

Anchorage job losses to taper further in 2018

By NEAL FRIED

Anchorage lost about 5,000 jobs over the past two years, or 3.0 percent, which pushed its total employment down to 2011 levels. While more loss is in the forecast for 2018, it will likely be modest and the city could quit shedding jobs by the end of the year.

Growth in tourism, health care, and mining exploration plus minor or no additional job loss in the oil industry would be welcome news — but it will be a long road for Anchorage to regain its pre-recession employment levels. (See exhibits 1 and 2.)

Uncertainty is part of any forecast, and few things are as uncertain as oil prices. Over the next year, prices are predicted to remain low: in the \$55 to \$65 per barrel range.

The other question mark that weighs heavily on the Anchorage economy is Alaska's persistent multi-billion dollar state government shortfall. Until this structural problem has a permanent solution, it will continue to cast a shadow.

Positive hints for oil

Anchorage is state headquarters for the oil and construction industries, and Anchorage workers are by far the largest share of oil industry workers on the North Slope.

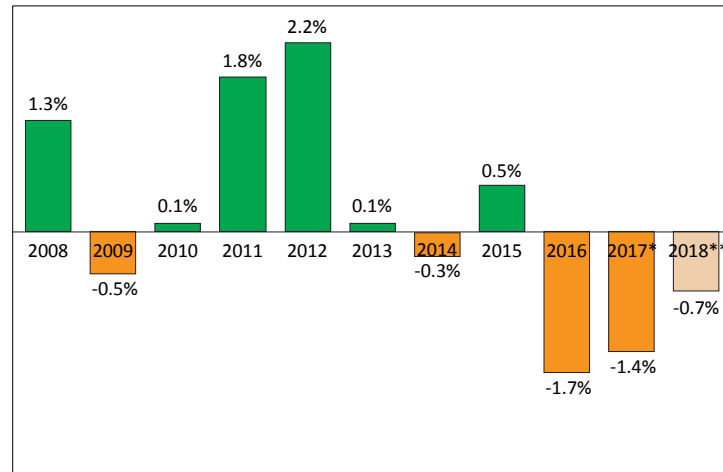
Employment at Prudhoe Bay peaked at 13,845 in March 2015, but by September 2017 it had fallen by 4,600 and hit a 10-year low.

After two years of big job losses, several mitigating factors suggest oil and gas jobs based in Anchorage

1

Anchorage Job Losses to Slow Down

PERCENT CHANGE FROM PRIOR YEAR, 2008 TO 2018



*Preliminary **Forecast

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

will level out in 2018. Nationally, oil industry employment began to recover in late 2016. Another favorable development is oil prices, which have inched up past the \$60 dollar mark, which will help stabilize the industry. More exploration and maintenance are on the horizon for the North Slope this year, and oil production has increased for two years in a row and is forecasted to increase again in 2018. The recent discoveries by Caelus Energy Alaska and Armstrong Oil and Gas Company are also possible game changers, each with the longer-term potential to add hundreds of thousands of barrels daily to existing production.



Construction loses steam

The construction industry in Anchorage lost 400 jobs in 2017 and is forecasted to lose 300 more in 2018. The state's capital budget peaked at \$3.7 billion in 2013 and most of those legacy dollars have worked their way through the system. (See Exhibit 3.) Construction projects for schools, the university, and state government will be sparse.

Commercial building also appears scarce. No new

2

Anchorage Job Forecast by Industry

WAGE AND SALARY EMPLOYMENT, 2016 TO 2018

	2016 Monthly Average	2017 Monthly Average ¹	Chg 2016 to 2017	Percent Chg 2016 to 2017	2018 Monthly Average	Chg 2017 to 2018	Percent Chg 2017 to 2018
Total Nonfarm Employment ²	155,000	152,800	-2,200	-1.4%	151,800	-1,000	-0.7%
Natural Resources and Mining	3,000	2,700	-300	-10.0%	2,700	0	0%
Oil and Gas	2,900	2,600	-300	-10.3%	2,600	0	0%
Construction	7,500	7,100	-400	-5.3%	6,800	-300	-4.4%
Manufacturing	2,000	2,000	0	0%	2,000	0	0%
Wholesale Trade	4,800	4,700	-100	-2.1%	4,700	0	0%
Retail Trade	17,900	17,600	-300	-1.7%	17,300	-300	-1.7%
Transportation, Warehousing, and Utilities	11,000	11,000	0	0%	11,000	0	0%
Information	4,000	3,700	-300	-7.5%	3,700	0	0%
Financial Activities	7,500	7,400	-100	-1.3%	7,400	0	0%
Professional and Business Services	18,900	18,300	-600	-3.2%	18,000	-300	-1.7%
Educational ³ and Health Services	26,200	26,600	400	1.5%	27,100	500	1.8%
Health Care	20,000	20,800	800	4.0%	21,400	600	2.8%
Leisure and Hospitality	17,400	17,300	-100	-0.6%	17,100	-200	-1.2%
Other Services	5,700	5,700	0	0%	5,700	0	0%
Government	29,100	28,700	-400	-1.4%	28,300	-400	-1.4%
Federal ⁴	8,600	8,500	-100	-1.2%	8,300	-200	-2.4%
State ⁵	10,200	10,000	-200	-2.0%	9,900	-100	-1.0%
Local ⁶	10,300	10,200	-100	-1.0%	10,100	-100	-1.0%

¹Preliminary and adjusted estimates

²Excludes self-employed workers, fishermen, domestic workers, and unpaid family workers

³Private education only

⁴Excludes uniformed military

⁵Includes the University of Alaska

⁶Includes public schools and tribal government

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

large office or retail buildings are planned for this year and vacancy rates are climbing. A likely exception is hotel construction. One project broke ground in 2017 and preliminary groundwork is complete for two others, with construction likely this year.

The outlook for residential housing is more positive, with 453 new units permitted during the first 11 months of 2017 (mostly multi-family), compared to just 331 for the same period the year before. More growth is likely in 2018, although permitting will still be low by historical standards.

While Anchorage could stop losing jobs by year's end, regaining them will be a long road.

The outlook is also positive for highway and airport related construction, which are largely federally funded. Local contractors will eventually benefit from the half-billion dollars in construction tied to the upcoming arrival of two F-35s at Eielson Air Force Base near Fairbanks.

Professional service losses slow

The past two years have been a nightmare for professional and business services in Anchorage, which lost 2,000 jobs — the biggest hit among industries over the last two years.

Anchorage is state headquarters for professional and business services, which took a secondary blow from the oil and construction losses and the near-evaporation of mining exploration. The hardest-hit category was architectural, engineering, environmental, and other consulting services, which represents nearly half of the sector.

Losses are forecasted to slow in 2018 as commodity prices rebound, mining picks up, and oil activity stabilizes. Less construction will be the industry's weakest link in 2018. Like the economy as a whole, the part of the industry tied to legal, accounting,

computer, and other professional services will likely remain stable.

Strong U.S. economy boosts tourism

Demand in Anchorage's leisure and hospitality sector — which includes accommodations, food services, arts, entertainment, and recreation — depends on both local consumption and, to a lesser degree, tourism.

Weaker local demand led to slight job loss in 2017, made up of minor gains in accommodations and small losses in food services. The forecast for 2018 is similar, with local demand remaining weak and stronger visitor demand giving the industry a boost.

Employment in food services and drinking places, which represents two-thirds of the industry, is forecasted to continue to lose ground in 2018 and drive overall loss. A down market doesn't mean no new establishments will open, though, as restaurants and bars are always coming and going. A new Starbucks, a Dave and Busters, and a third Fire Island Bakery will open in 2018, with additional newcomers likely.

The outlook for the visitor side of the industry is mostly positive. The state recession has taken its toll on corporate, government, and group travel, but the slice tied to tourism has been strong and is expected to be even better this year.

Bed taxes collected for the first three quarters of 2017 were up 3 percent, and this is a conservative number because Airbnb didn't begin paying bed taxes in Anchorage until August. And as mentioned above, at least one new hotel will open this year and construction will begin on at least two others.

Finally, the national economy is strong and growing, which will generate more convention and visitor traffic. The industry projects an increase in cruise ship passengers in Southcentral and an increase in all visitor traffic in 2018.

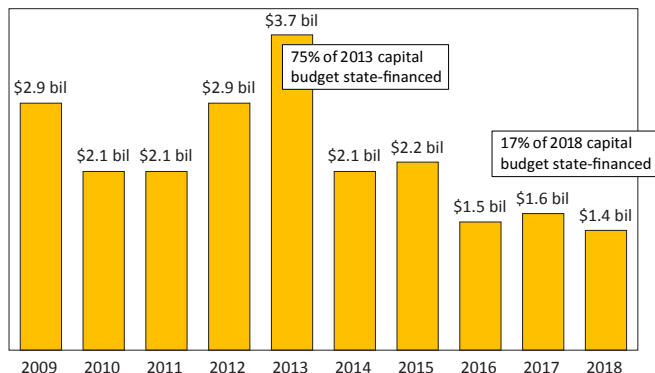
Finance sector remarkably stable

A big driver in the financial sector is real estate and all the businesses connected to it, including mortgage and title companies, banks and credit unions, and insurance and property management.

Alaskans have paid close attention to banking and

3 Dwindling Capital Budgets

STATE OF ALASKA, 2009 TO 2018



Source: Alaska Division of Legislative Finance

housing in the current recession because of the devastation these sustained in the 1980s recession. Many economic observers expected real estate to crash again, but that hasn't happened.

Home sales were down just slightly through September 2017 to 2,839, compared to 2,905 in the first nine months of 2016. Prices were largely unchanged and inventory declined somewhat. Foreclosures haven't increased, either.

Anchorage rental vacancies increased from 3.8 percent in 2016 to 5.1 percent in 2017, a trend that's expected to continue as the city adds modest amounts of new housing while its population level changes little.

Low interest rates remain a big plus for most of this industry — something to watch as they inch up.

Health care keeps growing

For decades, health care has usually generated the largest number of new jobs in Anchorage, including in 2017. Some of the 800 jobs the industry added last year were due to Medicaid expansion. Without that boost in 2018, health care is forecasted to grow, but more modestly.

The larger educational and health services category will grow more slowly than health care alone because it includes private social assistance, whose employment fell 11 percent in 2017. Social assistance represents many of Anchorage's nonprofit

social service providers. Due to tight state funding and fewer donations, its 2018 outlook is soft.

The perfect storm for retail

Anchorage retail employment didn't grow much over the past decade, and retail lost 600 jobs over the last two years. Given the negative environment, it's surprising losses weren't larger.

Retail has declined during the current recession due to less money flowing through the economy and lower consumer confidence. Retail is also fighting an epic battle with the Amazons of the world, both in Anchorage and nationwide. It's impossible to know which of these downward forces plays the biggest role in local retail losses, but it's certain that both will carry into 2018.

Marijuana dispensaries have been a minor boost for retail. By fall 2017, 14 new marijuana retailers had opened in Anchorage, with more planned in 2018.

No big changes for government

Anchorage's federal employment levels are forecasted to erode again in 2018. The Trump administration has announced significant cuts to a number of civilian agencies, including the Department of Interior, the state's second largest federal employer. Planned

increases for the Veterans Administration will offset some of those losses. Civilian employment in the military (which represents just shy of a third of civilian federal employment) is expected to hold steady, and so is the uniformed military.

State government employment began to drop in 2015. State government includes the University of Alaska Anchorage, and nearly a quarter of state government employment in Anchorage is tied to UAA. By 2017, state government had lost 800 jobs, or 7 percent. For 2018, modest losses are forecasted across all of Anchorage's state government.

Local government, which includes tribal government and public schools, added jobs early in 2017 and then lost some to end the year nearly even. The Anchorage School District represents nearly 72 percent of local government and the rest is the Municipality of Anchorage.

Local government employment is forecasted to decrease slightly in 2018. Much of the municipality's 2017 increase came from the large recruitment of new police officers early in the year, which is now complete. School district employment is forecasted to remain stable or dip slightly with this year's small enrollment decline.

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