

STATEWIDE IN ALASKA

HIGHLIGHTS: In spite of the lack of an anticipated high level of oil industry related activity during 1970, Alaska still managed to register the second greatest increase in personal income of all the states from 1969 to 1970. According to preliminary figures released by BUSINESS WEEK magazine, Alaska's personal income was 11 percent ahead of the 1969 figure. Largely responsible for 1970's gain were an excellent construction season, expansion from within the government sector, and one of the best salmon packs in recent years.

However, the over the year gain in personal income fails to obscure the fact that Alaska, as elsewhere, has had a tough year economically. Most of the gain came during the first half of the year which saw Alaska's personal income almost 20 percent ahead of the same period in 1969. Figures for July, September, and October of 1970 showed only slight gains when compared with the corresponding months in 1969. That August of 1970 was substantially above August of 1969 probably reflects the impact on Alaska's economy of 1970's large salmon pack, the major portion of which would have come during that month. Probably the major contributor to the low levels of personal income noted during the other months was the petroleum industry. Average employment in this sector was off by around 33 percent during the last half of 1970 when compared with the same figure for 1969.

When final estimates of personal income figures for November and December become available, the 1970 annual figure may even be revised downward. In addition to continued softness in the petroleum sector, November and December saw construction employment dwindle to below year ago levels for the first time during 1970. Although inclement weather, rather than economic conditions, was the causal factor in construction's decline, nevertheless this drop should still make itself felt in terms of lower than anticipated personal income figures for the last two months of 1970.

In view of the above-mentioned factors, what is the outlook for Alaska's personal income in 1971? This is not an easy question to answer. However, barring an actual beginning of work on the Trans-Alaska Pipeline project, it seems unlikely that personal income will repeat the large gains noted during 1970. In the absence of the pipeline project, construction activity should still be brisk, with \$150 million in State authorized construction to take place. In addition, a good deal of Federal and local government authorized work should also go during the year. However, because a great deal of private construction is oil related, projects of this type slated for 1971 may be postponed until more definite information concerning the pipeline project is available. If this in fact occurs, Alaska's construction employment in the coming year may not exceed levels noted in 1970, which, it would have to do in order to be a stimulating factor in increasing personal income. In the seafood sector a much smaller salmon pack than 1970's is expected during 1971, though this may be offset somewhat by the continued expansion of the shrimp fishery. Trade and services employment will probably expand. However, due to the condition of the national economy, tourism, which has generally had a lot to do with growth in these areas will probably be about the same as last year. Consequently growth in trade and services may be retarded somewhat.

PROPERTY OF EMPLOYMENT SECURITY DIVISION

The area that seems most likely to show substantial over the year growth, and hence provide a spur to personal income, is that of State and local governments. State and local governments have experienced a good deal of expansion during the past two years and there is every reason to expect a continuation of this trend during 1971. With the general fund still very much in the black, the State government should continue to increase its functions. In addition, the relative affluence of the State will allow for increased revenue sharing with local governments. This will further aid growth in this area.

However, even a substantial expansion from within the government sector cannot by itself fuel the type of increase in personal income that occurred during 1970. Such a rise during 1971 would require substantial gains throughout the economy. Since the only foreseeable factor which could have such an effect is the pipeline project, a smaller rise in personal income seems fairly certain during 1971.

MINERAL PRODUCTION CLIMBS: Alaska's 1970 mineral production was worth nearly 300 million dollars, according to figures released by the U. S. Bureau of Mines. The figure for 1970 reflects a gain of 16.2 percent over the value of 1969's total. As in previous years, petroleum from the Kenai Peninsula and offshore in Cook Inlet accounted for the lion's share of total mineral production. This production was in fact sufficient to make Alaska the nation's seventh leading oil producer.

Although petroleum is expected to continue to dominate Alaska's mining picture into the foreseeable future its proportion of the total mineral production may regress somewhat until North Slope oil fields reach production. Actual oil production during this period should remain about constant. However, metal mining has of late begun to pick up and may as a result capture a larger share of the total production during the period between now and the time North Slope oil begins flowing to market. In addition, during the period of pipeline construction, sand and gravel production will move sharply upward further diminishing petroleum's share of the total. However, unless several of the large hard rock mineral developments now in the talking stage move into actual production during the next two or three years, petroleum will maintain most of its pre-eminence on the Alaska mining scene.

LUMBER EXPORTS CONTINUE AT RECORD PACE: Alaska lumber exports hit a record high of 150.5 million board feet during the third quarter of 1970 according to the U. S. Forest Service. The third quarter figure represents a gain of nearly 75 percent from the previous quarter which was also a record. Log exports for the first three quarters of 1970 were some 46 percent ahead of the same figure for 1969.

Accounting for most of the third quarter increase was Sitka spruce. The export volume of this species more than doubled, going from 57.1 million board feet in the second quarter to 121.1 million board feet in the third quarter of 1970. Western hemlock accounted for the balance of the shipments.

KETCHIKAN LIVING COSTS INCREASE: From November of 1965 to November of 1969, the overall cost of living in Ketchikan, Alaska rose by 16.1 percent. For the nearest comparable period that of November 1965 to October 1969 the overall urban cost of living for U. S. cities rose by 19.5 percent. Although the cost of virtually all goods and services in Ketchikan's economy showed gains, the largest increase came in the area of Housing Costs for this rose by 18.5 percent. Next came health and recreation at 17.1 percent followed by food at 15.0 percent. The smallest gain came in transportation, where costs advanced by 11.5 percent.

During the period, Ketchikan's living cost went from 17 percent to 19 percent higher than those in Seattle, Washington.