Military projects to lift Fairbanks employment

By **NEAL FRIED**

The Fairbanks North Star Borough's employment declined in every year but one after peaking in 2012, before flattening out in 2018 as the tide began to turn. The borough's growth is forecasted at 1.8 percent for 2019, or about 700 new jobs.

The local economy has picked up steam with preparations to house two new F-35 Lightning II squadrons at Eielson Air Force Base as well as nearly 3,000 personnel and their families when they arrive in 2020.

In addition to the military stimulus, Fairbanks' economy will benefit this year from continued tourism growth and better oil prices.

Military projects boost construction, professional services

More than half a billion dollars in construction began at Eielson in 2017, and the work will remain in high gear through 2019 as the Air Force prepares for the planes, civilian workers, airmen, and their families. Additional work is under way at Clear Air Force Station and Fort Greely.

These military projects will also spur housing construction in Fairbanks, because accommodating the additional residents will require as many as 900 new off-base homes. As a result, construction is forecasted to add about 500 jobs this year, which would be a whopping 15.6 percent.

Construction is a big boost for the professional and business services sector, and unlike statewide, Fairbanks' sector grew over the past three years — likely because Fairbanks was one of the few areas planning a major increase in construction.

1

Fairbanks Area Will Lead Growth

N. Star borough change in jobs, 2009 to 2019 forecast

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

Because the work is ongoing and will require the services of scientific, architecture, and engineering companies, to name just a few, we forecast continued job growth in 2019 of 3.6 percent, or 100 new jobs.

Health care and retail to resume modest growth

Health care has long been a dynamic industry in Fairbanks, generating jobs in most years until the last two, when it remained relatively flat. We expect it will begin growing again this year, at a forecasted rate of 2.3 percent, based on the aging of the Interior's population and the overall improvement in its economy.

Retail will reverse course after losing 100 jobs in 2018, and is forecasted to regain 100 this year. Most of the jobs cut last year were the result of Sam's Club closing early in the year and cutting about 150 jobs, but Costco filled the void in November and hired 299 people.

That opening alone will boost the industry for the year, and so will a better overall economic picture. However, as with everywhere else in the country, the dramatic rise in e-commerce will continue to restrain retail in Fairbanks.

2 Fairbanks North Star Borough Job Forecast by Industry
WAGE AND SALARY EMPLOYMENT, 2017 TO 2019

	2017 monthly average[1]	2018 monthly average[1]	Change in jobs 2017-18	Percent change 2017-18	2019 monthly average	Change in jobs 2018-19	Percent change 2018-19
					FORECAST		
Total Nonfarm Employment[2]	37,600	37,600	0	0%	38,300	700	1.8%
Mining	700	700	0	0%	700	0	0%
Construction	2,600	2,700	100	3.8%	3,200	500	15.6%
Manufacturing	600	600	0	0%	600	0	0%
Wholesale Trade	600	600	0	0%	600	0	0%
Retail Trade	4,800	4,700	-100	-2.1%	4,800	100	2.1%
Transportation, Warehousing, and Utilities	2,300	2,300	0	0%	2,400	100	4.2%
Information	400	400	0	0%	400	0	0%
Financial Activities	1,200	1,200	0	0%	1,200	0	0%
Professional and Business Services	2,500	2,700	200	8.0%	2,800	100	3.6%
Educational[3] and Health Services	5,600	5,600	0	0%	5,700	100	1.8%
Health Care	4,200	4,200	0	0%	4,300	100	2.3%
Leisure and Hospitality	4,500	4,600	100	2.2%	4,700	100	2.1%
Other Services	1,000	1,000	0	0%	1,000	0	0%
Government	10,800	10,500	-300	-2.8%	10,200	-300	-2.9%
Federal Government[4]	3,000	3,000	0	0%	3,000	0	0%
State Government[5]	4,700	4,600	-100	-2.1%	4,400	-200	-4.5%
Local Government[6]	3,000	2,900	-100	-3.3%	2,800	-100	-3.6%

[1]Preliminary and adjusted estimates
[2]Excludes self-employed workers, fishermen, domestic workers, and unpaid family workers
[3]Private education only
[4]Excludes uniformed military
[5]Includes the University of Alaska
[6]Includes public school systems
Note: Sectors may not sum due to rounding.

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

Tourism growth a continued plus for leisure and hospitality

The leisure and hospitality industry makes up approximately 12 percent of the Fairbanks area's economy. More than half its employment is tied to eating and drinking and the next largest share is in hotels, so local demand as well as tourism drive its employment.

The industry has been surprisingly resilient in recent years, and we expect its employment to grow again in 2019 (2.1 percent) with an improving economy and increasing numbers of visitors.

The borough has recorded three straight years of record-breaking bed tax collections, and it appears 2018 will become the fourth.

Financial sector to stabilize

The financial activities sector — which includes banks, credit unions, insurance agencies, and real estate companies — held steady in 2018 and will likely do so again in 2019.

Home sales declined through September 2018, at 901 compared to 967 in the first nine months of 2017, although the average home price continued to increase. Rental vacancies also rose slightly, from 12.2 percent in 2017 to 13.7 percent in 2018. However, the potential for military homebuyers in the near future will keep some upward pressure on home prices as well as residential construction.

A mixed picture for government

Some of the borough's biggest job loss over the last four years came from the University of Alaska Fairbanks, which shed about 700 jobs from its employment peak in 2013 to 2017. This year shows signs of breaking that trend, as the university has a small budget increase for the first time in three years that's likely to stem any additional job loss.

Local government employment, 70 percent of which is in public schools, has decreased a bit in recent years and so has enrollment, but the upcoming military buildup is likely to reverse that course.

The borough's local government also includes the city governments of Fairbanks and North Pole and the Fairbanks North Star Borough government, which are forecasted to lose about 100 jobs collectively in 2019.
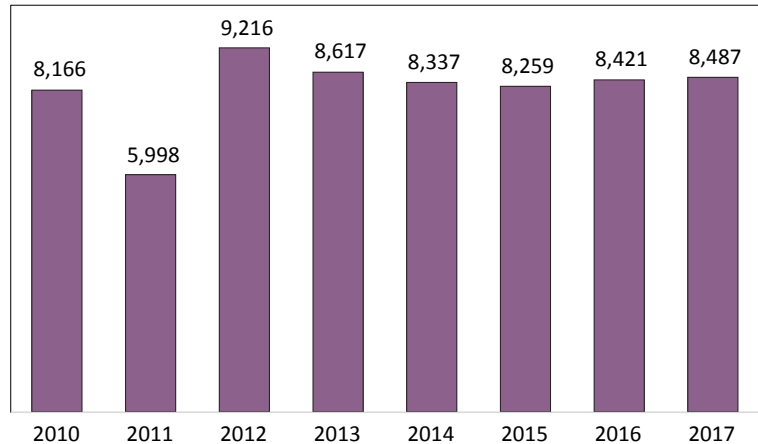
Fairbanks had about 3,000 federal civilian jobs in 2018, similar to the year before and forecasted to hold in 2019. The flat forecast is a mixture of anticipated budget cuts on the federal civilian side and increases on the civilian military side.

Fairbanks has the highest concentration of active duty personnel in Alaska. Nearly 9 percent of area residents are active duty and another 10 percent are military dependents.

The area had 8,487 uniformed military personnel in 2017, marking a second year of modest increases.

3 Modest Increase in Military Population
FAIRBANKS NORTH STAR BOROUGH, 2010 TO 2017

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

(See Exhibit 3.) That number will increase dramatically by 2020, as roughly 3,000 active duty personnel, their families, and civilian employees accompany the F-35s.

Neal Fried is an economist in Anchorage. Reach him at (907) 269-4861 or neal.fried@alaska.gov.

STATEWIDE

Breweries, distilleries, and marijuana product manufacturers will generate some new manufacturing jobs, but they are small compared to seafood processing.

Government faces more loss, but picture is uncertain

The outlook remains dim for government employment this year, with continued losses in state and local government. A small percent increase in federal jobs for the 2020 Census will partially offset the loss. (See Exhibit 7.)

State government has lost 3,000 jobs since its employment peak in 2014 and will decline further as the state continues to adjust and make difficult economic decisions after a long period of depending mostly on oil revenue to fund state government. We estimate a 2019 loss of 200 jobs, but major changes such as a hiring freeze, significant budget cuts, or department restructuring could mean substantial additional losses.

Local government weathered the first two years of the recession well, adding jobs in both 2016 (600) and 2017 (300), but losses finally hit last year. We forecast another year of job loss for local government, at about 200 jobs.

Karinne Wiebold is an economist in Juneau. Reach her at (907) 465-6039 or karinne.wiebold@alaska.gov.