 jobs or by nearly five percent. The city's building permit valuations totaled \$728 million, an increase of \$144 over 2002 and the largest dollar amount since 1984. Public construction was probably the dominant force in 2003 but residential construction also enjoyed a strong year. The original International Airport expansion at \$308 million, which did not include remodeling of concourses A and B, loomed large in 2003, construction of the new South Anchorage High School was in full swing, work on the new Dimond High School was finishing up, and work just began on the new Eagle River High School. Ground was also broken for the new \$41 million Alaska Psychiatric Institute. Military related construction to accommodate

the new Stryker Brigade was another important element. Highway construction enjoyed another strong season, anchored by the \$44 million Glenn-Parks Highway interchange.

Residential building permits issued reached nearly 2,200 in 2003, the second highest number since 1985. A stable economy and low interest rates were a big help here. Although commercial related construction activity was probably off a bit, there were some solid pockets. The strongest was in hotels—four new hotels, representing 447 new rooms, broke ground in 2003 and are scheduled to be completed by mid-2004. A number of small office buildings also got underway. No large new retail stores were under construction in 2003.

Possibly as important as local activity is the fact that so many contractors in the state are headquartered in Anchorage. Healthy levels of construction activity around the state, anchored by a boom in military related construction in the Interior, have also helped keep local contractors and their workers busy.

Retail budgeted little

For the second year in a row, retail employment grew little in Anchorage in 2003. For an industry with 17,500 jobs, the addition of 200 jobs in 2003 represents a very modest increase. Two large stores opened in Anchorage in 2003—the new Abbott Loop Carrs that replaced the much smaller Dimond Carrs, and a new Fred Meyer in Eagle River. The Best Buy electronics store opened at the end of 2002, giving 2003 retail employment numbers a relatively big boost. Offsetting a big chunk of this growth was the closure of the two Kmart stores in April. Among the approximately 800 other retailers in Anchorage, some expanded or contracted, some closed their doors and others opened them, but many showed little change.

Information industry steady

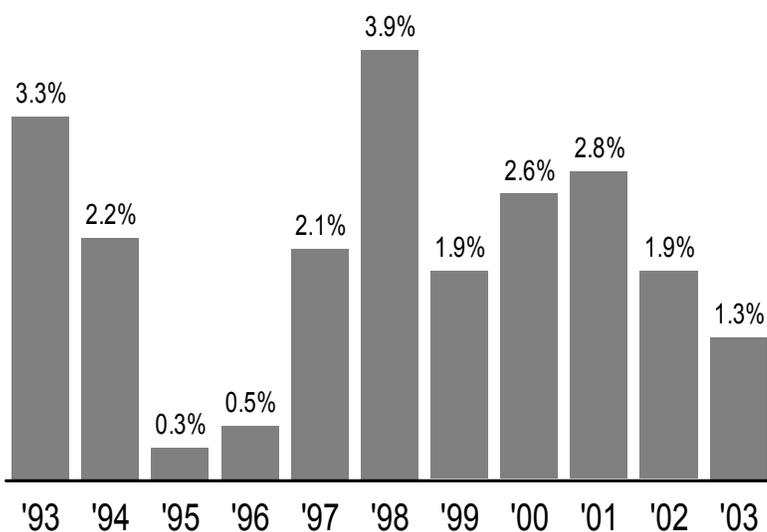
Information's largest components are newspapers, other media outlets, and telecommunications. Although telecommunications is a dynamic industry because of fierce competition, regulatory issues, and changing technology, employment remained stable in 2003.

Despite a weak year for visitors, leisure and hospitality grew a little

For the second year in a row, bed taxes collected in Anchorage fell slightly. Contributing factors were the weak national economy, the war in Iraq, and lingering effects from September 11th. In fact, some were bracing for a much worse outcome. But interestingly enough, employment in leisure and hospitality, which is dominated by hotels and food services, grew modestly in 2003. The opening of two new hotels in Anchorage in 2002 and three more in 2003 prevented accommodations employment from falling. Food services employment got a small boost from the opening of T.G.I. Friday's along with a number of other smaller eating and drinking places. Leisure and hospitality was also helped by the opening of H2Oasis Waterpark, that employs about 130 workers.

3 Anchorage Continues to Grow

Percent employment change from previous year



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

Little movement in transportation

Parts of Alaska's transportation sector may have been feeling some effects both of September 11th and the weaker national economy in 2003. Air transportation showed no momentum in 2003. Alaska Airlines cut back on the size of its workforce, and other industry segments, such as ground transportation, also lost ground. The weaker visitor sector might explain much of the softness in the transportation industry. International air cargo freight came in positive in 2003, but employment for major players such as Federal Express, UPS and Northwest Airlines changed little.

Health care created more than half the jobs

The education and health services super sector generated more than half of the new jobs in Anchorage's economy, and the sub-category of health care and social services, which represents more than ninety percent of this sector, was responsible for nearly all of the gains. In 2003, this sector grew by eight percent or more, an impressive 1,200 jobs. All levels of health care gained, including hospitals, clinics, doctors' offices and other health care providers. The privatization and expansion of the Alaska Native Health Center continued to provide an important boost to this sector. The year-in and year-out growth of health care makes one wonder how long this trend can be sustained. But each year the industry continues to expand.

Low interest rates and construction boost financial sector

Financial activities was one of stronger sectors in 2003, adding 400 jobs. Real estate is a large slice of this industry and it enjoyed another strong year. The number of new residential permits issued was the largest since 1984. A dynamic real estate market is a plus for other sectors of the financial industry such as insurance and lending institutions. Strong refinancing activity and a rebounding securities market also buoyed this sector.

Federal, state and local government added 500 jobs

Employment in Anchorage's public sector grew by 1.7 percent. State government contributed 100 of these new jobs and federal and local government each grew by 200. Local government gains came from the Anchorage School District.

Wage and Salary Employment **4** Anchorage – 2001-2002

	2002	2003	Change	Percent Change
Total Nonfarm Wage & Salary	140,800	142,600	1,800	1.3%
Goods Producing	12,700	12,500	-200	-1.6%
Services Providing	128,100	130,100	2,000	1.6%
Natural Resources & Mining	2,800	2,200	-600	-21.4%
Mining	2,700	2,100	-600	-22.2%
Oil & Gas Extraction	2,600	2,000	-600	-23.1%
Construction	8,100	8,500	400	4.9%
Manufacturing	1,800	1,800	0	0.0%
Trade, Transportation & Utilities	33,100	33,000	-100	-0.3%
Wholesale Trade	4,600	4,600	0	0.0%
Retail Trade	17,300	17,500	200	1.2%
General Merchandise Stores	4,400	4,200	-200	-4.5%
Food and Beverage Stores	2,300	2,400	100	4.3%
Trans/Warehousing/Utilities	11,200	10,900	-300	-2.7%
Air Transportation	3,500	3,500	0	0.0%
Truck Transportation	1,600	1,700	100	6.3%
Information	4,700	4,600	-100	-2.1%
Telecommunications	2,700	2,700	0	0.0%
Financial Activities	8,400	8,800	400	4.8%
Professional & Business Svcs	16,100	16,000	-100	-0.6%
Educational & Health Services	16,100	17,300	1,200	7.5%
Health Care & Social Assistance	14,900	16,100	1,200	8.1%
Ambulatory Health Care	5,900	6,200	300	5.1%
Hospitals	4,600	5,200	600	13.0%
Leisure & Hospitality	14,500	14,600	100	0.7%
Accommodation	3,000	3,000	0	0.0%
Food Svcs & Drinking Places	9,800	9,900	100	1.0%
Other Services	5,700	5,700	0	0.0%
Government	29,600	30,100	500	1.7%
Federal Government	9,600	9,800	200	2.1%
State Government	9,500	9,600	100	1.1%
State Education	2,300	2,300	0	0.0%
Local Government	10,500	10,700	200	1.9%
Tribal Government	200	200	0	0.0%
Local Education	7,200	7,400	200	2.8%

Benchmark: March 2002. Subtotals may not add due to rounding. Prepared in part with funding from the Employment Security Division. "Government" includes employees of public schools and the University of Alaska.

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

Unemployment rate changed little in 2003

Anchorage's 2003 unemployment rate of 5.7 percent was materially no different from 2002's rate of 5.5 percent. This was more than two points below the statewide average of eight percent and came in slightly below the national rate of six percent.

FAIRBANKS by Brigitta Windisch-Cole

In 2003, wage and salary employment in the Fairbanks North Star Borough increased by 350 jobs, achieving an annual growth rate of just one percent. (See Exhibits 5 and 6.) Although employment increased in six industry sectors, the combined gain barely offset employment losses in the two other categories. Employment fell in the trade, transportation, and utility sector and in the other services category that includes all types of repair businesses, personal services estab-

lishments, social and civic organizations, and business associations. Some of the job losses recorded in other services translated to gains in other sectors, and were due to corrections in industry classifications. Real job losses, however, occurred in Fairbanks trade and transportation industries and detracted from overall economic performance.

The Fairbanks economy displayed stability and growth in all four quarters of the year. During the first quarter employment was up 0.6 percent above the first quarter 2002 average, and growth accelerated to 1.6 percent in the second quarter. During the high season summer quarter employment maintained its performance with a growth rate of 1.2 percent. Employment also averaged higher during the fourth quarter but the annual growth rate lessened to 0.7 percent. Current wage data, available for the first nine months of 2003, suggest that the performance of the local economy improved significantly. Fairbanks' all-industry payroll was up eight percent from comparable 2002 figures.

Construction showed strength

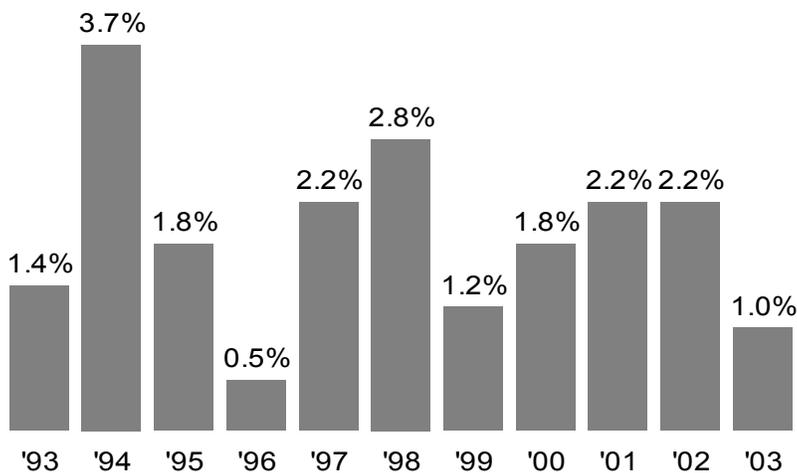
Construction employment flexed its muscle in the 2003 season. Annual average employment came in 200 jobs stronger than in 2002. Large public projects such as the Bassett Hospital, military construction including the nearby Fort Greely missile defense project, university projects, roadwork, and private sector commercial and residential activities made up a big building season. While employment in construction grew nine percent, its payroll (January through September) increased by a hefty 12 percent. The strong payroll growth points at a heightened level of activity that included not only more jobs but also longer working hours for construction crews. The sector contributed a significant 15 percent slice to area-wide payroll growth.

Metal mining and oil and gas employment took opposite directions

Jobs were fewer in Fairbanks' oil and gas industry than in the previous year. The industry's

5 Fairbanks is Still Growing

Percent employment change from previous year



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

employment level dropped by four percent, in sync with the North Slope decline. Employment growth in the gold mining and quarrying industries, however, offset nearly all of the job losses of the oil and gas industry. As a result the level in overall mining employment remained virtually unchanged. A positive climate developed for the gold mining industry when a strong recovery of gold prices began in 2003. The annual average price per ounce of gold appreciated by 17 percent and landed at \$363.38, yielding its highest value in seven years.

Leisure and hospitality employment numbers up

The leisure and hospitality sector gained jobs in spite of some indications that the tourism industry experienced a down year. Several lodge, motel or hotel managers reported that they struggled to keep their heads above water. Some traveler statistics validate this impression. In all, fewer Canadian border crossings were recorded in 2003 between April and September than in 2002, and incoming traffic dominated. Such traffic flows would seem to point to in-migration rather than visitor traffic. Moreover, air passenger traffic between April and September was lighter in 2003 than in 2002. Fewer passengers arrived at Fairbanks International Airport and fewer were leaving. These numbers suggest a lackluster visitor season. However, hotel revenue showed a fairly strong 4.6 percent increase over 2002 receipts.

There are reasons that could explain this increase. During the first quarter of 2003 the shift of the start of the Iditarod Dog Sled Race from the Mat-Su Borough to Fairbanks brought an unexpected wave of visitors and race support personnel who filled Fairbanks rooms in early March. The upbeat construction season also helped hotel occupancy in 2003. Rotating military personnel, intra-state tourists, business travelers, and cruise ship passengers most likely formed a larger clientele than in 2002. In addition, it is likely that business has been expanding more in Fairbanks than it did in previous years. Fairbanks' hotel room inventory has grown by at least 650 guestrooms since 1997, making competition much stiffer. All told, in

2003 employment in the leisure and hospitality sector increased by 3.9 percent. This growth closely followed the hike in room receipts.

Specialized services and the financial sector became larger employers

A variety of business support industries increased staff levels during 2003. The trickle down effect, caused by heightened construction activities and continued privatizing of military support services, contributed to employment growth in this sector. Employment in professional and technical services increased by nearly 11 percent.

Financial services employment also gained ground during the short, hectic building season, partly due to a new credit union built during the summer.

Wage & Salary Employment 6 Fairbanks 2002–2003

	2002	2003	Change	Percent Change
Total Nonfarm Wage & Salary	35,450	35,800	350	1.0%
Goods Producing	3,650	3,850	200	5.5%
Services Providing	31,750	31,950	200	0.6%
Natural Resources & Mining	900	900	0	0.0%
Construction	2,250	2,450	200	8.9%
Manufacturing	500	500	0	0.0%
Trade, Transportation & Utilities	7,250	7,050	-200	-2.8%
Wholesale Trade	550	600	50	9.1%
Retail Trade	4,100	3,950	-150	-3.7%
Trans/Warehousing/Utilities	2,650	2,500	-150	-5.7%
Information	600	600	0	0.0%
Financial Activities	1,300	1,400	100	7.7%
Professional & Business Svcs	1,850	2,050	200	10.8%
Educational & Health Services	3,800	4,050	250	6.6%
Health Care & Social Assistance	3,500	3,850	350	10.0%
Leisure & Hospitality	3,850	4,000	150	3.9%
Accommodation	1,050	1,100	50	4.8%
Food Svcs & Drinking Places	2,350	2,400	50	2.1%
Other Services	1,800	1,350	-450	-25.0%
Government	11,350	11,500	150	1.3%
Federal Government	3,300	3,350	50	1.5%
State Government	5,000	5,150	150	3.0%
Local Government	3,050	3,000	-50	-1.6%

Benchmark: March 2003. Subtotals may not add due to rounding. Prepared in part with funding from the Employment Security Division. "Government" includes employees of public schools and the University of Alaska.

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

Public sector helped job growth

The public sector created 150 new jobs in 2003, with all the gains in federal and state employment. Local government shed 50 jobs from its 2002 employment level. Tight budgets and falling school enrollments were the reasons. The gains in federal employment came from the creation of the Homeland Security agency that tightened air passenger security. The 2003 increase in state government employment was mostly university related.

Transportation industry shed jobs

During 2003 employment fell in several transportation industries. The largest job loss occurred in pipeline transportation. Alyeska Pipeline Services Company reduced staff in 2002 to half their former levels at the Fairbanks business unit, and these reductions continued to register in most months of 2003. Other transportation industries such as airlines and trucking also lost employment. Several airlines shed jobs and a trucking company went out of business.

Slumping retail looks at turnaround

Retail employment once again lost ground in 2003 when Kmart closed its doors, an event that cast a shadow over Fairbanks' retail scene. Fairbanks has lost store variety since the mid-90s. Both big box and small store closures have trimmed choices, and empty retail spaces in shopping malls have become a common sight. But the long awaited turnaround may be just around the corner. Wal-Mart started to build a new store in 2003 that will fill the void caused by the Kmart closure. Fred Meyer has announced that it will expand its presence with a large replacement store. Rumors are afloat that another big home improvement retail store will debut in the Fairbanks market.

Unemployment fairly steady

The unemployment rate in Fairbanks increased to 6.9 percent in 2003 from 6.7 percent in 2002. This closely resembles the average rate for the

past ten years of 6.8 percent. The Fairbanks labor market has enjoyed relatively low jobless rates over the past decade.

SOUTHEAST by Neal Gilbertsen

The Southeast economy recovered in 2003 from two consecutive years of decline, adding 450 jobs. The resulting growth rate of 1.3 percent was the third best of the decade. This increase came as somewhat of a surprise, especially in light of the way the year began.

Early in 2003, Wards Cove Packing Company announced it was exiting the Alaska salmon industry. The loss of one of Southeast's largest processors and the anticipated closure of three of the region's plants seemed to mean that fewer fishermen would have markets and fewer processing workers would have jobs. Kmart's bankruptcy led to the closure of its Juneau store and the loss of more than 100 retail sales jobs. In the same time frame, Wrangell's Silver Bay Logging filed for Chapter 11 protection as it reorganized its operations. As if all this were not enough, worldwide concerns about terrorism and SARS raised questions about the success of the Southeast tourist season.

Concerns that Southeast might continue to shed both jobs and population proved, by year's end, to have been exaggerated. E.C. Phillips & Son acquired and operated the Wards Cove cold storage in Ketchikan, and Ocean Beauty Seafoods took over the Excursion Inlet facility. While the number of fishermen was down, the large salmon returns led to increased employment in seafood processing. The Silver Bay reorganization seemed to have been a success, and overall employment in the logging and wood products industry actually increased over the year. Finally, tourists visited

the region in numbers apparently unaffected by threats of terrorism or disease.

Federal government grows

Southeast's job growth was evenly divided between the private and public sectors, with the former adding 250 jobs, while the latter accounted for 200. Most of the increase in government was federal employment, which increased by 150, and can be largely attributed to the growth of the Transportation Security Agency.

Construction

The goods producing sector, which had suffered through a series of disappointing years, showed some signs of recovery in 2003. Construction was especially strong and gained 150 jobs over 2002. In large part this was due to building activity inspired by record low mortgage rates. The 9.4 percent growth in this industry accounted for 60 percent of the gains in private employment.

A number of proposals exist for long-term infrastructure projects that could stimulate short-term job growth, such as the Ketchikan-Gravina bridge, the Bradfield Canal road, and the Juneau-Skagway highway, but none of them is likely to affect construction employment in the coming year. Other projects, such as the waterfront improvements envisioned by both Juneau and Ketchikan seem to point to long-term increased activity in this industry.

Timber

Logging also fared a bit better in 2003, adding 50 jobs, which represented a 14.3 percent over-the-year gain. Silver Bay's decision to abandon logging in order to focus on mill operations seems to be proving a success as overall wood products manufacturing employment remained at 2002 levels. The addition of a dry kiln at the Pacific Log and Lumber plant in Ketchikan was another step forward that should result in lower production costs and make more Alaska lumber available for local markets.

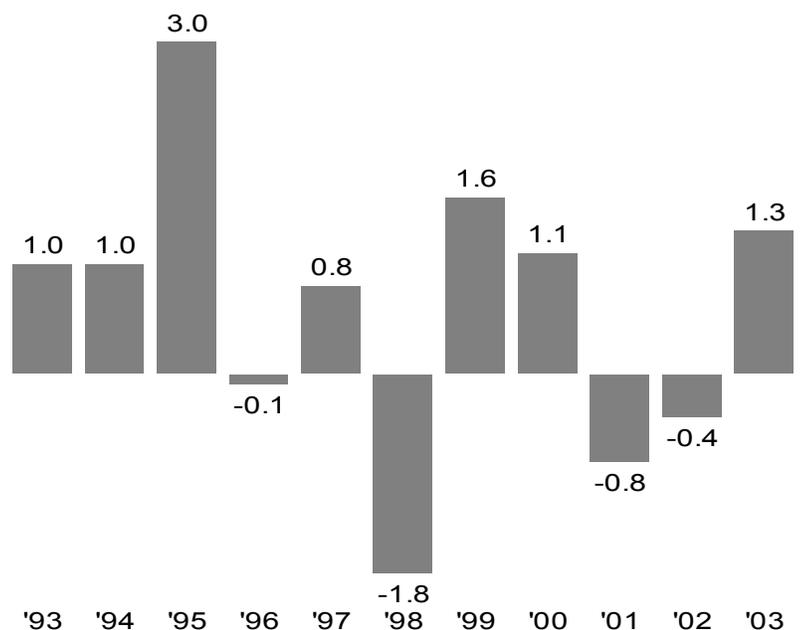
The softwood trade dispute with Canada continues, and despite rulings by a NAFTA panel and the World Trade Organization generally favoring the Canadian position, stiff U.S. tariffs remain in place. Even if these rulings eventually require the removal of the tariff, gains of over 20 percent by the Canadian dollar against U.S. currency since 2002 should make Alaska wood products more competitive on both domestic and foreign markets. Demand should remain high if the U.S. building boom continues and the Asian economies continue to show strength.

Fish

Southeast salmon runs were extremely strong in 2003. While fewer fishermen participated in the fishery, and many catches were restricted by delivery limits, total volume increased by 11 percent to 284 million pounds. As is usual in Southeast, pink and chum salmon represented 88 percent of the harvest by weight. Due to continuing price erosion for both chums and pinks, the increased volume was not reflected in the value of the catch, which increased only 1.6 percent to \$51 million.

Southeast Resumes Growth

Percent employment change from previous year



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

Prices paid for the target species of the purse seine and gillnet fisheries were generally down. Pink prices fell 33 percent, from the nine cents a pound paid in 2002 to just six cents in 2003. Chum prices declined 13.6 percent to nineteen cents a pound. On a more hopeful note, sockeye prices rose 14.8 percent, increasing from 74 cents a pound in 2002 to 85 cents a pound.

The troll fisheries fared somewhat better. While coho catches were down, the increase in price more than offset these reductions. Coho prices increased 55 percent, from 42 cents a pound in 2002 to 65 cents a pound in 2003. The reduced harvest with higher prices led to an overall 15.1 percent increase in value to \$11.8 million. The value of the king salmon harvest fell slightly from \$7.5 million to \$7 million.

The good catches kept seafood processors busy and the peak processing employment of August 2003 was 600 higher than in 2002. This contributed to a 7.4 percent over-the-year increase of 100 jobs in this industry.

Services

In general, employment in private services was flat, adding only 50 jobs. Growth in financial services, professional and business services, and educational and health care services, was offset by losses in leisure and hospitality. Most of these apparent job losses were actually due to administrative changes at a single large employer in the arts, entertainment, and recreation industry. While there were 50 fewer jobs at the area's hotels and lodges, this represented only a 4 percent over-the-year decline. Food services and drinking places employment remained unchanged over the year. Retail trade, in spite of the Kmart closure, also maintained last year's employment levels.

Whether the employment gains of 2003 will continue into 2004 remains an open question. In the meantime it is good news to see the number of jobs increasing once again.

Wage & Salary Employment Southeast 2002–2003

	2002	2003	Change	Percent Change
Total Non-farm Wage & Salary	35,800	36,250	450	1.3%
Goods Producing	4,050	4,300	250	6.2%
Services Providing	31,750	31,950	200	0.6%
Natural Resources & Mining	650	700	50	7.7%
Logging	350	400	50	14.3%
Mining	300	300	0	0.0%
Construction	1,600	1,750	150	9.4%
Manufacturing	1,800	1,850	50	2.8%
Wood Products Mfg.	150	150	0	0.0%
Seafood Processing	1,350	1,450	100	7.4%
Trade, Transportation & Utilities	7,000	7,050	50	0.7%
Retail Trade	4,350	4,350	0	0.0%
Trans/Warehousing/Utilities	2,200	2,250	50	2.3%
Information	500	500	0	0.0%
Financial Activities	1,250	1,250	0	0.0%
Professional & Business Svcs	1,300	1,400	100	7.7%
Educational & Health Services	3,400	3,450	50	1.5%
Health Care & Social Assistance	3,150	3,250	100	3.2%
Leisure & Hospitality	3,750	3,550	-200	-5.3%
Accommodation	1,250	1,200	-50	-4.0%
Food Svcs & Drinking Places	1,650	1,650	0	0.0%
Other Services	1,150	1,150	0	0.0%
Government	13,450	13,650	200	1.5%
Federal Government	1,850	2,000	150	8.1%
State Government	5,600	5,650	50	0.9%
Local Government	6,000	6,000	0	0.0%
Tribal Government	750	800	50	6.7%

Benchmark: March 2003. Subtotals may not add due to rounding. Prepared in part with funding from the Employment Security Division. "Government" includes employees of public schools and the University of Alaska.

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

GULF REGION by Brigitta Windisch-Cole

In 2003, 50 new wage and salary jobs were created in the Gulf Coast region and the growth rate came in at two-tenths of a percentage point. (See Exhibit 9.) Employment gained some ground in the Valdez-Cordova census area and the Kenai Peninsula Borough but suffered losses in the Kodiak Island Borough. Therefore, regional job numbers remained flat. Current payroll data collected between January and September of 2003 confirm that the Cordova-Valdez area economy performed the best of the three Gulf Coast areas, with a 5.6 percent increase over the same period in 2002. Lean annual growth rates of 0.6 percent and 0.3 percent were registered for the Kenai Peninsula and Kodiak Island respectively.

Mixed reviews for three area economies

The Prince William Sound economy of the Valdez-Cordova area received its main boost from a bountiful salmon harvest and construction of a hospital in Valdez. The other two Gulf Coast economies were struggling in several employment sectors. Employment data between January and September of 2003 showed a big drop in Kodiak's seafood-processing employment, offset by an increase in processing employment on the Kenai Peninsula. The seafood industry job losses on Kodiak Island, however, were large enough to reduce the area's total employment level.

The Kenai Peninsula's economy suffered large job losses in the oil industry. Although gas exploration continued along the shores of Cook Inlet, scaled back offshore oil operations caused job losses that surfaced as early as February 2003. In January, the local oil industry posted over 1,200 jobs, but by April employment had fallen below 1,000, a level it held in the remaining months. Employment dropped by 60 jobs in oil and gas related manufacturing due to scaled back production. Moreover, the closure of Kmart in Kenai adversely affected retail employment on the peninsula. Employment growth in the leisure

and hospitality sector and in the healthcare industry partially offset these losses.

Turbulence in the seafood industry

Ownership changes of seafood processing plants, closures and near closures marked another turbulent year for the industry. Although the former Wards Cove Packing plants in Kodiak and on the Kenai Peninsula sold just in time to operate during the salmon season, it brought little relief from existing problems. In Kodiak, the True World Foods plant, formerly known as International Seafood, hardly operated during the summer months. During the fishing season, several plants put their harvesters on delivery limits, setting caps on processing quantity due to saturated global salmon markets. Markets were particularly

Wage & Salary Employment Gulf Coast Region 2002-2003

	2002	2003	Change	Percent Change
Total Non-farm Wage & Salary	28,150	28,200	50	0.2%
Goods Producing	6,050	5,750	-300	-5.0%
Services Providing	22,100	22,450	350	1.6%
Natural Resources & Mining	1,450	1,200	-250	-17.2%
Oil & Gas Extraction	1,300	1,050	-250	-19.2%
Construction	1,650	1,600	-50	-3.0%
Manufacturing	3,000	2,950	-50	-1.7%
Seafood Processing	2,250	2,250	0	0.0%
Trade, Transportation & Utilities	5,450	5,400	-50	-0.9%
Retail Trade	3,250	3,200	-50	-1.5%
Trans/Warehousing/Utilities	1,850	1,900	50	2.7%
Information	450	450	0	0.0%
Financial Activities	850	750	-100	-11.8%
Professional & Business Svcs	1,400	1,400	0	0.0%
Educational & Health Services	1,950	2,150	200	10.3%
Health Care/Social Assistance	1,850	2,100	250	13.5%
Leisure & Hospitality	3,250	3,400	150	4.6%
Accommodation	1,100	1,150	50	4.5%
Food Svcs & Drinking Places	1,750	1,800	50	2.9%
Other Services	1,400	1,350	-50	-3.6%
Government	7,400	7,550	150	2.0%
Federal Government	800	850	50	6.3%
State Government	1,650	1,650	0	0.0%
Local Government	4,950	5,050	100	2.0%
Tribal Government	300	350	50	16.7%

Benchmark: March 2003. Subtotals may not add due to rounding. Prepared in part with funding from the Employment Security Division. "Government" includes employees of public schools and the University of Alaska.

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

depressed in the pink and chum salmon species. In Prince William Sound, Cook Inlet and Kodiak waters, sockeye salmon remained the money-making species.

Harvests were abundant in all three areas of the Gulf region. In Prince William Sound the catch was up nearly 60 percent from the 2002 total due to huge pink salmon returns. The high volume pink salmon and sockeye catches increased total earnings of Prince William Sound fishermen by 20 percent from the 2002 level. Kodiak and Cook Inlet fishermen caught fewer fish than in 2002 but more of them were sockeye. The favorable product mix in these two areas increased their respective harvest values by 29 and 25 percent from 2002 earnings. Despite the good harvest results and their positive impact on Gulf economies in 2003, the salmon industry's problems remain. The post season closure of the North Pacific Seafoods plant in Cordova after 50 years operation signaled that the 2004 salmon season will pose new challenges.

Despite all the shuffling and unrest in the seafood industry, processing employment in the Gulf region remained on par with the 2002 season. Employment gains in the Valdez/Cordova area and on the Kenai Peninsula offset Kodiak's job losses. Groundfish harvests and halibut catches helped to bring some stability to the industry.

SOUTHWEST REGION

by Brigitta Windisch-Cole

In the Southwest Region, wage and salary employment increased by 650 jobs in 2003, which translated into an annual growth rate of 3.5 percent. (See Exhibit 10.) Employment rose by 500 jobs in the goods-producing sector and by 150 jobs in the service-providing sector. The seafood industry and construction contributed to job growth in the goods-producing sector. Health care and social assistance providers created most jobs in the services-providing segment. The seafood industry created most of the new jobs in the region due to good groundfish harvests, a decent crab fishery, and a larger harvest of salmon.

Swift harvests and good catches

Employment in seafood processing in Southwest Alaska was up during most fishing months. The year 2003 started with high employment levels at the start of the winter fisheries that target mainly snow crab and pollock, a groundfish species. Fishermen caught the crab quota in only 11 days of fishing, and the first pollock season also ended earlier than usual because of the rich biomass and good weather conditions. During the high impact summer harvests that took place between June and September employment was up nearly 18 percent over the 2002 season level. Salmon harvests in all areas exceeded 2002 catches.

The Bristol Bay fishery rebounded with a 47 percent increase in harvest volume and the ex-vessel value moved in sync with the higher volume. Area sockeye prices were slightly above the 2002 per pound average. Salmon fishing also went well in the Kuskokwim River basin. This small commercial fishery more than doubled its volume from the previous season and its ex-vessel value also increased substantially. This recovery of fish returns also meant that an important subsistence resource was making a comeback. The remaining three salmon areas of Chignik, the Alaska

10 Wage & Salary Employment Southwest Region 2002–2003

	2002	2003	Change	Percent Change
Total Nonfarm Wage & Salary	18,400	19,050	650	3.5%
Goods Producing	4,100	4,600	500	12.2%
Services Providing	14,300	14,450	150	1.0%
Seafood Processing	3,900	4,200	300	7.7%
Government	7,500	7,500	0	0.0%
Federal Government	350	350	0	0.0%
State Government	550	550	0	0.0%
Local Government	6,600	6,600	0	0.0%
Tribal Government	1,550	1,550	0	0.0%

Benchmark: March 2003. Subtotals may not add due to rounding. Prepared in part with funding from the Employment Security Division. "Government" includes employees of public schools and the University of Alaska.

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

Peninsula/Aleutians, and the Yukon River recorded improved catches, but little increase in value due to depressed area fish prices and the species mix harvested.

The best performing fishery once again was the groundfishery. Halibut also performed well. The global demand for white-fleshed fish is up and Alaska has become one of the largest suppliers to world markets of the various species of ground and flat fish. In the past few years regulators have increased fishing quotas because the resource biomass in the Bering Sea area is considered to be healthy. The fall king crab harvest also helped to augment earnings in the 2003 season.

Military related projects gave construction employment a boost

Construction employment doubled in Western Alaska in 2003. The biggest push came from the military construction in preparing for the installation of an X-Band radar site on Shemya Island, near the western tip of the Aleutian chain. This project is an integral part of the missile defense shield that extends to Fort Greely, the planned location of ground-based interceptors. Other construction activity included the continuous effort to improve rural infrastructure.

During the first nine months of the year, employment losses took place in the North Slope and Northwest Arctic boroughs. In both areas, the mining industry shed jobs, although a change in industry classification disguised this loss. In real terms oil employment in the North Slope Borough fell nearly four percent. The Red Dog Mine in the Northwest Arctic Borough also downsized because of low zinc prices. Employment gains, however, were recorded for the Nome census area, where construction was strong, and this partially offset the job losses in the neighboring northern economies. Employment levels in all three areas of the Northern Region stabilized during the fourth quarter. Most other industry sectors showed little change.

In all three areas of the Northern Region, employment in the leisure and hospitality sector increased. Most of the gain was concentrated in North Slope catering firms that support oilfield work crews. In general, the vast Northern Region's 2003 employment snapshot reflected curtailed activity in the industry that dominates its economy, oil.

NORTHERN REGION

by Brigitta Windisch-Cole

Wage and salary employment in 2003 in the Northern Region was up 50 jobs from 2002, for a growth rate of 0.3 percent. (See Exhibit 11.) The totals give the impression that not much happened in the Northern Region's job market. Job losses in goods-producing industries were offset by gains in services-providing industries. Nevertheless, changes did occur in the region's economy.

Wage & Salary Employment Northern Region 2002-2003



	2002	2003	Change	Percent Change
Total Nonfarm Wage & Salary	16,100	16,150	50	0.3%
Goods Producing	5,550	5,400	-150	-2.7%
Services Providing	10,550	10,750	200	1.9%
Oil & Gas Extraction	4,600	4,650	50	1.1%
Government	5,050	5,050	0	0.0%
Federal Government	150	150	0	0.0%
State Government	350	350	0	0.0%
Local Government	4,600	4,550	-50	-1.1%
Tribal Government	550	500	-50	-9.1%

Benchmark: March 2003. Subtotals may not add due to rounding. Prepared in part with funding from the Employment Security Division. "Government" includes employees of public schools and the University of Alaska.

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