



**ECONOMIC**  
**2015**  
**FORECAST**

ANCHORAGE

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*Report compiled by McDowell Group. The 2015 Economic Forecast examines recent economic trends, analysis of a wide range of economic and business activity indicators, interviews with representatives of businesses and organizations in various sectors and current events to gain an understanding of forces likely to be shaping business conditions affecting job growth in Anchorage in 2015.*

*Report released Feb. 5, 2015 at the AEDC Economic Forecast Luncheon.*

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#### **NOTE ON SOURCE OF EMPLOYMENT DATA**

*This employment forecast is based on historical and (preliminary) 2014 data produced by the Alaska Department of Labor & Workforce Development (DOLWD). DOLWD data includes full-time and part-time jobs by place of work, but excludes uniformed military personnel, business owners, the self-employed, unpaid family help, private household workers, and fishermen.*

# 2015 ECONOMIC FORECAST for Anchorage:

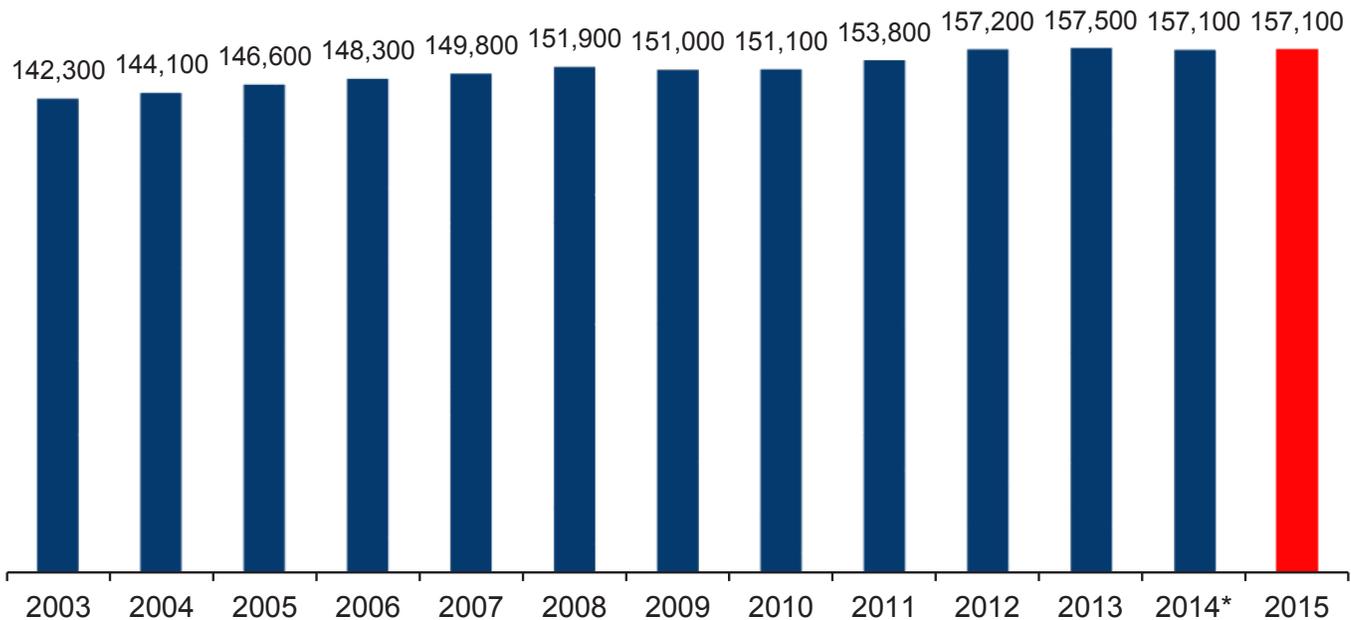
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As Alaska enters another period of oil price-related uncertainty, Anchorage employment is forecast to remain at about 157,100 in 2015. Over the last five years, employment grew by 6,000 jobs, an average of 1,200 jobs per year, and population grew by 9,000 people. Yet, unexpectedly, preliminary estimates of total employment show a slight decline in 2014. The latest published data show a decline of 400 jobs between 2013 and 2014 (though some of that decline may have been due to a data reporting issue). Government accounted for most of the job losses in 2014. The private sector overall showed a net increase of about 100 jobs in 2014, according to preliminary data. As another indicator of flattening economic conditions, Anchorage's population dipped very slightly in 2014 (down about 250).

Continued growth in the retail trade and healthcare services sector is expected to offset employment declines in the government, and oil and gas sectors. All other sectors are expected to remain relatively stable. While the steep decline in oil prices and the resulting downward pressure on the state budget are cause for concern, AEDC remains optimistic given the persistently low unemployment rate, the diversity of sectors experiencing growth since 2009 and the number of Anchorage businesses reporting confidence in 2015.

## ANCHORAGE EMPLOYMENT

2003 - 2014, 2015 FORECAST



\* Estimated based on preliminary 2014 numbers

Sources: Alaska Department of Labor and Workforce Development and McDowell Group

## EMPLOYMENT BY SECTOR

*at a glance*

**OIL & GAS** -100

**HEALTHCARE** +300

**TRANSPORTATION** *no change*

**PROFESSIONAL & BUSINESS SERVICES** *no change*

**CONSTRUCTION** -100

**LEISURE & HOSPITALITY** +100

**RETAIL TRADE** +300

**FINANCIAL ACTIVITIES** -100

**GOVERNMENT** -500

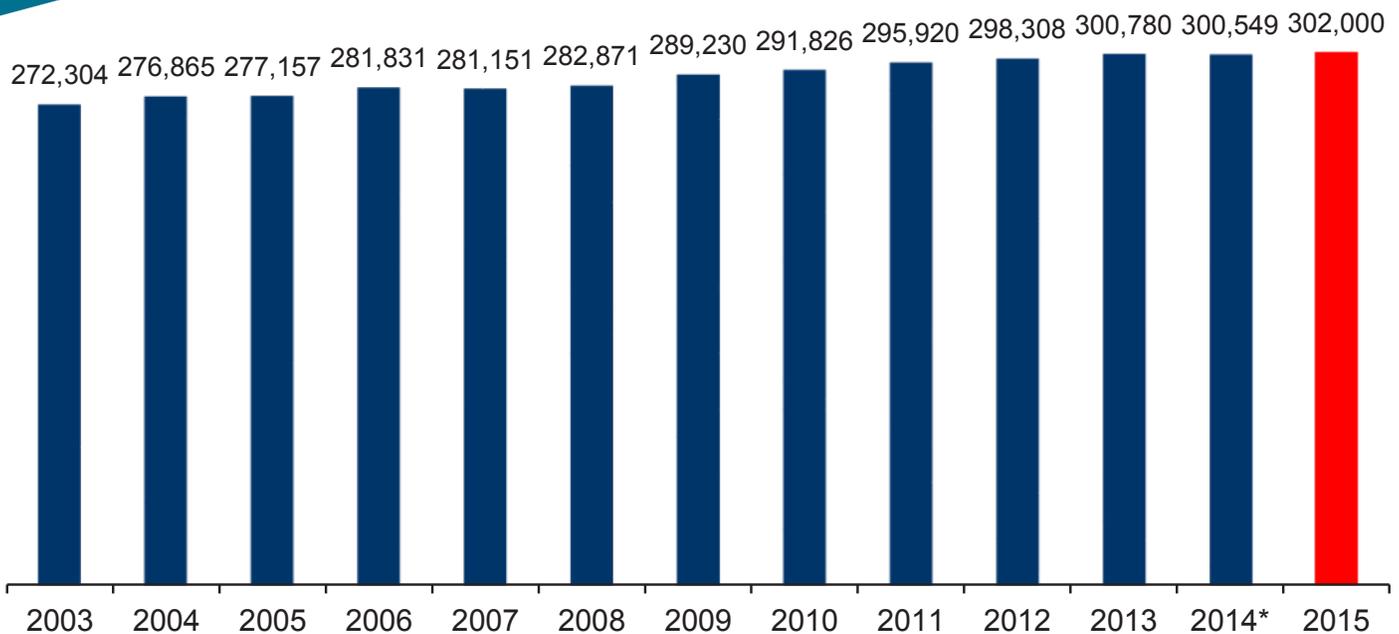
**OTHER SECTORS OF THE ANCHORAGE ECONOMY** +100

## ANCHORAGE POPULATION +1,500

2003-2014 2015 FORECAST

The official 2014 population estimate for Anchorage is 300,549, a slight decline of less than 0.1 percent over the 2013 estimate of 300,780. Anchorage has not seen a reduction in its population since 2006 and it is noticeably lower than the 1.1 percent growth that was anticipated. Less people moved into Anchorage than expected, perhaps due to improving job opportunities elsewhere in the U.S., contributing to the overall population decline. Last year notwithstanding, the population of Anchorage is projected to resume growing in 2015, pushing to about 302,000, or 0.5 percent above the 2014 estimate.

Population growth is not evenly distributed across all age groups. Since 2010, half of Anchorage's total growth is among people age 65 and older. Long-term projections by DOLWD show the population between ages 20 and 64 will remain flat at approximately 191,000 through 2027. Over the same period the population age 65 and older is expected to grow at an average annual rate of 5.1 percent, and the population under 20 is projected to grow annually by 0.9 percent.

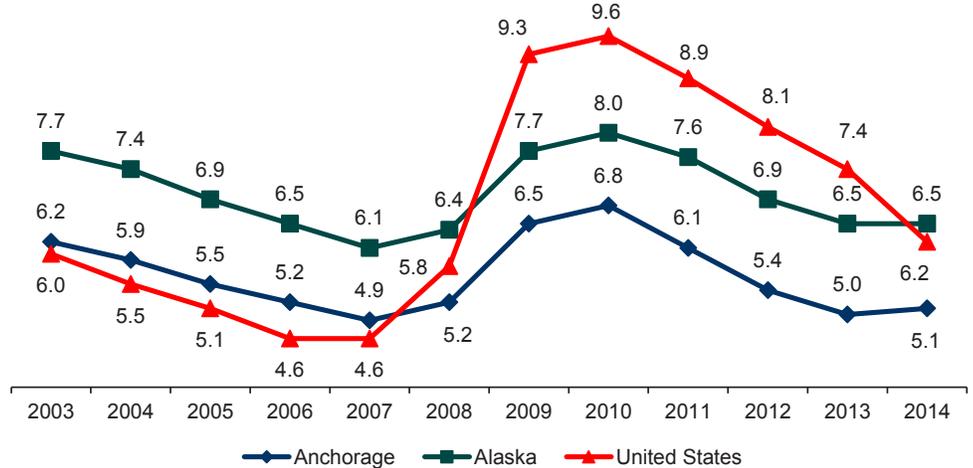


# ANCHORAGE UNEMPLOYMENT

After several years of steady decline, Anchorage's unemployment rate leveled off in 2014. The annual average unemployment rate in 2014 was 5.1 percent, just above the rate in 2013. This was despite an increase of nearly 1,000 people in the labor force.

At the state level, 2014 will be remembered as the year the U.S. unemployment rate sank below the Alaska level. Between 1977 and 2009, the national unemployment rate was continuously less than the Alaska average. With the 2008/09 recession, the national unemployment rate jumped from 5.8 percent to 9.3 percent, whereas the Alaska (and Anchorage) rate only grew 1.3 percentage points. Since 2010, unemployment rates have been declining and while it looks like Alaska and Anchorage unemployment rates have flattened, the US rate is likely to continue declining and return to the traditional pattern of being closely aligned with Anchorage's unemployment rate.

**ANCHORAGE, ALASKA & U.S. UNEMPLOYMENT RATE (%) 2003-2014**



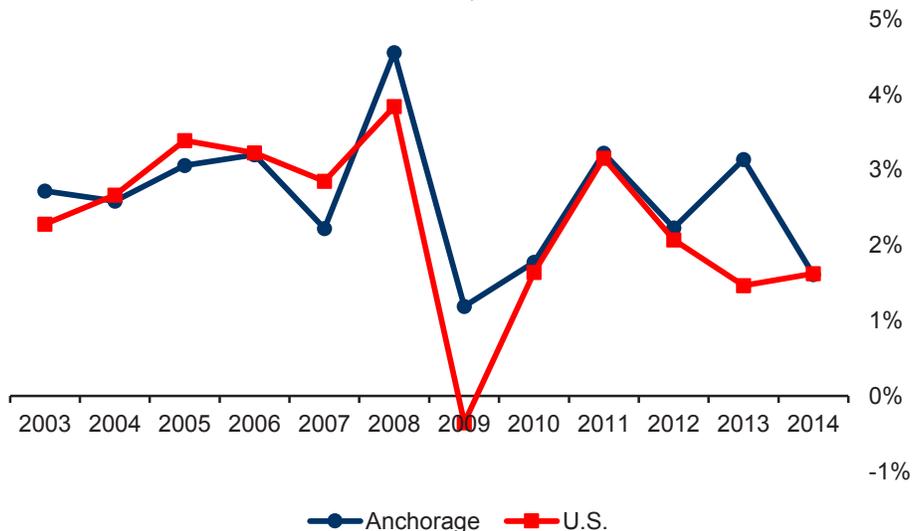
Source: Bureau of Labor Statistics

# ANCHORAGE INFLATION RATE

Prices in Anchorage increased 1.6 percent during 2014, the slowest rate of increase since 2010. The Consumer Price Index (CPI), which is used to measure inflation, covers a large basket of goods, including energy and fuel consumption. At the national level, CPI is reported monthly and the rapid reduction in oil prices is already being reflected in the data. The national CPI in December is slightly lower than November and January could show another drop as fuel prices continue to decline.

Since 2003, the Anchorage CPI has increased 33 percent, an annual average rate of 2.6 percent. AEDC expects inflation in 2015 to continue trending below the 10-year average, depending largely on fuel prices.

**ANCHORAGE AND U.S. CONSUMER PRICE INDEX ANNUAL AVERAGE CHANGE, 2003 - 2014**



Source: Bureau of Labor Statistics

# OIL & GAS -100



Anchorage employment in the oil and gas industry is projected to decline by 100 jobs in 2015, or 3 percent, to 3,500 jobs. In Anchorage, an estimated 31,000 direct, indirect and induced jobs are connected to the oil and gas industry, not including state jobs supported by oil revenues. Despite declining oil prices, existing projects and developments are expected to support employment through 2015 near 2014 levels. For 2016 and beyond, reduced oil prices will likely have a noticeable impact in Alaska, though to what extent depends on the duration of low prices, total production and long-term investment decisions.

The industry experienced a structural shift over the last 10 years. Higher oil prices and new drilling technologies stimulated industry activity in North Dakota, Texas and the Gulf of Mexico. By 2013, U.S. oil production surged to 7.4 million barrels per day (bpd), up nearly 50 percent from the 5.0 million bpd in 2008. During the same period, production in Alaska declined from 1.0 million bpd to 0.5 million with Alaska slipping to 4th place in state oil producers.

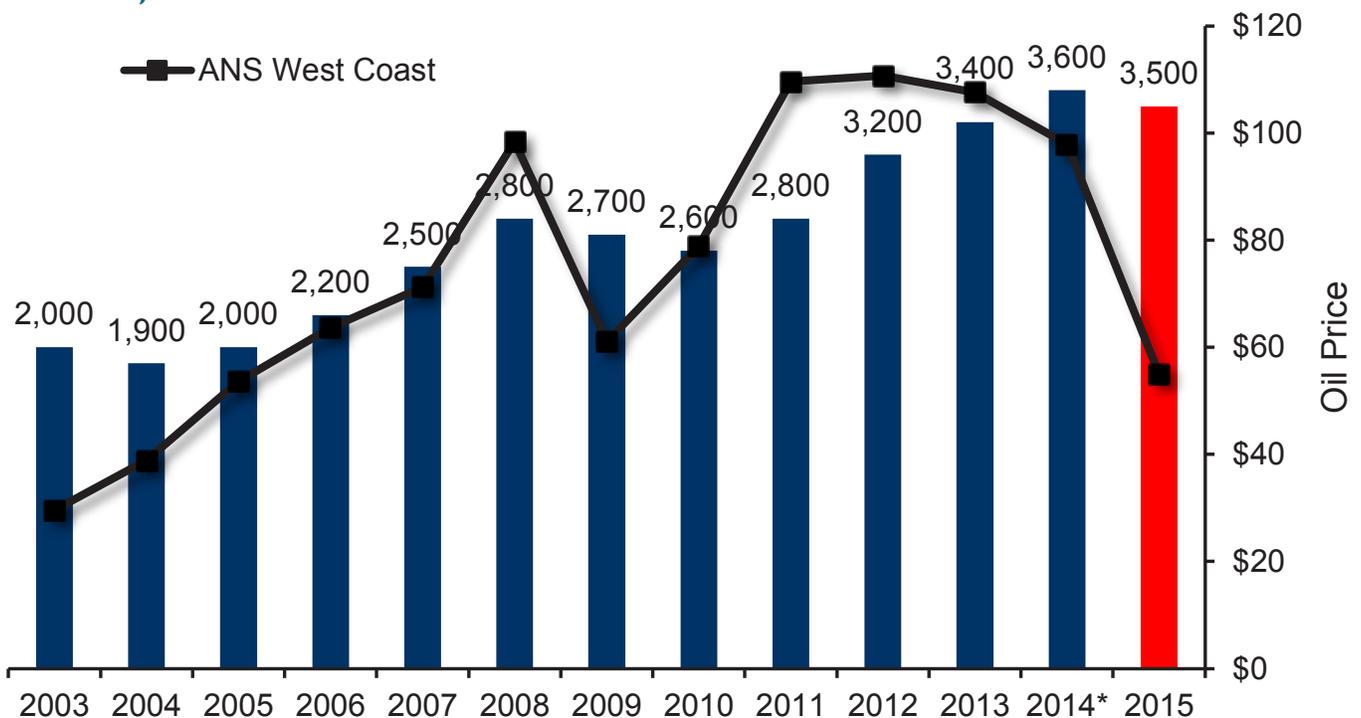
A global surge in supply that is outpacing demand growth has pushed prices to the lowest level in a decade. Many analysts are predicting low prices will persist throughout most of 2015. The U.S. Energy Information Administration expects

West Texas Intermediate will average \$55 per barrel and Brent Crude will average \$58 per barrel in 2015. At less than \$60 per barrel, the outlook is a stark contrast to the last four years when the average monthly price was \$109 per barrel.

In Alaska, despite low prices, the 2014 referendum on state oil taxes brought a measure of financial certainty to the industry, encouraging future investment. As of December 2014, ConocoPhillips plans to add four drilling rigs to Kuparuk Field, construct a new drill site at Kuparuk River Field, invest in viscous oil development and develop Greater Mooses Tooth in the National Petroleum Reserve-Alaska once permitted. Miller Energy Resources is expanding from Cook Inlet to the North Slope with its purchase of Savant Alaska and plans to drill in the Badami field. Repsol is continuing its exploration in the Colville delta.

Besides oil, natural gas is a valuable Alaska resource with potential for significantly more development. Exxon is continuing development at Pt. Thomson and on track for production in 2016, ConocoPhillips had its LNG export license reauthorized and Agrium is considering restarting the Nikiski fertilizer plant. Development of the Alaska LNG line is still progressing. If the Alaska LNG project goes as planned it would be a "giga-project" in the order of \$50 billion and the largest construction project in Alaska's history.

## ANCHORAGE OIL & GAS EMPLOYMENT AND OIL PRICE PER BARREL 2003 – 2014, 2015 FORECAST



\*Estimate based on preliminary 2014 numbers. All figures for calendar year based on monthly averages.  
Sources: DOLWD, Alaska Department of Revenue, U.S. Energy Information Administration, McDowell Group.

## HEALTHCARE +300

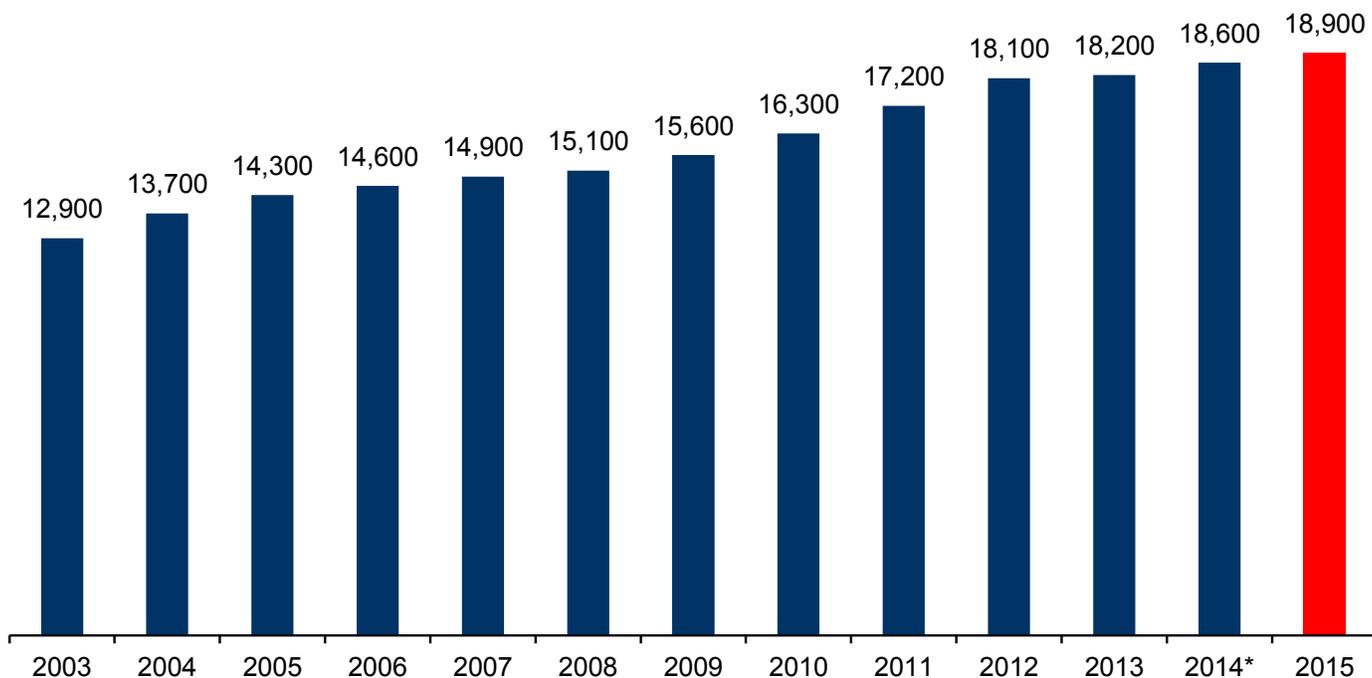


The healthcare sector is expected to add 300 jobs in 2015, up 1.6 percent, for a total of 18,900 jobs. In 2014, the sector grew by 400 jobs, or 2.2 percent, to 18,600. Between 2008 and 2012, the sector averaged an annual growth rate of 4.6 percent and added 3,000 jobs over four years. While the sector has continued to grow since 2012, the rate of growth has slowed. Since 2014, there continues to be considerable uncertainty due to implementation of the Affordable Care Act (ACA). Nationally, following a spike in expenditures as people received treatment for pent-up health needs, the growth in healthcare expenditures is slowing. AEDC expects Anchorage to follow a similar pattern.

Healthcare employment includes hospitals, outpatient facilities and nursing homes and residential services. All of these categories have seen employment growth, but proportionally the provision of residential services has grown the most. In 2003, 1,400 jobs in Anchorage were associated with nursing homes and residential services; today these jobs have doubled to 2,800.

Healthcare costs, potential Medicaid reform and expansion and a changing political landscape are leading to cautious optimism by providers. During 2015, there are several things to keep an eye on. On the supply side, Alaska Regional Hospital is in the middle of a \$55 million renovation to their East Anchorage facility (including its new family birth unit) and has recently announced plans for a new community health clinic in Mountain View. Alaska Regional Hospital has also submitted a plan to open two 8-bed satellite emergency rooms in Eagle River and south Anchorage. North Star Behavioral Health is expanding its adult patient capacity and Providence Alaska Medical Center is taking steps to expand its emergency room pediatric capacity. On the demand side, providers and employers are working on innovative solutions to improve employee health, the implications of the ACA coverage requirements are being felt, Medicaid expansion may be implemented and as the population continues to age, more services will be needed.

### ANCHORAGE HEALTHCARE EMPLOYMENT 2003 – 2014, 2015 FORECAST



\*Estimated based on preliminary 2014 numbers

Sources: Alaska Department of Labor and Workforce Development and McDowell Group

# TRANSPORTATION, *no change*



The transportation sector accounted for approximately 10,900 jobs in 2014, down about 300 jobs from 2013. However, the actual decline is closer to 100 given that about 200 of these reduced 300 jobs are due to an employer reporting correction by DOLWD.

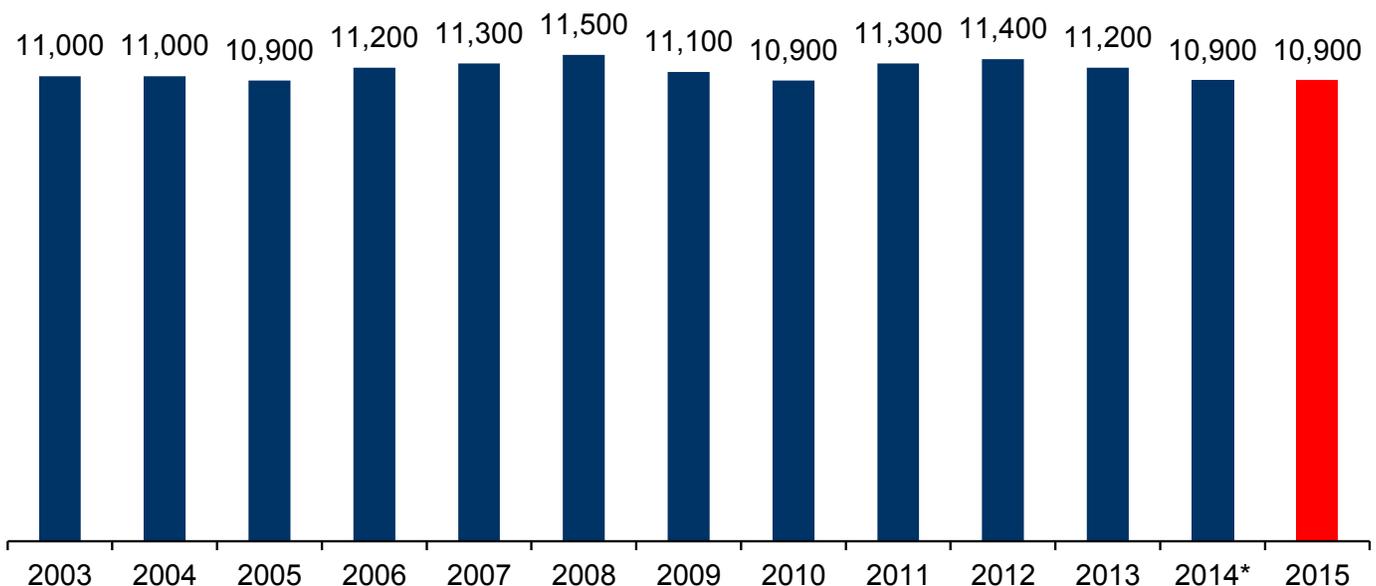
Over the last 10 years, employment in the transportation sector has been reasonably steady at around 11,000 jobs. AEDC anticipates total employment in the sector will remain unchanged during 2015.

The data correction in truck transportation notwithstanding, the net employment decline in 2014 was apparently a decline in air freight (parcel) related employment only slightly off-set by an increase in the air passenger transportation sector.

Looking ahead, strengthening of the U.S. economy bodes well for visitor travel to Alaska, potentially boosting air arrivals. According to the Department of Labor, a record one million tourists came through Anchorage in 2014. Industry projections indicate 2 to 3 percent growth in visitors statewide in 2015. It is unclear how in-state business and government travel might be impacted by declining oil prices and Alaska's budget concerns, but the best case would be no decline. On the other hand, declining fuel prices will have a positive bottom-line impact on all air carriers, particularly in the air cargo sector. Every quarter in 2014 saw a year over year increase in cargo transiting TSAIA, culminating with a fourth quarter figure that was larger than any quarter in the past eight years. Additionally, Boeing and the International Air Transport Association have both recently released positive forecasts for air cargo traffic growth in 2015, especially in the Asian-North American region. TSAIA directly or indirectly accounts for approximately one in ten jobs in Anchorage, and increasing activity at the airport will play a considerable part in maintaining our local economy.

Other factors that may increase cargo activity at the airport include the improving U.S. economy, which is on track for one of the best years in recent history with low unemployment, increased consumer spending and GDP projected to grow 3 percent. FedEx reported that nationally December 2014 was the busiest month on record. Online shopping now accounts for 6.6 percent of retail sales, up from 5.9 percent for the same period in 2013. The national increase in online sales is a benefit to Alaska's air transportation sector as online purchases are likely to be shipped by air and pass through Anchorage from Asian manufacturers on route to final destinations.

## ANCHORAGE TRANSPORTATION EMPLOYMENT 2003 – 2014, 2015 FORECAST



\*Estimate based on unadjusted preliminary 2014 numbers.

# CONSTRUCTION -100



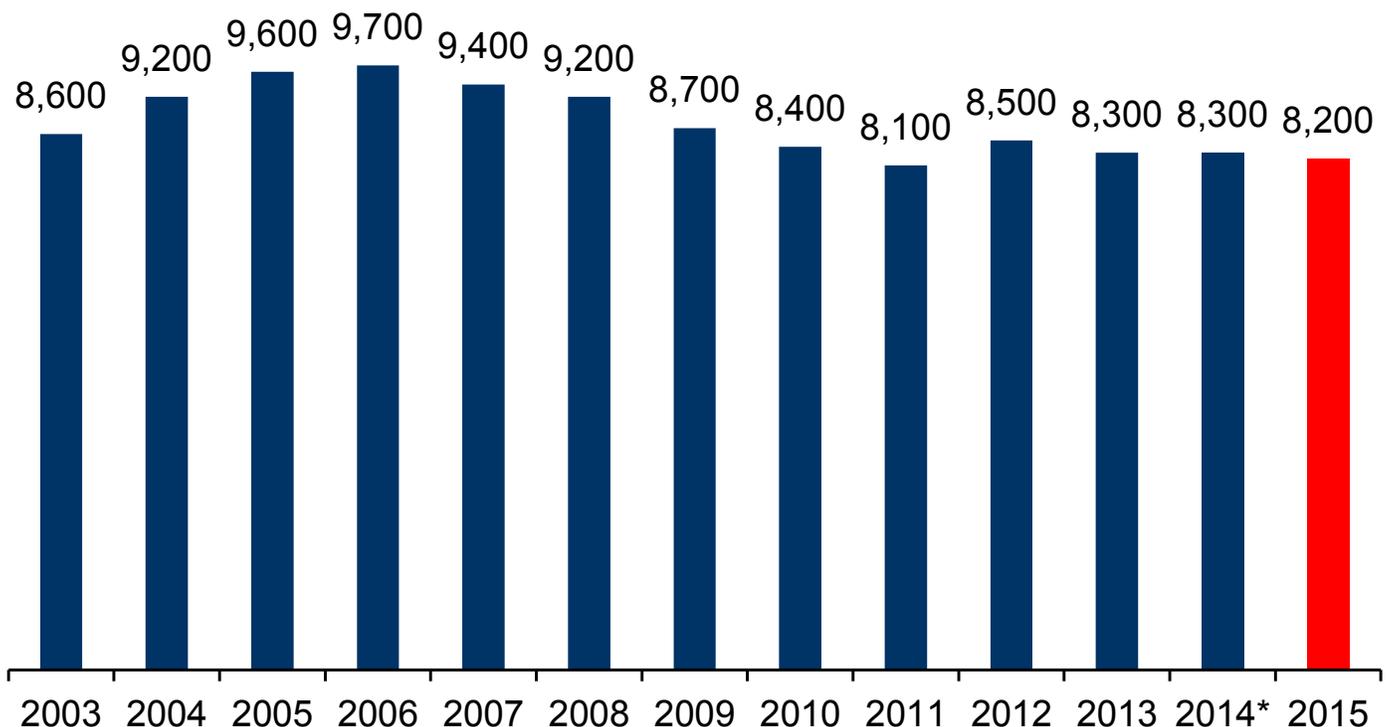
Total employment in the construction sector is expected to decline slightly by 100 jobs, or -1.2 percent, to 8,200 jobs in 2015.

The estimated value for Anchorage building permits in 2014 was up 8 percent over 2013, with significant growth in the second half of the year. Permit values from July to December increased 27 percent over the same period in 2013. While the number of new permitted residential units increased from 518 in 2013 to 758 in 2014, this only indicates an improvement in the local developer's interest in new construction. The actual number of new residential units added to the Anchorage market in 2014 has yet to be tallied and will provide a clearer sense of construction activity when it is available.

Contraction of the state capital budget will not immediately impact the construction sector as many 2015 projects have committed funding. Renovation and rehabilitation construction will begin at Airport Heights Elementary School, Ted Stevens Anchorage International Airport (TSAIA) and the Glenn Highway expansion by Eagle River. Smaller transportation developments include the completion of Eklutna Bridge, extending 100th Avenue to C Street from Arctic and the west Dimond Boulevard upgrade. In the private sector, CIRI's Fireweed Business Center, which started construction in April 2014, is scheduled to be completed this spring and ground-breaking for the Kuukpik Corporation occurred in October with scheduled completion in December 2015. A 200-room patient housing facility is also being constructed this year at the Alaska Native Medical Center campus. New multi-family housing developments in the Muldoon, Mountain View and Russian Jack neighborhoods totaling 166 units are expected to open in 2015. Cook Inlet Housing Authority will be breaking ground this year for construction of 50 multi-family units off Muldoon Road and 49 senior units in two buildings near Creekside Center Drive. Both developments are scheduled to open in 2016.

The existing back-log of funded projects and deferred maintenance projects is expected to essentially sustain current employment levels, even with the anticipated reduction in FY2016 state capital budget. The 2016 construction season might be a different story, however.

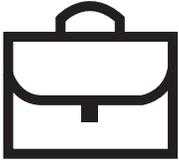
## ANCHORAGE CONSTRUCTION EMPLOYMENT 2003-2014, 2015 FORECAST



\* Estimated based on preliminary 2014 numbers

Source: Alaska Department of Labor and Workforce Development and McDowell Group

## PROFESSIONAL & BUSINESS SERVICES, *no change*

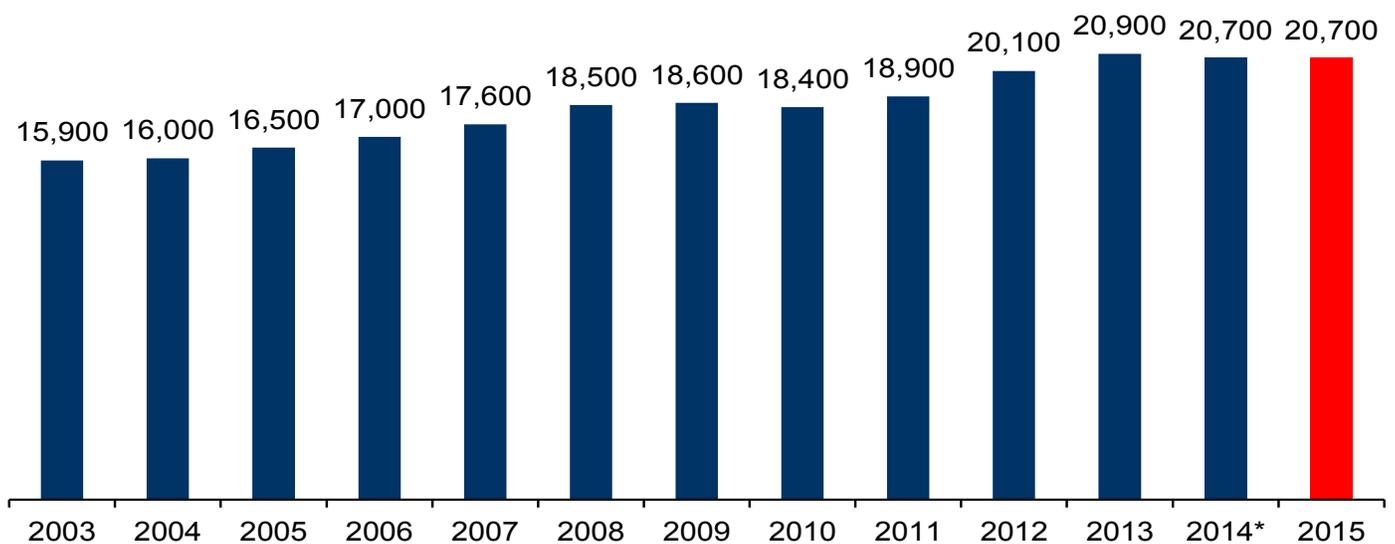


No change in professional and business services employment is forecast for 2015. The sector accounted for 20,700 jobs in 2014, a decline of 200 jobs, or -1.0 percent, over 2013. This is the second decline since 2004 and a contrast to the strong growth experienced in Anchorage over the last 10 years. Since 2004, the sector has grown 29 percent, adding 4,700 jobs to the local economy.

The professional and business services sector is a diverse group of employers including engineers, accountants, lawyers, architects and management professionals, among others. Many of these sub-sectors are strongly correlated across time. As major projects proceed through various stages of development from concept to construction, a concurrent and consecutive series of professions are involved. These professions have benefited in recent years from the preliminary work associated with several potential mega-projects, including the Pebble Mine, the Knik Arm Bridge and the Susitna-Watana Hydroelectric Project. An existing backlog of projects is expected to maintain current employment levels during 2015. However, due to significant reductions in the state capital budget, this sector could see employment reductions in 2016 and beyond.

Administrative and waste management services are also included under professional and business services. Establishments in this sector include human resource firms, security and surveillance companies and firms involved in remediation of polluted sites, among others. This component represents approximately 39 percent of total employment in the professional and business services. Average monthly employment estimates during 2014 in these areas held steady compared to 2013 and no major changes are expected in the coming year.

### ANCHORAGE PROFESSIONAL AND BUSINESS SERVICES EMPLOYMENT 2003-2014, 2015 FORECAST



\* Estimated based on preliminary 2014 numbers

Source: Alaska Department of Labor and Workforce Development and McDowell Group

## FINANCIAL ACTIVITIES, -100



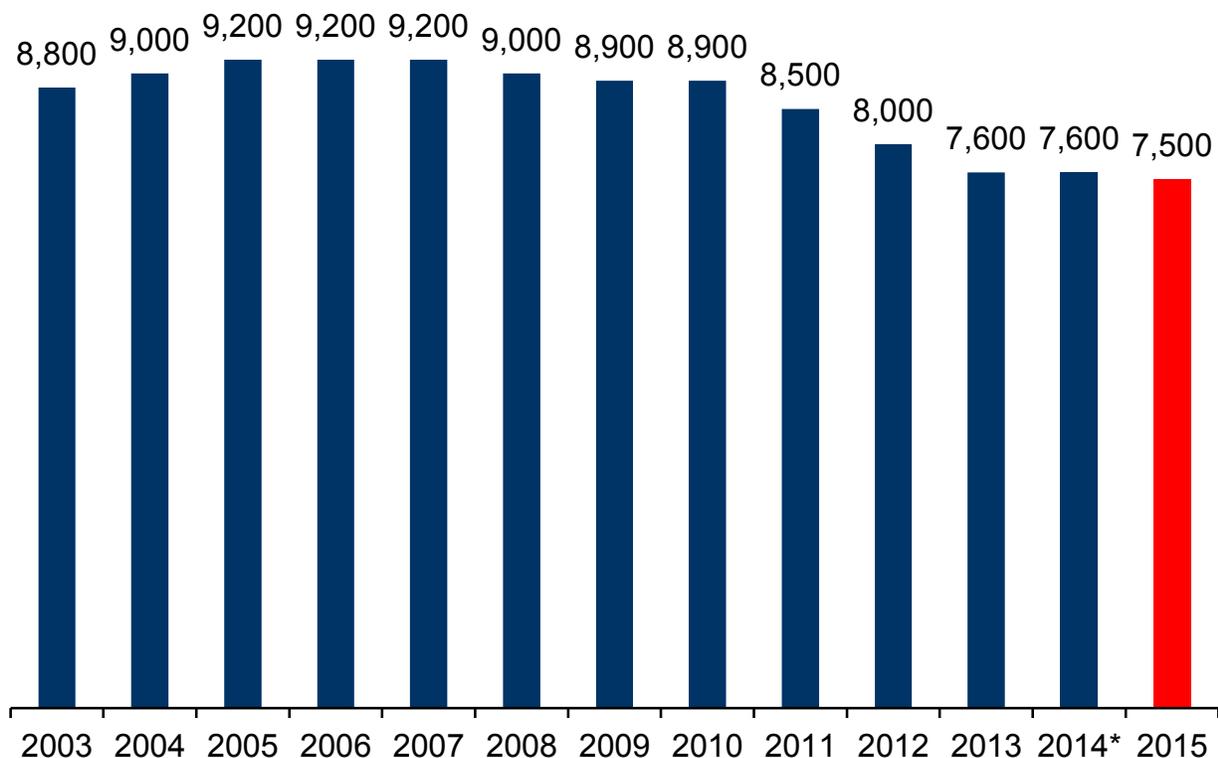
The financial activities sector includes jobs in finance, insurance and real estate. This sector experienced steady decline in employment between 2007 and 2013, which levelled off in 2014. However, AEDC anticipates another drop of 100 jobs in 2015 to 7,500.

The financial activities sector in Anchorage is divided into three sub-sectors: Real Estate (40 percent of employment), Credit Intermediation (40 percent) and Other Financial Activities (20 percent). Real estate includes establishments involved in managing, renting, buying and appraising real estate. Credit Intermediation includes banks, credit unions, mortgage brokers and check-cashing services, among others. Other Financial Activities include insurance carriers, asset management firms and financial advisors.

Within the Alaska banking community a common concern is the relative lack of loans compared to nearly \$11 billion in current deposits. While increased deposits may be an indicator of local business profitability, loans are an indicator of expected future growth. This pattern of increased deposits relative to loans is not unique to Alaska. Nationwide, businesses have been reluctant to invest pending recovery of the economy. Though national economic conditions are improving, Alaska investors may continue to delay investment (and borrowing) decisions until oil prices recover.

In addition to business investment, this sector is strongly connected to the real estate market. While residential construction is showing signs of growth, home purchases in Anchorage declined 7.4 percent in 2014 to 2,850. The continuing climate of tight inventories of homes, strict lending requirements for both residential and commercial interests and significant barriers to new development is suppressing the number of new deals for banks and mortgage companies. Community efforts to address these issues increased significantly in 2014 and there is optimism that this will persist in 2015. If successful, these actions may have the effect of improving business growth and employment in this area.

### ANCHORAGE FINANCIAL ACTIVITIES EMPLOYMENT 2003-2014, 2015 FORECAST



\*Estimate based on preliminary 2014 numbers.  
Sources: DOLWD, McDowell Group.

## LEISURE & HOSPITALITY +100



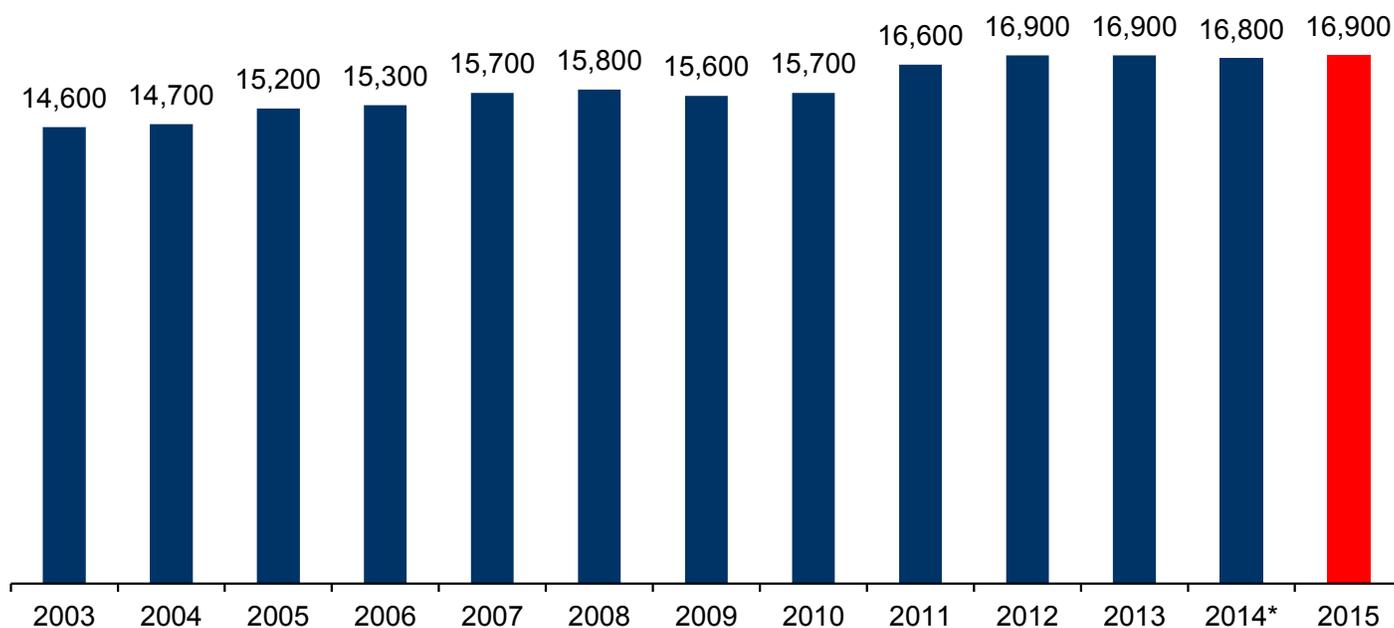
The leisure and hospitality sector is anticipated to account for 16,900 jobs in 2015, up 100 jobs from 2014. This sector, which is heavily impacted by tourism, includes employment with hotels, restaurants, theaters, museums and other recreational firms. Visit Anchorage estimates that one in ten Anchorage jobs are directly related to the tourism industry.

By most measures, the leisure and hospitality sector had a very good year in 2014. Nearly \$30 million was collected in bed and vehicle taxes (the most in a single year), passenger enplanements were up 2.2 percent from 2013 and cruise ships returned to the Port of Anchorage. An estimated 1 million visitors came through Anchorage in 2014. The visitor industry expects 2015 to be just as busy, especially with a strengthening national economy. In fact, national travel forecasts point to strong growth, with travel-related expenditures in the U.S. expected to jump 4.1 percent in 2015, according to a U.S. Travel Association forecast. Further, Alaska is part of growing global cruise market. Over the next five years, global cruise capacity is expected to grow 17 percent. Seven new ships are being built for the North American market, some of which may potentially be deployed in Alaska.

At the peak of the 2014 visitor season, the accommodations sector accounted for 3,500 jobs in Anchorage. The sector continues its slow climb back to the pre-recession peak of 3,800 in July of 2008, and optimism for growth in this sector is exhibited by a number of positive developments in the community. The opening of a 114 unit Marriott TownePlace Suites in midtown has increased hotel capacity in Anchorage. A Home 2 Suites by Hilton is currently under construction in Midtown as well, with an estimated opening date in January of 2016. Future hotel developments near the airport and Northway Mall are also in the planning process.

Other indicators point to a good year in 2015. There are five additional cruise ship dockings scheduled for 2015, bringing the total to nine. Anchorage will host at least five conventions with over 500 attendees in 2015. In June, the Institute of Electrical and Electronics Engineers (IEEE) Conference is expected to have over 1,000 attendees for its week-long conference. The largest international convention will be the 2015 International Economic Development Council Annual Conference with 1,400 attendees expected in October. October 2015 will also see Anchorage host the Alaska Federation of Natives Conference; an event that draws over 4,000 attendees.

### ANCHORAGE LEISURE AND HOSPITALITY EMPLOYMENT 2003-2014, 2015 FORECAST



\* Estimated based on preliminary 2014 numbers.

Sources: Alaska Department of Labor and Workforce Development and McDowell Group

## RETAIL TRADE +300

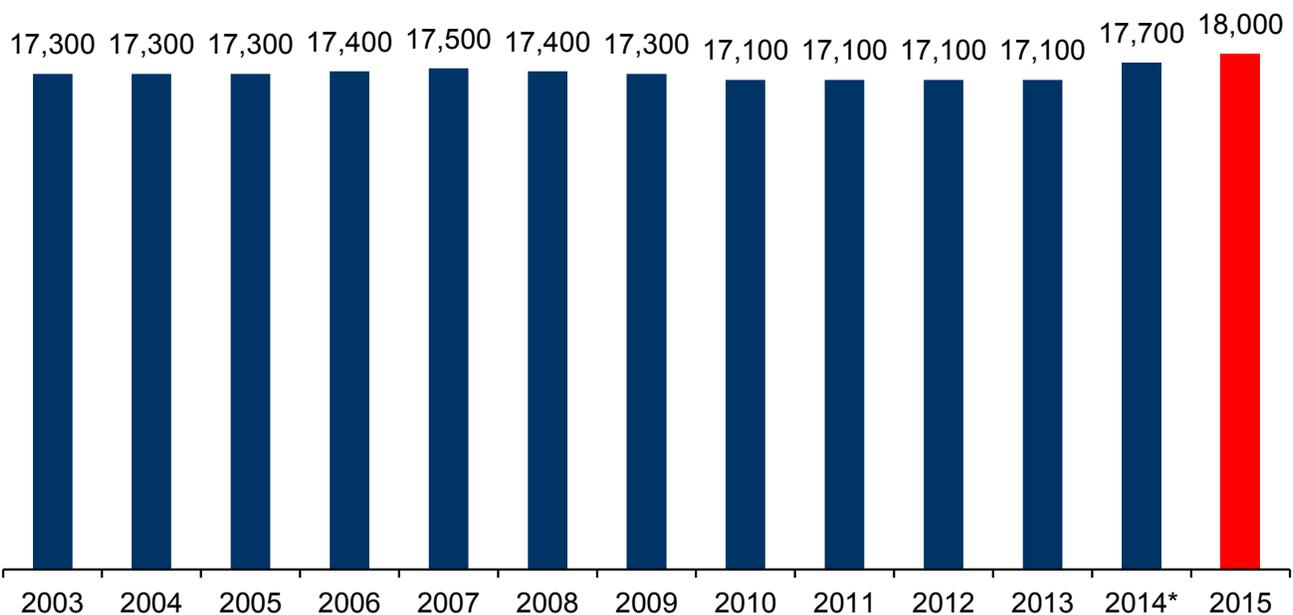


Employment in Anchorage's retail trade sector is slow to change, but after several years of predicting employment in this sector would grow, it finally happened in 2014. Employment grew by 600 jobs or 3.5 percent over 2013 – the first change in employment since 2010. Employment in this sector is projected to continue increasing to 18,000 in 2015, a growth of 300 jobs or 1.7 percent. However, one of the biggest factors that has impeded higher growth in this sector is available labor. Available land may also become a limiting factor; since 2009 retail vacancy rates have been between 2 and 3.5 percent.

Retail activity continues to be strong in both “Big Box” stores and malls, and national retailers continue to see Anchorage as place for expansion. In 2014, Fifth Avenue Mall welcomed Buckle, LUSH Handmade Cosmetics, Michael Kors, Sephora and Starbucks. In December, Fifth Avenue Mall saw 30 percent growth in year-over-year sales per square foot. In 2015, H&M (Dimond Center) and Nordstrom Rack (Sears Mall) are scheduled to open, potentially with as much anticipation as the opening of Bass Pro Shops and Cabela's last year. Retail expansion is occurring city-wide with signs of development south at C street and 100th Avenue (JL Properties' Outlet Mall) and east at Tikahtnu Commons (Pier 1 Imports, Ultra Beauty, Men's Warehouse). With Tikahtnu rapidly reaching full capacity, the Glenn Square Mall has seen a resurgence in occupancy and is expected to be a prime location for growth in the coming year. Additionally, a developing artisan market in Spenard may become a new hot spot for local retailers in Midtown.

Lower fuel prices, if they persist, are expected to provide a boost to local retailers in terms of both reduced costs and increased consumer disposable income. Anchorage's retail sector will benefit again in 2015 from a significant Permanent Fund Dividend (PFD). In 2014, the PFD was \$1,884, providing a direct cash injection to Anchorage residents of approximately half a billion dollars. The return of the Alaska Federation of Natives Conference to Anchorage in 2015 will also provide a sizable boost to local retail spending. Recent estimates put the economic impact of this conference at \$6 million dollars, although many local business leaders feel the true effect is even larger.

### ANCHORAGE RETAIL TRADE EMPLOYMENT 2003-2014, 2015 FORECAST



\*Estimate based on preliminary 2014 numbers.  
Sources: DOLWD, McDowell Group.

## GOVERNMENT -500

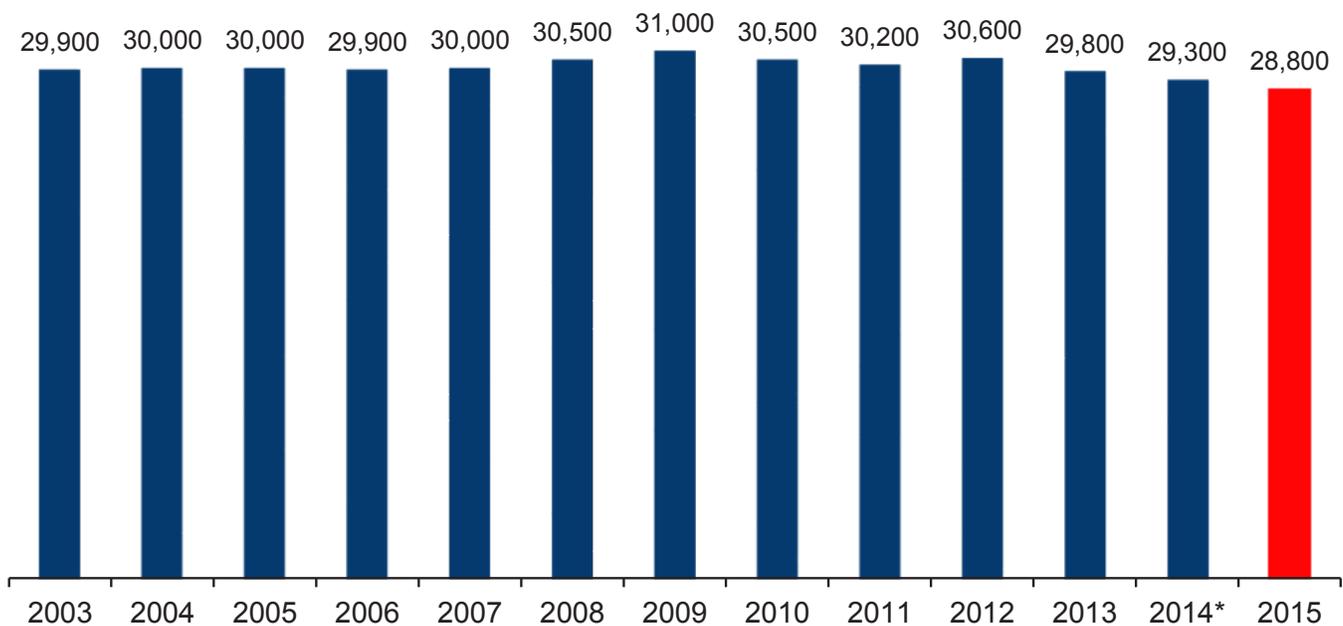


Government employment is likely to continue declining as it has done since 2012. AEDC anticipates a reduction of 500 jobs, or -1.7 percent, bringing the public sector to 28,800 jobs in 2015.

In 2014, government employment in Anchorage decreased by 500 jobs, or -1.7 percent, to reach 29,300. This decline in employment was split evenly between federal and local government, with the bulk of local positions being lost from the Anchorage School District (ASD). Since 2009, declines in federal and local employment have reduced the number of government jobs in Anchorage by 10 percent or 2,100 jobs. In contrast, state government employment, which includes the University of Alaska Anchorage (UAA), has grown by 400 jobs over the same period.

The decline in oil prices promises to place significant downward pressure on state government employment. UAA has implemented a hiring freeze and state departments were asked to assess potential impacts of 5 percent and 8 percent cuts. After several years of reductions, federal and local government employment are expected to remain relatively flat with possible minor reductions in federal employment. Unexpected budget reserves at the ASD will help to maintain and possibly increase employment in the near term and the proposed municipal budget for 2015 indicates no significant job losses at the local level. State employment, which has been relatively stable, is expected to decline in the latter half of 2015 (following the turn of the fiscal year) with further employment declines in 2016.

### ANCHORAGE GOVERNMENT EMPLOYMENT 2003-2014, 2015 FORECAST



\*Estimate based on preliminary 2014 numbers.  
Sources: DOLWD, McDowell Group

## OTHER SECTORS OF THE ANCHORAGE ECONOMY +100

Anchorage's economy includes many other jobs and industries than the nine sectors described. These industries include manufacturing, wholesale trade, information, private education and private social services among others. Overall, these sectors combined are expected to remain relatively unchanged with total employment growth of 100 jobs from 23,600 in 2014 to 23,700 in 2015, or 15 percent of total employment.

## *In Summary:*

# 2014 ECONOMIC FORECAST for ANCHORAGE

Low oil prices are causing a lot of uncertainty for 2015 and beyond. Alaska's economy is very dependent on the oil and gas industry; approximately a third of all employment in Alaska is connected to the industry or the revenues it generates for the state government.

While Alaska's economy was somewhat insulated from the national recession by high oil prices, AEDC has routinely raised the caution flag related to declining oil production. Low prices have brought to the forefront, perhaps sooner than expected, the need to address the state's challenges with long-term, sustainable funding of government services.

Aside from oil prices, Anchorage's economy faces other persistent barriers to growth, namely a tight labor market, continuing concerns about health insurance costs and housing supply-related challenges. Potential Army reductions at Joint Base Elmendorf-Richardson (JBER) pose another near-term threat to Anchorage's economy.

Low fuel prices do have a positive side; consumers of fuel, including transportation companies and other businesses that consume large volumes of fuel, benefit when prices are low. For households, lower fuel prices are the equivalent of an increase in disposable income. Nationally, as the economy continues to improve, consumer optimism is expected to increase – in part due to lower fuel costs – which should lead to more

visitors to Alaska, and possibly more investment from outside firms looking for long-term opportunity in Alaska.

Another bright spot is an increasing volume of air cargo transiting through TSAIA. The fourth quarter 2014 transit cargo volume was the highest since 2007. Transit cargo volumes are 37 percent above the 2008 low-point.

Anchorage has shown its ability to weather oil price fluctuations in the past and can reasonably be expected to do so again. The Anchorage economy has steadily grown more diversified and resilient over the past years. Sectors that are not as closely tied to the oil industry, such as healthcare services, are performing well and are projected to see continued growth. The TSAIA and the tourism industry account for 1 in 5 jobs locally, either directly or indirectly and growth in these areas should soften the expected economic downturn associated with reduced oil industry and state government spending.

While businesses may be understandably concerned about the Anchorage economy overall, AEDC's Business Confidence Index is still positive and indicates, on average, individual businesses expect their own gross sales and net profits to be greater in 2015 than 2014. That kind of optimism bodes well for Anchorage, as we strive to look beyond near-term challenges and remain confident in the future.



**AEDC**  
**Anchorage Economic**  
Development Corporation

Thank you  
for making this report possible:



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prepared by:



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