



**ALASKA ECONOMIC  
TRENDS**

**JANUARY 2017**

**EMPLOYMENT  
FORECAST for 2017**

# ALASKA ECONOMIC TRENDS

JANUARY 2017

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## EMPLOYMENT FORECAST for 2017

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ON THE COVER: Mount Arrowhead — or Arrowhead, as it's more commonly known — stands just east of Sitka on Baranof Island. Wikimedia Commons photo by user Yehguhneb

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# Fiscal plan is necessary to save our economy



**Heidi Drygas**  
Commissioner

It has been a long time since Alaskans were confronted with such a challenging economic landscape. In fact, our economy is shrinking faster than at any time since the 1980s. We lost 6,800 jobs last year.

Our 2017 economic forecast projects that job losses will continue in all sectors except health care, and layoffs will accelerate in sectors such as retail as the ripple effect of job losses impact aggregate demand and consumer spending.

Job losses in oil, construction, and the public sector have been so extensive they are causing further job losses in business and professional services, transportation, and leisure and hospitality. The contraction of demand for Alaska's workers is so acute that even the growing tourism industry can't make up lost revenue for our hotels and restaurants. The single sector in which we project economic growth next year is health care, and that sector is at risk if Congress repeals Medicaid expansion.

Simply put, Alaska's economic health is in peril and will be catastrophic if the Alaska Legislature fails to pass a sustainable budget. In the absence of a fiscal plan, job losses will continue, population loss is inevitable, and the weak job market will have negative ripple effects on real estate.

I lived through the 1980s, when job losses in construction nearly forced my family out of state to find work. I don't want to go back to an era when one in five Alaskans lost a home. There is a big difference, of course, between now and

the 1980s: This time oil can't save us. But we have all the tools we need to save our economy and put Alaska back on track, if our elected legislators can set aside partisan politics and reelection concerns, and make the tough decisions in the best interest of our beloved state.

As you probably know, the Walker-Mallott administration has been taking action to reduce costs in state government. My department's budget has been cut by a third, as we've laid off employees, cut payroll, consolidated our office footprint, and been forced to close down three Job Centers. Other departments have made deep cuts as well, even though public sector layoffs harm our state economy.

At this point, further significant reductions in state employment will mean eliminating positions that are mostly federally funded. Those layoffs would only exacerbate the economic downturn, as we would in effect be sending federal money back to the Lower 48. We need more federal cash flowing into Alaska, not less.

My department and others will continue to cut, but we cannot cut our way to a solution — the math simply doesn't work. We could lay off every single state employee and still not balance the budget. Cuts alone are not sufficient and will result in a deeper, more prolonged economic decline than Alaska has ever seen.

As you read this, legislators are preparing to go to Juneau for session. For the sake of our families, our homes, our economy, and our Alaskan way of life, let's urge them to pass a sustainable budget.



Follow the Alaska Department of Labor and Workforce Development on Facebook ([facebook.com/alaskalabor](https://www.facebook.com/alaskalabor)) and Twitter ([twitter.com/alaskalabor](https://twitter.com/alaskalabor)) for the latest news about jobs, workplace safety, and workforce development.

# More Job Losses Expected in 2017

Moderate losses forecasted across most sectors this year

By **CAROLINE SCHULTZ**

In 2016, job losses spread through nearly all sectors of Alaska's economy, and more broad-based decline is forecasted for 2017.

Employment losses began in the last months of 2015 in the industries directly related to oil production, after prices fell. Initial loss was limited to the oil and gas industry and closely related sectors, including construction, professional and business services, and state government. In 2016, losses spread into sectors not directly related to the oil industry.

More downstream job losses are expected this year. After a 2.0 percent employment decline in 2016, the state is forecasted to lose 2.3 percent, or about 7,500 jobs, in 2017. (See Exhibit 1.) This reflects decline in nearly every major industry, but while the net loss will likely be bigger than in 2016, direct oil-related losses are expected to slow.

This year will be characterized by widespread reductions in the service industries that depend on consumer spending, which will be dampened by lost wages and lower confidence.

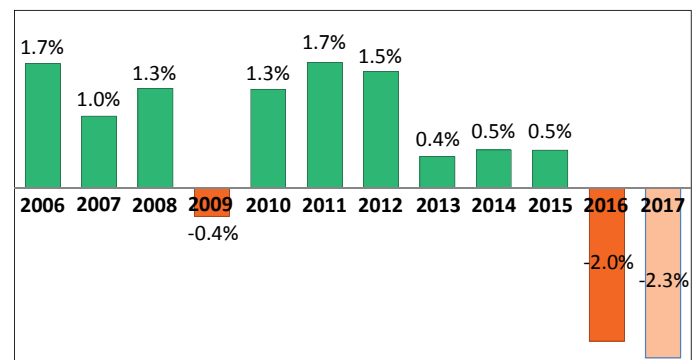
## State faces two major hurdles

Alaska's economy faces two major obstacles related

# 1

## A Slightly Bigger Job Loss This Year

PERCENT CHANGE, 2006 TO 2017



Note: 2016 is preliminary and 2017 is forecasted.

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

to the drop in oil prices: a significant shedding of jobs by employers sensitive to oil prices, and state government's budget dilemma. The main uncertainty about Alaska's economic future has less to do with oil prices, which are influenced by factors well beyond the state's control, and more to do with political decisions on the size and funding source of state government.

## How Alaska's downturns compare

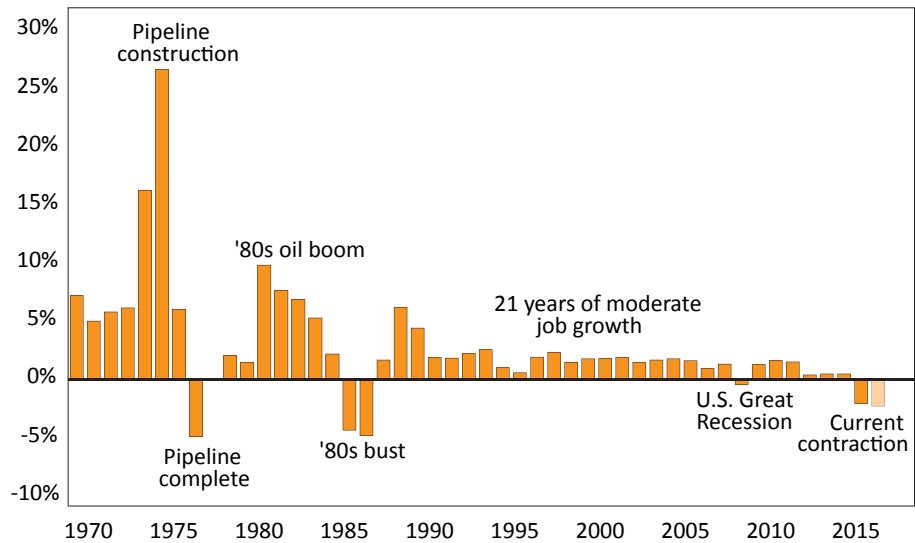
In Alaska's modern economic history, an era that began with the massive North Slope lease sales in 1969,

only three other periods showed notable job loss. (See Exhibit 2.)

The first, which followed the completion of the Trans-Alaska Oil Pipeline, lacked the somber tone of most recessions because the draw-down was expected. Then, after a period of fevered expansion, the state suffered a major bust in 1986 and 1987 when an oil price crash burst its huge bubble. Alaska then settled into sustained, moderate growth through the 1990s and early 2000s until the Great Recession rippled briefly through the state in 2009, causing a single year of minor overall job loss.

## 2 Ups and Downs in Alaska's Modern History

### PERCENT CHANGE IN EMPLOYMENT, 1970 TO 2017



Note: The 2016 numbers are preliminary, and 2017 is forecasted.  
 Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Alaska's current contraction bears the strongest resemblance to the 1980s recession, but without the pre-crash bubble. Job growth averaged less than 1 percent a year in the five years before 2016 but was over 6 percent between 1980 and 1985. Other key differences include a demographic shift toward an older population, a conservative real estate market, and the availability of rainy day funds for state government. Oil production was also on the rise in the mid-1980s but is on the decline today.



With these differences, Alaska is in uncharted territory — and for the first time in nearly 40 years, the State of Alaska will have to fund the majority of its budget with something other than oil revenue.

Decisions the Alaska Legislature makes this year probably won't be able to pull the economy out of the red in 2017, but not resolving the fiscal gap could prolong the contraction as Alaska's credit rating suffers, business are shy to invest, and consumer confidence is undermined.

### Oil job losses likely to abate in 2017

The oil and gas industry, which includes the major

producers as well as drilling firms and oilfield support services, lost 2,800 jobs in 2016, a 20 percent drop.

Another tough year is expected, even as prices creep up. But because the oil industry was one of the first to begin shedding jobs in late 2015, its losses are forecasted to slow to 14 percent, or 1,400 jobs. (See Exhibit 3.) Two years of heavy losses would push oil industry employment down to its 2006 levels.

For more specifics on the oil industry, which is headquartered in Anchorage, see the Anchorage forecast on page 8.

### Other oil-related losses

Industries directly related to oil and gas also lost a substantial number of jobs in 2016. The construction industry lost 1,500 jobs, or 8.5 percent, largely through cutbacks and project completions on the North Slope. Residential, commercial, and publicly funded construction were all lackluster in 2016.

The last large capital budget was in fiscal year 2013, but the two budgets that followed weren't bare bones, and money remained through 2016 for projects in many communities. Federal military and civilian construction spending was also up slightly in

# 3

## Alaska Job Forecast by Industry

WAGE AND SALARY EMPLOYMENT, 2015 TO 2017

	2015 Monthly Average <sup>1</sup>	2016 Monthly Average <sup>1</sup>	Change 2015 to 2016	Percent Change 2015-16	2017 Monthly Average	Change 2016 to 2017	Percent Change 2016-17
Total Nonfarm Employment <sup>2</sup>	339,400	332,600	-6,800	-2.0%	325,000	-7,500	-2.3%
Total Private Sector	257,400	251,400	-6,000	-2.3%	245,500	-5,900	-2.3%
Natural Resources and Mining	17,400	14,600	-2,800	-16.1%	13,100	-1,500	-10.3%
Oil and Gas	14,200	11,400	-2,800	-19.7%	10,000	-1,400	-12.3%
Construction	17,700	16,200	-1,500	-8.5%	15,000	-1,200	-7.4%
Manufacturing	14,100	13,800	-300	-2.1%	14,000	200	1.4%
Trade, Transportation, and Utilities	65,800	65,200	-600	-0.9%	63,500	-1,700	-2.6%
Retail Trade	37,500	36,900	-600	-1.6%	35,900	-1,000	-2.7%
Wholesale Trade	6,500	6,400	-100	-1.5%	6,200	-200	-3.1%
Transp, Warehousing, and Utilities	21,800	21,900	100	0.5%	21,400	-500	-2.3%
Information	6,300	6,300	0	0%	6,100	-200	-3.2%
Financial Activities	12,100	12,100	0	0%	11,800	-300	-2.5%
Professional and Business Services	30,000	28,400	-1,600	-5.3%	27,900	-500	-1.8%
Educational <sup>3</sup> and Health Services	47,300	48,200	900	1.9%	48,700	500	1.0%
Health Care	34,500	35,400	900	2.6%	35,900	500	1.4%
Leisure and Hospitality	35,000	35,000	0	0%	34,200	-800	-2.3%
Other Services	11,700	11,600	-100	-0.9%	11,200	-400	-3.4%
Total Government	82,000	81,200	-800	-1.0%	79,600	-1,600	-2.0%
Federal <sup>4</sup>	14,900	15,200	300	2.0%	15,200	0	0%
State <sup>5</sup>	25,800	24,500	-1,300	-5.0%	23,100	-1,400	-5.7%
Local <sup>6</sup>	41,300	41,500	200	0.5%	41,300	-200	-0.5%

<sup>1</sup>Preliminary and adjusted estimates

<sup>2</sup>Excludes self-employed workers, fishermen, domestic workers, and unpaid family workers

<sup>3</sup>Private education only

<sup>4</sup>Excludes uniformed military

<sup>5</sup>Includes the University of Alaska

<sup>6</sup>Includes public school systems

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

2016, which further offset oil-related losses.

Remaining state-funded construction projects will dwindle in 2017, resulting in a forecasted decline of 1,200 jobs. Federal military and civilian transportation dollars, as well as small-scale residential and commercial work, will keep many construction workers employed, but the industry is expected to continue to decline.

The other sector that took a sizable hit from the oil industry pullback was professional and business services, a loose group of employers that includes professional, scientific, and technical services; management of companies and enterprises; and administrative and waste management services. The professional, scientific, and technical services industry, which includes engineering, architectural, and geophysical consulting firms, bore the brunt of the 1,600 jobs the sector lost in 2016.

Professional and business services' losses are expected

to slow to 500 this year, which would be less than 2 percent. With a general slowdown in the economy, demand for these services will likely drop off, but the bulk of the loss related to oil and construction has likely already happened.

### Other losses took hold in 2016

A handful of other industries lost ground in 2016, but nothing like the oil industry and its periphery. Manufacturing, which is largely seafood processing, had a slow year with lower-than-expected salmon returns during a year that was already forecasted to be low-volume. Those losses will likely be recovered in 2017, which is expected to be a strong salmon year.

Manufacturing companies not related to seafood will feel the pressure of a shrinking economy. These range from industrial manufacturing such as concrete block and fabricated metal, which relies on construction, to food and beverage manufacturing, which depends

more on local demand.

Retail trade also began to lose jobs midway through 2016 after unprecedented growth in 2014 and 2015, when a number of new stores opened around the state and particularly in Southcentral. Retail had underperformed total employment growth for decades, and the industry appeared to play catch-up for a couple of years.

Some of the recent losses were likely from new employers calibrating their staffing levels after over-hiring before opening, but the state's economic downturn also played a role. Retail employers cut 600 jobs in 2016 and are expected to lose 1,000 in 2017, which would mostly undo the industry's recent growth spurt.

Wholesale trade, which is closely tied to retail trade, is expected to follow a similar pattern.

## Other industries turn corner

Industries that rely on local demand for goods and services are likely to decline in 2017. The transportation, warehousing, and utilities sector, which is mostly transportation, is expected to fall 2.6 percent as freight volume in Alaska declines with less demand for finished goods and raw construction materials.

The leisure and hospitality sector, which is made up of the smaller arts, entertainment, and recreation cluster as well as the larger accommodation and food and beverage industries, is also forecasted to see sizable losses in 2017 as Alaskans spend less.

Although a strong summer tourism season will offset some loss, it can't make up for the year-round decline in local consumption. Restaurants and bars are expected to take the brunt of these losses in 2017, but less in-state travel year-round will also pinch hotels. Arts, entertainment, and recreation will remain flat as gains in visitor recreation offset reduced local demand.

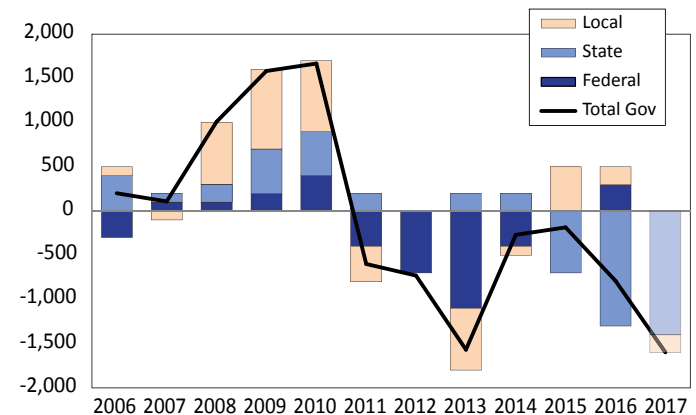
Employment in financial services is expected to decline in concert with total employment in 2017, especially as real estate and demand for commercial financing in Alaska wane. A 1980s-style financial meltdown is not expected, though, because financial regulations are stricter and the state's pre-recession real estate market was already staid.

The "other services" sector, which includes household services such as auto mechanics, dog groomers, and hair salons, will likely lose ground in 2017 as disposable income declines.

# 4

## Government Job Losses Continue

ALASKA, 2006 TO 2017



Note: The 2016 numbers are preliminary, and 2017 is forecasted.

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

## Health care to continue growing

Other than small gains in manufacturing, health care is the only industry forecasted to grow in 2017. The population continues to age, and the increased demand from older Alaskans will eclipse any reduction among the younger population.

Any changes to federal health care policy are unlikely to be sudden enough to affect 2017 job levels, and federal funding for private social assistance and tribal health programs is already set through most of the year. Employment growth is expected to slow, however, from 900 new jobs in 2016 to 500 new jobs in 2017.

## Public sector losses mounting

Government is expected to cut 1,600 jobs overall in 2017, double its 2016 loss. (See Exhibit 4.)

The state continues to cut its payroll, and while some losses have been layoffs, most have been through attrition. The State of Alaska, which includes the University of Alaska, shed 1,300 jobs in 2016 and is expected to shrink by another 1,400 this year. But the state's operating budget is set through June 2017, so even if larger cuts come in fiscal year 2018, they will only affect the second half of the calendar year.

Local governments were mostly resilient to cuts through 2016 despite threats to the state funding of schools and municipalities. Local government payrolls

Continued on page 14

# Anchorage forecasted to lose 2,800 jobs

By NEAL FRIED

After nearly 30 years of modest but mostly steady growth, Anchorage lost more than 3,000 jobs in 2016, or about 2.3 percent of its employment. With those losses came a 4 percent drop in total wages.

Because oil prices remain relatively low and the state still faces budget challenges, 2017 is expected to be similar, with a forecasted job loss of about 2.0 percent, which equates to 2,800 jobs. (See Exhibit 1.)

Last year's losses began in oil, construction, professional and business services, and state government and have spread into secondary industries such as leisure and hospitality, retail, transportation, and financial services.

There are some bright spots for growth, as Anchorage's visitor industry will likely add jobs again in 2017 and health care continues to grow. However, these gains will fall well short of offsetting other industries' losses.

## Oil losses will likely slow down

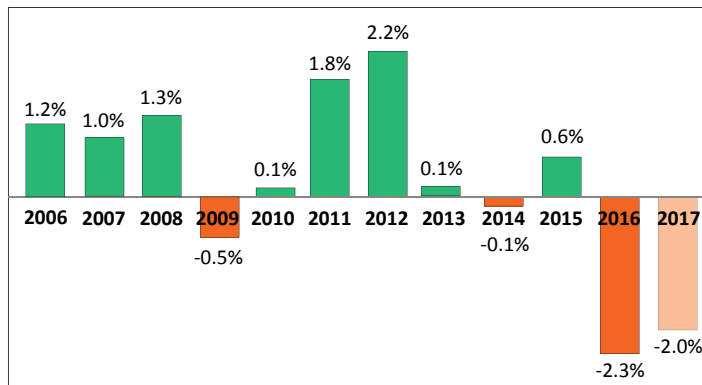
Anchorage is headquarters for most of the state's oil industry employers, and over 40 percent of the state's oil workers are from Anchorage — 5,200 workers and more than \$700 million in wages — so industry changes have an especially large impact. Job losses will probably continue into 2017, but will be more modest.

Oil layoffs are nothing new in Alaska. If that were the only negative playing out in the economy, the broader market could still grow — something that's happened three times in Alaska's modern history. This time is different because during the three to four years preceding the drop in price, oil industry expansion and near-record oil revenue expenditures were the biggest factors propping up the state's modestly growing economy. When that stimulus evaporated in 2015 and 2016, the broader economy lost steam.

The industry hit record highs in 2014 and 2015 after a decade of steady growth, then began to lose jobs in the last quarter of 2015. By November 2016, statewide

## 1 Second Year of Moderate Job Loss

ANCHORAGE, PERCENT CHANGE, 2006 TO 2017



Note: The 2016 number is preliminary, and 2017 is forecasted.

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

oil industry employment was at 11,700, its lowest level since 2007. Most of the loss was in oilfield service companies, which make up nearly three-quarters of industry employment. By the second quarter of 2016, Prudhoe Bay employment fell to 10,400, its lowest level since 2010. (See Exhibit 3.) Nationally, industry employment began to fall in early 2015 and has also dropped to 2010 levels.

Alaska's decline was brought on by low oil prices plus ExxonMobil's near-completion of the giant Point Thompson project and Shell Oil's pullout. Low prices also spurred delays or cancellation of other projects, and fewer

new projects are on the horizon. ConocoPhillips' capital expenditures fell by nearly half in 2016, for example.

Alaska's oil patch won't come to a standstill, though. New projects will come, and work will continue on existing developments, such as Hilcorp's pursuit of the Liberty project on the North Slope and its MacArthur River field redevelopment program in the Cook Inlet region. ConocoPhillips plans to develop Greater Moose's Tooth and is continuing its CD5 work on NPR-A lands.

Caelus Energy Alaska's recent discovery is a potential game changer as well, possibly adding hundreds of thousands of barrels of oil per day to the Trans-Alaska Oil Pipeline, and Armstrong Oil and Gas Company's recent discovery could produce as much as 120,000 barrels per day.





# 2

## Anchorage Job Forecast by Industry

WAGE AND SALARY EMPLOYMENT, 2015 TO 2017

	2015 Monthly Average <sup>1</sup>	2016 Monthly Average <sup>1</sup>	Change 2015 to 2016	Percent Change 2015-16	2017 Monthly Average	Change 2016 to 2017	Percent Change 2016-17
Total Nonfarm Employment <sup>2</sup>	157,800	154,200	-3,600	-2.3%	151,400	-2,800	-1.8%
Natural Resources and Mining	3,900	3,300	-600	-15.4%	3,000	-300	-10.0%
Oil and Gas	3,700	3,000	-700	-18.9%	2,700	-300	-11.1%
Construction	8,300	7,400	-900	-10.8%	6,900	-500	-7.2%
Manufacturing	2,100	1,900	-200	-9.5%	1,900	0	0%
Wholesale Trade	4,800	4,700	-100	-2.1%	4,600	-100	-2.2%
Retail Trade	18,100	17,800	-300	-1.7%	17,200	-600	-3.5%
Transportation, Warehousing, and Utilities	11,000	10,900	-100	-0.9%	10,700	-200	-1.9%
Information	4,100	4,000	-100	-2.4%	3,900	-100	-2.6%
Financial Activities	7,400	7,400	0	0%	7,200	-200	-2.8%
Professional and Business Services	20,300	18,700	-1,600	-7.9%	18,300	-400	-2.2%
Educational <sup>3</sup> and Health Services	25,300	26,000	700	2.8%	26,500	500	1.9%
Health Care	19,100	19,800	700	3.7%	20,400	600	2.9%
Leisure and Hospitality	17,200	17,200	0	0%	16,800	-400	-2.4%
Other Services	6,000	5,800	-200	-3.3%	5,700	-100	-1.8%
Government	29,200	29,100	-100	-0.3%	28,700	-400	-1.4%
Federal <sup>4</sup>	8,500	8,600	100	1.2%	8,700	100	1.1%
State <sup>5</sup>	10,600	10,200	-400	-3.8%	9,800	-400	-4.1%
Local <sup>6</sup>	10,200	10,300	100	1.0%	10,200	-100	-1.0%

<sup>1</sup>Preliminary and adjusted estimates

<sup>2</sup>Excludes self-employed workers, fishermen, domestic workers, and unpaid family workers

<sup>3</sup>Private education only

<sup>4</sup>Excludes uniformed military

<sup>5</sup>Includes the University of Alaska

<sup>6</sup>Includes public school systems

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

### A similar low year for construction

Anchorage is also headquarters for the state's construction industry, so its contractors are especially hard-hit by the statewide slowdown. The capital budget hit a 15-year low last year, and oil industry-related projects that were a boost for the past six or seven years have fallen off. Anchorage lost 900 construction jobs in 2016, an 11 percent decline, with more losses to come.

Anchorage building valuation was down \$49 million, or 10 percent, for the first 11 months of 2016 and the number of permits for new residential housing fell from 609 to 331 — possibly the lowest level in more than 25 years. Commercial activity also looks sparse, with rising vacancy rates and uncertainty keeping new investments at bay. There are no known plans for new large office or retail buildings in 2017.

A few bright spots include the construction of a new \$40 million maintenance hangar for Alaska Airlines and a new \$40 million warehouse for The Odom Corporation. A few new hotels are also possible for 2017.

Highway and airport related construction projects, which are largely federally funded, will also continue.

Local contractors could also benefit from some of the \$500 million in construction tied to the arrival of two F-35s at Eielson Air Force Base near Fairbanks.

### Professional and business services hit hard, with more to come

Last year was a low point for Anchorage's professional and business services. The sector lost 1,600 jobs, which was larger than any other industry. (See Exhibit 4.) Anchorage is the statewide headquarters for this industry, and it was hit hard by a combination of big losses in oil and construction and the near-evaporation of mining exploration.

Architectural, engineering, environmental, and other consulting services represent more than half of this industry, and these employers sustained the biggest losses in 2016.

Although losses could slow in 2017, they'll likely persist while the oil and construction industries continue to contract and plans for future projects remain few and far between.

The share of this industry tied to legal, accounting, computer, and other professional services is also likely to follow the overall downward trend.

## Softer economy will dent transportation demand

Because nearly every Alaska business depends somewhat on transportation, the overall health of the economy is the best predictor of the industry's future in Anchorage. Because a softer economy is marked by less moving around, transportation will lose some ground in 2017.

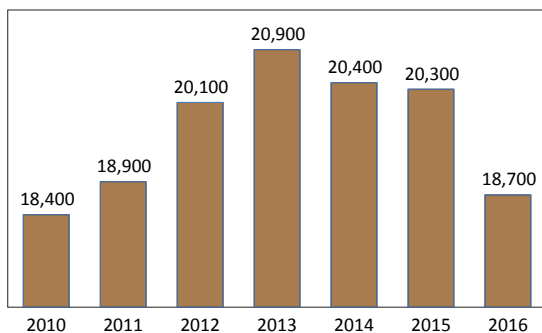
Two of the major shipping companies operating from the Port of Anchorage reported declines in freight volume in late 2016. The Alaska Railroad's freight has also dropped off because coal is no longer being exported, the Flint Hills refinery closure means fewer petroleum product shipments, and the overall economy has softened.

The industry component that's tied to tourism is expected to keep growing, but business and government-related travel will decline again in 2017.

On a positive note, international cargo moving through the Anchorage airport is at high levels and expected to remain high in 2017.

## 4 Professional and Business Services Jobs Hit Hard

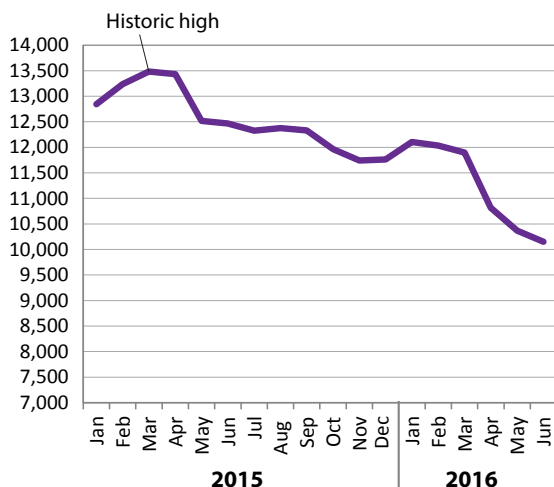
ANCHORAGE, 2010 TO 2016



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

## 3 Oil Workforce Drops From 2015 Historic High

PRUDHOE BAY EMPLOYMENT, 2015 TO 2016



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

## Tourism will have another good year

Leisure and hospitality includes accommodations, food services, and the arts, entertainment, and recreation sector, all of which rely on local consumption as well as tourists. Anchorage's industry employment was flat overall in 2016. In 2017, the visitor-dependent slice of this industry is expected to grow.

The Alaska Travel Industry Association predicts a 2 percent increase in tourists this year. Americans are traveling in ever-larger numbers, and cruise ship bookings are up. Based on this optimism and strong occupancy numbers during Anchorage's tourist season over the last couple of years, two new hotels are under construction and others are possible.

The outlook for locally generated activity is weaker, with intrastate meetings and conferences down and less business and government-related travel. Anchorage-based bed and car rental taxes collected during the first three quarters of 2016 were slightly down from 2015, a year when both registered gains. These losses will offset some of the growth in the tourist-driven market in 2017.

Restaurants and bars represent two-thirds of the industry's employment, and they lost a small number of jobs during the first two quarters of 2016 after adding 200 jobs in 2015. A number of new restaurants opened in 2016, but jobs began to decline moderately, possibly because local consumers spent less. These losses are likely to pick up in 2017 under similar conditions. New restau-

rants will open in 2017, but other establishments closing or scaling back will more than offset those gains.

## Health care growth continues

The health care industry has led growth for more than 30 years, and its gains in Anchorage are expected to continue in 2017.

Between 2006 and 2016, health care employment grew by nearly 3 percent per year compared to less than half a percent for overall employment. During some of those years, Anchorage's overall employment would have fallen had it not been for health care's gains.

In 2016, Anchorage added about 600 health care jobs. Because Alaska's demographics are shifting toward an older population, growth is likely to continue.

## Marijuana will be a small boost for retail

Anchorage retail employment continued to grow during the first quarter of 2016 but by June it was down by 500. This was a clear sign that job losses in oil and construction were reverberating into other industries.

Unlike past years, no large retailers have announced plans to open in Anchorage in 2017, so retail trade is expected to lose some jobs.

One niche that will mitigate some retail job loss is the sale of marijuana. Just a few dispensaries had opened in Anchorage as of December 2016, but an estimated 20 more are scheduled to open soon.

These new jobs aren't likely to cancel the industry's overall losses, though. If Alaska's stores follow the lead of places like Oregon, each store will employ only about six salespeople. However, marijuana will also generate jobs in manufacturing, wholesale, and growing operations.

## Finance will take bigger hit in 2017

Despite economic uncertainty and overall job loss, Anchorage's real estate market remained remarkably stable in 2016. Through September 2016, home sales were down by just 4 percent: 2,905 sales compared to 3,040 in 2015. Prices were largely unchanged.

Real estate and its related businesses — mortgage, title, banking, and insurance — drive the financial services industry, and though sales remain healthy, this part of the financial sector is likely to slow somewhat in 2017. New home construction is down, the inventory of homes for sale has increased, and the inventory of higher-end homes is climbing. Interest rates also play a role, and they're expected to rise in the near future.

The balance of the industry, which includes banks and credit unions, is also likely to soften. Both report lower demand for loans.

## Government jobs largely flat

Anchorage's government employment is forecasted to remain close to current levels in 2017. Federal and local government employment will remain at about the same levels, and state government will continue to shrink.

After nearly five years of employment declines, federal civilian employment resumed growing in 2016 but the newly elected administration has announced plans to freeze hiring.

No big change is on the horizon for uniformed military. Planned cuts to Joint Base Elmendorf-Richardson, which would have been significant, have been canceled or delayed.

State government employment, which includes the University of Alaska Anchorage, began to fall in May 2015 and was down 4 percent by 2016. Similar cuts are likely in 2017. Pressure on the state's operating budget will continue in fiscal year 2018 and more budget cuts are in the works. Job losses could be large enough to cause an overall drop in Anchorage's government employment in 2017.

Local government employment grew some in 2016 and will probably hold steady in 2017 unless education sustains unforeseen state funding cuts. Budgets for 2017 are expected to be relatively stable for both the Municipality of Anchorage and for the largest local government employer, the Anchorage School District.

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# Military plans will soften some Fairbanks loss

By **ALYSSA RODRIGUES**

The Fairbanks North Star Borough's employment levels have been up and down over the past decade. Since the 2012 peak, though, the trend has been mostly down, with the exception of a scant 0.3 percent gain in 2015.

In 2016, employment fell by 1.9 percent, bringing Fairbanks back to 2006 levels. A similar loss of 2.0 percent is forecasted for 2017. (See exhibits 1 and 2.)

Like the rest of the state, Fairbanks' job losses are related to the decline in oil prices. The borough has a few opportunities for growth in 2017, though, including a massive investment in Eielson Air Force Base as it prepares to house two long-awaited F-35s.

## Military to gain altitude

Growth is still the long term outlook for Fairbanks' military bases. Preparation for the F-35s at Eielson will require more than \$500 million and 38 new buildings, beginning in 2017 with \$150 million in design and construction contracts awarded in time for the summer 2017 construction season. The remaining \$350 million will be awarded for the 2018 and 2019 construction seasons, with most of the construction planned for 2018.

Fort Wainwright will also gain a \$47 million hangar for its drones, a project slated to begin this year. Drone hangars are typically equipped with cranes, maintenance and shop areas, and flight planning facilities.

Although active duty military numbers aren't included in this forecast's data, they're expected to increase in the near future after the borough's military population dropped from 9,200 in 2012 to 8,300 in 2015. The F-35s' arrival will bring in about 2,765 new active duty personnel, civilian workers, and their families, which will broadly stimulate Fairbanks' economy.

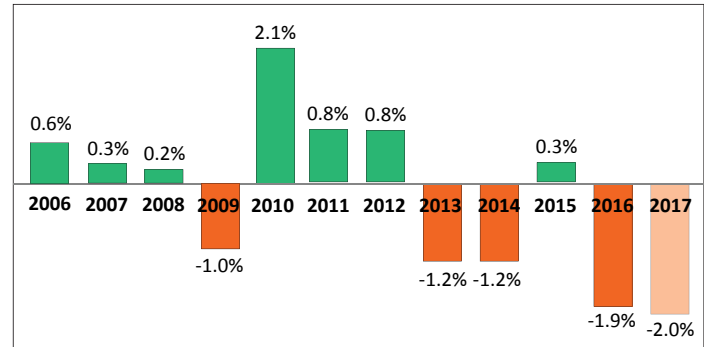
## Oil cuts seep into construction

Although the Fairbanks economy's foundation is in

# 1

## Slightly Larger Loss Likely This Year

FAIRBANKS, PERCENT CHANGE, 2006 TO 2017



Note: The 2016 number is preliminary, and 2017 is forecasted.

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

state government and the military, the steep drop in the price of oil has hurt the private sector and Fairbanks' ties to the oil industry. Job losses on the North Slope affect Fairbanks both directly, as 1,150 Fairbanks residents work there, and indirectly as those jobs generate activity in secondary industries such as retail, leisure and hospitality, and utilities — all of which are losing jobs.



Likewise, the borough's construction industry has been hurt directly and indirectly by low oil prices. Continued cuts to the state's capital budget have put a damper on projects, and decreased oil patch activity has reduced employment for construction companies with North Slope project contracts.

The borough had 14 road and highway construction projects in 2016, a slight increase from the prior year, although they made up just 6 percent of the area's construction employment and the gains were offset by sizable losses in pipeline-related construction.

Additional losses are forecasted for 2017 as oil-related industries and the economy as a whole continue to struggle. Small gains in military construction projects will mitigate some of the loss, but not enough to push construction employment growth back into the black.

## University to lose more ground

Some of the borough's largest employment losses in

# 2 Fairbanks Job Forecast by Industry

## WAGE AND SALARY EMPLOYMENT, 2015 TO 2017

	2015 Monthly Average <sup>1</sup>	2016 Monthly Average <sup>1</sup>	Change 2015 to 2016	Percent Change 2015-16	2017 Monthly Average	Change 2016 to 2017	Percent Change 2016-17
Total Nonfarm Wage and Salary <sup>2</sup>	38,700	37,950	-750	-1.9%	37,450	-750	-2.0%
Construction	3,200	3,000	-200	-6.3%	2,800	-200	-6.7%
Trade, Transportation, and Utilities	7,950	7,900	-50	-0.6%	7,800	-100	-1.3%
Retail Trade	4,900	4,850	-50	-1.0%	4,750	-100	-2.1%
Transportation, Warehousing, Utilities	2,350	2,350	0	0%	2,350	0	0%
Information	500	500	0	0%	500	0	0%
Financial Activities	1,350	1,300	-50	-3.7%	1,300	0	0%
Professional and Business Services	2,250	2,150	-100	-4.4%	2,050	-100	-4.7%
Educational <sup>3</sup> and Health Services	5,200	5,300	100	1.9%	5,350	50	0.9%
Health Care	3,950	3,950	0	0%	3,950	0	0%
Social Services	1,050	1,150	100	9.5%	1,200	50	4.3%
Leisure and Hospitality	4,250	4,150	-100	-2.4%	4,050	-100	-2.4%
Other Services	1,150	1,050	-100	-8.7%	1,000	-50	-4.8%
Government	11,450	11,200	-250	-2.2%	10,950	-250	-2.2%
Federal <sup>4</sup>	2,950	3,000	50	1.7%	3,000	0	0%
State <sup>5</sup>	5,350	5,050	-300	-5.6%	4,850	-200	-4.0%
Local <sup>6</sup>	3,150	3,150	0	0%	3,100	-50	-1.6%

<sup>1</sup>Preliminary and adjusted estimates

<sup>2</sup>Excludes self-employed workers, fishermen, domestic workers, and unpaid family workers

<sup>3</sup>Private education only

<sup>4</sup>Excludes uniformed military

<sup>5</sup>Includes the University of Alaska

<sup>6</sup>Includes public school systems

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

2016 came from the University of Alaska Fairbanks, and more are expected in 2017. Allocations to the UAF campuses in the Fairbanks area from the state general fund peaked in state fiscal year 2015 at \$162.5 million and fell in fiscal years 2016 and 2017. (See Exhibit 3.) That decline of \$18 million since fiscal year 2015 pushed allocations below 2012 funding levels.

At the same time, fixed operating costs have risen, including utilities, fuel, health care benefits, and building maintenance. Increased costs amid shrinking budgets mean decreased employment. UAF has lost more than 200 jobs since its peak in 2013 and will continue to cut jobs in 2017.

Nonuniversity state employment has decreased as well. Fairbanks' losses have been modest compared to other areas of the state but will deepen in 2017. Combined, state government will shrink by another 200 jobs this year.

### Secondary effects on professional services

The professional and business services industry consists of management and administrative companies

and companies that engage in scientific testing, architecture, and engineering. Many of these companies are strongly tied to the oil industry, and decreased investment there means less need for engineers and chemical testers. Likewise, fewer new buildings means job loss for architects and logistics coordinators.

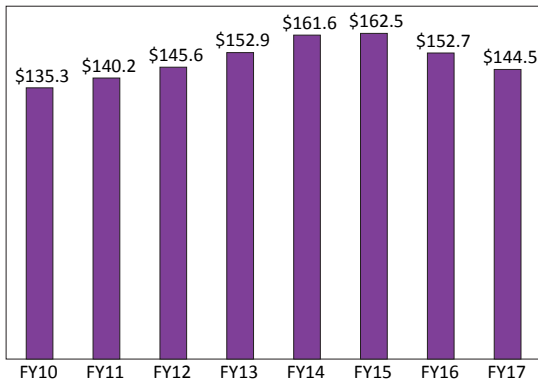
Dramatic reductions in the oil industry and the capital budget took a toll on professional and business services in 2016, resulting in the loss of 100 jobs. More of the same is expected in 2017 as capital budgets remain small and low oil prices persist.

Construction on Eielson Air Force Base and Fort Wainwright will require some of these services, but these opportunities aren't likely to offset all of the losses from oil and construction cuts.

### Visitors up but local consumption down

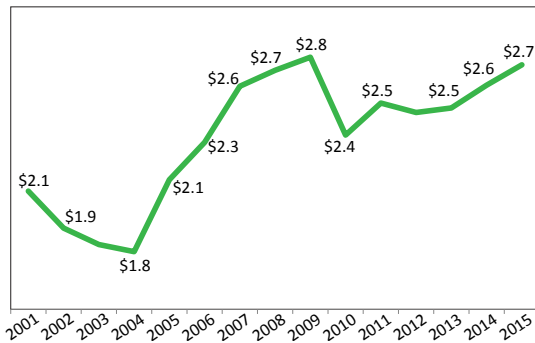
Bed tax collection increased by 10 percent from 2012 to 2015 (the most recent data available), suggesting tourism is growing in the Golden Heart City. (See Exhibit 4.) However, growth in bed tax in the first half of 2016 did not correlate with employment, as the indus-

# 3 Allocations to UAF Down FROM STATE GENERAL FUND, FY10 TO FY17



Note: Includes funds only for the Fairbanks campus, Fairbanks Organized Research, Cooperative Extension Service, and UAF Community and Technical College.  
Source: University of Alaska Fairbanks, Office of Management and Budget

# 4 Tourism An Ongoing Source of Growth for Fairbanks BED TAX REVENUE, IN MILLIONS, 2001-15



Source: Fairbanks North Star Borough

try lost about 100 jobs.

While the visitor industry has gained steam since 2012, local demand appears to be flagging — and in Fairbanks it’s mainly local consumption, not tourism, that drives the leisure and hospitality industry. Leisure and hospitality is forecasted to lose another 100 jobs in 2017, as residents are spending less after job losses in other industries.

## Less demand to dampen retail

Stores in the borough cut 50 jobs in 2016 as less employment in base industries, such as state government and the university, reduced consumer spending. People also tend to limit their spending to essential purchases during tough economic times.

While most industries’ losses are expected to be about the same as in 2016 or begin to abate, borough retail is expected to take a harder hit this year. Increased activity on the military bases could help somewhat, but it won’t be enough to maintain current levels of retail employment.

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## STATEWIDE

Continued from page 7

increased slightly in 2016, mostly from school district growth.

Local governments may be expected to foot the bill for more of the services they offer as the state withdraws funding, which could lead to further cuts in the near future. But because budgets are set through the first half of 2017, fiscal year 2018 losses

won’t have a large annual impact.

Federal employment, which is the smallest category, is expected to be flat in 2017 after a slight recovery in 2016. Federal employment was a source of job loss for years following the national recession, but those losses began to turn around last year. However, the incoming administration has announced plans to freeze hiring.

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# Southeast forecasted to lose about 600 jobs

By CONOR BELL

**S**outheast Alaska is forecasted to fare slightly better than the state as a whole in 2017, a first in recent years. Southeast has underperformed the state overall for some time, plus it lost a greater share of jobs in 2009 — the only year Alaska lost jobs during the national recession — and regained fewer in the years that followed. (See Exhibit 1.) With that tepid history, the region has less ground to lose.

Southeast began to shed state government and construction jobs in 2015, and like the rest of the state, the effects are seeping into the secondary industries that depend on how well the region's economic drivers fare. (See Exhibit 2.)

Southeast is disproportionately affected by weakness in state government, but the region has almost none of the oil and gas employment that has been the state's biggest source of loss. Southeast also has more of a buffer from tourism than other regions, which will further temper its losses.

## Migration and an aging population

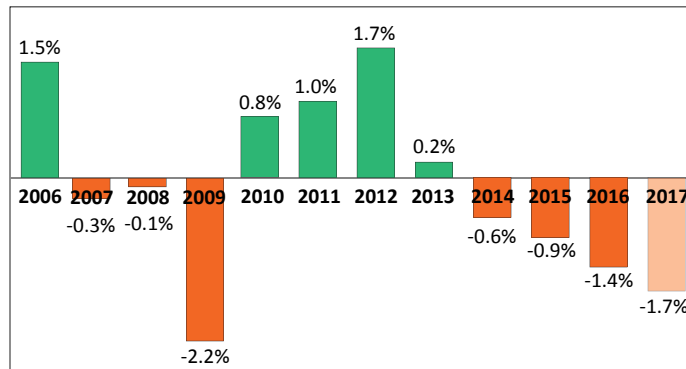
More people left Southeast than moved in between July 2014 and 2015, a trend that's likely to continue statewide. (See Exhibit 3.) The region lost about 500 people through net migration over the period, and though natural increase largely offset that loss, births don't mitigate migration's effect on the current working-age population. Fewer working-age people means less competition for jobs, but it also means fewer people spending money in their communities.

The region is also older than the state overall, and its largest age group is between 50 and 59. Many baby boomers moved in when Alaska was awash in oil money during the late 1970s and early 1980s, and they will continue to age out of the workforce in the near future.

In a lackluster economy, not all vacated jobs will be re-filled, but these retirements will open some job oppor-

## 1 Region Has a Longer Period of Loss

SOUTHEAST, PERCENT CHANGE, 2006 TO 2017



Note: The 2016 number is preliminary, and 2017 is forecasted.  
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

tunities despite lower employment. However, workers who have built up their salaries over time will often be replaced by young workers who will be paid less, dampening the region's total wages.

## Most job loss will be in government

Southeast lost more than 500 state government jobs between 2014 and 2016, and state government is expected to remain the fastest-losing industry this year, at 300 jobs. (See Exhibit 4.)

Cuts will likely slow in the coming fiscal year, though, with less low-hanging fruit remaining. After two years of cutting costs in government, opportunities for savings will be harder to find. While layoffs seem certain, most state government losses will continue to come from attrition in 2017. Baby boomers are still reaching retirement age, and many of their positions will be eliminated or left unfilled.

Federal government employment has been flat for the past few years and is forecasted to decline slightly in 2017. Prior to its recent stability, federal employment fell continually for a decade except in 2010 when the U.S. Census was conducted.

Local government in Southeast has also remained fairly



# 2 Southeast Job Forecast by Industry

## WAGE AND SALARY EMPLOYMENT, 2015 TO 2017

	2015 Monthly Average <sup>1</sup>	2016 Monthly Average <sup>1</sup>	Change 2015 to 2016	Percent Change 2015-16	2017 Monthly Average	Change 2016 to 2017	Percent Change 2016-17
Total Nonfarm Employment <sup>2</sup>	36,850	36,350	-500	-1.4%	35,750	-600	-1.7%
Total Private	23,950	23,800	-150	-0.6%	23,650	-150	-0.6%
Mining and Logging	950	950	0	0%	950	0	0%
Construction	1,500	1,450	-50	-3.3%	1,350	-100	-7.1%
Manufacturing	2,300	2,200	-100	-4.3%	2,250	50	2.3%
Trade, Transportation, and Utilities	7,100	7,050	-50	-0.7%	7,000	-50	-0.7%
Information	500	500	0	0%	500	0	0%
Financial Activities	1,050	1,000	-50	-4.8%	1,000	0	0%
Professional and Business Services	1,650	1,650	0	0%	1,600	-50	-3.0%
Education <sup>3</sup> and Health Services	3,800	3,850	50	1.3%	3,900	50	1.3%
Leisure and Hospitality	4,050	4,150	100	2.5%	4,150	0	0%
Other Services	1,050	1,050	0	0%	1,000	-50	-4.8%
Government	12,900	12,500	-400	-3.1%	12,050	-450	-3.6%
Federal <sup>4</sup>	1,450	1,450	0	0%	1,400	-50	-3.4%
State <sup>5</sup>	5,300	4,950	-350	-6.6%	4,650	-300	-6.1%
Local <sup>6</sup>	6,150	6,100	-50	-0.8%	6,000	-100	-1.6%

<sup>1</sup>Preliminary and adjusted estimates

<sup>2</sup>Excludes self-employed workers, fishermen, domestic workers, and unpaid family workers

<sup>3</sup>Private education only

<sup>4</sup>Excludes uniformed military

<sup>5</sup>Includes the University of Alaska

<sup>6</sup>Includes public school systems

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

steady amid steep declines in state funding, with a small loss of 50 jobs in 2016. This year will likely be slightly harder for school districts and local governments due to diminishing state funding. Even if schools sustain sharp funding cuts, though, they won't feel them until the next school year begins in the fall.

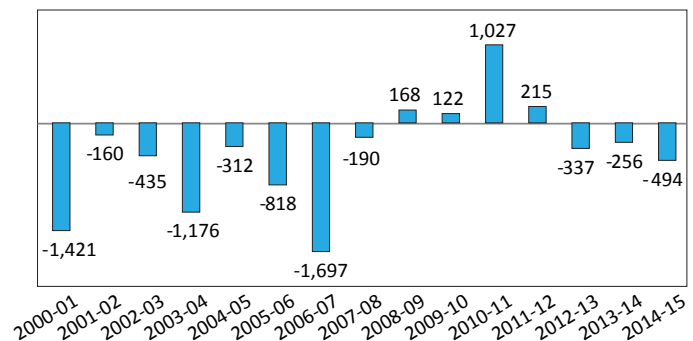
Tribal government, which is counted as part of local government, will likely fare better, as it's largely federally funded.

## Fishing to rebound after a dismal 2016

Commercial fishing is a significant part of Southeast's economy, but because most harvesters are self-employed, their jobs aren't part of this forecast. Still, 2017 is set to be a markedly better year for fishermen than 2016, which had lower-than-expected pink salmon runs compounded by low prices.

Odd years tend to have bigger pink salmon runs, and the Alaska Department of Fish and Game forecasts

## 3 Several Years of Net Migration Loss SOUTHEAST, JULY TO JULY, 2000 TO 2015



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

a higher-than-average harvest of 43 million pinks in 2017. Prices have also rebounded somewhat since last summer, partly due to the weaker-than-expected runs. A potential tariff on U.S. imports could hurt prices, though, as fish is commonly exported to China, processed, and imported back into the U.S.



# 4

While a better fishing season doesn't necessarily mean more people fishing, as many vessels operate with a fixed number of crew, those harvesting in 2017 are likely to earn more because they're typically paid a share of their vessels' revenue.

Seafood processing jobs, which make up the bulk of Southeast's manufacturing sector and are included in this forecast's data, are expected to get a corresponding boost this year from the higher catch volume.

## Construction will continue to decline

A third year of minimal capital budgets is all but certain, and while the Southeast construction industry hasn't yet sustained the full impact of the change because past funding from larger budgets has carried over, that pool is diminishing.

A handful of major projects will continue in 2017. The Haines highway project, which received \$30 million in federal funding, is the biggest. Others include the Juneau capitol building upgrade, the Tenakee ferry terminal project, and improvements to Juneau's Glacier Highway.

Federal transportation funding will remain strong, with four years left of the generous Fixing America's Surface Transportation Act. Federal funding won't be enough to counter minimal state funding and dreary economic conditions, though, so the industry is forecasted to lose 100 jobs in 2017.

## Tourism will boost some industries

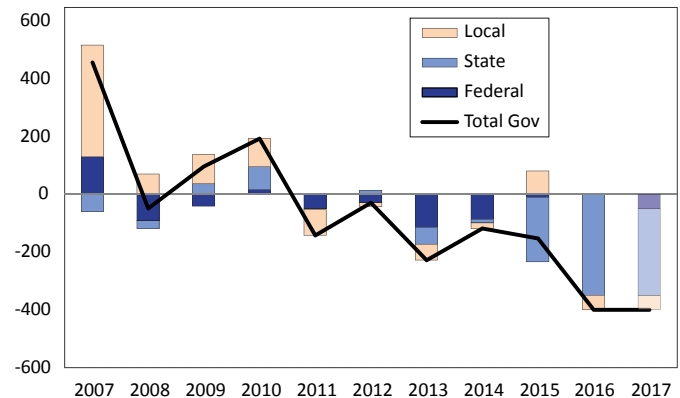
Though decreased economic activity may put a dent in locals' spending, summer tourism will remain strong as long as the U.S. economy is growing.

Southeast had more than 1 million cruise ship visitors in 2016, and 2017 is set to be just as big. Tourism is more significant in Southeast than the state as a whole, and it will shield restaurants and stores from the drop in business anticipated elsewhere.

The trade, transportation, and utilities sector, which is tied to tourism as well as local consumption, fell by a modest 50 jobs in 2016. This year's forecast is similar. Walmart closed its Juneau location partway through 2016, so last year's data reflected only part of the loss. And while a strong tourism season will boost retail and transportation employers, declining local incomes will

## Government Job Losses Continue

### SOUTHEAST, 2007 TO 2017



Note: The 2016 number is preliminary, and 2017 is forecasted.

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

reduce demand during the rest of the year and counter visitor-related gains.

Leisure and hospitality is even more heavily based in tourism, and it's forecasted to hold steady in 2017. While restaurants and bars will perform worse outside of the summer months due to less local spending, visitor spending on everything from tours to hotels will probably be enough to keep the industry stable.

## Other private industries

- The education and health services sector includes private health care and social assistance as well as private education, though Southeast has little of the latter. Private health care in Southeast has historically underperformed the state overall, partly due to the region's recent economic stagnation, but it grew somewhat in 2016 and is likely to add jobs again in 2017. Growth is also likely in the long term, mostly to serve the region's aging population. Social assistance was stable in 2016 but will be vulnerable to decreased state and federal funding.
- Southeast mining employment is forecasted to hold steady through existing mines and contractors. Exploration employment is minimal, and no potential sites are expected to open in the near future.

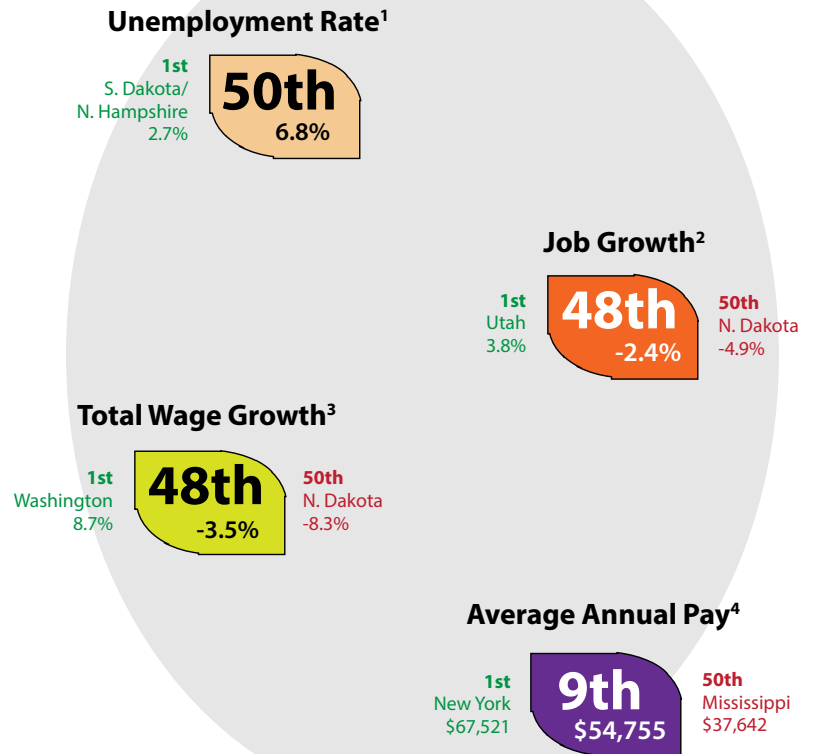
Conor Bell is an economist at the Department of Labor in Juneau. Reach him at (907) 465-6037 or conor.bell@alaska.gov.

# The Month in Numbers

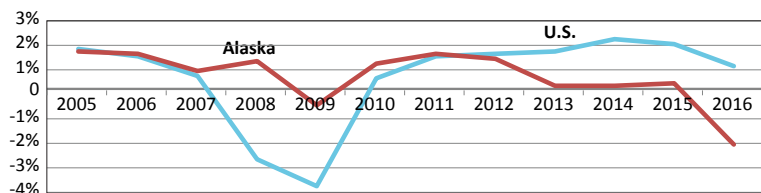
## Unemployment Rates

	Prelim.		Revised
SEASONALLY ADJUSTED	11/16	10/16	11/15
United States	4.6	4.9	5.0
Alaska Statewide	6.8	6.9	6.6
<b>NOT SEASONALLY ADJUSTED</b>			
United States	4.8	5.0	4.9
Alaska Statewide	6.4	5.9	5.6
<b>Anchorage/Mat-Su Region</b>			
Municipality of Anchorage	5.2	5.1	5.0
Matanuska-Susitna Borough	8.0	7.7	7.7
<b>Gulf Coast Region</b>			
Kenai Peninsula Borough	8.2	7.7	8.0
Kodiak Island Borough	5.0	4.3	5.0
Valdez-Cordova Census Area	9.3	8.7	10.3
<b>Interior Region</b>			
Denali Borough	19.3	10.5	17.4
Fairbanks North Star Borough	5.7	5.4	5.6
Southeast Fairbanks CA	9.8	9.5	11.2
Yukon-Koyukuk Census Area	16.3	15.8	16.9
<b>Northern Region</b>			
Nome Census Area	11.9	12.1	10.1
North Slope Borough	6.6	6.7	5.6
Northwest Arctic Borough	15.6	16.7	13.9
<b>Southeast Region</b>			
Haines Borough	10.6	9.7	11.6
Hoonah-Angoon Census Area	14.6	6.4	16.4
Juneau, City and Borough	4.6	4.4	4.7
Ketchikan Gateway Borough	6.5	6.0	7.6
Petersburg Borough	8.8	7.6	9.2
Prince of Wales-Hyder CA	11.1	11.0	12.4
Sitka, City and Borough	4.3	4.0	5.1
Skagway, Municipality	17.4	12.8	20.9
Wrangell, City and Borough	8.0	6.8	8.4
Yakutat, City and Borough	9.7	6.9	10.4
<b>Southwest Region</b>			
Aleutians East Borough	4.3	2.7	5.1
Aleutians West Census Area	4.4	3.7	3.9
Bethel Census Area	12.1	13.2	12.5
Bristol Bay Borough	12.6	9.5	12.6
Dillingham Census Area	9.6	10.0	10.9
Kusilvak Census Area	16.6	17.8	19.5
Lake and Peninsula Borough	12.5	10.5	14.1

## How Alaska Ranks



## Job Growth in Alaska and the Nation<sup>3</sup>



All data sources are U.S. Bureau of Labor Statistics and Alaska Department of Labor and Workforce Development, Research and Analysis Section, unless otherwise noted.

<sup>1</sup>November seasonally adjusted unemployment rates

<sup>2</sup>Quarterly Census of Employment and Wages, percent change, June 2015 to June 2016 (most current month for all 50 states)

<sup>3</sup>Quarterly Census of Employment and Wages, percent change, 2nd quarter 2015 to 2nd quarter 2016

<sup>4</sup>Quarterly Census of Employment and Wages, 2015

# Employer Resources

## Alaska minimum wage increases to \$9.80 an hour

The Alaska minimum wage will increase from \$9.75 to \$9.80 per hour in 2017. Alaska voters approved a ballot initiative in 2014 that increased the minimum wage from \$8.75 to \$9.75 in 2016 and requires annual inflation adjustments.

“Alaskan workers deserve a fair process to ensure Alaska’s minimum wage keeps up with inflation, and this is the first year the new law requires it to be adjusted,” said Labor Commissioner Heidi Drygas. “This modest increase will protect low wage workers and their families against inflation over time.”

Alaska Statute 23.10.065(a) requires the Alaska minimum wage to be adjusted using the Consumer

Price Index for urban consumers in the Anchorage metropolitan area (Anchorage CPI-U) for the preceding calendar year. The Anchorage CPI-U increased 0.5 percent in 2015, rising from 215.805 to 216.909. As a result, the minimum wage will rise from \$9.75 to \$9.80 effective January 1, 2017.

The minimum wage applies to all hours worked in a pay period regardless of how the employee is paid: by time, piece, commission, or otherwise. Tips do not count toward the minimum wage.

Employer Resources is written by the Employment and Training Services Division of the Alaska Department of Labor and Workforce Development.

# Safety Minute

## Carbon monoxide can become fatal before detection

Carbon monoxide is a colorless, odorless, tasteless gas produced by burning a variety of fuels such as gas, wood, propane, or charcoal. It is found in fumes produced by cars or trucks, small engines, stoves, lanterns, grills, fireplaces, gas ranges, or furnaces. These fumes can build up indoors, accumulating to dangerous levels quickly when appliances or engines are improperly ventilated, especially in tightly sealed or enclosed spaces.

CO builds up in your bloodstream, and your body replaces oxygen in your red blood cells with carbon monoxide when there’s too much of it in the air, starving your cells of oxygen and causing tissue damage or death. The warning signs of CO poisoning can be subtle, often described as “flu-like,” but the condition is life-threatening:

- Dull headache
- Weakness
- Dizziness
- Nausea or vomiting

- Shortness of breath
- Chest pain
- Confusion
- Blurred vision
- Loss of consciousness

People who are sleeping or intoxicated can die before they have symptoms, and others can die or sustain irreversible damage to the brain or heart before anyone realizes there’s a problem. Exposure can be particularly dangerous for pregnant women, infants, and the elderly, and for people with chronic heart disease, anemia, or breathing problems.

Call (800) 656-4972 or visit [labor.alaska.gov/lss/oshhome.htm](http://labor.alaska.gov/lss/oshhome.htm) to learn more about carbon monoxide or to find out more about providing a safe workplace for Alaskans.

Safety Minute is written by the Labor Standards and Safety Division of the Alaska Department of Labor and Workforce Development.