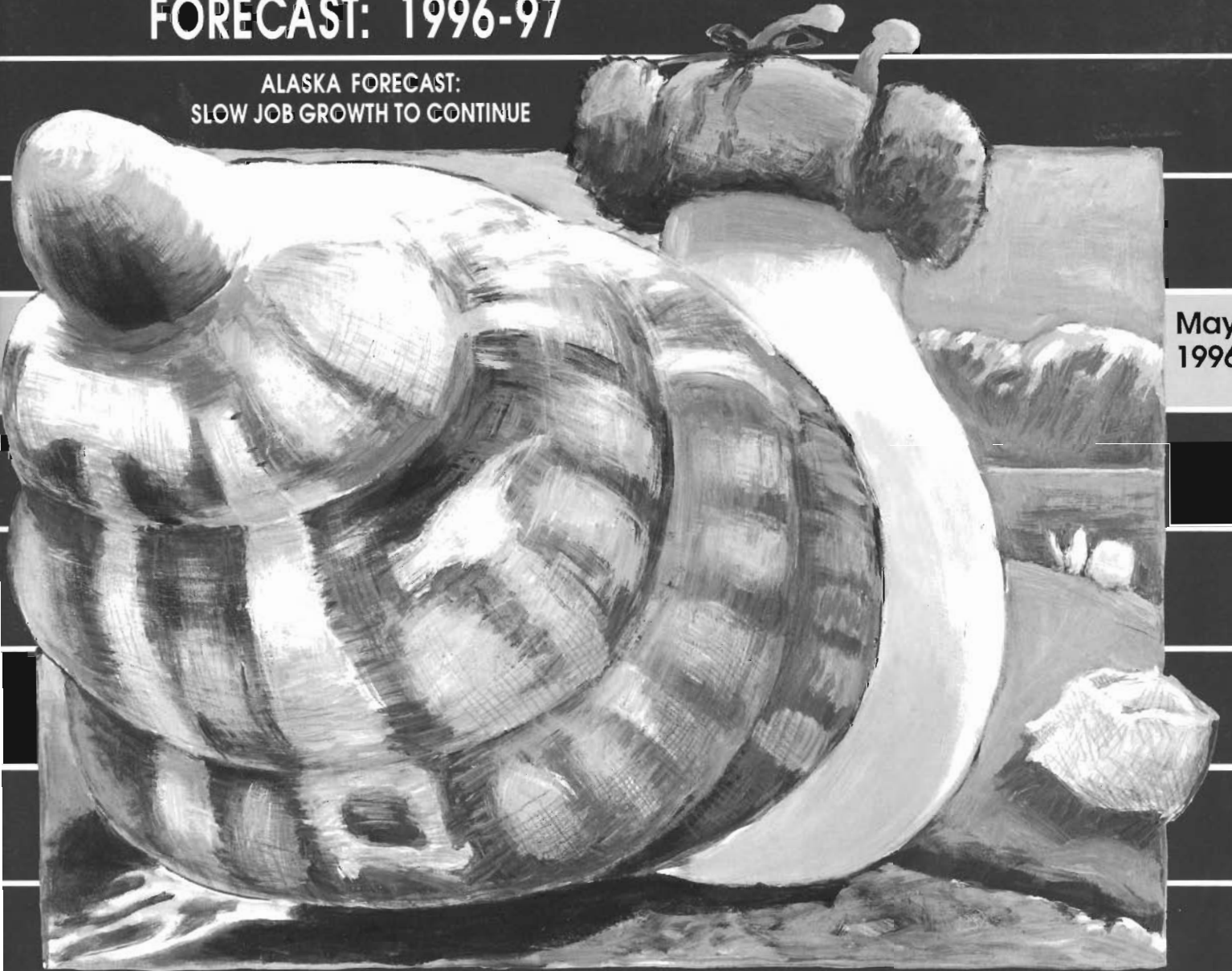


ALASKA ECONOMIC

TRENDS

FORECAST: 1996-97

ALASKA FORECAST:
SLOW JOB GROWTH TO CONTINUE



May
1996

ANCHORAGE
FORECAST

FAIRBANKS
FORECAST

SOUTHEAST
FORECAST

SEAFOOD PROCESSING:
SCALING BACK?

ALASKA DEPARTMENT OF LABOR • TONY KNOWLES, GOVERNOR

ALASKA ECONOMIC TRENDS



Email *Trends* Authors at:
John_Boucher@labor.state.ak.us
Neal_Fried@labor.state.ak.us
Kristen_Tromble@labor.state.ak.us
Brigitta_Windisch-Cole@labor.state.ak.us
Subscriptions: Jo_Ruby@labor.state.ak.us

Alaska Economic Trends is a monthly publication dealing with a variety of economic-related issues in the state.

Alaska Economic Trends is funded by the Employment Security Division and published by the Alaska Department of Labor, P.O. Box 21149, Juneau, Alaska 99802-1149. For more information, call the DOL Publications Office at (907) 465-6019 or email the authors.

Editor's Note: The views presented in guest articles in *Alaska Economic Trends* do not necessarily reflect the views of the Alaska Department of Labor.

Tony Knowles, Governor
State of Alaska

Tom Cashen, Commissioner
Department of Labor

Diana Kelm, Editor

May 1996
Volume 16
Number 5
ISSN 0160-3345

Alaska
Department
of Labor



- 1 *Alaska Forecast: 1996-97*
Slow Job Growth to Continue
- 7 *Anchorage Forecast: 1996-97*
Temperate Times in Anchorage's Economy
- 12 *Fairbanks Forecast: 1996-97*
Sunny Skies Ahead in Fairbanks
- 16 *Southeast Forecast: 1996-97*
Overall Stability Masks Industry/Area Differences
- 21 *Alaska's Employment Scene*
Seafood Processing: Scaling Back?

Employment Scene Tables:

- 22 Nonagricultural Wage and Salary
Employment—Alaska & Anchorage
- 22 Hours and Earnings for
Selected Industries
- 23 Nonagricultural Wage and Salary
Employment in Other Economic Regions
- 24 Unemployment Rates by
Region and Census Area

Cover design by Jim Fowler

This publication, funded by the
Department of Labor's
Employment Security Division,
was produced at a cost of
\$.84 per copy.

Printed and distributed by
ASETS*, a vocational training
center and employment
program.



MADE IN ALASKA
Permit No. 3369

Slow Job Growth to Continue

by John Boucher

Alaska's economy will continue to grow slowly during 1996 and 1997, extending an eight-year string of job gains for two additional years. The industries critical to job growth during this period are hard rock mining, services, trade, and the visitor sector. Slower projected job growth in services and trade is a key factor in the outlook for sluggish job growth. On the down side, Alaska's public sector, segments of the oil and gas industry, and the manufacturing sector will contract, offsetting job gains in other industries. In spite of the negative factors, positive influences on the economy will tip the balance toward job increases. However, the result will be meager overall job growth that falls under the 1.0 percent mark. (See Table 1.)

The two-year forecast reflects the slower job growth that characterized the economy in 1995. Since 1987, except for the oil spill affected years of 1989 and 1990, Alaska's annual employment growth has averaged around 2.0 percent. In 1995, oil and airline industry layoffs and public sector downsizing rippled through the economy, resulting in the slowest job growth since 1988. (See Figure 1.)

This forecast is based upon several assumptions. The most important is that there will be no dramatic deviation from the oil prices or oil production levels forecast in the Alaska Department of Revenue's Spring 1996 mid-case revenue scenario. Other assumptions key to an industry's outlook are mentioned in the pertinent section.

Another 90s gold rush underway

Alaska's mineral mining industry is undergoing an employment revival. Gold fever will be a key element generating new employment opportunities for Alaskans for the rest of the decade. In mid-1996, the Green's Creek Mine near Juneau will reopen. When it reaches peak employment, Green's Creek will be the second largest mine in Alaska, employ-

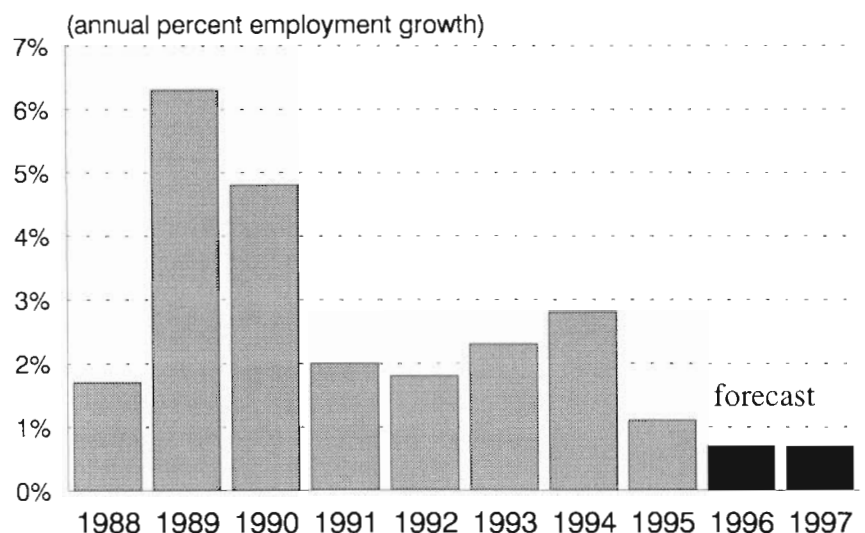
ing nearly 250 people. At peak production, Green's Creek will be the largest silver-producing mine in the U.S., but the gold mined in addition to the silver is a key to the mine's success. Also in 1996, construction of the Fort Knox gold mine near Fairbanks will continue, with production scheduled for late in the year. When it comes on line, Fort Knox will join Green's Creek and the Red Dog Mine near Kotzebue as one of the three largest mines in Alaska. The 500 or so jobs created by these mines should be long-term, full-time, high-paying, year-round jobs. The facilities will employ contractors and support services and the employees will spend their salaries in the local area economies.

The openings of Green's Creek and Fort Knox are a precursor to future employment gains in the mineral mining industry. The Kensington mine near Juneau, in the size class of the Green's Creek and Fort Knox, could be under construction as early as 1997 and in

John Boucher is a labor economist with the Research and Analysis Section, Administrative Services Division, Alaska Department of Labor. He is located in Juneau.

Figure • 1

State's Job Growth On A Slow Climb



Source: Alaska Department of Labor, Research and Analysis Section.

Table • 1

Alaska Nonagricultural Wage and Salary Employment Forecast 1996-1997

	1994 Annual Average	1995 Annual Average	Percent Change 94-95	1996 Annual Average	Absolute Change 95-96	Percent Change 95-96	1997 Annual Average	Absolute Change 96-97	Percent Change 96-97
Total Nonag. Wage & Salary	259,300	262,100	1.1	263,975	1,875	0.7	265,775	1,800	0.7
Goods-producing	39,600	39,700	0.3	39,750	50	0.1	39,675	-75	-0.2
Mining	10,700	9,900	-7.5	10,100	200	2.0	10,450	350	3.5
Construction	12,300	12,900	4.9	13,100	200	1.6	13,000	-100	-0.8
Manufacturing	16,600	16,900	1.8	16,550	-350	-2.1	16,225	-325	-2.0
Seafood Processing	10,300	10,600	2.9	10,300	-300	-2.8	10,000	-300	-2.9
Forest Products 1/	2,800	2,700	-3.6	2,575	-125	-4.6	2,500	-75	-2.9
Service-producing	219,800	222,500	1.2	224,225	1,725	0.8	226,100	1,875	0.8
Transportation	23,300	23,000	-1.3	22,750	-250	-1.1	23,000	250	1.1
Trade	52,700	54,200	2.8	54,975	775	1.4	55,500	525	1.0
Wholesale Trade	8,300	8,600	3.6	8,625	25	0.3	8,650	25	0.3
Retail Trade	44,400	45,600	2.7	46,350	750	1.6	46,850	500	1.1
Finance-Ins. & Real Estate	11,900	11,700	-1.7	11,625	-75	-0.6	11,650	25	0.2
Services & Misc.	58,000	60,700	4.7	62,525	1,825	3.0	64,200	1,675	2.7
Government	73,900	72,900	-1.4	72,350	-550	-0.8	71,750	-600	-0.8
Federal	18,700	17,700	-5.3	17,050	-650	-3.7	16,600	-450	-2.6
State	21,600	21,500	-0.5	21,350	-150	-0.7	21,050	-300	-1.4
Local	33,500	33,700	0.6	33,950	250	0.7	34,100	150	0.4

Note: Subtotals may not add due to rounding.

1/ Includes Pulp Mills as well as Lumber & Wood Products.

Source: Alaska Department of Labor, Research and Analysis Section.

production in 1998. Workforce expansions also are currently planned for the Red Dog Mine and the Usibelli Coal Mine near Healy. Several mines in Interior and Northern Alaska also look promising.

After a shakeout in 1995, employment in Alaska's oil and gas industry appears to have plateaued and is headed for a slight rebound. Several projects on the North Slope are planned which could offer a mild boost to oil patch employment. Another source of employment for oil field services firms will be continued work on the installation of a vapor recovery system at the Valdez pipeline terminal. On the down side, oil employment in Cook Inlet will drop slightly if Unocal closes down some offshore platforms. Although no decision has been made at this writing, an oil industry employment boost related to drilling in the Arctic National Wildlife Refuge coastal plain is not anticipated in this forecast.

Services continues growth leadership

New mine openings may dazzle economy watchers with big gains, but a steady services sector will be the major engine for job growth through 1997. (See Figure 2.) Pace-

setters for services growth will be: hotels and lodging places, business services, professional services, social services and the health care industry.

A climbing number of visitors has keyed increased demand for visitor-related services. In the next two years, more tourists than ever will visit Alaska, which will continue to drive services employment growth. One sector accelerating on the strength of the visitor industry is hotels and lodging places. Two new facilities are scheduled to come on line in Fairbanks in 1996, and hotels are on the drawing boards in Anchorage, Talkeetna, and Juneau. While hotels are under consideration in urban and traditional destinations, new seasonal lodges catering to the fishing, hunting and wildlife-watching tourists are playing an increasing role in boosting summer lodging employment. Amusement and recreation services are another services sector which will expand along with the number of visitors. Excursion tour operations, such as float trips, walking tours, and numerous other recreational services, are counted in this sector.

A healthy outlook for the construction sector, a recuperating oil industry, and the mining boom will keep professional service pro-

viders like engineers, accountants, architects, and surveyors in demand for the next two years. Business services, such as advertisers and data processing firms, should also grow during the next two years in support of these industries. Business and professional services are two sectors that have managed to capitalize on the downsizing occurring in other sectors of the economy. For example, private firms are providing caretaker and environmental clean-up services to some of Alaska's moth-balled military installations. Another contributor to business services growth has been temporary help agencies, which provide contract employees to other businesses.

Health care services should also grow, although it is unlikely to keep pace with the growth rates it posted the last several years. This forecast assumes that the Alaska Native Medical Hospital in Anchorage will remain a federal government entity at least through the end of 1997.

Construction will contribute job growth

Alaska's construction sector put in a solid performance last year and will have another good year in 1996, although minimal growth is expected. In 1997, the building sector could fall off when residential construction, several major industrial projects and the latest round of public sector construction wind down. Commercial construction is expected to be a steady performer during the next two years, with a good portion of the activity related to increased investment in the mining and tourism industries.

Residential construction employment, coming off a strong year in 1995, will flatten out during the next two years. Slower demand and increasing interest rates are two important factors affecting this sector. One reason for slower growth is that last year's demand was partially stimulated by an Alaska Housing Finance Corporation program which made low interest loans available to first-time home buyers. This program boosted the residential building sector, particularly in Anchorage. Expectations for 1996 include good years in Juneau, Fairbanks, the MatSu Borough and the Kenai Peninsula. In rural Alaska, residential activity should also be

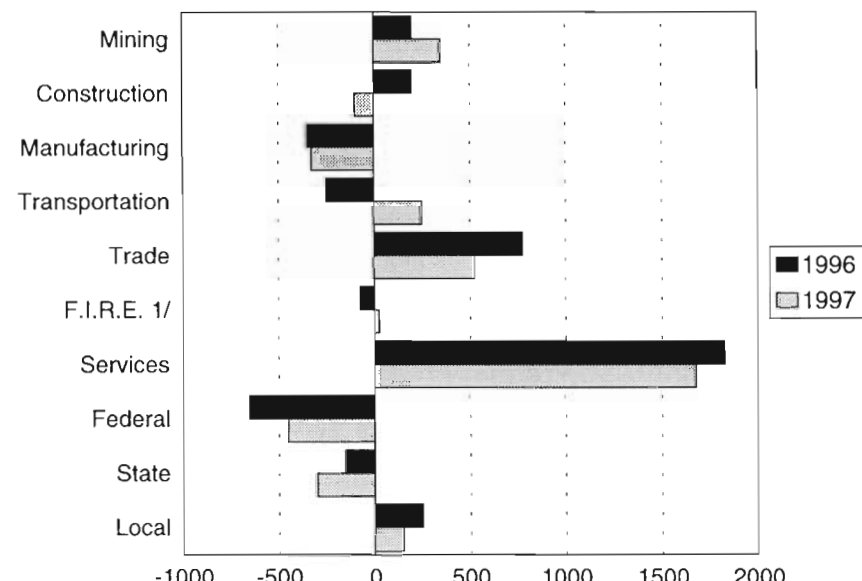
strong. In 1995, a significant portion of rural residential construction was financed by the U.S. Department of Housing and Urban Development (HUD) and the Alaska Housing Finance Corporation. Provided there is no major recession of HUD monies, the state's regional housing authorities should be active again.

Publicly-funded building construction will continue to provide a significant stimulus at least through the 1996 construction season. Anchorage hospitals and schools will be under construction this year, but many of the Anchorage facilities will be completed prior to the 1997 construction season. School construction projects also are scheduled in Fairbanks and Juneau. The Healy Clean Coal power project will also see peak construction activity this year with a fall off in 1997.

A budget of nearly \$240 million in each of the next two federal fiscal years insures that highway, street, and community transportation programs should make a solid contribution to construction employment. However, if the current plan for paying \$50 million for a new vessel for the Alaska Marine Highway System is approved, highway, street and

Figure • 2

Services, Trade, Mining Key Slim Job Gain



1/ Finance-Insurance and Real Estate.
Source: Alaska Department of Labor, Research and Analysis Section.

community transportation construction will experience a slight lull next year as more money than usual is directed toward the ferry purchase. Somewhat offsetting this is an expected \$53 million in road construction during the next two years through the Federal Lands Highway Program. This transportation money funds National Park Roads and Parkways, Forest Highways and Indian Reservation Roads.

Industrial and commercial construction will also contribute in the next two years as new facilities are constructed to handle the mining and tourism booms. This construction season will see the peak construction employment at the Fort Knox mine, while next year could be the big construction year at the Kensington mine. Hotel construction is also expected to be a major activity around the state, and the construction sector recently got an unexpected boost when a large portion of the Princess Hotel at Denali Park was destroyed by fire. Princess has indicated that they want to rebuild in time for the 1996 tourism season, which will require a tremendous construction effort. Other major construction projects targeting tourists are the Mount Roberts tramway in Juneau and the Seward Sea Life Center. Other significant commercial activity includes the First National Bank of Anchorage building in Anchorage, and Juneau's Alaska Electric Light and Power has an office consolidation project underway.

Retail growth sluggish through 1997

After three years of tremendous growth, Alaska's retail trade employment boom fizzled out near the end of 1995. General merchandisers and food stores, two driving forces behind the growth, leveled off and in some areas began to retrench. The next two years will see minimal expansion as these retailers respond to a more competitive marketplace.

While the outlook for food stores and general merchandisers is flat, some segments of retail should continue to inch forward during the next two years. Eating and drinking establishments should make the most significant contribution to retail job growth. Fast food and lower cost dining establishments along with a continuation of the coffee house

and micro-brewery booms will be factors in eating and drinking establishment employment growth. Alaska's burgeoning tourism industry should also boost retail trade employment as new gift shops and restaurants vie for a piece of the growing tourist trade.

Transportation sector will bounce back

Until last year, the transportation, communication and utilities sector was a steady producer of new jobs for Alaskans. In 1995, the demise of MarkAir and MarkAir Express and downsizing at Alyeska Pipeline quashed transportation industry job growth. Employment gains in the water and ground transportation sectors were more than offset by the losses due to these events. Unfortunately, the hangover will influence industry employment performance in 1996, but the outlook for 1997 should improve.

Alaska's largest transportation sector, the airline industry, faltered badly following the employment losses associated with MarkAir and MarkAir Express. However, new and existing air carriers are rapidly responding to fill in some of the gap left by the two carriers. While air industry employment won't return to pre-MarkAir/MarkAir Express closure levels any time soon, the industry is pulling out of its nosedive and is positioned for a steady climb. One reason for optimism is that smaller air carriers are growing as a result of the healthy hard rock mining, tourism and construction industries. These carriers are experiencing increased traffic volumes to many destinations. Meanwhile, air cargo employment has flourished throughout the 1990s and the outlook in this sector of the air industry is for continued growth.

Water transportation should provide some employment growth during the next two years. The expanded retail base, a solid construction industry, potential for increased mining and oil development activity point to good times in the water transportation industry. Tourism-related sectors of water transportation should also grow. Boat charters and water-based sightseeing excursions will benefit from the increased number of visitors.

Other segments of transportation have mixed outlooks. Bus and ground transportation should grow in response to increased numbers of tourists. Trucking will contribute growth due to the solid outlook for the construction industry, as well as to its role carrying materials to mine and construction sites. Communications and utilities could experience some employment contractions, primarily due to competitive pressures brought on by changing telecommunications technology. Another factor will be decreased public funds supporting Alaska's public broadcasting stations. Pipeline transportation of oil is another transportation sector likely to contract. Alyeska Pipeline has indicated its employment levels will decrease during the next two years as pump stations along the Trans-Alaska pipeline are closed down.

Manufacturing outlook remains bleak

The job count in Alaska's manufacturing industry rebounded in 1995 on the strength of a tremendous salmon harvest and a revival in Alaska's logging sector. However, employment gains chalked up in 1995 will be short lived, as the outlook for Alaska's seafood processors has deteriorated following the record-setting salmon harvest, and the outlook for the wood products industry has not improved significantly.

Currently, Alaska's seafood processors have little reason for optimism. Winter processing employment related to bottomfish and shellfish is down, a result of declining harvests for some species in western Alaska. Prices for the bread-and-butter species for many processors, salmon, continue at low levels due to a worldwide glut. With another record salmon harvest projected for this season, little potential exists for a significant price increase in the short run. Another threat to salmon demand was recently discovered by the Alaska Seafood Marketing Institute. One outgrowth of the simmering dispute over the Southeast Alaska chinook salmon harvest with Canada, Washington and Oregon has been a growing perception among consumers that they would be eating an endangered species if they consumed Pacific salmon. With all indicators pointing to persistent low salmon prices, processors and fishers alike are looking at smaller profit

margins. In the current environment, declining seafood processing employment and a shakeout among Alaska's fishers will be a likely scenario for the next two years.

The outlook for Alaska's other main manufacturing sector, the forest products industry, is not much better than for the fishing industry. Last year, statewide logging employment, in part due to logging outside of Southeast Alaska, began to bounce back. However, job losses associated with sawmill closures and shift cutbacks were too large to overcome and the forest products industry posted another year of job losses. Alaska's lone pulp mill grew slightly last year, but current pulp prices are not favorable, and logging associated with the pulp mill is at a low level. This forecast assumes that logging employment gains of 1995 will be reversed this year, and that the pulp mill will see some small employment losses. It also assumes some marginal job loss at sawmills that are currently operating at less than capacity.

Financial sector flat

The finance-insurance and real estate portion of the economy will experience little or no growth in the next two years. Alaska's banking sector is healthy, with even the smallest institutions posting profits; however, competitive pressures and technological changes are forcing banks to shave personnel. The sector which has the most potential for growth during the next two years is Alaska's native corporations; however, the varied business activities that they are currently investing in will show up not only in finance employment, but also in a broad range of industries.

Public sector to continue downsizing

The number of uniformed military, the civilian work force associated with the military, and the nonmilitary federal work force are all expected to continue shrinking during the next two years. This will extend the trend of falling federal government employment through 1997. Civilian agencies are expected to keep downsizing in response to budget cutbacks, while the military has not completed all of the base closures and re-

alignments scheduled to take place. Delta-Fort Greely residents got a temporary reprieve from what will be a major base realignment. Currently, that area will lose approximately 300 military personnel and 250 civilian personnel when the base realignment commences in the year 2000.

Accompanying the drop in federal government employment will be a steady decline in state and local government jobs. The possible exception to that trend could be education-related local government employment and law enforcement personnel. A number of school districts have new school facilities either planned or under construction. These facilities will need teachers and administrative staff, although financial pressures on local school districts will limit any expansion. Also, unless the federal initiative which helped fund new law enforcement positions during the last two years is cut, local law enforcement agencies will continue to add to their police forces. Other segments of state and local government also face fiscal constraints, making job cuts a probability for the new state fiscal year.

Guessing the wild cards

Speculating on events that would throw a curve into this forecast is a little risky, but given history and what's known today, here's a "best guess" at what could change the industry employment outlook. First, an extraordinary event affecting world oil prices or Alaskan oil production could have substantial employment impacts. A run-up in oil prices would notably brighten the outlook, especially in the public construction and state and local government employment sectors. However, given that much of Iraq's oil production is being withheld from the market and Russian oil production is at a low ebb, the risk of a slide in oil prices appears more likely than a price run-up. Another potential change affecting the oil industry and public spending would be a reversal of the federal administration's position on drilling in ANWR, followed by a massive oil find.

While it's certainly not as important a commodity to the Alaskan economy as the price

of oil, the price of gold is going to be crucial to projected employment gains in the mining industry. If gold prices dropped significantly from present levels, developments currently in the works could be postponed or cut back.

Another area of potential concern is Alaska's fishing and wood products sectors. Continued low prices for salmon, especially if they were accompanied by a crash in the winter bottomfish or shellfish fishery, could force more processors and fishers out of business and gut the manufacturing industry even further than projected. Alaska's wood products industry also appears to be on tenuous ground. It's not beyond the realm of possibility that another major wood processing facility could close or cut back employment significantly.

Summary: Slow, steady growth continues

The 1996-97 employment forecast predicts continued slow employment growth, with gains expected to be slightly less than 1.0 percent per year. Hard rock mining, tourism, services and retail trade will spur job gains, with the construction sector making an important contribution. If projections come to pass, by 1998 Alaska will have completed a full decade of employment growth, and the economy will be in its seventh consecutive year of slow, steady growth.

What is notable about this forecast is the relatively flat outlook for Alaska's economy. During a time like this, continued job growth is fragile, and could easily turn into employment losses based upon an unforeseen turn in events. Another point worth mentioning is that periods of extended, relatively steady employment growth are unusual for Alaska. So, while Alaska's employment picture appears relatively predictable at the moment, it wouldn't be surprising if some unforeseen economic event changes Alaska's economic outlook.

Temperate Times in Anchorage's Economy

by Neal Fried

More than anything else, Anchorage's economy will be in a maintenance mode during the next two years. With no spectacular economic pluses or negatives on the horizon, total employment will change less than it has during any time in the recent past. For the next two years tepid, flat, lackluster, and similar adjectives come to mind when describing the economy of the State's largest city.

This is not to say that all industries in Anchorage will remain frozen in time. It does, however, mean that no one industry will perform the role of an outlier or catalyst. Employment in most industries will budge little. Included in this group are the oil patch, retail trade, construction, and parts of the public sector. The service and visitor industries will be among the few to breathe new life into the area's economy. Employment in federal government, state government and transportation can be expected to decline.

Oil Patch Stabilizes

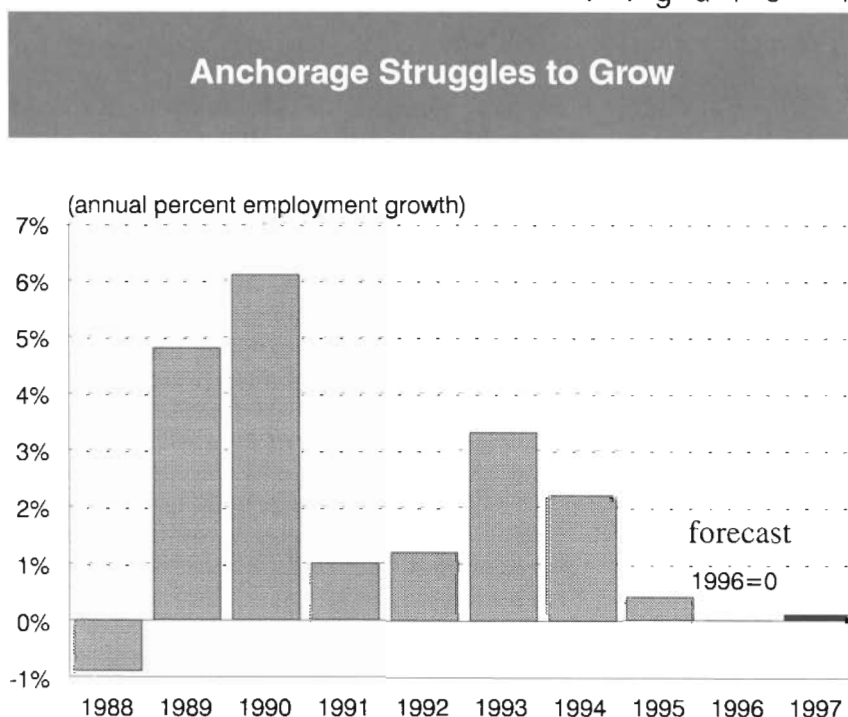
The next two years in the oil patch should be better than last year—a year of industry downsizing. Neither of the state's major oil companies, ARCO and British Petroleum, headquartered in Anchorage, expect their head count to change much. Oil prices have inched up and last year's lifting of the oil export ban should help the price picture. There is also a growing interest in developing some of the state's more marginal fields such as North Star, West Sak, and the Colville Delta. Although these projects will not boost oil industry employment beyond 1995's level, this activity should help sustain the existing industry.

Retail's expansion is over for the moment

After the heady years of 1994-95, Anchorage's retail sector will take a breather. Consolidation and attrition will characterize this industry in 1996 and 1997. Already, strong signs indicate this is happening. The two Long Drug stores in Anchorage closed their doors in 1995, along with several smaller retailers. After the 1995 Christmas season, another small flurry of retail closings occurred. And there are surely more to come. What might prevent overall retail employment from falling during the next two years is some new entry into the market and a strong eating and drinking sector. For example, new retailers such as a Barnes and Noble book store and Computer USA, will be opening their doors in the next six months, and a few other specialty retailers will follow. A new Bon Marche' and a new Safeway store also are being discussed. However, even

Neal Fried is a labor economist with the Research and Analysis Section, Administrative Services Division, Alaska Department of Labor. He is located in Anchorage.

Figure • 1



Source: Alaska Department of Labor, Research and Analysis Section.

Anchorage Nonagricultural Wage and Salary Employment Forecast 1996-1997

	1994 Annual Average	1995 Annual Average	Percent Change 94-95	1996 Annual Average	Absolute Change 95-96	Percent Change 95-96	1997 Annual Average	Absolute Change 96-97	Percent Change 96-97
Total Nonag. Wage & Salary	120,100	120,600	0.4	120,600	0	0.0	120,700	100	0.1
Goods-producing	11,600	11,200	-3.4	11,100	-100	-0.9	10,800	-300	-2.7
Mining	3,200	2,700	-15.6	2,700	0	0.0	2,700	0	0.0
Construction	6,400	6,400	0.0	6,300	-100	-1.6	6,100	-200	-3.2
Manufacturing	2,000	2,100	5.0	2,100	0	0.0	2,000	-100	-4.8
Service-producing	108,500	109,500	0.9	109,500	0	0.0	109,900	400	0.4
Transportation	12,600	12,000	-4.8	11,700	-300	-2.5	11,800	100	0.9
Trade	28,700	29,600	3.1	29,800	200	0.7	29,700	-100	-0.3
Wholesale	6,100	6,400	4.9	6,400	0	0.0	6,400	0	0.0
Retail	22,600	23,200	2.7	23,400	200	0.9	23,300	-100	-0.4
Finance-Ins. & Real Estate	7,200	7,100	-1.4	7,000	-100	-1.4	7,000	0	0.0
Services	31,300	32,600	4.2	33,500	900	2.8	34,300	800	2.4
Government	28,800	28,200	-2.1	27,500	-700	-2.5	27,100	-400	-1.5
Federal	11,100	10,500	-5.4	10,100	-400	-3.8	9,900	-200	-2.0
State	8,100	8,100	0.0	7,900	-200	-2.5	7,700	-200	-2.5
Local	9,500	9,500	0.0	9,500	0	0.0	9,500	0	0.0

Note: Subtotals may not add due to rounding.

Source: Alaska Department of Labor, Research and Analysis Section.

if these developments come to fruition, retail employment would not likely be affected until 1998.

Eating and drinking establishments remain a strong sector in retail, and will likely continue to expand in 1996. Three new brewpubs will open before the summer visitor season begins, and other eateries are on the drawing boards. This sector's strength should help back-fill the losses that are taking place elsewhere in retail.

Another decent year for construction

Last year's construction season ended strong, and the upcoming year looks like it will be decent—although probably a bit smaller. Last year, public construction dominated the season with the building of six new schools, two public hospitals and a new courthouse. Many of these public projects will continue into 1996; however, several new commercial ventures should help sustain most of the industry's momentum.

At the moment, four or five new hotels are on the drawing board for Anchorage. Not all these projects will be realized, but most ob-

servers think at least two of them will break ground this season. The new Marriot Courtyard is one major project that has publicly committed itself. This sudden interest in new hotel capacity is due to two reasons: Nationally, numerous lucrative hotel deals are being made because yields are improving in the industry. And locally, a continued expansion in the visitor industry appears to warrant this new capacity. Another big shot in the arm for the commercial side of the industry will be the construction of First National Bank of Anchorage's new headquarters and a data processing center, valued at \$18 million. The continued construction of the new Elmendorf Hospital will remain the single largest building project. A new \$17 million Alaska Psychiatric Institute replacement facility will also break ground this season.

Highway construction activity will be similar to last year's level. The bigger projects will be Seward Highway reconstruction. Many Anchorage contractors will also benefit from projects outside of the Anchorage area. Some of these projects include the new Seward Sealife Center, the Healy Clean Coal project, the new Princess hotel near Talkeetna, the Fort Knox gold mine in Fairbanks and others.

Last year, the City permitted 1,000 new residential units, making its strongest showing in ten years and better than anyone predicted. A repeat of last year's performance is the most common prediction for 1996. This prediction comes with two strong caveats. Because of the depth of the ground frost this year, builders may get a slow start, possibly putting a crimp on the number of units they can build. More important is the absence of Alaska Housing Finance Corporation's \$115.0 million, "five percent interest" housing loan program of last year. Anchorage was the major beneficiary of this program that helped spur on last year's strong demand for housing.

Transportation's numbers in temporary downdraft

Although nearly all air carriers in Anchorage agree that the next two years will be far better than 1995, employment in the industry will come in below last year's levels, and then may grow in 1997. The shutdown of MarkAir and the near closure of MarkAir Express are the sole reason for transportation's negative showing in 1996. The former occurred in April of 1995 and the latter in December, which means these losses will carry through most of 1996.

Since the MarkAirs' demise, both small and large air carriers in Anchorage beefed up their work forces as they moved to fill in the gap. If this had not been the case, 1996's losses would have been considerably larger. Several other positives will further narrow these losses. For example, Reno Air, which entered the summer market in 1995, recently became a year-around player. Just recently, America West announced that it will start flying between Anchorage and Seattle this summer. A new charter operator, World Airways, will be flying between Germany and Anchorage twice a week this summer. The outlook for international cargo and transit passenger activity is very positive because of the burgeoning economies of the Pacific Rim. United Parcel Service will be building a new \$5.5 million facility this summer, tripling its square footage, and the ever-growing Federal Express presence could expand as well. Recently, the Taiwanese airline EVA Air and

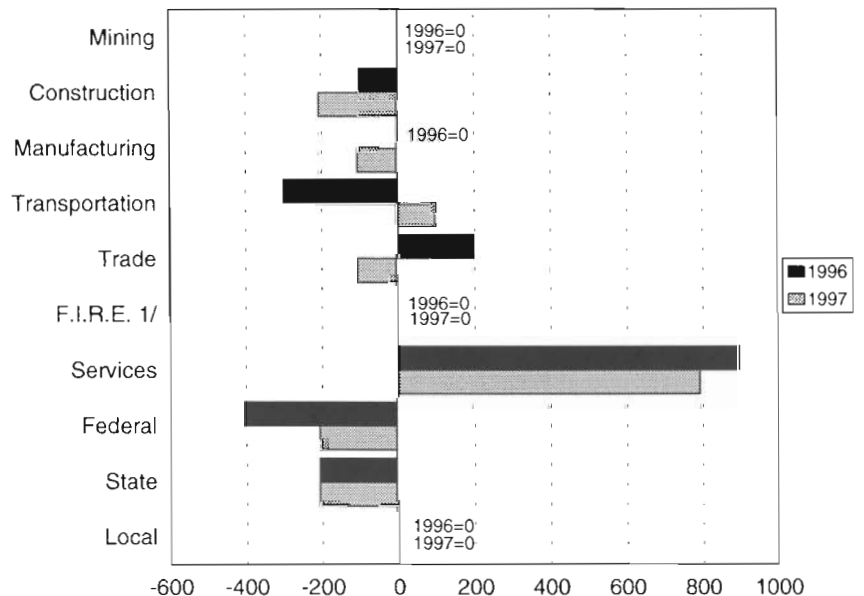
United Airlines-Cargo announced their intentions of using Anchorage International Airport. EVA Air will land 14 passenger/cargo flights a week, and United will use Anchorage as a base for their new cargo flights. Finally, the number of transit international passengers should experience some strong growth over the next two years.

One additional negative in transportation's numbers is the continued downsizing of Alyeska Pipeline Service Company, an oil transporter. In 1995, the size of their work force in Anchorage shrunk by nearly 100 jobs. This trend will continue as long as a diminishing amount of oil travels down the pipeline. During the next two years, Alyeska plans to shutdown several pipeline pump stations.

The outlook for employment in the communications and utility industries is a tough call, especially given the dramatic technological changes and the virtual elimination of regulation in the communications industry. In 1996, no dramatic changes are expected, but by 1997 big changes are possible.

Figure • 2

Services Keeps Employment on Even Keel



1/ Finance-Insurance and Real Estate.
Source: Alaska Department of Labor, Research and Analysis Section.

How these changes will manifest themselves employment-wise is unknown. Eventually, they probably will lead to strong growth, but the short-run call is more difficult to make.

City's finance sector will change little

With small losses in banking, a relatively stable real estate market, and healthy balance sheets for many of the state's Native Corporations headquartered in Anchorage, employment in this sector will dip only slightly over the next two years. Technology and out-sourcing are putting a crimp on banking employment. New branch banks and a new banking center may partially offset these losses.

Services will give the economy its biggest boost

Anchorage's biggest single employer and historically its most robust sector will continue this role during the next two years. Without growth in the service industry, Anchorage's work force would surely shrink. This industry is quite the disparate group; therefore, generalizations are tough to make. Over the next two years, service's strong players will remain business and management, health, entertainment, and social services. Business and management services will continue to get a boost from growth in the temporary and contingent work force. As more companies use a temporary or contingency work force, this segment of business services will continue to grow. Although not always an even swap, other industries' losses often translate into this industry's gains. For example, many of the cuts in oil industry personnel become gains in business services. This is true in the banking sector as well as in others.

Health services growth will moderate, but will inch ahead. Entertainment services employment will continue to enjoy strong gains. It could get a big boost if plans for a major movie complex pan out this year.

Visitor industry will boost services further

The biggest beneficiary of Anchorage's visitor industry is the hotels and lodging segment of services. And by all accounts, the outlook for 1996 and 1997 visitor seasons is good. Cruiseship and air carrier capacity to Alaska continues to grow, airfares remain relatively low, and other positive factors should keep this ball rolling. (See discussion on transportation.) The outlook is upbeat enough that there are presently a number of proposals to build new hotels in Anchorage. (See construction.) If only half of these proposals get off the ground, hotel employment in 1997 should benefit. The growth in the visitor industry will disproportionately benefit entertainment services and retail trade as well.

The public sector will continue to shrink

In 1995, the federal employment sector took a beating, and this trend will continue during the next two years. Their losses will cut across nearly all of the federal agencies. The biggest losses will probably be in the Department of Interior, also one of the biggest federal employers. Nearly all agencies' budgets are getting smaller, which translates into fewer personnel. One of the few federal agencies not feeling this pressure is the U.S. Post Office.

The state government workforce will also likely get smaller during the next two years. With a declining operating budget and less federal pass through money, downward pressure will continue on the state's workforce. A reorganization at the University of Alaska-Anchorage could also contribute to this trimming.

Employment at the local government level will remain largely unchanged. Some growth could occur in the Anchorage School District because six new schools will be opening their doors during the next two years. Most of the staff for the new schools will be simply moving from existing overcrowded schools. But

some additional staff will probably be needed to staff these new schools and enrollment for the entire district is still creeping upwards. Employment at the Municipality of Anchorage will remain stable.

Summary: A lackluster economy

Over the next two years, the size of Anchorage's work force will change little. These two years probably will translate into the weakest performance for Anchorage's economy since 1988. No one industry is forecasted to move in a spectacular fashion. Instead, employment in most of the industries will budge little. Parts of the public sector

and transportation will get smaller. The services and visitor industries will be the strongest players. And most of the other industries will not steer very far from where they are.

The job market will be humdrum at best. Good jobs certainly will not be plentiful. The job market will remain competitive for the job seeker. When a work force lacks growth, finding or changing jobs becomes more difficult. One positive note, however, is that local job seekers will not be facing a large influx of job seekers from elsewhere in the country, so that when opportunities do arise, the odds for a local job seeker landing a job improve.

New Veterans Reemployment Rights Law

On October 13, 1994, President Clinton signed into law the Uniformed Services Employment and Reemployment Rights Act (USERRA). This statute updates and replaces the old Veterans Reemployment Rights Law. If your business has employees who are returning veterans or who are members of the National Guard or Reserve, the USERRA statute will be of interest to you. For more information on how USERRA may impact your business, please contact the U.S. Department of Labor, Veterans Employment and Training Service, in Juneau at (907) 465-2723.

Sunny Skies Ahead in Fairbanks

by Brigitta Windisch-Cole

Brigitta Windisch-Cole is a labor economist with the Research and Analysis Section, Administrative Services Division, Alaska Department of Labor. She is located in Anchorage.

Employment in Fairbanks has grown each year since 1988, and for the next two years job growth will continue. This forecast projects 625 additional jobs in 1996, a 2.0% growth rate. During the following year, employment growth will abate, because construction on the state's largest project, the Fort Knox gold mine, will have been completed. During the forecast period, service-producing industries will benefit from expansion in mining and tourism.

Development at Fort Knox will lay the foundation for Fairbanks' growth. Construction activity at the mine will boost the economy in the first three-quarters of 1996. By fall, about 250 miners should be employed at Fort Knox. As they spend their pay in the community, other businesses will benefit. The mine, requiring support from other businesses for its operation, will stimulate other commercial activities. A variety of service producing industries should gain jobs.

The tourism industry, expecting about a 5.0 percent increase in visitor numbers, will also contribute to employment growth in service producing industries. Typically, employees who cater to visitors work in the transportation, retail and service industries.

Industrial construction takes the lead

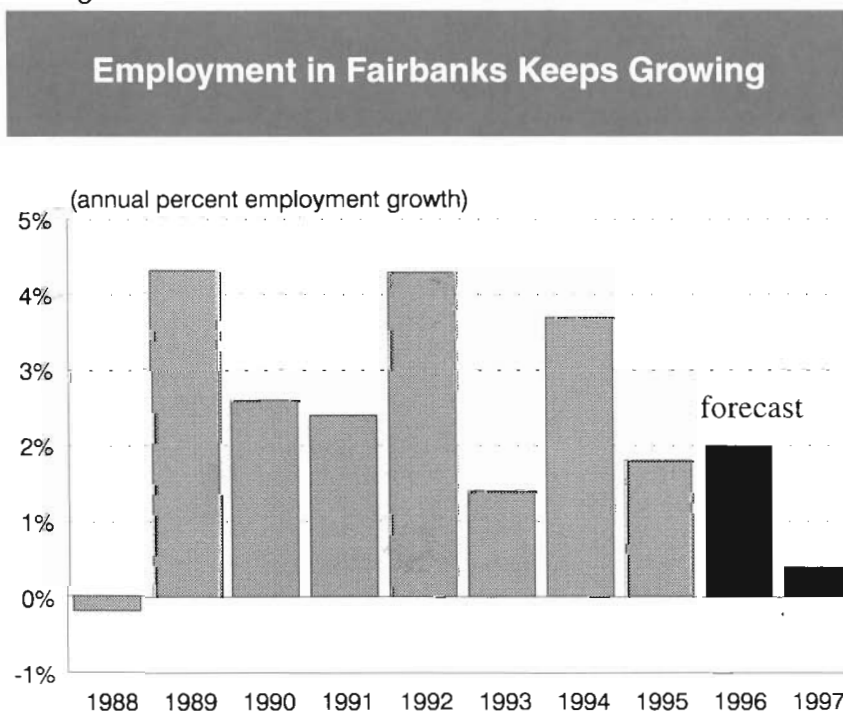
In 1996, construction will turn in its strongest performance in 11 years, adding about 150 jobs. The 1997 forecast anticipates a downturn in construction employment because Fairbanks' most prominent project, the gold mine, will have been completed by then.

The region's other large project, Healy's \$250 million utility plant, is entering its peak construction phase this year. Other industrial construction in progress is Earthwatch's satellite ground station. Space Imaging, an affiliate of Lockheed-Martin, is also planning to build a satellite communication center.

Road construction, exceeding \$25 million, will take place in the Northern Region, and ground will be broken for the new runway at the Fairbanks airport. The University of Alaska Fairbanks plans to spend close to \$6 million for building maintenance and a research station. Other public construction projects include a new elementary school on Eielson Air Force Base and renovation work at Lathrop High School, together amounting to a \$21 million capital outlay.

The military's construction schedule for Fort Wainwright lists projects exceeding \$38 million for the next two years. New housing units and renovation and upgrades of family housing are the top projects. Eielson Air Force Base's construction plan lists all-weather shelters for fighter aircraft, costing \$22 million, as the main project.

Figure • 1



Source: Alaska Department of Labor, Research and Analysis Section.

Fairbanks North Star Borough Nonagricultural Wage and Salary Employment Forecast 1996-1997

	1994 Annual Average	1995 Annual Average	Percent Change 94-95	1996 Annual Average	Absolute Change 95-96	Percent Change 95-96	1997 Annual Average	Absolute Change 96-97	Percent Change 96-97
Total Nonag. Wage & Salary	30,650	31,200	1.8	31,825	625	2.0	32,175	350	1.1
Goods-Producing	2,850	3,150	10.5	3,325	175	5.6	3,200	-125	-3.8
Mining	800	700	-12.5	725	25	3.6	900	175	24.1
Construction	1,500	1,900	26.7	2,050	150	7.9	1,700	-350	-17.1
Manufacturing	550	550	0.0	550	0	0.0	600	50	9.1
Services-Producing	27,750	28,050	1.1	28,500	450	1.6	28,975	475	1.7
Transportation	2,150	2,300	7.0	2,375	75	3.3	2,425	50	2.1
Trade	7,000	7,000	0.0	7,125	125	1.8	7,300	175	2.5
Wholesale Trade	800	800	0.0	825	25	3.1	850	25	3.0
Retail Trade	6,200	6,200	0.0	6,300	100	1.6	6,450	150	2.4
Finance-Ins. & Real Estate	1,050	950	-9.5	1,000	50	5.3	1,000	0	0.0
Services & Misc.	7,250	7,500	3.4	7,750	250	3.3	8,025	275	3.5
Government	10,300	10,300	0.0	10,250	-50	-0.5	10,225	-25	-0.2
Federal	3,100	3,050	-1.6	3,000	-50	-1.6	2,975	-25	-0.8
State	4,400	4,350	-1.1	4,300	-50	-1.1	4,250	-50	-1.2
Local	2,850	2,900	1.8	2,950	50	1.7	3,000	50	1.7

Note: Subtotals may not add due to rounding.

Source: Alaska Department of Labor, Research and Analysis Section.

Residential construction has moved ahead cautiously in Fairbanks since the mid-eighties, but confidence in the local economy is building. By November of 1995, residential builders had received 129 building permits for single family units. Not since 1985 has such intent surfaced. With the positive outlook for Fairbanks' economy, confidence should continue to grow.

The beginning of a gold mining epoch

In 1996, the mining employment forecast calls for just a small gain of 25 jobs, although Fort Knox will start production in the fall. Staff reductions at oil field service companies will affect employment in the mining industry. Oil field service companies, performing maintenance on the oil pipeline, expect scaled-back contracts. The new gold mine jobs, with just four months of operation this year, will help offset these losses and pull up the annual average in mining employment a bit.

In 1997, a gain of 175 mining jobs is expected because of employment at Fort Knox. However, employment will again fall on the Trans-

Alaska pipeline because of less maintenance work.

For gold mining employment, the more distant future is even brighter. Exploration of the True North property, also near Fairbanks, confirmed that it contains sufficient gold deposits to consider production. The owners, a joint venture of the Newport Mining Company and La Teko, will proceed with development of the property. But construction is on hold for a few more years.

Last winter's feverish claim-staking in the Fairbanks mining district, prompted by an airborne geophysical survey, the Fort Knox development, and successful exploration of the True North prospect, reinforced the impression that Fairbanks is again becoming a gold miner's town.

Employment at eating and drinking establishments will spur retail's growth

Since the early 1990s, retail trade enterprises have added over 1,000 jobs to Fairbanks' economy, but employment growth has slowed

in recent years. This year's forecast, however, anticipates new jobs at eating and drinking places. Construction workers, miners, and visitors may provide brisk business for restaurants. Wholesalers, preparing for a faster-paced local economy, may also add to employment.

While general merchandise and food stores created most retail jobs in the early nineties, employment in these categories has stagnated since 1994. One factor in this may have been military draw downs which kept a lid on Fairbanks' population growth. Population has been averaging 1.6% growth annually for the past five years. Not only a slowly growing population, but also apparel's lackluster performance on the national front, may have kept new companies from entering Fairbanks' retail market. Therefore, the forecast for general merchandise and apparel employment remains level in 1996. But retail employment growth is likely to pick up in 1997, after new residents move in.

Transportation employment will recover

Despite some recent losses in the air transportation industry, employment will grow as passenger and cargo traffic increases. Since 1990, airline passenger counts have increased by about 30 percent. And, with more visitors coming, that trend should continue.

While Anchorage suffered the brunt of job losses in the air transportation industry last year, MarkAir's demise was also felt in Fairbanks. Over 60 jobs were lost when the airline shut down.

In another setback, United Airlines will discontinue its Fairbanks route. However, that void will be filled by Reno Air, a newcomer to Alaska. Northwest Airlines, providing direct service between Fairbanks and the Midwest, seemed pleased with last year's business. The company announced that it will not only return but will step up traffic on its route.

Cargo traffic has also grown in recent years. The extension of a runway will allow larger planes to use the Fairbanks airport as a service center in future years.

The trucking sector will benefit from the upbeat construction activity. A brisk summer season should result in more jobs. Moreover, the industrial expansion in and around Fairbanks bears good news for trucking companies.

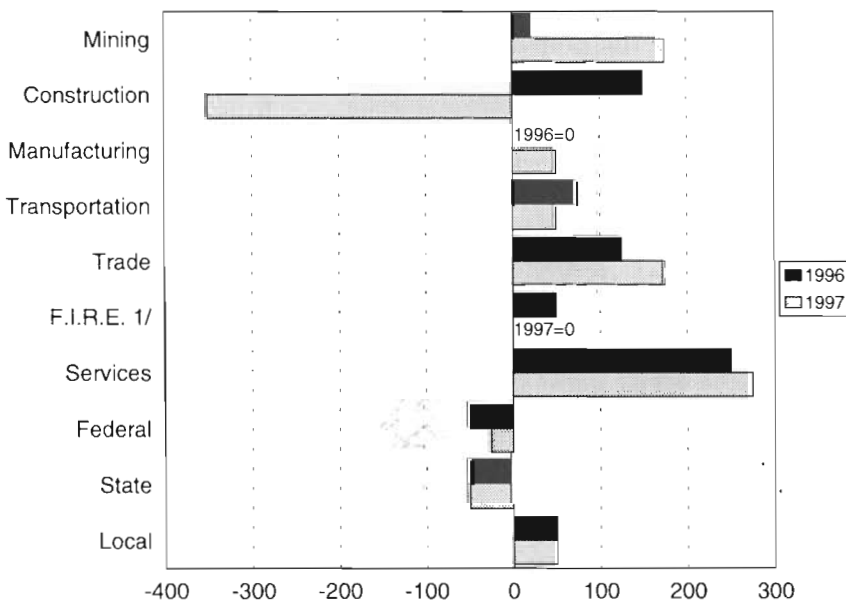
Not all is positive in the transportation industries. The closure of pump stations along the oil pipeline will mean some job losses for Fairbanks' workers.

Service industry employment will advance with its usual stride

In 1995, average employment for the services industry grew by 250 jobs, growth second only to construction. In the past, the visitor and health industries spurred most of this growth. In 1996, the hotel industry alone could add over 100 jobs, when two new facil-

Figure • 2

The Private Sector Adds Most Jobs



1/ Finance-Insurance and Real Estate.
Source: Alaska Department of Labor, Research and Analysis Section.

ities open their doors. Tourism has worked well for the Fairbanks economy and will continue adding to employment growth. Specialized and professional services will directly or indirectly benefit from the newcomer industries.

Finance-Insurance and Real Estate employment will rebound

Employment in banking should hold up despite organizational changes in financial institutions. A healthy construction industry and the coming mining payroll will reverse last year's employment trend for the finance-insurance and real estate industries.

Lean public budgets draw down government employment

For the next two years, public sector employment will lose ground. Declining budgets at the federal and state level mean staff reductions. Continued downsizing will cost Fairbanks some public sector jobs.

The federal job losses should not affect the civilian workers attached to the military. Realignment at Fort Wainwright and Eielson Air Force Base, a staff draw down of about 21 percent uniformed personnel at both bases during the past five years, has almost been completed. In fact, in future

years, Fort Wainwright will gain troops from Fort Greely, near Delta Junction, when it closes.

Local government is the only public sector likely to grow in the next two years. Increases in school enrollment will mandate some school district employment growth. This forecast does not assume that the Fairbanks utility will privatize within the next two years. Should this happen, these government employees will become private sector utility workers.

Summary

Fairbanks' economy is looking forward to brighter days ahead. Construction crews are laying a foundation for industrial expansion. When it starts operation, Fort Knox will stimulate gold mining development, produce a respectable payroll, and accelerate other commercial activities. Employment will grow in most industries as a result. The visitor industry will provide for the usual peaks in employment during its season. Construction, mining and the visitor industry will induce growth in the service producing sector. If all goes as expected, the Fairbanks economy will stand on firm ground. The public sector and pipeline employment will suffer job losses and be the only clouds in Fairbanks' otherwise bright and sunny skies.

Overall Stability Masks Industry/Area Differences

by Kristen Tromble

Kristen Tromble is a labor economist with the Research and Analysis Section, Administrative Services Division, Alaska Department of Labor. She is located in Juneau.

For the next two years, Southeast's overall economy should continue the same slow growth of the prior two years, with a forecast job growth rate of 1.6% in 1996 and 1.9% in 1997. (See Table 1 and Figure 1.) Strong growth in mining and construction will outweigh declines in manufacturing and government employment. Larger communities with a diversified economic base will benefit most from this growth. Small communities largely dependent on a single industry may be challenged.

A golden opportunity

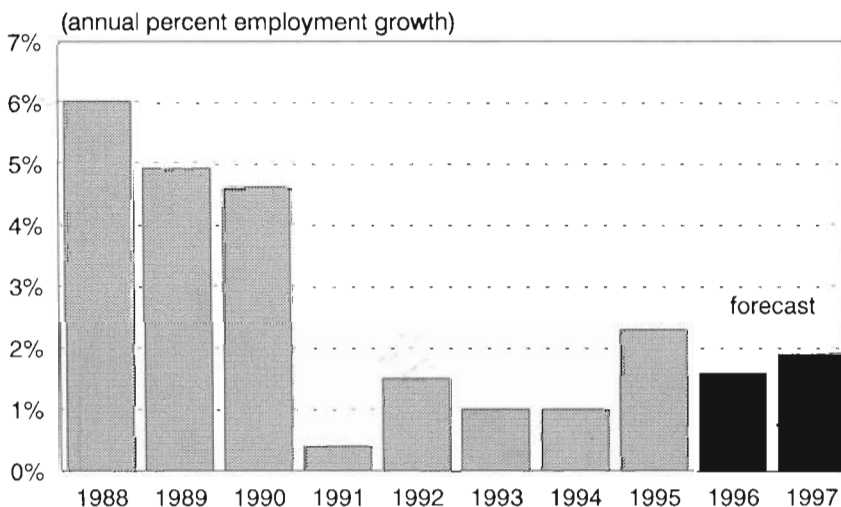
Mining is cast for a starring role in Southeast's economy for the next several years. (See Figure 2.) Green's Creek is setting the stage to reopen its mine on Admiralty Island by the end of summer—several months ahead of schedule. In its first years of operation, the expanded facility will produce primarily

silver and gold. At full production it will employ 250 people. Meanwhile, Coeur Alaska's Kensington project, though slightly delayed, should begin construction later this year, and hit the ground full force next year. Once underway, building activity at the Kensington could employ up to 500 workers for two years. The outlook for reopening Echo Bay's AJ mine has recently improved and construction activity could begin toward the end of this forecast period. Smaller projects, including a limestone mine on Prince of Wales, could also start during this period.

Though the vast majority of mining activity falls in the Juneau Borough, other Southeast communities may also benefit. Haines is well placed for involvement in the Kensington mine. Money may waft into other communities as local businesses win mining related contracts, or local workers commute to mining jobs.

Figure • 1

Southeast's Employment Growth Continues



Source: Alaska Department of Labor, Research and Analysis Section.

Constructive progress

The construction industry is likely to be another major player in Southeast's economy. This industry, which, in 1995, turned in its strongest performance in at least 10 years, seems to have nowhere to go but up. In 1997, construction will get a big boost from the mining industry. In addition to activity at the mine sites, proposed development of support facilities on Goldbelt's land near Echo Cove could begin in 1997.

Residential construction continues to boom with the number of building permits up in Ketchikan, Juneau, and Sitka. Petersburg is also anticipating a strong residential construction season and development on Prince of Wales appears strong, especially near Craig, Southeast's fastest growing community.

Despite last year's building frenzy, Juneau's housing supply remains tight. Prices keep rising and assessments were up from a year ago. Market conditions look good enough to inspire builders for this year and next. To

Southeast Nonagricultural Wage and Salary Employment Forecast 1996-1997

	1994 Annual Average	1995 Annual Average	Percent Change 94-95	1996 Annual Average	Absolute Change 95-96	Percent Change 95-96	1997 Annual Average	Absolute Change 96-97	Percent Change 96-97
Total Nonag. Wage & Salary	34,900	35,700	2.3	36,275	575	1.6	36,975	700	1.9
Goods-producing	5,750	5,750	0.0	5,825	75	1.3	6,075	250	4.3
Mining	150	200	33.3	350	150	75.0	400	50	14.3
Construction	1,450	1,600	10.3	1,700	100	6.3	1,950	250	14.7
Manufacturing	4,100	3,950	-3.7	3,775	-175	-4.4	3,725	-50	-1.3
Seafood Processing	1,600	1,600	0.0	1,550	-50	-3.1	1,525	-25	-1.6
Forest Products 1/	2,200	2,050	-6.8	1,925	-125	-6.1	1,875	-50	-2.6
Service-producing	29,150	29,950	2.7	30,450	500	1.7	30,900	450	1.5
Transportation	2,900	2,950	1.7	3,000	50	1.7	3,050	50	1.7
Trade	6,400	6,700	4.7	6,900	200	3.0	7,125	225	3.3
Wholesale Trade	550	550	0.0	550	0	0.0	575	25	4.5
Retail Trade	5,850	6,150	5.1	6,350	200	3.3	6,550	200	3.1
Finance-Ins. & Real Estate	1,400	1,400	0.0	1,425	25	1.8	1,425	0	0.0
Services & Misc.	6,100	6,600	8.2	6,850	250	3.8	7,075	225	3.3
Government	12,350	12,350	0.0	12,275	-75	-0.6	12,225	-50	-0.4
Federal	2,000	1,950	-2.5	1,900	-50	-2.6	1,875	-25	-1.3
State	5,350	5,400	0.9	5,325	-75	-1.4	5,250	-75	-1.4
Local	4,950	5,050	2.0	5,050	0	0.0	5,100	50	1.0

spur construction of downtown housing targeted for legislators, the city is offering interest free loans to developers.

New mining workers and their families will also drive demand, though on site housing may temper their impact on Juneau's housing market. Still, they should help balance any declines from government job losses.

In Juneau, residential projects scheduled for the forecast period include replacement units at Cedar Park, 50 single and duplex units in a Tlingit and Haida development, 45 units at Riverbend, St. Vincent DePaul expanding its senior home and family shelter, and new townhouse developments in West Juneau, in addition to building at new single-family developments.

Sitka's housing market has held remarkably strong since the pulp mill closure in 1993. A continuing in-migration of retirees is sustaining demand for more expensive homes, while the troubled Indian River project hopes to complete 45 new low income housing units by mid-year.

Commercial construction, much of which is tied to the tourism industry, includes the large Spruce Mill development in Ketchikan.

The first buildings in this complex, a retail and office space building and a retail building with restaurant should be completed by June. At least five buildings will be finished by the end of 1997. One, a hotel slated to open next year, will include some condos. Future plans allow space for a public market. The entire development should be complete by 2000.

Juneau's construction industry also will benefit from growth in the visitor industry. Two native corporations have proposed building new waterfront hotels in downtown Juneau. Goldbelt is looking at a 100-room hotel at its Seadrome site, and Sealaska should decide on developing a 120-room luxury hotel on South Franklin by mid-year. However, the Goldbelt project may be in jeopardy if proposed changes in Holland America's cruise ship schedule are implemented. Another downtown hotel project under discussion aims to meet legislative housing needs. Also, in Juneau, work will continue on the Mt. Roberts tram, even after the downtown terminal and one lift open to visitors this summer.

Tourism-related growth continues on Prince of Wales with a 10-unit hotel and a 16-room

Note: Subtotals may not add due to rounding.

1/ Includes Pulp Mills and Lumber and Wood Products.

Source: Alaska Department of Labor, Research and Analysis Section.

lodge going up in Craig. New restaurants in Southeast communities, including a Burger King in Craig, should also feed construction growth.

Public projects in the forecast period include a new elementary school in Juneau and a recreation center in Ketchikan. The Alaska Department of Transportation and Public Facilities reportedly expects to spend about the same amount of money in Southeast as last year. Major projects proposed for the forecast period include expansion work at the Auke Bay ferry terminal in Juneau, and road work in Juneau and Ketchikan.

Manufacturing blues. Seafood gasps...

Unlike that of the other goods-producing industries, the outlook for the manufacturing sector is dreary. Both of Southeast's manufacturing mainstays, timber and seafood processing, face uncertain futures.

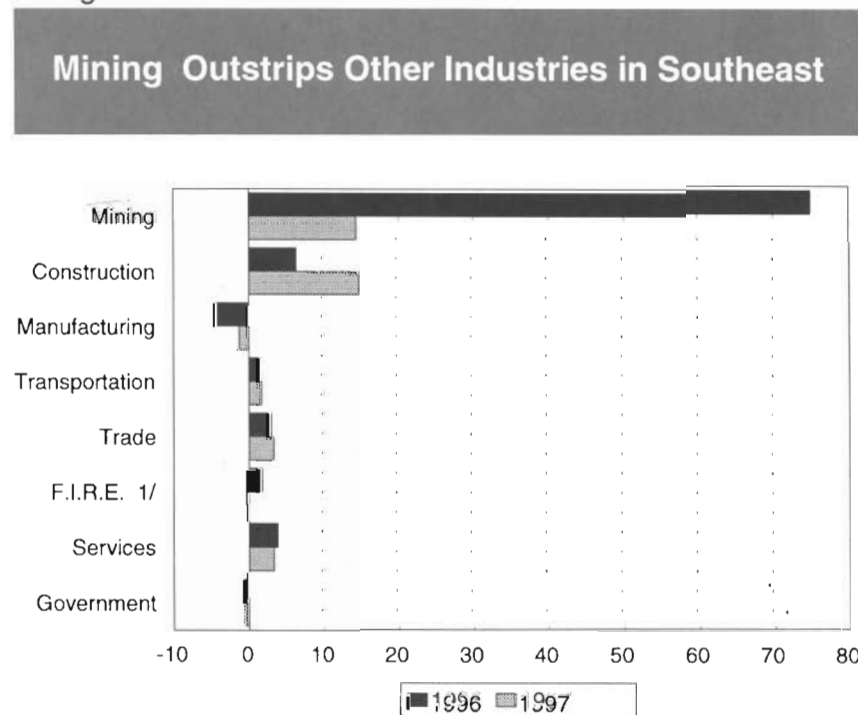
The Alaska Department of Fish and Game's preliminary projections show a total Southeast salmon harvest in '96 of almost 20 percent more fish than in '95. The increase is

largely due to a forecast pink salmon run that, at 62 million, could be the largest in Southeast's history. However, with the current oversupply of salmon, particularly pinks, and the corresponding depressed prices, the actual harvest level may depend on whether fishers can find buyers for their catch—and can afford to work their boats at the prices tendered.

If harvesters and processors do not make money this season, the communities in which they live and work will feel the effects throughout their economies. Pelican has already been hit. Its processor and economic base, Pelican Seafoods, closed early this year, and, as of this writing, had no buyer. The loss of this major employer, of over 100 workers at the seasonal peak, and the business generated supplying and servicing fishers could be a fatal blow to the city of Pelican. Another Southeast processor expects processing employment comparable to last year's, but has reduced its fleet. Others plan to continue normal operations, but may reevaluate after the season opens.

Some niche areas of the industry are expected to do better. Health Sea, which is introducing 14 new salmon products this year, is starting a processing operation in Kake that will employ about 10 people during the winter season. The Sitka Sound herring roe quota is up over last year's level, and prices remain good. Continued growth in Prince of Wales' shellfish farming industry is expected.

Figure • 2



Timber teeters

The timber industry continues its balancing act between recovery and disaster, as changing supply and market conditions again introduce uncertain levels of volatility. Last year, the logging sector began showing signs of a comeback, but the losses associated with the closure of the Wrangell sawmill and shift cutbacks at the Ketchikan sawmills were too much for the industry to overcome. In 1996, falling pulp prices may chop short logging's strong performance. As Ketchikan Pulp Company (KPC) has reduced the number of logs processed at its pulp mill, some contractors have reportedly halved their workforces.

1/ Finance-Insurance and Real Estate.
Source: Alaska Department of Labor, Research and Analysis Section.

However, harvests on native corporation land should continue at a strong pace, though this work, too, will eventually decline. While these corporations have land available for logging for this forecast period, their supply is diminishing and employment can be expected to drop within the next four to six years.

Another wild card is the level of activity on federal lands in the Tongass. The Forest Service plans to release about the same amount of timber as last year, around 300 million board feet. However, the amount available for logging could rise, or fall dramatically, depending on whether the sales are tied up in court.

A significant release of timber could also boost sawmill employment. Without one, more losses in this sector are likely. Market conditions are also negatively affecting the profitability of sawmill products. The KPC announced it would close its sawmills in Ketchikan and Metlakatla for two months this spring, affecting 100 workers. The mills had been operating at half capacity. Because of the drop in pulp prices, employment at KPC's pulp mill, which has been fairly stable, could also change. At current prices, the pulp mill's product may be selling below cost. If so, it is unclear how long operations would continue.

Tourism climbing, but there are rocks in the path

Helped by strong tourism activity, the transportation industry should remain stable with growth in charter ships and a small upturn in air transportation. While Prince of Wales communities and Goldbelt work to develop separate proposals for new ferry service, the soonest either would begin operations is near the end of the forecast period. A new state ferry is scheduled to start runs in 1998.

The cruise ship portion of the tourism industry is changing. While growth in capacity should continue, it may not reach the heady pace previously predicted. At least one ship scheduled to sail in Southeast this summer has been diverted to another route. To fill berths on ships which do come, companies are marketing to an increasingly downscale

customer, and are looking to cut costs accordingly. Holland America announced that, beginning next year, it would cut its stops in Sitka by half, while increasing trips to Skagway. The company has also proposed changing overnight stops from Juneau to Skagway. In Juneau, a new private dock will enhance shore access, but will reduce city docking revenues.

Still, the outlook for the tourism industry is good. Several new cruise ships, some very large, are entering the market and will more than replace capacity lost with the bankruptcy of Regency Cruises. The National Park Service recently recommended allowing an increase in cruise ship visits in Glacier Bay. Smaller destinations and specialty offerings continue to attract visitors. Independent travelers seeking adventure, environmental and cultural activities are still a growth area. A number of communities hope to capitalize on these trends. Haines is expecting an increased number of cruise ship passengers, while Wrangell will benefit from the expansion of small cruise lines. Yakutat, Angoon, and Prince of Wales communities all look to develop and expand tourism activity. Prince of Wales, with its road system, caves, and fishing lodges, should be well placed to compete.

Trade rummages for growth

The retail sector will continue to grow, but at a slower pace. So far, the market seems to be absorbing the capacity added in the last few years, particularly in Juneau. While some businesses, citing the increased competition, have closed, others have repositioned themselves in the market, and new ones have opened. With the population growth expected from new mining activity, the medium term outlook for the trade industry is good. While staff levels at some leading retail stores were down in December compared to a year ago, over time, levels should start to recover. This forecast assumes that none of the major retailers will close.

Specifically, the Spruce Mill Development will expand retail space in Ketchikan in each of the forecast years, and local retail growth on Prince of Wales should continue. Home

furnishing and hardware stores should benefit as households move into the new residential construction. Eating and drinking places will continue to be a growth sector, with new restaurants opening in Juneau, Ketchikan and Craig (which is expecting a small restaurant in addition to the Burger King). Tourism related retail should also remain strong.

Services smile

The services industry will also grow at a slower rate, although its performance should be well above the regional average. One major force, health care, should continue its recent strong growth trend. The Southeast Alaska Regional Health Corporation, responsible for much of the recent growth, is planning further expansion. Opportunities also exist in home health care and alternative medicine. A potential setback to growth could come if federal funds for the Indian Health Service, or medicare or medicaid are cut.

In other services, federal reductions also threaten growth in social service agencies, some of which saw huge gains last year. Jobs related to the AmeriCorps program seem especially at risk. Mining and construction projects will strengthen certain service sectors, and hotel and lodging employment should increase as new facilities open. Tourism activity will also continue to boost employment in amusement and recreation services.

Governments grimace

Besides manufacturing, the government sector is likely to be the biggest drag on Southeast's economy. Federal and state agencies, including the University of Alaska, are un-

der extreme pressure to cut costs and positions. The Bureau of Indian Affairs eliminated 15 positions in Southeast early this year, with more losses expected. Cuts can also be expected at other federal and state agencies because of a reduction in federal funding. Though dramatic employment drops from the elimination of programs or departments may not occur, it is likely that most agencies will gradually trim their workforces.

Some local communities, including Klawock and Sitka, which is feeling the loss of taxes following the pulp mill closure, are also facing fiscal pressures. School employment levels are problematic as pressures for services and small class sizes collide with increased costs and spending caps. Juneau will open a new school in the fall of 1997, but some staff may move from existing schools.

In addition to direct employment losses, reductions in government spending will likely ripple throughout the economy, impacting spending and jobs in retail, construction, and services. Reductions in transfer payments to individuals and communities, capital project spending limits, and cuts in government services will hit communities with a small or non-diverse tax base particularly hard.

Summary

Systemic changes in Southeast's economy will continue. Troubles in traditional industries, such as seafood processing, timber, and government, will challenge communities to adapt their expectations and lifestyles. Smaller communities may feel particularly hard pressed. However, the mining, construction, and tourism industries look poised to lead the region into two more years of growth.

Seafood Processing: Scaling Back?

by Kristen Tromble

Alaska's unemployment rate was 9.3% in February, down 0.4 of a percentage point from January. After five months of climbing unemployment rates, Alaska's economy is slowly rising out of the winter gloom. For the second month in a row, the unemployment rate increased slightly over a year ago, although it is too early to tell if this trend will continue through the year.

In most areas of the state, the unemployment rate dipped slightly. Significant declines were registered in Southwest Alaska and Kodiak, where winter fisheries activity boosted employment. The highest rates were in Interior, where both the Yukon-Koyukuk and Southeast Fairbanks census areas reached a rate of 20.7%. (See Table 4.)

February's wage and salary employment numbers show that 6,100 jobs were added to the work force. The biggest contributor to this growth was the seafood industry, which grew by nearly 3,900 jobs. A peak in the pollack season and an Opilio crab opening in Southwest Alaska lifted the job numbers.

Salmon: In the pink, but the outlook's not pretty

As winter fisheries wind down, attention turns to the upcoming salmon season. Based solely on the projected number of fish, 1996 could be a good year for Alaska's salmon industry. Statewide, a large harvest is forecast with Southeast expecting a record run of pinks. Unfortunately, other factors are at work. Recent record harvests in Alaska and a surge of farmed salmon have flooded world markets, sinking prices. Japan, a major market for red and chum salmon, has been marooned in the economic doldrums. Although signs indicate that the Japanese economy is recovering, its market probably will continue to be more price sensitive. Farmed salmon is altering the market, introducing a bland-taste that appeals to some consumers and consistencies in quality and supply that appeal to marketers. Canned salmon, a major

product for pinks, is not attracting younger consumers.

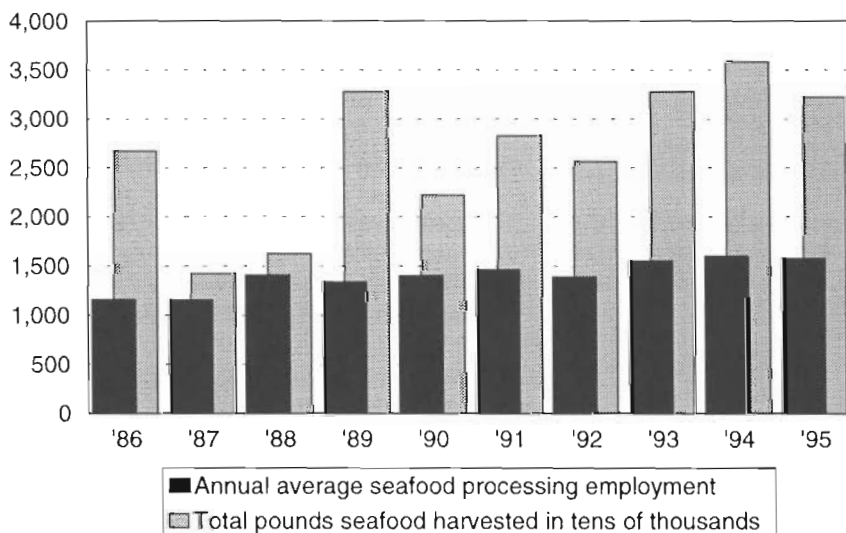
After years of warnings, these changes in the salmon market are starting to rock Alaska's seafood industry. Harvesters are facing prices as low as five cents per pound for pink salmon—if they can sell the fish. Norquest Seafoods and Tyson Seafoods Group have announced they will not buy pinks this season. Other processors may buy only the amount of fish they have already sold. Harvesting employment and income seem certain to fall, as some fishers decide they cannot afford to participate in the season.

Processors and processing employment also will be affected. In the last few months, Inlet Salmon, with operations in Cook Inlet, Bethel, and Bristol Bay, filed for Chapter 11 reorganization. It will not run its Bethel facility this year. Whitney Foods in Anchorage and the seafood plant in Pelican

Kristen Tromble is a labor economist with the Research and Analysis Section, Administrative Services Division, Alaska Department of Labor. She is located in Juneau.

Figure • 1

Harvest Levels Don't Drive Employment Southeast Region



Source: Alaska Department of Labor, Research and Analysis Section.

Table • 1

Nonagricultural Wage and Salary Employment by Place of Work

	Alaska		Changes from			Municipality of Anchorage			Changes from		
	p/ 2/96	r/ 1/96	2/95	1/96	2/95		p/ 2/96	r/ 1/96	2/95	1/96	2/95
Total Nonag. Wage & Salary	249,700	243,600	248,900	6,100	800	Total Nonag. Wage & Salary	116,600	116,200	116,600	400	0
Goods-producing	35,400	30,800	35,400	4,600	0	Goods-producing	9,500	9,300	9,400	200	100
Service-producing	214,300	212,800	213,500	1,500	800	Service-producing	107,100	106,900	107,200	200	-100
Mining	9,900	9,700	9,700	200	200	Mining	2,700	2,600	2,800	100	-100
Construction	9,800	9,500	9,500	300	300	Construction	4,900	4,800	4,700	100	200
Manufacturing	15,700	11,600	16,200	4,100	-500	Manufacturing	1,900	1,900	1,900	0	0
Durable Goods	2,300	2,000	2,400	300	-100	Transportation	11,500	11,500	12,000	0	-500
Lumber & Wood Products	1,400	1,100	1,600	300	-200	Air Transportation	4,200	4,200	4,800	0	-600
Nondurable Goods	13,400	9,600	13,800	3,800	-400	Communications	2,300	2,300	2,100	0	200
Seafood Processing	10,300	6,400	10,600	3,900	-300	Trade	28,200	28,500	28,100	-300	100
Pulp Mills	500	500	500	0	0	Wholesale Trade	6,100	6,100	6,100	0	0
Transportation	20,900	20,700	21,800	200	-900	Retail Trade	22,100	22,400	22,000	-300	100
Trucking & Warehousing	2,900	2,900	2,800	0	100	Gen. Merch. & Apparel	4,200	4,400	4,300	-200	-100
Water Transportation	1,600	1,400	1,700	200	-100	Food Stores	3,100	3,100	3,100	0	0
Air Transportation	6,600	6,600	7,300	0	-700	Eating & Drinking Places	7,900	7,800	7,600	100	300
Communications	3,700	3,700	3,700	0	0	Finance-Ins. & Real Estate	7,000	7,000	7,100	0	-100
Trade	50,700	51,100	49,800	-400	900	Services & Misc.	32,400	32,000	31,300	400	1,100
Wholesale Trade	8,300	8,300	8,200	0	100	Hotels & Lodging Places	2,200	2,300	2,500	-100	-300
Retail Trade	42,400	42,800	41,600	-400	800	Health Services	6,800	6,800	6,600	0	200
Gen. Merch. & Apparel	8,300	8,800	8,300	-500	0	Government	28,000	27,900	28,700	100	-700
Food Stores	7,100	7,100	6,900	0	200	Federal	10,100	10,100	10,700	0	-600
Eating & Drinking Places	13,700	13,600	13,300	100	400	State	8,300	8,100	8,400	200	-100
Finance-Ins. & Real Estate	11,300	11,400	11,400	-100	-100	Local	9,600	9,700	9,600	-100	0
Services & Misc.	58,500	57,800	56,900	700	1,600						
Hotels & Lodging Places	4,700	4,800	4,900	-100	-200						
Health Services	13,400	13,300	13,000	100	400						
Government	72,900	71,800	73,600	1,100	-700						
Federal	16,600	16,800	17,400	-200	-800						
State	21,900	21,100	22,000	800	-100						
Local	34,400	33,900	34,200	500	200						

Table • 2

Alaska Hours and Earnings for Selected Industries

	Average Weekly Earnings			Average Weekly Hours			Average Hourly Earnings		
	p/	r/	2/95	p/	r/	2/95	p/	r/	2/95
	2/96	1/96		2/96	1/96		2/96	1/96	
Mining	\$1,194.00	\$1,204.28	\$1,235.22	50.0	50.6	51.0	\$23.88	\$23.80	\$24.22
Construction	985.92	968.79	983.14	41.6	40.4	41.8	23.70	23.98	23.52
Manufacturing	441.53	371.02	544.48	45.1	29.1	57.8	9.79	12.75	9.42
Seafood Processing	365.96	213.75	504.79	47.9	25.0	64.8	7.64	8.55	7.79
Trans., Comm. & Utilities	657.15	660.52	642.78	33.7	34.1	34.3	19.50	19.37	18.74
Trade	410.77	399.68	396.14	33.1	32.6	33.8	12.41	12.26	11.72
Wholesale	664.09	623.45	651.95	37.1	37.0	38.6	17.90	16.85	16.89
Retail	361.44	357.75	347.10	32.3	31.8	32.9	11.19	11.25	10.55
Finance-Ins. & R.E.	499.74	492.15	463.98	36.8	36.7	35.5	13.58	13.41	13.07

Notes to Tables 1-3:

Tables 1&2- Prepared in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.

Table 3- Prepared in part with funding from the Employment Security Division.

p/ denotes preliminary estimates.

r/ denotes revised estimates.

Government includes employees of public school systems and the University of Alaska.

Average hours and earnings estimates are based on data for full- and part-time production workers (manufacturing) and nonsupervisory workers (nonmanufacturing). Averages are for gross earnings and hours paid, including overtime pay and hours.

Benchmark: March 1995

Nonagricultural Wage and Salary Employment by Place of Work

Southeast Region	p/	r/	Changes from		
	2/96	1/96	2/95	1/96	2/95
Total Nonag. Wage & Salary	32,200	31,600	31,600	600	600
Goods-producing	3,800	3,550	3,950	250	-150
Service-producing	28,400	28,050	27,650	350	750
Mining	250	250	200	0	50
Construction	1,200	1,200	1,150	0	50
Manufacturing	2,350	2,100	2,600	250	-250
Durable Goods	950	850	1,200	100	-250
Lumber & Wood Products	850	750	1,100	100	-250
Nondurable Goods	1,400	1,250	1,400	150	0
Seafood Processing	650	500	700	150	-50
Pulp Mills	550	550	500	0	50
Transportation	2,350	2,350	2,350	0	0
Trade	6,000	6,000	5,750	0	250
Wholesale Trade	500	500	500	0	0
Retail Trade	5,500	5,500	5,250	0	250
Finance-Ins. & Real Estate	1,250	1,250	1,250	0	0
Services & Misc.	6,250	6,150	5,900	100	350
Government	12,550	12,300	12,400	250	150
Federal	1,750	1,750	1,800	0	-50
State	5,500	5,400	5,500	100	0
Local	5,300	5,150	5,100	150	200

Anchorage/Mat-Su Region

Total Nonag. Wage & Salary	126,400	125,950	126,100	450	300
Goods-producing	10,200	10,000	10,000	200	200
Service-producing	116,200	115,950	116,100	250	100
Mining	2,700	2,600	2,850	100	-150
Construction	5,500	5,450	5,150	50	350
Manufacturing	2,000	1,950	2,000	50	
Transportation	12,350	12,300	12,950	50	-600
Trade	30,800	31,100	30,450	-300	350
Finance-Ins. & Real Estate	7,400	7,400	7,500	0	-100
Services & Misc.	34,750	34,450	33,550	300	1,200
Government	30,900	30,700	31,650	200	-750
Federal	10,200	10,250	10,850	-50	-650
State	9,100	8,850	9,150	250	-50
Local	11,600	11,600	11,650	0	-50

Gulf Coast Region

Total Nonag. Wage & Salary	24,550	23,450	24,650	1,100	-100
Goods-producing	5,900	4,900	6,000	1,000	-100
Service-producing	18,650	18,550	18,650	100	0
Mining	950	950	950	0	0
Construction	950	900	850	50	100
Manufacturing	4,000	3,050	4,200	950	-200
Seafood Processing	2,850	2,100	3,100	750	-250
Transportation	1,950	1,950	2,050	0	-100
Trade	4,450	4,450	4,400	0	50
Wholesale Trade	550	550	550	0	0
Retail Trade	3,900	3,900	3,850	0	50
Finance-Ins. & Real Estate	650	650	650	0	0
Services & Misc.	4,750	4,800	4,750	-50	0
Government	6,850	6,700	6,800	150	50
Federal	600	600	600	0	0
State	1,700	1,650	1,700	50	0
Local	4,550	4,450	4,500	100	50

Interior Region	p/	r/	Changes from:		
	2/96	1/96	2/95	1/96	2/95
Total Nonag. Wage & Salary	33,300	32,850	33,200	450	100
Goods-producing	2,800	2,700	2,900	100	-100
Service-producing	30,500	30,150	30,300	350	200
Mining	750	750	850	0	-100
Construction	1,550	1,400	1,550	150	0
Manufacturing	500	550	500	-50	0
Transportation	2,350	2,350	2,350	0	0
Trade	6,750	6,850	6,650	-100	100
Finance-Ins. & Real Estate	1,000	1,050	1,000	-50	0
Services & Misc.	7,700	7,650	7,550	50	150
Government	12,700	12,250	12,750	450	-50
Federal	3,450	3,450	3,450	0	0
State	4,800	4,450	4,850	350	-50
Local	4,450	4,350	4,450	100	0

Fairbanks North Star Borough

Total Nonag. Wage & Salary	29,350	28,900	29,200	450	150
Goods-producing	2,550	2,400	2,550	150	0
Service-producing	26,800	26,500	26,650	300	150
Mining	600	550	700	50	-100
Construction	1,450	1,300	1,350	150	100
Manufacturing	500	550	500	-50	0
Transportation	1,950	2,000	1,950	-50	0
Trucking & Warehousing	500	500	450	0	50
Air Transportation	450	450	500	0	-50
Communications	250	250	300	0	-50
Trade	6,350	6,400	6,200	-50	150
Wholesale Trade	800	800	800	0	0
Retail Trade	5,550	5,600	5,400	-50	150
Finance-Ins. & Real Estate	950	950	900	0	50
Services & Misc.	7,100	7,100	7,050	0	50
Government	10,450	10,050	10,350	400	-100
Federal	2,900	2,900	2,900	0	0
State	4,600	4,250	4,650	350	-50
Local	2,950	2,900	3,000	50	-50

Southwest Region

Total Nonag. Wage & Salary	18,150	15,000	18,500	3,150	-350
Goods-producing	6,850	3,950	6,950	2,900	-100
Service-producing	11,300	11,050	11,550	250	-250
Seafood Processing	6,650	3,750	6,750	2,900	-100
Government	5,450	5,250	5,550	200	-100
Federal	550	550	600	0	-50
State	500	450	500	50	0
Local	4,400	4,250	4,450	150	-50

Northern Region

Total Nonag. Wage & Salary	15,150	15,050	15,000	100	150
Goods-producing	5,600	5,600	5,550	0	50
Service-producing	9,550	9,450	9,450	100	100
Mining	5,150	5,150	4,850	0	300
Government	4,600	4,550	4,600	50	0
Federal	200	200	200	0	0
State	300	300	300	0	0
Local	4,100	4,050	4,100	50	0

closed. At the seasonal peak, Whitney employed over 300 people; and Pelican Seafoods, with more than 100 employees, provided the economic base for the small town. Other processors are seeking new owners or operators.

While these closures will negatively affect seafood processing employment, gauging the impact of possible changes in harvest levels on employment is trickier. Figure 1 compares employment to harvest levels for Southeast Alaska, where most of the seafood catch is salmon. As this figure illustrates, past employment levels are a better indicator of employment than are harvest levels. While seafood processing employment has tended to increase slightly as harvests have reached record levels, the wide annual fluctuations in the pounds of seafood harvested are not reflected in employment levels. In the extreme case, although Southeast's harvest more than doubled from 1988 to 1989, employment fell by almost 5.0 percent.

Several factors may help explain this seeming anomaly. Processors, who need an adequate number of workers to handle harvest peaks, may hire crews for the season and work them minimal hours during slow times and around-the-clock during peaks. The number of jobs would not fluctuate with harvest levels, as jobs are counted regardless of hours. Another factor explaining the apparent discrepancy between harvest levels and employment levels is that hiring levels may be based on harvest projections that differ from the actual catch. Furthermore, estimates are based on employment during the pay period that includes the twelfth of the month. Some short-term processing activity that falls outside this week may not be counted. In addition, market changes such as the move from canned to less-processed, fresh-frozen products may hold down demand for processing jobs despite rising harvests.

Alaska's seafood industry is confronting the new challenges. It aims to improve market conditions by updating packaging, introducing new products and increasing domestic consumption of Alaska salmon. Establishing and maintaining a sound position in the changing salmon market will not be easy. More unsettling changes likely lie ahead. Although a strong direct relationship does not appear to exist between harvest levels and seafood processing employment, if more processors close, this industry's employment will be adversely impacted.

Unemployment Rates by Region & Census Area

Not Seasonally Adjusted	Percent Unemployed		
	p/ 2/96	r/ 1/96	2/95
United States	6.0	6.3	5.9
Alaska Statewide	9.3	9.7	9.1
Anchorage/Mat-Su Region	7.4	7.7	7.2
Municipality of Anchorage	6.3	6.6	6.2
MatSu Borough	13.1	13.3	12.7
Gulf Coast Region	14.1	15.1	14.1
Kenai Peninsula Borough	17.2	17.3	17.3
Kodiak Island Borough	5.6	8.6	5.6
Valdez-Cordova	12.7	14.8	12.0
Interior Region	11.2	11.3	10.9
Denali Borough	17.5	17.4	14.2
Fairbanks North Star Bor.	9.9	10.1	9.7
Southeast Fairbanks	20.7	21.0	18.3
Yukon-Koyukuk	20.7	20.5	22.4
Northern Region	12.0	11.7	11.8
Nome	14.6	14.8	14.5
North Slope Borough	4.5	4.6	4.6
Northwest Arctic Borough	18.1	16.8	17.6
Southeast Region	11.1	11.2	11.0
Haines Borough	16.4	17.4	18.5
Juneau Borough	7.5	7.5	7.1
Ketchikan Gateway Bor.	12.5	12.9	12.4
Pr. of Wales-Outer Ketch.	19.5	17.8	17.9
Sitka Borough	8.6	8.5	9.1
Skagway-Hoonah-Angoon	10.5	11.1	14.6
Wrangell-Petersburg	17.1	18.6	15.4
Yakutat Borough	11.5	14.3	15.4
Southwest Region	6.1	8.5	6.9
Aleutians East Borough	2.0	6.3	2.3
Aleutians West	1.8	2.4	2.1
Bethel	7.2	9.2	8.6
Bristol Bay Borough	9.8	10.1	7.1
Dillingham	10.7	11.3	9.4
Lake & Peninsula Borough	6.5	11.4	7.6
Wade Hampton	8.2	15.1	11.6
Seasonally Adjusted			
United States	5.5	5.8	5.4
Alaska Statewide	7.5	7.7	7.3

p/ denotes preliminary estimates r/ denotes revised estimates

Benchmark: March 1995

- Comparisons between different time periods are not as meaningful as other time series published by the Alaska Department of Labor.
- The official definition of unemployment currently in place excludes anyone who has made no attempt to find work in the four-week period up to and including the week that includes the 12th of each month. Most Alaska economists believe that Alaska's rural localities have proportionately more of these discouraged workers.

Source: Alaska Department of Labor, Research and Analysis Section.

Alaska Employment Service

Anchorage: Phone 269-4800

Bethel: Phone 543-2210

Dillingham: Phone 842-5579

Eagle River: Phone 694-6904/07

Mat-Su: Phone 376-2407/08

Fairbanks: Phone 451-2871

Glennallen: Phone 822-3350

Kotzebue: Phone 442-3280

Nome: Phone 443-2626/2460

Tok: Phone 883-5629

Valdez: Phone 835-4910

Kenai: Phone 283-4304/4377/4319

Homer: Phone 235-7791

Kodiak: Phone 486-3105

Seward: Phone 224-5276

Juneau: Phone 465-4562

Petersburg: Phone 772-3791

Sitka: Phone 747-3347/3423/6921

Ketchikan: Phone 225-3181/82/83



The Alaska Department of Labor shall foster and promote the welfare of the wage earners of the state and improve their working conditions and advance their opportunities for profitable employment.