

Anchorage jobs forecast for 2023

Most of last year's broad economic trends will continue

By NEAL FRIED

Like last year, Anchorage's employment gains will be mostly pandemic recovery or tied to it in 2023. Some industries have already recovered to 2019 levels and exceeded them — transportation is an example, and health care is close — but others such as retail and the leisure and hospitality sector have a long way to go.

Anchorage has emerged from the pandemic slower than most of the state and the nation as a whole, and it will probably take a few more years to regain pre-pandemic job levels.

But while Anchorage's economy remains relatively weak by most measures, many people probably are not feeling it. Employment opportunities abound, home values are high, and the city has one of the state's highest personal income levels.

Most of 2022's patterns will continue in Anchorage in 2023

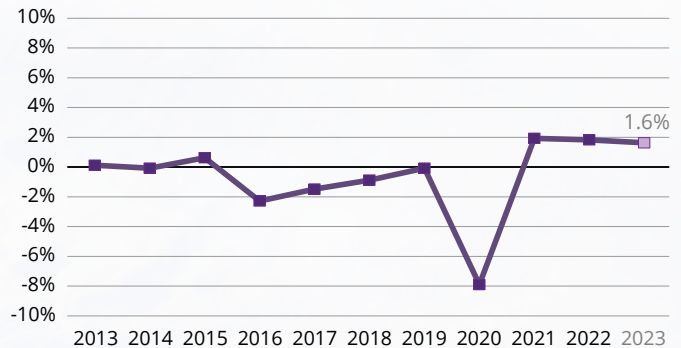
Anchorage has no major changes on the horizon, so 2022's trends will probably color 2023. One ongoing damper is the national labor shortage, and another is Anchorage's persistent population losses.

Fewer people have been moving in as the national economy has outperformed Alaska's for more than a decade, a trend unlikely to shift in 2023 unless the nation enters a recession.

Anchorage's population peaked in 2013 at 301,223, then began to decline, rebounding slightly in 2016 before continuing to drop for the next five years, to 289,697. That put the city's 2021 population below the 2010 Census count of 291,826.

Other economic factors in play include the continuing rebound of tourism and the federal infrastructure bill, which will probably generate some ground-level activity in Anchorage this year. High oil prices have also improved the fiscal picture and could fuel more activity in the oil and gas sector.

Modest job recovery for Anchorage looks similar to the past two years



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

A better outlook for the oil industry

Anchorage's direct oil industry employment is small, but its economic impact on the city's economy is much greater. While most of the state's oilfield activity is on the North Slope, Anchorage is the industry headquarters, and subcontractors such as security firms and caterers are based there. Anchorage residents also commute to work in the oilfields.

Alaska's oil industry employment has barely budged since hitting a 16-year low in Prudhoe Bay in 2021, but two years of high oil prices will spur growth in 2023. Projects on the drawing board this year include construction on the large Willow project (which will reach 180,000 barrels/day at its peak), continued work on Fiord West Kuparuk, additional drilling at Alpine, and phase one of the Pikka development.

Infrastructure bill to boost jobs tied to construction for five years

Anchorage is also the state's construction industry headquarters, so the city will benefit disproportionately from the billions in federal infrastructure money that will begin as a trickle this year, then grow

The outlook for Anchorage jobs, by industry

	Monthly avg, 2021 ¹	Monthly avg, 2022 ¹	Change, 2021-22	Percent change	JOBS FORECAST		
					Monthly avg, 2023	Change, 2022-23	Percent change
Total Nonfarm Employment²	142,500	145,100	2,600	1.8%	147,500	2,400	1.6%
Total Private	115,300	117,800	2,500	2.2%	120,300	2,500	2.1%
Mining and Logging	2,100	2,000	-100	-4.8%	2,100	100	4.8%
Oil and Gas	1,600	1,500	-100	-6.3%	1,700	200	11.8%
Construction	7,300	7,300	0	0%	7,700	400	5.2%
Manufacturing	2,000	1,800	-200	-10.0%	1,900	100	5.3%
Trade, Transportation, and Utilities	31,400	32,700	1,300	4.1%	33,300	500	1.5%
Wholesale Trade	4,700	4,500	-200	-4.3%	4,500	0	0%
Retail Trade	15,300	15,500	200	1.3%	15,900	400	2.5%
Transportation, Warehousing, and Utilities	11,500	12,800	1,300	11.3%	12,900	100	0.8%
Information	3,000	2,700	-300	-10.0%	2,700	0	0%
Financial Activities	6,800	6,900	100	1.5%	6,900	0	0%
Professional and Business Services	16,900	17,200	300	1.8%	17,500	300	1.7%
Educational (private) and Health Services	26,200	25,900	-300	-1.1%	26,200	300	1.1%
Health Care	20,400	20,100	-300	-1.5%	20,300	200	1.0%
Leisure and Hospitality	14,700	16,100	1,400	9.5%	16,800	700	4.2%
Other Services	4,900	5,200	300	6.1%	5,200	0	0%
Total Government	27,100	27,200	100	0.4%	27,200	0	0%
Federal, except military	8,500	8,400	-100	-1.2%	8,400	0	0%
State, incl. University of Alaska	9,600	9,400	-200	-2.1%	9,400	0	0%
Local and tribal, incl. public schools	9,000	9,400	400	4.4%	9,400	0	0%

¹Preliminary and adjusted estimates. ²Excludes the self-employed, uniformed military, most commercial fishermen, domestic workers, and unpaid family workers.

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

Anchorage's forecasted job recovery to pre-pandemic levels, by industry

	2019 jobs	2023 forecasted	Difference from 2019
Total Nonfarm Employment	151,300	147,500	-2.5%
Total Private	123,400	120,300	-2.5%
Mining and Logging	2,700	2,100	-22.2%
Oil and Gas	2,500	1,700	-32.0%
Construction	7,700	7,700	0%
Manufacturing	2,100	1,900	-9.5%
Transportation, Trade, and Utilities	32,600	33,300	2.1%
Wholesale Trade	4,900	4,500	-8.2%
Retail Trade	16,500	15,900	-3.6%
Transp, Warehousing, and Utilities	11,200	12,900	15.2%
Information	3,300	2,700	-18.2%
Financial Activities	7,300	6,900	-5.5%
Professional and Business Services	17,800	17,500	-1.7%
Educational (private) and Health Svcs	26,800	26,200	-2.2%
Health Care	21,000	20,300	-3.3%
Leisure and Hospitality	17,700	16,800	-5.1%
Other Services	5,400	5,200	-3.7%
Total Government	28,000	27,200	-2.9%
Federal, except military	8,400	8,400	0%
State, incl. University of Alaska	9,700	9,400	-3.1%
Local and tribal, incl. public schools	10,000	9,400	-6.0%

Note: May not sum because of rounding. Excludes the self-employed, uniformed military, most commercial fishermen, domestic workers, and unpaid family workers.

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

larger over the next five. While the specific projects aren't yet clear, the consensus is some will begin this year.

On top of this massive federal stimulus, the capital budget for fiscal year 2023 of \$2.7 billion is more than three times higher than the previous fiscal year.

The availability of skilled labor will partly determine how much employment growth will result. The shortage of construction materials is another concern, as some supply chain problems wrought by the pandemic remain unresolved.

An uptick in the oil industry and construction, especially with the infrastructure bill, will also lift the professional and business services sector in 2023. Architectural, engineering, environmental, and other consulting services represent over half of these jobs.

The remainder of these services is in

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legal, accounting, computer, and other professional businesses, which tend to follow the city's broader economic trends.

Government largely returns to 'normal'

State government employment in Anchorage drifted downward last year, both for general government and the University of Alaska Anchorage. The university system's budget was cut for several years in a row, and COVID-related state government positions have largely expired.

We expect little to change in 2023. Higher oil prices mean state finances are in relatively good shape for now, which we forecast will keep Anchorage's state government stable.

Local government has weathered major changes over the last three years, mainly at the Anchorage School District, which represents three-quarters of local government jobs. The rest are with the Municipality of Anchorage.

Public school employment contracted during the second half of 2020 and the first half of 2021 with online and hybrid learning, then crept back in the second half of 2021 and throughout 2022 as school resumed in person. Last year was still about 500 jobs below 2019, however.

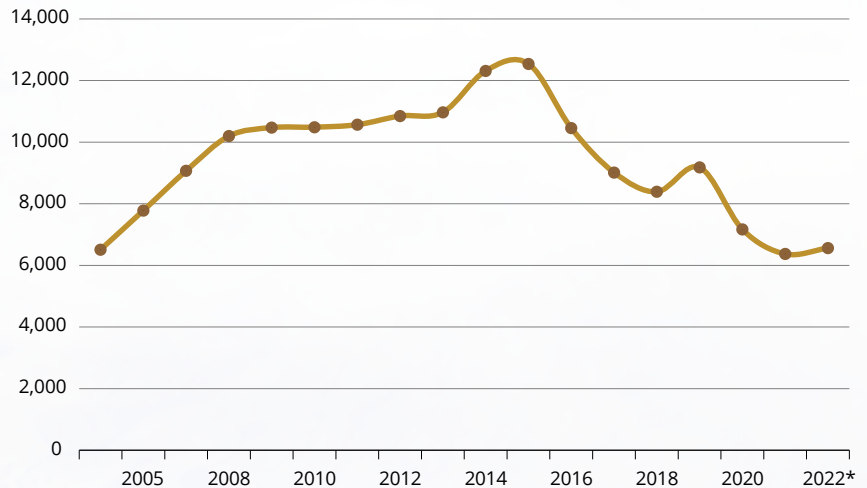
The outlook is murky for the school district and the city because of budget woes for both. Flat employment is the most likely scenario for 2023.

Retail faces permanent dampers

Retail has struggled for the last decade. E-commerce restricted growth first, then the statewide recession from 2015 to 2018 hit the industry hard. In 2020, Anchorage's retail industry lost another 1,400 jobs, followed by anemic recovery in 2021 and 2022.

E-commerce will continue to grow, and the tight labor market and population losses will further

North Slope oilfield jobs started to recover in 2022



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

restrict job growth. Automation will also curtail retail expansion; self-checkout systems are an example. Retail in the adjacent Matanuska-Susitna Borough also continues to grow, taking some market share from Anchorage.

Anchorage retail employment peaked in 2015 at 18,100 jobs, so even the forecasted 2.5 percent bump this year would result in a still-noticeably smaller industry of just under 16,000 jobs.

A third strong year anticipated for visitor-related industries

Independent visitors made a strong showing in 2021 even though cruise ships and convention traffic didn't return, and many visitor-related businesses approached records that year.

In 2022, cruise ships returned and independent travelers continued to show. Convention and business meetings also more than doubled from the year before, and hotel and car rentals jumped. Hotel receipts through June of 2022 were 29 percent higher than in 2021, and car rentals were up 72 percent. (Some of the increase was due to higher prices.)

Hotel employment in June was 22 percent above June 2021, although still 16 percent shy of 2019.

All of this was good news for multiple industries, especially leisure and hospitality. Another record season is in the making, and the Alaska Railroad

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predicts a 7 percent increase in passengers. Convention activity and corporate travel won't reach 2019 levels, but they'll get a boost from national and intrastate business.

The possibility of a national recession looms, however, and the strong dollar and the opening of Europe and Canada could pull some independent visitors elsewhere this year.

Restaurants and bars will find more employees this year

Restaurants and bars often come to mind when discussing COVID and post-COVID impacts. After the industry hit rock bottom in 2020 — losing 2,400 jobs in Anchorage, or 21 percent — it began inching toward recovery. Eating and drinking added another 1,000 jobs in 2022 and we forecast it will continue growing in 2023.

Recruitment remains difficult for many industries, but as with retail, it's amplified for restaurants and bars. Lower wages, scheduling at all hours, and significant part-time employment make it especially hard to compete with other industries that also need workers.

The worker shortage and the slow return of demand mean eating and drinking will need more than one additional year to regain 2019 job levels, but we forecast robust growth this year with more consumers and a better visitor season.

Transportation remains strong as new airlines enter

Transportation is one of the few Anchorage industries that not only fully recovered by 2022 but reached a new peak. Much of the impetus came from courier express services, such as FedEx and UPS, which are tied to the massive increase in e-commerce and fast delivery.

Jobs in scheduled airlines also grew into record territory by the second quarter of 2022 as people traveled more. Two new international airlines began flying into Anchorage last year: Eurowings Discover and Flair Airlines.

Other parts of the industry also made strides, including scenic and sightseeing transportation (tied to tourism) and trucking.

We forecast transportation will perform well again this year as the economy continues to recover, although at a more muted level — 2022's growth spurt probably won't repeat.

Rising interest rates blunt the city's financial sector

The financial industry in Anchorage grew some in 2022, but it has recently grappled with a weak stock market, a softer real estate market, and less mortgage activity. Home sales fell from 3,716 in the first nine months of 2021 to 3,282 during the same stretch in 2022, the first decline in several years. For this reason, we don't expect this industry will grow in 2023.

Health care trends are mixed

Health care's job trends have been somewhat mysterious since employment fell in 2020. The industry regained most of those lost jobs in 2021, then declined slightly in 2022. Hospital job levels held steady over most of that period, but recovery for ambulatory care (doctor's offices, clinics, etc.) and nursing care facilities has been slow. Nursing care shows signs of stabilizing.

Health care may not have recovered its pre-pandemic job levels because of difficulty filling open positions. Health care employment has recovered on a national level, though, and demographic trends point toward eventual full recovery and growth.

Alaska's 65-plus population nearly doubled from 2010 to 2021 and grew by 6,000 from 2020 to 2021 alone. This age group will keep growing through at least 2035. As Anchorage is the state's health care hub, an older Alaska will raise demand for health services in the city.

Inflation's role in the outlook

Inflation hadn't been an issue in Anchorage's economy for many years, averaging 1.5 percent for

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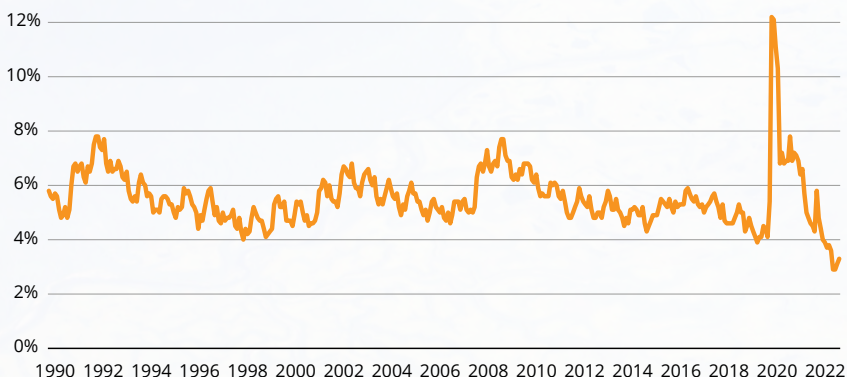
the decade until 2020, but in the past two years, it reached levels not seen since 1990.

Inflation started slowly in 2021, then accelerated. By December, inflation hit 7.2 percent. For the entire year, prices increased 4.9 percent. (The Consumer Price Index for Urban Alaska, which is based on Anchorage and the Mat-Su Borough, is Alaska's sole measure of inflation. The CPI is released six times a year as well as annually.)

Higher rates continued into 2022, and all but December numbers were available when this article was published. With five out of six periods in, the average for the year was 8.5 percent.

Trying to forecast inflation is a fool's errand, but price increases show some signs of moderating in 2023. Many supply chain problems that spurred these cost increases have worked themselves out,

Anchorage unemployment rate hit a low in 2022



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

and energy prices are stabilizing. The nation faces a possible recession in 2023, which could also ease prices. At the national level, predictions are as low as 3.5 percent for 2023. The first numbers for 2023 will be for February.

It's also difficult to quantify inflation's effect on future employment, but it creates economic uncertainty, makes it harder to plan, and increases labor costs.

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resume as things get back to normal. One example is Celebration, which brings 5,000 people and an estimated \$2 million to Juneau when Alaska Natives from across the region gather each summer.

More visitors overall will drive growth in transportation (100 forecasted jobs), leisure and hospitality (300), and retail (100). These industries will benefit from local demand as well as tourists; Southeast Alaskans have been traveling, shopping, and eating out more as pandemic fears fade.

Forecasted gains for these three industries are slightly below 2022, when they bounced back the most. Last year was the year visitors and locals took the biggest steps toward resuming normal patterns since the pandemic began in early 2020.

Minor growth this year for other key industries

Construction and the professional and business services sector will add 100 forecasted jobs each this year as preparation for federal infrastructure projects begin. Still, as mentioned earlier, most funding and activity will come after 2023.

We forecast manufacturing (mainly seafood processing) will add 100 jobs. That industry's employment fluctuates from year to year, although it peaked in 2014 and 2015. This year's pink salmon harvest, the region's largest, is expected to be weak and fall within the 20th to 40th historical percentiles.

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