

Fairbanks forecast for 2022

By SARA TEEL

In 2021, Fairbanks recovered about 500 of the 2,500 jobs it had lost the year before. With recent population growth and tourism on the rebound, we forecast the Fairbanks North Star Borough will add 1,000 jobs this year, for 2.8 percent growth.

The borough lost 6.6 percent of its employment when COVID-19 hit in 2020, and while that drop was steep, it was modest in light of Anchorage's 8.2 percent loss and the -14.3 percent for Southeast.

Fairbanks' recent population growth likely buffered its losses somewhat while most areas continued to shrink. The borough grew in 2020 for the first time in eight years, adding more than a thousand residents as the ongoing installation of two new F-35A fighter jet squadrons at Eielson Air Force Base brought a wave of personnel, contractors, and their families.

The borough's rental vacancy rate dropped from 19 percent in early 2020 to 9.5 percent in 2021, and the additional residents increased demand for goods and services as well as housing, which boosted employment and tax revenues.

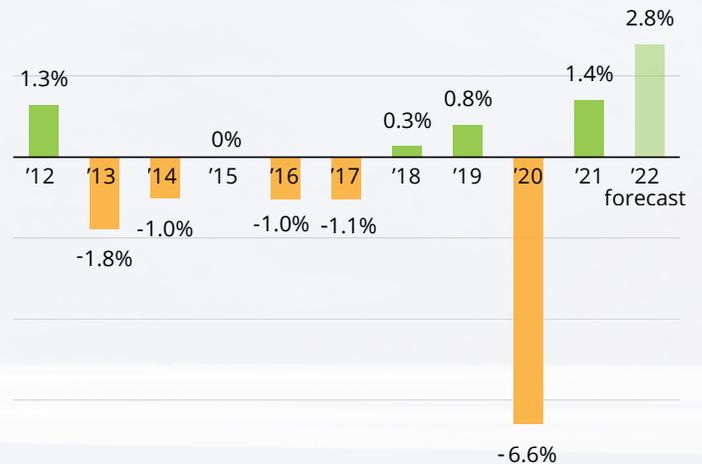
Construction to rebound with scheduled projects, lower costs

Demand for new housing during the pandemic helped stabilize Fairbanks' construction industry amid COVID-caused worker shortages, supply chain disruptions, and high lumber prices.

As people stayed home nationwide and worked on projects, demand for building supplies pushed national lumber costs 248 percent higher between April 2020 and May 2021. Prices have dropped, though, and are likely to normalize in 2022.

Some construction projects were postponed over the past few years because of the costs and uncertainty, and the industry lost 100 jobs in 2020 and another 100 in 2021.

Fairbanks has a smaller job loss to recover



Note: 2020 and 2021 are preliminary.

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

The borough population grew 1.1% in 2020, likely easing its job losses.

With lower costs, continued recovery, and anticipation of the massive federal infrastructure bill, we forecast Fairbanks will add 1,000 construction jobs this year and reach 97 percent of its pre-COVID job count.

Multiple projects are lined up for 2022, including \$15 million in road construction near downtown Fairbanks and a \$148 million U.S. Army Corps of Engineers dam project at Chena River Lakes. New business construction will include several restaurants and a gas station.

While the new federal infrastructure money probably won't be distributed widely in 2022, some of the consulting companies involved in the planning stages for construction and other projects could see some funding this year. These services also tend to pick up as the economy picks up. We forecast 3.8 percent growth for professional and business services.

The outlook for jobs in the Fairbanks area, by industry

	Monthly avg, 2020 ¹	Monthly avg, 2021 ¹	Change, 2020-21	Percent change	JOBS FORECAST		
					Monthly avg, 2022	Change, 2021-22	Percent change
Total Nonfarm Employment²	35,400	35,900	500	1.4%	36,900	1,000	2.8%
Total Private	25,100	25,700	600	2.4%	26,700	1,000	3.9%
Mining and Logging	800	900	100	12.5%	900	0	0%
Construction	2,600	2,500	-100	-3.8%	2,600	100	4.0%
Manufacturing	500	500	0	0%	500	0	0%
Transportation, Trade, and Utilities	7,100	7,200	100	1.4%	7,500	300	4.2%
Wholesale Trade	600	600	0	0%	600	0	0%
Retail Trade	4,500	4,600	100	2.2%	4,700	100	2.2%
Transportation, Warehousing, and Utilities	2,000	2,000	0	0%	2,200	200	10.0%
Information	300	300	0	0%	300	0	0%
Financial Activities	1,100	1,200	100	9.1%	1,200	0	0%
Professional and Business Services	2,600	2,600	0	0%	2,700	100	3.8%
Educational (private) and Health Services	5,400	5,400	0	0%	5,500	100	1.9%
Health Care	4,100	4,200	100	2.4%	4,300	100	2.4%
Leisure and Hospitality	3,700	4,000	300	8.1%	4,400	400	10.0%
Other Services	1,000	1,100	100	10.0%	1,100	0	0%
Total Government	10,300	10,200	-100	-1.0%	10,200	0	0%
Federal, except military	3,300	3,200	-100	-3.0%	3,200	0	0%
State, incl. University of Alaska	4,300	4,400	100	2.3%	4,300	-100	-2.3%
Local and tribal, incl. public schools	2,700	2,600	-100	-3.7%	2,700	100	3.8%

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

Note: May not sum because of rounding

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

Fairbanks' forecasted recovery to pre-pandemic levels, by industry

	2019 jobs	2022 forecasted	Forecasted recovery
Total Nonfarm Employment	37,900	36,900	97%
Total Private	27,500	26,700	97%
Mining and Logging	800	900	113%
Construction	2,700	2,600	96%
Manufacturing	600	500	83%
Transportation, Trade, and Utilities	7,800	7,500	96%
Wholesale Trade	600	600	100%
Retail Trade	4,800	4,700	98%
Transp, Warehousing, Utilities	2,400	2,200	92%
Information	400	300	75%
Financial Activities	1,200	1,200	100%
Professional and Business Services	2,800	2,700	96%
Educational (private) and Health Svcs	5,600	5,500	98%
Health Care	4,200	4,300	102%
Leisure and Hospitality	4,600	4,400	96%
Other Services	1,000	1,100	110%
Total Government	10,500	10,200	97%
Federal, except military	3,100	3,200	103%
State, incl. University of Alaska	4,500	4,300	96%
Local and tribal, incl. public schools	2,900	2,700	93%

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

Air cargo jumped in 2021 and 2022 is promising

Fairbanks is a regional hub in a state that relies on air transit, but it's also on the road system, so recent years' transportation job losses (about 400) were mostly in air transportation and trucking.

The industry didn't regain any ground in 2021 as supply chain bottlenecks, freight logistics, and staffing shortages continued. Air cargo picked up last year, however. Freight entering Fairbanks International Airport jumped 137 percent in the second quarter of 2021 compared to the same quarter in 2020, and Amazon opened its northernmost facility in Fairbanks early in the year.

Rising demand and more businesses reopening look positive for transportation in 2022. We forecast the industry will add 200 jobs.

Demand from more residents, tourists

Fairbanks' leisure and hospitality sector lost the most jobs in 2020, initially from shutdowns and mandates and then through the loss of the summer visitor season. Although Fairbanks doesn't depend on visitors as much as Southeast, the borough did lose 900 leisure and hospitality jobs in 2020 and recovered about a third of them last year.

Fairbanks' bed tax revenue dropped 54.6 percent in 2020. By the second quarter of 2021, though, that revenue had already climbed back to 92 percent of its 2019 level. As we enter 2022, rising bed tax revenue suggests the industry will approach its pre-COVID employment level.

Similarly, restaurants and bars lost 11 percent of their jobs in 2020 and nearly regained pre-pandemic levels by 2021.

Fairbanks will see more tourists when cruise ships return this year, as 41 percent of Fairbanks' summer visitors are cruise passengers. Passengers take the Alaska Railroad from Anchorage to Fairbanks, and cruise lines own many of those railcars.

Fairbanks hosted 247,098 cruise line rail passengers in 2019 and none in 2020. Ridership will resume this year and boost tourism-linked jobs in recreation, entertainment, eating and drinking, and hotels.

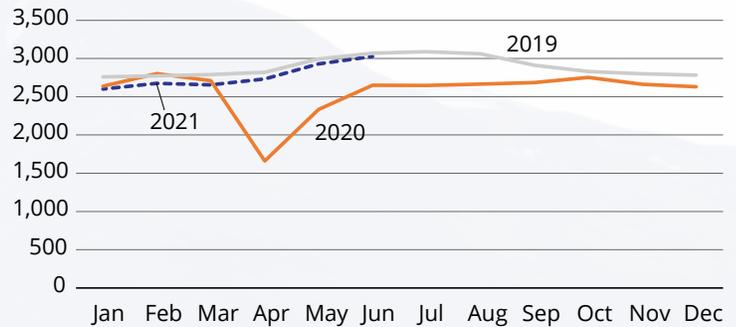
The leisure and hospitality sector as a whole will recover a forecasted 10 percent this year, which would be 400 additional jobs. However, continued staffing shortages and supply chain hiccups will remain a challenge well into 2022.

Retail shed about 300 jobs in Fairbanks as COVID-19 shuttered stores everywhere in 2020. About a third of those jobs returned in 2021, and we forecast a repeat in 2022, with retail recovering another 100 jobs (2.2 percent).

Health care could surpass pre-pandemic job levels

Health care has grown nationwide for years as the population ages, and COVID-19 ramped up the need

Restaurant and bar jobs rebounded quickly



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

for these services. That generated an additional 100 jobs in Fairbanks in 2021, and we expect modest growth to continue in 2022.

The 100 forecasted new jobs for health care (2.4 percent) would make it one of the few industries to surpass its pre-pandemic employment.

As with other industries, health care will face ongoing pandemic-related obstacles this year that could limit growth such as burnout, difficulty finding qualified workers, and high health care costs.

Continued modest losses for local and state government

Government plays a prominent role in Fairbanks, representing about 28 percent of the area's employment in 2021. Those 10,200 public sector jobs were 31 percent federal, 43 percent state, and 26 percent local government.

State government added a small number of jobs in 2021, mainly temporary positions to manage the pandemic response. These included processing unemployment claims at the Department of Labor and Workforce Development and contact tracing for the Department of Health and Social Services. Because some of those positions will disappear this year and multi-year budgetary pressures persist, we expect state government to continue its downward trend in 2022 and lose about 100 jobs, a decline of 2.3 percent.

The University of Alaska Fairbanks accounted for 57 percent of the borough's state government jobs in 2021. UAF's multi-year budget cuts have ended

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number of jobs (100). Public school enrollment is recovering from pandemic closures, and some communities are seeing more revenue.

The City and Borough of Juneau increased its hotel/motel tax from 7 percent to 9 percent in 2020, and its first-quarter 2021 sales tax revenue came in \$2.7 million over projections. Skagway, one of the state's hardest-hit communities, received a \$2 million donation from Norwegian Cruise Line last year to ease its losses.

Federal employment has been flat for several years, and we expect that to continue into 2022.

State government will likely lose about 100 jobs this year (-2.3 percent) as temporary jobs end, making it the only sector in Southeast we forecast will decline.

Big costs ahead for ferries, although federal infrastructure money will come

The Alaska Marine Highway System took a major hit

With Canadian ports open and demand rising, tourism could hit new heights, although ship occupancy rates are uncertain.

before the pandemic, as deep budget cuts slashed the numbers of boats and sailings, reduced revenues, and deferred maintenance.

The fleet is aging, and big repairs or replacements will become increasingly necessary. Over the last few years, the state sold the Taku, the Fairweather, and the Chenega and put the Malespina into long-term storage. The Tustumena has hull cracks, and while the Tazlina has been overhauled, there's no crew to staff it.

The federal infrastructure bill will provide more than \$1 billion for Alaska's ferries over five years, although when the influx will start is uncertain.

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programs and positions. UAF saw an 8.7 percent enrollment drop for the 2020-2021 school year, the most recent available. That meant about 700 fewer students attended in the fall.

Local government has been cutting services for years, and COVID-19 further reduced revenue, albeit temporarily. A 14.3 percent drop in alcohol tax revenues accompanied the 54.6 percent plunge in bed taxes in 2020, but both have almost regained 2019 levels. Local governments also received a substantial amount of federal pandemic relief money.

Enrollment in the Fairbanks North Star School

District has declined every year since 2016, and the pandemic exacerbated the decline as enrollment fell 14.8 percent for the 2020-2021 school year. Student numbers will rise in 2022, however, with a population bump and a full return to the classroom.

However, while we forecast recovery of about 100 jobs for local government this year — a 3.8 percent increase — the district is discussing cuts and school consolidations in the longer term.

Fairbanks' federal employment has grown steadily since its 2014 low of 2,900. The 2020 Census drove part of a 200-job increase that year, and about 100 of those disappeared by the end of 2021. We forecast no change for 2022.

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