

MatSu's Economic Scene

By Greg Huff

Descriptions of MatSu's economy in 1987 were often accompanied by bad news of foreclosures, bankruptcies, smaller budgets, bank closings, and job losses. As 1988 arrived, economy watchers were beginning to formulate a more optimistic outlook for MatSu's economy. The new optimism is founded in the belief that MatSu's economy is in a state of stabilization and that the economy will soon turn around. The big question is whether this new optimism is warranted given current economic data, and if so what does it mean for the MatSu economy in the near future?

This article examines MatSu's job statistics and other economic indicators to see if MatSu's economy is in a stage of stabilization; where loss of businesses, homes, and jobs will subside and then be followed by a period of moderate growth. But before we gaze into the future a review of recent historical data is needed to put the outlook into perspective.

Review 1980-1985

MatSu's economy began the 1980s with a surge of population growth that was ignited by in-migration. Most of the population gains came from the movement of Anchorage residents to the valley and in-migration from the lower 48. In fact, over four-fifths of the population gain was due to newly arrived residents. According to Research and Analysis statistics the total number of new residents to the borough from the lower 48 was second only to Anchorage and the in-migration rate from locations elsewhere in the state was the highest in the state. In addition to the population growth caused by in-migration, MatSu's high birth rate added a significant number of young people to the local population.

Most of the former Anchorage residents came to the valley to take advantage of lower home prices and property taxes. The cost of a single family residence in Anchorage was an average of 27% greater than a comparable unit in the MatSu valley. This was attractive to many Anchorage workers despite the higher transportation costs associated with the extended commuter trip.

The population boom in the Mat-Su Borough soon translated into employment growth. From 1980-1985 MatSu employment increased 114% or 16.5% annually, making it the fastest growing region in the state. This growth rate was nearly 3.5 times greater than the statewide average and 2.8 times greater than Anchorage's growth rate.

Most of MatSu's employment gains were in industries constructing housing or providing goods and services to the rapidly growing population. Construction employment grew 450% from 1980 to 1984, that represents over 800 jobs or approximately 24% of the total job growth during that time. Construction of residential units began to slow in 1985 and construction employment began to fall, but jobs in the goods and services industry continued to expand. From 1980 to 1985, the trade industry grew by over 134% (1,000 jobs) and services increased by 145% (670 jobs). Utilities and other service oriented industries such as banking also contributed to the number of

new jobs in the MatSu Borough.

Local government employment grew in response to population. The education component of local government in particular grew in response to the rapid rise in school enrollment which accompanied the population surge. From the fall of 1980 to the fall of 1985 student enrollment in the district increased from 4,413 students to 8,782 students, an increase of 99%. Meanwhile school district employment increased by 70% to 1,230 jobs.

MatSu 1986-1987

Although most of the rest of the state had already experienced total employment declines by January 1986, the MatSu region continued to grow through the first quarter of 1986 (Figure 1). During that quarter MatSu employment increased 2.3% while Anchorage employment fell 1.3%. The growth in early 1986 was a result of increases in local government employment combined with smaller gains in services, state government, finance, insurance, telephone communications and wholesale trade. Increases in these secondary industries offset large employment losses in the construction industry and minor losses in manufacturing.

The increase in school staff from 1980 to 1985 was in response to an increase in school enrollment, but by fall 1986 enrollment was up less than 200 students, substantially less than the 750 student increase the previous year. As the impacts of a declining economy spread, more families were forced to move out of the area in search of jobs. By the next fall school enrollment had dropped by over 380 students, a 4.3 percent decline.

By the summer of 1986 the economic and population indicators showed all too clearly that an economic slowdown was underway (Figure 2). Not only was employment falling and school enrollment waning, the commuter traffic on the Glenn Highway between MatSu and Anchorage began to decline after growing almost 20% annually since 1980, the number of telephone hookups also fell beginning in 1986 after four years of double digit growth (Figure 2) and construction activity declined by nearly 140% from 1985 levels.

About the only growth statistic that could be found in the borough was the community college enrollment figures which indicated an increase in students from the 1987 spring semester to the 1987 fall semester by several hundred students. School officials also expect an increase in students for the spring quarter of 1988 (January 1988). This statistic may also be an indication of a bad economy. During good times people do not have the time to go back to school because they are working. During bad economic times people are inclined to upgrade their training and education and search for new careers.

By the end of 1986 employment had fallen 4.5%. By the first half of 1987 employment had declined 7.1% from the first half of 1986 (Table 1).

The industry hardest hit during the decline has been the construction industry. From 1986 to 1987 construction accounted for 65% of the jobs lost in the borough. In 1987 the borough reported 171 single family homes were built in the valley down from 520 in 1985 and 1,817 in 1986.

The most resilient industry has been retail trade. Employment gains were registered during the first half of 1987 after 200 jobs were lost the prior year. Surprisingly strong were food stores and eating and drinking establishments which comprise nearly 70% of total retail employment in the area. During the first half of 1987 employment in the food store sector increased over 5% as major grocers expanded.

Summary and Outlook for 1988

As we have seen, employment levels in the MatSu valley are particularly sensitive to population levels. MatSu doesn't seem to follow the standard economic theory that says employment leads population—that is, employment opportunities promote population increases. Since the MatSu Borough is the residence of many Anchorage and some oil field workers it can be said that MatSu's population levels are related to employment opportunities in other areas besides those in the MatSu Borough.

The good news is that employment opportunities in Anchorage are be-

Figure 1
Matsu Employment by Quarter 1980–1987/1

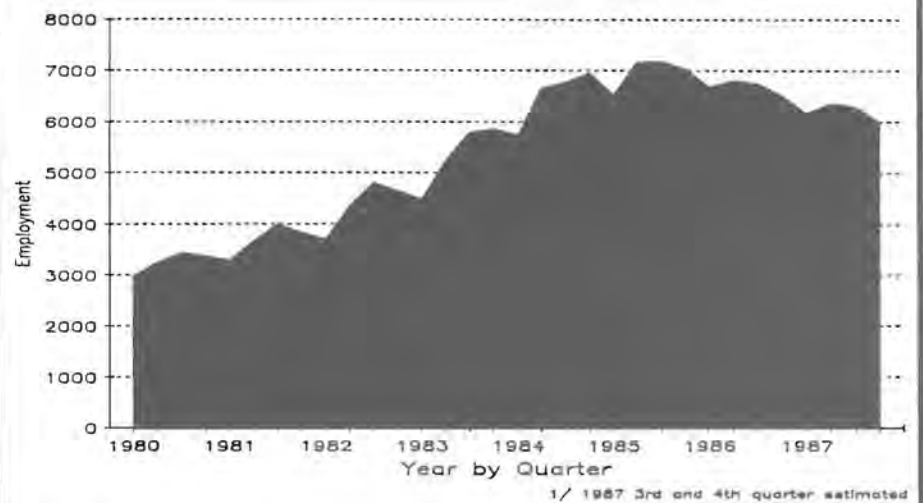


Figure 2
Matsu Economic Indicators Percent Change 1985–1986 and 1986–1987

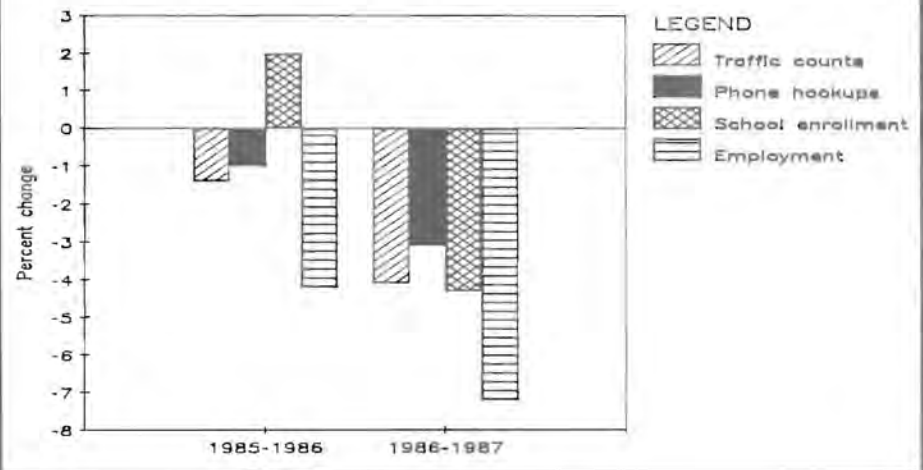


Table 1
MatSu Employment
1980-1987

Industry	1980	1981	1982	1983	1984	1985	1986	1st half 1986	1st half 1987	Percent 1st half 1986 to 1987
Nonag. Wage & Salary	3,265	3,701	4,383	5,355	6,542	6,991	6,699	6,758	6,275	-7.1%
Mining	34	99	101	21	*	*	*	*	*	*
Construction	178	253	518	778	971	710	427	379	235	-38.0
Manufacturing	37	106	70	67	111	111	88	83	77	-6.7
Trans. Comm. & Util.	319	343	381	525	595	670	680	666	671	0.8
Trade	733	748	898	1,173	1,547	1,736	1,590	1,545	1,647	6.6
Wholesale Trade	44	44	54	64	97	125	112	113	86	-24.3
Retail Trade	689	704	845	1,109	1,450	1,611	1,479	1,432	1,561	9.0
Finance-Ins & R.E.	120	131	189	208	280	290	296	316	219	-30.9
Services	460	537	604	793	991	1,129	1,101	1,117	992	-11.2
Government	1,341	1,418	1,564	1,734	1,977	2,229	2,425	2,545	2,396	-5.9
Federal	112	103	101	104	112	100	105	106	100	-6.1
State	403	460	545	596	651	737	761	750	737	-1.7
Local	826	855	919	1,035	1,214	1,392	1,559	1,689	1,559	-7.7
Miscellaneous	34	66	51	56	*	*	*	*	*	*
Total Wages (in thousands \$)	\$62,123	\$77,524	\$101,344	\$123,269	\$159,850	\$165,294	\$158,836	\$78,746	\$72,907	-7.4
Ave Monthly Wage	\$1,586	\$1,742	\$1,920	\$1,912	\$2,034	\$1,969	1,976	\$1,942	\$1,935	-0.4
Number of Firms	398	434	537	660	840	918.5	862	887	750	-15.5

* Nondisclosable

Source: Alaska Department of Labor, *Statistical Quarterly*.

Note:(1) These figures do not include the National Guard employment increase which occurred late in 1986. They include 78 part-time and 35 full-time employees with an annual payroll of approximately \$2 Million. (2) The employment statistics used in this table are based on nonagricultural wage and salary employment data by place of work and does not include self employed persons. It is important to keep in mind these statistics reflect jobs by place of work and thus do not reflect the total number of Matsu residents that have lost their jobs in Anchorage or elsewhere in the state. The statistics that reflect employment by place of residence are contained in the labor force statistics. To avoid confusing the two this analysis is limited to nonagricultural employment.

ginning to show signs of life and the population decline in the MatSu Borough is beginning to stabilize. This change is suggested by various indicators of population; telephone hookups, traffic counts and school enrollment. All of these indicators are down but they all seemed to be leveling out near the end of 1987. Unless we see a recurrence of the downturn early in 1988 it is likely that a turnaround is in store in late 1988 and early 1989.

Of course not all sectors will recover together. Those sectors with over capacity will continue to have declines in employment and the return of a healthy real estate market is further off than moderate job gains. Overall, look for a tapering off of job losses in 1988 and some gains by 1989.

Some of the highlights to watch for in 1988 will be a continued increase in tourism in the valley. Mountain climbers who arrive in May and June

boost Talkeetna's economy every year. Also watch for the increase in the number of kindergarten and first graders entering school. For the past several years the school district has been gaining more lower grade students than it is losing in graduating seniors. About 450 seniors will graduate this spring, but over 880 kindergartners will become first graders and a similar size kindergarten class is expected to enroll next year. Thus it is likely that local education employment will grow slightly in 1988.

Look for steadier local government budgets, which means stable employment in local government for next year. VECO will hire 50 workers to build four oil recovery structures in Wasilla to be shipped to the North Slope. The planned construction of a new courthouse in Palmer and golf course should help the construction industry.