

Southeast forecast for 2022

By SARA TEEL

Southeast's reliance on cruise ship tourism made its COVID-related job loss one of the state's largest in 2020. The region's total employment plunged 14.3 percent, or 5,300 jobs. Of those, 3,600 came from three tourism-linked industries: leisure and hospitality, retail, and transportation.

The region recovered 1,100 jobs in 2021. An abbreviated tourist season, healthy salmon harvests, and increased health care demand boosted recovery, albeit modestly.

With a more normal visitor season on the horizon, we forecast the region's employment will reach about 92 percent of its pre-COVID levels. For 2022, that would be 4.3 percent growth, or 1,400 added jobs.

Factors that could limit the region's recovery this year include staffing and supply shortages, higher costs, and new variants of COVID-19.

Seafood processing steady after some recovery last year

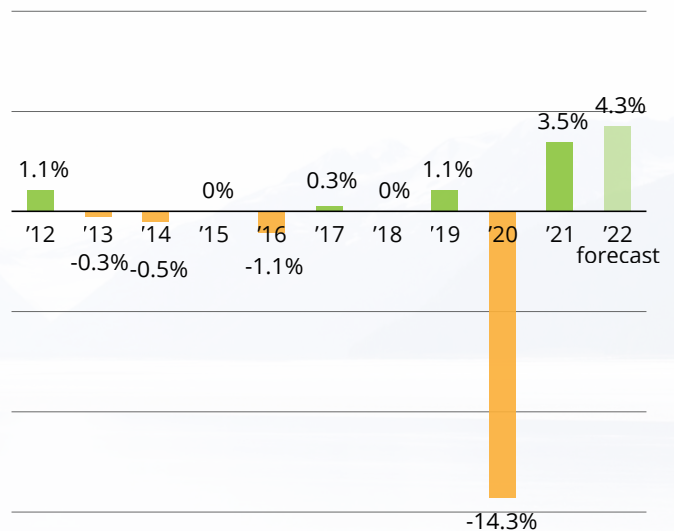
Southeast's large fishing industry struggled in 2020, and seafood processing lost 15 percent of its jobs. The industry grappled with lower catch volumes on top of the pandemic-linked job losses. Runs were so bad that Petersburg and Ketchikan declared local economic disasters.

The state received \$50 million in federal CARES Act pandemic relief for the fishing industry statewide in 2020 and sent out the first round of payments last month.

Last year was better as the industry adapted and multiple harvests came in strong, boosting seafood processing employment by 20 percent. Preliminary reports show a sizable salmon catch in 2021, with sockeye exceeding the 2020 catch by 146 percent, chum by 58 percent, and coho by 34 percent.

Pinks spawn in two-year cycles, so their runs are compared to the parent run two years before. 2021's

Southeast's job loss was 2020's deepest



Note: 2020 and 2021 are preliminary.

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

pinks outperformed the 2019 run by 129 percent. The pink forecast for 2022 is about double the 2018 and 2020 harvests, although both parent years' catches were low.

Salmon demand will grow globally as more of the economy opens, which will buoy prices. As a result, we forecast steady seafood processing employment.

Tourism could hit normal levels in 2022, but unknowns persist

No large cruise ships made it to Alaska in 2020. Canadian ports were closed, and the Passenger Vessel Service Act required Alaska-bound cruise ships to stop in a foreign port, putting the summer cruise passenger count near zero.

The Alaska Tourism Recovery Act, signed into law on May 24, 2021, temporarily allowed cruise ships to sail to Alaska last year. The first large ship since 2019 arrived in Sitka in late July, and Juneau ended the season with 74 port calls.

A total of 115,000 cruise ship passengers visited

The outlook for jobs in Southeast, 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	31,800	32,900	1,100	3.5%	34,300	1,400	4.3%
Total Private	20,000	20,900	900	4.5%	22,300	1,400	6.7%
Mining and Logging	1,000	1,000	0	0%	1,000	0	0%
Construction	1,400	1,400	0	0%	1,500	100	7.1%
Manufacturing	1,500	1,800	300	20.0%	1,800	0	0%
Seafood Product Preparation/Packaging	1,100	1,400	300	27.3%	1,400	0	0%
Transportation, Trade, and Utilities	5,500	5,600	100	1.8%	6,200	600	10.7%
Retail Trade	3,500	3,500	0	0%	3,700	200	5.7%
Transportation and Warehousing	1,700	1,800	100	5.9%	2,200	400	22.2%
Information	400	400	0	0%	400	0	0%
Financial Activities	1,000	1,000	0	0%	1,000	0	0%
Professional and Business Services	1,500	1,400	-100	-6.7%	1,500	100	7.1%
Educational (private) and Health Services	4,000	4,200	200	5.0%	4,200	0	0%
Health Care	2,700	2,800	100	3.7%	2,800	0	0%
Leisure and Hospitality	2,700	3,100	400	14.8%	3,700	600	19.4%
Other Services	1,000	1,000	0	0%	1,000	0	0%
Total Government	11,800	12,000	200	1.7%	12,000	0	0%
Federal, except military	1,400	1,400	0	0%	1,400	0	0%
State, incl. University of Alaska	4,400	4,400	0	0%	4,300	-100	-2.3%
Local and tribal, incl. public schools	6,000	6,200	200	3.3%	6,300	100	1.6%

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

Alaska in 2021, a 91 percent drop from 2019. Many communities focused on independent travelers to augment business.

With Canadian ports now open and travel demand rising, hopes are high for robust passenger numbers in 2022 that could rival pre-pandemic levels. Sitka will also have a new dock ready for ships this year. However, occupancy rates for ships are uncertain, and when this article was published, a highly contagious variant of COVID-19 had just begun to jack up case counts again in other states.

Industries that rely on cruise ships face multiple setbacks as they plan for summer. Domestic and international staffing shortages will constrain employment, supply chain bottlenecks will limit available goods, and consumer behavior might not return to what's typical, especially in the face of a new variant.

Modest retail, leisure and hospitality sector recovery

The retail sector lost 700 jobs in 2020

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

	2019 jobs	2022 forecasted	Forecasted recovery
Total Nonfarm Employment	37,100	34,300	92%
Total Private	24,600	22,300	91%
Mining and Logging	1,100	1,000	91%
Construction	1,400	1,500	107%
Manufacturing	1,800	1,800	100%
Seafood Product Prep/Packaging	1,300	1,400	108%
Transportation, Trade, and Utilities	7,500	6,200	83%
Retail Trade	4,200	3,700	88%
Transportation and Warehousing	2,900	2,200	76%
Information	500	400	80%
Financial Activities	1,000	1,000	100%
Professional and Business Services	1,600	1,500	94%
Educational (private) and Health Svcs	4,200	4,200	100%
Health Care	2,800	2,800	100%
Leisure and Hospitality	4,300	3,700	86%
Other Services	1,200	1,000	83%
Total Government	12,500	12,000	96%
Federal, except military	1,400	1,400	100%
State, incl. University of Alaska	4,700	4,300	91%
Local and tribal, incl. public schools	6,400	6,300	98%

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

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and was flat in 2021. By area, though, last year was a mixed bag. With the abridged 2021 tourism season and ongoing mandates, some communities recovered jobs while others continued to lose them.

Yakutat and the Hoonah-Angoon area added retail employment last year, but their industries are small. Skagway, a major tourist destination, lost another 15 percent of its retail jobs in 2021.

We forecast a 5.7 percent recovery for retail in 2022 (200 jobs) as more people travel and shop, but the industry faces pressure from supply chain problems, growing e-commerce, virus spread, and staffing shortages — especially with its low-wage jobs.

The leisure and hospitality sector, which faces a similar list of challenges, lost 1,600 jobs in 2020 and recovered 400 the following year. We forecast another 600 jobs for this year, a 19.4 percent jump.

2022 looks better for transportation after a meager 2021 job recovery

Southeast's transportation sector is more closely tied to tourism than most places in Alaska, with 45.6 percent of its jobs in scenic and sightseeing in 2019. That share fell to 25 percent in 2020. For comparison, it was 21.1 percent statewide in 2019 and just 9.7 percent in 2020.

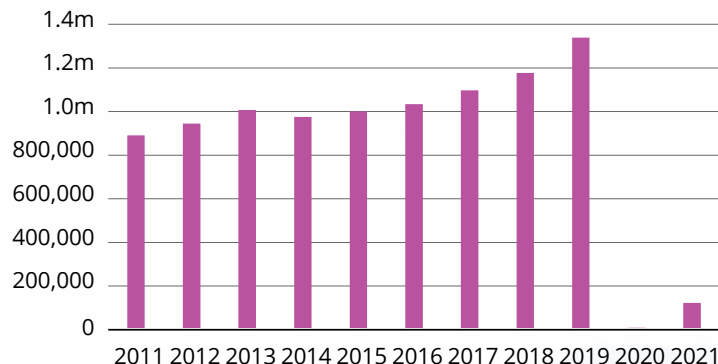
Transportation's recovery was modest in 2021 at 100 jobs (5.9 percent). The shortened tourist season and lack of staff stifled further recovery.

With an active summer season on the horizon, we forecast a stronger recovery this year at 22.2 percent (400 jobs), but a tight labor market and higher fuel costs are downsides.

A range of projects will boost Southeast construction in 2022

Southeast's construction industry weathered the pandemic without losing jobs in 2020 or 2021. We forecast a 7.1 percent jump in employment this year (100 jobs) as the Alaska Department of Transportation and Public Facilities has multiple projects planned: eight in Juneau, six in Ketchikan, two in

Southeast's yearly cruise ship passengers



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

Sitka, and one each in Gustavus, Haines, Hoonah, Metlakatla, Prince of Wales, Skagway, Wrangell, and Yakutat.

The professional and business services sector often supports these projects, as it includes consulting firms as well as temp agencies, janitorial services, and facilities management. It was the only Southeast sector to continue losing jobs in 2021. But because communities are planning for a better tourism season, some initial infrastructure money, and more construction, we expect the industry to grow 7.1 percent in 2022.

State government is the only industry likely to lose jobs

With the capital in Juneau, government plays an out-sized role in Southeast. Government jobs made up almost 40 percent of the region's employment last year but just a quarter statewide. Half of Southeast's public employment is in local government.

State and local governments lost 700 jobs in 2020, mainly in transportation and education. While the pandemic drove local government losses, state government had been on a decade-long decline amid ongoing budget problems.

State government remained flat in 2021. Temporary positions linked to the pandemic lifted state government employment, which would have decreased otherwise. Local government added 200 jobs when students returned to school, mitigating its overall loss.

Local government is forecasted to recover a modest

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number of jobs (100). Public school enrollment is recovering from pandemic closures, and some communities are seeing more revenue.

The City and Borough of Juneau increased its hotel/motel tax from 7 percent to 9 percent in 2020, and its first-quarter 2021 sales tax revenue came in \$2.7 million over projections. Skagway, one of the state's hardest-hit communities, received a \$2 million donation from Norwegian Cruise Line last year to ease its losses.

Federal employment has been flat for several years, and we expect that to continue into 2022.

State government will likely lose about 100 jobs this year (-2.3 percent) as temporary jobs end, making it the only sector in Southeast we forecast will decline.

Big costs ahead for ferries, although federal infrastructure money will come

The Alaska Marine Highway System took a major hit

With Canadian ports open and demand rising, tourism could hit new heights, although ship occupancy rates are uncertain.

before the pandemic, as deep budget cuts slashed the numbers of boats and sailings, reduced revenues, and deferred maintenance.

The fleet is aging, and big repairs or replacements will become increasingly necessary. Over the last few years, the state sold the Taku, the Fairweather, and the Chenega and put the Malespina into long-term storage. The Tustumena has hull cracks, and while the Tazlina has been overhauled, there's no crew to staff it.

The federal infrastructure bill will provide more than \$1 billion for Alaska's ferries over five years, although when the influx will start is uncertain.

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programs and positions. UAF saw an 8.7 percent enrollment drop for the 2020-2021 school year, the most recent available. That meant about 700 fewer students attended in the fall.

Local government has been cutting services for years, and COVID-19 further reduced revenue, albeit temporarily. A 14.3 percent drop in alcohol tax revenues accompanied the 54.6 percent plunge in bed taxes in 2020, but both have almost regained 2019 levels. Local governments also received a substantial amount of federal pandemic relief money.

Enrollment in the Fairbanks North Star School

District has declined every year since 2016, and the pandemic exacerbated the decline as enrollment fell 14.8 percent for the 2020-2021 school year. Student numbers will rise in 2022, however, with a population bump and a full return to the classroom.

However, while we forecast recovery of about 100 jobs for local government this year — a 3.8 percent increase — the district is discussing cuts and school consolidations in the longer term.

Fairbanks' federal employment has grown steadily since its 2014 low of 2,900. The 2020 Census drove part of a 200-job increase that year, and about 100 of those disappeared by the end of 2021. We forecast no change for 2022.

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