

Slow Growth Continues Through 1992

by John Boucher, Neal Fried, Tom Lane, Holly Stinson

Alaska's economy continued a slow expansion in 1992, posting a 1.8% rate of employment growth. The growth rate has steadily decreased since 1989. A higher rate of unemployment accompanied the decline in employment growth. The annual average unemployment rate for Alaska increased from 8.5% in 1991 to 9.3% in 1992.

Historians of the Alaskan economy might characterize the 1992 economic performance as second-rate. The 1992 employment growth rate, however, more than doubled the 0.8% growth forecast in last May's issue of *Alaska Economic Trends*. In a national context, Alaska's employment picture could be considered the envy of many states.

Nearly 4,400 more jobs in 1992

A retail trade boom, a rebounding services sector, continued growth in seafood processing, and education-related government expansion pushed statewide employment gains to 4,400 jobs in 1992. (See Table 1.) Growth in these sectors was offset by a contraction in the oil industry, continued decline in Alaska's timber industry and significant job loss in the printing portion of manufacturing due to the Anchorage Times closure.

Retailers led the charge

The fastest growing segment of Alaska's economy in 1992 was general merchandise and apparel stores. This sector was boosted by the opening of new large retail outlets in Anchorage and Fairbanks. Nearly every type of retailer experienced employment gains. Eating and drinking places, food stores, building and garden stores all pushed ahead with employment expansion last year. The lone exception to growth in the retail sector was car dealerships. Slower income growth and bad economic news tends to hit big ticket retail items first.

After a sluggish 1991, the services sector rebounded to post a gain of 2,000 jobs, a 3.9% growth rate. Health care services, at private hospitals and other health-care businesses, accounted for more than one-quarter of the additional service industry jobs. Membership organizations and social services ac-

counted for a third of the services job growth. Another factor in service industry growth in 1992 was tourism-related businesses such as hotels and motels. These businesses benefitted from another good year in Alaska's tourist trade.

After trade and services, the fisheries industry produced a significant job boost for Alaska's economy in 1992. Recovering salmon prices, a rebounding crab harvest and continued expansion of the bottomfish industry were three factors in 1992 seafood industry job growth.

The fastest growing industry in Alaska in 1991, the transportation sector, continued to post growth but at a slower rate. The air transportation sector continued to climb but not without some turbulence. Alaska's two largest commercial passenger airlines expanded early in the year when they locked horns in a fare war. On the plus side, the air cargo industry continued to expand its employment base in Alaska.

In the public sector, most of the growth came from education-related employment at the University of Alaska or local school districts. Alaska's growing school-age population, has continued to put pressure on local school districts to expand employment. Employment growth at the University of Alaska is primarily due to more part-time faculty and an increasing number of student employees.

Oil industry posts largest job loss

The biggest negative in Alaska's economy during 1992 was the contraction in Alaska's oil & gas sector. On an annual basis 1,400 jobs were lost in the oil and gas industry. Oil producers and particularly their oil-field service contractors were hit hard. The 1992 employment drops were more severe in this industry than experienced during the oil price crash of 1986. One positive note is that the retreat came after two years of record-high employment levels. The year-end oil lease sale in Cook Inlet and other positive developments on the North Slope may have brightened the exploration and development climate in the state.

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Table • 1

Wage and Salary Employment 1991-1992

Alaska

	1991	1992	Change	Percent Change
Total Nonag. Wage & Salary	242,800	247,200	4,400	1.8
Goods-producing	40,300	38,900	-1,400	-3.5
Mining	11,900	10,600	-1,300	-10.9
Construction	10,400	10,300	-100	-1.0
Manufacturing	18,000	18,000	0	0.0
Durable Goods	3,400	3,100	-300	-8.8
Lumber & Wood Products	2,600	2,400	-200	-7.7
Nondurable Goods	14,600	14,900	300	2.1
Seafood Processing	10,600	11,200	600	5.7
Pulp Mills	900	900	0	0.0
Service-producing	202,500	208,300	5,800	2.9
Transportation	21,800	22,600	800	3.7
Trucking & Warehousing	2,900	3,000	100	3.4
Water Transportation	1,500	1,600	100	6.7
Air Transportation	7,000	7,300	300	4.3
Communications	3,500	3,600	100	2.9
Trade	46,800	47,900	1,100	2.4
Wholesale Trade	7,800	7,900	100	1.3
Retail Trade	39,000	40,000	1,000	2.6
Gen. Merch. & Apparel	6,200	6,700	500	8.1
Food Stores	7,000	7,100	100	1.4
Eating & Drinking Places	13,300	13,600	300	2.3
Finance-Ins. & Real Estate	10,500	10,700	200	1.9
Services & Misc.	51,700	53,700	2,000	3.9
Hotels & Lodging Places	5,400	5,500	100	1.9
Health Services	11,100	11,700	600	5.4
Government	71,600	73,300	1,700	2.4
Federal	18,900	19,600	700	3.7
State	21,400	21,600	200	0.9
Local	31,300	32,200	900	2.9

Municipality of Anchorage

	1991	1992	Change	Percent Change
Total Nonag. Wage & Salary	112,500	114,200	1,700	1.5
Goods Producing	12,100	11,000	-1,100	-9.1
Mining	4,000	3,500	-500	-12.5
Construction	5,600	5,400	-200	-3.6
Manufacturing	2,600	2,100	-500	-19.2
Services Producing	100,400	103,200	2,800	2.8
Transportation	11,900	12,200	300	2.5
Communications	2,100	2,200	100	4.8
Air Transportation	4,400	4,600	200	4.5
Trade	26,000	26,300	300	1.2
Wholesale Trade	5,700	5,700	0	0.0
Retail Trade	20,300	20,600	300	1.5
Gen. Merch. & Apparel	3,200	3,200	0	0.0
Food Stores	3,400	3,600	200	5.9
Eating & Drinking Places	7,400	7,600	200	2.7
Finance-Ins. & Real Estate	6,600	6,600	0	0.0
Services & Misc.	28,700	29,900	1,200	4.2
Hotels & Lodging Places	2,400	2,500	100	4.2
Health Services	5,900	6,100	200	3.4
Government	27,300	28,300	1,000	3.7
Federal	10,700	11,200	500	4.7
State	7,900	8,000	100	1.3
Local	8,700	9,100	400	4.6

Notes: Alaska & Municipality of Anchorage tables prepared in part with funding from the Alaska State Employment Security Division. All other tables prepared in part with funding from the Alaska Employment Service.

Government includes teachers in primary and secondary schools, and personnel employed by the University of Alaska.

The employment numbers that appear here are definitionally different from those that appear in the Labor Force table.

Benchmark: March 1992
p/ denotes preliminary estimates
r/ denotes revised estimates

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

Manufacturing sector hit by closures

A full year of sawmill closures and continued cutbacks in logging activity brought another year of job losses to Alaska's wood products sector. Sawmills in Haines, Klawock and Seward closed in 1991, but the full impact of the job losses wasn't apparent in the numbers until 1992. Logging operations continued to struggle. Three buyers for their product (the sawmills) dropped out of the market. The largest wood processing manufacturing facilities in Alaska, the two pulp mills, maintained employment levels although pulp prices have been falling. Supply of available timber has been a source of concern for these facilities, and while the mills are currently holding their own the future is uncertain.

The largest manufacturing sector outside of wood and seafood products in Alaska is printing and publishing. When the Times shut their doors more than 400 jobs disappeared. This was the second largest employer loss in Anchorage's history. Only the Wien Airlines closure in the mid-80s was larger.

Anchorage's economy eventful

In addition to the Times closure, 1992 was an eventful year for Anchorage's economy. Like the state, Anchorage's employment picture could be characterized as mediocre, although it was actually a bit more robust than expected. Anchorage's wage and salary employment posted a gain of 1,700 jobs or 1.5%, almost a repeat performance of

Wage and Salary Employment 1991-1992

Fairbanks Northstar Borough

	1991	1992	Change	Percent Change
Total Nonag. Wage & Salary	27,950	29,050	1,100	3.9
Goods Producing	2,350	2,650	300	12.8
Mining	350	500	150	42.9
Construction	1,350	1,500	150	11.1
Manufacturing	600	650	50	8.3
Services Producing	25,650	26,400	750	2.9
Transportation	2,000	2,050	50	2.5
Trucking & Warehousing	500	500	0	0.0
Air Transportation	500	500	0	0.0
Communications	300	300	0	0.0
Trade	6,400	6,550	150	2.3
Wholesale Trade	800	800	0	0.0
Retail Trade	5,600	5,750	150	2.7
Gen. Merch. & Apparel	750	1,100	350	46.7
Food Stores	800	700	-100	-12.5
Eating & Drinking Places	2,200	2,200	0	0.0
Finance-Ins. & Real Estate	1,000	1,050	50	5.0
Services & Misc.	6,150	6,400	250	4.1
Government	10,100	10,400	300	3.0
Federal	3,200	3,250	50	1.6
State	4,100	4,300	200	4.9
Local	2,800	2,850	50	1.8

Southeast Region

	1991	1992	Change	Percent Change
Total Nonag. Wage & Salary	33,700	34,250	550	1.6
Goods-producing	6,350	6,100	-250	-4.1
Mining	350	350	0	0.0
Construction	1,250	1,250	0	0.0
Manufacturing	4,750	4,500	-250	-5.6
Durable Goods	2,150	2,000	-150	-7.5
Lumber & Woods Products	2,100	1,900	-200	-10.5
Nondurable Goods	2,600	2,550	-50	-2.0
Seafood Processing	1,500	1,400	-100	-7.1
Pulp Mills	900	900	0	0.0
Service-producing	27,400	28,150	750	2.7
Transportation	2,650	2,850	200	7.0
Trade	5,550	5,800	250	4.3
Wholesale Trade	600	550	-50	-9.1
Retail Trade	5,000	5,200	200	3.8
Finance-Ins. & Real Estate	1,150	1,200	50	4.2
Services & Misc.	5,600	5,650	50	0.9
Government	12,400	12,700	300	2.4
Federal	2,050	2,150	100	4.7
State	5,550	5,550	0	0.0
Local	4,800	4,950	150	3.0

Gulf Coast Region

	1991	1992	Change	Percent Change
Total Nonag. Wage & Salary	24,850	24,850	0	0.0
Goods Producing	7,150	6,750	-400	-5.6
Mining	1,300	1,200	-100	-7.7
Construction	1,050	1,000	-50	-4.8
Manufacturing	4,800	4,550	-250	-5.2
Seafood Processing	3,800	3,500	-300	-7.9
Services Producing	17,700	18,100	400	2.3
Transportation	2,100	2,150	50	2.4
Trade	4,150	4,350	200	4.8
Wholesale Trade	500	550	50	10.0
Retail Trade	3,700	3,850	150	4.1
Finance-Ins. & Real Estate	600	600	0	0.0
Services & Misc.	4,750	4,850	100	2.1
Government	6,150	6,150	0	0.0
Federal	600	600	0	0.0
State	1,850	1,750	-100	-5.4
Local	3,750	3,800	50	1.3

Northern Region

	1991	1992	Change	Percent Change
Total Nonag. Wage & Salary	14,900	14,100	-800	-5.4
Goods Producing	6,200	5,300	-900	-14.5
Mining	5,650	4,800	-850	-15.0
Services Producing	8,700	8,800	100	1.1
Government	4,350	4,400	50	1.1
Federal	300	250	-50	-16.7
State	350	350	0	0.0
Local	3,750	3,800	50	1.3

Southwest Region

	1991	1992	Change	Percent Change
Total Nonag. Wage & Salary	16,800	18,250	1,450	8.6
Goods Producing	5,300	6,450	1,150	21.7
Seafood Processing	4,950	6,050	1,100	22.2
Services Producing	11,500	11,750	250	2.2
Government	6,250	6,200	-50	-0.8
Federal	1,350	1,250	-100	-7.4
State	550	500	-50	-9.1
Local	4,400	4,400	0	0.0

1991. Anchorage's wage and salary work force reached 114,200 in 1992—only 250 shy of its peak employment level of 114,500 set in 1985.

Oil industry losses rattle Anchorage

After four years of strong growth, employment in the oil industry faltered in 1992, due to a restructuring of the industry. The blame for this restructuring was put at declining oil production from Prudhoe Bay.

Alaska's two major oil producers announced consolidation efforts in 1992. The biggest losses came when BP announced it would cut 425 out of its work force of 1,600. ARCO and Unocal also trimmed their work forces. Oil service companies fell victim to sizable losses. Producers announced that in the future they would be working with fewer contractors to cut costs.

By the end of the year better news was coming out of the oil patch as ARCO, Unocal and others announced new discoveries and ambitious plans for exploration and development. This came too late to have any positive effect on 1992's employment numbers.

Anchorage's construction steady

For the construction industry 1992 was another unexceptional year. The level of construction activity has changed little in Anchorage during the past three years. Despite its apparent stability, caution must be taken when analyzing Anchorage's construction employment numbers. Many Anchorage contractors work jobs elsewhere in the state, but the workers on these jobs are sometimes counted in Anchorage.

No single project dominated the construction scene in Anchorage. According to the Municipality of Anchorage's 1992 figures, the dollar value for new commercial activity was up by 68% or \$28.7 million. The construction of the new Prince Hotel and tramway in Girdwood gave these numbers their biggest boost. Additionally, the construction of the new Costco, Eagle Hardware and the Sears expansion further boosted the industry.

On the residential side, activity changed little from year-ago levels. The number of residential building permits issued in 1992 was 650 compared to 661 in 1991. Unlike most years, no large public projects were underway in 1992, and there was no

flurry of smaller projects to boost the overall industry levels.

Air transportation loses altitude

Over the past four years one of the star economic performers in Anchorage was the air transportation sector. In 1989 Federal Express opened its international package sorting facility which now employs more than 500 people. United Parcel followed with a smaller facility in 1991. Other air cargo activity helped keep the industry growing. Growth in air cargo was large enough to offset the sizeable losses of the international passenger traffic. During this same period domestic carriers were beefing up their presence as they entered new markets.

During the latter part of 1992 the domestic side of the industry began to suffer losses and this momentum was lost. Both MarkAir and Alaska Airlines announced major cutbacks in their work forces during the year. Alaska Airlines canceled construction of a \$45 million maintenance hanger. These two airlines were not alone in their economic woes. Most other domestic carriers serving the Alaska market reported losses and financial difficulties.

Retail trade and services up

Retail trade was the talk of the town in 1992 as national stores added their names to a growing list of retailers who plan to enter the Anchorage market. Two large retailers opened at the end of 1992. They were Costco and Eagle Hardware & Garden Center with a combined work force of 400. Growth in restaurant and grocery store employment pushed retail trade's employment higher in 1992.

Anchorage's largest private sector employer, services, provided the biggest bounce to Anchorage's work force in 1992. The most robust were health, engineering and management services. Health services growth came both from hospitals and other health services. The strong showing in engineering services could be presaging a better construction season. Hotel employment was also up a fraction.

Finance sector healthier

Although employment in Anchorage's finance sector remained relatively flat, it was a good year for the industry. All of the banks posted healthy profits in 1992. National Bank of Alaska, First

National Bank of Anchorage and Northrim Bank all registered record earnings in 1992. Bank deposits and asset values were up. Cost of funding operations was down. And a steady real estate market and heavy refinancing activity helped contribute to the industry's health.

Anchorage public sector grew

The largest job increases were at the federal level. The new Veterans Medical Center opened their doors in 1992. Military-related civilian employment also helped boost federal numbers. Local government employment increases came largely from gains in the Anchorage School District. State government eked out a bit of growth in 1992—most of it at the University of Alaska.

Retail boom leads Fairbanks growth

While Anchorage's job growth was somewhat sluggish, one-quarter of Alaska's job growth in 1992 occurred in Fairbanks. As a whole the Fairbanks economy grew by 3.9% or 1,100 jobs, making it one of the fastest-growing areas of the state.

The new Fred Meyer and Sears stores caused general merchandise retail employment to jump by 350 in 1992. This gain was partially offset, however, by a drop in other retail employment, especially in food stores. A new Pace Warehouse and a Valu Village also opened late in 1992.

These new retail stores gave a boost to Fairbanks' construction industry, which added jobs for the first time in three years. Ground was broken for the new \$11 million Denali Center nursing home. At the University of Alaska campus, work began on the \$24 million natural sciences building. At Fort Wainwright several million in renovations and additions, plus construction of a new elementary school, kept construction crews busy.

On the residential side, a few more homes were built than in 1991, but the numbers remain a fraction of previous years. The rental market remains tight. There was no substantial addition to the inventory of rentals in Fairbanks, however, in 1992.

The public sector increased in Fairbanks at all three levels—federal, state and local. The 200 new state jobs were all added at the University of Alaska; total employment at other state agencies showed no change from 1991. New local govern-

ment jobs were also in the education sector. Fall enrollment at schools on military bases increased 6%, while enrollment at other schools was unchanged from 1991.

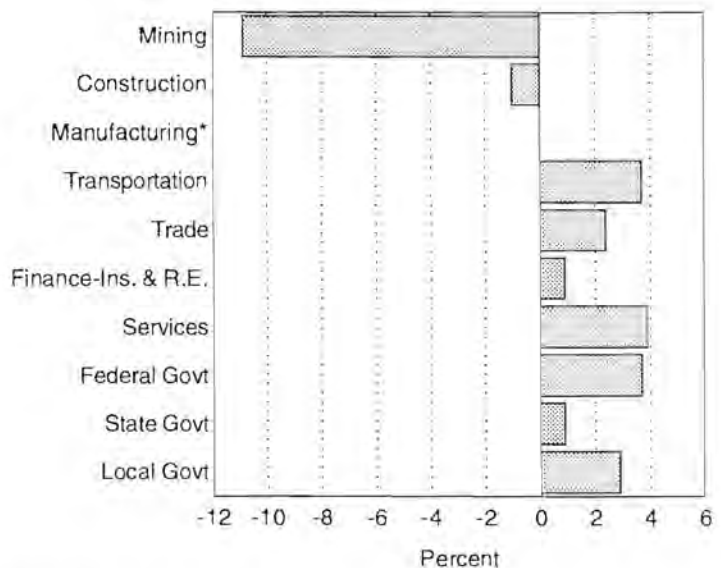
Fairbanks' services employment took a healthy jump in 1992. Hotel receipts in 1992 were up 10% over 1991. The new Princess Hotel is scheduled to open in May 1993. And the Alaska Railroad is deciding whether to build a 100-room hotel in Fairbanks. The 50th anniversary of the Alaska Highway brought several travel groups through Fairbanks and was a boon for many local businesses.

Not everyone arrived in Fairbanks over the highway. Passenger traffic at Fairbanks International Airport was up 7% in 1992. Cargo also increased in 1992, in part because Air France re-routed their cargo flights through Fairbanks instead of Anchorage. Cargolux Airlines also began routing their flights through Fairbanks in 1992.

Although mining employment in Fairbanks appears to be booming, the increase is due to one oil and gas firm changing their reporting location from Anchorage to Fairbanks. Without this firm, mining employment in Fairbanks would not show

Figure • 1

A Mixed Industry Picture Exists 1992 Compared to 1991



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

* No change.

any growth for 1991 or 1992. Citigold continued evaluating deposits at Ester Dome and could begin mining operations as early as this coming summer. Amax Gold concentrated on obtaining the permits necessary to begin development of the huge Fort Knox gold deposit near Fairbanks.

Job losses in Northern Region

While Fairbanks employment posted strong job growth the Northern region was the only area to show a drop in total employment in 1992. The oil industry, which accounts for more than half of private sector employment in the region, was hit with a 15% decline in 1992. There was little change in other employment, whether private or public.

Consolidation of operations at Prudhoe Bay by ARCO and BP was one reason for the drop in oil sector employment. Another is producers are using fewer contractors. As Prudhoe Bay production declines, firms are instituting cost-saving measures. A third reason for the decline on the North Slope was a lessening of exploration activity. Interest in Alaska is waning as other regions of the world become more attractive or feasible for exploration. One indication of this was the oil lease sale near Barrow, when no one bid for exploration rights.

All the news from the oil industry was not negative, however. ARCO announced an oil strike in the Beaufort Sea. At the end of the year ARCO announced that two discovery wells in the Colville River area west of Kuparuk produced oil flows worth investigating with further drilling this winter. Even if neither field is developed, ARCO's continued exploration provides jobs and is a psychological boost for the industry and for Alaska. Work continued on a \$1.5 billion gas-handling project labeled GHX-2.

Gulf Coast's economy stalled

The Gulf Coast region did not have a change in number of jobs from 1991. The mix between goods- and services-producing jobs, though, did change. Losses in mining, construction and seafood processing were offset by small gains in other private sector employment. In the public sector local school districts increased employment while state jobs shrank.

While the mining industry showed an employment decline in Gulf Coast, PetroStar completed a \$30 million refinery in Valdez. Unocal announced they were developing offshore crude oil reserves in Cook Inlet and doubling output at their Granite Point platform. Stewart Petroleum's discovery well in Cook Inlet showed promise. In December ARCO and Phillips bid \$65 million for exploration rights on state tracts in Cook Inlet. Following that, ARCO announced plans to develop the oil deposit discovered by its Sunfish well drilled in 1991. Delineation work was done in 1992 and continues into 1993.

Another oil boom on the Kenai Peninsula would suit local retailers just fine. Carrs kicked off the expansion with its new Kenai store in April 1992. The new store meant 100 new jobs, one reason why retail trade in Gulf Coast grew by 150 in 1992. Construction began on a new Kmart in Kenai whose planned November opening has been moved up to June 1993.

Although the salmon harvest statewide was decent, the pink salmon harvest in Prince William Sound and Kodiak was well below expected projections. While the catch of other salmon species in the region was good, the disastrous pink season accounted for some of the drop in seafood processing jobs in 1992.

Kodiak's shore-based processors should benefit from the allocation of bottomfish approved by the U.S. Department of Commerce in 1992. In the Gulf of Alaska, almost all of the cod and pollock will be allocated to shore-based processors.

Seafood boom continues in Southwest

The Southwest region, with the smallest employment base, added almost as many jobs as Anchorage in 1992. Just as Kodiak's shore-based processors were allocated a percentage of the bottomfish harvest, this region's shore-based processors will be guaranteed a certain percentage of the bottomfish harvest from the Bering Sea.

The seafood boom in the Southwest region was not limited to bottomfish in 1992. The opilio (snow) crab harvest continued at 1991 levels. Salmon may be the next target for factory processors whose bottomfish harvests are now limited. One small factory trawler experimented with processing salmon last summer; because the pollock season will be

later in 1993 more floating processors will have the opportunity to experiment with processing salmon.

Other sectors of the Southwest economy expanded in 1992 as a result of the thriving seafood sector. Transportation, trade, construction and services all increased employment in 1992. The Margaret Bay development at Dutch Harbor—which includes new office and retail space along with a 100-room hotel—and provide a further boost to the region's economy.

Slow growth, stability characterized Southeast economy

While Southwest Alaska boomed, average employment in the Southeast region in 1992 showed little change from the previous year. Southeast's gain of about 550 jobs over the year included increases in government, transportation, and trade employment that outweighed a decline in manufacturing jobs. Other industries remained roughly at the levels of the previous year.

Most of the loss in manufacturing jobs came from the wood products industry. A declining trend in logging and wood products that began in late 1990. Pulp mill employment, on the other hand, remained stable over the year. Jobs in seafood processing, another manufacturing industry, dropped slightly.

Southeast employment in the transportation group grew in 1992. The 200 new jobs represented a rate of increase (7.6%) double that for the state as a

whole. Water, air and other transportation components all experienced some gains, although communications employment remained stable. Retail trade was another industry group adding 200 more jobs. A good portion of that employment gain was in eating and drinking establishments.

Government employment grew, with increases in both local and federal government jobs (the U.S. Forest Service accounted for much of the federal employment increase). On the other hand, average state government employment remained at about the same level as in 1991. The region felt the impact of state government cuts in the second half, however: state government employment was generally a little lower than previous-year levels in the months following the beginning of the new fiscal year (July 1).

Slower growth summarizes '92

In 1992 Alaska's economy grew at a moderate 1.8% pace. This performance was the weakest since 1988, but the economy maintained enough momentum to continue a string of five years of growth. A retail trade boom as well as a rebounding services sector provided the impetus for job growth, but other sectors also contributed. This job growth was accomplished despite some jolting news for the economy. The biggest economic shock was the contraction in Alaska's oil and gas industry, which experienced the largest annual job loss in the industry's history. This was coupled with a continued slide in the timber industry and a major manufacturer closing its doors. The end result was continuation in the trend toward slower growth.