

Fairbanks Forecast for 2020

By SARA TEEL

The Fairbanks North Star Borough began adding jobs again in 2018 after five years of mostly losses. Employment was flat in 2019, and we forecast growth will resume in 2020. The expected gain is modest at 300 jobs, or 0.8 percent, with government declines depressing the borough's overall job growth.

Most industries held steady in 2019 as Alaska began to pull out of the recession, and several made small gains. Most of the growth was in industries tied to the military, oil and gas projects, or the busy fire-fighting season.

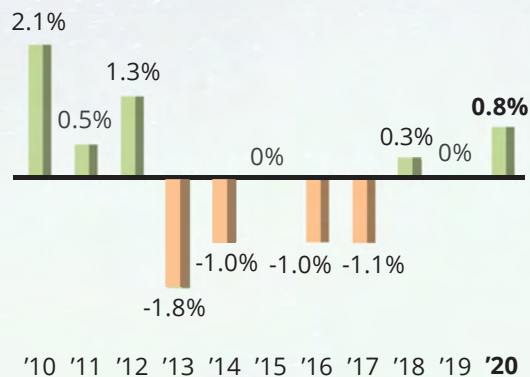
Counter to expectations, noticeable construction growth from preparations to house two squadrons of F-35 Lightning II fighter jets at Eielson Air Force Base did not materialize for Fairbanks, as companies from outside the borough held many of those contracts. However, the Fairbanks economy benefited in other ways from the increased activity, and that will continue in 2020.

Resumed population growth is one of those benefits, as the F-35s' arrival and Fort Wainwright troop returns from deployment will increase the borough's population in the coming years.

Population growth set to resume with F-35 arrival, troop returns

Coinciding with its years of job losses, the borough has lost population in every year but one since 2013,

Modest job growth this year



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

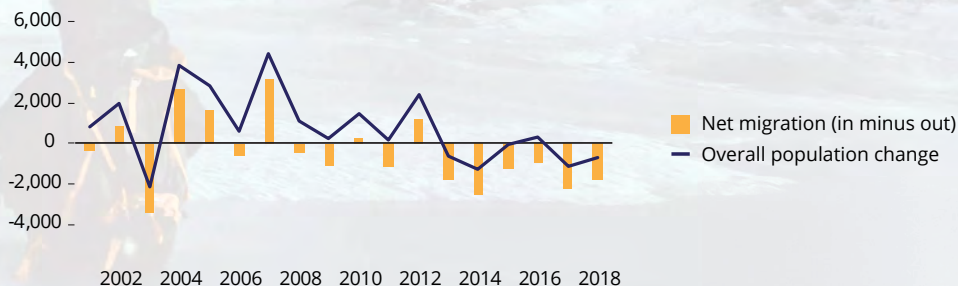
a trend that's likely to change over the next few years. New F-35 personnel and their families will begin to arrive in April, and Eielson expects more than 1,300 additional active duty personnel by 2022. This will also bring in more federal civilian employees, technical consultants, and their families.

The nearly 2,500 Fort Wainwright soldiers deployed to Iraq last summer and early fall will also begin to return in May or June.

Tourism, military growth will bolster several industries

Retail is forecasted to increase by 100 jobs, or 2.1 percent, in 2020. Leisure and hospitality is also expected to gain 100 jobs, or 2.2 percent. Local

More people have been leaving the borough than moving in



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

Outlook for jobs in the Fairbanks area, by industry

	Monthly avg, 2018 ¹	Monthly avg, 2019 ¹	Change, 2018-19	Percent change	JOBS FORECAST		
					Monthly avg, 2020	Change, 2019-20	Percent change
TOTAL NONFARM EMPLOYMENT²	37,700	37,700	0	0%	38,000	300	0.8%
Total Private	27,200	27,100	-100	-0.4%	27,600	500	1.8%
Mining and Logging (includes oil)	800	800	0	0%	800	0	0%
Construction	2,800	2,700	-100	-3.6%	2,700	0	0%
Manufacturing	600	600	0	0%	600	0	0%
Transportation, Trade, and Utilities	7,700	7,700	0	0%	7,800	100	1.3%
Wholesale Trade	600	600	0	0%	600	0	0%
Retail Trade	4,700	4,700	0	0%	4,800	100	2.1%
Transportation, Warehousing, and Utilities	2,400	2,400	0	0%	2,400	0	0%
Information	400	400	0	0%	400	0	0%
Financial Activities	1,300	1,300	0	0%	1,300	0	0%
Professional and Business Services	2,600	2,700	100	3.8%	2,800	100	3.6%
Educational (private) and Health Services	5,600	5,600	0	0%	5,600	0	0%
Health Care	4,200	4,200	0	0%	4,300	100	2.3%
Leisure and Hospitality	4,500	4,500	0	0%	4,600	100	2.2%
Other Services	1,000	1,000	0	0%	1,000	0	0%
Total Government	10,500	10,600	100	1.0%	10,400	-200	-1.9%
Federal, except military	3,000	3,100	100	3.3%	3,200	100	3.1%
State, incl. University of Alaska	4,600	4,600	0	0%	4,300	-300	-7.0%
Local and tribal, incl. public schools	2,900	2,900	0	0%	2,900	0	0%

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section
¹Preliminary and adjusted estimates. ²Excludes the self-employed, uniformed military, most commercial fishermen, domestic workers, and unpaid family workers.

consumption will increase as the population grows, and tourism in Fairbanks has been strong. Bed tax receipts in the borough have increased every year since 2015 and have jumped 21 percent since 2009.

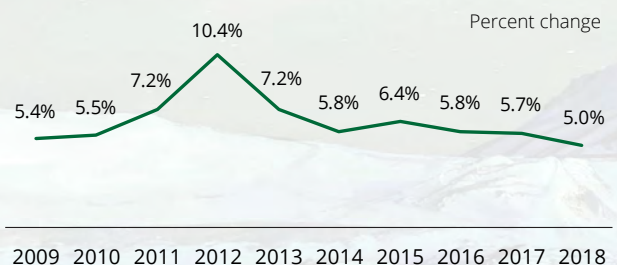
The biggest drivers will be the F-35s and the soldiers' return from Iraq. In addition to direct job growth, this population increase will boost local businesses such as stores, restaurants, and bars.

Oil and mining grow modestly, boost professional services

Oil and gas activity on the North Slope has increased moderately since mid-2018, and at least one major project is scheduled to come online by 2021: ConocoPhillips' Greater Moose's Tooth 2.

The mining industry is also exploring in neighboring regions, spending 16 percent more on exploration from 2017 to 2018. We expect this trend to continue in 2020.

Fairbanks' 65-plus age group has grown significantly each year



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

The professional and business services industry can be a harbinger of upcoming economic activity because it encompasses the technical consultants, legal services, and business support necessary for such projects.

The industry has grown over the last several years,
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will enter the Anchorage market with direct flights from Europe.

Utilities will get a boost in 2020 when the sale of Municipal Light and Power to Chugach Electric is finalized, moving ownership from local government to a private company.

Part of the sale agreement guarantees there will be no layoffs. Chugach Electric employs about 300 people and ML&P has roughly 230, but their combined workforce will probably be at least somewhat smaller because some ML&P workers will retire and others will look for different jobs with the Municipality of Anchorage or elsewhere.

State and local government will continue to lose jobs as cuts deepen

Federal government employment growth bounced around zero throughout 2019 without a clear direction or explanation. Federal employment is forecasted to grow slightly in 2020 as the U.S. Census Bureau hires to conduct the decennial census. The bureau estimates they will hire more than 1,000 people statewide, most for a narrow window of just a few months.

State government includes the University of Alaska Anchorage, and like most areas, this year's forecast shows more job loss due to budget cuts. UAA's employment was down nearly 10 percent by the fall of 2019 (about 250 jobs) compared to the prior year, and similar losses are anticipated to carry through most of 2020 with another round of budget cuts on the horizon.

Local government employment fell in 2019. All of the loss was in the Anchorage School District, which represents 72 percent of municipal employment and is the city's largest employer.

The forecast shows further loss this year as the school district faces declines due to falling enrollment and budget constraints. The sale of ML&P to a private entity will also cause some employment decline for local government.

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buoyed by oil and gas as well as the F-35 preparations. Professional and business services grew 8.0 percent from 2017 to 2018 and 3.8 percent from 2018 to 2019, with a similar outlook for 2020.

Long-term growth in health care demand is twofold

Health care growth has been robust across the nation for years with an aging population, and we forecast the borough's health care industry will continue to grow in 2020 (2.3 percent, or about 100 jobs).

Over the last decade, Fairbanks' 65-plus age group has increased by at least 5 percent every year, as the graph on page 14 shows. In addition to the growing needs of an older population, the borough's demand for services will increase with its population projected to grow 3.4 percent between 2017 and 2025. Projected growth for the 65-plus population over that period is a whopping 50 percent.

Big cuts to university will continue, dampening overall job growth

Government jobs are a big part of Fairbanks' economy, representing 28 percent of the borough's employment in 2019. While local and state government jobs remained flat over the last year, federal employment increased by 100 jobs, primarily due to the intense firefighting season.

This year's forecast is for overall loss, with local government stable but state jobs continuing to disappear, mainly due to cuts to the University of Alaska system budget. The University of Alaska Fairbanks, the state's largest campus, faces an anticipated cut of \$12.3 million in the 2021 fiscal year. We forecast total state government job losses at 7.0 percent, or about 300 jobs.

Federal growth will mitigate about a third of the decline, however. In addition to increased federal civilian jobs associated with the F-35s, 2020 is a decennial census year, which will create a small number of temporary positions.

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