

## THE YEAR IN REVIEW

Alaska was one of the few states in the nation whose economic condition improved during the second half of calendar year 1974. The total unemployment rate in November 1974 was 9.4 compared to 11.4 in November 1973. However this decline is somewhat misleading since much of the improved economic condition can be related to the construction of the Trans-Alaska Pipeline haul road which employed from 4,000 to 6,000 workers from April through December of this year. The other sectors of the economy such as fishing, food processing, and logging, lumber and pulp did not enjoy banner years in 1974. Poor salmon runs in Southeast Alaska and Bristol Bay and a soft market for shrimp and crab in Japan lowered employment in the fishing and food processing industries. Although the market for pulp held up, the demand for other wood products such as cants and structural lumber softened in this nation and Japan. As the year came to an end there were layoffs of sawmill workers in Ketchikan, Annette and Wrangell and of food processing workers in Kodiak.

However declines in these industries were more than offset by increased employment in the construction, trade, services, transportation — communication — and public utilities, and government sectors. All these industries were to some extent influenced by the start of construction of the Trans-Alaska pipeline.

It should be noted that although the 1974 unemployment rate has shown a drop from the 1973 rate, Alaska's unemployment rate is still one of the highest in the nation. One reason for the high rate is the immigration of out-of-state workers seeking employment on the pipeline. Many of these workers are unskilled and end up on the unemployment rolls. State law also requires Alaska resident preference for pipeline related work and therefore, when possible, residents have been hired first.

Another positive influence on the economy has been the real estate development activities of some of the Alaska Native Regional Corporations. For example Doyon, Ltd, a corporation of nearly 10,000 Native people in the interior of Alaska, is engaged in the construction of an office building in Fairbanks, and Sea Alaska has plans for an office building complex

in Juneau.

Although the construction of the Trans-Alaska Pipeline improved the employment picture in Alaska, it also fueled the inflationary spiral that has been one of the major factors influencing the nation's economy in 1974. The influx of out-of-state workers tightened up the housing market in Anchorage and Fairbanks. In Fairbanks the vacancy rate fell to almost zero. Rents and housing costs have moved up dramatically especially in Fairbanks where a one-bedroom apartment is renting from \$200 to \$350 a month. Another indication is the rise in the Anchorage Consumer Price Index prepared by the Bureau of Labor Statistics. From October 1973 to October 1974 there was an increase of 13.2%. Of course Alaska's consumer prices also reflect the increase in cost of food, fuel, clothing and services experienced by the rest of the nation. However, the rate of increase in the Anchorage CPI in 1974 was greater than the rate of increase in the nation's CPI.

The rise in the cost of living also caused a fair share of labor unrest in the State. There were work stoppages by pulp workers in Sitka and Ketchikan, by State and local government workers, by teachers of the University of Alaska's Community Colleges and in some other industries.

In conclusion, the economic picture for Alaska was mixed during 1974 although overall the start of pipeline construction improved employment and lowered the unemployment rate.

The following is an industry by industry recap for the year:

**Mining:** There was a slight increase in mining activity in 1974. Several old-time gold dredges near Nome are being refurbished and repaired in anticipation of an increased demand when U.S. citizens can again buy gold in 1975. Interest in the fluorite deposit on the Seward Peninsula near Nome remained high although transportation problems and costs stalled actual mining in 1975. There was also renewed interest in coal deposits around the State because of the energy crisis. However, the cost of transporting

Alaska's coal to markets in the lower 48 will probably stymie any large scale development of this mineral.

Although there was interest in these and other metals, the exploration of petroleum was the major mining activity in 1974. Several oil companies contracted with Native Associations to explore for petroleum in lands these associations had chosen as part of their claims settlement; the State conducted lease sales on the Cook Inlet; and a great deal of interest has been shown in developing the Navy Petroleum Reserve near Barrow on Alaska's Arctic Coast.

**Construction:** Construction was the undeniable front-runner in Statewide economic activity during 1974. The largest contributor to the boom in construction activity was the Trans-Alaska Pipeline. The actual haul road construction was the largest project but many related construction projects such as the establishment of camps along the pipeline route and the preliminary construction of the tanker terminal in Valdez did much to contribute to this banner year.

Another effect of the pipeline project was the increased demand for residential and commercial buildings in the cities of Anchorage and Fairbanks. Construction permits in both these cities increased dramatically over a year ago.

**Manufacturing:** The poor fishing seasons for salmon and halibut, and declining landings of crab and shrimp were reflected in decreased employment in seafood processing plants. Also as the year came to a close, a softening of the Japanese market for shrimp and crab further darkened the picture.

The forest products industry in Alaska also was beset by problems in 1974. Although the demand for pulp remained steady, the market for cants and other timber products was depressed in both this nation and in Japan because of high interest rates on home construction and spiraling inflation. As the year ended, several sawmills in Southeast Alaska laid off workers as inventories grew to new records.

**Transportation-Communication-and-Public Utilities:** These industries showed steady growth in 1974 due to the start of the Trans-Alaska Pipeline project. The movement of men and material to the North Slope placed heavy demands on carriers to keep supplies

of food, clothing and other necessities moving. Air transportation activity increased dramatically in Anchorage and Fairbanks as they became staging areas for materials and workers going to the North Slope.

Communications networks were experiencing difficulties in handling the extra load placed upon them by pipeline construction. Public utilities found themselves likewise faced with expansion of facilities to provide services to a growing population.

**Trade:** The growth in trade during 1974 was influenced to a great extent by pipeline activity and the attendant increase in the number of residents in the State. Despite a slowdown of the economy in many parts of the country, Alaska's potential for growth and expansion continued to attract new businesses to the State.

**Finance-Insurance-and-Real Estate:** These institutions continued to show growth in 1974 as they responded to increased needs for their services due to the steady influx of pipeline employees and their families to both Anchorage and Fairbanks.

**Services:** Hotels and other types of lodgings fared well during 1974 as many businessmen visited the State to look into opportunities brought about by pipeline activity. The tourist season was also good despite a drop in Japanese tourists and the energy crisis. Many hotels and motels were booked solid during the summer months and vacancy rates were lower than normal in the winter months in Anchorage and Fairbanks. Other types of services also flourished in response to needs generated by pipeline construction.

**Government:** The greatest expansion in government employment took place in the State sector during 1974. The State found itself faced with many added responsibilities as pipeline construction became a reality, and beefed up its various agencies to meet the demand. Employment in the local government sector also expanded as cities on the pipeline route were faced with providing increased police, public utilities and school services as their population increased.

The prospect for increased growth in Alaska's economy during 1975 is almost assured as the

construction of the Trans-Alaska pipeline continues. A forecast for 1975 will be the subject of the next issue of this publication.

## ALASKA'S ECONOMY IN NOVEMBER

**Employment — Unemployment:** Total estimated unemployment in November fell by 6,700 as normal seasonal slowdowns in most industries occurred because of adverse weather conditions. Most of the declines occurred in industries associated with the out-of-doors such as construction and lumber and wood products. Employment figures for the month, however, were above November 1973 figures. The 9,600 increase in employment over the year is mostly due to advances in industries related to the Trans-Alaska Pipeline project. Total unemployment rose by 3,200 over the month reflecting the seasonal slowdown. Over the year, however, the total number of persons unemployed fell by 1,900.

**Mining:** Employment in the mining industry fell by 400 over the month as winter weather caused a cessation of some exploration activity. Over the year, there was an increase of 900 persons employed in this industry which reflects the continuing interest in Alaska's mineral deposits due to worldwide shortages of raw materials.

**Construction:** Although employment in this industry dropped by 3,700 over the month, there was an increase of 1,900 over the year. The completion of the first phase of the Trans-Alaska Pipeline haul road caused some layoffs, however, maintenance work on the road and camps and work preparatory to laying pipe kept employment on the Trans-Alaska Pipeline at fairly high levels. Most of the layoffs in this industry occurred as a result of slowdown in road and housing construction due to weather conditions.

**Manufacturing:** Poor world wide markets for timber products caused manufacturing employment to drop by 800 over the month. Several sawmills in Southeast Alaska laid off extra shifts as the demand for cants in Japan and the lower 48 dropped because of high interest rates. The market for pulp held firm and as a result there were no layoffs in this sector of the industry. Employment in food processing also decreased during the month as many canneries closed down for the winter season.

**Transportation, Communication and Public Utilities:** There was a slight drop in transportation employment

over the month in this industry as airlines serving the State went on their winter schedules. Over the year, however, employment showed a substantial increase due to increased demand for goods brought about by pipeline construction. Employment in communication and public utilities showed good growth over the year. This increase is probably due to heavy demands for these services because of an increasing State population.

**Trade:** Seasonal slowdowns in other industries caused employment in trade to decrease by 500 over the month. All of the decrease was in retail trade sectors as wholesale trade remained steady. Compared to November 1973, employment was up by 1,300. The over-the-year increase is attributable to the favorable economic climate that the start of the Trans-Alaska Pipeline project has fostered in the State.

**Finance, Insurance and Real Estate:** Employment in this industry remained stable from October to November, but continued well ahead of year-ago figures. The over-the-year increase is due to the increasing demands for financial, insurance and real estate services generated by the continuing growth of Alaska's economy.

**Services:** There was a decline in employment over the month from 18,100 in October to 17,300 in November. The decrease is due to a lessening in demand of all types of services due to seasonal slowdowns in the other industrial sectors. However, there was an increase of 1,200 in employment in this industry over the year due again to the thriving economy of the State in 1974.

**Government:** There was an increase of 200 in public sector employment during November. Although there was a decrease in local government employment, over-the-month increases in federal and State employment offset this decline. The increase in State employment can be attributed to a step up in the in-school Neighborhood Youth Corps program. Over the year, total government employment was ahead by 1,200 as all government units responded to the need for extra services created by the start of the Trans-Alaska Pipeline project.

**Private Industry IUR:** Private industry insured unemployment rate (IUR) increased over the month from 5.0 percent in October to 7.2 percent in November. The major cause of the increase was the