

Fairbanks forecast to lose 200 jobs

By ALYSSA RODRIGUES



The Fairbanks North Star Borough's employment has had mild ups and downs over the last few years. After a small bump in employment in 2015, the borough is forecast to lose 200 jobs, or half a percentage point in 2016.

Fairbanks' economy is built on the military and state government, which includes the University of Alaska Fairbanks, and both face uncertainty this year. Other small parts of Fairbanks' economy can stand on their own, but most of the area's jobs rely in some way on the military or state government for stability.

Both of those economic drivers will weaken in 2016. The number of active duty troops and dependents has declined since 2012 (see Exhibit 3) and the outlook for state government employment has darkened due to declining oil revenue and budget deficits.

Long-term boost for military

Eielson Air Force base has been selected as home to 48 new F-35s fighter jets, which are scheduled to arrive in the third quarter of 2019. In preparation, Eielson has approved funding to build a \$35 million F-35 flight simulator and building to house it. Preparations will likely begin in 2016, though the immediate effect on employment will be small. Related jobs will pick up in 2018 at the earliest.

The decline in military presence in Fairbanks over the last few years affects the number of customers for everything from restaurants to car repair shops. The addition of the F-35s will boost those numbers, but for now, their biggest effect will be increased confidence in Fairbanks' future economy.

Also this year, a \$34 million boiler overhaul will begin on Eielson, and its contracted projects will help support private construction in Fairbanks.

Another boost will come from hosting the Grey Eagle Unmanned Aerial Vehicles, or UAV, for which Eielson is the first choice and Fort Wainwright the second. No matter which base is chosen, the benefits will be similar, and small.

It's important to note that while the military is a major driver of the area's economy, military jobs aren't included in the payroll job numbers in this article.

University hit hard in 2015

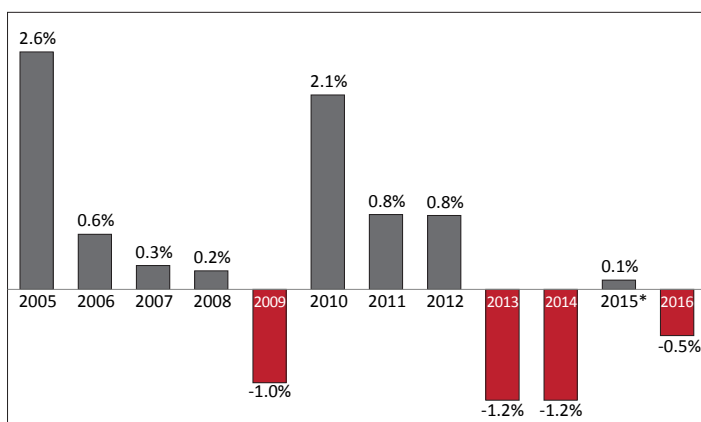
State government — which represents 14 percent of all jobs in Fairbanks — faced possible layoffs in mid-2015. They didn't materialize for general government workers, but shrinking budgets produced major job cuts at the University of Alaska Fairbanks.

Overall, state government in Fairbanks was down 200 jobs in 2015 and at its lowest level since 2008. The majority of the losses were at UAF, although enrollment has been on the rise in recent years.

General state government in Fairbanks hasn't declined as much as in other areas of the state, and losses in 2016 will likely be smaller as well. Any layoffs wouldn't materialize until July when the new fiscal year begins, which mutes their possible effect on the 2016 forecast.

1 Small Loss to Follow Small Gain

FAIRBANKS EMPLOYMENT, 2005 TO 2016



*Preliminary

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

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Fairbanks Employment Forecast

EMPLOYMENT BY INDUSTRY, 2014 TO 2016

	2014 Monthly Average ¹	2015 Monthly Average ¹	Change 2014 to 2015	Percent Change 2014-15	2016 Monthly Average	Change 2015 to 2016	Percent Change 2015-16
Total Nonfarm Wage and Salary ²	38,300	38,350	50	0.1%	38,150	-200	-0.5%
Goods-Producing ³	4,600	4,650	50	1.1%	4,600	-50	-1.1%
Service-Providing ⁴	33,700	33,700	0	0%	33,550	-150	-0.4%
Mining	750	800	50	6.7%	800	0	0.0%
Construction	3,250	3,300	50	1.5%	3,250	-50	-1.5%
Manufacturing	600	550	-50	-8.3%	550	0	0%
Trade, Transportation and Utilities	7,750	7,850	100	1.3%	7,850	0	0%
Retail Trade	4,700	4,800	100	2.1%	4,750	-50	-1.0%
Transportation, Warehousing, and Utilities	1,950	1,950	0	0%	1,950	0	0%
Information	450	450	0	0%	450	0	0%
Financial Activities	1,300	1,350	50	3.8%	1,350	0	0%
Professional and Business Services	2,250	2,300	50	2.2%	2,300	0	0%
Educational ⁵ and Health Services	5,150	5,200	50	1.0%	5,250	50	1.0%
Health Care	3,900	3,950	50	1.3%	4,000	50	1.3%
Leisure and Hospitality	4,200	4,200	0	0%	4,200	0	0%
Other Services	1,150	1,100	-50	-4.3%	1,100	0	0%
Government	11,450	11,250	-200	-1.7%	11,050	-200	-1.8%
Federal Government ⁶	2,850	2,900	50	1.8%	2,900	0	0%
State Government ⁷	5,450	5,250	-200	-3.7%	5,050	-200	-3.8%
Local Government ⁸	3,150	3,100	-50	-1.6%	3,100	0	0%

¹Preliminary estimate

²Excludes self-employed workers, fishermen, domestic workers, unpaid family workers, and nonprofit volunteers

³Goods-producing sectors include natural resources and mining, construction and manufacturing.

⁴Service-providing sectors include all others not listed as goods-producing sectors.

⁵Private education only

⁶Excludes uniformed military

⁷Includes the University of Alaska

⁸Includes public school systems

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

A mixed picture for construction

Fairbanks is the hub for construction projects throughout Northern and Interior Alaska. The industry gained a small number of jobs in 2015, but will likely lose them in 2016 due to oil industry weakness.

On the up side, Alaska Department of Transportation and Public Facilities construction for the Northern Region — which is based in Fairbanks — will remain steady, softening the blow of oil-related construction losses. The military flight simulator and new boiler will also lessen industry declines this year.

Construction projects in the city for 2016 include resurfacing Peger Road, Aurora Drive, and Auburn Drive; up-grading Noble Street; and adding pedestrian and bicycle facilities along Gold Hill Road.

In Northern Alaska, construction work will pick up on the north end of the Dalton Highway including reconstruction from miles 379 to 414 and work on the Moutonnee Creek Bridge at mile 265. In the Interior, near McCarthy, the

Edgerton Highway Lakina River Bridge will be replaced.

More visitors this year

Nearly 26 percent of the leisure and hospitality sector is made up of hotels and other accommodations usually associated with visitors. Approximately 63 percent is made up of restaurants and bars, which locals patronize at least as much as tourists. The smallest piece, at 11 percent, is entertainment businesses such as movie theaters, gyms, and museums.

Despite higher bed tax receipts due to more visitors, leisure and hospitality jobs held steady in 2015, which has been typical in recent years.

The Alaska Travel Industry Association is forecasting 2 to 3 percent growth for tourism in 2016 statewide, and many of those visitors will reach Fairbanks. But the losses in state government related business will likely offset growth in visitors, so the sector is expected to hold steady in 2016.

Utility industry slowly warms

While 2016 looks stable for the utility industry as it has for years, the distant future looks warmer. The Alaska Railroad received approval to transport commercial quantities of gas to Fairbanks. Tesoro recently announced its entrance into the Fairbanks fuel supply chain through the purchase of Flint Hills' wholesale fuel marketing contracts. This move won't affect job levels in 2016, however.

A slight drop for retail

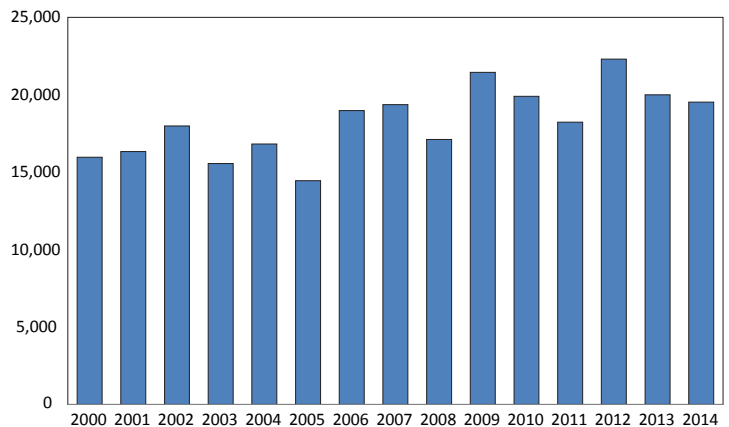
Retail is closely tied to the military and tends to rise and fall with deployments, of which there were none in 2015. As of now, there are also none planned for 2016.

Fairbanks gained about 100 retail jobs in 2015 with the openings of a new Walgreen's and Ulta Beauty. It's typical for companies to over-hire when they open and drop down slightly after a few months, so this combined with a population decline likely means a loss of about 50 retail jobs in 2016.

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3 Up and Down Military Numbers

FAIRBANKS MILITARY POPULATION, 2000 TO 2014



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

About these numbers

The 2014 and 2015 employment numbers this forecast uses as base years may not match the employment numbers available on our Web site as of January 2016.

Employment numbers go through several revisions before they are considered final. The first and largest revisions occur early in the following year. We will release revisions of 2015 data in March 2016, and economists had a portion of the updated data when producing these forecasts.

All job numbers are calendar year monthly averages.

Economists model statewide and regional industry employment using previous years' trends. Forecasts are professionally reviewed, modified, and interpreted based on the best available information.

These forecasts are based on the assumption that the dynamic processes governing employment demand in specific industries will not change dramatically. While it is unlikely these forecasts will be precise, they're considered the most likely middle outcomes, given specified assumptions.