

Statewide Forecast

by
Rachel Baker
Labor Economist

Employment growth for years 2001 and 2002

Although the national economic outlook is currently a bit uncertain, the two-year employment projection for Alaska is quite positive. More than 11,000 jobs could be added during the next two years, and employment growth is expected to be around two percent in 2001 and 2002. (See Exhibit 1.) If this growth rate is achieved, it will be right in the range of the average employment growth rate recorded from 1990 to 2000.

In 2001 and 2002, the employment growth projection is strong for several industries in Alaska—primarily services, construction, oil and gas extraction and retail trade. Manufacturing is the only industry expected to lose jobs in the forecast period. (See Exhibit 2.)

Services sector keeps on growing

The broadly based services industry sectors will again combine to add the most jobs of any industry in Alaska. Health and social services will continue to take the lead, and contract help, engineering, and other business services will also contribute to job growth. Additional employment will come from new Fairbanks hotels in 2001, but hotel employment gains in Anchorage will probably not occur until 2002 when at least two new hotels open for business.

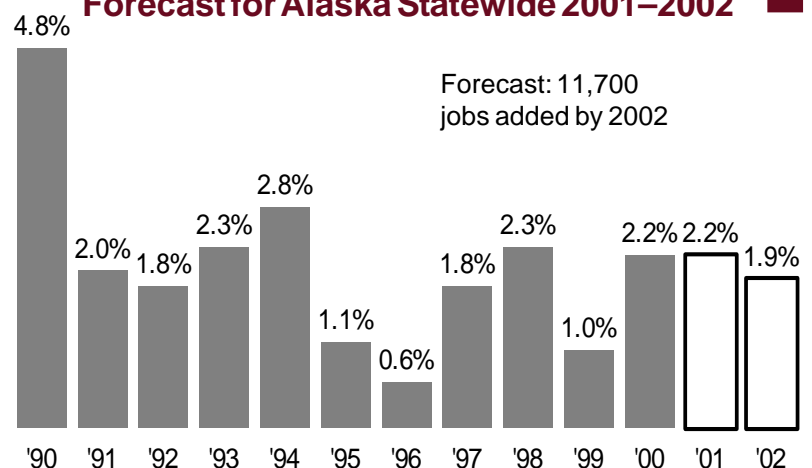
The health and social services sectors are destined for continued growth in Alaska. An aging population and demand for more specialized medical services will contribute to the expansion of health care facilities across the state. Growth

will continue in home health care as well. The Alaska Native Medical Center will also contribute to gains in private sector health care employment as its gradual privatization process and expansion continues through 2002. Social services have also grown rapidly over the past several years and continued demand for counseling, job and vocational training, and child care services will warrant further growth in this sector.

Tourism-related services are not expected to contribute significant employment growth to the statewide economy, but incremental growth could take place in Southeast and in interior Alaska as specialized visitor services are expanded.

Employment Growth around 2%

Forecast for Alaska Statewide 2001–2002



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Oil and gas industry invigorated

Based on the current optimism of the major oil producers and the buzz associated with the potential construction of a natural gas pipeline, the oil and gas sector is projected to add 1,000 jobs in 2001. Approximately 900 jobs were added to the oil and gas extraction sector in 2000, and all signs indicate a similar increase in 2001. And with the continuation of relatively high oil prices, capital spending plans by the major oil producers suggest that employment levels could be maintained in 2002. Oil field development activity will continue to mid-2001 and then almost all activity will shift to drilling. Exploration will also increase on the North Slope and in Cook Inlet.

In addition to increased oil field activity, BP, Exxon, and Phillips will invest \$75 million in feasibility, engineering, and environmental studies for the construction of a natural gas pipeline. This work will significantly benefit engineering, consulting, and contract help firms over the next two years.

Metal mining employment could grow

Despite continued low mineral prices, particularly for gold, there are prospects for employment gains of up to 40 positions over the next three years at the Fort Knox mine near Fairbanks. Plans for construction of the Pogo mine northeast of Delta Junction are also moving forward, but additional mining employment from this development would not take place until late in the forecast period.

The construction docket is filling up fast

Federal money will fuel a significant amount of construction activity in Alaska in 2001 and 2002. Huge amounts of federal funds are slated to come to the state for road, airport, and military construction and improvement projects. Projects

backed by state funds will also continue in full force. The university campus in Fairbanks will have several projects underway during the forecast period and there are numerous other elementary and high school construction and renovation plans in communities across the state.

The pace of commercial construction will also pick up during 2001 and 2002, particularly in Anchorage and Fairbanks. Big-box chains such as Fred Meyer and Home Depot will build new stores in the coming year, boosting construction employment significantly.

Residential construction is not expected to be a particularly strong growth sector in the state during the forecast period, despite fairly low interest rates. Some new housing is planned in a few areas around the state, however, and slight increases could take place in general contracting and special trades construction employment.

Transportation growth slows

Transportation employment is expected to grow more slowly during the next two years. Although gains will take place in air transportation due to the strength of air cargo, recent closures of Anchorage carriers will hold down employment gains in 2001. Trucking employment could get a boost from increased oil field activity.

Retail growth will be large

The retail trade sector is again expected to be a strong contributor to growth in Alaska's job count, with most growth taking place in Anchorage and Fairbanks. Job gains will also continue from new eating and drinking establishments, which have added a lot of employment over the last several years. Lowe's, Home Depot, Fred Meyer, and Wal-Mart all have new stores planned in Anchorage. Fairbanks is renovating a Fred Meyer store, and a new Wal-Mart store is a possibility.

The Southeast region is also taking part in the Wal-Mart furor—a store opened in Ketchikan recently and is expected to employ about 150.

Public sector will be fairly stable

Gains in state and local government employment will be related primarily to the university and local school districts. No big changes are expected in federal employment, although completion of Census 2000 and continued privatization of the Native Hospital in Anchorage could contribute to a drop in federal employment in 2001.

Manufacturing faces challenges

Job losses are projected during the forecast period in the volatile manufacturing industry, where uncertainty currently rules. Reduced crab and groundfish harvests hurt seafood processing employment in 2000 and early 2001; processing employment levels are expected to be fairly stable for the next two years.

Uncertainty is also a big factor in the lumber and wood products industry as Gateway Forest Products in Ketchikan struggles to reorganize after filing bankruptcy. Lumber and wood products employment has steadily dropped each year since 1990, and continued low lumber prices are not good signs for employment in this troubled industry.

Statewide Forecast **2** Wage and Salary Employment 2001–2002

	1999 Annual Average	2000 Annual Average	Absolute Change 99-00	Percent Change 99-00	2001 Annual Average	Absolute Change 00-01	Percent Change 00-01	2002 Annual Average	Absolute Change 01-02	Percent Change 01-02
Nonag. Wage and Salary	277,800	284,000	6,200	2.2%	290,200	6,200	2.2%	295,700	5,500	1.9%
GOODS PRODUCING*	37,600	38,500	900	2.4%	40,000	1,500	3.9%	40,300	300	0.8%
SERVICE PRODUCING**	240,200	245,500	5,300	2.2%	250,200	4,700	1.9%	255,400	5,200	2.1%
Mining	9,400	10,300	900	9.6%	11,300	1,000	9.7%	11,300	0	0.0%
Construction	13,800	14,400	600	4.3%	15,100	700	4.9%	15,500	400	2.6%
Manufacturing	14,400	13,800	-600	-4.2%	13,600	-200	-1.4%	13,500	-100	-0.7%
Seafood Processing	8,900	8,300	-600	-6.7%	8,200	-100	-1.2%	8,200	0	0.0%
Lumber & Wood Prod.	1,700	1,500	-200	-11.8%	1,400	-100	-6.7%	1,300	-100	-7.1%
Trans/Comm/Util	26,100	27,300	1,200	4.6%	27,800	500	1.8%	28,300	500	1.8%
Trade	57,300	57,800	500	0.9%	58,400	600	1.0%	59,600	1,200	2.1%
Wholesale Trade	8,900	8,700	-200	-2.2%	8,700	0	0.0%	8,800	100	1.1%
Retail Trade	48,400	49,000	600	1.2%	49,700	700	1.4%	50,800	1,100	2.2%
Finance/Ins/Real Estate	12,800	12,700	-100	-0.8%	12,700	0	0.0%	12,700	0	0.0%
Services & Misc.	70,400	73,300	2,900	4.1%	76,300	3,000	4.1%	79,300	3,000	3.9%
Government	73,600	74,500	900	1.2%	75,000	500	0.7%	75,500	500	0.7%
Federal	16,900	17,100	200	1.2%	16,900	-200	-1.2%	16,800	-100	-0.6%
State	21,700	22,100	400	1.8%	22,400	300	1.4%	22,700	300	1.3%
Local	35,000	35,400	400	1.1%	35,700	300	0.8%	36,000	300	0.8%

* Goods producing industries include mining, construction, and manufacturing.

Subtotals may not add due to rounding.

** Service producing industries include: transportation, communications and utilities; trade; finance, insurance and real estate; services; and government.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

The good news keeps rolling in

As each month goes by, the economic news only gets better for Anchorage. Reports of new commercial ventures, added international cargo routes, new retailers entering the market, a growing pipeline of federal monies, more ambitious plans for Alaska's oil fields, and a growing litany of construction projects are causing upward revisions in Anchorage's outlook. This is notwithstanding the gas line, the missile defense system, and oil drilling in the Arctic National Wildlife Refuge (ANWR), and other mega projects that some envision for the near future. This growing list is adding a giddiness and confidence factor to the longer-term economic picture, a factor that has been almost entirely absent in Alaska's economy for more than 15 years. There is little doubt that the level of economic activity for 2001 and 2002 could in some measure be explained by these future expectations. This may be responsible for the above average growth forecast for the next two years in Anchorage. (See Exhibit 1.)

The prediction over the next two years is that services will provide the lion's share of the employment growth in Anchorage. The economy should also get a lot of help from construction and oil in 2001 and a big boost from retail in 2002. Transportation could also be a significant player.

What we don't see in this forecast are any big known negatives. The mergers, buyouts, and closures that have often haunted the economy in the past are absent at the present time. But these events do tend to sneak up on an economy. It is certainly within the realm of possibilities that oil prices could fall hard sometime during the next

12 months, and that could take some of the wind out of the sails of Anchorage's economy by 2002.

Services is the only industry in the 1,000 plus new jobs club

Without the service industry's growth over the past decade, Anchorage's employment gains would have been halved. A combination of being Anchorage's single largest industry and one of its most vibrant has given services the distinction of leadership in job growth. (See Exhibit 2.) During the next two years, more than half of the new jobs forecast occur in services. In the ever-eclectic services industry, health care, social services, hotels, contract help agencies, engineering services, and others provide the predicted zip.

Health care should lead the way in services growth because it is both the single largest slice of the industry and its most dynamic. The aging of Alaska's huge baby boom population and technological changes are important factors in this expansion. Alaska is also one of the few places in the country left without managed care. This has made Anchorage an attractive place to practice medicine for many health care providers. Some also think that the state's population is getting large enough that it can support an increasing number of medical specialties. Providence Hospital, Alaska Native Medical Center, and Alaska Regional Hospital are all in expansion mode. Health care clinics like Health South and other smaller players also contribute to this dramatic expansion. Another factor remains the privatization of the Alaska Native Medical Center. The process involves turning federal workers into employees of the Alaska Native

Health Consortium, a nonprofit private sector employer. Over the next two years this could move 200 to 250 positions from federal government to private sector health care.

Nonprofit social services are benefiting from the growing flow of federal grants. The recovery in the oil patch is a positive for contract help agencies, and the expansive mode of the construction industry is keeping Anchorage's engineering service firms in high gear. Some of the visitor-related service growth of the past might be muted because the industry is predicting only moderate gains during the forecast period. However, at least two more hotels and possibly three will be built in 2001, which will boost hotel employment in 2002.

Another good year in the oil patch

One of the biggest economic stories in Anchorage for 2000 was the oil patch rebound. It will remain a headliner in 2001 and possibly in 2002 as well. The multiplier effect on the rest of the economy provides the construction, transportation, engineering services, and other industries with a big boost.

After over a decade of employment retrenchment, the two big oil producers, BP and Phillips (formerly ARCO) both grew substantially last year, with the trend continuing into 2001. The creation of the joint gas pipeline study group by BP, Exxon, and Phillips helped further bolster employment numbers. For Anchorage, the headquarters city for these players, this was a particularly positive development.

New oil field development jump-started the oil patch last year. Development peaked for two new oil fields, Alpine and Northstar. Work will continue on these fields in 2001. Phillips will also bring the new Meltwater field on line by year-end or early 2002. The last modules for these projects will be shipped out of the Port of Anchorage this July. The end of module

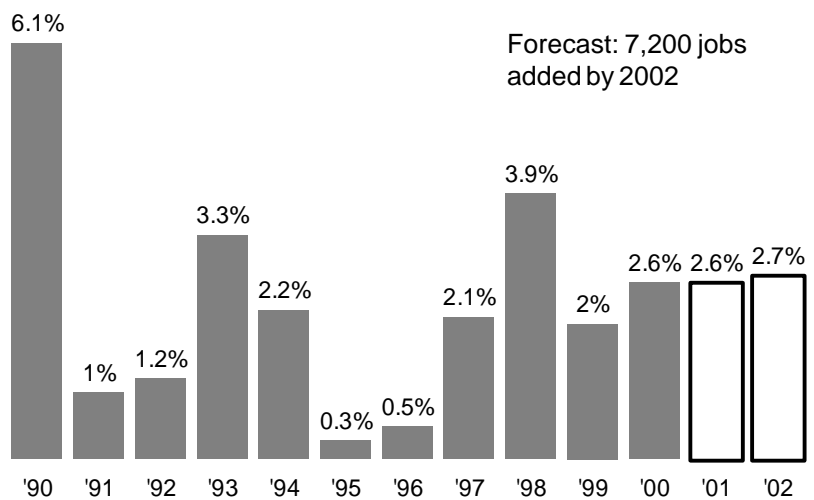
construction activity will dampen oil industry growth in Anchorage during the second half of the year. The growth this year will then shift to drilling—both development wells and exploration. Doyon Drilling, Halliburton's, and other drillers and oil service companies are gearing up for a big season in 2001. Exploration activity will kick up in the National Petroleum Reserve, around the North Slope, and Cook Inlet. Prospects for 2002 are less certain.

Construction getting help from everywhere

Initially, it appeared the next two years of construction would be completely dominated by publicly funded projects. But, as the year unfolds, the private side is coming on to play a big role. It seems that nearly every week a new privately funded construction project is announced. As a result, the outlook is rosy for all sectors of the industry, including public, commercial, industrial, and residential.

Two Solid Years Ahead For Anchorage

Percent employment change from previous year



Forecast: 7,200 jobs added by 2002

Source: Department of Labor and Workforce Development, Research and Analysis Section

Publicly funded projects will remain among the largest. Most of the fuel for growth comes from the revamped national highway and airport improvement funding formulas. The \$200 million plus expansion and reconstruction of the Ted Stevens International Airport remains the single largest construction project in Anchorage. Although it has suffered some delays, the next two years will be big ones for the airport. A major piece of this job is the replacement of Concourse C, which will be completed in mid-2002. Most of the airport work will be done by 2004. Construction of a new \$46 million jail will be in full swing in 2001 with a completion date sometime early next year. Construction of the new \$68 million Dimond High School begins this season, and will develop into another big construction project for Anchorage. Construction is expected to begin next year on the new South Anchorage High School.

The military will undertake a number of big projects during the forecast horizon. The single largest ventures will be on Elmendorf Air Force Base. A private contractor will begin building 420 new housing units and renovating 208 other units this year with a completion date in 2003. These units will be privately owned and managed and leased back to the military—part of the military's privatization efforts. This will rank among the top construction projects in size. The Corps of Engineers also has some big plans; its most recent bid list for Anchorage has three projects in the \$5-\$10 million category and another three at \$10 million plus.

Highway construction will also be big in Anchorage. Over \$100 million in new highway construction is slated to get under way this next road season. Some of the big projects include a \$44 million Parks-Glenn Highway interchange, \$15 million for phase two of C Street construction, \$5.5 million for a Dimond - New Seward Highway interchange, along with a host of other projects.

One of the surprises for the next two years is the strength of commercial construction. As already

mentioned a minimum of four new "box" stores will be built in the 2001 season with some work spilling into 2002. One or two others could possibly get under way during the forecast horizon. Two and possibly three new hotels will be built during the upcoming season. The most significant development in 2001 could be commercial office-related projects. Arctic Slope Regional Corporation plans to begin building a 10-story office tower in mid-town in 2001. It would represent the largest commercial office space built since the early 1980s. And there are also plans to build a 23-story office/residential tower in downtown Anchorage. If this project comes to fruition it will become the tallest building in the city. Expansion work will also continue at Providence Hospital, Alaska Native Medical Center, and Alaska Regional Hospital, and a long list of smaller commercial projects such as new restaurants, smaller office buildings, and others will get under way.

The level of residential activity is not expected to steer very far from last year. Some are calling 2001 the year of the condo because a number of these projects have begun and others are planned. Lower interest rates and a growing confidence in the economy should bode well for residential construction. One of the constraints on new single family developments in Anchorage is the scarcity of affordable residential building lots. As a result, more of this activity is moving out to the Mat-Su Borough.

More important than any one of these single projects is the forecasted health of the industry statewide. Anchorage will be a major beneficiary, since it is home to many of the state's contractors.

Retail will see big entry in 2002

It's hard to believe that Anchorage really needs more retail, but need it or not, it's coming. During the past three years, retail growth has been lackluster at best. It appeared to be still in the throes of trying to digest the retail go-go years of 1993-95. (Most of the growth in retail in

recent years has come from the eating and drinking sector.) Closures, buyouts and mergers have characterized retail more often than not. Many shopping malls now sit partially or almost completely empty. Tens of thousands of square feet of retail related real estate go begging for tenants. In 2001, the industry will still be absorbing Alaska Marketplace's closure. By mid 2002, a milder version of the last retail boom is again in the offing.

A second round of new "box" stores is coming to town. In Anchorage alone they will include a new Fred Meyer, Lowe's, Super Wal-Mart, and Home Depot. Together they will employ a workforce of 650-700 additional workers. Other big players are considering entering the market—such as a new Fred Meyer store in Eagle River. A casual observer would have a hard time believing there is enough demand to warrant this new

retail capacity. These new retailers obviously believe they can either squeeze additional dollars out of the state's consumers, can out-compete existing players, take advantage of future opportunities, or most likely, a combination of the above.

Transportation looks mostly positive

Because transportation is such an integral part of the economy, the overall economic outlook should bode well for this industry. With the rebound in the oil patch and the prediction that construction will be moving into a higher gear, water, air and trucking transportation ought to perform.

The other big positive remains in the international air cargo arena. Just recently, eight of ten new U.S. routes to China went to Anchorage-based

Anchorage Forecast Wage and salary employment 2001-2002 2

	1999 Annual Average	2000 Annual Average	Absolute Change 99-00	Percent Change 99-00	2001 Annual Average	Absolute Change 00-01	Percent Change 00-01	2002 Annual Average	Absolute Change 01-02	Percent Change 01-02
Total Nonag. Wage & Salary	131,100	134,500	3,400	2.6%	138,000	3,500	2.6%	141,700	3,700	2.7%
GOODSPRODUCING	11,900	12,200	300	2.5%	13,000	800	6.6%	13,300	300	2.3%
SERVICEPRODUCING	119,200	122,300	3,100	2.6%	125,000	2,700	2.2%	128,400	3,400	2.7%
Mining	2,500	2,700	200	8.0%	3,000	300	11.1%	3,000	0	0.0%
Oil & Gas Extraction	2,400	2,500	100	4.2%	2,800	300	12.0%	2,800	0	0.0%
Construction	7,200	7,300	100	1.4%	7,900	600	8.2%	8,200	300	3.8%
Manufacturing	2,100	2,200	100	4.8%	2,100	-100	-4.5%	2,100	0	0.0%
Trans/Comm/Util	13,800	14,800	1,000	7.2%	15,100	300	2.0%	15,500	400	2.6%
Trade	31,600	31,900	300	0.9%	32,300	400	1.3%	33,300	1,000	3.1%
Wholesale Trade	6,400	6,300	-100	-1.6%	6,300	0	0.0%	6,400	100	1.6%
Retail Trade	25,200	25,600	400	1.6%	26,000	400	1.6%	26,900	900	3.5%
Finance/Ins/Real Estate	7,700	7,600	-100	-1.3%	7,600	0	0.0%	7,600	0	0.0%
Services & Misc.	37,600	39,200	1,600	4.3%	41,000	1,800	4.6%	42,800	1,800	4.4%
Government	28,500	28,800	300	1.1%	29,000	200	0.7%	29,200	200	0.7%
Federal	9,900	9,900	0	0.0%	9,800	-100	-1.0%	9,700	-100	-1.0%
State	8,600	8,800	200	2.3%	9,000	200	2.3%	9,200	200	2.2%
Local	10,100	10,100	0	0.0%	10,200	100	1.0%	10,300	100	1.0%

* Goods producing industries include mining, construction, and manufacturing. Subtotals may not add due to rounding.
 ** Service producing industries include: transportation, communications and utilities; trade; finance, insurance and real estate; services; and government.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

carriers. Northwest Airlines recently added four new aircraft to its cargo fleet and expects that number to continue to climb. Northwest also is off and on-loading more of its freight. Both Polar Air Cargo and Atlas Air are in expansion mode. United Parcel Service won six of the new routes to China. A significant worldwide economic slowdown could dampen this trend at least temporarily, and this development will be important to follow. However, the biggest reason the employment numbers forecast for transportation are not as robust as the narrative suggests they should be is that 2001 will still be absorbing the losses of Reeve Aleutian Airways and United Airlines Cargo. These losses amounted to 300 to 350 jobs, and they came in December 2000 and January of this year, which means they will carry through most of 2001.

operating budget is also slated to grow some this next year. Local government's numbers could grow modestly because school enrollment is expected to inch upwards.

Finance sector is slated to remain stable

Lower interest rates and a healthy real estate market bode well for the Anchorage financial sector. The only real negative is the stock market's weak performance—not a major source of employment in Anchorage. With the Wells Fargo buyout of National Bank of Alaska there may be some downward pressure on its workforce. Efficiencies such as electronic banking and insurance services and other technologies will likely keep any employment growth in this sector to a minimum.

Government will see little change

Anchorage's public sector is not likely to be much of a force for growth during the next two years. Federal employment could actually drift down a bit as a result of the Alaska Native Medical Center privatization. The boost the census count gave in 2000 will be absent in 2001. Most federal agency employment is slated to change little during the forecast period. State government employment could increase some because University of Alaska funding was recently increased, and the state's

Fairbanks Forecast

by
Brigitta Windisch-Cole
Labor Economist

Growth turns more robust

The dominant positive force instilling confidence in Fairbanks' economy is the possibility of the construction of a natural gas pipeline. Although feasibility studies have just started, the mere possibility has brightened hopes for the future. Another prospect is the construction of a missile defense system at Fort Greely. The impact on the Fairbanks economy will be large if these projects come to fruition. Neither of these giant undertakings will happen within the 2001 and 2002 forecast horizon, so their potential effects on the local economy are not considered in this forecast. Nevertheless, Fairbanks' economy is set to gain employment over the next two years.

Construction will be brisk on both the public and private sector sides. Support industries will follow suit and strengthen their job base. Services and retail growth will follow the construction phase and revitalize the local economy. Urban renewal, centering on the makeover of downtown buildings and new structures, could play a big role in the revival of Fairbanks' inner city. Barring unforeseeable events, Fairbanks' economy should continue on its path of steady job growth in 2001 and 2002. This forecast projects 600 new jobs in 2001 and 500 more in 2002, for growth of 1.8% and 1.5% respectively. (See Exhibit 1.)

Construction will flex big muscle in upcoming seasons

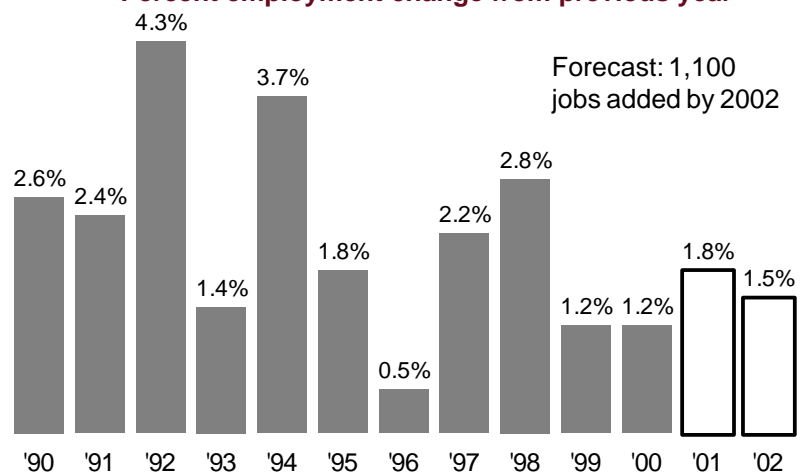
Construction and its support industries will provide more jobs. Although a moderate job gain of 100 is projected for construction in 2001, and only 50

more for 2002, activities nevertheless should be brisk. (See Exhibit 2.)

The military awarded large contracts this year. On Fort Wainwright, work has started on a power plant upgrade costing \$28 million, and on a \$16 million special training area that simulates urban warfare. New and upgraded barracks, an ammunition storage building, and utilidor upgrades will add another \$20.5 million to the U.S. Army's capital project expenditures. Some of these projects will carry forward to next year's season. In 2001, projects on Eielson Air Force Base (AFB) will amount to about \$20 million. A dormitory and a utilidor renewal are the air

Outlook for Fairbanks Grows more robust

Percent employment change from previous year



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

force's largest undertakings in 2001. Military sponsored construction work could be large in 2002 as well. The new Basset Hospital, with a price tag exceeding \$100 million, may finally be built. Moreover, a joint deployment center on Eielson AFB, more than 100 units of new housing on Fort Wainwright, and other projects totaling nearly \$90 million have been planned for the 2002 season.

Other 2001 public construction projects include the finishing phase of the Alaska state courthouse, a new police station, and possibly a parking garage. Projects on the University of Alaska Fairbanks construction docket add up to about \$20 million. Among them are the expansion of the Rasmussen Library and the remodel of the Brooks Building. In 2002, the university will start the museum expansion, a \$22 million project. In addition, work will begin on the Fine Arts Complex and the Hutchinson Career Center, estimated to cost about \$20 million.

School-related construction will be slow in 2001, but it will pick up in 2002 when the Hunter Elementary School project starts. The Alaska Railroad will start to reroute tracks in Fairbanks and it plans to build an intermodal facility in 2002. Road and airport improvement projects around Fairbanks amount to about \$18 million in 2001 and could develop into a \$30 million season in 2002.

Commercial construction during 2001 will be solid as well. Work on two new hotels and a big remodel job at Fred Meyer will be completed before summer. Construction will start on a new Home Depot this year, and a Wal-Mart store remains a possibility for 2002. Residential construction could pick up as well. Fairbanks realtors have remarked that housing inventories are low and land sales have increased.

While low gold prices test resilience, high oil prices instill confidence

Despite a persistently low price for gold, mining employment could increase in 2001. The Fort Knox mine, Fairbanks' most prominent producer, opted to deal with volatile industry conditions by restructuring production cost. The mine's acquisition of the True North deposit will increase the efficiency of its mining process. The mine will employ about 40 more workers than it did last year, and it hired a subcontractor to haul the ore. Teck Resources, after exploring the Pogo deposit, will proceed to obtain the necessary permits to develop the mine. An upturn in gold prices would help initiate construction. Some gold mining companies will have difficulty operating in the current price environment.

High oil prices have stimulated investment in the North Slope oilfields. Aggressive drilling programs and other oilfield related work could benefit Fairbanks workers in future years. Business has been brisk for the oil and gas industry support firms. These stimuli could increase oil related employment in Fairbanks this next year.

No big surges are expected in transportation employment

The forecast for transportation, communication, and utility employment does not indicate a significant increase. Among the many and diverse players in the industry, trucking should reap some benefits. Industrial clients, especially the oil industry, will provide business in the freight category. One new trucking company has emerged because of a long-term contract with the Fort Knox mine; it will employ 40 new workers. Employment in other transportation categories is expected to remain stable.

Retail is on the brink of expansion

In recent years, retail has contracted sharply in Fairbanks. Mergers and business closures left big voids in Fairbanks' consumer market. This downturn in retail employment is about to end. Fred Meyer is expanding its operation this year. Home Depot, a building and home improvement center, has committed to build a store in 2001. The revival of downtown Fairbanks could attract several small businesses. The big push in retail employment, however, is at least a year away, when Home Depot will open for business. A new Wal-Mart in Fairbanks remains a possibility. Retail growth energy in 2001 will come from restaurant employment. Five new restaurants recently opened their doors. The closures of Wave Wholesale, Alaska Marketplace, and the Royal Fork Restaurant, however, will hold back growth figures throughout this year. Increased growth in retail employment will show in 2002.

Services industries perpetuate perennial growth

Without much population growth in the North Star Borough, services sector employment has increased by 38 percent this past decade. Much of this growth can be attributed to the visitor industry. Fairbanks has significantly added to tourism infrastructure, underscoring this industry's importance. During its most recent expansion, the Fairbanks visitor industry added more than 500 new hotel rooms. This will undoubtedly lead to employment growth in the hospitality industry. Although the future strength of tourism seasons cannot be predicted, the industry seems likely to grow in coming years. The growing retired population in the U.S. is giving tourism nationwide a strong boost, and Alaska should benefit as well. Other visitors are also attracted to Alaska, and this

Fairbanks Forecast Wage and salary employment 2001-2002

2

	1999 Annual Average	2000 Annual Average	Absolute Change 99-00	Percent Change 99-00	2001 Annual Average	Absolute Change 00-01	Percent Change 00-01	2002 Annual Average	Absolute Change 01-02	Percent Change 01-02
Total Nonag. Wage & Salary	33,350	33,750	400	1.2%	34,350	600	1.8%	34,850	500	1.5%
GOODSPRODUCING*	3,300	3,300	0	0.0%	3,450	150	4.5%	3,525	75	2.2%
SERVICEPRODUCING**	30,000	30,450	450	1.5%	30,875	425	1.4%	31,300	425	1.4%
Mining	950	950	0	0.0%	1,000	50	5.3%	1,025	25	2.5%
Construction	1,750	1,750	0	0.0%	1,850	100	5.7%	1,900	50	2.7%
Manufacturing	600	600	0	0.0%	600	0	0.0%	600	0	0.0%
Trans/Comm/Util	3,100	3,100	0	0.0%	3,125	25	0.8%	3,150	25	0.8%
Trade	6,700	6,700	0	0.0%	6,800	100	1.5%	7,000	200	2.9%
Wholesale Trade	750	750	0	0.0%	725	-25	-3.3%	725	0	0.0%
Retail Trade	5,950	5,950	0	0.0%	6,075	125	2.1%	6,275	200	3.3%
Finance/Ins/Real Estate	1,200	1,200	0	0.0%	1,200	0	0.0%	1,200	0	0.0%
Services & Misc.	8,400	8,550	150	1.8%	8,800	250	2.9%	9,000	200	2.3%
Government	10,600	10,900	300	2.8%	10,950	50	0.5%	10,950	0	0.0%
Federal	3,300	3,350	50	1.5%	3,325	-25	-0.7%	3,325	0	0.0%
State	4,400	4,550	150	3.4%	4,600	50	1.1%	4,600	0	0.0%
Local	2,950	3,000	50	1.7%	3,025	25	0.8%	3,025	0	0.0%

* Goods producing industries include mining, construction, and manufacturing.

Subtotals may not add due to rounding.

** Service producing industries include transportation, communications and utilities; trade; finance, insurance and real estate; services; and government.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

year Fairbanks will become a gateway for travelers from Europe, when a German charter airline begins flights.

Employment gains in other service-providing businesses may be widespread, but increases in social services are certain. The Tanana Chiefs Conference is expanding its family services division, and its new day care center will open soon. The health care industry most likely will continue on its path of growth. The aging population, new technologies, and intensification of specialty professional care are big factors leading to industry growth.

For now government employment seems stable

Only small changes are expected in public sector employment. Unlike last year, when government strongly contributed to Fairbanks employment growth, this year's forecast shows no elements that would spur growth. Absent is a big campaign like the Census 2000 or a big increase in funding for education. The University of Alaska Fairbanks projects that staffing at their institution will not materially change within the next two years. Free tuition for Alaska's top high school graduates should, however, encourage university enrollment and employment to go up a bit. Other state employment most likely will stay at its current level.

The federal government will show a small decline from its 2000 employment level, simply because of the completed census. It could retrench further following a slowly moving downward trend in agency employment that is hardly noticeable in one year. Continued privatization of federal jobs could reinforce and accelerate this trend. It does not affect the military population because uniformed personnel are not included in employment statistics. Their presence is not expected to wane any further.

Big changes in local government employment may lie ahead. Public discussions have started about combining the service functions of the borough and the City of Fairbanks. Such changes are not incorporated in this forecast because such a consolidation will need lead time and more public probing. For now, employment growth in both government organizations has stalled and should not vary much in the next two years. The local school district may add staff, albeit growth may be small. School enrollment numbers have not changed much in recent years.

Summary

Basing the forecast strictly on current developments calls for moderate employment growth in 2001 and 2002. Seeds for growth are planted in construction, mining, retail, and services industries. The remaining sectors in Fairbanks appear to be sufficiently stable to uphold past performances.

Southeast Forecast

by
Rachel Baker
Labor Economist

Modest growth and stability ahead

The Southeast economy should continue to grow modestly through 2002. Nearly 800 jobs could be added to the region over the next two years. The broad-based services sector will add the most jobs, but retail trade and construction will also contribute. (See Exhibit 1.) The forest products sector will continue to be the only substantial negative in the Southeast economy. Low prices for milled lumber, contested court decisions, and the uncertainty about the future of Gateway Forest Products' sawmill and veneer plant will continue to weigh heavily on the wood products industry outlook. (See Exhibit 2.)

Services will stay in the lead

The services sector will continue to be the main source of employment growth in the region, and is expected to add nearly 550 jobs in the forecast horizon. Most service sectors should experience some job growth, but health and social services will lead the way. Expansion at Bartlett Hospital in Juneau will result in health care employment growth in the capital city. The Southeast Alaska Regional Health Consortium (SEARHC) will also contribute to employment growth with the expansion of its services in some of the region's remote communities. SEARHC also plans to build a new clinic in Juneau that will allow for more health care providers and additional services.

The steadily aging population in the region will continue to push demand for health care services in clinics and hospitals. Home care services will also see increasing growth. Social services have become a significant player in the Southeast economy as well. Employment gains will likely continue in individual and family counseling, mental health, child care, and job training facilities.

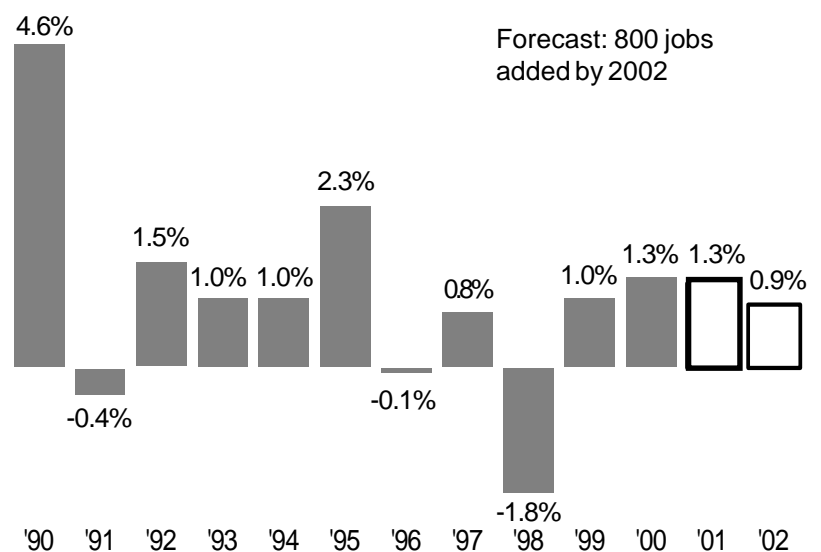
Although the pace of tourism growth in Southeast has slowed somewhat since the mid-1990s, visitor services will continue to be a growing industry as the number of cruise ship passengers continues to increase. Tourist activity is concentrated in the larger communities such as Ketchikan and Juneau, but specialized tourist services for independent travelers could create incremental growth in other areas of the region. Biking, rafting, and icefield excursions from established local operators have become more popular with visitors, and new companies are looking to enter the growing ecotourism market.

Construction will be active

The outlook is good for nearly all construction sectors in the 2001 and 2002 seasons. Like other

Southeast Growth to be Stable

Percent employment change from previous year



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

areas of the state, Southeast construction employment will benefit from a number of publicly funded projects over the next two years. Infrastructure improvements using federal, state, and local funds are planned in nearly all Southeast communities. Projects will include airport work, harbor improvements, road building and maintenance, and bridge rehabilitation. School construction and renovations are planned in Sitka and Juneau. A youth detention facility will be completed in Ketchikan, and a new Alaska Marine Highways administration building is planned for Juneau. The University of Alaska Southeast recently broke ground for a new wing on the Juneau campus. The addition will add 16 classrooms plus a 150-seat lecture hall. Construction of sand and chemical storage buildings at the Yakutat, Sitka and Wrangell airports, and the new National Marine Fisheries (NOAA) facility in Juneau could boost construction employment later in the forecast period.

Implementation of the Southeast Transportation Plan will continue into 2002 and beyond. The first stage of the plan involves an alternative ferry route from Ketchikan to Hollis, on central Prince of Wales Island. The Inter-Island Ferry Authority (IFA) will operate the ferry service that will replace the current Alaska Marine Highways route.

While the IFA's first ship is under construction in Washington state, terminal modifications will take place in Hollis, and a third berth will be built for the new ferry at the Ketchikan terminal. The IFA has plans for a second ferry that will run from Ketchikan to Metlakatla beginning in 2003. The transportation plan also schedules terminal modifications in Metlakatla, Sitka, and Juneau during the next two years.

Residential and commercial construction are not expected to be big growth industries for Southeast, but projects like the townhomes planned by Shee Atika Corporation in Sitka will keep contractors busy.

Transportation gains ahead

Changes in transportation employment will be driven by the start-up of the IFA route from Ketchikan to Hollis. The ferry is scheduled for delivery in November 2001, so most employment gains will likely take place in 2002. Air transportation employment is expected to be fairly flat over the forecast period after remaining stable in 2000.

Wal-Mart breaks into Southeast

The big story in the Southeast retail market is the opening of Ketchikan's Wal-Mart—the region's first. Employment projections at the store range from 165 to 170. Unclear, however, is what effect the opening of the large store will have on Ketchikan's smaller retailers. Retail employment may increase by less than the full number of new Wal-Mart employees.

The new Ketchikan store will likely be the only significant growth spot in the Southeast retail market. Although tourism is still a fairly young industry in Southeast, retail markets are saturated in most communities frequented by tourists.

Public sector employment stable

Government employment in Southeast should stay fairly constant during the forecast period. Federal employment might drop a bit in 2001 with the loss of temporary census workers hired in 2000, but the effect will be slight.

State government employment is projected to be flat in the Southeast region through 2002. Although spending for some state-sponsored programs is decreasing, implementation of the Southeast Transportation Plan, continued growth in health and social services, and the youth detention facility in Ketchikan will offset potential declines from reduced spending in other areas.

In the local government sector, employment will possibly drop off slightly in the education portion due to declining school enrollments in some communities. Strong growth has come from city and borough governments for the past couple of years in Southeast, but that growth is expected to slow in 2001 and 2002.

Manufacturing will pull down employment gains

The manufacturing sector is projected to lose additional jobs in 2001 and 2002, primarily in lumber and wood products. Market prices for lumber have been low for some time, adding pressure to the beleaguered industry. More trouble could also lie ahead for Gateway Forest Products, the sawmill and veneer plant developed at the former Ketchikan Pulp Mill site. The company recently filed for bankruptcy, but has received an interim loan from the Ketchikan

Borough, which will allow operations to continue. The latest negative for the sector is a court decision enjoining logging in unroaded areas of the Tongass National Forest until the Forest Service complies with federal law—a decision sure to be contested.

Seafood processing employment should remain fairly stable for the next two years. The 2001 Southeast salmon forecast predicts a larger harvest than the 2000 season, but annual employment levels stayed constant even with extremely low pink salmon returns in 2000. Labor shortages could come into play during the salmon season if the national economy stays strong, but that could change quickly if the national job market softens.

Mining employment steady

Mining employment should be fairly flat in the

Southeast Forecast 2

Wage and salary employment 2001-2002

	1999 Annual Average	2000 Annual Average	Absolute Change 99-00	Percent Change 99-00	2001 Annual Average	Absolute Change 00-01	Percent Change 00-01	2002 Annual Average	Absolute Change 01-02	Percent Change 01-02
Total Wage & Salary	35,850	36,300	450	1.3%	36,775	475	1.3%	37,100	325	0.9%
GOODS PRODUCING*	5,150	5,200	50	1.0%	5,225	25	0.5%	5,225	0	0.0%
SERVICE PRODUCING**	30,750	31,100	350	1.1%	31,550	450	1.4%	31,875	325	1.0%
Mining	300	300	0	0.0%	300	0	0.0%	300	0	0.0%
Construction	1,650	1,800	150	9.1%	1,875	75	4.2%	1,925	50	2.7%
Manufacturing	3,150	3,100	-50	-1.6%	3,050	-50	-1.6%	3,000	-50	-1.6%
Seafood Processing	1,450	1,450	0	0.0%	1,450	0	0.0%	1,450	0	0.0%
Lumber & Wood Prod.	1,150	1,050	-100	-8.7%	975	-75	-7.1%	925	-50	-5.1%
Trans/Comm/Util	2,850	2,850	0	0.0%	2,875	25	0.9%	2,925	50	1.7%
Trade	6,450	6,300	-150	-2.3%	6,375	75	1.2%	6,400	25	0.4%
Wholesale Trade	600	650	50	8.3%	650	0	0.0%	650	0	0.0%
Retail Trade	5,850	5,700	-150	-2.6%	5,775	75	1.3%	5,800	25	0.4%
Finance/Ins/Real Estate	1,250	1,300	50	4.0%	1,300	0	0.0%	1,300	0	0.0%
Services & Misc.	7,950	8,300	350	4.4%	8,600	300	3.6%	8,850	250	2.9%
Government	12,300	12,350	50	0.4%	12,400	50	0.4%	12,400	0	0.0%
Federal	1,800	1,800	0	0.0%	1,800	0	0.0%	1,800	0	0.0%
State	5,300	5,250	-50	-0.9%	5,250	0	0.0%	5,250	0	0.0%
Local	5,200	5,300	100	1.9%	5,350	50	0.9%	5,350	0	0.0%

* Goods producing industries include mining, construction, and manufacturing.

Subtotals may not add due to rounding.

** Service producing industries include transportation, communications and utilities; trade; finance, insurance and real estate; services; and government.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Southeast region for the next two years. Production levels set a record high at Greens Creek Mine in 2001 and an equipment expansion helped the mine operate more efficiently; however, the employment level is not expected to change significantly during the forecast period.

Mining employment could also be affected by the Sealaska Corporation's announced plans to seek an operating partner or divest itself of SeaCal, the company that operates the Calder limestone mine on Prince of Wales Island. Setup costs at the mine were higher than expected and the limestone market weakened after SeaCal began operating Calder in 1998. The mine is expected to continue production in 2001 while Sealaska pursues an investor.

Summary

The Southeast region will carry on with employment growth around one percent for the next two years. The services sector is expected to add the most jobs, and the construction and retail sectors will help as well. The lumber and wood products industry continues to struggle through supply restrictions and low market prices, and the financial troubles facing Gateway Forest Products will put Southeast's value-added timber industry to the test.

Growth of Population and Employment, 1990 to 2000

Area	Population 1990	Population 2000	Population Growth 1990-2000	Wage & Salary Employment 1990	Wage & Salary Employment 2000**	Wage & Salary Emp. Growth 1990-2000
Alaska	550,043	626,932	14.0%	236,227	279,104	18.2%
Aleutians East Borough	2,464	2,697	9.5%	1,427	1,628	14.1%
Aleutians West Census Area	9,478	5,465	-42.3%	3,869	3,409	-11.9%
Anchorage, Municipality of	226,338	260,283	15.0%	109,962	130,420	18.6%
Bethel Census Area	13,656	16,006	17.2%	4,641	6,045	30.3%
Bristol Bay Borough	1,410	1,258	-10.8%	1,070	1,138	6.4%
Denali Borough*	1,764	1,893	7.3%	NA	1,865	NA
Dillingham Census Area*	4,012	4,922	22.7%	NA	2,389	NA
Fairbanks North Star Borough	77,720	82,840	6.6%	26,869	33,189	23.5%
Haines Borough	2,117	2,392	13.0%	966	981	1.6%
Juneau Borough	26,751	30,711	14.8%	14,122	16,939	19.9%
Kenai Peninsula Borough	40,802	49,691	21.8%	13,891	16,949	22.0%
Ketchikan Gateway Borough	13,828	14,070	1.8%	7,893	7,147	-9.5%
Kodiak Island Borough	13,309	13,913	4.5%	5,742	5,745	0.1%
Lake and Peninsula Borough*	1,688	1,823	8.0%	NA	705	NA
Matanuska-Susitna Borough	39,683	59,322	49.5%	7,077	12,283	73.6%
Nome Census Area	8,288	9,196	11.0%	2,906	3,469	19.4%
North Slope Borough	5,979	7,385	23.5%	7,575	7,944	4.9%
Northwest Arctic Borough	6,113	7,208	17.9%	2,220	2,811	26.6%
Prince of Wales-Outer Ketchikan C.A.	6,278	6,146	-2.1%	2,231	2,105	-5.6%
Sitka Census Area	8,588	8,835	2.9%	4,124	4,110	-0.3%
Skagway-Hoonah-Angoon C.A.*	3,680	3,436	-6.6%	NA	1,514	NA
Southeast Fairbanks Census Area	5,913	6,174	4.4%	1,436	1,637	14.0%
Valdez-Cordova Census Area	9,952	10,195	2.4%	4,655	4,658	0.1%
Wade Hampton Census Area	5,791	7,028	21.4%	1,368	2,021	47.7%
Wrangell-Petersburg Census Area	7,042	6,684	-5.1%	2,675	2,623	-1.9%
Yakutat Borough	705	808	14.6%	NA	398	NA
Yukon-Koyukuk Census Area*	6,714	6,551	-2.4%	NA	2,024	NA

*Boroughs or census areas created or changed since 1990, so comparisons are not possible.

**Represents last quarter of 1999 and first three quarters of 2000.

Sources: U.S. Bureau of the Census, and Alaska Department of Labor and Workforce Development, Research and Analysis Section