

A person is silhouetted against a sunset over a coastal town and mountains. The person is standing on a rocky outcrop, looking out over a large body of water with many small islands. In the distance, there are mountains, including a prominent snow-capped peak. The sky is filled with soft, wispy clouds, and the sun is low on the horizon, creating a bright glow over the water.

ALASKA ECONOMIC
TRENDS

May 2004

**Employment Outlook
2004-2005**

Alaska Department of Labor
and Workforce Development

Frank H. Murkowski
Governor of Alaska

ALASKA ECONOMIC TRENDS

**May 2004
Volume 24
Number 5**

<http://almis.labor.state.ak.us>

ISSN 0160-3345

**Frank H. Murkowski, Governor of Alaska
Greg O'Claray, Commissioner of Labor
and Workforce Development**

Alaska Economic Trends is a monthly publication dealing with a variety of economic-related issues in the state.

Alaska Economic Trends is funded by the Employment Security Division and published by the Department of Labor and Workforce Development, P.O. Box 21149, Juneau, Alaska 99802-1149.

Printed and distributed by Assets, Inc., a vocational training and employment program, at a cost of \$1.29 per copy.

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Cover photo by Matt Goff
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Joanne Erskine, Editor

Cover design by Sam Dapcevich

Email *Trends* authors at: trends@labor.state.ak.us

May *Trends* authors are staff with the Research and Analysis Section, Administrative Services Division, Department of Labor and Workforce Development.

**Subscriptions:
trends@labor.state.ak.us
(907) 465-4500**

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Employment Outlook

by Dan Robinson, Neal Fried,
Brigitta Windisch-Cole, and
Neal Gilbertsen, Economists

Modest employment growth is the outlook for urban regions of the state for 2004 and 2005

STATEWIDE by Dan Robinson

GROWTH FOR TWO MORE YEARS

Alaska has produced job growth for sixteen consecutive years, and is expected to add two more years to the streak in 2004 and 2005. (See Exhibits 1 and 2.) Growth rates of roughly two percent from 2000 to 2002 slowed to 1.5 percent in 2003 and are expected to remain near that level for the next two years.

The sector of the economy most responsible for the slower growth is government. In 2002, 1,800 government jobs were created, a number that fell to 1,000 in 2003 despite 400 new federal airport security jobs. For 2004 and 2005, no further growth is expected from the federal government, and the state's budget deficit will most likely reduce the number of state government jobs. Local government is expected to grow, but at a rate well below the general job market.

Natural resources & mining: oil employment will fall a little more

Employment in the oil and gas industry fell by 800 jobs in 2003, a nine percent drop. It was the second straight year of substantial declines, mostly due to completion of the construction of the large Alpine and Northstar fields.

The 2004 forecast calls for a slight additional decline followed by a small increase in 2005. The

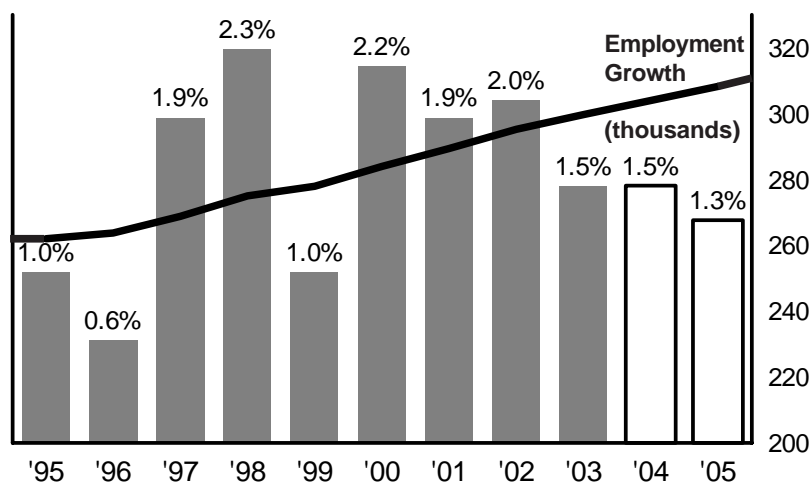
last few years have demonstrated that high oil prices have little short-term impact on exploration and development activity. On the positive side, the dominant share of U.S. oil reserves that Alaska possesses will support an oil industry in the state for the foreseeable future. The major oil companies, however, are investing most of their exploration capital elsewhere in the world, looking for the next Prudhoe Bay.

Smaller, independent companies are filling the void, however, and they may be able to move more quickly to develop smaller prospects. The state is encouraging new exploration activity with tax credits and will offer oil and gas leases in Bristol Bay and the Alaska Peninsula area in 2005.

Coloring the background of any Alaska oil and gas discussion is the prospect of a natural gas pipeline

Statewide Forecast 2004-2005

Percent employment change from previous year



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

from the North Slope. Negotiations have no impact on the job market, and construction on a pipeline would not begin for several years. However, if the project moves forward it will energize the industry. Exploration of areas believed to contain further gas reserves could accelerate, and development projects might become more urgent since pipeline construction will consume much of the available workforce once it commences.

Elsewhere in the natural resources & mining sector, small gains in the healthy metal mining industry are expected to offset losses in logging. New mines being developed include the Pogo outside Fairbanks, Donlin Creek in Southwest Alaska, and the Rock Creek project at Nome. The Kensington mine near Juneau may begin development in 2004 but any major employment impact would likely come in 2005 or beyond. Much of the employment boost from these projects

will be classified in the construction industry until production begins. Once in production the mines are expected to add several hundred jobs to the state's economy.

Construction growth continues

The state added another 900 construction jobs in 2003, continuing a string of impressive growth years for the industry. Based largely on the number of announced public projects, and those already under way, the growth is forecast to continue through 2004, though at a slower rate. Absent new developments, 2005 will likely see a moderation of growth.

After a particularly strong 2003, the residential construction market is expected to slow somewhat in both Anchorage and the Mat-Su Borough. Interest rates show signs of inching up after being at record low levels, although they are expected to remain low enough to motivate residential builders.

2 Statewide Forecast 2004-2005 By industry

	2002 Annual Average ⁴	2003 Annual Average ⁴	Absolute Change 02-03	Percent Change 02-03	2004 Forecast	Absolute Change 03-04	Percent Change 03-04	2005 Forecast	Absolute Change 04-05	Percent Change 04-05
Total Nonfarm Wage and Salary ¹	295,100	299,600	4,500	1.5%	304,000	4,400	1.5%	308,100	4,100	1.3%
Goods-Producing ²	38,100	38,600	500	1.3%	39,300	700	1.8%	39,800	500	1.3%
Service-Providing ³	256,900	261,000	4,100	1.6%	264,700	3,700	1.4%	268,300	3,600	1.4%
Natural Resources & Mining	11,000	10,200	-800	-7.3%	10,100	-100	-1.0%	10,200	100	1.0%
Oil & Gas Extraction	8,900	8,100	-800	-9.0%	8,000	-100	-1.2%	8,100	100	1.3%
Construction	15,800	16,700	900	5.7%	17,400	700	4.2%	17,800	400	2.3%
Manufacturing	11,300	11,700	400	3.5%	11,800	100	0.9%	11,800	0	0.0%
Seafood Processing	7,600	8,000	400	5.3%	8,100	100	1.3%	8,100	0	0.0%
Trade/Transportation/Utilities	61,200	61,100	-100	-0.2%	61,700	600	1.0%	62,300	600	1.0%
Wholesale Trade	6,200	6,100	-100	-1.6%	6,100	0	0.0%	6,100	0	0.0%
Retail Trade	33,900	34,100	200	0.6%	34,700	600	1.8%	35,200	500	1.4%
Trans/Warehouse/Utilities	21,100	20,800	-300	-1.4%	20,800	0	0.0%	20,900	100	0.5%
Information	7,100	6,900	-200	-2.8%	6,900	0	0.0%	6,900	0	0.0%
Financial Activities	13,800	14,400	600	4.3%	14,700	300	2.1%	14,900	200	1.4%
Professional & Business Services	22,700	23,100	400	1.8%	23,400	300	1.3%	23,700	300	1.3%
Educational & Health Services	30,600	32,900	2,300	7.5%	34,700	1,800	5.5%	36,200	1,500	4.3%
Leisure & Hospitality	29,400	29,700	300	1.0%	30,300	600	2.0%	30,900	600	2.0%
Other Services	11,800	11,300	-500	-4.2%	11,300	0	0.0%	11,400	100	0.9%
Government	80,600	81,600	1,000	1.2%	81,700	100	0.1%	82,000	300	0.4%
Federal Government	16,800	17,200	400	2.4%	17,200	0	0.0%	17,200	0	0.0%
State Government	23,800	24,100	300	1.3%	23,900	-200	-0.8%	23,800	-100	-0.4%
Local Government	40,000	40,200	200	0.5%	40,600	400	1.0%	41,000	400	1.0%

¹ Subtotals may not add due to rounding.

² Goods-producing sectors include: Natural Resources & Mining; Construction; and Manufacturing.

³ Service-providing sectors include: Trade, Transportation & Utilities; Information; Financial Activities; Professional & Business Services; Educational & Health Services; Leisure & Hospitality; Other Services; and Government.

⁴ CES March 2003 Benchmark

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

Fairbanks' residential construction will get a boost from the influx of about 1,200 Stryker Brigade troops and their families. The January activation of the Missile Defense Space Battalion at Fort Greeley will bring additional housing demands as will the development of several interior mines.

On the commercial side, both Anchorage and Fairbanks will see healthy activity that mirrors those cities' general economic well-being. The Mat-Su Borough, which has been booming over the last few years, will get another boost when construction starts on a new hospital in 2004.

Public construction projects, most of them funded by the federal government, will continue to pour money and jobs into the state during 2004 and then slow somewhat in 2005 and beyond. Every major military base in Anchorage and Fairbanks has large new projects underway or scheduled. Between the housing demands created by the deployment of the Stryker Brigade, construction of the new Bassett military hospital at Fort Wainwright, and construction of new housing, hangars and other facilities at the Anchorage bases, the construction industry will benefit from military spending.

Additional demand for construction workers will come from highway construction, capital projects funded by the Denali Commission, and scheduled work on the Alaska Railroad. Also in 2004, and to a lesser extent, 2005, schools will be built or renovated in Eagle River, Kenai, Mat-Su, and Juneau, although the Juneau project is under review and construction may be delayed.

Manufacturing up second year in a row

After seven straight years of employment losses, the seafood processing industry added jobs in 2003. The 173.3 million salmon harvest in 2003 was the seventh largest catch in the last 100 years. Another larger than average run is expected in 2004, and if there is sufficient processor capacity to handle it, a small additional employment increase is expected.

Low per-pound salmon prices have led to the closure over the last few years of a number of salmon processing plants which have been unable to make a profit despite the plentiful supply of fish.

To regulate the flow of fish to processors, the State Board of Fisheries has expanded the legal fishing area in Bristol Bay and will let fishermen start earlier in June so that the main run in early July doesn't overwhelm processors. Because employment numbers published in *Alaska Economic Trends* include processors but not the fishermen themselves, any increase in jobs is likely to be temporary until prices rise. The trend among processors has been towards contraction rather than expansion and only the prospect of higher prices is likely to reverse it.

Trade, transportation & utilities will show a net increase

More than one-fifth of the state's wage and salary jobs are counted in this sector. The largest industry is retail trade, which managed to add 200 jobs in 2003 despite losing more than 600 when Kmart closed its Alaska stores. Over the last decade retail trade has grown at an average rate of 1.2 percent a year. The trend is expected to continue through the forecast period, with 2004 being the stronger year. The largest single increase may come from the new Wal-Mart in Fairbanks, where a number of other new stores are also scheduled to open in 2004. Anchorage will have fewer store openings in 2004 than the last few years but the Mat-Su Borough will continue to attract national chains as its population and economy grow.

After noticeable reductions in 2003, the air transportation industry is expected to see more declines in 2004 before bouncing back in 2005. Forecasts call for a strong visitor season in 2004, which means more activity at the state's airports, but a change in federal law covering rural mail delivery is expected to hurt some small carriers, especially in the Interior. For its part, Alaska's utility industry is relatively small and remarkably stable; no significant changes are forecast for the next two years.

Information sector probably stable

This sector lost 200 jobs in 2003, mostly due to an industry classification change (jobs were moved to a different category.) A loss of this type is unlikely to be repeated in 2004 or 2005. Although the telecommunications industry, which makes

up the majority of this sector, has maintained a relatively stable job count in recent years, fierce competition and rapidly changing technology could cause either layoffs or sudden growth.

Financial sector will sustain growth

Financial activities saw brisk growth in 2003, adding 600 jobs for an annual growth rate of 4.3 percent. It was a good year for banks and credit unions with low interest rates and strong incentives to refinance home mortgages. The state also added jobs in the insurance and real estate industries. With strong construction activity expected in 2004, and interest rates likely to remain low by historical standards, moderate growth should continue for the next two years.

Professional & business services

Growth in 2003 came primarily from architectural and engineering firms and from consultants specializing in management, scientific, and technical services. Much of the growth appears to be connected to the booming construction activity of the last several years and can be expected to continue until that cycle exhausts itself. Legal and accounting services are also part of this sector but employment in those two areas fell in 2003. This sector is expected to generate 300 more jobs in both 2004 and 2005.

Growth in ed & health services may slow

Since 2001, Alaska has added 5,000 jobs in this sector, the dominant share coming from the health care industry. The two-year growth rate of 11 percent is nearly double the six percent national growth rate over the same period. One explanation for the growth has been that more Alaska providers are meeting demand formerly met by out-of-state specialists and facilities. Some of the growth has also resulted from reclassification of public health care providers to private.

Industry watchers have wondered for several years how long the current rate of expansion can continue, the assumption being that growth rates in the range of 2003's 7.5 percent are not sustainable. This forecast calls for growth to slow in 2004 and 2005, adding a total of 3,400 jobs over the forecast period.

Leisure & hospitality sector to benefit from strong visitor interest

After a mediocre year in 2003, early signs suggest that 2004 may be a strong year for Alaska's visitor industry. Cruise ship bookings and reservations on the Alaska Marine Highway system are both up substantially. A weaker dollar against European and Asian currencies will encourage foreign visitors to vacation in the U.S. As noted in the Anchorage forecast, new and expanded hotels will meet the growing demand for accommodations.

About 1,000 jobs have been added in restaurants and drinking places over the last two years and that growth trend is expected to continue over the next two years. National restaurant chains have shown considerable interest in Anchorage recently and more openings are on the immediate horizon.

Little government growth expected

The 400 federal jobs added in 2003 were mostly due to the federalization of airport security, a one-time phenomenon. Little change is expected over the next two years. Alaska's federal government numbers do not include the uniformed military, which as discussed above, is adding to its Alaska-stationed forces.

State government employment is more difficult to forecast. Since 1990, the number of state workers has grown by about 2,600 persons, an average annual increase of a modest nine-tenths of a percent. The growth has not been in consistent increments, however. In five of the thirteen years since 1990 state government employment has either fallen or been flat. Most of those years were in the mid-1990s when low oil prices put pressure on both state and local budgets.

The current budget crunch is related to declining oil revenues and a dwindling Constitutional Budget Reserve. Until the deficit is closed there will be substantial pressure to reduce spending, making employment gains unlikely. The one possible exception is the University of Alaska system, which accounted for all 300 of the new jobs added to state government in 2003. Although the budget will also be tight for the University system, a growing consensus agrees that educating and

retaining a higher percentage of Alaska's high school graduates is in the state's interest, and more funding might be available for the cause.

Local government budgets are also tight, and have been for years. Half of 2003's gain of 200 jobs came from local schools, which are expected to add a small number again over the next two years. Tribal government employment, which is counted under local government, also grew in 2003, and the forecast calls for growth of 100 to 200 jobs over the next two years. As for municipal governments, their job count fell by 200 in 2003, but is expected to remain largely unchanged over the forecast period.

ANCHORAGE by Neal Fried

GROWTH TO ROLL ONWARD

Anchorage has now enjoyed 15 years of uninterrupted employment growth. It is easy to assume "more of the same" for at least the next two years, and this is largely what this forecast concludes. (See Exhibits 3 and 4.) However, this is not taking history as an unquestioned predictor of the future. After looking at the city's economic fundamentals and at each industry separately, the plusses are found to outweigh the minuses, signaling employment growth for both 2004 and 2005. Growth in health care, the continued influx of federal dollars, above average oil prices, a better outlook for the state's visitor sector, along with strong construction activity, should keep Anchorage's economy operating in the black. And if movement toward a natural gas pipeline picks up, this too could provide stimulation. The biggest known uncertainty is state government's fiscal picture. For the forecast period, only moderate cuts are assumed.

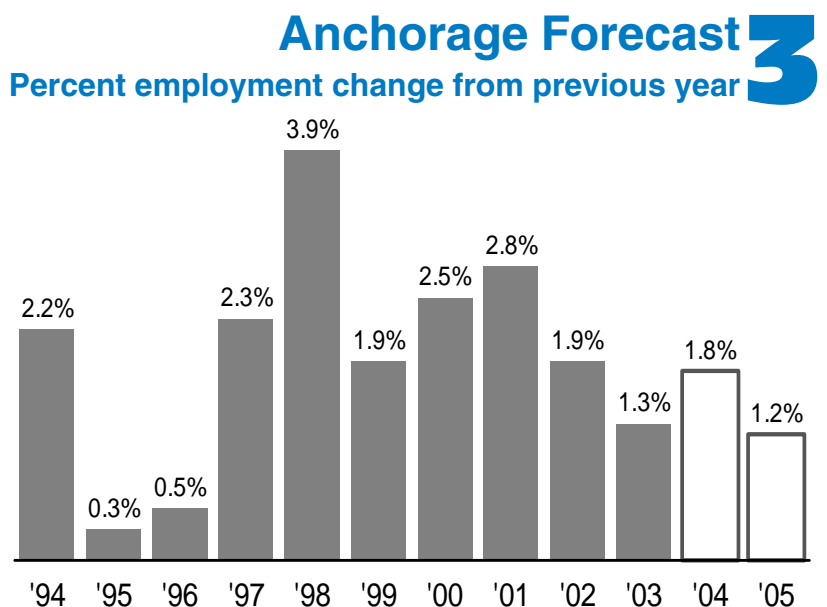
Stability in oil industry

One of the anomalies of the past three years is that despite oil prices at high levels, employment fell during 2002 and 2003. Although the Department of Revenue forecasts above average oil prices for

the next two years, employment during the same period is assumed to remain relatively stable. Exploration and maintenance related activities planned for the North Slope are at par with the past two years. One of the larger projects will be undertaken by Conoco-Phillips, which plans to begin developing several satellite fields around the Alpine field in late 2004. During the first two winters approximately 500 oil field service workers will be assigned to this project. Exploration in the National Petroleum Reserve-Alaska continues. Another positive is the growing number of independents entering the market, with most of them setting up headquarters in Anchorage. This, along with new financial incentives, could eventually lead to an upturn in activity and employment.

Public construction to lead the way again

The projects que appears to be long enough to insure healthy levels of construction in Anchorage over the next two years. Low interest rates, massive federal spending, a respectable level of commercial and residential work, and strong school related activity should keep the industry busy. With much of the state's construction industry headquartered in Anchorage, contractors will continue to benefit greatly from strong activity in the Interior, the Mat-Su Borough, the Kenai Peninsula and elsewhere around the state. The industry's main weakness is work related to oil, which appears sluggish during the forecast period.



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

Publicly funded projects will lead the way during the next two years. Anchorage's single largest public construction project of the past three years, the \$300 million-plus expansion of the Ted Stevens International Airport, will be completed by June of 2004, but additional runway work, new aprons and other concourse work will keep it a busy construction site. Construction of the new \$41 million Alaska Psychiatric Institute that began in late 2003 will continue through early 2005. The Port of Anchorage will begin work in 2005 on rail and road realignment, valued at \$22 plus million.

Although military construction for the next two years will be centered in the Interior, both Fort Richardson and Elmendorf Air Force Base will be home to a number of larger projects. Some of this activity is tied to the new Stryker Brigade. For example, 89 new officer and senior enlisted family housing units will be put out to bid in 2004 for Fort Richardson along with two sets of new barracks for unaccompanied personnel. Other sizeable projects include training ranges, maintenance shops, major renovations to a fitness center and the construction of a flight simulator.

School construction will reign again in 2004 and 2005. Voters approved \$167 million of school bonds in 2003 (\$70 million more than 2002) and in April of 2004 voters approved another \$36.4 million. The single largest project is construction of the new Eagle River High School, which began in late 2003 and will continue through 2005. Major renovation and expansion will take place at Bartlett, Chugiak, East, and Service high schools. Major renovations will take place at Polaris K-12, Wendler Middle School, Chugach Optional, and Ptarmigan Elementary schools. Another sizeable project will include the demolition of the old Dimond High School.

Highway construction in 2004 is expected to back off just a bit from 2003's near record year in Southcentral Alaska. The level of 2005 activity is less certain because, as of this writing, the new highway reauthorization legislation is working its way through Congress. At any of the spending levels under consideration, construction activity would increase. If no legislation is adopted, current spending levels will continue in 2005.

Some of the larger local projects in the \$20 million plus range include the widening of C Street to four lanes and continued work on the massive Glenn-Parks Highway interchange.

Last year's commercial action was led by a boomlet in hotel construction, which will carry through part of 2004. Most of the new commercial activity will be tied to small to medium sized office construction, although the construction of one more hotel is a possibility. Some of these projects include new buildings for Credit Union 1, Residential Mortgage, Alaska USA Financial Center, and Calais Properties. EERO Volkswagen is moving into the old Carrs on Dimond Blvd. and Baileys' Furniture is building a 120,000 square foot building on the corner of C Street and International Airport Road. New small retail spaces will be built or refurbished for a list of players such as Krispy Kreme, Starbucks, and other restaurants. Two new Catholic churches will be built and Providence Hospital plans to build a new parking garage and medical office building.

In 2003, the city issued \$390 million worth of residential permits, the highest sum since the mid-1980s. There is little doubt low interest rates have helped fuel this upswing in residential activity—in fact more permits were issued for multifamily housing than single family homes in 2003. Most observers believe 2004's level should not stray far from last year's and that activity will continue to be concentrated in multi-family construction.

A better year for transportation?

With a better visitor season in the offing and a continued positive outlook for international air cargo, transportation should lose no more ground in 2004 and possibly experience some upturn in 2005. Although none of the big cargo carriers is planning major expansions soon, they are predicting three to five percent increases in international cargo landings, that should eventually lead to new hiring activity. New international cargo transit regulations passed by Congress could lead to some important advantages for Anchorage during the next two years. The passenger side of

the business also has positive developments. Low cost carriers Frontier Airlines and America West are entering the Anchorage market with direct flights to Denver and Phoenix respectively, and Minneapolis based carrier Sun Country Airlines is doubling its number of summer flights this year. The number of Japanese charters will double to 24 in 2004. Cathay Pacific, which rerouted their international transit passenger flights away from Anchorage in 2003 because of security problems, is re-entering the Anchorage market in 2004.

If the number of visitors does indeed grow, this should benefit the industry's ground transportation segment. Another strong construction season should help keep the trucking industry busy. Transportation will take a hit when the state's largest oil transporter, Alyeska Pipeline Service Company, cuts their staff by 175, partly from their Anchorage operations.

Modest growth in retail trade

2004 may be one of the few years of the past decade with no new big box stores slated to open doors in Anchorage. Last year both Carrs/Safeway and Fred Meyer in Eagle River opened new stores, but a big share of those employment gains was erased with the closure of the two Kmart. The largest new retailer to open in Anchorage will be the new Sportsman's Warehouse. It opened in February 2004 in part of the old Kmart store on Dimond, with a workforce of approximately 82. Also planning to co-locate in the same building are a Pet Co. and Goldrush Liquors warehouse. Bailey's Furniture is building a new store in south Anchorage, and the national retailers Journey's and Abercrombie & Fitch opened in late 2003, which means most of these employment gains will be counted in 2004. A number of other medium and smaller retailers have plans to enter this increasingly competitive retail market over the next two years.

Anchorage Forecast **4** By industry

	2002 Annual Average ³	2003 Annual Average	Absolute Change 02-03	Percent Change 02-03	Forecast 2004 Annual Average	Forecast Absolute Change 03-04	Forecast Percent Change 03-04	Forecast 2005 Annual Average	Forecast Absolute Change 04-05	Forecast Percent Change 04-05
Total Nonfarm Wage & Salary ¹	140,800	142,600	1,800	1.3%	145,200	2,600	1.8%	146,900	1,800	1.2%
Goods Producing ²	12,700	12,500	-200	-1.6%	12,700	200	1.6%	12,700	0	0.0%
Service Providing ³	128,100	130,100	2,000	1.6%	132,500	2,400	1.8%	134,200	1,800	1.3%
Natural Resources & Mining	2,800	2,200	-600	-21.4%	2,200	0	0.0%	2,200	0	0.0%
Oil & Gas Extraction	2,600	2,000	-600	-23.1%	2,000	0	0.0%	2,000	0	0.0%
Construction	8,100	8,500	400	4.9%	8,700	200	2.3%	8,700	0	0.0%
Manufacturing	1,800	1,800	0	0.0%	1,800	0	0.0%	1,800	0	0.0%
Trade, Transportation, Util	33,100	33,000	-100	-0.3%	33,300	300	0.9%	33,900	600	1.8%
Wholesale Trade	4,600	4,600	0	0.0%	4,600	0	0.0%	4,600	0	0.0%
Retail Trade	17,300	17,500	200	1.2%	17,800	300	1.7%	18,100	300	1.7%
Trans, Warehousing, Util	11,200	10,900	-300	-2.7%	10,900	0	0.0%	11,200	300	2.7%
Information	4,700	4,600	-100	-2.1%	4,600	0	0.0%	4,600	0	0.0%
Financial Activities	8,400	8,800	400	4.8%	9,000	200	2.2%	9,100	100	1.1%
Prof. & Business Services	16,100	16,000	-100	-0.6%	16,200	200	1.2%	16,500	300	1.8%
Ed and Health Services	16,100	17,300	1,200	7.5%	18,300	1,000	5.5%	19,200	900	4.7%
Leisure and Hospitality	14,500	14,600	100	0.7%	14,900	300	2.0%	15,200	300	2.0%
Other Services	5,700	5,700	0	0.0%	5,800	100	1.7%	5,900	100	1.7%
Government	29,600	30,100	500	1.7%	30,400	300	1.0%	29,800	-500	-2.0%
Federal	9,600	9,800	200	2.1%	9,800	0	0.0%	9,700	-100	-1.0%
State	9,500	9,600	100	1.1%	9,500	-100	-1.1%	9,300	-200	-2.2%
Local	10,500	10,700	200	1.9%	10,800	100	0.9%	10,800	-100	0.0%

¹ Subtotals may not add due to rounding.

² Goods-producing sectors include: Natural Resources & Mining; Construction; and Manufacturing.

³ Service-providing sectors include: Trade, Transportation & Utilities; Information; Financial Activities; Professional & Business Services; Educational & Health Services; Leisure & Hospitality; Other Services; and Government.

⁴ CES March 2003 Benchmark

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

Telecommunications will be the question for the information industry

Telecommunications and the media are the biggest players in this sector. Media is not likely to move much during the forecast period, but given the competitive nature of the telecommunications industry, changes could be significant. In recent years the industry has been surprisingly stable, but this might not continue.

Will visitor industry get a nice bounce?

After two soft visitor seasons, the next two years are looking better. Economic fundamentals are sound, with September 11th further behind, an improving national economy, a weak dollar, and more local capacity. Early bookings look strong. The North West Cruise Ship Association predicts that passenger counts in 2004 will climb by nine percent. Another large operator reported bookings up by 15 percent. The Anchorage Convention and Visitor Bureau predicts strong convention bookings for the next two years. Early national indicators show the domestic tourism industry in expansion mode, and the weak dollar should look attractive to foreign visitors. With its new capacity Anchorage is certainly ready. Three new hotels opened in 2003 and four more hotels are slated to open this year. Combined, these four hotels, Aspen Suites Hotel, Homewood Suites-Hilton, Fairfield Inn, and Motel 6, will add 447 rooms to Anchorage's capacity.

One longer term concern for Anchorage's hotel trade and other beneficiaries of the visitor industry, particularly in light of the city's growing hotel capacity, is the trend for more cruise ship passengers to bypass Anchorage and move either directly to the airport or to other Alaska destinations. This possible gap could potentially be filled by more summer convention activity.

The sector most affected by visitors is leisure and hospitality. It includes accommodations, food services, and arts, entertainment and recreation. The workforce for the new hotels opening in 2004 will be approximately 100-125. Another

hotel is in the preliminary planning stage. Changing local demand will also influence leisure and hospitality activity. Some of these demands, particularly for food services, appear to be insatiable. For example, Starbucks has announced they will open two locations in Anchorage with a combined workforce of approximately 40, and Krispy Kreme donuts is also shopping around for two sites. TGI Friday's, with a workforce of 130, opened in late November 2003, which will mean these gains will carry through most of 2004. And when the new concourse C at the Ted Stevens International Airport opens in June this year, three or four new eating and drinking places will open with it. Indicators are also strong that at least one and possibly two other full service restaurants plan to enter the market. The closure of seven Anchorage Burger King restaurants dampened growth, but at least three of them are slated to reopen this spring.

Services rides high on health care

In 2003, health care generated half of the new jobs in Anchorage's economy and in almost all previous years it was a major contributor to local workforce growth. Can this trend continue? This forecast assumes the industry will grow for the next two years—but at a slower rate. Privatization of the Alaska Native Health Center continues to be a factor in this industry's growth. The Native Health Center's largest players, the Alaska Native Health Consortium and Southcentral Foundation, both expect their employee numbers to climb as patient demand and services offered continue to grow. Neither Providence Hospital nor Alaska Regional plans to change the size of its workforce much, but other segments of the health care industry do. Gains in the ambulatory health care area, which includes medical clinics of all kinds, doctors' and other health practitioners' offices, medical laboratories and other outpatient care should also help keep health care employment in expansion mode. Factors such as cutbacks in Medicare, Medicaid, cost-containment strategies, and the growing number of uninsured could eventually slow or reverse this juggernaut, but not within this forecast horizon.

Professional and business services should grow with the economy

Healthy levels of construction activity will help keep professional and business services in the black, since architectural and engineering services is an important slice of this sector. Legal, accounting, computer and other professional services should continue to expand gradually with the rest of the economy.

Real estate should help keep financial activities positive

Low interest rates and a healthy real estate market should mean employment in financial activities will continue to inch up. An indicator of current strength is that many financial institutions are building new headquarters and branches.

Public sector a mixed story

During the next two years total public sector civilian employment is projected to drift downwards. At the federal level, employment should remain relatively stable. Uniformed military numbers will climb by 600 to 700 in early 2004 with the coming of the new Stryker Brigade to Fort Richardson. Although these numbers are relatively small, they are significant. It will be the first time in over a decade that the number of uniformed military personnel has climbed in Anchorage. Typically there would be accompanying growth in civil service personnel but apparently this is not going to happen with the new brigade.

The jobs picture for state government is less clear—particularly in 2005. In 2004 losses of 200 to 300 are forecast in general government. University related employment is expected to remain stable. Job losses in 2005 could be considerably larger but their size is unpredictable at this point. The employee count for local government is likely to change little over the next two years. The school district is forecasting only a very small decline in enrollment, which will probably mean fairly stable employment. At the city level the story is similar.

FAIRBANKS by Brigitta Windisch-Cole

ANOTHER LAYER OF STRENGTH

Continued economic growth is forecast for the Fairbanks economy for the next two years. Wage and salary employment should increase by 850 jobs in 2004 and 400 jobs in 2005. The growth rate is expected to accelerate to 2.7 percent in 2004 and taper off to 1.1 percent in 2005. (See Exhibits 5 and 6.) This will extend Fairbanks' growth record to an impressive seventeen years! Over the forecast period, construction will set the foundation to support a widespread labor market expansion. Retail and a variety of services industries will benefit from the encouraging economic climate that has been developing. The military's projected move of two Stryker Brigade battalions to Fort Wainwright will introduce new population to Fairbanks, increasing local demand for goods and services.

Construction will play a key role

Construction activity will increase in 2004 and remain robust in 2005. The alignment of large public and private sector projects signals two banner seasons for Fairbanks. These could be the two biggest construction seasons in 18 years, with industry employment nearing its peak of 1983-1985.

Military related construction will provide the major impetus. A series of large carry-over projects will reach their peak or be completed this year. Among them is Bassett Hospital, a \$178 million project that will remain the industry's centerpiece in Fairbanks. Near Delta Junction, construction will continue on Fort Greely's missile defense project.

On Eielson Air Force Base, carry-over projects amount to approximately \$60 million and start-ups could range between \$40 and \$80 million. On some projects the scope of construction has not yet been determined, but so far, the Army Corps of Engineers has awarded a \$14.5 million contract for a joint security forces complex. A hydrant fuel system and parking ramp, costing

between \$20 and \$40 million, will also be built. Other planned projects on Eielson Air Force Base include the construction of a 96-person dormitory.

Construction will be brisk on Fort Wainwright in preparation for the incoming Stryker Brigade. Several large projects carry over from the 2003 season. Strategic buildings, training areas and housing projects are on the 2004 construction schedule. The Corps of Engineers low cost estimate for all 2004 projects came in at \$100 million. In 2005, a large housing project will start on the fort. The base renewal plan for 2005 lists new construction of barracks, family housing, and upgrading of existing living quarters.

Other public sector construction will also contribute. The University of Alaska Fairbanks is managing a \$40 million building program. The museum expansion and a central animal facility are the largest projects on campus. The university and the North Star Borough will finish the Hutchison Career Center this year. At the beginning of 2004 approximately \$8 million worth of work remained. The borough will start construction on two schools, Nordale and Denali Elementary, at costs of around \$22 million. The Alaska Railroad has let a \$11 million contract for an inter-modal facility and depot. Public sponsored construction in Delta Junction should also impact Fairbanks builders. Plans exist for a new school, a post office, and a library.

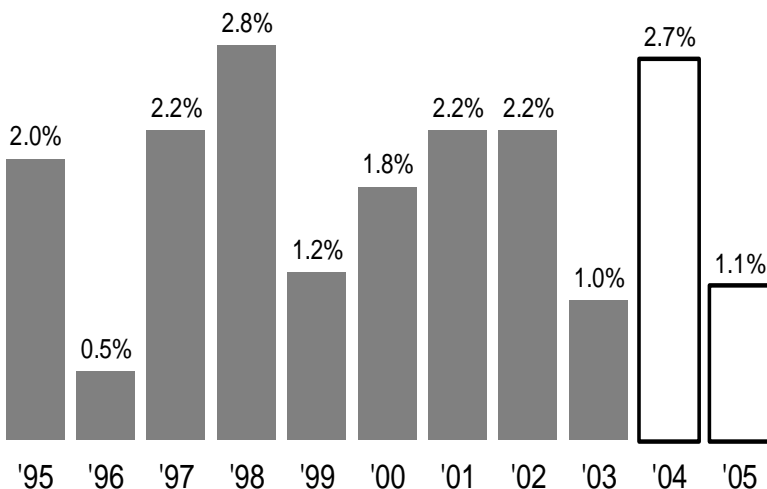
State-sponsored road and bridge renewal and building, airport upgrades, and facility repair and construction will be at about the same level as in 2003. Carry-over work from 2003 amounts to about \$47 million. In 2004, the Northern Region of the Department of Transportation and Public Facilities will let contracts on bridge/road construction that range roughly between \$78 and \$125 million; an earthquake repair phase could cost between \$15 and \$20 million; airport projects could run up \$90.5 million; and facility repair and building could approach \$11 million. Most of the new projects will last more than one season. Local builders also usually reap benefits from Interior construction that ranges from the Canadian border to the northern coastal area and from Valdez/Cordova to the North Slope.

On the commercial side several new construction projects will begin. Both Fred Meyer and Lowe's have announced they will build stores this year. The center of retail construction appears to be on or near Bentley Trust property. In other locations a new car dealership and a hotel expansion featuring cabins are being built, and two new bank branches are also on the schedule. The large carry-over projects from 2003 on the commercial side were the Wal-Mart store, the Westmark Hotel tower, and a restaurant. Tanana Chiefs, a local non-profit health and social assistance agency, has plans to build an Alaska Native visitor center in the honor of Morris Thompson. The largest private sector project outside of Fairbanks will be the Pogo Mine, a \$240 million project which will employ a few Fairbanks subcontractors. Another \$250 million project could start. Alyeska Pipeline Services Company intends to overhaul the pipeline monitoring system, which would put most of the pump stations out of service.

Residential construction has been on the rise for several years and this trend is likely to continue. Interest rates are expected to remain low, buoying the residential sector. According to Fairbanks realtors, housing has become a sellers market and hardly any pre-built inventory exists. Moreover, a shortage of lower-end and affordable housing has emerged. According to Fairbanks tradition most new residential housing will be custom built, but plans exist for a condominium complex in the vicinity of the Bentley Trust estate. Other multi-family complexes are possible.

5 Fairbanks Forecast 2004-2005

Percent employment change from previous year



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

Construction will dominate Fairbanks' employment scene in the next few years. If all projects come to fruition, a building boom will take place that will benefit not only Fairbanks builders, but construction firms from Anchorage and other places.

Retail recovery is just around the corner

Fairbanks' retail market has sagged since 1997. General merchandise was hit the hardest with frequent store closures. Now, a turnaround is in the offing. Retail employment is expected to grow with the opening of the new Wal-Mart store in 2004, and other smaller retailers lending a hand. Fred Meyer plans to build a large replacement store and Lowe's will debut in Fairbanks. The impact of these openings will be felt strongly in 2005. The Fairbanks retail market place is gaining variety at a fast pace and industry employment should increase by at least 400 jobs in the next two years.

The leisure and hospitality industry expects good seasons

Tourism has a major impact on the leisure and hospitality industry. Two years of uncertainty, the economic recession and shaken traveler confidence have demonstrated how heavily leisure and hospitality relies on visitors. Although Alaska's visitor industry was not as strongly impacted by the downturn as were other states, the slowdown was noticed by businesses that cater mainly to travelers. This year the outlook turned positive, when off-season reservations and pre-bookings of tour packages came in much stronger than in the past two years. This two-year forecast calls for a combined gain of 350 jobs in the industry.

The regained confidence in travel undoubtedly plays a big role in the recovery of tourism, but international exchange rates that favor foreign

Fairbanks Forecast 2004-2005 By industry



	2002 Annual Average	2003 Annual Average	Absolute Change 02-03	Percent Change 02-03	2004 Forecast	Absolute Change 03-04	Percent Change 03-04	2005 Forecast	Absolute Change 04-05	Percent Change 04-05
Total Nonfarm Wage & Salary ¹	35,450	35,800	350	1.0%	36,750	950	2.7%	37,150	400	1.1%
Goods-Producing ²	3,650	3,850	200	5.5%	4,150	300	7.8%	4,100	-50	-1.2%
Service-Providing ³	31,750	31,950	200	0.6%	32,600	650	2.0%	33,050	450	1.4%
Natural Resources & Mining	900	900	0	0.0%	950	50	5.6%	1,000	50	5.3%
Construction	2,250	2,450	200	8.9%	2,700	250	10.2%	2,600	-100	-3.7%
Manufacturing	500	500	0	0.0%	500	0	0.0%	500	0	0.0%
Trade, Transportation, Utilities	7,250	7,050	-200	-2.8%	7,150	100	1.4%	7,250	100	1.4%
Wholesale Trade	550	600	50	9.1%	600	0	0.0%	600	0	0.0%
Retail Trade	4,100	3,950	-150	-3.7%	4,200	250	6.3%	4,350	150	3.6%
Trans/Warehousing/Utilities	2,650	2,500	-150	-5.7%	2,350	-150	-6.0%	2,300	-50	-2.1%
Information	600	600	0	0.0%	600	0	0.0%	600	0	0.0%
Financial Activities	1,300	1,400	100	7.7%	1,450	50	3.6%	1,500	50	3.4%
Professional & Business Services	1,850	2,050	200	10.8%	2,100	50	2.4%	2,150	50	2.4%
Educational & Health Services	3,800	4,050	250	6.6%	4,150	100	2.5%	4,200	50	1.2%
Leisure & Hospitality	3,850	4,000	150	3.9%	4,200	200	5.0%	4,350	150	3.6%
Other Services	1,800	1,350	-450	-25.0%	1,400	50	3.7%	1,450	50	3.6%
Government	11,350	11,500	150	1.3%	11,550	50	0.4%	11,550	0	0.0%
Federal Government	3,300	3,350	50	1.5%	3,350	0	0.0%	3,350	0	0.0%
State Government	5,000	5,150	150	3.0%	5,200	50	1.0%	5,150	-50	-1.0%
Local Government	3,050	3,000	-50	-1.6%	3,000	0	0.0%	3,050	50	1.7%

¹ Subtotals may not add due to rounding

² Goods Producing sector includes Natural Resources & Mining, Construction & Manufacturing

³ Service Providing sector includes Trade, Transportation & Utilities; Information; Financial Activities; Professional & Business Services; Educational & Health Services; Leisure & Hospitality; Other Services; and Government

⁴ CES March 2003 Benchmark

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

currency over the dollar could direct travel decisions to domestic markets. For travelers from overseas a vacation in Alaska will become more affordable. The recovery of the U.S. economy and the stable political situation could attract travelers from the contiguous states. In addition to visitor demand, business travelers and construction workers will also be frequent patrons of restaurants and hotels.

Mail changes may close small air carriers

Positive forecasts for construction and the visitor industry usually lift transportation employment, but this year, job losses in airline-related industries are in the wind. New legislation regarding bypass and regular mail delivery took effect in November 2003. The regulation aims to achieve efficiency and provide more frequent passenger flights to bush communities, and should save the U.S. Postal Service about \$30 million per year in Alaska.

The legislation will particularly affect small single-engine aircraft carriers, which cannot provide adequate passenger service unless they substantially upgrade their airplanes. During the three-year phase-out period the contracted mail/freight volume of mail-only carriers will be greatly reduced, which will cut deeply into business profits. The current ruling awards 70 percent to qualified air passenger carriers; 20 percent goes to non-mail freight carriers; the remaining 10 percent will be distributed among all other carriers but will be phased out within three years. Industry experts predict the end of the commercial small and single engine aircraft fleet that has been kept afloat with the lucrative postal contracts. The impact on employment will be felt strongly in the vast Interior where small plane carriers have delivered the mail. The ruling could squeeze several small carriers out of business.

Employment gains in ground transportation that stem from trucking and tourist transportation will mask some job losses of the small airline industry. Alyeska Pipeline Service Company will also trim staff. Some job losses could occur in Fairbanks.

Natural resources and mining above par

Traditionally Fairbanks has been the gold mining center of the state. It will maintain its status and

the industry could expand a bit. High gold prices should stimulate placer mining activity in the Interior and Northern regions and Fairbanks should benefit as the support center to the industry. Employment stands firm at the Fort Knox Mine, located on the outskirts of town. Teck-Pogo, currently headquartered in Fairbanks, will become another big industry player in the vicinity. Their \$240 million mine project near Delta Junction has begun. Local oil service companies may also see an increase in business, when the project to reconfigure the Alyeska pipeline begins. This upgrade is estimated to cost \$250 million.

Professional, business, and other services will be in demand

The upbeat, construction-spiced business climate looks like a good recipe to produce employment gains in the multi-faceted services industries. Professional, business, repair, and other services will benefit from the heightened activity level. The military will increase facility maintenance contracts as new buildings are completed and the Stryker Brigade moves in. Fairbanks will also host a fair number of out-of-town construction crews who will need services during their stay.

The financial sector will expand

The financial sector in Fairbanks is also in an expansion mode. Just last year a new credit union was built and this year First National Bank of Alaska and Denali State Bank will add new branches. The financial sector has enjoyed several good years while a prolonged era of low interest rates have promoted refinancing activity and new residential construction. Since 2000 the number of new housing units in Fairbanks has steadily risen. In addition, real estate related businesses have helped to create jobs in the financial sector.

Health care and social services will remain a reliable job engine

Although its rate of growth will moderate, health care and social services will continue to expand. Fairbanks Memorial Hospital is modernizing its facility and is introducing new medical services. Other local providers will follow suit. Fairbanks demographics point to an aging trend among its

permanent residents, military excluded. Between 1990 and 2002 the number of persons over 65 years of age has increased by 64 percent. Demand for health care services has risen, and medical services have become more widely available. Social services have made big contributions to job growth in the sector as well.

Government employment growth could slow or stall

In this forecast period government is expected to add only a few jobs. Gains could materialize at the university. Other state government employment most likely will not increase and cuts are a possibility. In spite of high oil prices, state budget woes persist. No big changes are foreseen with federal employment. Local government is expected to remain the same although school enrollment has trended downwards. This may change with the arrival of the Stryker Brigade with its family members. It is difficult to foretell when this will be because many of the soldiers are currently deployed overseas and may not return until international conflicts subside.

SOUTHEAST by Neal Gilbertsen

SUN PIERCES ECONOMIC CLOUDS

In 2003, after two consecutive years of decline, Southeast employment finally regained 2000 levels. This welcome and somewhat surprising rebound is expected to continue, albeit at a slower pace over the next two years. Most of the 2003 gains were in the goods producing sector, with construction, manufacturing, and natural resource employment accounting for over half the increase. Slight declines are expected in both logging and seafood processing employment in the coming year, and while construction employment is expected to remain high, significant growth will not take place within the forecast period. The services sector should see slight increases in retail trade, financial activities, leisure and hospitality, and educational and health

care services. State government will shed jobs in 2004, but overall government employment will regain current levels by 2005.

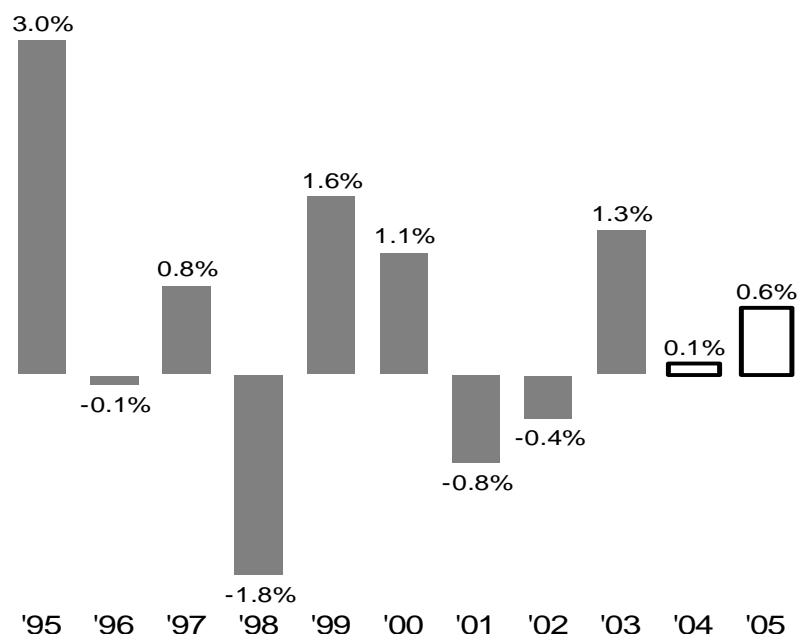
The population of Southeast has fallen since the 2000 census. In that year the region had 73,082 residents. According to Alaska Department of Labor and Workforce Development provisional estimates, the 2003 population stood at 71,841, down only 94 from the 2002 estimate of 71,935. This slight loss did not approach the 954 (1.3 percent) downturn the region experienced from 2000 to 2001. That the rate of population decline has slowed considerably would seem a further indication of a stabilizing economy.

Natural resources

The fact that there are signs of stabilization does not mean the region can expect robust growth in the immediate future. It is doubtful that the small 2003 gains in logging and seafood processing will be sustained. On the positive side, a strengthening yen and surging Asian economy could result in increased demand and slightly higher prices for Alaska fish and timber. On the negative side, inexpensive farmed salmon and forest products from foreign competitors will continue to dominate markets and constrain price increases.

Southeast Forecast 2004-2005

Percent employment change from previous year



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

Fishing

The Alaska Department of Fish and Game expects another good salmon year in Southeast with production again approaching the 66 million fish harvest of 2003. Chinook, sockeye and pink catches are expected to be down, while coho and chum returns are expected to be somewhat higher. In spite of this bounty, fewer seafood processing jobs and fishing opportunities will be created in 2004.

Participation in the salmon fisheries continues to decline due to low prices and processor limitations on the number of vessels they will serve. In the 2000 season, 356 purse seiners harvested 141 million pounds of Southeast salmon. By 2003 only 235 of these fishermen remained active, harvesting 212 million pounds. The number of permit holders fishing is expected to drop again in 2004.

Continued fleet reductions will mean fewer crew opportunities, and at least one cannery, Norquest's Mitkof facility, will not operate in 2004. Pelican cold storage has also curtailed operations. Increased production of a floating facility that processes fish wastes into oil and the conversion of an egg barge to a filleting station will partially offset the expected reductions in seafood processing employment.

Logging

Logging employment will almost certainly be down from 2003 levels. Several companies, including Whitestone Logging, will not operate in 2004. Cape Fox Corporation, which shipped approximately 2.5 million board feet of cedar, hemlock and spruce over the past year, has also suspended logging operations until the trees grow back on previously harvested land, or until the corporation can complete its land selection under the Alaska Native Claims Settlement Act. Another possibility involves a Bureau of Land Management waiver contained in the pending federal Kensington Mine legislation that would allow the corporation to select forested land near Juneau. While it is anticipated that Cape Fox will eventually resume some logging activities, they will be suspended for the immediate future.

Construction

While the building and remodeling boom of 2003 seems to have slowed, there are some larger scale construction projects coming on line that should contribute to another good construction season. Perhaps the most visible of these will be the first stage of the Four Dam Pool project, which will begin construction on the Swan Lake-Tyee Lake inter-tie in 2004. Up to \$ 7.5 million will be spent on this phase of the project. The Oregon based Wilson Construction Company has been selected as the contractor.

The Kensington mine project is not expected to impact construction employment until 2005, but it is possible that this project will not fully register until 2006 or later. According to the Juneau Empire, Home Depot is considering building a new outlet in Juneau, but at the time of this writing no official commitment has been made. Other major projects, such as the Ketchikan-Gravina bridge, the Bradfield Canal road and the Sitka deep-water pier may eventually have significant impacts on regional construction employment, but none of these is likely to register within the next two years.

Services employment

Health care services continues to be a growth industry in Southeast, although the rate of increase slowed somewhat in 2003. Still, this industry has added 250 jobs since 2001, which amounts to a four percent average annual increase. Because the regional population has declined from 2000 levels, it seems likely that the rate of increase in this industry will slow, adding in the range of 50 jobs a year over the forecast period.

Alaska Marine Highway bookings are up for 2004, which points towards a greater influx of domestic summer visitors. A weaker dollar could also make Alaska tours more affordable for foreign tourists. Both retail trade and the leisure and hospitality industries should benefit and will likely add jobs over the forecast period. The 200 job decline in leisure and hospitality employment from 2002 to 2003 was largely the result of accounting changes at a single large employer in arts, entertainment and recreation, and is not indicative of an industry-wide trend. Instead, overall employment should resume moderate year-over-year growth.

Government

As the legislature considers the state budget, addressing shortfalls and the deficit are clearly priorities. As a result, state government will contract slightly in 2004 as vacated positions go unfilled. Budget problems will continue in most Southeast communities and little growth is expected in local government employment. The transfer of Alaska Marine Highway personnel from Juneau to Ketchikan will benefit the latter's economy, but regionally this will be offset by negative impacts on Juneau. With the Transportation Security Administration fully staffed, growth is not expected in the federal sector.

Summary

All four pillars of the Southeast economy, timber, fisheries, tourism and government, have faced challenges. Timber and fisheries have been eroded by the low prices engendered by global competition and are unlikely to recover in the near future. Prospective gains in natural resource employment fall beyond the time frame of this forecast.

Tourism, susceptible to consumer perceptions of security and the national economy, has in recent years been confronted by such events as SARS, national job erosion and threats of terrorist activities. As these concerns have diminished, the immediate outlook for this industry seems brighter. The improving national economy, the fall in the dollar against foreign currencies, and the perceptions of Alaska as a safe place to travel should all contribute to increased visitor traffic. Also in the service providing sector, a stable, but aging population will continue to support growth in the health care and social services industry.

The continuing debate concerning how Alaska's budgetary shortfalls will be addressed makes it unlikely that either state or local governments will add a significant number of employees until such time as these issues are resolved. Federal government employment is expected to remain at current levels. Overall, Southeast Alaska should continue to experience small gains in employment for the foreseeable future.

Southeast Forecast By industry

	2002 Annual Average ⁴	2003 Annual Average ⁴	Absolute Change 02-03	Percent Change 02-03	2004 Forecast	Absolute Change 03-04	Percent Change 03-04	2005 Forecast	Absolute Change 04-05	Percent Change 04-05
Total Nonfarm Wage & Salary ¹	35,800	36,250	450	1.3%	36,300	50	0.1%	36,500	200	0.6%
Goods Producing ²	4,050	4,300	250	6.2%	4,200	-100	-2.3%	4,250	50	1.2%
Services Providing ³	31,750	31,950	200	0.6%	32,100	150	0.5%	32,250	150	0.5%
Natural Resources & Mining	650	700	50	7.7%	650	-50	-7.1%	650	0	0.0%
Seafood Processing	1,350	1,450	100	7.4%	1,400	-50	-3.4%	1,350	-50	-3.6%
Construction	1,600	1,750	150	9.4%	1,750	0	0.0%	1,800	50	2.9%
Manufacturing	1,800	1,850	50	2.8%	1,800	-50	-2.7%	1,800	0	0.0%
Trade, Transportation, Utilities	7,000	7,050	50	0.7%	7,050	0	0.0%	7,050	0	0.0%
Retail Trade	4,350	4,350	0	0.0%	4,400	50	1.1%	4,400	0	0.0%
Trans/Warehousing/Utilities	2,200	2,250	50	2.3%	2,250	0	0.0%	2,250	0	0.0%
Information	500	500	0	0.0%	500	0	0.0%	500	0	0.0%
Financial Activities	1,250	1,250	0	0.0%	1,300	50	4.0%	1,300	0	0.0%
Professional & Business Svcs	1,300	1,400	100	7.7%	1,400	0	0.0%	1,400	0	0.0%
Educational & Health Services	3,400	3,450	50	1.5%	3,500	50	1.4%	3,550	50	1.4%
Leisure & Hospitality	3,750	3,550	-200	-5.3%	3,600	50	1.4%	3,650	50	1.4%
Other Services	1,150	1,150	0	0.0%	1,150	0	0.0%	1,150	0	0.0%
Government	13,450	13,650	200	1.5%	13,600	-50	-0.4%	13,650	50	0.4%
Federal Government	1,850	2,000	150	8.1%	2,000	0	0.0%	2,000	0	0.0%
State Government	5,600	5,650	50	0.9%	5,550	-100	-1.8%	5,600	50	0.9%
Local Government	6,000	6,000	0	0.0%	6,050	50	0.8%	6,050	0	0.0%

¹ Subtotals may not add due to rounding.

² Goods-producing sectors include: Natural Resources & Mining; Construction; and Manufacturing.

³ Service-providing sectors include: Trade, Transportation & Utilities; Information; Financial Activities; Professional & Business Services; Educational & Health Services; Leisure & Hospitality; Other Services; and Government.

⁴ CES March 2003 Benchmark

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

February Sets Up the New Year

Employment growth in Alaska compares favorably to the United States, despite higher unemployment

Alaska Employment Scene

by
Neal Gilbertsen
Labor Economist

Alaska's February 2004 unemployment rate remained unchanged from January at 8.9 percent. While not unusually high for an Alaska off-season month, it was among the nation's highest. The comparable national rate (not seasonally adjusted) was only 6 percent. Unemployment rates can be somewhat misleading in that seemingly high unemployment rates like that of Alaska often conceal underlying growth, while lower rates like that of the nation do not always signify increased employment.

Unlike many states, Alaska has added a significant number of jobs since the 2001 recession. In 2003, the annual average monthly employment for the United States was down 1.9 million jobs, (-1.4 percent) from 2001 employment highs while Alaska over this same period had gained 10,300 jobs, (+3.6 percent.) This was in spite of the fact that Alaska's unemployment rate consistently ran in the range of two percent above the national average. Alaska's rates of employment growth cannot be described as exuberant but they have far outpaced that of the nation as a whole for the last three years. (See Exhibit 1.) Moreover, 2003 marked the sixteenth consecutive year of job growth for Alaska and the economic forecast for the next two years calls for a continuation of this positive trend.

Alaska's February 2004 employment of 288,700 showed an increase of 3,900 jobs over January's

levels and was 3,500 higher than February 2003. Most of the over-the-month growth was accounted for by a manufacturing sector that added 2,700 jobs. Almost all of this was attributable to seafood processing jobs in Southwest Alaska as the Bering Sea groundfish fishery kicked into high gear. These increases were not unusual or unexpected and over-the-year manufacturing employment posted a far more modest gain of 100. Construction, and trade, transportation, & utilities suffered normal seasonal reductions, while most other industries showed small upturns. All in all, 2004 seemed to be beginning in such a way as to indicate another year of continuing moderate growth.

Fisheries prospects look hopeful

The Alaska Department of Fish and Game is projecting a statewide all species salmon harvest of 196 million fish. In numbers of fish this would represent a 10 percent increase over 2003's catch of 177 million. It seems likely, moreover, that value will increase somewhat more than the catch. While pink salmon returns are expected to be down, higher returns of the more valuable sockeye, coho, and chum salmon are anticipated and will probably result in better financial returns. A resurgent Asian economy, a weaker dollar, and increasingly negative consumer attitudes towards farmed salmon could lead to slightly higher ex-vessel prices. On the other hand, high volume

production could stretch processing capacity and bid prices down. The number of seafood processing jobs generated should be somewhat greater than in 2003.

Construction anticipates another year of robust growth. Mortgage rates remain near record lows, which tends to encourage private builders, and a number of federal projects involving Alaska's military bases are scheduled. Much of the latter activity will center on Fairbanks, while private building will be concentrated in the greater Anchorage area.

Signs point to a good visitor season

The Alaska Marine Highway System has announced that bookings are up for the coming summer, which points towards a good tourist season. Increased numbers of visitors usually lead to employment gains in retail trade as well as in leisure and hospitality. While tourism always remains vulnerable to highly publicized events such as the 2003 SARS outbreak, the 2001-2002 economic downturn, or the concerns about terrorism that characterized the post 9/11 period, 2004 seems to be shaping up as a year of relative calm and prosperity. The continuing national economic recovery, perceptions of Alaska as a safe destination, and the increased purchasing power of foreign currencies should all contribute to a good year.

On the downside, oil and gas employment is not expected to show any increase in the immediate future. While the new lease offerings in the Bristol Bay region could eventually result in more hiring, this will not register in the coming year. Logging employment is also expected to be slightly down in 2004 due to the fact that several companies have suspended operations.

A number of global factors should contribute to Alaska's continued growth in 2004. The decline of the dollar against other major currencies makes Alaska fish, timber and minerals more competitive

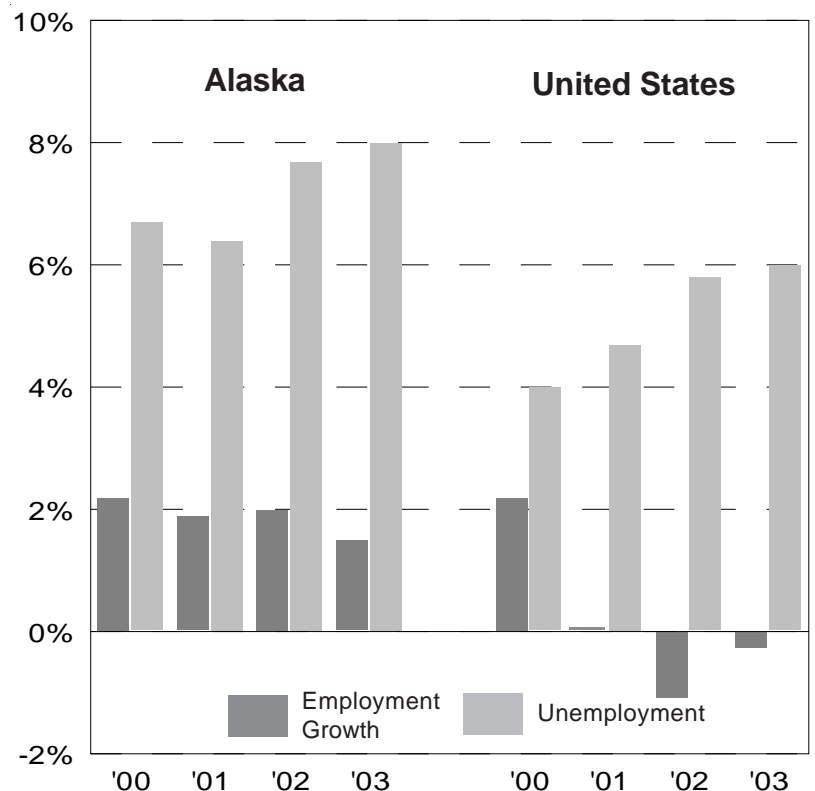
on both domestic and foreign markets. This weakening should also help sustain high dollar-denominated world oil prices, at least for the short term. Continued high oil prices would somewhat alleviate the chronic state budgetary shortfalls and allow policy makers an unexpected period of grace in which to address this issue.

International currency prices nudge mining

A stronger gold price, which is another way of describing a weaker dollar, seems to be generating increased interest in Alaska mineral development. Not only are well publicized long-planned projects such as the Pogo and Kensington mines going forward, there is encouraging exploratory activity

(continued on page 22)

Unemployment and Growth Rates Alaska and United States



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

2 Nonfarm Wage and Salary Employment

By place of work

Alaska	preliminary revised		Changes from:			Municipality of Anchorage	preliminary revised		Changes from:		
	2/04	1/04	2/03	1/04	2/03		2/04	1/04	2/03	1/04	2/03
Total Nonfarm Wage & Salary	288,700	284,800	285,200	3,900	3,500	Total Nonfarm Wage & Salary	140,800	140,100	138,200	700	2,600
Goods Producing	34,900	32,400	34,700	2,500	200	Goods Producing	11,200	10,900	10,800	300	400
Services Providing	253,800	252,400	250,500	1,400	3,300	Services Providing	129,600	129,200	127,300	400	2,300
Natural Resources & Mining	9,700	9,500	10,200	200	-500	Natural Resources & Mining	2,100	2,100	2,300	0	-200
Logging	300	300	400	0	-100	Mining	2,000	2,000	2,300	0	-300
Mining	9,400	9,200	9,800	200	-400	Oil & Gas Extraction	2,000	1,900	2,200	100	-200
Oil & Gas Extraction	8,000	7,900	8,400	100	-400	Construction	7,400	7,200	6,900	200	500
Construction	13,300	13,700	12,700	-400	600	Manufacturing	1,700	1,700	1,600	0	100
Manufacturing	11,900	9,200	11,800	2,700	100	Trade, Transportation, Utilities	32,500	32,300	31,900	200	600
Wood Products Manufacturing	200	200	200	0	0	Wholesale Trade	4,600	4,500	4,500	100	100
Seafood Processing	8,600	5,800	8,500	2,800	100	Retail Trade	17,300	17,200	16,900	100	400
Trade, Transportation, Utilities	57,400	57,800	56,900	-400	500	Food & Beverage Stores	2,400	2,300	2,300	100	100
Wholesale Trade	6,000	5,900	5,900	100	100	General Merchandise Stores	4,000	4,100	4,200	-100	-200
Retail Trade	32,500	32,800	32,100	-300	400	Trans/Warehousing/Utilities	10,600	10,600	10,500	0	100
Food & Beverage Stores	5,700	5,700	5,500	0	200	Air Transportation	3,400	3,400	3,400	0	0
General Merchandise Stores	8,300	8,300	8,700	0	-400	Information	4,500	4,600	4,500	-100	0
Trans/Warehousing/Utilities	18,900	19,100	18,900	-200	0	Telecommunications	2,700	2,700	2,600	0	100
Air Transportation	6,100	6,100	6,300	0	-200	Financial Activities	8,700	8,800	8,500	-100	200
Truck Transportation	2,600	2,600	2,500	0	100	Professional & Business Svcs	15,400	15,300	15,400	100	0
Information	6,900	6,900	6,800	0	100	Educational & Health Services	18,100	17,900	16,900	200	1,200
Telecommunications	4,000	4,000	3,900	0	100	Health Care/Social Assistance	16,800	16,600	15,600	200	1,200
Financial Activities	14,100	14,200	13,600	-100	500	Ambulatory Health Care	6,400	6,400	5,900	0	500
Professional & Business Svcs	22,000	21,700	22,000	300	0	Hospitals	5,300	5,200	5,200	100	100
Educational & Health Services	33,900	33,700	32,300	200	1,600	Leisure & Hospitality	14,400	14,300	14,100	100	300
Health Care/Social Assistance	31,600	31,500	30,000	100	1,600	Accommodation	3,000	3,000	2,900	0	100
Ambulatory Health Care	12,700	12,500	12,100	200	600	Food Svcs & Drinking Places	9,700	9,700	9,500	0	200
Hospitals	8,600	8,600	8,400	0	200	Other Services	5,600	5,500	5,600	100	0
Leisure & Hospitality	26,200	26,000	25,600	200	600	Government	30,500	30,500	30,500	0	0
Accommodation	6,100	6,000	5,900	100	200	Federal Government	9,700	9,900	9,700	-200	0
Food Svcs & Drinking Places	16,600	16,700	16,400	-100	200	State Government	9,600	9,600	9,700	0	-100
Other Services	11,200	11,100	11,200	100	0	State Education	2,600	2,500	2,700	100	-100
Government	82,200	81,000	82,100	1,200	100	Local Government	11,100	11,100	11,100	0	0
Federal Government	16,700	16,700	16,500	0	200	Local Education	300	300	200	0	100
State Government	24,200	23,700	24,300	500	-100	Tribal Government	8,100	7,900	7,900	200	200
State Education	7,800	7,500	7,900	300	-100						
Local Government	41,400	40,500	41,300	900	100						
Local Education	3,700	3,700	3,500	0	200						
Tribal Government	24,200	23,200	24,300	1,000	-100						

Notes to Exhibits 2, 3, 4, & 6—¹Nonfarm excludes self-employed workers, fishermen, domestics, and unpaid family workers as well as agricultural workers. ²Includes employees of public school systems and the University of Alaska. ³Excludes uniformed military. Exhibits 2 & 3—Prepared in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics. Exhibits 4 & 6—Prepared in part with funding from the Employment Security Division.

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

3 Hours and Earnings

For selected industries

	Average Weekly Earnings			Average Weekly Hours			Average Hourly Earnings		
	preliminary 2/04	revised 1/04	revised 2/03	preliminary 2/04	revised 1/04	revised 2/03	preliminary 2/04	revised 1/04	revised 2/03
Mining	\$1,326.97	\$1,274.58	\$1,300.37	44.1	42.8	41.4	30.09	29.78	31.41
Construction	1,001.70	1,043.66	1,068.13	37.1	37.8	39.4	27.00	27.61	27.11
Manufacturing	415.08	412.49	564.10	37.7	35.9	46.2	11.01	11.49	12.21
Seafood Processing	408.07	408.67	572.46	44.5	39.6	51.9	9.17	10.32	11.03
Trade, Transportation, Utilities	525.98	533.81	538.65	34.0	33.7	34.2	15.47	15.84	15.75
Retail Trade	418.95	423.95	462.59	31.5	31.9	33.4	13.30	13.29	13.85
Financial Activities	753.20	759.26	697.30	35.0	35.2	38.0	21.52	21.57	18.35

Average hours and earnings estimates are based on data for full-time and part-time production workers (manufacturing) and nonsupervisory workers (nonmanufacturing). Averages are for gross earnings and hours paid, including overtime pay and hours.

Benchmark: March 2003

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

4 Nonfarm Wage and Salary Employment

By place of work

	preliminary revised		Changes from:			preliminary revised		Changes from:			
	2/04	1/04	2/03	1/04	2/03	2/04	1/04	2/03	1/04	2/03	
Fairbanks						Interior Region					
Total Nonfarm Wage & Salary¹	34,050	33,750	33,850	300	200	Total Nonfarm Wage & Salary¹	38,750	38,200	38,650	550	100
Goods Producing	2,900	2,900	2,800	0	100	Goods Producing	3,150	3,150	3,050	0	100
Services Providing	31,150	30,850	31,100	300	50	Services Providing	35,550	35,050	35,550	500	0
Natural Resources & Mining	800	800	850	0	-50	Natural Resources & Mining	950	900	950	50	0
Mining	800	800	850	0	-50	Mining	900	900	950	0	-50
Construction	1,650	1,650	1,500	0	150	Construction	1,800	1,750	1,700	50	100
Manufacturing	450	450	450	0	0	Manufacturing	450	450	450	0	0
Trade, Transportation, Utilities	6,750	6,750	6,800	0	-50	Trade, Transportation, Utilities	7,450	7,400	7,500	50	-50
Wholesale Trade	600	600	600	0	0	Information	650	650	600	0	50
Retail Trade	3,750	3,750	3,800	0	-50	Financial Activities	1,450	1,450	1,400	0	50
Trans/Warehousing/Utilities	2,450	2,400	2,400	50	50	Professional & Business Svcs	2,150	2,200	2,200	-50	-50
Information	650	650	600	0	50	Educational & Health Services	4,300	4,300	4,200	0	100
Financial Activities	1,350	1,350	1,300	0	50	Leisure & Hospitality	3,800	3,700	3,800	100	0
Professional & Business Svcs	1,800	1,850	1,850	-50	-50	Accommodation	900	900	950	0	-50
Educational & Health Services	4,150	4,100	4,000	50	150	Food Svcs & Drinking Places	2,500	2,400	2,450	100	50
Health Care/Social Assistance	3,950	3,950	3,850	0	100	Other Services	1,550	1,550	1,500	0	50
Leisure & Hospitality	3,500	3,400	3,500	100	0	Government²	14,150	13,850	14,400	300	-250
Accommodation	800	800	850	0	-50	Federal Government ³	3,650	3,600	3,650	50	0
Food Svcs & Drinking Places	2,300	2,200	2,250	100	50	State Government	5,400	5,250	5,450	150	-50
Other Services	1,400	1,400	1,350	0	50	Local Government	5,100	5,000	5,300	100	-200
Government²	11,600	11,450	11,700	150	-100	Tribal Government	350	300	300	50	50
Federal Government ³	3,250	3,250	3,200	0	50	Anchorage/Mat-Su Region					
State Government	5,200	5,100	5,200	100	0	Total Nonfarm Wage & Salary¹	155,700	155,650	152,150	50	3,550
Local Government	3,150	3,100	3,300	50	-150	Goods Producing	12,500	13,050	12,200	-550	300
Tribal Government	0	0	0	0	0	Services Providing	143,200	142,600	139,950	600	3,250
Southeast Region						Natural Resources & Mining	2,100	2,050	2,350	50	-250
Total Nonfarm Wage & Salary¹	32,750	31,900	32,600	850	150	Construction	8,500	9,050	8,050	-550	450
Goods Producing	3,050	2,650	3,000	400	50	Manufacturing	1,900	1,900	1,800	0	100
Services Providing	29,700	29,250	29,600	450	100	Trade, Transportation, Utilities	35,550	35,450	34,950	100	600
Natural Resources & Mining	500	450	550	50	-50	Information	5,050	5,000	5,000	50	50
Logging	250	150	250	100	0	Financial Activities	9,450	9,450	9,050	0	400
Mining	300	300	300	0	0	Professional & Business Svcs	16,250	16,150	16,050	100	200
Construction	1,350	1,350	1,350	0	0	Educational & Health Services	20,450	20,350	19,150	100	1,300
Manufacturing	1,200	900	1,100	300	100	Leisure & Hospitality	15,950	15,850	15,450	100	500
Wood Products Mfg.	150	150	100	0	50	Other Services	6,150	6,050	6,150	100	0
Seafood Processing	800	550	750	250	50	Government²	34,400	34,250	34,200	150	200
Trade, Transportation, Utilities	5,700	5,700	5,700	0	0	Federal Government ³	9,900	10,050	9,850	-150	50
Retail Trade	3,800	3,800	3,800	0	0	State Government	2,750	2,700	2,900	50	-150
Trans/Warehousing/Utilities	1,550	1,550	1,550	0	0	Local Government	13,950	13,700	13,700	250	250
Information	500	500	500	0	0	Tribal Government	300	300	250	0	50
Financial Activities	1,200	1,200	1,200	0	0	Gulf Coast Region					
Professional & Business Svcs	1,150	1,200	1,150	-50	0	Total Nonfarm Wage & Salary¹	25,700	25,050	25,800	650	-100
Educational & Health Services	3,550	3,500	3,450	50	100	Goods Producing	4,650	4,100	5,050	550	-400
Health Care/Social Assistance	3,300	3,300	3,200	0	100	Services Providing	21,050	20,950	20,750	100	300
Leisure & Hospitality	2,700	2,650	2,700	50	0	Natural Resources & Mining	1,000	1,000	1,350	0	-350
Accommodation	850	850	850	0	0	Oil & Gas Extraction	950	950	1,200	0	-250
Food Svcs & Drinking Places	1,350	1,350	1,300	0	50	Construction	1,150	1,200	1,150	-50	0
Other Services	1,100	1,100	1,100	0	0	Manufacturing	2,500	1,950	2,550	550	-50
Government²	13,700	13,350	13,800	350	-100	Seafood Processing	1,900	1,300	1,850	600	50
Federal Government ³	1,800	1,800	1,800	0	0	Trade, Transportation, Utilities	4,900	5,050	4,800	-150	100
State Government	5,700	5,500	5,750	200	-50	Retail Trade	3,000	3,100	2,900	-100	100
Local Government	6,200	6,050	6,250	150	-50	Trans/Warehousing/Utilities	1,650	1,650	1,650	0	0
Tribal Government	800	800	800	0	0	Information	450	450	400	0	50
						Financial Activities	700	650	750	50	-50
						Professional & Business Svcs	1,300	1,250	1,300	50	0
						Educational & Health Services	2,250	2,250	2,100	0	150
						Health Care/Social Assistance	2,150	2,150	2,050	0	100
						Leisure & Hospitality	2,650	2,600	2,500	50	150
						Accommodation	850	800	750	50	100
						Food Svcs & Drinking Places	1,500	1,500	1,400	0	100
						Other Services	1,300	1,300	1,350	0	-50
						Government²	7,550	7,400	7,450	150	100
						Federal Government ³	750	750	700	0	50
						State Government	1,700	1,650	1,650	50	50
						Local Government	5,100	5,000	5,100	100	0
						Tribal Government	300	350	300	-50	0

5 Unemployment Rates

By region and census area

(continued from page 19)

Not Seasonally Adjusted*	preliminary 02/04	revised 01/04	02/03
United States	6.0	6.3	6.4
Alaska Statewide	8.9	8.9	9.6
Anchorage/Mat-Su Region	6.8	6.8	7.6
Municipality of Anchorage	5.9	6.0	6.6
Mat-Su Borough	10.5	10.2	12.0
Gulf Coast Region	13.5	13.7	14.6
Kenai Peninsula Borough	14.7	15.1	16.0
Kodiak Island Borough	7.5	8.0	7.1
Valdez-Cordova	15.6	14.8	17.4
Interior Region	9.4	9.4	10.2
Denali Borough	18.7	18.6	17.8
Fairbanks North Star Borough	7.9	8.0	8.9
Southeast Fairbanks	18.7	17.8	18.4
Yukon-Koyukuk	22.0	21.0	22.5
Northern Region	16.2	15.7	15.3
Nome	17.2	16.3	15.3
North Slope Borough	13.3	13.4	11.4
Northwest Arctic Borough	18.9	18.0	20.6
Southeast Region	10.9	11.2	11.2
Haines Borough	17.2	16.0	18.4
Juneau Borough	7.3	7.5	7.4
Ketchikan Gateway Borough	11.3	11.8	12.0
Prince of Wales-Outer Ketchikan	19.0	20.2	21.3
Sitka Borough	8.8	9.1	8.4
Skagway-Hoonah-Angoon	17.1	18.9	16.9
Wrangell-Petersburg	15.9	16.4	16.2
Yakutat Borough	24.4	21.6	26.5
Southwest Region	13.0	14.3	13.3
Aleutians East Borough	4.0	5.6	3.9
Aleutians West	6.7	10.2	7.4
Bethel	13.7	14.8	14.7
Bristol Bay Borough	13.6	14.2	12.8
Dillingham	12.3	13.1	13.2
Lake & Peninsula Borough	22.6	23.2	20.4
Wade Hampton	22.9	23.2	21.7
Seasonally Adjusted			
United States	5.6	5.6	5.9
Alaska Statewide	7.4	7.3	8.0

in less known places such as Union Bay for platinum, and Woewodski Island which has gold and other minerals. The booming Asian economy and Japan's sustained recovery should also result in increased demand for Alaska products. Favorable exchange rates could also stimulate increased Asian and Canadian investment in Alaska and will likely lead to more visits by foreign tourists.

On the national scene, encouraging economic growth has been tarnished by the disappointing number of jobs created since the recovery began. Alaska, by contrast, has experienced sixteen years of consecutive job growth, and should continue this enviable record for the foreseeable future.

6 Nonfarm Wage/Salary Employment

By place of work

Northern Region	preliminary	revised	Changes from:		
	2/04	1/04	2/03	1/04	2/03
Total Nonfarm Wage & Salary¹	15,650	15,750	16,000	-100	-350
Goods Producing	5,350	5,400	5,350	-50	0
Services Providing	10,300	10,350	10,650	-50	-350
Oil & Gas Extraction	4,750	4,800	4,600	-50	150
Government²	4,900	4,950	4,900	-50	0
Federal Government ³	150	150	150	0	0
State Government	350	350	350	0	0
Local Government	4,400	4,450	4,400	-50	0
Tribal Government	400	400	450	0	-50

Southwest Region

Total Nonfarm Wage & Salary¹	20,200	18,050	20,100	2,150	100
Goods Producing	6,100	4,100	6,100	2,000	0
Services Providing	14,100	13,950	14,000	150	100
Seafood Processing	5,850	3,850	5,800	2,000	50
Government²	7,350	7,200	7,350	150	0
Federal Government ³	350	350	300	0	50
State Government	500	500	550	0	-50
Local Government	6,500	6,350	6,550	150	-50
Tribal Government	1,500	1,500	1,400	0	100

2003 Benchmark

Comparisons between different time periods are not as meaningful as other time series produced by Research and Analysis. The official definition of unemployment currently in place excludes anyone who has not made an active attempt to find work in the four-week period up to and including the week that includes the 12th of the reference month. Due to the scarcity of employment opportunities in rural Alaska, many individuals do not meet the official definition of unemployed because they have not conducted an active job search. They are considered not in the labor force.

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

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

Employer Resources

Did you know that, as an employer, you must have certain information readily available and accessible to your employees? The following website offers free information and posters in PDF format that you can download, print, and post in various, conspicuous places around the worksite. Go to: <http://www.labor.state.ak.us/employer/employer.htm> for more information.

