

Slow Growth to Continue

by John Boucher

Following 6.5% employment growth in 1989 and a 4.9% job gain in 1990 Alaska's economy posted a moderate 2.1% employment growth rate in 1991. Lower oil prices, a struggling timber industry and lackluster growth in trade and services employment combined to apply the brakes to Alaska's employment growth in 1991.

The employment forecast for 1992 and 1993 reflects recent history. The 2.1% employment growth rate in 1991 established a three-year pattern of slower growth. The forecast for 1992 and 1993 recognizes that pattern. Unfortunately, recognition of the recent employment growth pattern required asking a troublesome question. Given the downward trend in employment, will job growth be sustained through 1993? In the final analysis, the conclusion was that Alaska's economy would post gains at an annual rate of less than 1% during the next two years—thanks to continued strength in the seafood processing industry and some expansion in the retail sector. (See Table 1 and Figure 1.)

One note of caution: Alaska's economic health is closely tied to the price of North Slope crude oil. This forecast places North Slope oil prices in the \$15-\$17/bbl. range for the forecast period. If prices are significantly different, especially on the downside, employment growth is unlikely to occur.

Oil Industry tumbles mining

During the last quarter of 1991, Alaska's oil & gas industry underwent some significant changes. ARCO Alaska and British Petroleum, the two primary players on Alaska's North Slope, began to consolidate their operations; and, in turn, asking their contractors to also consolidate and cut costs. Entering 1992, the mood in the industry is somewhat troubled. For these reasons oil and gas industry employment is expected to decline during the next two years.

There is, however, some positive news on the oil industry front. Construction of GHX-II, a gas-handling facility that reinjects gas into the ground to boost oil production, will be in full swing in 1993. The Point McIntyre field will be brought on line during the forecast period, and there is a possibility of some new development in Cook Inlet.

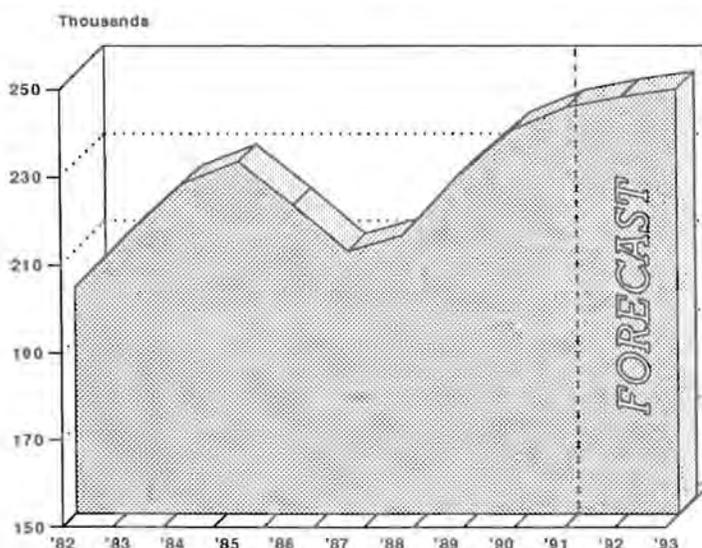
Nearly nine out of ten jobs in the mining industry are in the oil and gas sector. Therefore the direction mining industry employment takes depends on the fortunes of the oil industry. Potential employment gains also exist in the hard rock mining portion of the industry. The Kensington and AJ projects in the Juneau area are currently the best prospects for added employment in the mining industry. If the projects proceed, the employment added during the forecast period would predomi-

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Figure 1

Alaska Annual Average Nonagricultural Wage & Salary Employment 1982-1993

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



Alaska Nonagricultural Wage & Salary Employment Forecast 1992-1993

	1990 Annual Average	1991 Annual Average	Percent Change 90-91	1992 Annual Average	Percent Change 91-92	1993 Annual Average	Percent Change 92-93
Nonag. Wage and Salary	238,100	243,000	2.1	244,900	0.8	246,300	0.6
Goods-producing	39,200	40,500	3.3	40,225	-0.7	40,700	1.2
Mining	11,500	11,800	2.6	10,750	-8.9	10,150	-5.6
Construction	10,500	10,500	0.0	10,525	0.2	10,850	3.1
Manufacturing	17,200	18,200	5.8	18,950	4.1	19,700	4.0
Seafood Processing	9,500	10,900	14.7	11,800	8.3	12,500	5.9
Lumber & Wood Products	3,100	2,600	-16.1	2,400	-7.7	2,450	2.1
Service-producing	198,900	202,600	1.9	204,675	1.0	205,600	0.5
Transportation	20,600	21,800	5.8	22,250	2.1	22,650	1.8
Trade	46,000	46,900	2.0	48,075	2.5	48,700	1.3
Wholesale Trade	8,100	7,800	-3.7	7,850	0.6	7,850	0.0
Retail Trade	37,900	39,100	3.2	39,950	2.2	40,850	2.3
Finance-Ins. & Real Estate	10,300	10,700	3.9	10,700	0.0	10,700	0.0
Services & Misc.	50,900	51,800	1.8	52,500	1.4	53,000	1.0
Government	71,000	71,400	0.6	71,150	-0.4	70,550	-0.8
Federal	18,700	18,900	1.1	18,900	0.0	18,850	-0.3
State	21,500	21,200	-1.4	20,750	-2.1	20,200	-2.7
Local	30,800	31,300	1.6	31,500	0.6	31,500	0.0

nantly be in the construction industry. Increases in hard rock mining will probably occur just outside of the forecast period.

Construction has growth potential

A laundry list of major construction projects for the next two years points to a solid boost for construction employment. More federal highway money, GHX-II, new hospitals, potential strong growth in commercial retail space in Anchorage and new tourist facilities all bode well for the industry. On the other hand, impending budget cuts at the state and local government levels are likely to hit the construction industry first. Other negatives include how investors might view the economic slowdown and the projected declines in military construction. It's possible that some proposed construction, particularly additional retail space, will be a victim of a slower economic outlook. Overall, the forecast for construction looks for some employment gains during the next two years.

Seafood to boost manufacturing

During the last several years the bottomfish and shellfish harvest in Southwestern Alaska has boosted wintertime

seafood processing employment to levels not seen since the king crab boom of the early 80s. The recent decision to allocate a significant portion of the total catch in the region to shore-based processors in 1992 will bolster seafood industry employment counts- particularly in the Kodiak area. While bottomfish is booming, the mainstay of Alaska's fishing industry, the salmon processors, were hurt by low prices last season. The tough season forced some processors to close. The good news is that the worst of a worldwide salmon glut may be over. Prices for some of Alaska's higher value salmon have recovered, although pink salmon prices are still low. The employment forecast assumes that the salmon processing portion of the industry will remain relatively constant during the next two years.

While Southwestern Alaska fisheries will add jobs to the manufacturing sector, Alaska's timber industry will continue to struggle. During 1991 three sawmills, employing more than 250 people, closed. Meanwhile the logging industry lost jobs due to depressed world timber markets, litigation tying up timber harvests and less available Native corporation timber. For 1992 there appears to be no relief in sight for the industry's job picture. By 1993 the timber industry should begin to recover as world markets firm up.

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

Transportation growth will abate

The transportation, communications and utilities sector was one of the fastest growing industries in 1991. A surging air transportation industry and a build-up of pipeline-related staff helped lead the growth. During the next two years a combination of factors will slow job growth in this industry. Additional staffing at Alyeska Pipeline is completed; pipeline-related employment will level off or possibly drop during the next two years.

The air transportation sector has been a big contributor to job growth in this industry, despite the loss of international passenger carriers in Anchorage. Air cargo carriers like Federal Express have been a key factor in this industry. Expansion of MarkAir into Seattle and other Southeast Alaska destinations added a significant amount to the air industry's job base late in 1991 and that should contribute to some growth in 1992.

The tourism-related portion of transportation employment, primarily bus tours and other ground transit, will contribute some growth during the next two years. The tourism industry has provided a constantly increasing boost to Alaska's economy, and no end to that trend is evident. Cruise ship bookings, a key tourism indicator, are ahead of last year's pace, but it's difficult to assess the strength of the season until mid-year. While the national recession concerns some tour operators, the current outlook for this season is promising.

In addition to air and ground transportation, the communications and utilities portion of the industry will experience some job growth, largely because these segments are driven by population trends.

Real estate market loses momentum

The finance-insurance and real estate industry (FIRE) grew in 1991 primarily because of a rebounding real estate market. The banking and insurance portion of the industry posted slight growth; the majority of additional employment was in real estate brokerages and property management firms. The outlook for this industry is for little or no growth the next two years. Real estate markets around the state have already slowed somewhat because of the slower economy.

Trade could boom; mixed prospects in services

Trade and services employment in Alaska should grow during the next two years- but the outlook for trade

employment is currently a little better than the services industry. Trade and services accounted for nearly 100,000 jobs in 1991, spanning a wide variety of economic activity. Some segments of each will perform fairly well in terms of employment growth while other segments are expected to lose employment. For example, tourist-related trade employment, like gift shops, should perform fairly well. Food stores should also perform reasonably well despite the general slowdown. Retailers who depend upon discretionary income, like car dealerships and eating and drinking establishments, tend to be hit first by a slower economy. The outlook for the trade industry is also influenced by the plans of several major retailers to enter the Anchorage and Fairbanks markets during the next two years. If all or even some of these plans come to fruition, it will mean a significant addition to the state's retail trade industry.

On the services side, the outlook is a little less optimistic. The trendsetters for growth should be hotels and health care services. New hotels opening in Anchorage and Fairbanks catering to the booming tourist trade will boost hotel employment. On the other hand, some service sectors will struggle to maintain their current levels during the next two years. Legal services and professional services were suffering employment losses as 1991 ended and they will probably continue to do so over the next two years.

Federal growth small, military-related

Two factors were behind most of the federal government growth in 1991. The Federal Aviation Administration bolstered their presence in the state to beef up their inspection program. The other significant job addition was military-related. Civilian personnel were added to staff new facilities built to accommodate Alaska's expanding military population. During the next two years the only major change on the horizon for the federal government in Alaska will be the new Veterans Administration clinic in Anchorage. That will add a small amount of employment but isn't expected to significantly change the level of federal jobs in Alaska.

State, local governments struggle with budgets

Employment in Alaska's state government sector will decline during the next two years. Shrinking oil revenues are forcing state agencies and the university system to propose cutbacks for the fiscal year beginning in July.

Since local governments and school districts are either wholly or largely funded by state oil revenues, these

government entities are battling the same budget woes as state government managers. The problem for many school districts, particularly urban districts, is that school enrollment has been steadily growing due to immigration and a growing school age population. The pressure to add facilities and teachers is tremendous. Demand for facilities is particularly acute in Anchorage, Fairbanks, the MatSu Borough and Juneau. The budget crunches in these areas have resulted in proposals for new schools as well as alternative solutions like year-round schools. It is this increasing school enrollment which will keep local government employment from falling during the next two years.

Summary: slower growth projected

Entering 1992, Alaska was on a roll of four straight years of wage and salary employment growth. That growth has slowly subsided and by the end of 1991 there were unsettling signs that employment could be headed for a drop. Overall there is enough positive momentum in Alaska's economy to project employment growth during the next two years. The continuing expansion of the bottomfish industry, tourist-related employment expansions in the transportation, trade and services industries, and a potential retail trade expansion should be enough to carry Alaskan employment to the positive side of the ledger in 1992 & 1993.

ANCHORAGE FORECAST: 1992-93

The Brakes Are On The Anchorage Economy

by Neal Fried

The strong economic recovery in Anchorage appears to be coming to a close. If this forecast proves accurate, the Anchorage economy will be fortunate to grow in 1992-1993. The economy began to lose steam in 1991 (see Review article). Then oil prices started downward. Low oil prices in turn are affecting the bottom lines of oil industry and state-funded activities. As headquarters of the state's oil industry and home to a large economic sector dependent on oil revenues, Anchorage is feeling the effects. Adding to the economic qualms is the fact that many perceive 1992 as the beginning of the slide in Alaska's oil production. The size of this decline may not be significant during the forecast horizon.

It is important to keep in mind that Anchorage is not saddled with a mono-economy driven by oil. The oil industry and oil revenues do, however, carry a disproportionate amount of economic punch in Anchorage's economy. Some industries will perform well during the next two years and others will hold their own.

The oil patch is anxious

After three years of strong recovery and record employment levels, employment in the oil patch softened in late 1991. This trend is forecast to continue during the next two years. Low oil prices, a bad year for profits, more attractive investment prospects elsewhere in the world and oil field maturation are all working against further employment growth in the industry. Exploration activity is falling to new lows. Both major operators in Alaska, British Petroleum and ARCO, have begun consolidation efforts to improve efficiency and cut costs. They are asking their contractors to do the same. Alyeska Pipeline recently announced they, too, will keep personnel costs down in anticipation of further oil production declines. Recently, BP announced it will cut its workforce by 420 over the next three years.

A number of sizeable projects should help stem what otherwise might be a more precipitous decline. ARCO announced they will be spending \$351 million on a variety of capital projects in 1992—the same amount they spent in 1991. Point McIntyre is scheduled to come

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on line late in 1992, which will bring another 75 to 80 thousand barrels of oil per day into production. The Sunfish prospect in Cook Inlet also looks promising. The largest undertaking, installation of a \$1.5 billion gas-handling project (known as GHX-II), will insure a healthy level of activity at Prudhoe Bay. The biggest beneficiary of the GHX-II project will be the construction industry. Approximately 500 jobs on an annual basis will be needed for the project in its peak year, 1993. The most important benefit of GHX-II is that it will help curb steep declines in oil production.

Construction outlook boosted by private sector

The most diverse mix of projects Anchorage has seen in many years will dominate the construction scene. There should be enough activity to sustain present levels during the next two years. The crown jewel (as one construction industry official called it) will be Seibu's \$60-70 million Prince Hotel and new tramway in Girdwood. The labor-intensive construction phase of the hotel begins this April. One contractor estimates the project's work force will peak at 200 in 1993.

Another jewel expected to bring some luster to this industry will be the \$100+ million Alaska Native Med-

ical Center. Ground should be broken in late 1992 or early 1993; completion is set for 1995.

Another potential source of construction in Anchorage could come from the retail sector. If Costco, Pace, and Eagle Hardware follow through with their plans to build new stores, 1992 would be the busiest commercial season since 1985. According to expert retail-watchers, there are other major retail prospects on the drawing boards.

The Anchorage air transportation sector could also lend a helping hand to the construction industry. Alaska Airlines has plans to build a \$40 million facility for jet maintenance, cargo and ground services. Federal Express hopes to build a \$20 million 747 maintenance hanger.

On the residential side, most industry insiders expect to see the same or slightly fewer single family homes built as last year. Particularly bad oil-related news might spook the industry to lower levels. On the other hand, Anchorage's residential vacancy rates are at a near-record low and interest rates couldn't be much lower. The demand for housing could warrant more residential construction. One new twist in home construction is a possible increase in multi-family dwellings. Anchorage

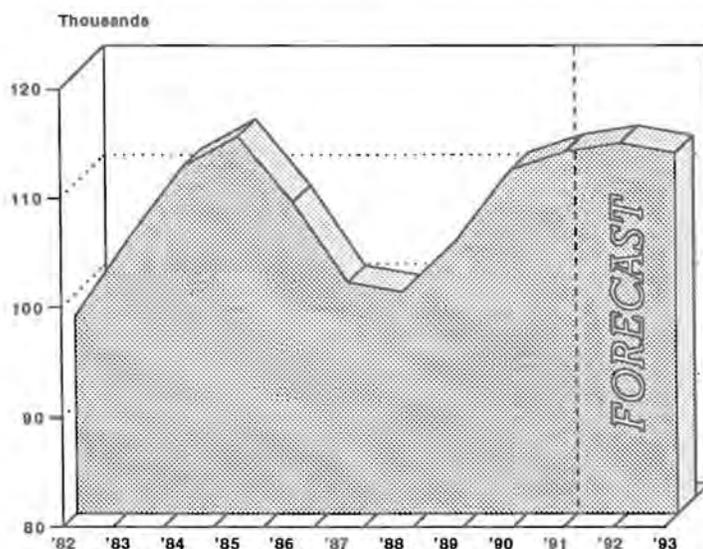
Neighborhood Housing has plans to build a 200-unit complex of low to moderate-income housing. This would be the largest addition of multifamily housing since 1986.

Except for the new Native Hospital, the public side of construction will not provide much stimulus. The state capital budget could well be smaller than last years. Highway construction in the Anchorage vicinity is not expected to be much different from recent years. The Glenn Highway four-lane project will continue at slightly lower levels in 1992 and then peak in 1993. The extra federal highway dollars the state is receiving will boost highway construction projects in the Kenai Peninsula and MatSu Boroughs. Although this activity will not

Figure • 1

Municipality of Anchorage Annual Average Nonagricultural Wage & Salary Employment 1982-1993

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



Municipality of Anchorage Nonagricultural Wage & Salary Employment Forecast 1992-1993

	1990 Annual Average	1991 Annual Average	Percent Change 90-91	1992 Annual Average	Percent Change 91-92	1993 Annual Average	Percent Change 92-93
Total Nonag. Wage & Salary	111,400	113,100	1.5	113,850	0.7	112,950	-0.8
Goods-producing	12,000	12,300	2.5	12,150	-1.2	11,700	-3.7
Mining	3,800	3,900	2.6	3,700	-5.1	3,500	-5.4
Construction	5,800	5,800	0.0	5,800	0.0	5,500	-5.2
Manufacturing	2,400	2,600	8.3	2,650	1.9	2,700	1.9
Service-producing	99,500	100,800	1.3	101,700	0.9	101,250	-0.4
Transportation	11,100	11,900	7.2	12,000	0.8	12,000	0.0
Trade	26,200	26,000	-0.8	26,300	1.2	26,500	0.8
Wholesale	5,900	5,700	-3.4	5,700	0.0	5,650	-0.9
Retail	20,300	20,400	0.5	20,600	1.0	20,850	1.2
Fire	6,500	6,600	1.5	6,750	2.3	6,700	-0.7
Services	28,800	28,900	0.3	29,200	1.0	28,800	-1.4
Government	26,900	27,400	1.9	27,450	0.2	27,250	-0.7
Federal	10,500	10,600	1.0	10,750	1.4	10,750	0.0
State	7,700	7,900	2.6	7,700	-2.5	7,500	-2.6
Local	8,700	8,800	1.1	9,000	2.3	9,000	0.0

*Source: Alaska Department of
Labor, Research & Analysis
Section.*

take place in Anchorage, it will benefit Anchorage contractors.

Air transportation's robust gains will moderate

Air transportation's strong performance of the past two years is forecast to moderate during the next two. The addition of Federal Express and United Parcel Service along with strong growth in domestic carriers fueled most of its past increase. Small additions from Federal Express and growth in air freight traffic could boost the industry a bit further. Federal Express did designate Anchorage as an airbase for 200 of its pilots. If the new Federal Express and Alaska Airlines facilities are built, the industry's employment may get a moderate boost. Another plus is that the loss of international passenger carrier traffic is now history for Anchorage.

Tourists expected to keep coming

If we believed the perennial reasons why or why not the number of Alaska's visitors were going to come to Alaska, we could say it was the most fickle of the state's industries. In spite of these ever-changing theories, tourism is one industry that does appear to grow every year.

The national recession concerns some operators, especially those who cater to the younger set. Others think the new hit television series, Northern Exposure, will bring record crowds. Because no war or terrorism has

plagued Europe recently, still others feel Europe will be a bigger competitor for Alaska's tourists than in recent years. Others claim the Alaska Highway celebration, low gasoline prices and possibly low air fares should keep the visitors coming. The reasons go on as to why or why not the industry will grow. Most in the industry believe 1992 will be a repeat of last year's strong season.

Alaska's retailers and service industry will profit from this good fortune. Although retail trade is a major beneficiary of tourism, the forecast for Anchorage's retail sector will be sluggish. If total employment grows little or not at all, then income growth will do the same. This in turn usually means retail trade does not have much room to grow, and is the reason why only moderate growth is forecast for 1992.

It appears that retail employment could bump up in 1993 if Costco and Eagle Hardware make good on their plans to build new stores. If they do, another 350-400 full-time and part-time jobs would be added to retail trade. This does not account for other major retailers who are reported to be looking seriously at the Anchorage market. In the long run, these added workers would not all be a net increase in retail trade employment. Some retailers would lose ground to the new competitors and trim back their work forces.

The services industry is a diverse sector. It includes legal, health, business, engineering, social, personal and other services, and hotels; traditionally this industry has been one of the largest employment generators in An-

chorage's economy. This will not be the case during the next two years. Health services and hotel employment could grow moderately. The new Comfort Inn will boost hotel employment slightly. Most of the rest of the service sector began to slip in 1991 and is forecast to continue this trend in 1992.

Uncertain outlook for government jobs

During the next two years the public sector's track record of predictability will no longer exist. Not even the stalwart federal sector is as reliable as it once was. Employment in this sector is expected to grow moderately in 1992 and remain flat thereafter. The growth will come from the new Veterans Clinic, some possible growth in FAA and military-related personnel. Much of this growth, however, is already in place.

The biggest wild card for federal government employment is the military. The Fort Richardson closure scare of 1991 brought this to the forefront. At the present time the nation's military services are in the throes of downsizing their services by offering troops early outs with severance packages. If not enough soldiers sign up for this program, others will be forced out by year-end. How many troops will be affected in Anchorage or whether they will be replaced by other troops is unknown at this time. There is a chance that troop levels will suffer some and the number of civilians supporting them could experience a similar fate.

One countervailing trend to these reductions is that in 1991 Elmendorf AFB became home to a new F15E squadron with 1,038 military personnel and to the 11th Air Force Medical Center with 231 new medical personnel. Not all of these personnel have arrived yet. It is not clear how all of these changes will shake out when 1993 rolls around.

State government employment is looking the most uncertain. With looming budget deficits and talk about cutting the state budget, employment levels for state government are forecast to decline during the next two years. The means could be through attrition, early retirements, layoffs or any combination of the three. Most of these losses are expected to be on the non-education side of state government.

Local government will be dealing with similar restraints since Anchorage receives 17% of its operating funds from state government and the school district receives 70%. Employment is actually forecast to grow on the education side of local government because of a growing student population. Some of this growth is already in place for 1992. The city's level of employment will remain largely unchanged. Unlike state government, local government has the ability to raise revenues.

The job market will be dismal

This is not a difficult forecast to make because Anchorage's job market has already deteriorated significantly. The unemployment rate will rise. As already mentioned in the review article, there is not much of a chance the local job market will improve until the national employment picture improves, stemming the influx of job seekers. Neither will the sluggish local economy lend a hand. Anchorage's job market will be approaching gridlock during the forecast period. Those who already have jobs will hold onto them tenaciously and those looking for jobs will find it a daunting task.

Summary—a bumpy road for Anchorage's economy

Anchorage's economy is forecast to decelerate considerably in 1992 and suffer some losses in 1993. The overall slowdown in the economy, combined with lower oil prices, is putting the brakes on three years of a strong economic recovery.

Because of lower prices, oil producers are making efforts to consolidate and cut back staff. The fact that oil prices are low may mean large shortfalls in oil revenues.

Construction's outlook is good considering the oil picture. The private side of this industry is what is giving it some new life. Commercial and industrial construction may enjoy the best season since 1985. Residential and public construction are not likely to contribute to the industry's momentum.

Air transportation, which has been one of Anchorage's rising stars, is expected to make more moderate gains in the near future. Tourism is forecast to be one of the bright spots in Anchorage's economy. Retailers should profit from a strong tourism season but their gains will be moderate because of the sluggish economy. Retail trade could get a substantial boost in 1993. A number of large retailers have plans to open up shop in Anchorage.

The public sector's picture is mixed. Federal employment will grow slightly in 1992. In the longer run there is a large dose of uncertainty because of changes taking place in the military establishment. State government is forecast to decline moderately due to revenue shortfalls. Local government will increase slightly in response to growing school enrollments.

The job market will be the most competitive it has been in four years. The economy will be creating fewer new jobs as the number of job seekers continues to grow.

Fairbanks: Meager Job Growth Forecast

by Holly Stinson

Fairbanks wage and salary employment saw a modest increase in 1991, as did most areas of the state. The job picture in Fairbanks should look much the same in 1992-1993. The big difference is that the Fairbanks economy created 500 new jobs last year, and is forecast to add the same amount spread over the next two, rather than one, year. Last year's job gain wasn't enough to accommodate all the new entrants to the labor force. The unemployment rate for the Fairbanks North Star Borough climbed almost two percentage points to an annual average of 10.5%. With even slower job growth forecast, this trend of rising unemployment rates will likely continue unless the labor force shrinks.

Retail, services, transportation still growing

The sector projected to add more new jobs than any other is retail trade. The several hundred jobs created by new Sears Roebuck and Fred Meyer stores, which opened late in 1991, will show up in the 1992 job count. The forecast doesn't reflect their full impact on employment because of the as yet unknown effect on other retail operations. Another retailer—Pace Warehouses—is planning to open a new Fairbanks store in late 1992 with up to 170 employees.

Besides merchandisers, a sector of retail trade that enjoyed strong growth in 1991 was eating and drinking establishments. This growth should continue at least into 1992 when two franchises open new Fairbanks outlets—Taco Bell and Subway Sandwiches.

Who is supporting the growth in retail trade? Hundreds of new military personnel arrived at the bases near Fairbanks in the re-

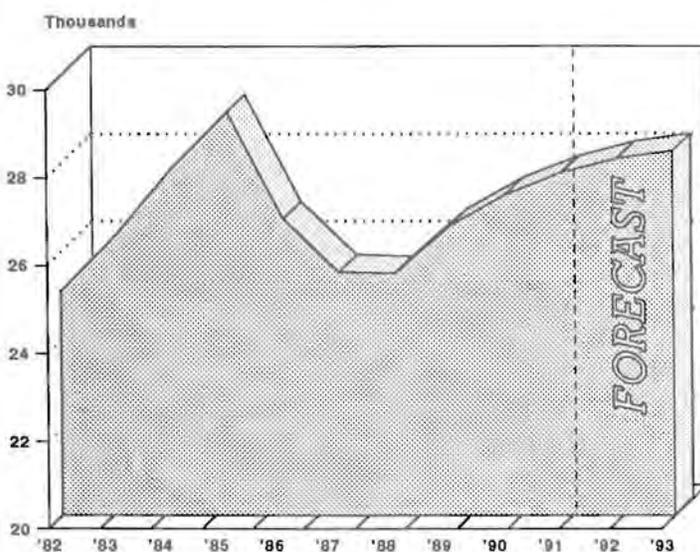
cent past, along with hundreds of their dependents. This adds up to a net increase of almost 4,000 new residents, not to mention an ever-increasing civilian population. Time will tell if the population is large enough and rich enough to support the current level of retail choice.

Another industry that benefits from population growth is services. Employing more people than any other in the private sector, it saw anemic growth in 1991. More of the same is forecast for the next two years. Why? Breaking down this large aggregation of employers provides the answer.

Some components of the services industry are growing. Hospitals, health care, and other personal service firms gain from population growth. They added employment in 1991, and should continue growing in this forecast period. Another component, hotels, is a beneficiary of the tourist and convention business. Both are on the rise in Fairbanks, as evidenced by a 14% increase in hotel

Figure • 1

Fairbanks North Star Borough
Annual Average Nonagricultural
Wage & Salary Employment 1982-1993



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

Fairbanks North Star Borough Nonagricultural Wage & Salary Employment Forecast 1992-1993

	1990 Annual Average	1991 Annual Average	Percent Change 90-91	1992 Annual Average	Percent Change 91-92	1993 Annual Average	Percent Change 92-93
Total Nonag. Wage & Salary	27,300	27,800	1.8	28,125	1.2	28,300	0.6
Goods Producing	2,250	2,150	-4.4	2,150	0.0	2,100	-2.3
Mining	200	200	0.0	200	0.0	200	0.0
Construction	1,450	1,350	-6.9	1,350	0.0	1,300	-3.7
Manufacturing	600	600	0.0	600	0.0	600	0.0
Services Producing	25,050	25,600	2.2	25,975	1.5	26,200	0.9
Transportation	2,000	2,050	2.5	2,100	2.4	2,150	2.4
Trade	5,950	6,400	7.6	6,675	4.3	6,750	1.1
Wholesale Trade	800	800	0.0	825	3.1	825	0.0
Retail Trade	5,200	5,650	8.7	5,850	3.5	5,925	1.3
Finance-Ins. & Real Estate	900	1,000	11.1	1,000	0.0	1,025	2.5
Services & Misc.	6,200	6,250	0.8	6,300	0.8	6,400	1.6
Government	10,050	9,950	-1.0	9,900	-0.5	9,875	-0.3
Federal	3,150	3,200	1.6	3,200	0.0	3,200	0.0
State	4,250	3,950	-7.1	3,850	-2.5	3,775	-1.9
Local	2,700	2,800	3.7	2,850	1.8	2,900	1.8

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

receipts in 1991. People in the tourist business are expecting the 50th anniversary celebration of the Alaska Highway to add to the number of tourists visiting the state in 1992. The Princess Hotel currently under construction in Fairbanks should boost hotel employment even further when it opens in May 1993.

Masking growth in the above sectors, however, are job losses in some other services firms. These include the engineering and management category, which benefits from healthy construction and business activity. With slowdowns in the oil industry, declines in construction, and belt-tightening in the business community, many business-related services firms will do well to hold their own the next two years.

A cautionary note should be added here. All services firms filed new employer statements with AKDOL in 1991, so it is impossible to declare that losses were exclusively due to a downturn. Some firms were reclassified into other industries. Overall, slow growth is predicted for this industry, with stagnant or declining portions negating some of the continued growth in health services and hotels.

Transportation is the only other industry projected to add jobs in Fairbanks over the next two years. At the Fairbanks International Airport landings that generated revenue were up 11% in 1991. When Air France drops their passenger service in Anchorage and moves their remaining cargo operations to Fairbanks in 1992, this

count will continue to climb. MarkAir's recently certified maintenance facility and their expansion plans could also contribute to transportation job growth.

Increasing military presence in Fairbanks ends

For the past several years, Ft. Wainwright experienced increasing numbers of military and dependents, with a construction budget to match. Now that the 6th Light Infantry Division is in place, the army does not anticipate a change in troop strength during this forecast period. On the construction side, several small projects—mostly additions and renovations—remain to be done.

The picture is different at Eielson Air Force Base. There, military and dependents grew very slowly over the past three years (1,000 more people vs. 2,800 for Fort Wainwright). The next two years should see declines in the local air force population. Three reasons account for this change:

- 1) the loss of the 6th Strategic Reconnaissance Wing,
- 2) the early release program designed to trim the size of the Air Force, and
- 3) the addition of Cope Thunder, a training facility for pilots, will partially offset the above losses.

The ultimate reduction due to the early release program is not yet known, but the Air Force estimates that the net loss at Eielson from the above-mentioned changes will be 550 military and 700 dependents in 1992. On the plus side, several construction projects are slated for Eielson, including \$13 million for Cope Thunder buildings and \$60 million for a Section 801 housing project.

The increasing numbers of military stationed near Fairbanks, and the multi-million dollar projects built to accommodate them, has been a source of economic growth for Fairbanks. As the national defense picture changes, this bonanza could be at an end. For the next two years, though, no dramatic changes are predicted, and ongoing construction on the bases should help keep construction jobs from falling very much.

Government spending big determinant in Fairbanks

How the state spends its revenue makes a big difference to the Fairbanks economy. Some of last year's job loss in Fairbanks was a decline in firefighters from the peak 1990 season. The University of Alaska also had lower employment in 1991 than the previous year. The current outlook for the 1992 and 1993 state budgets mandate some downsizing of state government. The decline projected in this forecast period could change quite a bit depending on the final state budget.

On the federal side, no job growth is forecast. The addition of Cope Thunder at Eielson will add civilian jobs, but offsetting losses will occur when the 6th Strategic Reconnaissance Wing relocates to Nebraska. Unless rumors of another F-16 wing or other new additions come to fruition, total federal employment should remain constant.

Local government jobs are forecast to increase for the same reason they increased in the last two years—higher school enrollments necessitate more staff at the Fairbanks North Star Borough School District. Last year's enrollment topped 15,000, an all-time high. Several hundred additional students are anticipated in each of the next two years, even without a growing military population. Two new elementary schools will open during this forecast period, one in 1992 and one in 1993.

Construction trends water; mining looks bright

The above-mentioned school construction, a few small projects at Wainwright, and new ones at Eielson, are some of the public construction activity that will keep employment from falling, as will ongoing projects at the University and its rocket range. Highway projects will also help maintain employment levels. Alaska is receiv-

ing more federal highway funds than in the past, and some of this increase will show up in Fairbanks. The Alaska Department of Transportation estimates an 8.7% increase in spending over 1991 on several area road projects, and another, somewhat smaller, increase in 1993.

An industry that holds promise for future job growth is hard rock mining. Jobs stagnated at 200 on an annual average basis in 1990 and 1991. This is a small portion of Fairbanks' employment, but doesn't include miners who aren't covered by unemployment insurance. The Amax Gold Co. recently purchased a well-publicized gold deposit at Fort Knox northeast of Fairbanks. It is one of the largest known deposits in the United States, and would employ up to 220 miners if developed. Another potential gold mine is at Ester Dome just west of Fairbanks. American Copper & Nickel is currently exploring and evaluating the deposit. New mining jobs at Fort Knox or Ester Dome, however, are farther in the future than this forecast time frame. Mining employment should remain steady in 1992 and 1993.

Summary: 500 New Jobs Forecast for Fairbanks

The Fairbanks economy is forecast to grow by 500 new jobs in the next two years. Most of this growth will occur in 1992. No new jobs are expected to be created in the goods-producing industries (mining, construction and manufacturing).

Retail trade should continue to enjoy the highest job gains, with new Sears Roebuck and Fred Meyer stores already open and a Pace Warehouse store slated to open late in 1992. Eating and drinking establishments should also continue benefiting from population growth.

The services industry is forecast for a minute—less than 1%—gain in employment overall. That is because some gains anticipated in hotels, health care and other personal services will likely be negated by no or negative growth in business and engineering services. Growth in revenue landings at Fairbanks International Airport and MarkAir's expansion are two reasons why a small increase in transportation is forecast.

The big question marks in the next two years are possible gains or losses by the Army or Air Force, and the state operating and capital budget allocations for Fairbanks. Both sectors play a big part in the Fairbanks economy. Changes in either would impact not only state and federal jobs but spiral out to affect other sectors as well.