ALASKA'S LIVING COSTS, WHERE THEY'VE BEEN AND WHERE THEY ARE HEADED

The last year or so, as housewives both in and out of Alaska are painfully aware, has seen living costs and, in particular, food costs rise at an uncomfortable rate. According to the Bureau of Labor Statistics, U. S. prices overall rose by some 4.8 percent during the period from July of 1972 to July of 1973. Accounting for the major share of the gain in the nation-wide figure was the cost of food - stuffs which advanced by 13.4 percent over the year. While no comparable figures are available for the State of Alaska as a whole, living costs in Anchorage, for which consumer price data is collected, showed an increase of 3.9 percent, somewhat less than the nation-wide average. As was the case for the nation as a whole, the food sector accounted for the major share of the increase in Anchorage's living costs. The increase in food costs for the State's largest city at 11.2 percent was also less than the 13.4 percent noted for the nation as a whole. In addition, housing costs in Anchorage, the other major component of the Consumer Price Index, rose by less than one percent over the period. Comparative U. S. housing costs were ahead by 3.6 percent. Indeed, as the table below indicates, Anchorage area residents can derive a little comfort from the fact that year-to-year cost increases in Anchorage have with one exception (Apparel and Upkeep) proceeded at a somewhat lower rate than was the case for comparable U. S. figures.

COMPARISON OF YEAR CHANGES
IN SELECTED PRICE INDICIES JULY 72 – JULY 73
FOR ANCHORAGE, ALASKA AND THE U.S.*

GROUP	Anchorage Percent Change	U. S. Percent Change
All Items	3.9%	4.8%
Food	11.2	13.4
Housing	.9	3.6
Apparel and Upkeep	4.9	3.9
Transportation	1.5	3.7
Health and Recreation	4.1	5.8

* Source U. S. Department of Labor – Burea of Labor Statistics.

This is a continuation of a trend noted during past years whereby Anchorage (though not necessarily Statewide) living costs have tended to rise at a lower rate than those for the nation as a whole. Historically and over the past year the most important factor tending to hold down the rate of rise in Anchorage living costs has been population growth. This is somewhat paradoxical in view of the fact that an expanding population usually has just the opposite effect. Apparently, however, the deflationary effect of increased utilization of economies of scale that a growing population has brought to Anchorage, combined with the cost reductions due to technological improvements in cargo transportation (i.e. containerization) have more than offset the demand-pull inflationary effects which are usually associated with rapid population and economic growth.

As noted above, total consumer expenditure data is not collected on a regular basis for areas of Alaska other than Anchorage. However, the University of Alaska's Cooperative Extension Service does prepare a quarterly tabulation of food costs computed for a food basket of items that are priced in various cities around the State. Because the reference month for this data is June rather than July, as is the case for the Anchorage and U. S. figures noted above, the data given in the table below is not statistically comparable with nationwide figures.1/ However, they do give a picture of comparative cost rises in various Alaskan communities over the past year.

1/ For example, Anchorage food costs, according to the Cooperative Extension Service, rose by 8.3 percent from June of 1972 to June of 1973 compared with the 11.2 percent increase reported by BLS for the July 1972 to July 1973 period.

PERCENT CHANGE IN FOOD COSTS
FOR SELECTED ALASKAN COMMUNITIES
JUNE 1972 – JUNE 1973*

CITY	1972–73 FOOD INCREASE
Ketchikan	8.9%
Petersburg	11.3
Sitka	10.3
Juneau	12.8
Seward	16.8
Kodiak	11.5
Kenai–Soldotna	12.0
Valdez	14.2
Palmer	10.9
Fairbanks	10.2
Bethel	5.9
Nome	5.1
Anchorage	8.3

* Figures computed from data provided by the University of Cooperative Extension Service.

Generally speaking, all the towns surveyed (with the exception of Nome and Bethel) have experienced strong rises in food costs. The most severe of these have come in the towns of Seward and Valdez. Large increases in these communities reflect their smaller population (relative to other Alaskan communities) and the resulting inability to utilize economies of scale to reduce the impact of increased freight costs. Indeed, a further reflection of this can be seen in the fact that all of the State's communities except Nome and Bethel have seen food prices rise more rapidly than was the case for Anchorage. The relatively small percentage rise in food prices for Nome and Bethel may reflect improvements related to transportation which comprises a greater portion of total food costs in Northern and Western Alaska than is the case for the rest of the State.

So far we have discussed the rise in living costs for various Alaska communities that has taken place over the past year. A look into the future reveals that, over the next six months Alaska's costs should rise in a manner similar to that of the past year. Food prices nationally are expected to continue the upward trend noted during the first nine months, and these increases will undoubtedly be passed on to consumers in Alaska as elsewhere. Hence, Alaska's living costs should follow those of the U. S. as a whole for the duration of 1973 and probably the first quarter of 1974.

From then on, however, the picture is less clear. If the Trans-Alaska Pipeline begins as anticipated during mid-1974, considerable demand will be generated particularly in Southcentral Alaska in the triangular area of which Anchorage, Fairbanks, and Valdez form the points. This demand will probably come most strongly in housing, and in health and recreational services. Its impact on the overall cost of living in these communities, and indeed in the State as a whole will depend in large measure on how well the State and local economies can absorb it. If for example the Anchorage area is able to furnish sufficient housing for the influx of newcomers that the pipeline will bring, then housing costs in that city should remain at relatively tolerable levels. If on the other hand, a sufficient number of dwellings can not be provided, rental and home ownership costs may very well go through the roof, dragging the area's overall living costs with them. This situation could be further aggrevated by the high wages that will be paid in some industrial sectors during the pipeline construction. Although housing costs in Anchorage are used as the example in this discussion, the same will hold true for other consumer expenditures.

Other areas in the State outside the triangular region described above will also feel the impact of pipeline construction. Juneau, for example, which is geographically well outside the area of direct pipeline impact, will feel strong secondary effects in the form of increased State government hiring. These new hires will in turn exert an upward pressure on that community's cost of living through the demand both

for housing and for other goods and services that their presence will create. Other communities located away from the pipeline construction corridor will feel an upward pressure on their living costs as local firms, particularly those in construction and related areas, bid up the cost of labor to prevent their workers from being drawn out of the area by the high wages to be paid on the pipeline project.

All in all, pipeline construction seems likely to exert considerable inflationary pressure on Alaska's economy. This pressure will be separate and distinct from forces originating in the nation-wide economy which may, depending on their nature, tend to raise or lower the State's cost of living. However, unlike these forces over which the State has relatively little control, the degree to which pressure generated by the pipeline is translated into cost of living rises both Statewide and locally is to some degree controllable. How much control is actually exerted will be determined by the actions of Alaska's various economic sectors both before and during pipeline construction.

ALASKA'S ECONOMY IN AUGUST

Employment – Unemployment: Total employment reached its seasonal peak for 1973 during August as new hires in the construction industry and other sectors of the economy offset losses in food processing. Employment was also ahead over the year as high levels of building combined with an excellent tourist season offset lower salmon canning employment. While employment was rising over the month and year, unemployment showed mixed, falling from July to August, but ahead of August 1972. The over-the-month drop came as many persons seeking employment either found work or became discouraged and dropped out of the laborforce. The increase from a year ago may reflect after effects of the sluggishness experienced by the economy during the first half of 1973.

Mining: Employment in mining remained the same over the month. As a rule, summer usually represents the seasonal low point for the petroleum industry which comprises the lion's share of Alaska's mining sector. This is because the marshy condition of the tundra in the state's far north, where most exploration is now taking place, prevents effective operations by ground vehicles during that season. The winter freeze-up during October or November should bring an upsurge in activity and employment particularly in seismic exploration as oil companies, anticipating future oil and gas lease sales, move to gather information on the petroleum potential of the many unexplored areas of the State's far north.

ESTIMATED CIVILIAN WORKFORCE IN ALASKA Aug. 1973 1/

INDUSTRY	(Thousands) 8-73	7-73	8-72	Changes From: 7-72	8-72
CIVILIAN WORKFORCE	146,700	145,600	141,600	1,100	5,100
INVOLVED IN WORK STOPPAGES	400	0	100	400	300
TOTAL UNEMPLOYMENT	13,400	14,100	12,000	-700	1,400
Percent of Workforce	9.1	9.7	8.5	-	
TOTAL EMPLOYMENT 2/	132,900	131,500	129,500	1,400	3,400
Nonagricultural Wage & Salary 3/	117,800	116,200	112,500	1,600	5,300
Mining	2,200	2,200	2,900	0	-700
Construction	10,900	10,500	9,500	400	1,400
Manufacturing	11,500	13,300	12,200	-1,800	-700
Durable Goods	3,800	3,600	3,400	200	400
Lumber, Wood Products	2,800	2,700	2,700	100	100
Other Durable Goods	1,000	900	700	100	300
Non Durable Goods	7,700	9,700	8,800	-2,000	-1,100
Food Processing	6,000	7,600	6,800	-1,600	-800
Other Non Durable Goods	1,700	2,100	2,000	-400	-300
Transp.-Comm. & Utilities	11,500	11,300	11,300	200	200
Trucking & Warehousing	2,100	2,000	2,000	100	100
Water Transportation	1,100	1,000	1,300	100	-200
Air Transportation	3,300	3,300	3,100	0	200
Other Transp.-Comm. & Utilities	5,000	5,000	4,900	0	100
Trade	19,000	18,600	17,400	400	1,600
Wholesale Trade	3,700	3,500	3,500	200	200
Retail Trade	15,300	15,100	13,900	200	1,400
General Merchandise & Appar.	4,000	3,900	3,500	100	500
Food Stores	2,400	2,400	2,300	0	100
Eating & Drinking Places	3,300	3,400	3,300	-100	0
Other Retail Trade	5,600	5,400	4,800	200	800
Finance-Insurance & Real Estate	4,100	4,000	3,500	100	600
Service & Miscellaneous	16,100	16,000	14,400	100	1,700
Government 4/	42,500	40,300	41,300	2,200	1,200
Federal	17,500	17,700	17,800	-200	-300
State	15,000	12,700	14,000	2,300	1,000
Local	10,000	9,900	9,500	100	500

1/ Estimated in accordance with techniques recommended by U. S. Bureau of Labor Statistics.

2/ Includes domestics, nonagricultural self employed and unpaid family workers, and agricultural workers.

3/ Prepared in cooperation with the U. S. Bureau of Labor Statistics.

4/ Includes teachers in primary and secondary schools, and personnel employed by the University of Alaska.

Over the year employment was off by 700 as the oil sector awaited passage of a bill currently in a House-Senate conference committee which would eliminate many of the roadblocks which have been preventing pipeline construction and thereby severely hampered oil exploration and production activities in much of Alaska.

Construction: Seasonal factors and the record setting pace of contract awards pushed employment in construction ahead by 400 from July to August and up by 1,400 over the year. With the pipeline outlook continuing to brighten the valuation of contracts let, and hence construction employment, should continue above last year's record levels for the duration of 1973, providing the current sky high interest rates don't cause funding sources for new construction to dry up.