

ALASKA: THE YEAR IN REVIEW

By Ed Eboch

Alaska's economy this past year was characterized by superlatives—the largest sealift by the oil companies since 1975, the second largest salmon run in the history of the state, and Mukluk Island, the Beaufort Sea's largest and most expensive man-made island. Continued growth in government, construction activities, record salmon runs, and a continuing trend towards improved availability of consumer goods all contributed to the best "employment" year in the state's history. Not only was the employment level a record, but the rate of increase was also the best since 1974-75.

Construction was by far the strongest sector in the state over the past year followed closely by trade, and finance, insurance and real estate. The recovery of the U.S. economy contributed to the health of the Alaska economy. However, the slow recovery worldwide and the unfavorable exchange rate was a drag on several Alaska industries. This was especially true of the Japanese economy which plays an important role in Alaska's lumber and fishing industries. While the Japanese economy halted its decline in 1983, the recovery was sustained mainly by the recovery in exports. Alaska industries that show employment declines in 1983 include mining, wood products, and federal government employment although the total drop in average number of employees is small.

Mining

Much of the loss in employment in mining was in the oil and gas industry although hard rock mining was also off slightly. Coal employment remained stable but a contract for Usibelli to ship 8 million tons of coal a year to Korea improves the employment outlook in this industry for 1984 and beyond.

Expectations of an increase in demand and a strengthening of prices in oil have not materialized as the U.S. economic recovery has progressed. The ability to conserve and to shift to other energy sources continues to surprise everyone. With the disappointing news about the Mukluk exploratory well and with continued weak oil prices it is unlikely that development of major oil or new coal projects will be undertaken in the immediate future. However, exploration for new oil is expected to continue but it may be at a somewhat slower pace.

To what extent the drop in hard rock mining employment reflects declines in metal prices or competition for employees from other sectors of the economy is uncertain. While precious metal prices have improved slightly from 1982 levels they are still below what is required to make many operations economical. The failure of mineral prices to improve with the

Alaska 1983 Employment Growth
Preliminary Estimates

	1983 1/	1982 1/	Percent Change 2/
Nonagricultural Wage & Salary	211,900	199,900	6.0
Mining	8,300	9,100	-8.8
Construction	19,100	16,900	13.0
Manufacturing	13,400	12,900	3.9
Food & Kindred Products	7,600	7,200	5.6
Lumber & Paper Products	2,700	2,900	*
All Other Mfg.	2,900	2,800	*
Trans., Comm., & Utilities	18,900	18,500	2.2
Trucking & Warehousing	2,300	2,400	*
Water Transportation	1,400	1,300	*
Air Transportation	5,700	5,600	1.8
Other Trans., Comm. & Util	9,500	9,000	5.6
Trade	41,600	37,400	11.2
Wholesale	8,000	7,200	11.1
Retail	33,700	30,200	11.6
Gen. Merchandise & Apparel	5,000	4,400	13.6
Food Stores	5,600	5,000	12.0
Eating & Drinking Places	11,900	10,800	10.2
Other Retail Trade	10,900	10,100	7.9
Finance, Insurance & R. Estate	10,600	9,500	11.6
Services & Miscellaneous	38,800	35,900	8.1
Government	61,400	59,500	3.2
Federal	17,300	17,700	-2.3
State	19,200	17,900	7.3
Local	24,800	23,900	3.8

1/ Average for first 11 months of each year.

2/ The percentage change should be considered as an indication of direction and magnitude of change only.

* Rounding make percentages for smaller sectors less reliable as indicators.

improvement of the U.S. and world economic recovery has raised questions about the schedule of several major Alaska mining projects.

Construction

Construction has had its greatest impact on the Alaskan economy since the pipeline years. While state and federal supported projects contributed heavily to construction activities, the private sector was also exceptionally strong during 1983. Some of the biggest gains have been in residential housing and commercial space. However, overbuilding is becoming evident in Anchorage. Juneau, in the midst of a "catch up" construction boom in commercial and retail space, shows evidence of a surplus in residential housing. Vacancy rates and home listings are up significantly in both communities. These factors will affect employment growth during 1984.

The current level of construction employment is unlikely to continue. Construction activity in Alaska is primarily a function of state expenditures and oil industry activities. Massive investment in Prudhoe/Kuparuk is largely complete and construction employment is expected to decline sharply on the North Slope. A more austere state budget means less state monies available for major projects in the future.

Manufacturing

Despite the poor crab harvest, employment in the fisheries industry remained strong in 1983. This was largely a result of the best salmon run in nearly 40 years. However, because of the smaller than normal size of the fish, production in weight approximately equaled that of recent seasons.

Weak demand for Alaska wood products has resulted in a continued slide in wood products employment. After some early strengthening of Japan's housing industry, housing starts dropped 18% in the first six months of 1983 from the like period in 1980. Unfavorable short term outlook for Alaska timber products and industry environmental problems suggest that employment may continue to be weak.

Trade

Wholesale and retail trade were both up significantly in 1983. Big gains were realized in retail trade in those firms that provide support to construction, especially residential construction. Furniture, hardware, building material and related office and home equipment stores led the surge in retail trade although significant gains were made in all areas. Construction activities were also undoubtedly a big contributor to growth in wholesale trade.

Increased economic activity in the state as well as growth in tourist traffic helped spur growth in other retail establishments. Food stores, restaurants and bars, and apparel and accessory stores all experienced better than 10% growth as did auto dealers. Other areas of trade showed smaller increases. Growth in trade is expected to continue in line with national trends and as more and better commodities are made available to Alaskans.

Other

Transportation, communications and utilities showed only modest growth which is somewhat surprising considering the growth elsewhere in the Alaska economy. The large sealift for Prudhoe/Kuparuk probably diverted some material destined for the North Slope that would have otherwise used normal transportation channels.

Finance, insurance and real estate annual growth exceeded 10% while services grew at an 8% rate. Trade and services employment in Alaska has