

# Anchorage, the second century

## City slowly bouncing back from multiple setbacks

By NEAL FRIED

We marked Anchorage's centennial in [the December 2014 issue of Trends](#) with a look at the first 100 years of Anchorage's economy, beginning in 1915. That year, the Alaska Engineering Commission chose the area for its railroad construction headquarters, although it wasn't completed until 1923 because of a labor shortage and supply chain issues.

That makes 2023 the centennial of the Alaska Railroad, and it's a fitting year for a follow-up on Anchorage's economy. If the railroad hadn't picked Ship Creek to set up shop, Anchorage might not exist today.

Anchorage's economic picture looks quite different today than it did when we left off at the end of 2014, not knowing the city was about to enter a new economic period.

### 2000 to 2015: The millennium got off to a good start in the city

---

Anchorage's new millennium launched on a high note. Federal spending flowed in, oil activity was on the upswing, and mineral and fish prices were strong. The 2013-2014 visitor season in Anchorage hit the million mark. The health care industry also became a force to reckon with, and its robust growth made it the city's largest private-sector employer. Health care employment in Anchorage doubled between 2000 and 2015, reaching 19,200 and cementing the city as Alaska's medical center.

By 2013, the economy showed signs of weakening. The federal largesse of earlier years was drying up



*Anchorage at night, photo courtesy of Flickr user [Rick A. Fogerty](#)*

and budget cuts reduced the federal workforce. However, the economy limped on a bit longer.

Between statehood in 1959 and the turning point in 2015, Anchorage's economic growth stood out nationally, with employment growing at more than four times the U.S. rate. One of Alaska's preeminent historians once described Anchorage as an economy that just kept on booming.

By 2015, total employment reached 157,000, which to date remains the peak, as the graph on the next page shows. The next year ushered in one of Anchorage's hardest economic periods in its 100-year history.

### 2016 to 2019: The economy stalled even before COVID

---

Starting with a whimper, 2016 was the beginning of Anchorage's first recession since the 1980s and also the longest, lasting until 2020. We forecasted the recession would end in 2020, but then COVID-19 hit,



extending the downturn for at least another year.

Anchorage's experience stood in stark contrast to the nation's. The U.S. economy kept racking up record job levels in 2016 and near-record low unemployment rates, continuing one of the longest periods of uninterrupted economic expansion in U.S. history. That had consequences for Anchorage's labor market.

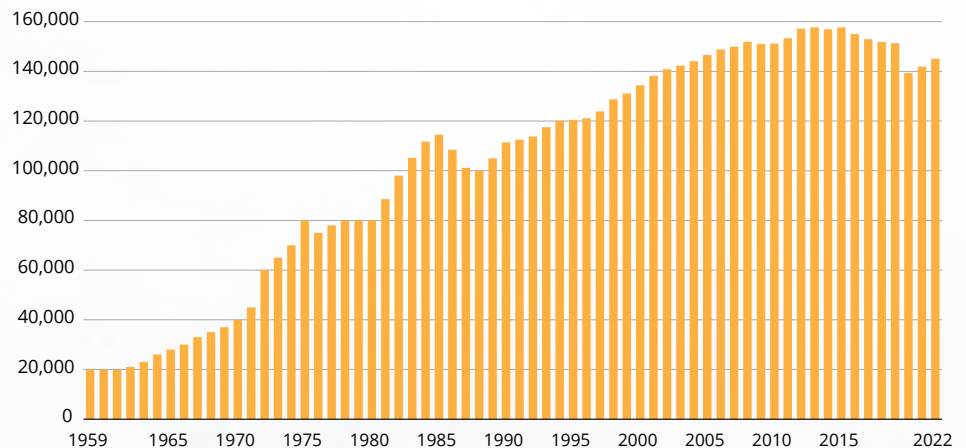
### Growth evaporates with the oil shock

Oil prices had averaged \$90-plus per barrel between 2011 and 2014, infusing the state with revenue and boosting the oil industry. In late 2014, the industry hit a new statewide record of more than 15,000 jobs.

But prices fell by half in 2015 and remained low for the next five years. As the oil industry's Alaska headquarters and at that time the largest supplier of labor to the North Slope, Anchorage felt the losses reverberate throughout its economy. Oil industry employment followed the price trajectory, dropping below 10,000 total jobs by 2017.

Several noteworthy events in the oil patch

## Yearly total job counts in Anchorage since 1959



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

punctuated this era of low prices. At the end of 2015, Shell pulled out of its large, ambitious offshore Arctic program, the logistics of which were based in Anchorage. Shell had spent \$7 billion and had little to show for it.

The next year, ConocoPhillips cut its capital budget in half. Right around the corner was the completion of Exxon's giant Point Thompson project, which largely ended that company's presence in Alaska. All of this resulted in 2,700 jobs lost in Anchorage in 2016.

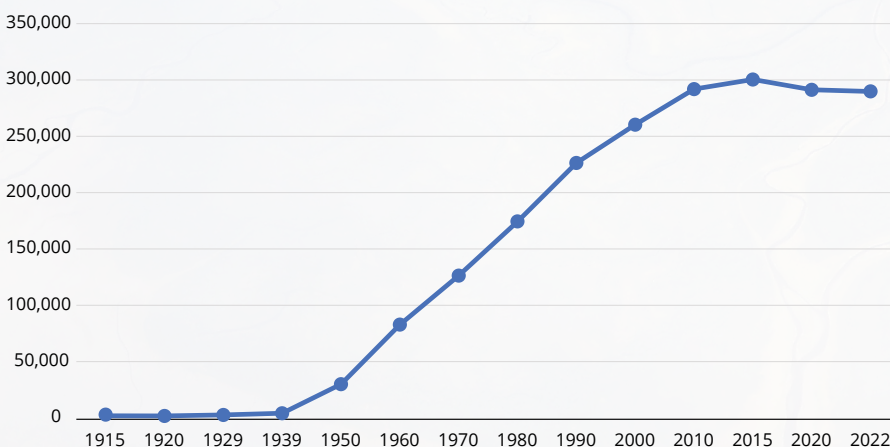
In 2019, BP, which for decades had been the larger of the two major Alaska oil producers headquartered in Anchorage, announced it was leaving the state. BP sold most of its assets to Hilcorp, further reducing oil industry employment and especially in Anchorage, as Hilcorp's smaller workforce disproportionately removed jobs from headquarters.

Anchorage's direct oil industry job count, which peaked at 3,800 in 2015, fell to 2,500 by 2019. Statewide, the industry lost 4,300 jobs that year.

### Other industries took a secondary blow

Oil industry woes weren't the only drag on Anchorage. Falling oil prices also pulled down state

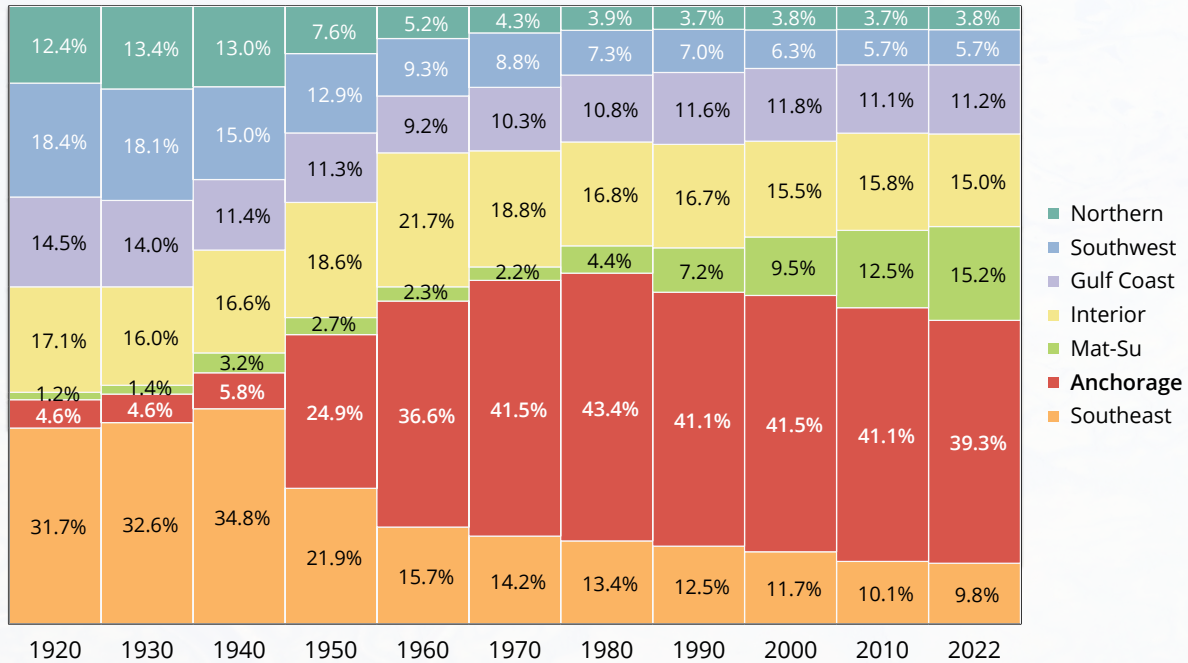
## Anchorage's total population since 1915



Note: Population for 1915 is from the Alaska Engineering Commission

Sources: U.S. Census Bureau and Alaska Department of Labor and Workforce Development, Research and Analysis Section

# Anchorage's share of total Alaska population declined after 1980



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

revenues and therefore state government.

The state's capital budget was the first to take a drubbing. The fiscal year 2016 budget was the smallest in more than 15 years. Having peaked at \$3.7 billion in FY 2013, the budget reached less than half that in FY 2016, where it stayed for the next five years.

Construction employment losses followed, tied not just to capital budget cuts but to less oil industry activity and dwindling commercial construction. Residential construction also slowed; building permits dropped by half, from the 800s in 2014 and 2015 to a little more than 400 per year for the next five.

State employment, including the University of Alaska system, started to feel the pinch. Job cuts began in 2015 and by 2020, Anchorage had 1,100 fewer state government jobs, with the largest chunk taken from the University of Alaska Anchorage.

Professional and business services jobs were another casualty of the oil and construction decline. Architectural, engineering, environmental, and other consulting services made up half of the sector and thrived on projects throughout the state. This category lost jobs every year after 2015, and by 2019, it was down by 2,500.

## A long struggle for stores began

This era also marked the start of retail's struggle, which continues today. Retail was once the city's largest private-sector employer, but its employment has been on a downward slide since peaking in 2015 at 18,100 jobs. Retail had to contend with the recession, where less money was circulating in the economy, and battle the growing number of massive online retailers at the same time.

By 2019, Anchorage retail employment had dropped to 16,500. Iconic retailers such as Nordstrom, Sears, two Sam's Club warehouses, Toys "R" Us, and Bed Bath and Beyond all closed their doors for good.

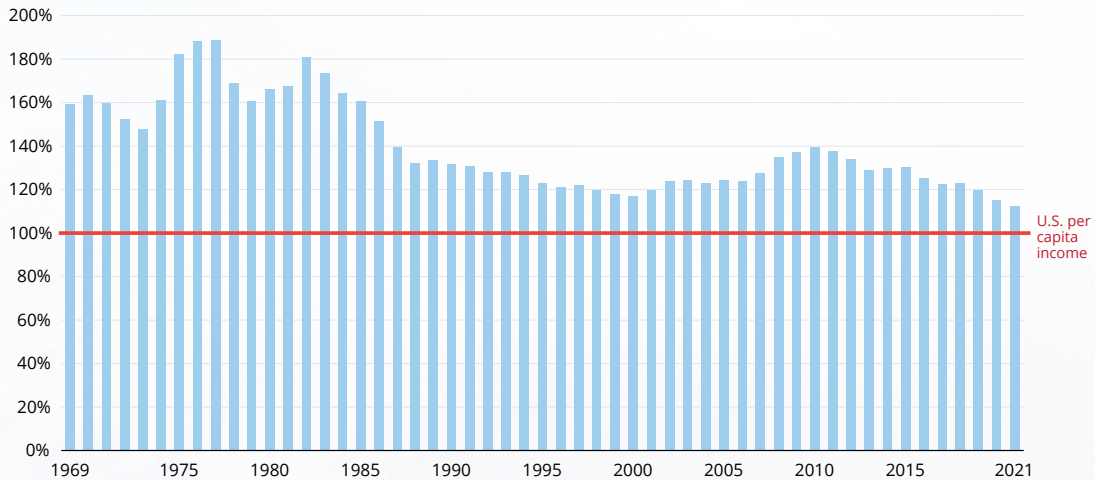
## Tourism, health care were economic bright spots before COVID arrived

Tourism continued to thrive because its fate is tied to the health of the nation's economy, which flourished during the pre-COVID years. Cruise ship passenger and other visitor counts continued to climb, and out-of-state convention traffic was strong.

Gross hotel rentals in Anchorage climbed from \$242 million in 2016 to \$298 million in 2019, and several new hotels went up during that period. Visits to nearby national parks such as Kenai Fjords also peaked in 2019.



## Anchorage per capita income as a percentage of U.S.



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

Health care remained a boon for most of those years, continuing its growth streak of the previous decade. Health care generated more than a third of all new jobs in Anchorage from 2005 through 2015, and the continuation of the Affordable Care Act and Medicaid expansion accelerated that trend.

Demographics also drove this growth, as Alaska’s population was getting older, raising demand for medical services. Per capita, medical expenditures for senior citizens are more than three times higher than for the rest of the population.

The state’s 65-plus population grew 73 percent during the 2010s, reaching 95,185, while the state grew just 3 percent overall.

By 2019, the health care industry was 1,800 jobs larger than in 2015, but its growth rate had slowed and in 2019 it didn’t grow at all.

### 2020 to 2022: COVID compounds the obstacles for Anchorage

After those difficult few years, another unforeseen bombshell came around the corner.

In the January 2020 issue of *Alaska Economic Trends*, we predicted the Anchorage recession would end in 2020 and employment would tick up. We said the oil industry was positioned to recover, a record number of visitors was in the works, construction would see modest growth, and plenty of other good things were probably going to happen to Anchorage’s economy — but we all know how that

turned out. Instead, 2020 became not just one of the city’s roughest years but also the strangest.

### Many industries suffered, but some outcomes were counter to expectations

Anchorage lost nearly 12,000 jobs in less than 12 months when COVID hit, the biggest annual loss in history including the epic bust of the 1980s. It took three years during the ‘80s recession to lose so many jobs.

Anchorage unemployment hit a record 12.2 percent in April 2020 and the number of unemployment insurance claimants leaped from 7,219 in 2019 to 31,904 in 2020. Every industry except the federal government suffered, although the degrees of damage varied.

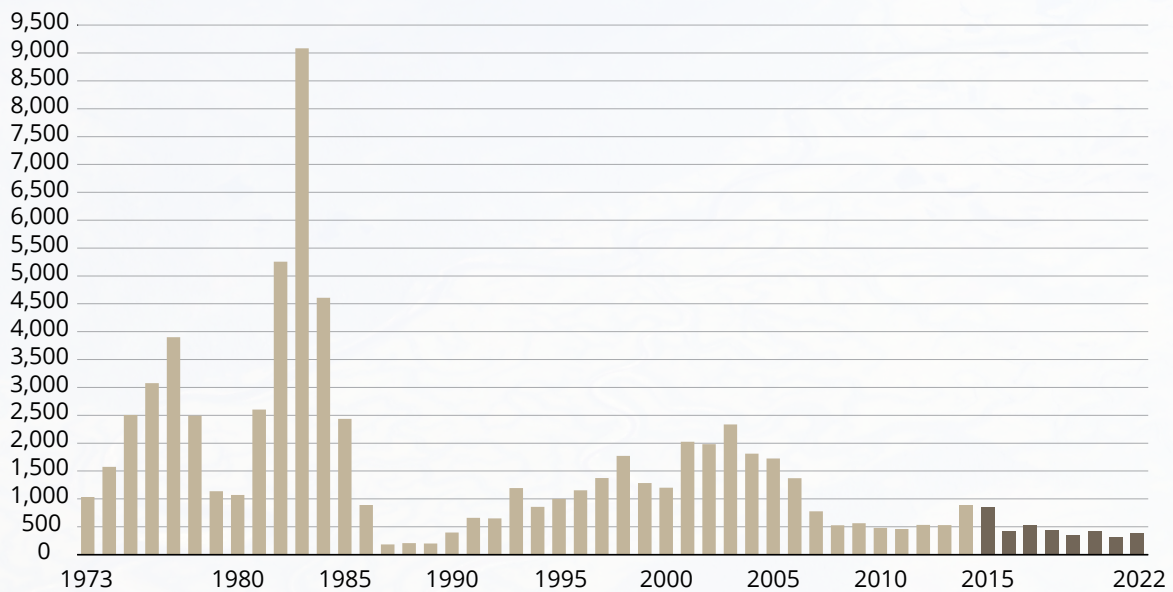
The visitor rapture of 2020 was the stuff of legend. Anchorage hotel employment was just 2,095 in June, down from 3,864 the previous June. Hotel room sales fell from \$298 million in 2019 to \$145 million in 2020, and the story was similar for car rentals and restaurants. A long list of restaurants closed and others operated with reduced hours and services.

Overall, the leisure and hospitality sector in Anchorage had 7,800 fewer jobs in April 2020 than in April 2019, a job count not seen since 1993.

As mentioned earlier, Anchorage retail had been struggling before COVID, partly because of e-commerce’s inroads, but the pandemic created an explosion of new online shoppers.

Not all retail suffered. Stores selling groceries did

## Anchorage building permits remained sparse in recent years



Source: Municipality of Anchorage

well in 2020, benefitting from the drop-off in eating out, and the same was true for home improvement stores, which handled increased demand as people stayed home and took on new projects.

Anchorage marijuana sales continued to rise, peaking at \$10.4 million in June 2020 from just \$6.7 million in February. Marijuana sales didn't hit that level again until December 2021.

Health care's reaction to the pandemic was a surprise. COVID seemed certain to boost demand for medical services, but providers faced closures and safety-conscious consumers. The industry's ambulatory slice — practitioners' offices and outpatient surgery — was affected most as nonessential services were suspended and people delayed elective procedures and preventive visits. May 2020 health care employment was 1,200 below the previous May. Even hospitals lost jobs.

Other consequences were unexpected but not all negative. Some industries thrived.

### Personal income shot up and kept rising

Anchorage's total personal income grew from \$19.7 billion in 2019 to \$20 billion in 2020, and per capita income rose from \$67,317 to \$68,815, despite all the lost wages. The federal government sent record amounts of income support to nearly all residents, from stimulus checks and rental assistance to

enhanced and extended unemployment benefits. Many unemployment claimants earned more from their benefits than from the job they lost.

Total personal income and per capita income both grew in 2021 and when 2022 data are released for Anchorage, they will surely be a repeat. Statewide 2022 data showed robust income growth.

Anchorage's per capita income has lost considerable ground to the U.S. over the years, though, as national income has grown faster. (See the graph on the previous page.)

### Real estate numbers were a mixed bag

The number of new homes permitted in Anchorage *increased* slightly in 2020 (see the graph above), spurred on by record low interest rates, and home sales jumped 17 percent to a 13-year high — both surprising given the economic tumult and uncertainty.

From 2019 to 2021, Anchorage home sales increased from 3,721 to 5,049 — the best numbers since 2006. And after many years of stagnant home prices, the average price of a home in Anchorage went from \$389,477 in 2019 to \$468,843 in 2022 and inventory fell to record lows.

Home sales began to slow in 2022, though, as interest rates increased.



## One industry thrived and hit new heights

One Anchorage industry flourished during the COVID years. Transportation hit record job levels by 2021 and its growth continues.

In 2020, airline traffic collapsed initially but other parts of the industry took up the slack, with international air cargo traffic increasing dramatically with more e-commerce, national shipping port delays, and pandemic-related cargo. Courier services such as FedEx and UPS were tied to the e-commerce flood as well as fast delivery, and both have a large presence in Anchorage.

The Ted Stevens Anchorage International Airport's cargo ranking climbed to the third-busiest cargo port in the world in 2022 as a result. Passenger traffic and other transportation-related services have also recovered.

## Why recovery is ongoing but slow

Although the COVID recession was the shortest on record, it was catastrophic and unpredictable and it hasn't fully played itself out in Anchorage. The city clawed back 2,700 and 3,600 jobs in 2021 and 2022, respectively, and 2023 is on the same track. However, full job recovery is unlikely until 2024. (See the graph on this page.)

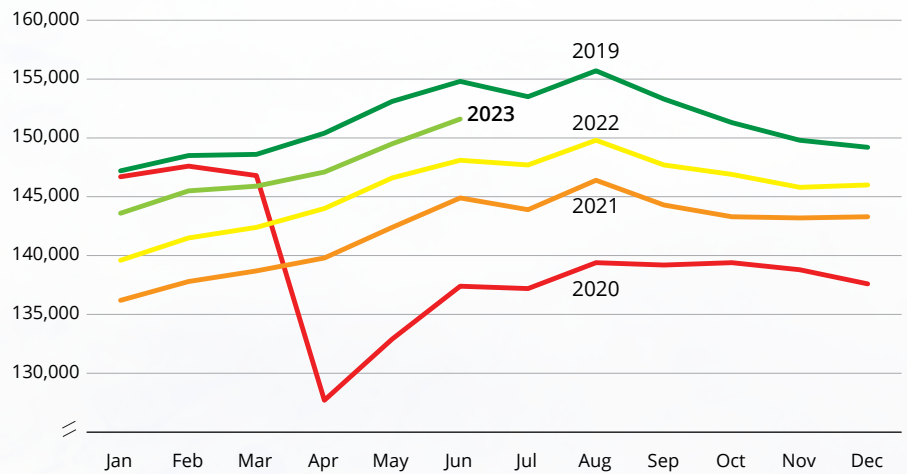
The national story has, again, been very different. U.S. employment had fully recovered and resumed growing by early 2022, racking up record job numbers.

Anchorage is recovering slower than most places because it entered the pandemic with little economic momentum and the oil industry has shown few signs of bouncing back.

## Population, migration losses have dragged on for a record time

Persistent population losses have put a damper on recovery, and this streak has gnawed at the city's economy and social psyche for most of the past decade. The population peaked at 302,127 in 2013

## Anchorage post-COVID job recovery ongoing



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

then declined, and after a slight rebound in 2016, it decreased for five years straight, to 289,697 in 2021. That put Anchorage below its 2010 Census count of 291,826. It also marked the longest stretch of negative net migration — in-movers minus out-movers — in Anchorage's history.

The hot national economy of more than a decade is often cited as one of the reasons. Fewer Americans have wanted to relocate, and this has hurt Alaska, as the state depends on the annual inflow of workers from elsewhere.

While the population has shrunk before, the drain has never lasted this long. In 1915, thousands of workers flocked to Anchorage and were hired to build the Alaska Railroad, but a couple of years later, construction slowed because the railroad couldn't find enough workers. World War I was on, and many were drafted. Others left for better employment prospects in a booming national economy. But that trend didn't last.

The national economy may need to soften considerably for Anchorage's current negative migration trend to reverse.

## The job market is hot, but that's bittersweet

One might logically assume Anchorage's labor market would be abysmal for job seekers after losing so much ground, but the opposite is true. The job market is another apparent economic contradiction of the last few years.

The past two years have been extraordinary for job seekers and a monster challenge for employers everywhere. In April 2020, Anchorage's unemployment hit a record 12.2 percent, but in 2022 it fell below 4 percent and hasn't risen above that since, hitting a low of 2.6 percent in August and September. It remains low this year.

The average annual wage in Anchorage grew from \$60,024 in 2019 to \$67,944 in 2022, slightly outpacing inflation.

Statewide, there were two job openings for every job seeker starting in February 2022, and if data existed for Anchorage specifically, the numbers would probably be even more extreme.

A lack of available workers restricting employment growth was a first. Across industries, employers had to raise wages and often cut hours or services because they were short-staffed. Some even closed.

The reason is a simple math problem. Fewer people have been moving to the state as the national economy has far outperformed us for more than a decade, leading to record-low state-to-state population mobility. At the same time, more of the large baby boomer generation has reached retirement age, and during the pandemic, some retired early.

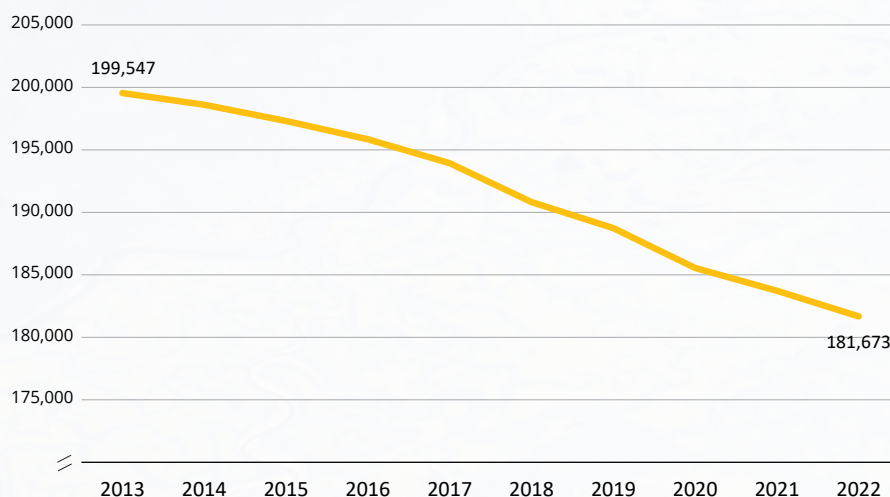
Between 2013 and 2022, Anchorage's working-age population (ages 18 to 64) dropped from 199,547 to 181,673. (See the graph above.) The labor force participation rate has also been generally declining for more than 20 years, with the long-term aging-out of the baby boomers being the largest contributor.

As with any economic trend, these factors won't be permanent. The labor force participation decline might be reaching its natural end, and if the nation goes into a recession, as some predict, these conditions will probably flip.

## The outlook for the next few years

In the short run, Anchorage's economy will continue to recover its COVID-related losses. The outlook

## Long decline in city's working-age population



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

is mostly positive for the visitor, mining, oil, and construction industries. Supply chain problems have faded, and the massive federal infrastructure bill will boost the economy even more in the next few years.

The state's fiscal picture will remain a drag on Anchorage's growth, however, and recovering the job losses of the pre-COVID years remains a larger, looming challenge once pandemic losses are in the rearview mirror.

It remains to be seen how global developments will affect Anchorage, but negative events elsewhere have often benefitted Anchorage in the past.

Besides the construction of the railroad, the Cold War, World War II, and world oil embargoes were the most important events in Anchorage's economic history. The two wars made the military a pillar of Anchorage's economy and the oil embargo spurred construction of the Trans-Alaska Pipeline, which transformed the city.

Looking forward, the Northwest Passage could become a major shipping lane as sea ice thaws with climate change, for example, something that would likely spur opportunities for Anchorage in the coming decades.

Neal Fried has been an economist in Anchorage since 1978. He retired in July, and this is the last of nearly 300 articles he has written for *Trends*. Contact economist Karinne Wiebold at (907) 465-6039 or [karinne.wiebold@alaska.gov](mailto:karinne.wiebold@alaska.gov) with questions about this article.