



ALASKA ECONOMIC
TRENDS

JANUARY 2019

JOBS FORECAST
for 2019

FROM THE COMMISSIONER

A new year brings new leadership and renewed focus

By **Dr. Tamika L. Ledbetter**, Commissioner

Happy New Year, and welcome to 2019!

Visiting with the Department of Labor and Workforce Development's incredible team over the first month of my appointment has left me in awe. I am grateful every day for the skills, knowledge, and talent each team member brings to the table in service to Alaskans across the state. As commissioner, it is my pleasure to lead such an amazing group of dedicated employees, and I look forward to the opportunity to build on the important work that has already been accomplished.

In this month's *Trends* we present the department's annual employment forecast. There is no better time to look ahead. Gov. Mike Dunleavy's new administration is focused on ensuring Alaska is open for business.

As we look forward to a bright future for workers and employers, our department is committed to economic and workforce development in every corner of the state, from Nome and Utqiagvik to Unalaska and Ketchikan. Our goal is to ensure workers are prepared for jobs in their communities and are on the right track to enter those positions.

Setting residents of rural communities up for success will require significant, active engagement with industry to identify needs and tailor program offerings accordingly. Without active industry involvement in job training, Alaska cannot succeed in workforce development.

The department has two primary focus areas: ensuring young Alaskans are prepared to replace older workers who retire, and building up the Alaska Native workforce. The commissioner's office will make each decision with an efficient, inclusive, and integrated workforce development model in mind.



To move the labor force forward, we will coordinate training and education with professionals across a range of industries. Our team will work tirelessly to strengthen its partnerships with training providers across Alaska, particularly within the career and technical education network, or CTE.

CTE is critical to providing young Alaskans with the skills they need to be successful in the workforce. Developing a capable pool of workers starts with reaching out to youth as early as possible — this means educating teens about all of their postsecondary options, not just traditional four-year college degrees.

Alaska's training infrastructure is robust, and we can only increase its efficacy with input from employers and the business community. In turn, the department will strive to align with industry in each region of Alaska, ensuring residents have ample opportunities to generate income for themselves and their families.

This administration will also pursue efficiencies and cost reduction measures that trim down burdensome regulations for businesses while continuing to reinforce worker safety. We will reduce duplication of services and tighten integration between divisions. To avoid costly accidents and injuries, the department will focus on providing employers with early occupational safety and health consultations. Collectively, we will work to develop industry that generates income for Alaska residents.

I look forward to advancing these important priorities, and I wish you a great year ahead!

Contact Dr. Tamika L. Ledbetter, Commissioner, at (907) 465-2700 or commissioner.labor@alaska.gov.



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ON THE COVER:

The view south over Lost Lake to Resurrection Bay islands and the Gulf of Alaska, photo by Flickr user DCSL
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ALASKA
DEPARTMENT of LABOR
and WORKFORCE
DEVELOPMENT

Governor
Mike Dunleavy
Commissioner
Dr. Tamika L. Ledbetter

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Trends is a nonpartisan, data-driven monthly magazine that covers a range of economic topics in Alaska.

ON THIS PAGE: The inside cover image for 2019 is an aerial photo of rivers near Circle by Dr. Travis Nelson, who teaches at the Center for Pediatric Dentistry in Seattle. Nelson visited Alaska in May 2010 to provide dental care to children in Venetie, Circle, and Fort Yukon.

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Jobs Forecast for 2019

A handful of industries likely to spur slight growth this year

By **KARINNE WIEBOLD**

After three years of job losses, Alaska is set to regain a small amount of lost ground in 2019 as some industries show signs of recovery. We forecast 0.4 percent growth in 2019, or about 1,400 new jobs. (See exhibits 1 through 4.)

Sectors devastated early in the recession are beginning to add jobs again. Oil industry employment stabilized in mid to late 2018, and increased activity on the North Slope signals resumed growth. The construction industry, hit especially hard during the recession's first two years, began to add jobs in 2018 and will pick up the pace in 2019, mainly through projects at Eielson Air Force Base in the Interior.

Other sectors have stabilized and some, such as retail and state and local government, will continue to lose jobs in 2019.

Three drivers of growth: military, oil, and tourism

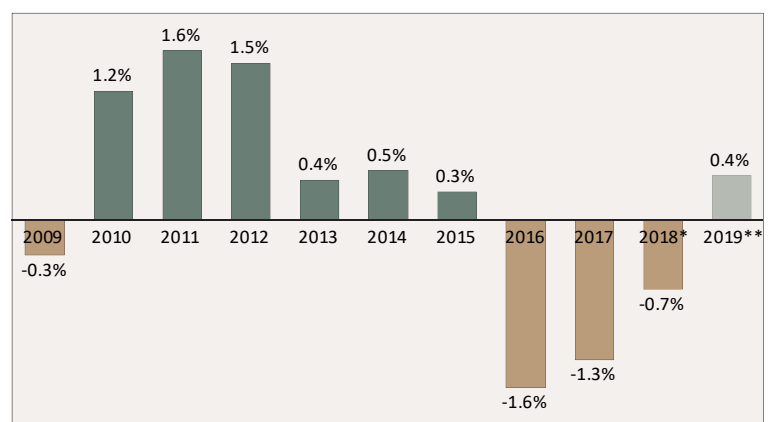
Forecasted growth has three major drivers this year. The largest is preparation for the arrival of F-35 fighter jets at Eielson, the first of which will arrive in 2020. The Air Force base will host two full squadrons by 2022.

Preparations include a half-billion dollars in new construction to accommodate the jets and additional active duty and civilian support staff. This is big for the Interior, but it will also boost construction and profes-

1

Regaining Some Ground After Losses

STATEWIDE CHANGE IN JOBS, 2009 TO 2019 FORECAST



*Preliminary **Forecast

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

sional and business services around the state, mainly in Anchorage and the Matanuska-Susitna Borough.

Oil and gas activity is also expected to pick up despite lackluster oil prices, with a number of projects on the near horizon.

The third driver is tourism, as 2019 is expected to be another record year. The projected number of cruise ship passengers is up 16 percent, to 1,361,400. As long as the U.S. economy remains strong and barring

substantial disruptions globally, Alaska will continue to be an attractive tourist destination.

Construction will grow the most

By industry, construction is forecasted to add the



2

Statewide Job Forecast by Industry

WAGE AND SALARY EMPLOYMENT, 2017 TO 2019

	2017 monthly average ¹	2018 monthly average ¹	Change in jobs 2017-18	Percent change 2017-18	FORECAST		
					2019 monthly average	Change in jobs 2018-19	Percent change 2018-19
Total Nonfarm Employment ²	329,000	326,800	-2,200	-0.7%	328,200	1,400	0.4%
Total Private Sector	247,900	246,400	-1,500	-0.6%	248,000	1,600	0.6%
Natural Resources and Mining	13,000	12,600	-400	-3.1%	13,000	400	3.2%
Oil and Gas	9,700	9,300	-400	-4.1%	9,600	300	3.2%
Construction	15,200	15,500	300	2.0%	16,400	900	5.8%
Manufacturing	13,200	12,900	-300	-2.3%	12,800	-100	-0.8%
Trade, Transportation, and Utilities	64,700	64,100	-600	-0.9%	64,000	-100	-0.2%
Retail Trade	36,400	35,500	-900	-2.5%	35,200	-300	-0.8%
Wholesale Trade	6,400	6,400	0	0%	6,400	0	0%
Transportation, Warehousing, and Utilities	21,900	22,200	300	1.4%	22,400	200	0.9%
Information	6,000	5,700	-300	-5.0%	5,600	-100	-1.8%
Financial Activities	11,900	11,700	-200	-1.7%	11,500	-200	-1.7%
Professional and Business Services	27,800	27,200	-600	-2.2%	27,000	-200	-0.7%
Educational ³ and Health Services	49,800	50,300	500	1.0%	50,700	400	0.8%
Health Care	37,400	38,100	700	1.9%	38,600	500	1.3%
Leisure and Hospitality	35,300	35,400	100	0.3%	35,900	500	1.4%
Other Services	11,000	11,000	0	0%	11,100	100	0.9%
Total Government	81,100	80,400	-700	-0.9%	80,200	-200	-0.2%
Federal Government ⁴	15,100	15,000	-100	-0.7%	15,200	200	1.3%
State Government ⁵	23,800	23,500	-300	-1.3%	23,300	-200	-0.9%
Local Government ⁶	42,200	41,900	-300	-0.7%	41,700	-200	-0.5%

¹Preliminary and adjusted estimates

²Excludes self-employed workers, fishermen, domestic workers, and unpaid family workers

³Private education only

⁴Excludes uniformed military

⁵Includes the University of Alaska

⁶Includes public school systems

Note: Sectors may not sum due to rounding.

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

largest number of jobs in 2019 — 900, or 5.8 percent — mostly related to the growth at Eielson.

The 7.0 magnitude earthquake that hit Southcentral Alaska on Nov. 30, 2018 will also boost construction as commercial buildings, homes, and roads need repair or reconstruction.

While the earthquake's total cost isn't yet clear, we expect the recovery to generate a modest number of jobs through early 2019 and additional work in the summer when the weather is suitable for exterior and earth work.

Alaska's population declined in 2017 for the first time since 1988, when the state was in the midst of another recession. Although more people have left Alaska than moved in for the last five years, natural increase was enough to keep the population growing until 2017.

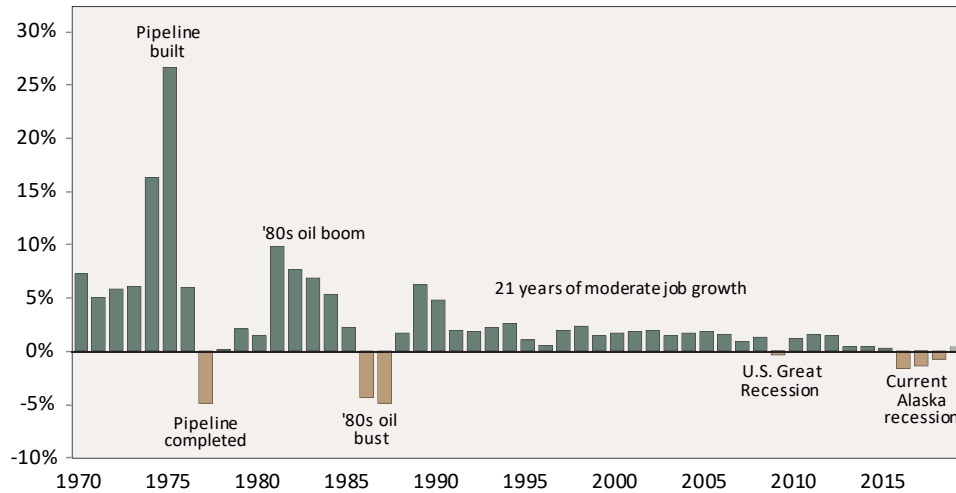
Other industries that will add jobs

For natural resources and mining, which includes oil and gas as well as hard rock mining, we forecast 400 new jobs in 2019, or 3.2 percent growth.

Oil and gas industry employment plummeted 37 percent after its peak in 2014, a loss of 5,500 jobs, but the losses appeared to bottom out in 2018. The industry is projected to regain 300 jobs this year, with a number of new projects on the horizon. (For more on the oil industry, see the Anchorage profile on page 8.)

3 Job Loss and Gain Over Alaska's Modern History

PERCENT CHANGE, 1970 TO 2019 FORECAST



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

Mining has been strong and steady, and is set to add 100 jobs.

High expectations for tourism will spur growth in the transportation and warehousing, mainly in the water-based scenic and sightseeing transportation category (500 jobs). A strong visitor season will also boost leisure and hospitality, which is expected to add about 500 jobs. Many of those will be tied to the three new hotels that will open in Anchorage this year.

Health care has grown steadily for the past two decades, punctuated by the occasional growth spurt. An example is when Medicaid expansion went into effect in late 2015. Coverage for an additional 46,000 Alaskans boosted health care's job numbers noticeably in

2016 and 2017.

Health care will continue to grow, but at a more moderate pace. The industry added about 700 jobs in 2018 and is forecasted to add 500 this year. (See Exhibit 5.)

More loss on horizon for some industries

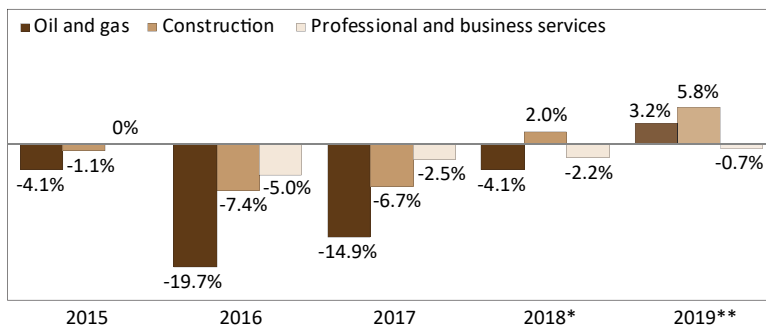
Retail was the biggest loser in 2018, shedding 900 jobs after losing 700 the year before. We expect the losses will slow in 2019, but the industry will still lose 300 jobs. (See Exhibit 6.)

Several major retailers closed in 2018, including Sam's Club and Sears in Anchorage and Fairbanks, costing the state hundreds of jobs. While these closures were due to corporate changes nationally rather than the state recession, they exacerbated retail's losses.

Stores open and close all the time, though, and while those changes are attention-grabbing, what really moves retail employment in the long run is a combination of local demand and availability, and the increasing popularity of online shopping will continue to put a damper on traditional retailers nationwide.

4 Hardest-Hit Industries Begin to Recover

EMPLOYMENT CHANGE, 2015 TO 2019 FORECAST



*Preliminary **Forecast

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

Information jobs, which include newspapers and telecommunications, have been in decline for years and are forecasted to decrease by another 100 in 2019. The closure or consolidation of state media outlets mirrors the national trend of moving from print to less labor-intensive online delivery.

The financial industry's gradual employment decline is also likely to continue, with a forecasted loss of 200 jobs, similar to 2018.

Professional and business services was hit hard and early by the recession, and while its losses have slowed, we expect they'll continue into 2019.

Professional and business services jobs include legal services, accounting, architecture and engineering, management of companies, and administrative support and waste management. The sector lost 1,500 jobs in the first year of the recession, 700 the second year, and 600 in the third. We forecast 2019's loss to shrink to just 200 jobs, as increased construction and oil and gas activity will generate some new demand.

Manufacturing, which is mostly seafood processing in Alaska, is expected to lose 100 jobs in 2019.

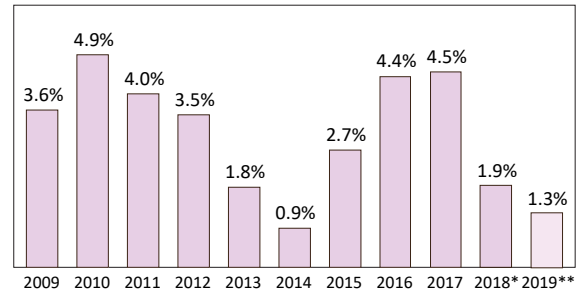
The industry has been shrinking for a while through changes to seafood processing techniques and the growing popularity of overseas processing. Salmon runs are another factor, and they've been erratic the last couple of years. This year's catch is forecasted to be similarly low, as is the halibut catch.

Continued on page 14

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Health Care Growth Slows

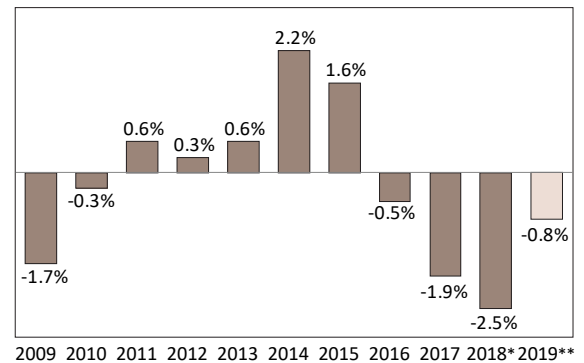
PERCENT CHANGE, 2009 TO 2019 FORECAST



6

Retail to Remain Pinched

PERCENT CHANGE, 2009 TO 2019 FORECAST



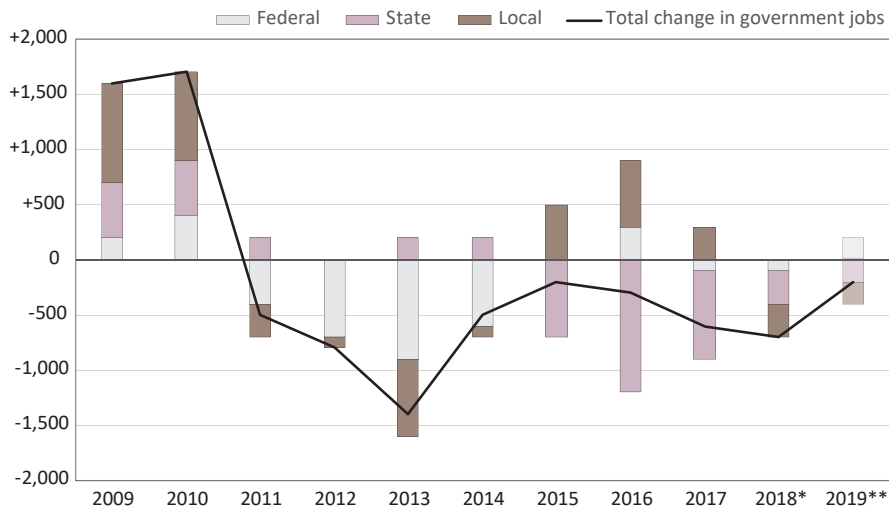
*Preliminary **Forecast

Source for exhibits 5 and 6: Alaska Department of Labor and Workforce Development, Research and Analysis Section

7

Forecasted State, Local Government Declines

EMPLOYMENT CHANGE, 2009 TO 2019 FORECAST



*Preliminary **Forecast

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

Modest job growth on Anchorage's horizon

By NEAL FRIED

Job loss has been the headline for the last three years in Anchorage, and although the decline became smaller each year, this has been the longest recession in the city's history.

The city will inch back into positive territory in 2019 with 0.2 percent forecasted growth, not through any major project or event but by small gains in a number of industries.

Although some Anchorage industries will continue to lose jobs, improving consumer sentiment and growth in tourism, construction, air freight, health care, and military spending will likely offset any declines. (See exhibits 1 and 2.)

Forecasts are based on what we know now, however, so a dramatic oil price decline, big state government cuts, a national recession, or another economic shock would change the outlook considerably.

Oil industry turned a corner with projects, higher prices

The oil industry, which is headquartered in Anchorage, lost 6,100 statewide jobs between December 2014 and November 2017.

Its employment has been mostly stable since then, and small gains are on the horizon for 2019. (See Exhibit 3.)



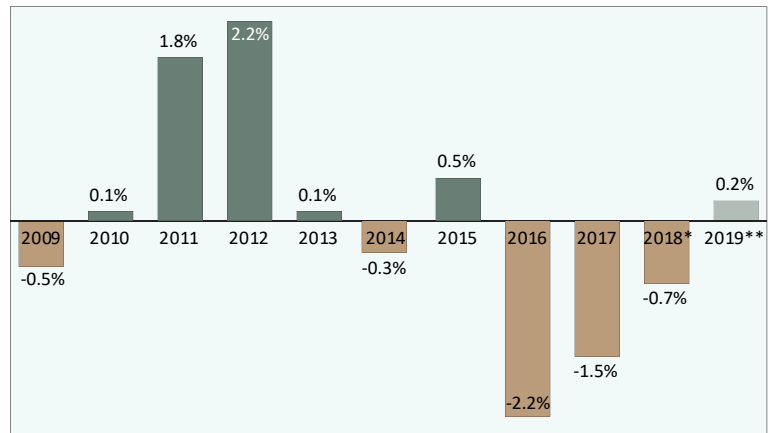
Better oil prices are one factor. The 2016 average was \$43 per barrel, and 2018 averaged \$71, although prices fell during the last two months of the year.

The past two years have brought a growing list of discoveries as well, and access to these resources has improved.

1

Minor Job Gains After 3 Years of Loss

ANCHORAGE CHANGE IN JOBS, 2009 TO 2019 FORECAST



*Preliminary **Forecast

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

ConocoPhillips plans to drill six to eight new wells in 2019, which would make this one of their busiest seasons in years. They are also increasing their Alaska budget from \$900 million in 2018 to \$1.2 billion in 2019.

Independents such as Hilcorp, Great Bear Petroleum, and Caelus also have bigger plans for 2019. This means the industry is hiring again after three years of cuts, which bodes well for Anchorage employment.

Construction begins to rebound

Construction suffered a similar fall between 2015 and 2017, losing 1,100 jobs in Anchorage before the tide turned in 2018.

This trend of modest gains is likely to continue in 2019 — again, not due to big projects but because activity had fallen to such a low level.

Construction losses didn't begin with the current recession, as the industry has weathered several rough patches over the last decade-plus. By 2018, Anchorage's construction employment had dropped to 2001's level of about 7,400 jobs — a big contrast to 2005, when industry employment stood at 9,800.

Office and industrial projects in Anchorage remain scarce, and vacancy rates are still climbing. This is the

2

Anchorage Job Forecast by Industry

WAGE AND SALARY EMPLOYMENT, 2017 TO 2019

	2017 monthly average ¹	2018 monthly average ¹	Change in jobs 2017-18	Percent change 2017-18	FORECAST		
					2019 monthly average	Change in jobs 2018-19	Percent change 2018-19
Total Nonfarm Employment ²	151,900	150,800	-1,100	-0.7%	151,100	300	0.2%
Natural Resources and Mining	2,700	2,600	-100	-3.7%	2,800	200	7.1%
Oil and Gas	2,600	2,500	-100	-3.8%	2,700	200	7.4%
Construction	7,200	7,400	200	2.8%	7,700	300	3.9%
Manufacturing	2,000	2,100	100	5.0%	2,100	0	0%
Wholesale Trade	4,700	4,700	0	0%	4,700	0	0%
Retail Trade	17,500	16,900	-600	-3.4%	16,700	-200	-1.2%
Transportation, Warehousing, and Utilities	11,200	11,500	300	2.7%	11,700	200	1.7%
Information	3,800	3,500	-300	-7.9%	3,400	-100	-2.9%
Financial Activities	7,400	7,300	-100	-1.4%	7,300	0	0%
Professional and Business Services	18,200	17,600	-600	-3.3%	17,400	-200	-1.1%
Educational ³ and Health Services	26,400	26,800	400	1.5%	27,300	500	1.8%
Health Care	20,700	21,200	500	2.4%	21,600	400	1.9%
Leisure and Hospitality	17,200	17,300	100	0.6%	17,600	300	1.7%
Other Services	5,700	5,600	-100	-1.8%	5,600	0	0%
Government	27,900	27,500	-400	-1.4%	26,800	-700	-2.6%
Federal Government ⁴	8,500	8,400	-100	-1.2%	8,200	-200	-2.4%
State Government ⁵	9,900	9,800	-100	-1.0%	9,500	-300	-3.2%
Local Government ⁶	9,500	9,300	-200	-2.1%	9,100	-200	-2.2%

¹Preliminary and adjusted estimates

²Excludes self-employed workers, fishermen, domestic workers, and unpaid family workers

³Private education only

⁴Excludes uniformed military

⁵Includes the University of Alaska

⁶Includes public school systems

Note: Sectors may not sum due to rounding.

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

case for nearly all vertical construction, both private and government.

Anchorage has some retail construction with the near-rebuilding of the Sears Mall, now called the Midtown Mall. In 2019, it will house three new large tenants: REI, Carrs-Safeway, and Planet Fitness. Two new hotels are nearly complete and a third will open late in the year, adding approximately 450 rooms to Anchorage's accommodations.

Residential housing is on a similar sluggish track, with building permits at a near record low over the first 10 months of 2018. The city permitted 387 new units, down from 432 for the same 10 months in 2017. (See Exhibit 4.) We expect a near-repeat performance this year, although three major multi-family buildings are under construction in downtown Anchorage, something the city hasn't seen in many years.

Highway and airport related construction, which is largely federally funded, looks positive for 2019,

mainly because of projects outside the area. Many Anchorage contractors are involved in the half-billion dollars' worth of work at Eielson Air Force Base near Fairbanks, which is preparing for the arrival of two F-35 fighter jet squadrons. Building projects are also under way at two of the Interior's other bases: Clear Air Force Station and Fort Greely.

Retail's woes will continue as online shopping takes a toll

Retail was one of Anchorage's biggest job losers in 2018, exacerbated by a rash of store closures, and the industry is on the same track in 2019.

The largest loss last year was the closure of two Sam's Club warehouses, which employed about 200 people. Other closures included Sears, Toys "R" Us, and Bed Bath and Beyond. Although the recession has certainly taken its toll on stores, all of these closures were

due to corporate restructuring nationwide rather than the local economy.

Online shopping is hurting traditional retail employment as well. This is a nationwide trend, even with a booming U.S. economy, as more consumers turn to e-commerce.

Professional service losses will taper

The recession has taken a big bite out of architectural, engineering, environmental, and other consulting services through a multiyear slowdown in construction and oil and mining exploration.

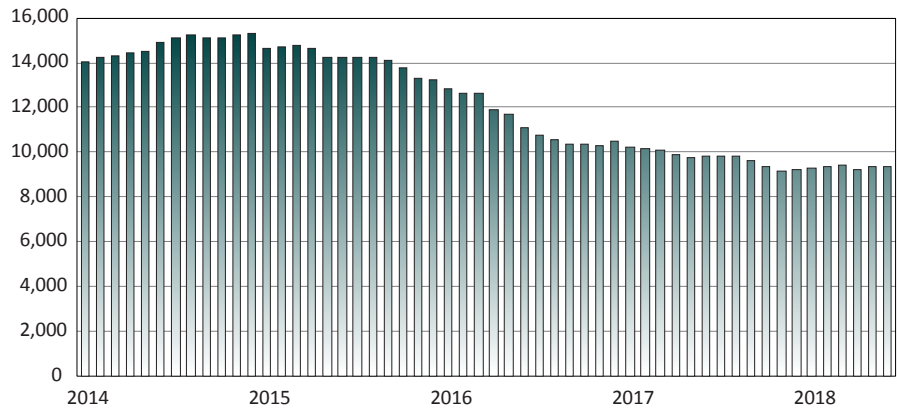
These services are part of the larger professional and business services category, which began to lose jobs in 2014 and continued declining through 2018, shedding 3,300 so far. We forecast a smaller loss this year because the improved outlook for construction and oil will increase demand for related services.

Outlook mostly positive for bars, restaurants, and hotels

The number of cruise ship passengers visiting Alaska broke records in 2017 and 2018 and is likely to reach

3 Oil Industry Employment Stabilizes

ALASKA, 2014 TO 2018



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

another high in 2019. This is good news for a number of Anchorage industries, especially leisure and hospitality.

Restaurants and bars represent two-thirds of Anchorage's leisure and hospitality employment, hotels account for another fifth, and the balance is in entertainment. Visitors and locals both drive demand for this industry, with local demand as the larger stimulus.

Accommodations employment has grown slightly over the past two years and is forecasted to continue growing in 2019, mainly as the result of strong visitor seasons and more business-related travel. Two hotels opening in early 2019 and a third later in the year will also produce more jobs in accommodations.

The story is different for bars and restaurants, which have about 11,500 jobs in Anchorage. Employment peaked in 2016, then fell 2 percent in 2017 as consumers spent more conservatively. Employment stabilized in 2018 and will likely stay close to that level in 2019.

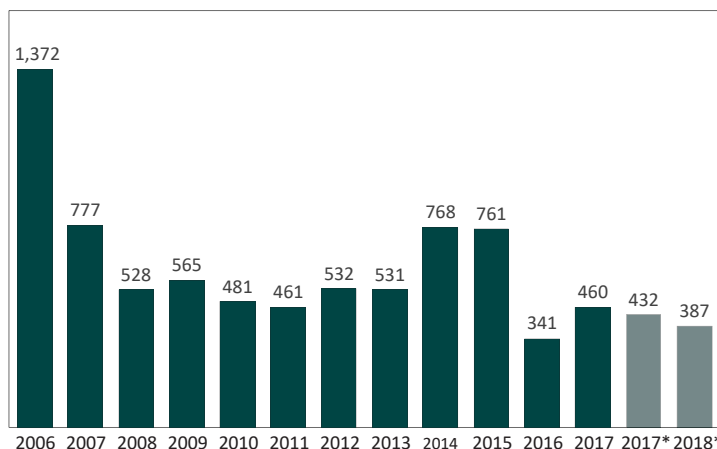
Some of Anchorage's venerable eateries closed their doors in 2018, but others such as Dave and Buster's arrived. In 2019, the Bear's Tooth will open a food hall.

Little change in the financial sector

The financial industry is broad, covering

4 Residential Building Remains Slow

ANCHORAGE HOME BUILDING PERMITS, 2006 TO 2018*



*First 10 months of the year
Source: Municipality of Anchorage

real estate and all the businesses connected to it such as mortgage activity, title work, banking and credit unions, insurance, property management, and brokerage houses.

The balance sheets for most of the state's financial intuitions remain solid. Home sales in Anchorage rose slightly through September 2018, at 2,854 compared to 2,839 for that period in 2017. Foreclosures show no sign of increasing. Average house prices rose 2 percent, while condo values dipped. Inventory remained about the same.

Rental vacancies increased, from 5.1 percent in 2017 to 6.2 percent in 2018, and commercial vacancies remain in the double digits. We expect that trend will continue as Anchorage adds a modest number of new homes to its inventory this year without an increase in population.

Rising interest rates could dampen the market, which is something to watch as they inch up.

Health care growth will continue, but slower

Health care is Anchorage's largest private sector employer and has generated the largest number of new jobs for a very long time.

The industry added about 500 jobs in 2018, for 2.4 percent growth. This was a slowdown from the 10-year annual average of 3.6 percent, and we forecast slower growth again in 2019.

Transportation remains strong

Transportation has performed remarkably well during the recession. The industry lost a small number of jobs in 2016, bounced back the next year, then grew in 2018.

Summer airport passenger traffic increased 4.5 percent in 2018, and cargo rose 6.5 percent.

Strong visitor seasons and continued growth in international air cargo has propped up this industry, and for these reasons, 2019's outlook remains positive.

Decline will continue at all levels of government

Employment shrank at all levels of government in Anchorage in 2018. The losses were small, and the forecast for 2019 is similar.

Federal employment has oscillated between small gains and losses for years with no clear direction or explanation. This year, Anchorage is forecasted to lose a small number of federal jobs.

State government, which includes the University of Alaska Anchorage, lost 400 jobs in 2016, 300 jobs in 2017, and 100 in 2018. A freeze or other hiring restrictions would produce more loss in 2019 through attrition even without layoffs. For comparison, when the state instituted a hiring freeze in 2016, it shed 400 jobs.

Anchorage's municipal government employment dropped somewhat in 2018, all in the Anchorage School District, which represents about 70 percent of local government. The balance is the Municipality of Anchorage.

We expect local government employment to decline further in 2019 as the Anchorage School District will likely cut jobs again.

Neal Fried is an economist in Anchorage. Reach him at (907) 269-4861 or neal.fried@alaska.gov.

Military projects to lift Fairbanks employment

By NEAL FRIED

The Fairbanks North Star Borough's employment declined in every year but one after peaking in 2012, before flattening out in 2018 as the tide began to turn. The borough's growth is forecasted at 1.8 percent for 2019, or about 700 new jobs.

The local economy has picked up steam with preparations to house two new F-35 Lightning II squadrons at Eielson Air Force Base as well as nearly 3,000 personnel and their families when they arrive in 2020.

In addition to the military stimulus, Fairbanks' economy will benefit this year from continued tourism growth and better oil prices.

Military projects boost construction, professional services

More than half a billion dollars in construction began at Eielson in 2017, and the work will remain in high gear through 2019 as the Air Force prepares for the planes, civilian workers, airmen, and their families. Additional work is under way at Clear Air Force Station and Fort Greely.

These military projects will also spur housing construction in Fairbanks, because accommodating the additional residents will require as many as 900 new off-base homes. As a result, construction is forecasted to add about 500 jobs this year, which would be a whopping 15.6 percent.

Construction is a big boost for the professional and business services sector, and unlike statewide, Fairbanks' sector grew over the past three years — likely because Fairbanks was one of the few areas planning a major increase in construction.



1

Fairbanks Area Will Lead Growth

N. STAR BOROUGH CHANGE IN JOBS, 2009 TO 2019 FORECAST



*Preliminary **Forecast

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

Because the work is ongoing and will require the services of scientific, architecture, and engineering companies, to name just a few, we forecast continued job growth in 2019 of 3.6 percent, or 100 new jobs.

Health care and retail to resume modest growth

Health care has long been a dynamic industry in Fairbanks, generating jobs in most years until the last two, when it remained relatively flat. We expect it will begin growing again this year, at a forecasted rate of 2.3 percent, based on the aging of the Interior's population and the overall improvement in its economy.

Retail will reverse course after losing 100 jobs in 2018, and is forecasted to regain 100 this year. Most of the jobs cut last year were the result of Sam's Club closing early in the year and cutting about 150 jobs, but Costco filled the void in November and hired 299 people.

That opening alone will boost the industry for the year, and so will a better overall economic picture. However, as with everywhere else in the country, the dramatic rise in e-commerce will continue to restrain retail in Fairbanks.

2

Fairbanks North Star Borough Job Forecast by Industry

WAGE AND SALARY EMPLOYMENT, 2017 TO 2019

	2017 monthly average ¹	2018 monthly average ¹	Change in jobs 2017-18	Percent change 2017-18	FORECAST		
					2019 monthly average	Change in jobs 2018-19	Percent change 2018-19
Total Nonfarm Employment ²	37,600	37,600	0	0%	38,300	700	1.8%
Mining	700	700	0	0%	700	0	0%
Construction	2,600	2,700	100	3.8%	3,200	500	15.6%
Manufacturing	600	600	0	0%	600	0	0%
Wholesale Trade	600	600	0	0%	600	0	0%
Retail Trade	4,800	4,700	-100	-2.1%	4,800	100	2.1%
Transportation, Warehousing, and Utilities	2,300	2,300	0	0%	2,400	100	4.2%
Information	400	400	0	0%	400	0	0%
Financial Activities	1,200	1,200	0	0%	1,200	0	0%
Professional and Business Services	2,500	2,700	200	8.0%	2,800	100	3.6%
Educational ³ and Health Services	5,600	5,600	0	0%	5,700	100	1.8%
Health Care	4,200	4,200	0	0%	4,300	100	2.3%
Leisure and Hospitality	4,500	4,600	100	2.2%	4,700	100	2.1%
Other Services	1,000	1,000	0	0%	1,000	0	0%
Government	10,800	10,500	-300	-2.8%	10,200	-300	-2.9%
Federal Government ⁴	3,000	3,000	0	0%	3,000	0	0%
State Government ⁵	4,700	4,600	-100	-2.1%	4,400	-200	-4.5%
Local Government ⁶	3,000	2,900	-100	-3.3%	2,800	-100	-3.6%

¹Preliminary and adjusted estimates

²Excludes self-employed workers, fishermen, domestic workers, and unpaid family workers

³Private education only

⁴Excludes uniformed military

⁵Includes the University of Alaska

⁶Includes public school systems

Note: Sectors may not sum due to rounding.

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

Tourism growth a continued plus for leisure and hospitality

The leisure and hospitality industry makes up approximately 12 percent of the Fairbanks area's economy. More than half its employment is tied to eating and drinking and the next largest share is in hotels, so local demand as well as tourism drive its employment.

The industry has been surprisingly resilient in recent years, and we expect its employment to grow again in 2019 (2.1 percent) with an improving economy and increasing numbers of visitors.

The borough has recorded three straight years of record-breaking bed tax collections, and it appears 2018 will become the fourth.

Financial sector to stabilize

The financial activities sector — which includes

banks, credit unions, insurance agencies, and real estate companies — held steady in 2018 and will likely do so again in 2019.

Home sales declined through September 2018, at 901 compared to 967 in the first nine months of 2017, although the average home price continued to increase. Rental vacancies also rose slightly, from 12.2 percent in 2017 to 13.7 percent in 2018. However, the potential for military homebuyers in the near future will keep some upward pressure on home prices as well as residential construction.

A mixed picture for government

Some of the borough's biggest job loss over the last four years came from the University of Alaska Fairbanks, which shed about 700 jobs from its employment peak in 2013 to 2017. This year shows signs of breaking that trend, as the university has a small budget increase for the first time in three years that's likely to stem any additional job loss.

Local government employment, 70 percent of which is in public schools, has decreased a bit in recent years and so has enrollment, but the upcoming military buildup is likely to reverse that course.

The borough's local government also includes the city governments of Fairbanks and North Pole and the Fairbanks North Star Borough government, which are forecasted to lose about 100 jobs collectively in 2019.

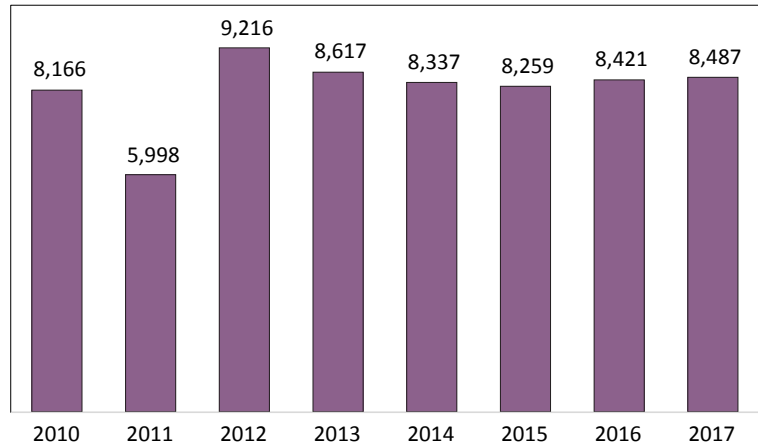
Fairbanks had about 3,000 federal civilian jobs in 2018, similar to the year before and forecasted to hold in 2019. The flat forecast is a mixture of anticipated budget cuts on the federal civilian side and increases on the civilian military side.

Fairbanks has the highest concentration of active duty personnel in Alaska. Nearly 9 percent of area residents are active duty and another 10 percent are military dependents.

The area had 8,487 uniformed military personnel in 2017, marking a second year of modest increases.

3 Modest Increase in Military Population

FAIRBANKS NORTH STAR BOROUGH, 2010 TO 2017



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

(See Exhibit 3.) That number will increase dramatically by 2020, as roughly 3,000 active duty personnel, their families, and civilian employees accompany the F-35s.

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STATEWIDE

Continued from page 7

Breweries, distilleries, and marijuana product manufacturers will generate some new manufacturing jobs, but they are small compared to seafood processing.

Government faces more loss, but picture is uncertain

The outlook remains dim for government employment this year, with continued losses in state and local government. A small percent increase in federal jobs for the 2020 Census will partially offset the loss. (See Exhibit 7.)

State government has lost 3,000 jobs since its employment peak in 2014 and will decline further as the

state continues to adjust and make difficult economic decisions after a long period of depending mostly on oil revenue to fund state government. We estimate a 2019 loss of 200 jobs, but major changes such as a hiring freeze, significant budget cuts, or department restructuring could mean substantial additional losses.

Local government weathered the first two years of the recession well, adding jobs in both 2016 (600) and 2017 (300), but losses finally hit last year. We forecast another year of job loss for local government, at about 200 jobs.

Karinne Wiebold is an economist in Juneau. Reach her at (907) 465-6039 or karinne.wiebold@alaska.gov.

Southeast employment stabilizes after losses

By **KARINNE WIEBOLD**

Growth is in Southeast's forecast for the first time since 2012: a slight gain of about 50 jobs, or 0.1 percent. We expect a handful of industries to add a modest number of jobs in 2019, offsetting losses that come from government cuts and poor fishing runs. (See exhibits 1 and 2.)

Southeast has underperformed the state as a whole for most of the last decade. The region lost a greater share of its jobs in 2009 — the only year Alaska lost jobs during the national recession — and regained fewer before taking another blow when the state recession began in 2015. (See Exhibit 1.)

Continuing population loss also dampens Southeast's outlook. State demographers project the region will lose an additional 550 people from 2017 to 2020.

Continual population declines are a long-term concern

As with the state overall, more people left Southeast than moved in from 2016 to 2017. This marked five straight years of net migration losses for both the region and the state, and for Southeast it was the third straight year that natural increase wasn't large enough to offset the net migration loss, shrinking the overall population. (See Exhibit 3.)

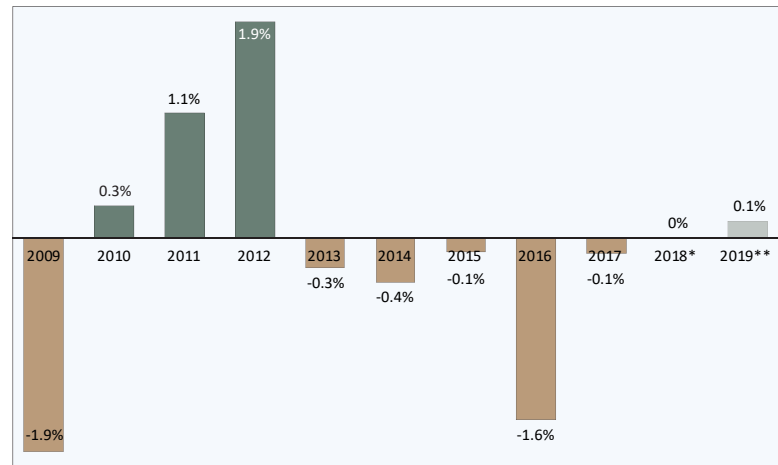


Southeast lost 900 people overall in 2017, bringing its total population loss to 1,600 since 2014. The current state recession and relative strength of the Lower 48 economy have largely driven the decline.

Net migration losses mean fewer workers and less local spending because households that move tend to have at

1 Slight Job Growth Likely This Year

SOUTHEAST CHANGE IN JOBS, 2009 TO 2019 FORECAST



*Preliminary **Forecast

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

least one working-age adult. This is especially relevant in Southeast because the region is older so its economy has fewer potential workers to lose.

The region's largest age group is between 55 and 59 and the second largest is 60 to 64. Many baby boomers arrived when Alaska was awash in oil money during the late 1970s and early '80s, and they will continue to age out of the workforce in the near future.

Health care growth continues with an aging population

An aging population increases demand for health care, and Southeast's health care industry is forecasted to add 50 jobs in 2019.

Health care has grown most years and we expect that to continue unless the population continues to decline or health care policies change at the state or national levels.

Some gains for mining and construction

Southeast is home to two active mines near Juneau, Kensington and Greens Creek, which extract gold and

2

Southeast Job Forecast by Industry

WAGE AND SALARY EMPLOYMENT, 2017 TO 2019

	2017 monthly average ¹	2018 monthly average ¹	Change in jobs 2017-18	Percent change 2017-18	FORECAST		
					2019 monthly average	Change in jobs 2018-19	Percent change 2018-19
Total Nonfarm Employment ²	36,350	36,350	0	0%	36,400	50	0.1%
Natural Resources and Mining	1,000	1,050	50	5.0%	1,100	50	4.8%
Construction	1,350	1,300	-50	-3.7%	1,350	50	3.8%
Manufacturing	1,900	1,900	0	0%	1,900	0	0%
Trade, Transportation, and Utilities	7,050	7,050	0	0%	7,100	50	0.7%
Information	550	550	0	0%	550	0	0%
Financial Activities	1,000	1,000	0	0%	1,000	0	0%
Professional and Business Services	1,650	1,650	0	0%	1,650	0	0%
Educational ³ and Health Services	4,050	4,100	50	1.2%	4,150	50	1.2%
Leisure and Hospitality	4,200	4,150	-50	-1.2%	4,200	50	1.2%
Other Services	1,150	1,150	0	0%	1,100	-50	-4.3%
Government	12,550	12,450	-100	-0.8%	12,300	-150	-1.2%
Federal Government ⁴	1,450	1,450	0	0%	1,450	0	0%
State Government ⁵	4,850	4,750	-100	-2.1%	4,650	-100	-2.1%
Local Government ⁶	6,250	6,250	0	0%	6,200	-50	-0.8%

¹Preliminary and adjusted estimates

²Excludes self-employed workers, fishermen, domestic workers, and unpaid family workers

³Private education only

⁴Excludes uniformed military

⁵Includes the University of Alaska

⁶Includes public school systems

Note: Sectors may not sum due to rounding.

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

silver. Natural resources and mining employment grew by 50 jobs in 2017 and another 50 in 2018, and we forecast similar growth for 2019.

Construction is also set to add 50 jobs this year, but this is less a sign of recovery than of the industry finding its bottom. At 1,300 jobs in 2018, Southeast's construction employment was at its lowest point since 1992.

Numbers of visitors continue to hit records

Tourism remains one of Southeast's strengths, and the number of cruise ship visitors is anticipated to increase by 16 percent this year with nearly all of the 1,361,400 passengers stopping in Southeast.

With a sizable increase in tourist traffic, the leisure and hospitality industry is forecasted to add 50 jobs.

The outlook is similar for trade, transportation, and utilities, at 50 jobs, after three years of flat or slightly decreased employment. Most of the growth will be tied to tourism, such as sightseeing transportation.

Trade, transportation, and utilities includes retail, another industry that depends on tourism as well as local demand. Retail will likely hold steady in 2019, with strong visitor demand offsetting tepid local demand due to population loss.

Retail in Juneau, the largest community in Southeast and a regional hub, has been through ups and downs in recent years, such as the closure of Walmart and the opening of Sportsman's Warehouse, but no major changes are on the horizon this year.

The fishing outlook is grim for a second year in a row

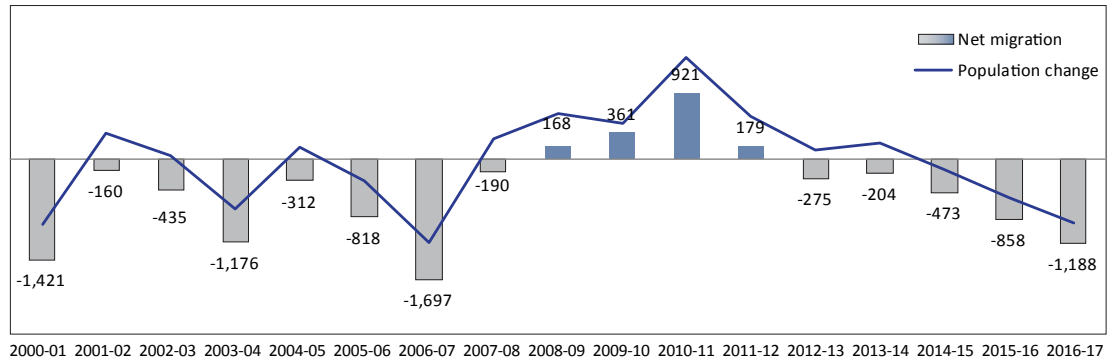
Southeast had weak salmon runs in 2018, with sockeye, coho, and pink harvests coming in at least 50 percent lower than expected.

On the upside, chinook and chum salmon exceeded expectations. While chum (also called keta) is one of the lowest value species, it made up 61 percent of the region's estimated ex-vessel value in 2018, up from 50 percent the year before.

3

Population Declines With Years of Out-Migration

SOUTHEAST ALASKA, 2000 TO 2017



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

This year brings continued challenges. The pink harvest is forecasted at 18 million fish, which would be about half the 10-year average and the lowest odd-year harvest in 32 years. Pink salmon, which have two-year life cycles, produce larger runs during odd years.

The Alaska Department of Fish and Game also expects very low chinook returns in the Taku and Stikine rivers in 2019. While chinook, or king, is one of the smaller harvests in Southeast, it's the highest-value species.

Halibut harvests are expected to be low as well, which could hurt charter fishing.

Commercial fishing jobs aren't included in our estimates because fishermen are mainly self-employed, but weak fish returns will also affect seafood processing and charter fishing employment, and the effects can bleed into other industries. For example, if fishermen have particularly bad years, they have diminished purchasing power in their communities.

Government to shed more jobs, but degree uncertain

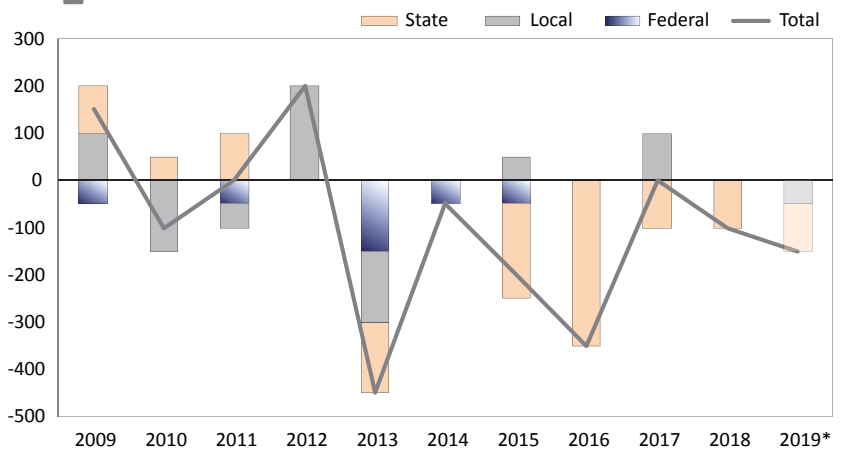
About a third of Southeast's employment is in government, making the region especially vulnerable to cuts.

State government has lost jobs in recent years, and not just during the recession. (See Exhibit 4.) Southeast's state government employment, which includes the University of Alaska Southeast, has declined or remained flat every year since 2011.

4

Downward Trend for Government

SOUTHEAST ALASKA, 2009 TO 2019 FORECAST



*Forecast

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

For 2019 we forecast loss of another 100 jobs, but as mentioned earlier, a lot depends on state policy decisions that are not yet known.

We expect local government to lose 50 jobs in 2019, following the statewide trend, as its funding is now feeling the pinch of the lengthy state recession and regional population loss.

Southeast's federal employment has been stable for several years and is forecasted to remain flat in 2019.

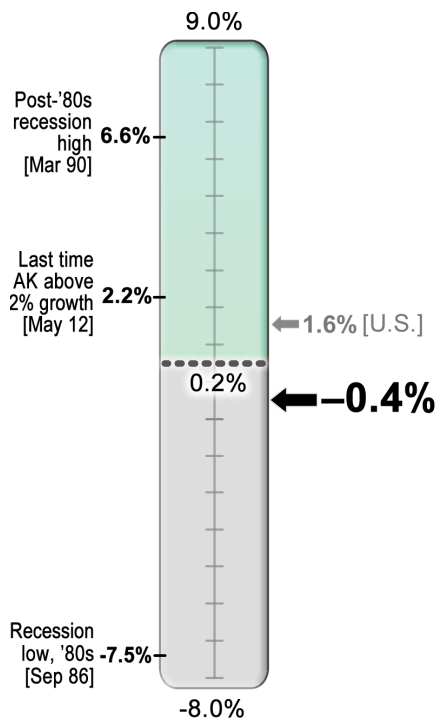
Karinne Wiebold is an economist in Juneau. Reach her at (907) 465-6039 or karinne.wiebold@alaska.gov.

Gauging Alaska's Economy



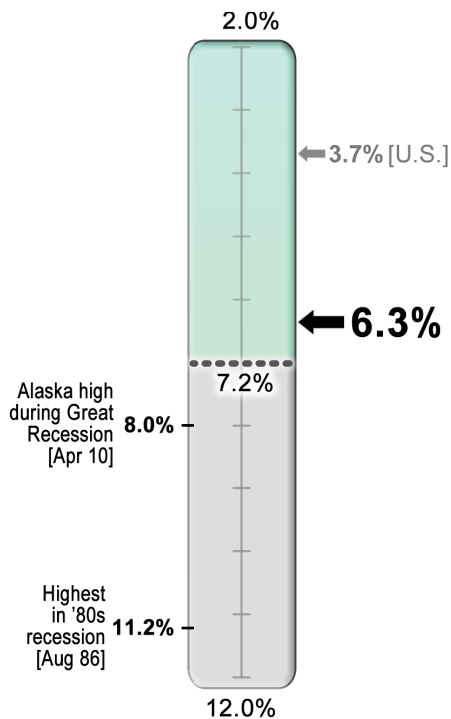
Job Growth

November 2018
Over-the-year percent change



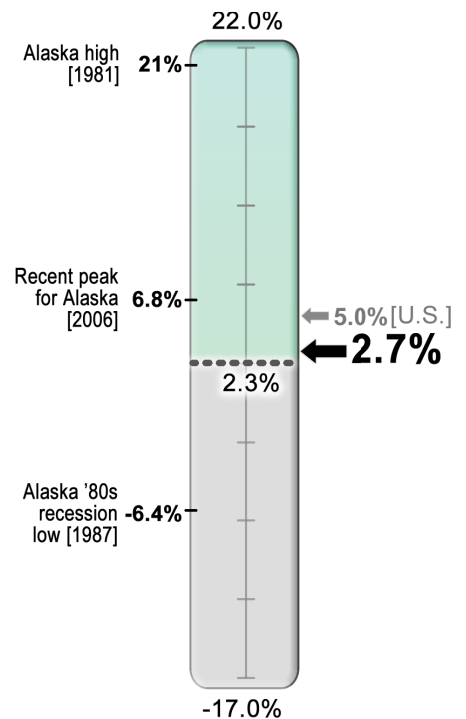
Unemployment Rate

November 2018
Seasonally adjusted



Wage Growth

2nd Quarter 2018
Over-the-year percent change



- The state has registered over-the-year job losses for 38 consecutive months, the longest period of job loss in its modern history.
- Job losses have moderated in the last year but have been stuck around current levels since last summer.
- U.S. job growth remains strong and has been positive since 2010, with the strongest growth in 2015.

- Alaska's rate has fallen noticeably in 2018, but those numbers are preliminary and the revisions will likely show smaller declines.
- The state's unemployment rate is now nine-tenths of a percentage point lower than its 10-year average.
- Unemployment rates are complicated economic measures and generally less telling than job or wage growth as indicators of broad economic health.

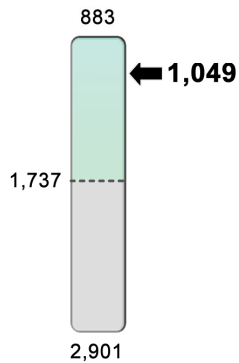
- Wages have been up for three consecutive quarters after being down the prior seven.
- Wage growth accelerated from first quarter 2018 to second quarter, which hints at a strengthening economy.

Gauging Alaska's Economy

..... ALASKA'S 10-YR AVERAGE
 ← CURRENT ALASKA

Initial Claims

Unemployment, week ending Dec. 8, 2018†

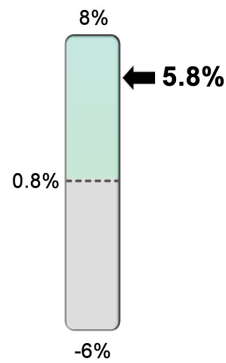


➤ For a variety of reasons, initial claims are well below the 10-year average despite job losses.

† Four-week moving average ending with the specified week

GDP Growth

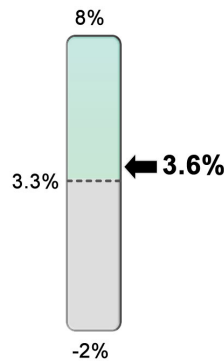
2nd Quarter 2018
Over-the-year percent change



➤ Gross domestic product is the value of the goods and services a state produces. Alaska's GDP has grown for the last seven quarters after declining for the prior 17.

Personal Income Growth

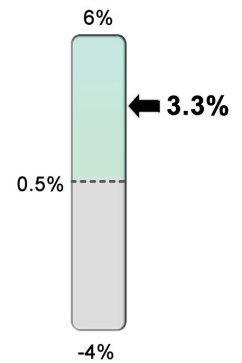
3rd Quarter 2018
Over-the-year percent change



➤ Personal income includes wages as well as government transfer payments (such as Social Security, Medicaid, and the PFD) and investment income. Growth has resumed and is now above the 10-year average.

Change in Home Prices

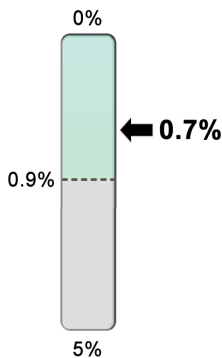
3rd Quarter 2018
Over-the-year percent change



➤ Home prices include only those for which a commercial loan is used. This indicator tends to be volatile from quarter to quarter.

Foreclosure Rate

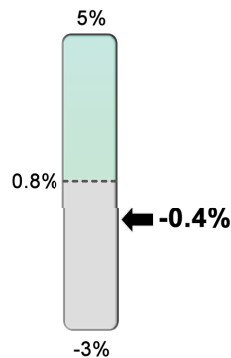
3rd Quarter 2018



➤ Foreclosure rates remain very low, highlighting how different the current recession is from the '80s recession when foreclosure rates exceeded 10 percent.

Population Growth

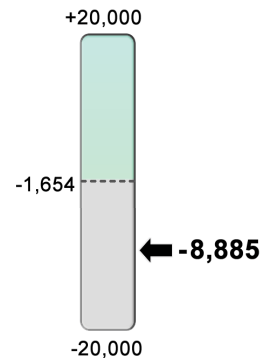
2016 to 2017



➤ The state's population has remained remarkably stable during the state's recession, although 2017 was the first year of population decline since 1988.

Net Migration

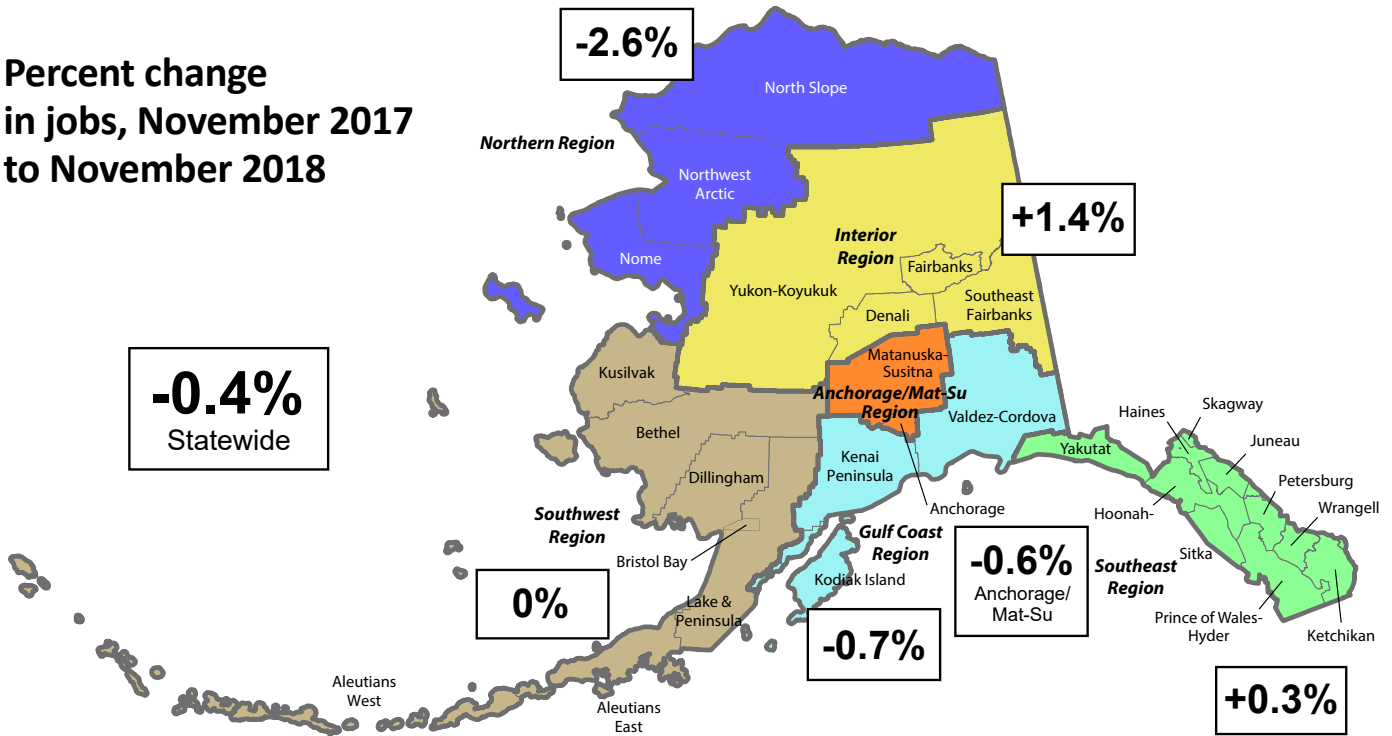
2016 to 2017



➤ The state had net migration losses for the fifth consecutive year in 2017, although natural increase (births minus deaths) offset those losses each year until 2017.

Employment by Region

Percent change
in jobs, November 2017
to November 2018



Unemployment Rates

Seasonally adjusted

Not seasonally adjusted

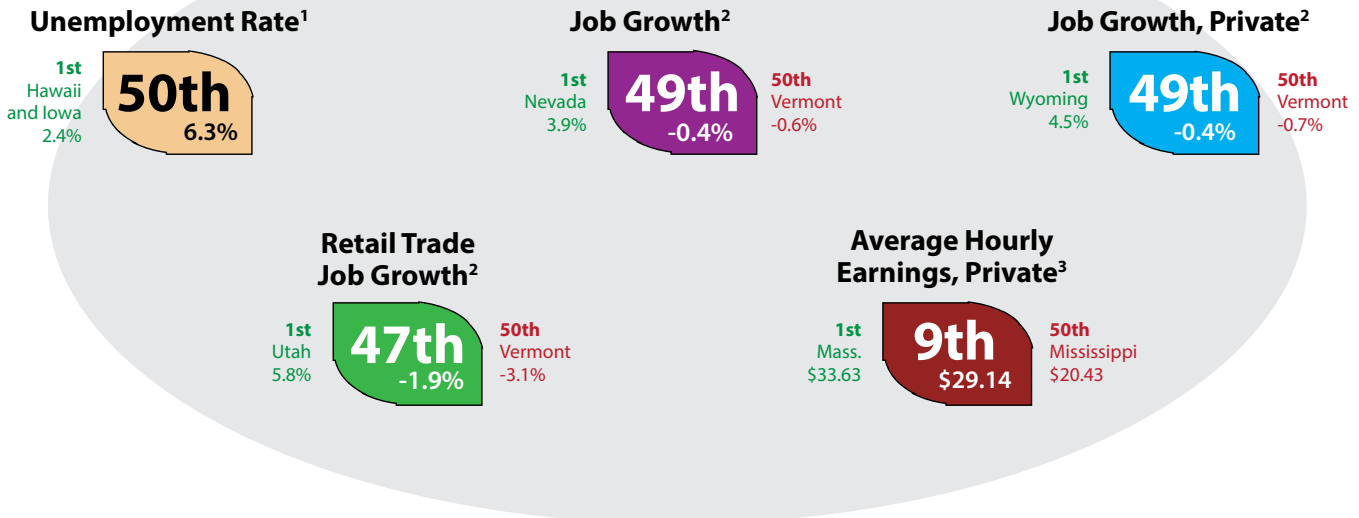
	Prelim.		Revised
	11/18	10/18	11/17
United States	3.7	3.7	4.1
Alaska	6.3	6.4	7.2

	Prelim.		Revised
	11/18	10/18	11/17
United States	3.5	3.5	3.9
Alaska	6.3	5.8	7.2

Regional, not seasonally adjusted

	Prelim.			Revised				Prelim.			Revised		
	11/18	10/18	11/17	11/18	10/18	11/17		11/18	10/18	11/17	11/18	10/18	11/17
Interior Region	6.2	5.6	7.3	Southwest Region	10.2	9.0	10.9	Southeast Region	6.4	5.5	6.9		
Denali Borough	16.3	7.2	20.2	Aleutians East Borough	5.1	2.7	4.1	Haines Borough	11.8	8.0	12.9		
Fairbanks N Star Borough	5.5	5.1	6.4	Aleutians West Census Area	4.5	4.3	4.2	Hoonah-Angoon Census Area	16.9	10.1	16.4		
Southeast Fairbanks Census Area	8.9	7.9	11.0	Bethel Census Area	11.3	10.9	12.5	Juneau, City and Borough	4.6	4.3	4.8		
Yukon-Koyukuk Census Area	14.1	12.0	17.6	Bristol Bay Borough	11.0	8.9	10.9	Ketchikan Gateway Borough	6.7	5.6	7.0		
Northern Region	9.5	9.1	11.0	Dillingham Census Area	8.0	7.7	10.0	Petersburg Borough	7.9	7.6	9.0		
Nome Census Area	10.3	9.4	11.8	Kusilvak Census Area	17.0	15.7	18.7	Prince of Wales-Hyder Census Area	10.4	9.5	11.7		
North Slope Borough	6.1	6.4	6.8	Lake and Peninsula Borough	12.8	10.4	14.5	Sitka, City and Borough	4.0	4.2	4.7		
Northwest Arctic Borough	12.4	11.9	15.3	Gulf Coast Region	7.4	6.5	8.2	Skagway, Municipality	19.2	9.4	21.1		
Anchorage/Mat-Su Region	5.5	5.3	6.5	Kenai Peninsula Borough	7.5	6.8	8.8	Wrangell, City and Borough	7.3	5.9	8.6		
Anchorage, Municipality	5.1	4.9	5.9	Kodiak Island Borough	5.7	4.6	4.7	Yakutat, City and Borough	11.2	6.0	10.9		
Mat-Su Borough	7.0	6.5	8.4	Valdez-Cordova Census Area	9.2	7.3	9.5						

How Alaska Ranks



¹November seasonally adjusted unemployment rates
²November employment, over-the-year percent change
³November hours and earnings

Sources are U.S. Bureau of Labor Statistics and Alaska Department of Labor and Workforce Development, Research and Analysis Section, unless otherwise noted.

Other Economic Indicators

	Current		Year ago	Change
Urban Alaska Consumer Price Index (CPI-U, base yr 1982=100)	223.099	1st half 2018	218.660	+0.9%
Commodity prices				
Crude oil, Alaska North Slope,* per barrel	\$66.84	Nov 2018	\$62.80	+6.43%
Natural gas, residential, per thousand cubic feet	\$17.32	Sep 2018	\$16.92	+2.36%
Gold, per oz. COMEX	\$1,259.40	12/20/2018	\$1,269.60	-0.80%
Silver, per oz. COMEX	\$14.85	12/20/2018	\$16.27	-8.73%
Copper, per lb. COMEX	\$2.70	12/20/2018	\$2.70	0%
Zinc, per MT	\$2,600.00	11/19/2018	\$3,163.00	-17.80%
Lead, per lb.	\$0.89	12/19/2018	\$1.13	-21.24%
Bankruptcies				
	130	Q3 2018	97	+34.0%
Business	3	Q3 2018	7	-57.1%
Personal	127	Q3 2018	90	+41.1%
Unemployment insurance claims				
Initial filings	6,934	Nov 2018	8,230	-15.75%
Continued filings	35,983	Nov 2018	45,445	-20.82%
Claimant count	9,786	Nov 2018	12,039	-18.71%

*Department of Revenue estimate

Sources for pages 18 through 21 include Alaska Department of Labor and Workforce Development, Research and Analysis Section; U.S. Bureau of Labor Statistics; U.S. Bureau of Economic Analysis; U.S. Census Bureau; COMEX; Bloomberg; Infomine; Alaska Department of Revenue; and U.S. Courts, 9th Circuit

SAFETY MINUTE

How businesses can reopen safely and recover after quakes

The Nov. 30 earthquake in southcentral Alaska was a potent reminder of how important it is to be ready for disasters. After a disaster, employers can help ensure a safe and speedy recovery for their businesses, of which keeping employees secure is a big part, by observing the following guidelines when reopening:

- **Keep an employee roster and emergency action plan:** Create an action plan for your business and keep an up-to-date list of employee contact numbers. Include a checklist to verify that all employees are safe.
- **Secure potential hazards:** Walk through the worksite and secure items that could cause injuries during an earthquake.
- **Stock supplies to shelter in place:** Keep some basic supplies on hand in case the need to shelter in

place arises. Maintain bottled water, snacks, a first aid kit, and flashlights in a secure location.

- **Stock cleanup supplies:** Determine which materials could become an immediate hazard during a disaster and keep the supplies needed for employees to clean those up. Examples include gloves, brooms, spill kits, and trash bags.

The Department of Labor and Workforce Development's Occupational Safety and Health Section provides free safety consultations for employers. AKOSH consultants visit the workplace to evaluate hazards and recommend corrective measures. To request a consultation, visit <http://labor.alaska.gov/lss/oshhome.htm> or call (800) 656-4972.

Safety Minute is written by the Labor Standards and Safety Division of the Alaska Department of Labor and Workforce Development.

EMPLOYER RESOURCES

Grant available to help employers, workers combat opiate addiction

Under the National Health Emergency Grant, workers are eligible for up to \$4,000 in training to help those affected by the opioid epidemic. Training can be related to addiction or treatment, pain therapy or management techniques, or mental health. Employers can choose the type of training and who provides it within this framework, although they must be on the Alaska Eligible Training Provider and Program List: <http://labor.alaska.gov/bp/etpl.htm>.

Incumbent worker training helps employers become more competitive by giving their workers the skills needed to advance, averting layoffs, or retaining employees. To qualify, an employer must pay a portion of the cost – such as wages to the worker while training or through donations for in-kind expenses – and commit to retaining

those employees.

Employers benefit by improving their business and retaining workers while reducing opiate abuse, and employees benefit through opportunities for advancement, competitive and transferable skills, industry-recognized credentials, and job security.

This two-year grant ends in June 2020, with a goal of training 75 people. For more about the grant, see: <http://labor.alaska.gov/wioa/iwtp.htm>.

Employer Resources is written by the Employment and Training Services Division of the Alaska Department of Labor and Workforce Development.

