

THE YEAR IN REVIEW

Again this year the Alaskan economy has shown positive signs of growth. According to the U.S. Department of Commerce/Bureau of Economic Analysis, Alaska in comparison to the other 49 states had the highest percentage increase in personal income from the first to second quarter of 1975. Industries which showed significant increases in personal income were: construction with a 21.6 percent increase, and mining with an 18.2 percent increase. These industries continued on through the remainder of the year to have a strong positive effect on the state's economy. The largest single factor influencing the Alaskan economy has been the construction of the oil pipeline and its related facilities. Pipeline construction was highlighted this year by the first actual installation of pipe in March.

Though the economy of the state has generally improved, some segments were unable to show any significant improvement over 1974. The fishing and wood products industries are particularly noteworthy in this respect. The fisheries in Kodiak and the southeastern panhandle were severely depressed as a result of very poor salmon runs. The wood products industry was also hampered in its recovery not only by a soft market for its products in Japan and the continental U.S., but also by the temporary closure or slowdown of the major mills in the Southeast.

Total employment in the state continued to follow the seasonal trends of past years. This is the result of a dependence on warm weather by a major portion of Alaska's labor force. However, the degree of fluctuation was tempered this year by continued employment in construction and transportation by firms involved in the construction and support of the oil pipeline. The lowest level of employment for the past year was in January with a total employment of 135,400 which then rose to an estimated peak of 189,100 in August. August has repeatedly been a peak month for employment as employers take on extra workers to insure completion of current projects before the winter freeze up.

The annual average total employment for 1975 was 167,100 which was a 24.7 percent increase over 1974. It should be noted that this tremendous increase in total employment was also accompanied

by an almost equally expansive growth of 22.8 percent in the civilian labor force. This dramatic increase in the labor force can be attributed to the desirability of the very lucrative wages being paid to workers on the oil pipeline which has encouraged a large influx of persons into the state seeking employment. As a result, the state's unemployment rate has not made a comparable reduction as might be expected. However, the total unemployment rate did drop from an average of 10.0 percent in 1974 to an average of 8.6 for 1975. Such reductions in unemployment rate can be seen as a positive indicator of the economy and the labor market within the state.

Along with the growth in the economy, Alaska still was plagued with a high inflation rate which has been a continued hindrance to the economies of both the state and the nation for the past several years. The inflationary spiral was fed by such factors as: the high wages paid to pipeline construction workers; the high rent for housing; as well as the general inflationary tendencies of the world economy. An indication of the rate of inflation during 1975 can be seen in the rise in the Consumer Price Index for Anchorage which is prepared by the U.S. Bureau of Labor Statistics. The C.P.I. for October of this year rose 12.4 percent when compared to the index for October 1974.

Taken as a whole the economic picture for Alaska during 1975 was positive. Factors adding to this position were the continuing construction of the oil pipeline and further oil and mineral exploration. Though the general economy has been good the poor condition of the salmon fisheries in Southeast Alaska and the slow recovery of the wood products industry dampened what could possibly have been a very good year.

The following is an industry-by-industry recap of the past year.

Mining: The number of persons involved in mining operations has increased over the previous year. However, after the peak employment in April of 4,500 persons, there was a gradual decline in the

number of persons involved in mining operations. The year-to-year increase in employment can be attributed to the expansion of drilling operations for oil and gas. Hard rock mining claims have risen sharply over the past year and promise a relatively healthy mining industry in the future. A few companies which were successful in finding substantial mineral deposits this year were: AMAX which determined coal reserves in the Healy area to exceed 500 million tons; and the Anaconda and Sunshine Mining find of copper in the Brooks Range.

Construction: The big story in construction was the oil pipeline. Construction in the state reached its seasonal peak in September with 41,300 employed. The number of persons involved in construction of the pipeline as reported by Alyeska Service Company was 21,600 as of mid-September. By the end of the year, over 50 percent of the pipeline portion of the project had been completed. The construction effort then began a gradual reduction as the onset of winter forced restrictions or closure of different construction projects throughout the state.

Transportation, Communications and Public Utilities: The past year saw an increased usage of all modes of transportation within the state. In anticipation of this increase many major carriers acquired new capital equipment during the year. Notable examples of the expansion which took place in the transportation industry were: the entry of a new vanship in the shipping trade between Anchorage and the lower forty-eight by Totem Ocean Trailer Express, Inc.; Alaska Airline's acquisition of five Boeing 727-100 jets to replace four Boeing 720 jets currently in its fleet; the tremendous growth of the trucking industry; and the increased use of the Alaska Railroad.

A final agreement between the State of Alaska and RCA Alascom made possible the July 18 decision by the Federal Communication Commission to permit construction of earth satellite stations throughout the Alaskan bush. The earth satellite stations will bring telephone communications to 93 bush villages which have been previously without such service.

Utilities have shown a steady growth in employment due to the demands put on them by an expanding population. Sitka, Wrangell and Kodiak along with seven other communities throughout Alaska began upgrading their sewage treatment systems through

grants provided by the Environmental Protection Agency. Telephone utilities in Juneau, Anchorage and Fairbanks continued to add new equipment and personnel to meet the increasing demand for local and long distance telephone service.

Trade: This industry has shown general growth in direct relation to the overall increase in population. Employment in the retail trade sector has shown a marked increase over the previous year. In the areas of eating and drinking establishments, the phenomenal expansion of the McDonald's franchises in Anchorage and Fairbanks is particularly noteworthy. Though having only a small effect on employment in the short term, the purchase of the Northern Commercial Company stores in Anchorage and Fairbanks by the Nordstrom chain may be beneficial to the industry and employment in future years.

Finance, Insurance & Real Estate: The current active economy has encouraged an increase in the number of bank loans and deposits. Banking institutions such as the B.M. Behrends Bank of Juneau continued to expand their facilities and staff to meet the demand for money and capital market services. Further faith in the economy was shown by the opening of the new Security National Bank in Anchorage, and Marril Lynch's announcement in October that the firm would be opening an office in the Anchorage area in the spring of 1976.

Through 1975 there continued to be a shortage of rental housing, particularly in the Anchorage and Fairbanks areas. This situation has contributed to unusually high rents, and an increased effort in housing construction.

Services and Miscellaneous: Hotels, motels and other tourist related services saw an increase of 24.9 percent in employment over the previous year. This year saw a maximum employment of 26,000 during the month of August, which was 4,800 over August of 1974. The gains in employment in this area, however, were tempered by poor fishing seasons in many areas of the state. The rather lack luster fishing season forced many fisherman, who make up a major portion of the "miscellaneous" category, out of employment.

Government: The change-over of responsibility for rural and on-base schools from state to local

government brought about a shift in employment from state to local government. In general this year saw a steady trend of increasing employment in local government. With the added responsibility for education and an increasing population in areas along the pipeline corridor, many local governments have found it necessary to expand services under their jurisdiction.

ALASKA'S LABOR MARKET IN NOVEMBER

Employment — Unemployment: Employment statewide during the month of November continued in a downward trend. Total employment for November was down 8 percent from October. However, due to the general expansion of the economy and continued work on several pipeline projects, employment for November increased 20 percent over November 1974. On the other hand total employment again increased in November to an estimated 8.4 percent of the civilian labor force. In comparison to the previous month the total number of unemployed workers in the state increased 6 percent in November.

Mining: The mining industry in November saw a 3 percent increase in employment over the previous month. This represents a turn around in the downward trend in employment in mining, which has occurred over the past several months. Employers have now begun hiring for the up-coming season. Increased exploration efforts continue to be the main reason for expansion in this industry. Employment this month increased 10 percent over November 1974.

Construction: Employment this month dropped 21 percent from the previous month, as a result of layoffs from pipeline construction and other construction projects which have been closed down with the onset of winter. However, due to continuing employment on such indoor projects as pipeline pump stations and the Valdez oil terminal, employed was 48 percent over November 1974.

Manufacturing: Opportunities for employment in the manufacturing industry continued to drop this month with a 23% decrease from October. Much manufacturing within the state continues to be dependent on weather conditions and natural resources, giving this industry a seasonal employment trend. Compared to November 1974 employment

in manufacturing dropped 32%. This was the result of poor markets for wood products and a poor fishing season.

Transportation, Communication & Utilities: With the slowdown in pipeline construction during the winter months many companies involved in transportation have also experienced reductions in employment. In comparison to October, employment in this industry was down 7 percent. However, compared with November 1974 employment in transportation had gone up 16 percent.

Trade: The trade industry, after leveling out in October, showed a slight decrease in employment of 0.4 percent. This drop was the result of slight reductions in employment in the wholesale, and eating and drinking establishment sectors. However, employment in the general merchandise and apparel sector continued to grow over last month in anticipation of the coming holiday season. The positive condition of the economy has had a definite influence on the trade industry, which has increased 13 percent over the previous November.

Finance, Insurance & Real Estate: Employment in the finance industry has continued to remain constant with no change from the previous month. This period of little growth in employment may be a short term consolidation after the earlier growth of this year. The number currently employed in this industry increased 14 percent over November 1974.

Services & Miscellaneous: Employment in the service industry dropped 3 percent from the previous month, continuing the gradual decline which began in September. This gradual decline in employment at this time of year is expected, as this industry historically has been affected to some degree by the tourist season during the warmer months. However, when compared to the previous November, employment increased 14 percent.

Government: Employment in federal, state and local government was reduced 3 percent from October. A major portion of this reduction in force was at the state level where efforts to reduce state expenditures are continuing. However, when compared to November 1974, overall government employment increased 3 percent. An increase in employment at the local level of 18 percent over the previous November may be one of the factors for the continuing increase in employment in government.