

Fairbanks Forecast for 2021

By SARA TEEL

Fairbanks lost jobs across multiple industries in 2020, with employment dropping 7.9 percent after two years of modest growth. But even though Fairbanks lost about 3,000 jobs last year, it fared better than most areas.

As a regional hub, Fairbanks is home to many businesses that remained open during the mandated shutdown in early 2020 to provide goods and services to surrounding communities. Other parts of the economy regained their 2019 employment levels by mid-summer. Another buffer for Fairbanks going into 2021 is the ongoing installation of 54 F-35A Lightning II fighter jets at Eielson Air Force Base.

Still, 2021 will be more about recovery than growth, especially for industries that rely on tourism. We forecast the Fairbanks North Star Borough will regain about a third of the jobs it lost last year.

Military population growth will boost local economy

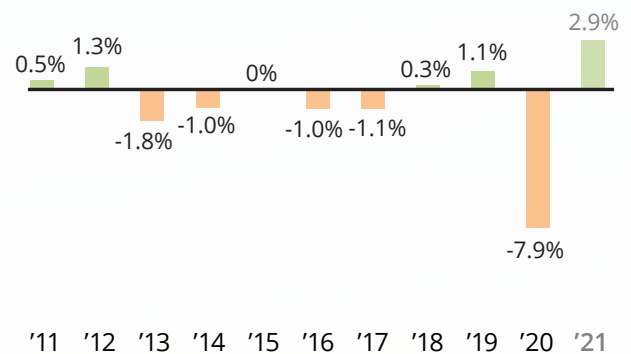
Unlike Anchorage and Juneau, Fairbanks' total population shrunk over the last decade. It also had some of the largest migration losses, mainly from students and retirees but also from small military movements. Now, the military is growing.

In 2019, about 40 percent of Alaska's active-duty personnel were stationed in Fairbanks, and they and their families made up around 9 percent of the Fairbanks North Star Borough's population. Then in 2020, the military population jumped 6.7 percent, and it will increase again this year.

Air Force personnel connected to the F-35s began to arrive in April, and all 54 jets are scheduled to arrive by the end of 2021, bringing in 3,500 new airmen, contractors, and family members. Eielson's population grew 27 percent in the first half of 2020 as nearly 950 people moved in during the first quarter alone.

The jump in population will give the local economy a needed boost in 2021. Rising demand for homes will increase sales and prices, and an associated

Fairbanks' job trend will change



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

tightening of rental vacancies will likely raise rents. Demand for goods and services will grow, which will be good news for grocery stores, car dealerships, and restaurants. Construction and engineering will also continue to benefit. New homes were built or refurbished in anticipation of new residents, and the Air Force invested \$500 million in 41 construction projects around Eielson, at least 28 of which are complete. These projects include new hangars, a flight simulator, and a new school.

Tourism-related industries to recover some losses this year

Although Fairbanks isn't as tourism-centered as other parts of the state, it still has a robust visitor industry, in part because it's close to Denali National Park. Cruise ship tourists travel to Fairbanks from Anchorage and Southeast by bus, air, and rail.

Many tourism-related jobs are in the leisure and hospitality sector, which sustained 40 percent of Fairbanks' total job loss in 2020. One out of every four of these jobs disappeared last year (-1,200) as the economy began to shut down with the rise of COVID-19 cases. These included jobs in hotels, restaurants, and recreational places such as bowling alleys and museums.

Some jobs resumed when the statewide shutdown

The outlook for jobs in Fairbanks, by industry

	Monthly avg, 2019 ¹	Monthly avg, 2020 ¹	Change, 2019-20	Percent change	JOBS FORECAST		
					Monthly avg, 2021	Change, 2020-21	Percent change
TOTAL NONFARM EMPLOYMENT²	38,000	35,000	-3,000	-7.9%	36,000	1,000	2.9%
Total Private	27,400	24,800	-2,600	-9.5%	26,100	1,300	5.2%
Mining and Logging	800	800	0	0%	900	100	12.5%
Construction	2,700	2,600	-100	-3.7%	2,600	0	0%
Manufacturing	600	500	-100	-16.7%	500	0	0%
Transportation, Trade, and Utilities	7,700	7,100	-600	-7.8%	7,500	400	5.6%
Wholesale Trade	600	600	0	0%	600	0	0%
Retail Trade	4,700	4,400	-300	-6.4%	4,600	200	4.5%
Transportation, Warehousing, and Utilities	2,400	2,100	-300	-12.5%	2,300	200	9.5%
Information	400	300	-100	-25.0%	300	0	0%
Financial Activities	1,200	1,200	0	0%	1,200	0	0%
Professional and Business Services	2,800	2,500	-300	-10.7%	2,600	100	4.0%
Educational (private) and Health Services	5,600	5,400	-200	-3.6%	5,500	100	1.9%
Health Care	4,200	4,100	-100	-2.4%	4,200	100	2.4%
Leisure and Hospitality	4,600	3,400	-1,200	-26.1%	4,000	600	17.6%
Other Services	1,000	1,000	0	0%	1,000	0	0%
Total Government	10,600	10,200	-400	-3.8%	9,900	-300	-2.9%
Federal, except military	3,100	3,200	100	3.2%	3,100	-100	-3.1%
State, incl. University of Alaska	4,600	4,300	-300	-6.5%	4,100	-200	-4.7%
Local and tribal, incl. public schools	2,900	2,700	-200	-6.9%	2,700	0	0%

¹Preliminary and adjusted estimates. ²Excludes the self-employed, uniformed military, most commercial fishermen, domestic workers, and unpaid family workers.

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

mandate expired in April, mostly in bars and restaurants. Although these places cater to tourists, the local population is large enough to sustain a significant number of these jobs — albeit fewer than the previous year. On the other hand, hotels and other lodging rely on travelers, and these jobs dwindled during the summer.

We anticipate Fairbanks leisure and hospitality will rebound as visitors return in 2021 and as the population grows, although not to pre-pandemic levels. We forecast a recovery of about half of the lost jobs, or around 600.

Retail was remarkably resilient during 2020. While some retail jobs are seasonal or tourism-dependent, COVID-19 affected the industry less in Fairbanks than elsewhere, mainly because Fairbanks is a regional hub. Retail represents roughly the same number of total jobs in the borough as leisure and hospitality, but it only lost about 300 last year (-6.4 percent). Many stores added employees in 2020 to support the needs of new residents, and with more on the horizon, we forecast retail will recover about 200 jobs in 2021.

Fairbanks lost about 300 transportation jobs last year (-12.5 percent), mainly those linked to tourism.

These included jobs in air travel, taxis, private buses, and scenic and sightseeing tours. Passenger traffic into Fairbanks International Airport fell by over 90 percent in April, 87 percent in May, and 79 percent in June. By September, it was still down 61 percent. Employment in scheduled flights has been stable for the last five years, but one out of every four of those jobs disappeared when COVID-19 hit. Scenic and sighting transportation, which is highly seasonal, lost four out of every five jobs.

With a partial resurgence of tourism in 2021 and growing local demand for transportation, we forecast the transportation sector will regain about 200 of the 300 jobs it lost.

Mining was unscathed last year and will continue to grow

Mining and logging is one of the few sectors that didn't lose jobs in 2020, and we forecast robust growth of 12.5 percent in 2021.

Fort Knox Mine reported a 30 percent increase in gold production and a drop in costs as 2020 ended. The mine also noted that it suffered no measurable

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harm from the pandemic overall.

The Gilmore expansion, an extension of Fort Knox, broke ground in 2018 and began producing gold in 2020. Gilmore will provide an estimated 1.5 million ounces of gold and extend Fort Knox's life another nine years, to 2030.

Kinross, the owner of Fort Knox, also reinstated its dividend in 2020, suggesting the company anticipates a successful year. Kinross also acquired 70 percent interest in the high-grade, low-cost Peak project, located near Tetlin. The ore will be processed at the Fort Knox mill, with production expected to begin in 2024.

Government losses will again hit UAF the hardest

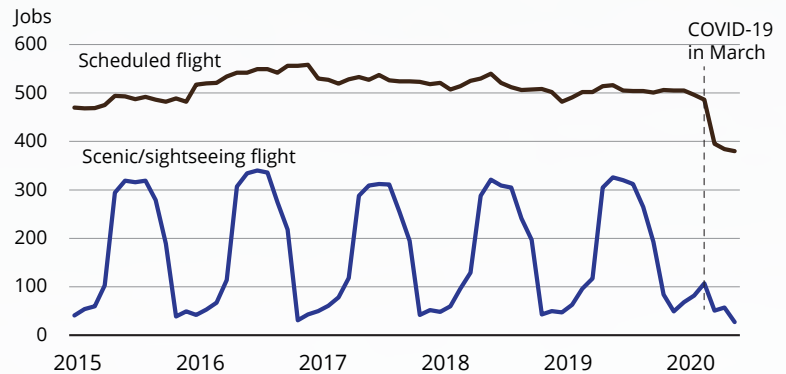
Government employment in Fairbanks peaked in 2011 at more than 12,000 but has since declined by almost 2 percent per year. Most of the cuts have been federal and state jobs, but local government has also lost jobs since 2011.

Federal job losses have mostly been military or defense. State government declines have been tied to long-term budget instability and started long before the pandemic. The spread of COVID-19 further tightened budgets, however, and the cuts continue to trickle down to local governments.

In 2020, the borough lost 400 total government jobs. Two hundred came from local government, mainly public schools. Remote learning reduced the need for staff such as bus drivers, cafeteria workers, and substitute teachers. With vaccines on the near horizon, schools will probably hold in-person classes for at least half of 2021. This will generate some jobs, but Fairbanks continues to grapple with its own budget problems. The local government forecast is flat for 2021 because municipal losses will likely offset any gains in the schools.

Local governments have been cutting services for several years, and the pandemic has further drained revenues. Second-quarter bed tax revenue was over 69 percent lower — a \$12 million loss — and third-quarter revenue dropped 66 percent

Fairbanks' air transportation dropped in 2020



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

(-\$20 million).

Fairbanks lost 300 state government jobs in 2020, mainly from the University of Alaska Fairbanks. The UA system is in the midst of a three-year, \$70 million cut, and the cuts to its largest campus have been substantial. Last summer, the UAF Board of Regents voted to eliminate or reduce more than 40 programs. UAF enrollment also fell 2.9 percent during the 2018-2019 school year and 7.3 percent in 2019-2020. For 2021, we forecast a loss of another 200 state jobs, again mostly from the university.

The federal government was the only part of the local economy to add jobs in 2020 (100), although they were temporary. With the 2020 Census complete, federal employment is forecasted to return to its pre-census level.

Health care will likely regain all of its lost ground in 2021

Health care added jobs during the first quarter of 2020, in line with the national trend. The industry was up 100 jobs from the same quarter the year before. Many facilities closed with the mandatory shutdowns in the spring, leading to a loss of several hundred jobs, but employment mostly rebounded. The result was a net loss of 100 jobs in 2020.

With several vaccines in the pipeline and health care growing nationwide, we forecast Fairbanks will regain its minor 2020 loss in 2021.

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