

Growth continues for seventeenth consecutive year

STATEWIDE by Dan Robinson

The streak goes on. For the seventeenth consecutive year Alaska added jobs to its economy in 2004. (See Exhibits 1 and 2.) The year's average monthly job count of 304,000 was an increase of 4,700 over 2003 and marked the first time the state climbed above the 300,000 mark. A historical look shows Alaska surpassed 200,000 jobs in 1982 and 100,000 in 1972. Only three other states, all in the sun belt, can claim to have at least tripled their job count since 1972: Nevada, Arizona, and Florida.

The state's 4,700 new jobs equated to a growth rate of 1.6 percent, slightly higher than 2003, and equal to the ten-year average. Over the seventeen-year expansion, growth has averaged 2.1 percent, a higher number due mostly to the strong growth years of 1989 (4.8 percent) and 1990 (4.7 percent). Growth was robust during that period as the state expanded its workforce to clean up after the 1989 Exxon Valdez oil spill.

In 2004, health care, retail trade, and construction provided the most new jobs. Seafood processing was up for the second year in a row and oil and gas jobs increased marginally after two years of large declines. Very few industry sectors experienced job losses: government employment declined by 400 jobs, air transportation by 200, and logging by 100.

Oil employment picks up

Jobs in the oil and gas industry rebounded in 2004 after falling by 1,400 from 2001 to 2003. The number of oil and gas jobs averaged 8,200 in 2004, an increase of just 100 from 2003, but a welcome change of direction after the previous years' losses.

Over the last decade, oil and gas employment has shown a muted downward trend, interrupted by occasional increases such as those in 2000 and 2001 which were related to the opening of the Northstar and Alpine fields. That activity led to employment levels as high as 9,500 in 2001. Oil and gas employment had dipped to 7,900 in 1999, its lowest point of the decade, just prior to the development of Northstar and Alpine. Record high oil prices in 2004 that show signs of stabilizing at high levels bode well for the industry in Alaska.

Construction stays strong

Construction growth was still strong in 2004 at 4.1 percent, but it cooled slightly from 2003's growth of 5.7 percent and 2002's of 6.0 percent. Nearly all of the 700 new jobs came from Fairbanks and Anchorage as military spending, low interest rates, and public sector projects from airport expansions to new schools helped sustain a very favorable

climate for building. Fairbanks enjoyed a surge in commercial building in 2004 as Wal-Mart, Lowe's, and Fred Meyer all opened new stores.

Seafood processing lifts manufacturing

Seafood processing jobs increased by 500 in 2004, the second year of growth after seven consecutive years of decline. The average monthly job count of 8,500 seafood processing jobs in 2004 is still down substantially from 1995's level of 10,400, but has risen noticeably from 2002 when the level was just 7,600. Strong harvests in all three of Alaska's major fisheries produced the growth. Longer term, there is still substantial concern about low per-pound prices for salmon and the loss of market share to farmed salmon.

Retail trade grows everywhere but Anchorage

The state added 1,000 retail trade jobs in 2004 for an over-the-year growth rate of 2.9 percent. That number compares favorably with the five-year average growth rate of just 0.9 percent and declines in two out of the last five years. Most unusual is that none of the growth in retail trade jobs came from Anchorage, the state's largest retail market. Fairbanks accounted for 400 of the increase due largely to a new Wal-Mart and Lowe's. The other 600 were scattered throughout the state, with the largest remaining share in the Mat-Su Valley and on the Kenai Peninsula.

Health care continues to surge

The 1,300 new health care jobs in 2004 constituted 28 percent of the state's net job gains. In the context of health care's dramatic expansion over the last decade, the 5.5 percent growth rate in 2004 was relatively modest. The persistent question is how much longer can health care be the state's leading growth industry.

One indication that there may be more growth on the horizon is that, nationally, health care employment makes up 9 percent of total nonfarm

Wage and Salary Employment Statewide — 2003-2004

	2003	2004	Change	Percent Change
Total Nonfarm Wage & Salary	299,300	304,000	4,700	1.6%
Goods Producing	38,800	39,900	1,100	2.8%
Service Providing	260,500	264,100	3,400	1.4%
Natural Resources/Mining	10,200	10,200	0	0.0%
Logging	600	500	-100	-16.7%
Mining	9,600	9,700	100	1.0%
Oil & Gas Extraction	8,100	8,200	100	1.2%
Construction	16,900	17,600	700	4.1%
Manufacturing	11,700	12,200	500	4.3%
Wood Product Mfg	300	400	100	33.3%
Seafood Processing	8,000	8,500	500	6.3%
Trade/Trans/Utilities	60,800	62,000	1,200	2.0%
Wholesale Trade	6,100	6,200	100	1.6%
Retail Trade	34,000	35,000	1,000	2.9%
Gen Merchandise Stores	8,900	9,300	400	4.5%
Food and Beverage Stores	5,900	6,000	100	1.7%
Trans/Warehousing/Utilities	20,700	20,800	100	0.5%
Air Transportation	6,600	6,400	-200	-3.0%
Truck Transportation	2,800	3,000	200	7.1%
Information	6,900	6,900	0	0.0%
Telecommunications	4,100	4,100	0	0.0%
Financial Activities	14,400	14,600	200	1.4%
Prof and Business Services	23,100	23,300	200	0.9%
Educational and Health Svcs	33,000	34,600	1,600	4.8%
Health Care	23,500	24,800	1,300	5.5%
Leisure and Hospitality	29,600	30,100	500	1.7%
Accommodation	3,400	3,500	100	2.9%
Food Svcs/Drinking Places	18,100	18,300	200	1.1%
Other Services	11,200	11,500	300	2.7%
Government	81,500	81,200	-300	-0.4%
Federal	17,100	17,100	0	0.0%
State	24,100	24,100	0	0.0%
State Education	7,200	7,100	-100	-1.4%
Local	40,300	40,000	-300	-0.7%
Local Education	22,400	22,100	-300	-1.3%
Tribal Government	3,800	4,100	300	7.9%

Benchmark: March 2004
Prepared in part with funding from the Employment Security Division.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section, in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics

wage and salary employment, while in Alaska health care jobs are 8 percent. Part of the health care boom is attributable to the expansion of services available in-state that previously required a trip to Seattle or another population center. Alaska's health care employment may never quite reach the national average in terms of percentage of total employment, however, since Alaska's younger population would seem to require fewer health care services.

Leisure and hospitality keeps pace

Hotels, restaurants, and other employers in the leisure and hospitality sector added about 500 jobs in 2004, a growth rate of 1.7 percent. The growth was spread throughout the state's economic regions. This sector has been a consistent performer over the last decade, growing at an average rate of 2.5 percent and adding jobs in each of those ten years.

Government jobs fall

Government was the only major sector of the state's economy that lost jobs in 2004. The federal government ended the year with an average monthly job count of 17,100, the same number as in 2003. Consistency has been the pattern for federal government employment in Alaska for more than a decade. In 1995, the federal government employed 17,500 persons, 400 more than in 2004. Those numbers do not, however, include uniformed military personnel.

State government jobs have grown more than those in the federal government over the decade, but not in recent years. In 2004, the number stayed flat at 24,100. Local government jobs fell by 300 in 2004.

Unemployment rate falls slightly

The state's 7.5 percent unemployment rate in 2004 was a modest drop from 2003's revised rate of 7.7 percent.

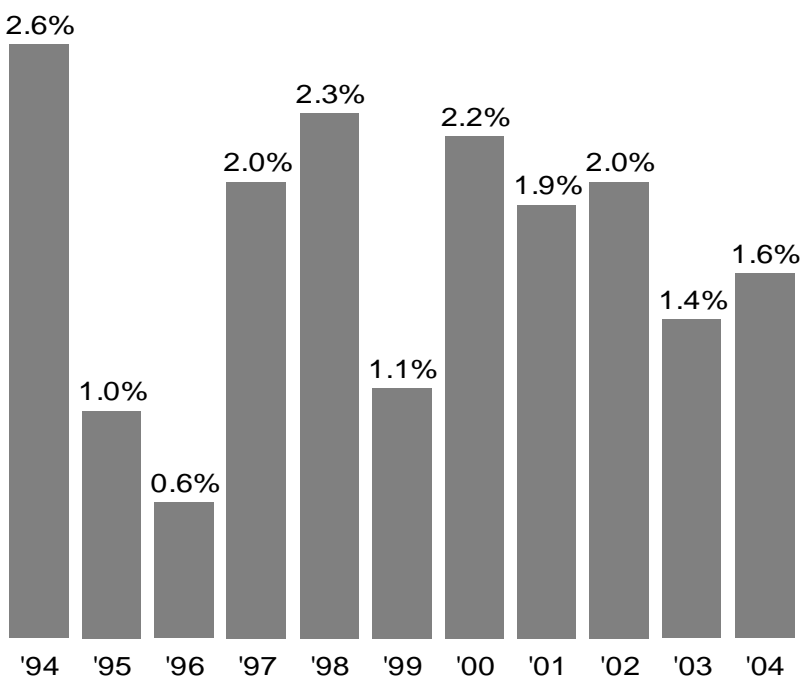
The U.S. Bureau of Labor Statistics recently redesigned the methodology used to calculate the unemployment rate. The new methodology will be used to recalculate state and local unemployment rates back to 2000. The new rates will be posted at: <http://almis.labor.state.ak.us/>

ANCHORAGE by Neal Fried

The Anchorage economy just completed its 16th year of successive employment growth. In 2004, employment climbed by 1.5 percent or 2,100 jobs. (See Exhibit 3.) During the past decade the annual growth rate has been approximately two

2 Statewide Growth Stable

Percent employment change from previous year



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section, in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics

percent, so this past year's performance, although still positive, was a bit below average. There is no obvious reason for this weaker-than-average performance. Most industries and broad economic indicators were positive in 2004. Oil prices reached near record highs, it was a good year for the visitor season, health care continued its strong growth, the construction industry enjoyed another vigorous year, and most other economic fundamentals were either positive or largely unchanged. No single project or handful of projects moved the economy but instead broad-based activity kept the economy on an even keel.

Some of the big projects included the \$300 million-plus expansion of the Ted Stevens Anchorage International Airport, which was largely completed by mid-year. They also included the construction of the new \$41 million Alaska Psychiatric Institute, and some sizeable projects at both Fort Richardson and Elmendorf Air Force Base. School construction also loomed large. The single largest undertaking was the construction of

Near record oil prices do not boost oil industry employment

After five years of above average oil prices and 2004's record \$38.84 per barrel, employment growth in the oil industry remained elusive. One positive trend is that after two years of job losses in the oil industry, employment levels by the end of the year began to level out. Exploration and maintenance related activities on the North Slope were basically on par with recent years. Conoco-Phillips was responsible for one of the larger projects when they began work on a number of satellite fields around Alpine during the latter part of 2004. Ramped up exploration continued in Cook Inlet but the employment numbers tied to this activity were relatively small.

A stellar year for construction

Low interest rates, massive federal spending, a big year for commercial office construction, a decent level of residential work, and strong school related activity kept this industry humming for another year. Employment grew by 600 jobs or seven percent. The city's building permit valuations totaled \$649 million, which actually represented a decrease of \$79 million from 2003, but still was the second largest dollar amount since 1984. It should not be forgotten that as headquarters for much of the state's construction industry, Anchorage contractors continued to benefit from projects elsewhere in the state.

Wage and Salary Employment 3 Anchorage — 2003-2004

	2003	2004	Change	Percent Change
Total Nonfarm Wage & Salary	142,300	144,400	2,100	1.5%
Goods Producing	12,500	13,000	500	4.0%
Service Providing	129,800	131,400	1,600	1.2%
Natural Resources/Mining	2,100	2,100	0	0.0%
Mining	2,100	2,000	-100	-4.8%
Oil & Gas Extraction	2,000	1,900	-100	-5.0%
Construction	8,600	9,200	600	7.0%
Manufacturing	1,800	1,700	-100	-5.6%
Trade/Transportation/Utilities	32,900	33,000	100	0.3%
Wholesale Trade	4,600	4,700	100	2.2%
Retail Trade	17,300	17,300	0	0.0%
Gen Merchandise Stores	4,300	4,300	0	0.0%
Food and Beverage Stores	2,400	2,400	0	0.0%
Trans/Warehousing/Utilities	11,000	11,000	0	0.0%
Air Transportation	3,500	3,700	200	5.7%
Information	4,500	4,400	-100	-2.2%
Telecommunications	2,700	2,600	-100	-3.7%
Financial Activities	8,800	9,000	200	2.3%
Prof & Business Services	15,900	16,100	200	1.3%
Educational & Health Svcs	17,600	18,400	800	4.5%
Health Care	12,900	13,700	800	6.2%
Leisure and Hospitality	14,600	14,700	100	0.7%
Accommodation	3,000	3,100	100	3.3%
Food Svcs & Drinking Places	9,900	9,900	0	0.0%
Other Services	5,600	5,800	200	3.6%
Government	29,900	30,000	100	0.3%
Federal	9,700	9,700	0	0.0%
State	9,600	9,600	0	0.0%
State Education	2,300	2,300	0	0.0%
Local	10,600	10,700	100	0.9%
Local Education	7,400	7,400	0	0.0%
Tribal Government	200	300	100	50.0%

Benchmark: March 2004

Prepared in part with funding from the Employment Security Division.

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

the new Eagle River High School. Major renovation and expansion of a number of schools also contributed to construction employment numbers. The big surprise for 2004 was the boomlet in commercial office construction. This included new buildings for Credit Union 1, Residential Mortgage, Alaska USA Financial Center, and a new headquarters building for Calais Properties.

Residential building permits declined by 515 permits to 1,822 issued in 2004. While this represents the fourth highest level of residential activity over the past decade, it seems possible that the Mat-Su Borough's more competitive housing market continues to capture an ever-larger share of this region's housing market.

Weak numbers for retail

Retail employment was unchanged in 2004, making for a year with no luster. The closure of two Kmart's in mid 2003 was still being felt in 2004 and there simply were not enough new players to make up for these sizeable losses. In fact, 2004 was one of the few years during the past decade

that a large box store did not open in Anchorage. The largest newcomer was the Sportsman's Warehouse, which opened in part of one of the old Kmart stores. A new Pet Co. and Goldrush Liquors warehouse also opened in 2004.

Information industry did not budge

Information's largest components are newspapers, other media outlets and telecommunications. Although telecommunications are often among the most dynamic industries, employment changed little in 2004.

The bounce back in the visitor industry was a plus for leisure and hospitality

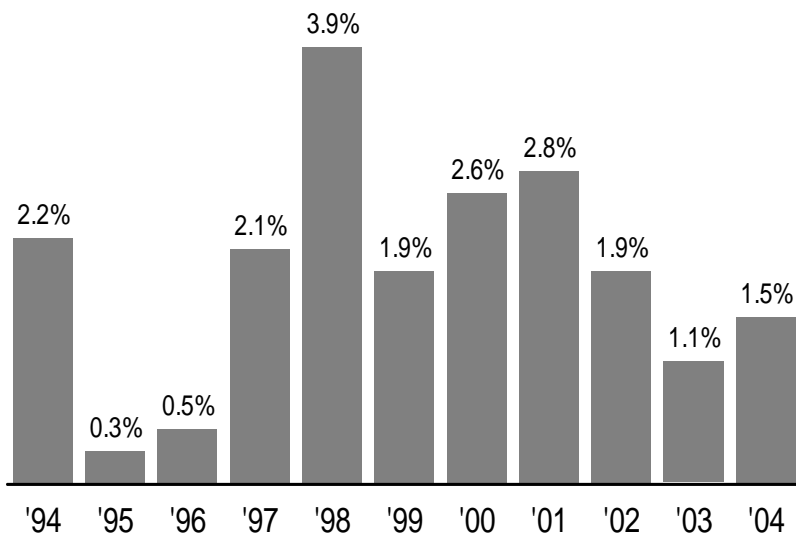
After declining for two years, bed tax collections rebounded 11 percent in 2004. With a recovering national economy, a weak dollar, and more local capacity, the economic fundamentals for Alaska's visitor industry were all positive. Hotels and food services dominate employment in this industry, and Anchorage added substantial new hotel capacity in 2004. Four more hotels, the Aspen Suites Hotel, Homewood Suites-Hilton, Fairfield Inn, and Motel 6 opened this past year, adding 447 rooms to the city's total capacity. There was far less change in the food services segment of this industry. No new major players entered the market in 2004 and all seven of the Burger King Restaurants closed in late December 2003. Only three of these Burger Kings reopened in 2004.

Transportation changed little

After experiencing losses in 2003, a better visitor season and a strong year for international air cargo allowed transportation to make some small gains in 2004. Freight landed at the airport increased by nearly 9 percent, although this did not lead to facilities expansion by the big cargo carriers. Northwest Airlines added more than 100 positions to handle this increased level of activity. The passenger side of the business also registered gains. Frontier Airlines and America West entered the Anchorage market in 2004 with direct flights to Denver and Phoenix respectively. The doubling of charter flights by

4 Anchorage Grows for Another Year

Percent employment change from previous year



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

Minneapolis based Sun Country Airlines and Japanese carriers provided an additional industry boost. Cathay Pacific also re-entered the market after routing their flights around Anchorage in 2003. The general increase in economic activity and a healthy construction season kept trucking growing.

Health care, again, created more than half of the jobs

For the second year in a row, the education and health services sector created the largest share of new jobs in Anchorage's economy. The sub-category of this sector which represents most of the employment, health care, was responsible for nearly all of the gains. In 2004, this sector grew by 6.2 percent or by 800 jobs. All levels of health care made gains, including hospitals, clinics, doctor offices and other health care providers. The continued privatization and expansion of the Alaska Native Health Center provided an important boost to this sector. Although growth in this industry seems relentless, it is hard to believe that this year-in, year-out trend is sustainable.

Professional and business services changed little

Because this is such an eclectic category, it is difficult to discern specific trends. Healthy levels of construction activity undoubtedly provided demand for architectural and engineering services, which are an important slice of this industry. It is less clear whether the other important players in this industry, such as legal, accounting, computer and other professional services shared in this impetus.

Low interest rates keep financial sector in the black

Low interest rates, strong refinancing activity, a decent securities market and a healthy real estate market meant employment in the financial industry kept growing in 2004. The many new headquarters and branch office buildings that were built or begun in 2004 are indicators of the strength of this industry (see construction section).

Public sector employment changed little

It was a dull year for the Anchorage public sector. Federal and state government employment remained relatively flat in 2004, while local government inched up slightly. Gains came from small increases in the Municipality and the Anchorage School District.

Unemployment rate changed little in 2004

Anchorage's unemployment rate averaged 5.7 percent in 2004 under the newly instituted methodology for calculating unemployment. The new system produced slightly higher rates than the previous one, but the two should not be compared for real economic change. The new system will be used to recalculate unemployment rates back to at least 2000. When available, those rates will be posted at: <http://almis.labor.state.ak.us/>

FAIRBANKS by Brigitta Windisch-Cole

In 2004, Fairbanks was the fastest growing economic area in the state. Fairbanks employers added more than 900 jobs, and the 2.5 percent rate of growth was the most robust since 1998. (See Exhibit 5.) Payrolls during the first nine months increased by 6.1 percent over the comparable months of 2003, which meant that many of the new positions were good paying jobs. Fairbanks enjoyed a strong construction season with employment levels approaching those of the mid-1980s boom. Retail rebounded strongly and produced the largest single gain among the individual industry sectors. Employment also rose

in the healthcare, professional services, manufacturing, and leisure and hospitality sectors. While some weaknesses surfaced in the transportation sector and job losses concentrated in the airline industry, 2004 was a good year overall for the Fairbanks economy. Labor markets remained fairly tight as confirmed by the area's relatively low annual average unemployment rate of 6.8 percent.

Construction had a banner year

A number of high dollar construction projects carried over from the 2003 season and several new ones broke ground. Among the largest projects were construction phases of the Bassett Hospital, other military construction and commercial projects such as the new Wal-Mart, a new Lowe's store, a new Fred Meyer, the Westmark Hotel addition, a new power station,

and several bank buildings. The museum at the University of Alaska was the state's largest project and work continued on a new railroad depot. Infrastructure construction was brisk and residential construction remained strong. While the construction of single family homes in the cities of Fairbanks and North Pole eased, construction of multi-family units rose by 77 percent according to local building permit data. Moreover, commercial and residential building valuation more than doubled last year.

Because of the strong carryover from the 2003 season, construction activity was particularly high during the first and second quarters of 2004. Employment growth rates of 34 and 14 percent in these respective quarters are indicative of the fast paced jumpstart into the 2004 season. During the third quarter construction employment slowed to four percent and during the final quarter it fell below the 2003 fourth quarter average. In all it was an impressive season – the third best since 1980.

Manufacturing and professional services industries lend support

The gain of 100 jobs in manufacturing industries was mostly attributable to firms affiliated with construction, such as truss building or concrete and cement mixing. Professional services employment also rose by 100 jobs. And both engineering and computer system design services experienced growth. While engineering employment benefited from the upbeat construction activities, computer industry employment got its boost from a military contract. These examples demonstrate how the "trickle down effect" can positively influence support industries.

Retail gains big ground

Since the mid-1990s until this year, retail trade in Fairbanks had experienced multiple store closures and the local retail scene had lost variety. Last year marked a big turnaround with the opening of several large retail outlets. Both Wal-Mart and Lowe's opened stores. A new Fred Meyer and

5 Wage and Salary Employment Fairbanks — 2003-2004

	2003	2004	Change	Percent Change
Total Nonfarm Wage & Salary	36,000	36,900	900	2.5%
Goods Producing	3,900	4,300	400	10.3%
Services Providing	32,100	32,600	500	1.6%
Natural Resources & Mining	900	900	0	0.0%
Construction	2,500	2,800	300	12.0%
Manufacturing	500	600	100	20.0%
Trade/Transportation/Utilities	7,100	7,300	200	2.8%
Retail Trade	4,000	4,400	400	10.0%
Information	600	600	0	0.0%
Financial Activities	1,400	1,400	0	0.0%
Professional & Business Svcs	2,100	2,200	100	4.8%
Educational & Health Services	4,000	4,100	100	2.5%
Health Care	2,900	3,000	100	3.4%
Leisure & Hospitality	4,000	4,100	100	2.5%
Other Services	1,400	1,400	0	0.0%
Government	11,500	11,500	0	0.0%
Federal Government	3,400	3,300	-100	-2.9%
State Government	5,100	5,200	100	2.0%
Local Government	3,000	3,000	0	0.0%

Benchmark: March 2004
Prepared in part with funding from the Employment Security Division.

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

other retail space are still under construction, which will give employment additional boosts. In 2004, retail added 400 new jobs in Fairbanks and foundations have been laid for more growth.

Leisure and hospitality industry continues to grow

Since 2001 Fairbanks' leisure and hospitality industry has continuously created jobs, 400 of them between 2001 and 2004, in spite of the recession in the U.S. economy. New hotel construction and additions have supported this growth.

Fairbanks is a destination on the itinerary of cruise ship passengers, Alaska's fastest growing visitor segment. Fairbanks has also become a gateway for some tourists from abroad; Japanese and European clientele pass through on their exploration of the Interior. Last year's season was marred in part by the huge wild fires that ravaged large parts of the Interior region during July and August. Some road travelers may even have cut short their stay in Fairbanks because of thick smoke. Yet, guestroom receipts revealed that it was a banner season. Revenues were up nearly 14 percent from the 2003 season, indicating high occupancies. Most likely hotels also benefited from the strong construction season, other business travel, and even fire fighting, whose crews boosted room sales in some locations.

Health care employment advanced

Health care also contributed to employment growth, adding 100 new jobs in Fairbanks. Medical services, as in most places in the state, are expanding. New medical technology and specialized services are the impetus for much of this growth. As the repertoire of services widens, Fairbanks residents can increasingly expect to receive state of the art medical treatments close to home. The expansion at Fairbanks Memorial Hospital will introduce new services in the near future.

Transportation jobs turn negative

Several transportation industries could not maintain their 2003 employment levels in 2004. Except for air transportation, which shed nearly 200 jobs, the changes were small. Air transportation employment was affected when regulations regarding U.S. mail delivery went into effect. Small carriers could no longer deliver U.S. mail to remote Interior locations without ferrying passengers as well. Consequently, three small carriers lacking the required passenger capacities shut down and a fourth company moved to Kodiak, where it emerged as a much smaller firm. Another air transportation company spun off its Anchorage division from its Fairbanks headquarters. This resulted in a technical correction regarding work site employment and additional jobs fell off the Fairbanks job roster.

Several industries showed little change

Employment in several industry sectors did not change. Job levels in financial and other services sectors remained constant, as did overall public sector employment. While the federal branch lost some jobs, the downturn was offset by gains in state government, especially by growth in university employment. In local government the school district shed jobs but growth in public administration jobs helped to preserve 2003 employment levels.

SOUTHEAST by Neal Gilbertsen

In 2004, the Southeast economy shed 400 jobs and registered a 1.1 percent decline in employment. (See Exhibit 6.) This data is somewhat misleading, however, in that approximately one half the overall regional decline and virtually all job losses in the private sector can be explained as a geographic adjustment. On the other hand, the 200-job decline in government employment was both real and substantial.

Technical adjustments

As most Alaskans know, many large firms perform seasonal work in various regions of the state. Many short-term projects involve temporary work sites, and unless the reporting company specifies how many individuals are working at each site, or the Alaska Department of Labor and Workforce

Development has a basis for estimating job distribution, such employment is attributed to company headquarters. In 2004, two large companies saw their Southeast employment geographically adjusted. Some or all of their employment, which had been recorded in Southeast, was transferred elsewhere in the state. This geographic adjustment does not reflect real regional decline but creates the appearance of job losses in Southeast and corresponding job increases elsewhere. When this geographic adjustment is taken into account, the apparent regional decline in private sector employment disappears.

Real changes

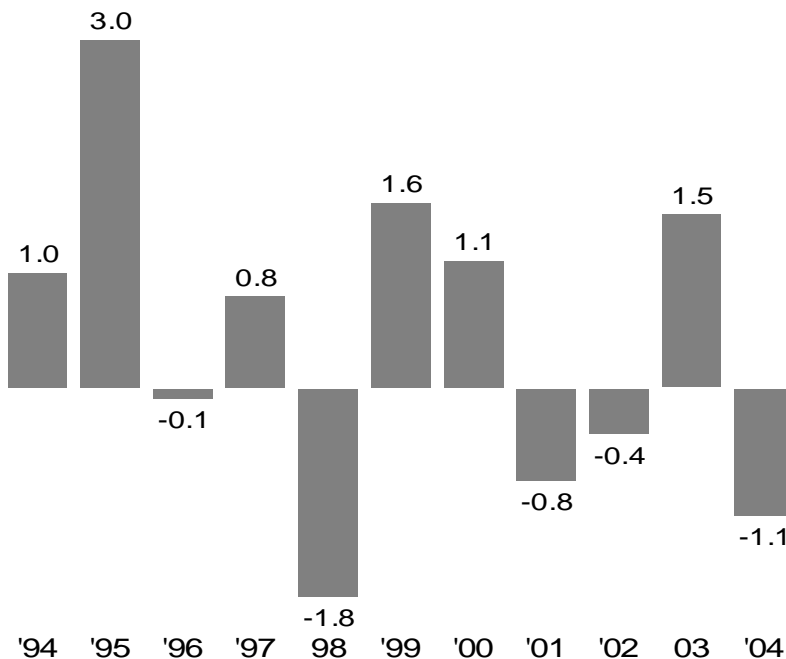
There were however, significant changes within the private sector. The forest products industry continued to lose jobs, with logging employment down 25 percent and sawmill employment falling by a third. Seafood processing employment, while 100 jobs above 2002, fell 100 jobs from the extremely high levels of 2003. These declines coupled with the geographic adjustment noted above, saw goods producing sector employment shrink by 8.1 percent. (See Exhibit 7.)

The 150 jobs lost in the goods producing sector, apart from the geographic adjustments, were offset by an identical gain in the private services providing sector. Retail trade gained 150 jobs, while transportation, warehousing and utilities, information and other services all registered small gains. Surprisingly, in spite of reports of a strong tour ship season, leisure and hospitality once again shed 100 jobs.

Some of the growth in retail trade employment was the result of another technical adjustment. An employer that had been engaged in financial activities changed its business focus to concentrate on retail sales and was reclassified to reflect this new reality. As a result of the reclassification, employment in the financial activities industry fell by 50 jobs while retail trade increased a corresponding amount.

6 Southeast Employment Slides In 2004

Percent employment change from previous year



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

The other 100 jobs gained in retail trade may well be tourist related. General merchandise employment, which includes large box stores like Wal-Mart and Fred Meyer, fell by 50 jobs, while food and beverage store employment increased by an offsetting 50. This would seem to indicate that most of overall job increase in retail trade was due to hiring at smaller outlets, many of which serve the tourist trade. Even more convincing is the fact that the industry's employment showed a highly seasonal pattern with May 2004 running 350 jobs ahead of 2003, while June, July and August were all 300 above year ago levels. January and December, by contrast, saw lower levels of employment, with 50 fewer retail jobs than 2003.

Fishing

The 2004 Southeast salmon season produced a harvest estimated at 295 million pounds with a preliminary value \$58.5 million. This compares with a 2003 harvest of 298 million pounds worth \$63.7 million. Trollers saw king and coho salmon bringing higher prices than 2003, while drift netters and seiners saw lower prices for sockeye, chum and pink salmon. Participation in both the seine and drift net fisheries continued to decline with approximately 200 seine and 330 drift net vessels fishing in 2004. This represents a dramatic reduction in both fishing effort and employment opportunities from 2000 when 356 seine and 422 drift net permit holders harvested salmon.

Government declines

In 2004, a frugal state budget and tightened revenue sharing contributed to declines in both state and local government employment. Juneau accounted for most of the 200 job losses in state government, while the 100-job reduction in local government was spread across the region. Slightly increased federal hiring mitigated the overall losses.

Population also declines

Southeast has experienced job losses for three of the last four years. It has also been losing population.

Since 2000, the regional population has declined by 3.4 percent, falling from 73,082 in that year to 70,622 in 2004. Southern Southeast has suffered the greatest part of this population loss, with Ketchikan, Prince of Wales-Outer Ketchikan and Wrangell-Petersburg losing a combined total of 2,075 residents, which amounts to 84 percent of the regional decline.

That this population decline took place in the most timber dependent parts of Southeast should come as no surprise. But these dynamics appear to be changing and becoming more inclusive. From 2003 to 2004, the area wide population fell

Wage and Salary Employment Southeast — 2003-2004

	2003	2004	Change	Percent Change
Total Nonfarm	36,350	35,950	-400	-1.1%
Goods Producing	4,300	3,950	-350	-8.1%
Service Providing	32,050	32,000	-50	-0.2%
Natural Resources/Mining	650	600	-50	-7.7%
Logging	400	300	-100	-25.0%
Mining	300	300	0	0.0%
Construction	1,700	1,500	-200	-11.8%
Manufacturing	1,950	1,850	-100	-5.1%
Seafood Product Prep	1,550	1,450	-100	-6.5%
Trade/Transportation/Utilities	6,950	7,150	200	2.9%
Retail Trade	4,400	4,550	150	3.4%
Information	550	600	50	9.1%
Financial Activities	1,300	1,250	-50	-3.8%
Prof and Business Services	1,350	1,350	0	0.0%
Educational and Health Services	3,450	3,450	0	0.0%
Health Care	2,100	2,100	0	0.0%
Leisure and Hospitality	3,550	3,450	-100	-2.8%
Other Services	1,150	1,200	50	4.3%
Government	13,750	13,550	-200	-1.5%
Federal Government	1,950	2,050	100	5.1%
State Government	5,650	5,450	-200	-3.5%
Local Government	6,150	6,050	-100	-1.6%
Tribal Government	700	800	100	14.3%

Benchmark: March 2004

Prepared in part with funding from the Employment Security Division.

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

by 1.6 percent, or 1,145 residents. Every Southeast community suffered losses. Ketchikan led this list by losing 503 residents or 3.7 percent of its population. What is surprising is the fact that Juneau, which had long resisted the regional trend, saw its population fall by 280 in 2004. (See Exhibit 8.)

GULF REGION by Brigitta Windisch-Cole

In 2004, the economies of the Kenai Peninsula and Kodiak Island boroughs and the Valdez-Cordova census area added a total of 500 jobs, posting a regional growth rate of 1.8 percent. The seafood processing industry led the way posting average monthly employment of 200 jobs above the year ago level. While most industries, including retail trade, health care, financial activities, construction, and leisure and hospitality registered small gains, natural resources, professional services and other services all recorded declines.

Seafood processing employment was strong in Kodiak and gains were also recorded in the Kenai Peninsula Borough. In the Valdez-Cordova area, however, the number of seafood processing workers fell below 2003 levels during the seasonal peak. This high point of employment typically occurs in second and third quarter in the year, when salmon and halibut landings become highlights in the local economies.

Commercial fishing brought mixed results

For the most part, Gulf fishers netted good salmon catches in 2004, amassing over a third of Alaska's total harvest volume. Preliminary total harvest earnings in the Gulf region came close to \$77.6 million. Although the harvest value was down nearly five percent from the 2003 season, fishers in Cook Inlet and in Kodiak had better seasons. On the other hand, catches in Prince William Sound were down in nearly all salmon species and the harvest value was only 78 percent of the area's 2003 yield. While Prince William Sound recorded its poorest harvest since 2000, Cook Inlet posted its best result of the new decade. Kodiak's salmon harvest slightly exceeded the five-year average earnings.

Prices paid for salmon in the Gulf region differ significantly. While price differences between species are to be expected, the area in which a salmon is harvested also affects its value. Although red (sockeye) salmon remained the principal

Southeast Loses Population From 2003 to 2004

Estimated Population	2004	2003
Southeast Region	70,622	71,767
Haines Borough	2,245	2,319
Juneau City and Borough	30,966	31,246
Ketchikan Gateway Borough	13,030	13,533
Prince of Wales-Outer Ketchikan CA	5,548	5,594
Sitka City and Borough	8,805	8,897
Skagway-Hoonah-Angoon CA	3,101	3,167
Wrangell-Petersburg Census Area	6,247	6,321
Yakutat City and Borough	680	690

Estimated Population Change	2003 to 2004	Percent
Southeast Region	-1,145	-1.6%
Haines Borough	-74	-3.2%
Juneau City and Borough	-280	-0.9%
Ketchikan Gateway Borough	-503	-3.7%
Prince of Wales-Outer Ketchikan CA	-46	-0.8%
Sitka City and Borough	-92	-1.0%
Skagway-Hoonah-Angoon CA	-66	-2.1%
Wrangell-Petersburg Census Area	-74	-1.2%
Yakutat City and Borough	-10	-1.4%

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

moneymaker in all three areas, preliminary harvest prices per pound fluctuated remarkably. Prince William Sound red salmon, for example, sold for an average of \$1.35 on the fishing grounds, while Cook Inlet sockeye brought only 65 cents and Kodiak area fish yielded just 56 cents.

The summer salmon season is often the focus of fisheries news, but halibut catches also contribute significant amounts of income to fishers in the Gulf region. In 2004, harvests in the waters east and west of Kodiak Island amounted to 39.9 million pounds. With ex-vessel prices in the range of \$3.00 per pound, the 2004 halibut season translated into earnings of more than \$119.7 million, surpassing the salmon harvest value by nearly 55 percent.

Tourism continues to grow

In most areas of the Gulf region, the 2004 visitor season was considered a success. Magnificent weather and plenty of fish for anglers attracted clientele from the urban centers as well as from places outside of Alaska. While the Kenai Peninsula Borough benefits from its proximity to Anchorage, the Valdez area gets most of its clients from the Interior, mainly Fairbanks. Kodiak and Cordova, the more remote locations, remained hot spots for fishing enthusiasts from Alaska and from all over the world. Sport fishing is not the only attraction these places offer. Other outdoor activities, including hiking, water sports, camping, and bear watching also lure tourists. Employment in tourism industries such as accommodations and retail trade continued to grow in 2004. Restaurant employment, another tourism industry, showed a small decline but this was largely explained by the Burger King closures of early 2004.

An active construction season

Several large projects kept construction crews busy in the Gulf region. On the Kenai Peninsula the largest project started was the beginning phase of the hospital expansion in Soldotna. Valdez finished its community hospital in 2004. A large

harbor renewal project began in Cordova and in Kodiak a new facility and maintenance building at the rocket launch site was among the largest local projects.

Retail employment rebounded

Retail trade employment in the Kenai Peninsula and the Kodiak Island boroughs rebounded in 2004 but declined somewhat in the Valdez-Cordova census area. The opening of a Home Depot in Kenai contributed the most to retail's recovery, which had suffered two years of decline following the Kmart closure.

Wage and Salary Employment Gulf Coast Region — 2003-2004



	2003	2004	Change	Percent Change
Total Nonfarm Wage & Salary	28,050	28,550	500	1.8%
Goods Producing	5,650	5,850	200	3.5%
Services Providing	22,400	22,700	300	1.3%
Natural Resources & Mining	1,200	1,150	-50	-4.2%
Oil & Gas Extraction	1,000	1,000	0	0.0%
Construction	1,550	1,600	50	3.2%
Manufacturing	2,900	3,100	200	6.9%
Seafood Processing	2,200	2,400	200	9.1%
Trade/Transportation/Utilities	5,400	5,600	200	3.7%
Retail Trade	3,200	3,350	150	4.7%
Information	450	450	0	0.0%
Financial Activities	800	850	50	6.3%
Professional & Business Svcs	1,350	1,250	-100	-7.4%
Educational & Health Services	2,200	2,350	150	6.8%
Health Care	1,450	1,600	150	10.3%
Leisure & Hospitality	3,300	3,350	50	1.5%
Other Services	1,300	1,250	-50	-3.8%
Government	7,600	7,600	0	0.0%
Federal Government	850	850	0	0.0%
State Government	1,650	1,700	50	3.0%
Local Government	5,100	5,050	-50	-1.0%
Tribal Government	350	400	50	14.3%

Benchmark: March 2004
Prepared in part with funding from the Employment Security Division.

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

Other industry developments

Industries such as financial activities and health care also contributed to regional job growth in 2004. Some of the growth was supply driven while some was based on increased demand. The expansion of banking services, for example, points to a high degree of competition in financial services. Health care growth, on the other hand, would appear to be driven by consumer demand, as the demographics in most of the communities of the Gulf region reflect an aging population.

As mentioned earlier, some industries recorded job losses in 2004. The workforce in logging, a natural resource industry, retrenched. In Kodiak, the Afognak logging camp changed operators and in the Kenai Peninsula the wood chip export trade with Korea nearly collapsed. Both professional and other services employment showed declines but some of these were superficial and were related to changes in industry classification.

SOUTHWEST REGION

by Brigitta Windisch-Cole

In 2004, the Southwest region saw average monthly employment increase by 250 jobs or 1.3 percent above year ago levels. The strongest employment gains came in the seafood processing industry, which posted an annual average gain of more than 400 jobs. Most other industry sectors in the Southwest region lost jobs in 2004. The one sector unaffected by declines was education and healthcare, which barely held its 2003 employment level. Some of the decline in employment levels can be associated with population dynamics.

Southwest lost 739 residents through net migration in 2004. Only two areas within the region offset these declines in population with natural increase. The populations of the Bethel and Wade Hampton census areas grew slightly because births outnumbered total deaths and out-migration. The areas that lost population in 2004 are adjacent to Alaska's richest fishing grounds on Bristol Bay and the Aleutian chain. Several years of poor harvests and low earnings in the salmon fisheries prior to 2004 could have prompted some residents to move elsewhere. The 2004 salmon harvest rebounded in most Southwest region fishing areas, with larger catches partially offsetting prices that remain disappointingly low.

A good season goes on record

Southwest all-species fishing harvests were good in 2004. The winter fishery, the snow crab harvest and the first ground fish season, started on a high note. Seafood processing employment was up seven percent during the first quarter. During the summer season, (third quarter) when salmon and ground fish are processed, employment was up five percent from the 2003 season, indicating high harvest volume.

10 Wage & Salary Employment Southwest Region 2003–2004

	2003	2004	Change	Percent Change
Total Nonfarm Wage & Salary	19,150	19,400	250	1.3%
Goods Producing	4,600	4,950	350	7.6%
Services Providing	14,550	14,450	-100	-0.7%
Seafood Processing	4,200	4,600	400	9.5%
Government	7,500	7,500	0	0.0%
Federal	350	350	0	0.0%
State Government	550	550	0	0.0%
Local Government	6,600	6,600	0	0.0%
Tribal Government	1,550	1,600	50	3.2%

Benchmark: March 2004
Prepared in part with funding from the Employment Security Division.

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

More than 42 percent of the state's total 2004 salmon harvest earnings was generated within the Southwest region. The rich fishing grounds of Bristol Bay produced nearly one third of total earnings from the all-species salmon fishery, and dominated the red salmon catch with a 70 percent share in volume. Earnings were up in most other Southwest fishing areas, and only Chignik experienced a decline from the 2003 season. Chignik fishers landed only 62 percent of the 2003 season's volume. Overall, sockeye salmon prices held close to last year's prices and sheer volume turned the season into a success, making it the second best in the past five years.

Borough where fiscal constraints and privatization spun off jobs. North Slope employment in professional services also dropped sharply when an oil industry exploration contract expired. In the Northwest Arctic Borough the Red Dog Mine cut back jobs in the first half of 2004 but mine employment regained strength in the second half of the year. In the Nome census area employment in most industries adhered closely to 2003 levels. Construction activity remained high in Nome, duplicating the good performance of 2003.

Oil industry employment rose

Employment in the oil industry started to climb in the second quarter of 2004 reflecting increased capital spending by oil producers on exploration and infrastructure. Alaska's oil producers estimate that they will spend \$1 billion in coming years to continue development of viscous oil production on the North Slope. Other exploration projects are underway.

NORTHERN REGION

by Brigitta Windisch-Cole

Employment in the Northern region fell by 300 jobs in 2004, marking a decline of 1.9 percent. (See Exhibit 11.) Employment rose in the goods producing sector, but service-providing industries lost ground. Some of the job losses were related to reductions in public sector employment. Performances among the goods-producing industries were mixed. Gains in oil industry employment were offset by job losses in metal mining and in construction.

Individual employment data for the three areas of the Northern region during the first nine months of 2004 indicate that total employment counts fell in the North Slope and the Northwest Arctic boroughs from 2003 levels, but remained constant in the Nome census area. Local public sector employment declined most in the North Slope

Wage & Salary Employment Northern Region 2003–2004

	2003	2004	Change	Percent Change
Total Nonfarm Wage & Salary	16,050	15,750	-300	-1.9%
Goods Producing	5,400	5,550	150	2.8%
Services Providing	10,650	10,200	-450	-4.2%
Oil and Gas	4,650	4,850	250	4.3%
Government	4,950	4,800	-150	-3.0%
Federal Government	150	150	0	0.0%
State Government	350	350	0	0.0%
Local Government	4,450	4,300	-150	-3.4%
Tribal Government	500	500	0	0.0%

Benchmark: March 2004
Prepared in part with funding from the Employment Security Division.

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