

1998: The Year in Review

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Job base grows at accelerating pace

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laska's job base grew 2.5% in 1998, with growth accelerating for the second consecutive year. Statewide, 6,700 jobs were added, the largest numerical increase since 1990. (See Exhibit 1.)

An expanding services sector, oil field exploration activity, and air cargo and passenger transportation growth propelled the state's job growth. A dynamic communications industry, retail and financial growth, and another solid visitor season were also important contributors. Overall, wage and salary employment grew 2.5%, the fastest rate of job growth since 1994. (See Exhibit 2.) The gain pushed Alaska's annual average wage and salary employment over the 275,000 mark, and the statewide unemployment rate set a record low at 5.8%. Regionally, Anchorage and Mat-Su Borough were the fastest growing areas in 1998, while Southeast Alaska was the only area to experience job losses. (See Exhibit 3.)

While most sectors of the economy grew, Alaska's manufacturing sector experienced another year of setbacks. Poor export markets in Asia hit the timber industry, particularly logging, hard. Some effects from the Ketchikan pulp mill closure also lingered. A second consecutive disastrous Bristol Bay salmon return meant more job loss in Alaska's seafood processing sector. While retail trade as a whole grew, retrenchment in some segments accompanied the gain. Consolidation in Alaska's federal government rounded out job losses in 1998.

Services sector leads growth

The services industry contributed nearly half of the new jobs in 1998, making it the biggest contributor to growth. Services growth was widespread with only one facet, legal services, showing a drop.

Wage & Salary Employment Change — Alaska 1997-1998

	1997	1998	Change	Percent Change
Total Wage & Salary	268,700	275,400	6,700	2.5%
Goods-producing	38,000	38,400	400	1.1
Service-producing	230,800	237,000	6,200	2.7
Mining	10,000	10,500	500	5.0
Oil & Gas Extraction	8,300	8,900	600	7.2
Construction	12,800	13,400	600	4.7
Manufacturing	15,200	14,600	-600	-3.9
Durable Goods	3,000	2,700	-300	-10.0
Lumber & Wood Products	1,900	1,600	-300	-15.8
Nondurable Goods	12,200	11,900	-300	-2.5
Seafood Processing	9,400	9,200	-200	-2.1
Transportation/Comm/Utilities	24,200	25,500	1,300	5.4
Trucking & Warehousing	2,800	2,900	100	3.6
Water Transportation	2,000	1,900	-100	-5.0
Air Transportation	8,400	9,200	800	9.5
Communications	4,000	4,400	400	10.0
Electric/Gas/Sanitary	2,300	2,500	200	8.7
Trade	55,900	56,900	1,000	1.8
Wholesale Trade	8,800	9,000	200	2.3
Retail Trade	47,100	47,900	800	1.7
Gen. Merch. & Apparel	9,300	9,100	-200	-2.2
Food Stores	7,100	7,200	100	1.4
Eating/Drinking Places	15,900	16,200	300	1.9
Finance/Insurance/Real Estate	12,200	12,500	300	2.5
Services & Misc.	65,300	68,500	3,200	4.9
Hotels & Lodging Places	6,500	6,700	200	3.1
Business Services	8,600	8,900	300	3.5
Health Services	14,700	15,000	300	2.0
Legal Services	1,700	1,600	-100	-5.9
Social Services	6,900	7,400	500	7.2
Engineering & Mgmt. Svcs.	7,200	7,900	700	9.7
Government	73,200	73,500	300	0.4
Federal	17,300	17,200	-100	-0.6
State	21,300	21,400	100	0.5
Local	34,600	35,000	400	1.2

Benchmark: March 1998. Subtotals may not add due to rounding. Prepared in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics. "Government" includes employees of public schools and the University of Alaska.

Source: Alaska Department of Labor, Research and Analysis Section

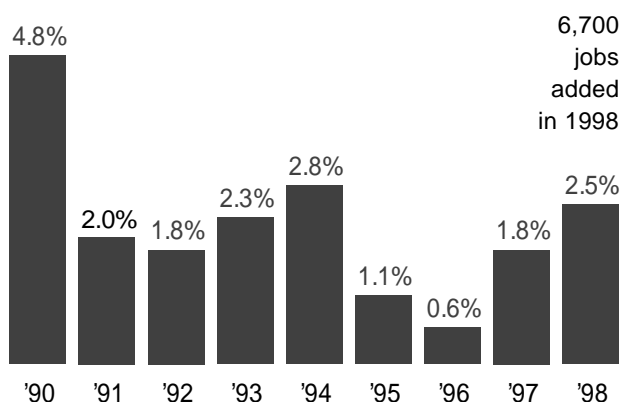
The strongest gains were in engineering and facilities management services. This sector was bolstered by renewed activity in Alaska's oil patch. The social services segment grew due to rapid growth in job training programs and residential care facilities providing job opportunities for the mentally handicapped. Business service firms also grew in 1998. Firms

that performed notably included those offering security and related services, and computer programming and other computer-related services. Alaska's health care industry, the leading source of job growth during the 1990s, continued to grow, although at a slower rate than that seen during much of the decade.

Tourism-related services also played an important role in job growth last year. Amusement and recreation services, a sector heavily influenced by Alaska's visitor industry, posted solid employment growth. Hotel and lodging employment, bolstered by the opening of several new hotels, also increased.

2 Statewide Job Growth Rate

% employment change from previous year
Fastest since 1994



Transportation, communications forge ahead

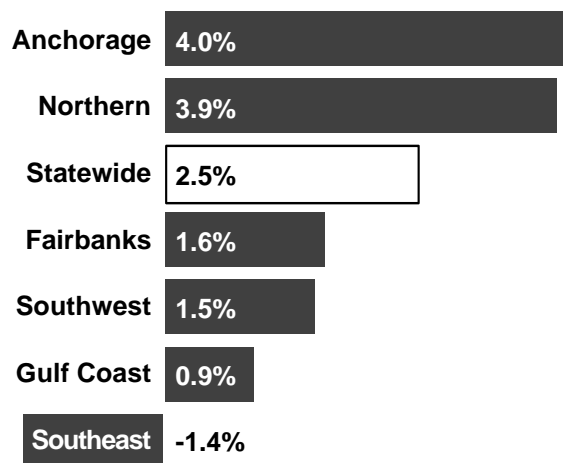
Services added more jobs, but the transportation, communications and public utilities sector had the fastest growth rate, adding jobs at a 5.4% clip. Anchorage International Airport continued to gain prominence as a hub for international cargo. That activity, combined with tourist traffic, translated into 800 new jobs in air transportation. Alaska's rapidly evolving telecommunications industry was a big contributor to job gains in the communications and utilities sectors. Investment in new communications technologies and the privatization of Fairbanks' Municipal Utilities System were the major contributors to job growth in 1998.

Despite losses, retailers post job gain

Fed by increases in eating and drinking establishments and building supply and furniture stores, retail employment was the third largest contributor to private sector job gains in 1998. Eating and drinking establishments posted a fifth consecutive year of growth, while building supply and furniture stores benefited from a solid year in construction and the opening of a new Home Depot store in Anchorage. General merchandise stores went through a year of retrenchment, as JC Penney closed stores in several locations in Alaska. Food stores grew slightly, but the purchase of Alaska's largest grocer, Carrs, by the second largest, Safeway, portends consolidation in this sector. Miscellaneous retail took a hit when Rite Aid drug stores pulled out of the Alaska market; however, tourism-related retail growth helped offset some of those job losses.

3 Anchorage Leads in Growth

Percent change in employment 1997-1998



Oil field services firms surge, recede

Alaska's oil and gas industry, particularly the oil field services sector, revived in 1998, although by year end it was apparent

Source: Alaska Department of Labor, Research and Analysis Section

that the growth was transient. Exploration and development at a number of prospects on the North Slope as well as oil module construction on the Kenai Peninsula meant the best year for oil and gas employment since the early 1990s. At year's end though, low oil prices took their toll, and producers and contractors began to shed jobs.

After several years of strong growth, employment in minerals mining fell back in 1998. Alaska's large-scale mines all survived and some even thrived in the current low price environment. The Greens Creek and Fort Knox mines had solid years. An expansion project at Red Dog increased the mine's production capacity and resulted in incremental job gains. Alaska's smaller and medium size mines, particularly placer operations, struggled as some downsized and others ceased operations.

Native corporations boost finance sector

Alaska's financial sector grew again in 1998, and Alaska's Native corporations led the recovery. Expansion of Native-operated businesses and a good construction year for the regional housing authorities were instrumental in the turnaround. Alaska's banking sector, spurred on by refinancing activity, also saw some growth.

Manufacturing heads list of job losers

For the third year in a row, manufacturing topped the list of declining industries. Seafood processors posted 200 fewer jobs than in 1997. A small Bristol Bay salmon harvest and low salmon prices created losses for processors and fishers. In the wood products industry, the Asian market for wood products crashed, which in turn influenced the level of logging on private lands in Southeast Alaska and the Gulf Coast region. Another significant factor in the logging industry's decline was lower harvest levels from the Tongass National Forest.

Federal drops, state and local governments grow

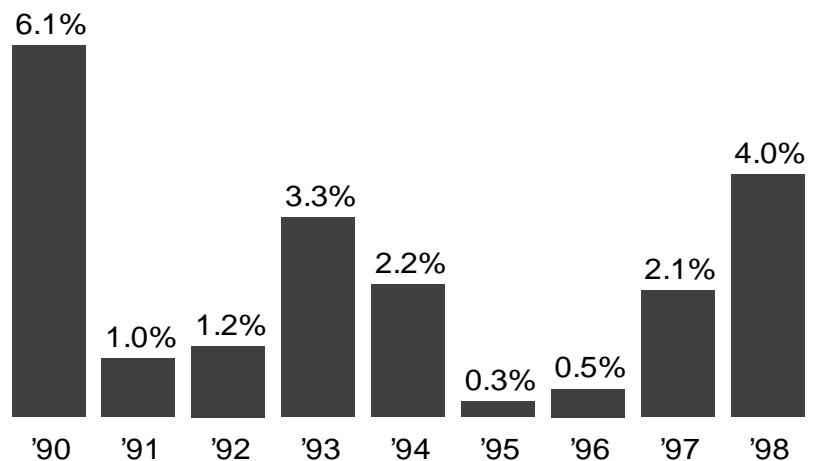
Alaska's public sector employers saw a slight gain on balance, but federal government employment

dropped while state and local governments edged up slightly. Continued downsizing of civilian military employment as well as at some federal agencies pushed federal government employment even lower in 1998. State government employment saw a slight increase due to gains at state agencies primarily in Anchorage and Fairbanks. At the local level, increased school enrollment and new school facilities nudged employment up. The gain in local employment was noted despite the effects of the privatization of the Fairbanks Municipal Utilities System.

ANCHORAGE grows at a 4.0% clip

One big reason for the state's strong showing in 1998 was Anchorage's above-average performance. Wage and salary employment grew by 5,000, representing the largest absolute gain in jobs in Anchorage in eight years. Employment grew by 4.0%, the strongest percentage gain since 1990. (See Exhibits 4 and 5.) The oil industry, construction, services, air transportation, and local government all contributed. Another factor was the absence of any major negative in Anchorage; no major industry lost ground. Coupled with this relatively strong growth in employment, Anchorage's unemployment hit a new record low.

Anchorage Growth Accelerates **4** Percent employment change from previous year



Source: Alaska Department of Labor, Research and Analysis Section

The oil patch made a big comeback in 1998

In spite of low oil prices during most of the year, Anchorage's oil industry employment grew for the first time since 1992. Atlantic Richfield's development of the Alpine and Tarn fields and drilling at West Sak boosted the industry's numbers. British Petroleum's development of the Badami oil field also helped fire up activity in the oil patch. Contractors and oil field services companies headquartered in Anchorage reaped some of the benefits of this increased activity.

Construction enjoys another good year

1998 was the biggest year for Anchorage construction since 1985. The value of permitted construction in Anchorage climbed by over \$100 million, 30% higher than last year's level. This growth pushed construction employment up 400 jobs. No one project or segment of the industry dominated the picture. Residential construction enjoyed its best year since 1986, with 1,750 building permits issued, 377 more than in 1997. The two largest projects that got underway in 1998, but are not yet finished, were the \$125 million Alaska Seafood Center and Columbia-Sussex's 350-room, full service hotel. Other hotel construction, the new Native Heritage Cultural Center, Federal Express's new \$38 million freight handling facility and a \$40 million Commissary/Exchange kept the commercial side busy. It was also a strong season for highway construction, with the two largest projects being the \$38 million Whittier access tunnel and preliminary work on the \$20 million Minnesota/International Airport Road exchange.

5 Wage & Salary Employment Change — Anchorage 1997-1998

	1997	1998	Change	Percent Change
Total Nonag. Wage & Salary	123,900	128,900	5,000	4.0%
Goods-producing	10,900	11,600	700	6.4
Mining	2,400	2,700	300	12.5
Oil & Gas Extraction	2,200	2,500	300	13.6
Construction	6,600	7,000	400	6.1
Manufacturing	2,000	2,000	0	0.0
Service-producing	113,000	117,300	4,300	3.8
Transportation/Comm/Utilities	12,300	13,200	900	7.3
Air Transportation	5,100	5,800	700	13.7
Communications	2,400	2,600	200	8.3
Trade	30,700	31,300	600	2.0
Wholesale Trade	6,300	6,500	200	3.2
Retail Trade	24,400	24,800	400	1.6
Gen. Merchandise & Apparel	4,700	4,600	-100	-2.1
Food Stores	3,000	3,000	0	0.0
Eating & Drinking Places	8,700	8,900	200	2.3
Finance/Insurance/Real Estate	7,200	7,500	300	4.2
Services & Misc.	34,900	36,600	1,700	4.9
Hotels & Lodging Places	2,600	2,600	0	0.0
Business Services	6,100	6,400	300	4.9
Health Services	7,600	7,900	300	3.9
Legal Services	1,200	1,200	0	0.0
Social Services	3,100	3,500	400	12.9
Engineering & Mgmt. Svcs.	5,200	5,500	300	5.8
Government	27,900	28,600	700	2.5
Federal	10,000	10,100	100	1.0
State	8,100	8,300	200	2.5
Local	9,900	10,300	400	4.0

Benchmark: March 1998. Subtotals may not add due to rounding. Prepared in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics. "Government" includes employees of public schools and the University of Alaska.

Source: Alaska Department of Labor, Research and Analysis Section

Even the City's finance sector grew

After a number of years of stagnation, employment in Anchorage's finance sector grew by 300. Low interest rates, a strong real estate market, healthy bank earnings, and increases in mortgage activity resulted in employment growth of 4.2%. Bank of America announced it would be leaving the state. Northrim Bank is buying much of its business.

Services add 1,700 jobs to the economy

Services again led employment growth in Anchorage, adding 1,700 new wage and salary jobs to its workforce. Like construction, no one sector dominated the industry. Health care, business services, social services, and engineering and management services contributed most of this growth. The latter got an additional boost from the strong growth in construction and the oil industry rebound. Health care continued its relentless march ahead. Some of health care

service growth reflected the beginning privatization of the federally operated Alaska Native Medical Center. In 1998, the operation of the Alaska Native Hospital was turned over to a consortium of Native Alaskan organizations. Prior to 1998, nearly all of its workforce was accounted for in the federal workforce, but over time most of it will move to private sector health care. Some employment growth in social services was a reflection of this privatization trend. Business services strength came from growth in computer and personnel supply services.

A moderate growth year for retail

For retail trade 1998 was a year of moderate growth. The single largest addition came with the opening of Home Depot with 140-160 jobs. Other openings in retail included The GAP and the Sullivan Steak House. There were also significant retail closures in 1998. Rite Aid shut its doors along with Kinney Shoes and other smaller retailers.

Air transportation and communications remain strong sectors

One of the pleasant surprises in air transportation was the continued strength in international air cargo, despite economic woes in Asia. Some flights were canceled but employment in this sector remained strong. Federal Express opened its new facility and employment for the state's largest air cargo player continued to grow. This was the first full year of United Airlines' new trans-Pacific airfreight service. A strong year for the visitor season also ensured growth for many domestic carriers. Many carriers added flights and employees to their operations. By the end of the year, a few commuter carriers pulled back. Southcentral Air ended its passenger service and Yute Air curtailed its flights.

The technological revolution continues to have a positive impact on employment in communications; it grew by 8.3% in 1998. More communication services are being used and

employment in this dynamic industry continues to grow. The big communication story this year was the sale of city-owned Anchorage Telephone Utilities to Alaska Communications Systems. If the regulatory authorities approve this sale in early 1999, the change in ownership will just add to the fast changes taking place in this industry.

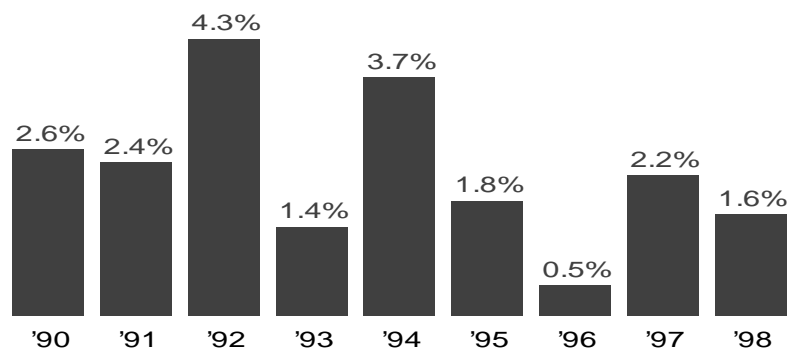
Federal employment stabilizes and schools contribute most of government's growth

After five straight years of declines, federal employment in Anchorage crept up 1.0% in 1998. This represents the first time this sector of government has grown since 1993. State government employment grew by 200. These increases came both at the university level and other parts of state government. Most of local government's gains came from the Anchorage School District where enrollments continued to rise.

FAIRBANKS moves forward in 1998

Fairbanks' economy continued on a growth path during 1998. The increase in total wage and salary employment amounted to 500 jobs and an average annual growth rate of 1.6%. (See Exhibit 7.) Transportation, communications, and utilities

Fairbanks Posts Year of Growth **6**



Source: Alaska Department of Labor, Research and Analysis Section

gained the most ground and three new firms in this sector now rank among the largest private sector employers in the Fairbanks North Star Borough. So far in the 1990s, employment has grown every year in spite of constant churning in Fairbanks' economy. (See Exhibit 6.)

During 1998, Fairbanks regained its role as one of the major staging areas for North Slope oilfield development. Local workers and businesses benefited from the upbeat activities in Alaska's largest oil patch. A good visitor season added fizz during the summer months and tightened the local labor market. Services employment grew to support businesses and a growing population. On the negative side, multiple retail store closures led to job losses and narrowed choices for Fairbanks shoppers. All in all, Fairbanks had a good year: unemployment, for example, registered at record

low rates for most parts of the year. Construction also had a busy 1998 season, and housing markets were brisk.

Transportation, communications and utilities lead employment growth

The biggest boost to employment came from the relocation of Alyeska Pipeline Service Company (Alyeska) workers. Their jobs, although directly linked to the oil industry, count as transportation employment. Although Alyeska moved workers to Fairbanks in 1997, the major effect of this event appeared in the employment and earnings statistics during 1998. Fairbanks gained over 200 new jobs and experienced a greater than five percent increase in local wage and salary income since the move took effect.

Another contributor to Fairbanks' overall payroll income gain was change in telephone communications. PTI Communications (PTI) acquired the telephone service utility from the Municipality of Fairbanks in the fall of 1997, making communications workers private sector employees, and causing growth in private sector communications. In 1998, PTI dissolved its Anchorage headquarters, and added about 50 workers to its Fairbanks staff. Privatization also meant ownership changes. In less than a year, the local telephone company in Fairbanks changed ownership three times.

Construction remains strong

Construction spurred on employment growth during 1998. Fairbanks contractors employed 100 more workers than in 1997. Although a few large projects, such as the Alyeska Pipeline Office Building and the PTI Communications office complex, were finished early in the season, public, military, commercial and residential projects continued to keep Fairbanks crews busy. Housing and barracks remodeling were the main projects on both military bases. After two years of construction, the Chena Hot Springs Road project was completed, and the International Arctic Research Center opened. New construction started on the Danby Middle School and ground

7 Wage & Salary Employment Change — Fairbanks 1997-1998

	1997	1998	Change	Percent Change
Total Nonag. Wage & Salary	32,050	32,550	500	1.6%
Goods-producing	3,350	3,200	-150	-4.5
Service-producing	28,750	29,350	600	2.1
Mining	1,150	900	-250	-21.7
Construction	1,650	1,750	100	6.1
Manufacturing	550	600	50	9.1
Transportation/Comm/Utilities	2,500	2,950	450	18.0
Trucking & Warehousing	550	600	50	9.1
Air Transportation	700	700	0	0.0
Communications	300	450	150	50.0
Trade	6,800	6,950	150	2.2
Wholesale Trade	850	850	0	0.0
Retail Trade	5,950	6,100	150	2.5
Gen. Merchandise & Apparel	1,300	1,250	-50	-3.8
Food Stores	800	750	-50	-6.3
Eating & Drinking Places	1,950	2,050	100	5.1
Finance/Insurance/Real Estate	1,050	1,100	50	4.8
Services & Misc.	7,900	8,050	150	1.9
Hotels & Lodging Places	800	850	50	6.3
Health Services	1,900	1,850	-50	-2.6
Government	10,550	10,300	-250	-2.4
Federal	3,350	3,300	-50	-1.5
State	4,200	4,200	0	0.0
Local	2,950	2,800	-150	-5.1

Benchmark: March 1998. Subtotals may not add due to rounding. Prepared in part with funding from the Employment Security Division. "Government" includes employees of public schools and the University of Alaska.

Source: Alaska Department of Labor, Research and Analysis Section

was broken on the site of the new courthouse. Residential housing construction fared well also, maintaining its fast pace from last year.

Oil and gas and mining employment slip

Surprisingly, 1998 oil-related employment in Fairbanks showed a decline from the 1997 level, despite the development of new oil fields. Employment dropped largely because an oil field service company that was considered a Fairbanks firm was sold to an Anchorage company, shifting the firm's employment to Anchorage in 1998. However, there is no doubt that Fairbanks' oil industry workers and businesses greatly benefited during 1998 from the upbeat activities in Alaska's oil patch.

Job losses occurred in the area's gold mining industry. On average, in 1998, there were nearly 60 fewer mining jobs than in 1997. Placer mining companies scaled back mining efforts during the 1998 season because of low gold prices. And last year, gold prices per ounce seldom topped the \$300 mark, cutting deep into profit margins of small producers. Fairbanks' crown jewel, the Fort Knox Mine, continued to operate at full staff levels and met its production goal of over 365,000 ounces of gold. Ownership of this mine changed when Kinross Gold Corporation and Amax Gold merged. Exploration continued in the Fairbanks mining districts despite the dearth of exploration funds, and the result holds promise. Gold reserves have been upgraded for the entire area.

Retail store closures did not alter the trend

The turmoil in Fairbanks' retail market left a mark on employment, but not enough to show a drop during 1998. On the surface, it appears that the losses stemming from multiple store closures have been absorbed by other businesses. On average, retail stores and restaurants employed 150 more workers in 1998 than during the previous year. But retail employment lost ground in the second half of the year when the larger store closures took effect. Among them were

employers such as Gavora, JC Penney, Woolworth and Rite Aid, more commonly known as Payless. In addition, the Safeway purchase of Carrs resulted in scrapped plans for a new Fairbanks store. By fall, consumers noted the void the closures had left in the Fairbanks retail market. More than 20 retail businesses, including restaurants, closed their doors in 1998. However, quite a few smaller retail stores and restaurants opened for business. Because retail is very competitive and quick to respond to market changes, it is likely that the downturn in retail employment will be short-term.

Hotels lead services to gains

In Fairbanks' services sector, 150 jobs were added in 1998. Hotel growth was boosted by a good visitor season—50 new jobs were added during 1998. Hotel receipts rose 7.3% from last year's total. Industry experts believe that tour and independent travel were up. Cruise line operators confirmed that bookings on their ships increased over 1997. Border crossing statistics collected on the Alaska-Canadian Highway showed that traffic had increased. Between May and September, officials counted over 12,000 more passengers entering Alaska during 1998 than in 1997.

Finance, insurance, and real estate employment yields 4.8% growth

For the past three years, finance, insurance and real estate businesses have added jobs in Fairbanks. During 1998, annual employment averaged 1,100 jobs, up 50 from the year before. Strong real estate markets and refinancing activities helped push up demand for financial, property recording and insurance services. Moreover, Alaska USA Federal Credit Union opened a branch in North Pole during the year.

Utility sale the main cause of public sector job drop

In spite of an increase in school district employment, local government employment contracted during 1998. The impact of the

privatization of the Municipal Utility System continued to count during most months of 1998. Federal government employment decreased by 50 jobs. State government employment remained unchanged. In all, 250 jobs were spun off the public sector.

GULF COAST experiences moderate growth

Total wage and salary employment of the Gulf economy (the Valdez-Cordova census area, the Kenai Peninsula Borough, and the Kodiak Island Borough) rose a moderate 0.9%. Combined job counts for these areas only rose by 250. While service-producing industries created 450 new jobs, goods-producing industries shed 200 jobs. In spite of those job losses, employment was very solid in the oil industry and construction netted a gain. (See Exhibit 8.)

Mobility a factor in oil industry figures

Although employment statistics indicated that there was no change in oil industry employment on the Kenai Peninsula, there is evidence that at least 150 workers were hired during 1998. Since workers for large employers frequently change work sites, their mobility is often not accurately reflected in statistical records. However, 1998 will be remembered as a good year for oil industry employment on the Kenai Peninsula. In 1998, Alaska Petroleum Contractors (APC) started to build the largest oil field modules ever assembled in Alaska at its new assembly site in Nikiski. Work started on the assembly of seven large sealift modules that are destined for ARCO Alaska's Alpine field on the North Slope.

Construction perks

In many areas of the Gulf region, residential construction fared well. Construction was especially brisk on the southern Kenai Peninsula. Valdez's largest residential project was an eight-duplex housing project for low-income tenants. Kenai's largest building project was the \$15 million Alaska Regional Aircraft Rescue and Fire Fighting Training Center. In Kodiak, two large projects were completed—the Kodiak Launch Complex and the Kodiak Fisheries Research Center. Construction began in summer 1998 for Kodiak's Wal-Mart. Seward got a new Alaska Railroad depot, and work began on the Edgewater Hotel, a 70-room complex. Projects in other areas of the Gulf region kept construction crews busy as well.

Timber industries suffer most losses

Weak Asian markets caused a downturn in the Gulf's manufacturing industry employment in 1998. Logging on Kodiak was hit especially hard. The export business nearly dried up during the first half of 1998 and recuperated only slightly during the second half of the year. Markets became tough for urea (a fertilizer) as well, and Unocal had to lay off workers. Fishing was a mixed bag, as usual. While salmon fishers in Prince William

Wage & Salary Employment Change — Gulf Coast 1997-1998

	1997	1998	Change	Percent Change
Total Nonag. Wage & Salary	27,200	27,450	250	0.9%
Goods-producing	6,850	6,650	-200	-2.9
Service-producing	20,350	20,800	450	2.2
Mining	1,200	1,200	0	0.0
Oil & Gas Extraction	1,200	1,200	0	0.0
Construction	1,150	1,200	50	4.3
Manufacturing	4,500	4,200	-300	-6.7
Seafood Processing	3,350	3,250	-100	-3.0
Transportation/Comm/Utilities	2,400	2,450	50	2.1
Trade	5,100	5,300	200	3.9
Wholesale Trade	650	600	-50	-7.7
Retail Trade	4,500	4,700	200	4.4
Eating & Drinking Places	1,500	1,600	100	6.7
Finance/Insurance/Real Estate	700	750	50	7.1
Services & Misc.	5,400	5,550	150	2.8
Health Services	1,100	1,050	-50	-4.5
Government	6,750	6,750	0	0.0
Federal	750	700	-50	-6.7
State	1,650	1,600	-50	-3.0
Local	4,350	4,400	50	1.1

Benchmark: March 1998. Subtotals may not add due to rounding. Prepared in part with funding from the Employment Security Division. "Government" includes employees of public schools and the University of Alaska.

Source: Alaska Department of Labor, Research and Analysis Section

Sound and Kodiak had a good season, Cook Inlet fishers had a poor year. The Cook Inlet salmon catch was down 48% from the 1997 harvest. Some jobs may have been shed because of the poor season in Cook Inlet, but most jobs were lost when the Icicle Seafood plant in Homer was destroyed in a fire.

Population and visitors spurred job growth in services and retail

Employment growth was strongest in trade and services. Stores, restaurants, hotels, and other service-related businesses created 350 new jobs. Not all of this employment growth can be attributed to the visitor industry, but tourism has become more important to all of the Gulf region's business sectors. Population also grew in the Gulf region 2.0% over 1997 estimates.

On the Kenai Peninsula, Seward had the best year for visitors. It has become the busiest port for cruise ships in the Gulf Region. About 110 cruise ships docked in Seward last year. During the second and third quarters of 1998, Seward's businesses were buzzing with taxable sales up 13% over 1997. Neither Homer, Soldotna, nor Kenai could match such success. In Kodiak, the arrival of 10 cruise ships was a celebrated event, and cruise ship vessels called on Cordova for the first time. Valdez also registered a good visitor season.

A few things changed in transportation employment

Although there were a few employment losses, transportation as a whole showed gains. South Central Airlines, a long established local airline on the Kenai Peninsula, canceled all of its passenger flights. About 60 workers were affected by the shut down in September. Increases in transportation employment stemmed from ground, pipeline and water transportation. In Valdez, job counts rose because Alyeska Pipeline Service Company moved about 40 jobs to its terminal late in 1997.

Public sector employment remained the same

Public sector employment stayed at 1997 levels, and only minimal changes took place. Increases in local school districts and other local government made up for small subtractions in federal and state employment. Most of the losses of state jobs were concentrated in Valdez and occurred when the Harborview Developmental Center closed.

SOUTHWESTERN REGION services grow despite salmon problems

In spite of one of the poorest salmon seasons ever in Bristol Bay, employment rose by 1.5% in the Southwestern region. (See Exhibit 9.) In 1998, 250 jobs were added over the previous year. Most jobs came from service-producing industries, including school districts. Population grew in the region, more so in areas where fishing plays a smaller role in the local economy. Health care and community and education services were among the growing employment sectors. Retail also expanded and Bethel now has a remodeled Alaska Commercial Company store. Jobs have also been created from government service contracts to maintain former military installations, which included environmental remediation work.

Wage & Salary Employment Change — Southwest 1997-1998



	1997	1998	Change	Percent Change
Total Nonag. Wage & Salary	17,050	17,300	250	1.5%
Goods-producing	4,700	4,650	-50	-1.1
Service-producing	12,350	12,650	300	2.4
Seafood Processing	4,500	4,450	-50	-1.1
Government	5,550	5,650	100	1.8
Federal	400	350	-50	-12.5
State	500	500	0	0.0
Local	4,600	4,800	200	4.3

Benchmark: March 1998. Subtotals may not add due to rounding. Prepared in part with funding from the Employment Security Division. "Government" includes employees of public schools and the University of Alaska.

Source: Alaska Department of Labor, Research and Analysis Section

Bristol Bay fishers agonize over another poor harvest

For the second consecutive year, the salmon harvest of Bristol Bay was a bust. Salmon catches were nearly 23% down from 1997's dismal landings. Seafood processing employment did not drop immediately. However, in July, many of the workers were idled and by August there were 1,000 fewer seafood processing jobs than in August 1997. Other harvests made up for the poor salmon

season. The snow crab winter fishery started in January and a November Red King harvest produced good results. Employment surged during those shellfish seasons. The groundfishery also helped to mitigate employment losses stemming from the disastrous salmon season.

NORTHERN ALASKA spurred on by oil and construction

Big gains in oil industry and construction employment made up the bulk of job growth. The Northern region posted 600 new jobs and registered a 3.9% growth rate for 1998. (See Exhibit 10.) The North Slope oil fields were not the only big construction projects this past year. The Red Dog Mine, in the Northwest Arctic Borough, finished its \$200 million expansion project. Local government employment became smaller in both the North Slope Borough School District and the borough government. Retail employment grew slightly in Barrow when Alaska Commercial opened its new store. However, the oil field development activities on the North Slope had the biggest impact on employment there and elsewhere in Alaska.

During 1998, construction of the Badami field was completed, the large Alpine project was started, several smaller fields came on line, and drillers progressed on a huge drilling program that included West Sak. In all, it was a very good year for oil industry employment and for oil industry-sponsored construction work. While activities were up, low oil prices prevailed and did not rebound to strengthen the investment effort. By December, the oil producers announced that curtailment of their infrastructure expansion had become unavoidable.

SOUTHEAST employment slides

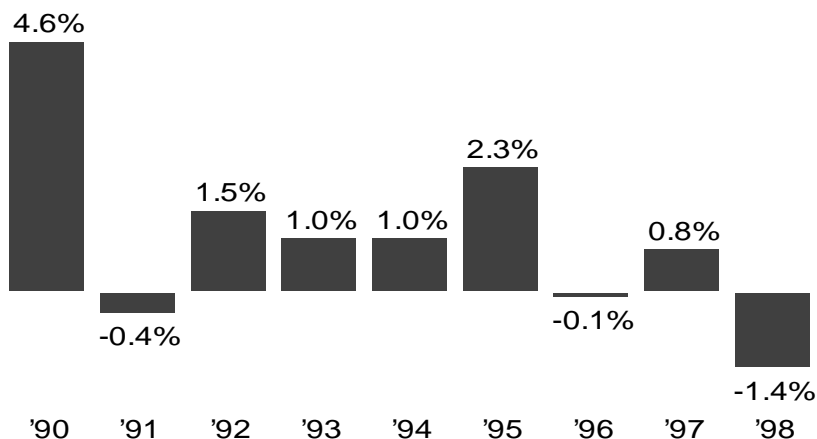
Southeast Alaska's annual average employment dropped 1.4% in 1998. (See Exhibit 11.) Although losses were seen in most sectors of the economy, large reductions in manufacturing drove the decline. (See Exhibit 12.) Manufacturing job

10 Wage & Salary Employment Change — Northern 1997-1998

	1997	1998	Change	Percent Change
Total Nonag. Wage & Salary	15,350	15,950	600	3.9%
Goods-producing	5,200	5,800	600	11.5
Service-producing	10,150	10,200	50	0.5
Mining	4,650	5,100	450	9.7
Oil & Gas Extraction	4,200	4,650	450	10.7
Government	4,650	4,500	-150	-3.2
Federal	200	150	-50	-25.0
State	300	300	0	0.0
Local	4,150	4,000	-150	-3.6

Prepared in part with funding from the Employment Security Division

11 Southeast Employment Drops Percent employment change from previous year



Source: Alaska Department of Labor, Research and Analysis Section

losses were split among the logging, pulp mill, and seafood processing sectors. The services sector was the only source of job growth during the year. Mining and transportation employment levels were flat, and job losses in the retail sector contributed to the over-the-year decline in the region. Federal government employment continued to drop, and state and local government lost jobs as well.

Services are the bright spot in Southeast

The services sector added 300 jobs in 1998 and provided the only over-the-year increase in Southeast employment. The growth in services was consistent with a trend seen in the statewide economy, in which service jobs comprise a steadily increasing percentage of private sector employment. The largest number of jobs was added in amusement and recreation services. The growth was driven by adventure travel and guiding services, which catered to Southeast visitors during the busy tourist season. Although annual employment growth was strong in this sector, the jobs added were primarily part-time or seasonal positions.

Health services also added jobs, and a significant amount of the new employment came from the expansion of the Ketchikan General Hospital. Employment was also boosted as Southeast Alaska Regional Health Corporation (SEARHC) continued to add jobs.

Mining and transportation hold steady

The mining industry continued to be a strong employer in 1998, but no growth occurred in annual average employment. Greens Creek maintained 1997 employment levels, despite low mineral prices. Construction was completed at the Calder mine on Prince of Wales, and Sealaska began extracting limestone in January 1999.

Transportation employment remained flat in 1998. A gain in air transportation employment was offset by losses in water transportation and

trucking. AirOne, a regional air carrier owned by Taquan Air, began flight service between Southeast communities during the summer. AirOne provided daily service between Ketchikan, Klawock, Wrangell, Petersburg, Sitka and Juneau. The airline provided about 20 jobs in air transportation during the second half of 1998, but ceased operations in February 1999. Water transportation also lost jobs in marine cargo handling as a result of reduced demand for timber.

Job losses led by manufacturing

Manufacturing employment fell 11.6% from 1997 levels. Job losses in the wood products industry were primarily a result of decreased Asian demand for timber. The weak demand heavily affected logging employment during the year, and some timber sales that were offered in fall of 1998 received no bidders. The pulp mill in Ketchikan continued to cut jobs during 1998, and pulp mill annual average employment fell by 60%. The

Wage & Salary Employment **12** Change — Southeast 1997-1998

	1997	1998	Change	Percent Change
Total Nonag. Wage & Salary	35,950	35,450	-500	-1.4%
Goods-producing	5,500	5,050	-450	-8.2
Service-producing	30,450	30,450	0	0.0
Mining	350	350	0	0.0
Construction	1,700	1,600	-100	-5.9
Manufacturing	3,450	3,050	-400	-11.6
Durable Goods	1,500	1,300	-200	-13.3
Lumber & Wood Products	1,300	1,100	-200	-15.4
Nondurable Goods	1,950	1,750	-200	-10.3
Seafood Processing	1,450	1,400	-50	-3.4
Transportation/Comm/Utilities	2,900	2,900	0	0.0
Trade	6,600	6,500	-100	-1.5
Wholesale Trade	600	600	0	0.0
Retail Trade	6,000	5,900	-100	-1.7
Food Stores	1,400	1,350	-50	-3.6
Finance/Insurance/Real Estate	1,550	1,500	-50	-3.2
Services & Misc.	7,050	7,350	300	4.3
Health Services	1,600	1,650	50	3.1
Government	12,400	12,250	-150	-1.2
Federal	1,950	1,800	-150	-7.7
State	5,350	5,300	-50	-0.9
Local	5,150	5,100	-50	-1.0

Benchmark: March 1998. Subtotals may not add due to rounding. Prepared in part with funding from the Employment Security Division. "Government" includes employees of public schools and the University of Alaska.

Source: Alaska Department of Labor, Research and Analysis Section

employees that remained were working to prepare the site for redevelopment, which in the future could house a ship demolition company, a wood chipping company, or a fish waste processing company.

Seafood processing lost 50 jobs during 1998. Winter fisheries employment was slightly below 1997 levels, and April through June employment was well below figures from the previous year. A significant portion of this drop was due to the sale of Wrangell Fisheries Inc. The company was being transferred to new owners in spring of 1998 and did not operate during April and May. The transfer was completed in June and the company began processing at that time. Herring quotas were down 30% from 1997, which also might account for some reduction in seafood processing employment during the spring. Seafood processing employment ramped back up to 1997 levels in the second half of the year in response to a strong salmon harvest.

Job losses in construction primarily took place in the heavy and special trades construction sectors. Although road construction kept crews employed in Ketchikan, Juneau, and on Prince of Wales, employment fell over the year.

The retail trade sector lost 100 jobs in 1998. JC Penney and Rite Aid closed stores in Juneau during summer, but employment had been lower in the retail sector for the first six months of 1998 before the stores closed. Even after the closures, employment in retail stores remained close to 1997 levels. The largest job loss in retail trade was due to a reporting change. A firm that had been included in eating and drinking establishments was moved to hotels and other lodging places in the services sector. Job reductions also took place in the food stores sector.

Finance, insurance, and real estate shed jobs during the year. The real estate sector lost the most jobs, and Ketchikan had a significant reduction in real estate agents. Two building operators in Juneau also reduced employment. Kake Tribal Corporation reduced employment significantly in response to weak demand for timber.

Public sector employment reductions were concentrated in the federal sector. The Forest Service continued to downsize as demand for timber remained weak. State and local government also cut jobs during the year, but state government losses were not as large as projected from last year's forecast.

Job growth, record low unemployment

Alaska's economy grew by 6,700 jobs in 1998. Broad-based job growth was led by the services sector and the transportation industry. A surge of oil industry development, a solid tourism year, retail expansion, and solid growth in the construction and financial sectors also contributed to employment growth. Meanwhile, Alaska's timber and seafood industries, along with the federal government, were the only negative factors in the state's employment growth. Accompanying the faster job growth were record low unemployment rates in many areas of the state, particularly those influenced by the oil and gas sector.

Regionally, only Southeast Alaska lost jobs. The Mat-Su Borough, Anchorage, Northern and Fairbanks regions were among the fastest growing, while Gulf Coast and Southwest regions grew at slower rates.