

Anchorage forecast for 2022

By NEAL FRIED

The COVID-driven downturn and recovery have headlined the economic story in Anchorage for the past two years, as they have almost everywhere. Even though 2020's "recession" was the nation's shortest historically, it was disproportionately disruptive and undoubtedly strange. Its still-uncertain aftereffects will be with us for years to come.

Anchorage moved into recovery mode in 2021, and most industries clawed back some of their pandemic job losses. A few moved close to or above pre-COVID levels, but most industries still have a ways to go.

Anchorage also has an extra obstacle to overcome. The statewide economy grew for a single year in 2019, but the city hadn't begun to recover from the preceding three-year statewide recession when the pandemic hit. That means Anchorage had been losing jobs for five years in a row before 2021, so full employment recovery will take even longer.

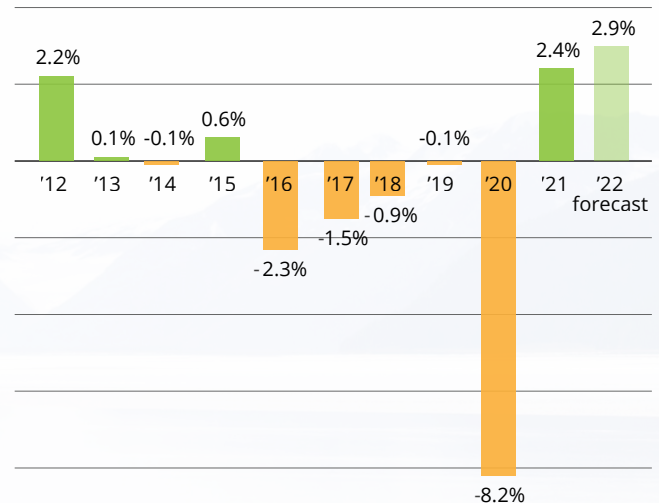
Most of 2022's gains will be a recovery of 2020's pandemic-related losses, but a few prospects for additional growth are on the horizon. Parts of the new massive federal infrastructure bill could kick in this year, expectations for a strong tourism rebound are high, and rising oil prices are brightening the fiscal picture.

The labor shortage will continue to hamper job growth, however, and new COVID-19 variants remain a concern. The decline in federal pandemic relief payments to people and businesses will also act as a drag on the economy.

Infrastructure bill will boost construction, related services

The \$1.2 trillion federal infrastructure bill is all the construction industry can talk about, and with good reason — it will double Alaska's public airport construction funding and boost highway construction funding by 40 percent for the next four to five years.

Anchorage continues slow job recovery



Note: 2020 and 2021 are preliminary.

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

As the construction industry's Alaska headquarters, Anchorage will disproportionately benefit from infrastructure spending around the state.

While most of the stimulus will come after 2022, the bill will be a plus this year after seven years of small state capital budgets and slow private construction. To clear its calendar for infrastructure projects, the Department of Transportation and Public Facilities may fast-track some projects it had on the books for future years. That could push Anchorage construction employment above its pre-COVID levels.

Privately funded construction faces a less-favorable environment. Teleworking and the surge of e-commerce put the need for future commercial and retail space into question, and the disruption of tourism clouded new hotel investments. One hotel under construction in Anchorage will open for the 2022 visitor season, however, and another hotel might break ground this year.

Anchorage home sales are the strongest they've been since 2005, and interest rates remain near record lows, but these haven't stimulated new home construction. Anchorage permitted just 298 new housing units through November of last year; for that

The outlook for jobs in Anchorage, by industry

	Monthly avg, 2020 ¹	Monthly avg, 2021 ¹	Change, 2020-21	Percent change	JOBS FORECAST		
					Monthly avg, 2022	Change, 2021-22	Percent change
Total Nonfarm Employment²	138,900	142,300	3,400	2.4%	146,400	4,100	2.9%
Total Private	111,700	115,100	3,400	3.0%	119,000	3,900	3.4%
Mining and Logging	2,400	2,000	-400	-16.7%	2,100	100	5.0%
Oil and Gas	2,200	1,600	-600	-27.3%	1,800	200	12.5%
Construction	7,000	7,300	300	4.3%	7,800	500	6.8%
Manufacturing	1,900	1,900	0	0%	2,000	100	5.3%
Transportation, Trade, and Utilities	30,000	31,000	1,000	3.3%	31,800	800	2.6%
Wholesale Trade	4,700	4,500	-200	-4.3%	4,600	100	2.2%
Retail Trade	15,100	15,300	200	1.3%	15,700	400	2.6%
Transportation, Warehousing, and Utilities	10,300	11,200	900	8.7%	11,500	300	2.7%
Information	3,000	2,900	-100	-3.3%	2,900	0	0%
Financial Activities	6,900	7,200	300	4.3%	7,200	0	0%
Professional and Business Services	16,600	16,800	200	1.2%	17,100	300	1.8%
Educational (private) and Health Services	25,700	26,400	700	2.7%	26,800	400	1.5%
Health Care	20,400	20,900	500	2.5%	21,200	300	1.4%
Leisure and Hospitality	13,300	14,300	1,000	7.5%	16,000	1,700	11.9%
Other Services	4,900	5,300	400	8.2%	5,300	0	0.0%
Total Government	27,300	27,200	-100	-0.4%	27,400	200	0.7%
Federal, except military	8,600	8,400	-200	-2.3%	8,300	-100	-1.2%
State, incl. University of Alaska	9,500	9,800	300	3.2%	9,600	-200	-2.0%
Local and tribal, incl. public schools	9,200	9,000	-200	-2.2%	9,500	500	5.6%

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

Note: May not sum because of rounding

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

period in 2020, it was 415. New housing construction has been modest for five years, and 2022 will probably be the sixth.

Other construction prospects for 2022 include air cargo projects scheduled at the airport.

The infrastructure bill is as big of a gift for professional and business services as it is for the construction industry. An uptick in the construction and oil industries signals more activity for architectural, engineering, environmental, and other consulting services as well. These services are involved in the construction planning phases, so they will benefit early from the new funding.

Oil industry won't play a big recovery role

In early 2020, statewide oil industry employment fell from around 10,000 to a low of 6,100 in late 2020. Prudhoe

Anchorage's forecasted recovery to pre-pandemic levels, by industry

	2019 jobs	2022 forecasted	Forecasted recovery
Total Nonfarm Employment	151,300	146,400	97%
Total Private	123,300	119,000	97%
Mining and Logging	2,700	2,100	78%
Oil and Gas	2,500	1,800	72%
Construction	7,700	7,800	101%
Manufacturing	2,100	2,000	95%
Transportation, Trade, and Utilities	32,600	31,800	98%
Wholesale Trade	4,900	4,600	94%
Retail Trade	16,500	15,700	95%
Transp, Warehousing, Utilities	11,200	11,500	103%
Information	3,300	2,900	88%
Financial Activities	7,300	7,200	99%
Professional and Business Services	17,800	17,100	96%
Educational (private) and Health Svcs	26,800	26,800	100%
Health Care	21,000	21,200	101%
Leisure and Hospitality	17,700	16,000	90%
Other Services	5,400	5,300	98%
Total Government	28,000	27,400	98%
Federal, except military	8,400	8,300	99%
State, incl. University of Alaska	9,700	9,600	99%
Local and tribal, incl. public schools	10,000	9,500	95%

Note: May not sum because of rounding. Excludes 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

Anchorage Forecast

Bay employment plunged to 2005 levels and hasn't improved much since.

But higher oil prices will breathe new life into the industry in 2022. The average current price is in the \$70-\$80 per barrel range, and the outlook for worldwide petroleum demand is strong.

This suggests modest employment gains for Anchorage's oil industry in 2022, and those direct job numbers reflect only a small part of this industry's impact on the city's economy. Many Anchorage residents work in the oil fields, and local businesses cater to this activity. Still, the oil industry won't play a major role in the city's job recovery this year.

Retail unlikely to fully recover, but it will add jobs this year

Retail struggled long before the pandemic as e-commerce grew, and the 2015-2018 state recession didn't help. A long list of large and small Anchorage retailers closed their doors before 2020.

Surprisingly, the past two years haven't brought additional big closures, although retail employment fell nearly 8.5 percent in 2020, making it the second-largest job-loser at 1,400. By the second quarter of 2021, retail had recovered some of those losses but remained about 1,200 jobs below 2019.

We forecast additional gains for 2022, but not enough to reach pre-COVID levels. E-commerce and the tight labor market will continue to restrict industry growth.

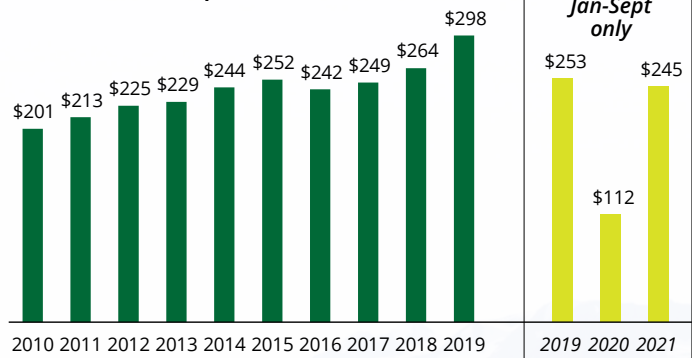
Expectations are high for a record visitor season

The "visitor rapture of 2020" didn't repeat in 2021. While Anchorage didn't get any cruise ships or major conventions, last year was the year of the independent visitor. Vaccines and pent-up demand brought many travelers to the Anchorage area, and some visitor-related businesses posted record or near-record sales.

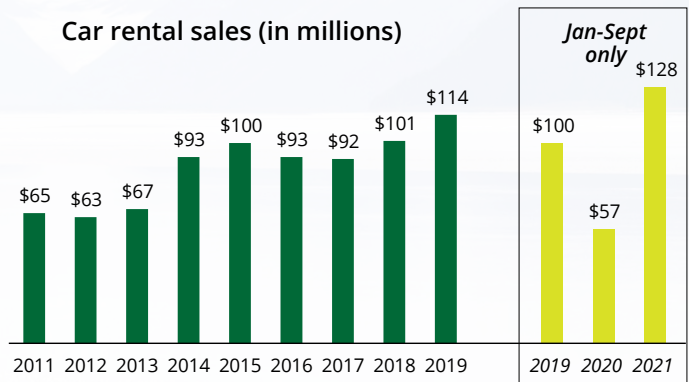
Hotel receipts more than doubled during the first three quarters of 2021 from that period in 2020,

Anchorage hotels, car rentals rebound

Hotel receipts (in millions)



Car rental sales (in millions)



Source: Municipality of Anchorage

falling just 3 percent shy of 2019's sales. Hotel occupancy between May and October was just 1 to 5 percent below 2019. Average daily room rates rose in nearly all months last year.

Car rental sales more than doubled from 2020, topping 2019's sales by 28 percent.

By July, air passenger traffic was just 13 percent below July 2019 levels. For comparison, some months in 2020 were over 80 percent lower. More air travel was good news for many Anchorage industries, including leisure and hospitality.

Visitor industry optimists predict a record year, assuming most cruise traffic resumes and another strong contingent of independent travelers materializes. Calculations for 2022 also assume pent-up demand to travel is still a factor.

Convention traffic won't reach 2019 levels, but it will improve with more in-state activity. Recovery for the national slice of convention business will take longer. The industry's biggest worry this year is recruiting an ample workforce to meet the demand.

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Strong growth for bars and restaurants after pandemic lows

Bars and restaurants everywhere were the most visible casualties of the pandemic, and in 2020, 21 percent of their employment in Anchorage evaporated (about 2,400 jobs).

Year-over-year losses continued into March 2021, but with spring came the easing of restrictions and higher vaccination rates. Locals returned to their favorite eateries and watering holes alongside the independent tourists who returned last year, and the numbers improved considerably. By June, employment was up 1,600 from the same month in 2020.

We forecast double-digit growth for Anchorage's leisure and hospitality industry this year, of which about two-thirds of jobs are in eating and drinking.

Transportation industry set to break records in 2022

Transportation is one of the few Anchorage industries that will likely break records this year, especially given the positive predictions for the visitor season. The industry took a big hit in 2020, but 2021 restored its loft. As mentioned earlier, passenger traffic through Anchorage's international airport bounced most of the way back in 2021.

Air cargo, another category that's critical in Anchorage, has also thrived with more e-commerce, pushing air transportation and courier job numbers even past 2019 levels.

Trucking has also exceeded its pre-COVID job numbers, for similar reasons.

Finance sector remains solid with a healthy housing market

Finance includes real estate and its connected businesses, such as mortgage brokers, title

companies, banking and credit unions, insurers, property managers, and brokerage houses.

The balance sheets for most Anchorage financial institutions remain solid. The stock market is strong, and real estate is one of the few industries that barely wavered with the pandemic, instead flourishing over the last two years.

Home sales were strong in 2020 and even stronger in 2021. Through September, 3,716 Anchorage homes sold, up from 3,055 in 2020. Dollar volume rose from \$1.1 billion in 2020 to \$1.4 billion in 2021, and average prices also increased.

The federal government distributed \$121 million to 14,386 applicants (representing 37,613 Anchorage residents) through its pandemic rental assistance program between March, when the program began, and December.

We forecast steady employment for the financial sector as these trends carry into 2022.

Health care to resume growth after pandemic broke its streak

Health care is the city's largest private-sector employer, and half of Alaska's health care jobs are in Anchorage.

Anchorage depended on health care for a disproportionate amount of its job growth for years, a trend that broke in 2020 with a modest loss of around 600 jobs, especially in ambulatory care such as practitioners' offices and outpatient surgery.

But with vaccines, better testing, and easing contact concern, job numbers began to improve in late 2020 and approached full recovery by the end of 2021.

We forecast growth in 2022 as pent-up demand and the continued aging of Anchorage's population lead more residents to seek these services.

Lower school enrollment, more state government loss this year

Most local government fluctuation over the last two



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years was in the Anchorage School District, which has three-quarters of all local government jobs.

Schools used online learning or a hybrid during parts of 2020 and 2021, so school employment shrank. The district hired far fewer substitute teachers and a portion of the nonteaching staff didn't return to work.

Schools reopened in August 2021 and employment began to return, but falling enrollment complicated that picture, as fewer students typically mean less funding for the subsequent school year. Although the number of students attending this fall was up from the year before, when it had dropped by nearly 9 percent from the first pandemic year, the total number of students in the school district decreased over two years from 46,192 to 43,086.

The rest of local government jobs are in the Municipality of Anchorage, which lost some jobs in 2021 because the city sold Municipal Light and Power to Chugach Electric in October 2020. The sale didn't cause any net job loss, but it transferred 200 city employees to the private sector.

Local government probably won't recover its pre-pandemic job levels this year because municipal employment is unlikely to change much and the Anchorage School District won't regain its 2019 employment levels.

Total state government employment crept up in 2021. Although the University of Alaska Anchorage lost jobs again in 2021, declines were less severe than the previous two years and general government grew enough to offset the drop. Some of the new jobs were COVID-related and will probably go away in 2022.

State of Alaska finances are in better shape for 2022 because of higher oil prices and healthy Alaska Permanent Fund earnings, leading to a relatively stable employment forecast.

Federal government employment fell modestly in 2021 because temporary 2020 Census-related jobs ended. We forecast little change in federal job levels this year.

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