

ANCHORAGE 1976

Pipeline construction isn't in the past, but the positive impact is over. The pipeline work force is at its peak for the last time, and there should be almost no new hires on the line. In fact, layoffs on the pipeline will begin as early as July or August of this year. It is estimated there will be a net decline of 12,800 in pipeline employment. A lot of dollars have arrived in Anchorage's economy from the pipeline, and the end of these pipeline dollars is bound to have an impact. Also, the ending of this flow of pipeline dollars to other parts of the state will affect Anchorage. However, when considering the total amount of dollars spent on the pipeline, a large proportion of these dollars never entered the Alaskan economy as they left the state either to purchase material manufactured elsewhere or as wages sent or taken outside. In other words the end of these dollars will not have as big an impact as one might think, since a portion of them has been going directly outside for some time. The struggle in the past was to get these basic dollars into the hands of Alaskans so that they would be spent at least once in Alaska. Now the struggle shifts toward absorbing these Alaskan pipeline workers into an economy that has lost a big source of outside dollars.

Most industries will show some growth in the near future. Long range forecasts for Anchorage will have to take into account the effects of other projects such as off shore oil development, the capital move, the gas pipeline, and coal and hydro-electric development which may eventually replace the oil pipeline. However, the timing of these major projects will be an important factor in the degree of economic growth Anchorage will experience in the future. The Susitna dam project and the gas pipeline have yet to receive federal approval. The capital move still remains a controversial subject, and it will be some time before actual construction will begin. As far as intensive commercial coal mining is concerned, it may be some time before this will occur.

Building permits within the standard metropolitan statistical area of Anchorage were up over 50 percent in 1975 and so far in 1976 this same level is being maintained. If a permit is issued for the new federal center in 1976 the total valuation for this year will be the largest ever. If no permit is issued total valuation will remain nearly the same. Permits for single family residences were up less than 10 percent

in 1975 and it appears that 1976 will not vary far from this trend with an additional gain in the neighborhood of 10 percent. The runaway big gainer in 1975 was apartment houses. Valuation of permits for multifamily structures rose 130 percent. Since this type of housing was such a big gainer in 1975, with over a fifth of the total valuation, it would seem reasonable to expect some decline this year. Nevertheless, in 1976 this area is continuing to grow. Taking into account the predicted growth in the population, a small gain over 1975 is expected this year. The balance of the permits are mainly for commercial and industrial structures, and this rose by almost 65 percent in 1975 after no gain in 1974. There were a number of large structures such as the Anchorage Community Hospital and the University of Alaska included in last year's permits and this contributed to the growth last year. Construction of commercial and industrial structures probably won't surpass last year unless the \$70 plus million Federal Center is started. Employment in construction was slightly higher in 1975 than it had been in 1974, and with work continuing on many projects which were started previously, it appears that employment in this sector will rise again in 1976.

A large portion of Anchorage's employment is centered in trade and is therefore dependent on tourism and population. Though trade employment has grown steadily in this decade, the big jump has been over the last two years. Trade is one of the largest industries in Anchorage contributing the most to new employment in the economy. Another big year in trade is anticipated along with continued population growth similar to that recorded in 1975. Tourism, on the other hand, may not see any significant growth over the previous year. Current indications are that tourism will remain at about the same level or even slightly lower than that experienced in 1975. Border crossings at Tok and passenger landings at Anchorage International Airport showed a big increase in 1975 and it is anticipated that the number of people entering the state in 1976 should be about the same as in 1975. Business travel associated with Anchorage's expanding economy and pipeline activities should maintain solid bookings throughout most of this year. So far this year passenger arrivals have increased more than 25 percent at Anchorage International Airport, and certainly some of this increase must translate into more tourists and businessmen.

The transportation industry is another story. The good years of 1974 and 1975, which saw the shipment of massive amounts of material and equipment to construction sites along the trans-Alaska pipeline, are now behind us. Water transportation may also see a decline in the number of bulk items brought into the state. However, on a positive note, freight handled so far this year at Anchorage International Airport is up more than 10 percent while general cargo at the Port of Anchorage is up 40 percent.

The major component of population growth in Anchorage is in-migration, and since increases in population mean increases in the civilian labor force these migrations have been discouraged. The civilian labor force has been increasing at a greater rate than the population which seems to indicate that the population migrating in contains a higher percentage of workers without families. Meanwhile employment in 1975 finally increased more than the labor force which resulted in a decline in the number of people unemployed. Although there should be some growth in employment in 1976, it will not be at the same rate as in 1975.

The inflation rate for the U.S. and Seattle declined substantially in 1975 to nearly 6 percent. This trend should continue in 1976, but at a much slower rate and probably get no lower than 5 percent. Since most goods consumed in Anchorage are manufactured outside, the cost of these goods is a major component of the city's Consumer Price Index. Another component is the cost of transporting goods to Anchorage. The transportation situation is becoming more competitive so this component should decline. With the pipeline nearing completion the demand pull created by that project should end, thus leaving only the cost of service as the major factor pushing the CPI up. The CPI for the first quarter of 1976 rose only 1.8 percent, which is a favorable drop from the 5.0 percent increase that occurred during the first quarter of 1975. The April CPI represents an annual inflation rate of 7.2 percent, if the current rate remains constant.

In conclusion, Anchorage's economic future looks good. However, there are many questions yet to be answered before the area's long term growth potential can be more accurately assessed.

ALASKA'S LABOR MARKET IN APRIL

Employment – Unemployment: Employment increased in April with a 4 percent gain over March. After the slight rise in unemployment experienced in March, the unemployment rate for April dropped to 10.2 percent. Much of the gain in employment was seasonal, as several industries geared up for the summer season.

Mining: Employment in the mining industry remained relatively stable with only a 2 percent drop from the previous month. The major decline in this industry occurred in gas and oil extraction. However, small gains were reported by firms involved in mineral mining.

Looking into the future, officials of Inspiration Development Company in April notified the Department of Natural Resources that they are considering the development of copper and nickel deposits near the community of Pelican in Southeast Alaska. If this project proves to be feasible, development of the mine may begin in the 1980's.

Construction: The construction industry experienced a 10.4 percent increase in employment during the month of April. Pipeline construction continues to be the dominant factor in this industry, as employment in general contracting other than building construction continued to rise sharply.

Manufacturing: This industry saw a 14.3 percent increase in employment in April over March. The lumber and wood products sector was the most active during the month, with a 30 percent increase in the number employed. When compared to the same period during 1975, employment for the industry as a whole rose 11.6 percent during April 1976.

Transportation, Communications and Utilities: A decline in employment in trucking and water transportation was reflected in a one percent drop in employment in this industry. This industry is well into readjusting to a prepipeline level of activity.

Trade: Employment in the trade industry rose 2 percent in April when compared to March. All sectors of this industry experienced modest gains in employment as firms reacted to the increased activity of the coming summer season. When compared to the same time last year, employment in this industry has increased just under 10 percent.