



# ECONOMIC 2018 FORECAST


## ANCHORAGE



**AEDC**  
Anchorage Economic  
Development Corporation

Sponsored by:





*Report compiled by McDowell Group. The 2018 Economic Forecast includes 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 2018.*

*Report released Jan. 31, 2018 at the AEDC Economic Forecast Luncheon.*

*To view more AEDC reports, go to [www.AEDCweb.com](http://www.AEDCweb.com).*

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

*This employment forecast is based on historical and preliminary 2017 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 seafood harvesters.*

# 2018 ECONOMIC FORECAST for Anchorage:

— *0.7% decline* —

Consistent with AEDC's January 2017 forecast, Anchorage employment dipped 1.4 percent in 2017, a decline of about 2,100 jobs. In terms of employment, 2017 was a repeat performance of 2016, with oil and gas, construction, professional services, and state government all experiencing job loss. Once again, healthcare was the shining star, adding 800 jobs, continuing a decade of uninterrupted growth.

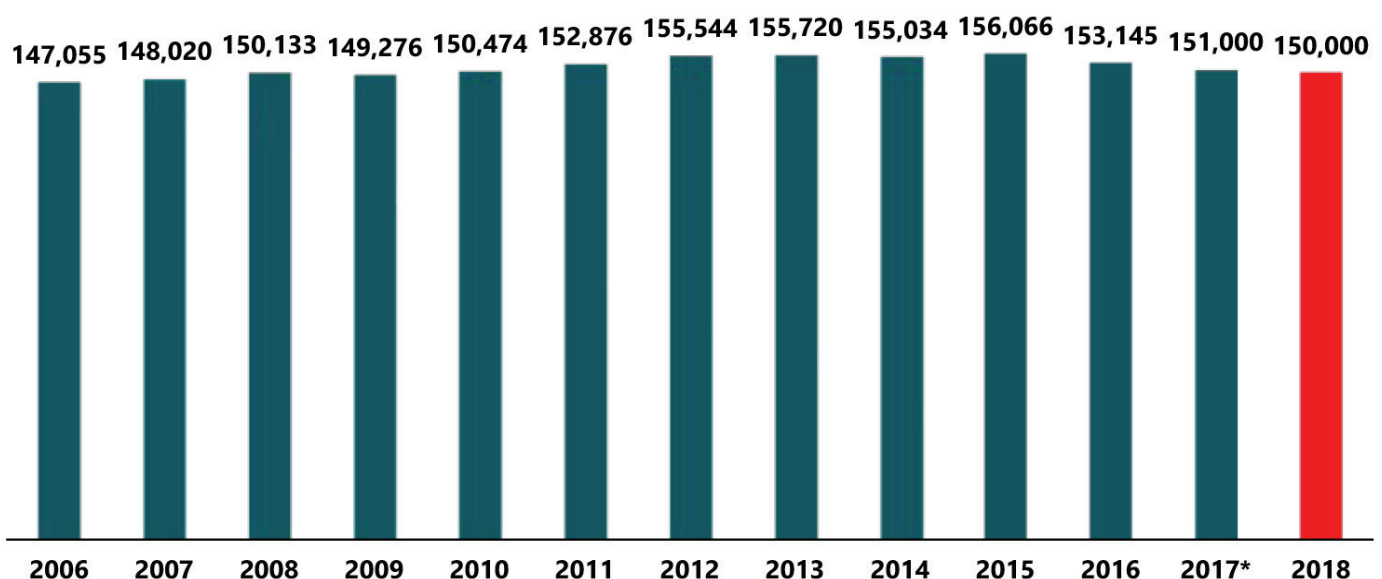
AEDC anticipates further employment decline in 2018, though fewer losses than experienced in 2016 and 2017. Overall, the economy is expected to shed another 1,000 jobs (0.7 percent) in 2018. Much of that decline will be in the support sector, as the multiplier effects of previous years' losses ripple through the economy. While job losses are anticipated in retail and in the leisure and hospitality sector, the oil and gas and construction industries are expected to show strength compared to 2016 and 2017. Healthcare sector growth will continue into 2018.

Beyond 2018 we predict a return to growth. Increasing natural resource values, a robust visitor industry, and other forces noted below bode well for Alaska. With Anchorage accounting for more than half of Alaska's total GDP of \$50 billion, what's good for Alaska is good for Anchorage, and vice versa.

While AEDC believes 2018 will mark the bottom of the recession, without a long-term solution to Alaska's budget deficit, full recovery may remain elusive. The absence of State budget and taxation certainty promises to unnecessarily sideline investment.

## ANCHORAGE EMPLOYMENT

2006-2017, 2018 FORECAST



\*Employment estimate is preliminary. All figures for calendar year based on monthly averages.

Sources: Alaska Department of Labor and Workforce Development (2006-2016), McDowell Group (2017 and 2018 estimate).

# EMPLOYMENT BY SECTOR

*at a glance*

OIL & GAS *NO CHANGE*  
HEALTH CARE *+600*  
TRANSPORTATION *+100*  
PROFESSIONAL &  
BUSINESS SERVICES *-200*  
CONSTRUCTION *-200*  
LEISURE & HOSPITALITY *-200*  
RETAIL TRADE *-400*  
FINANCIAL ACTIVITIES *-100*  
GOVERNMENT *-200*  
OTHER SECTORS OF THE  
ANCHORAGE ECONOMY *-400*

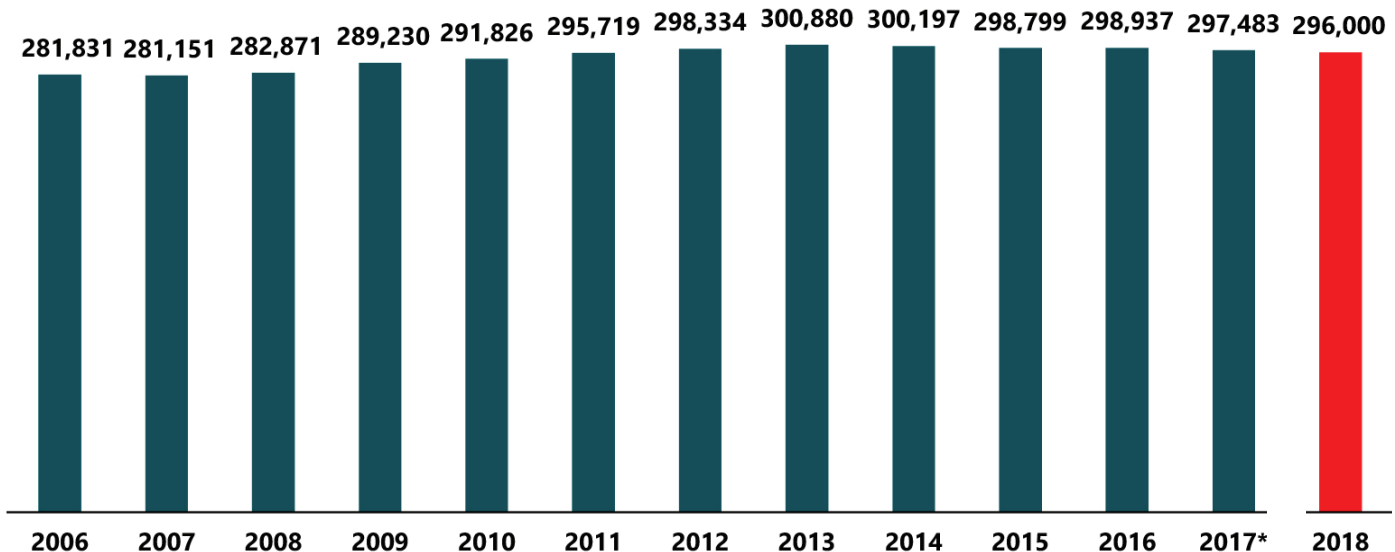
# ANCHORAGE POPULATION *-1,500*

In 2017, Anchorage's population averaged 297,483 residents, representing a loss of 1,454 residents (0.5 percent) from 2016. Following a peak population of 300,880 in 2013, Anchorage has experienced a loss of 3,397 residents, or 1.1 percent.

While economic conditions are expected to improve slightly, AEDC anticipates population decline of another 0.5 percent, about 1,500 residents, in 2018.

- The population change in 2017 included 4,273 births 1,768 deaths, and a net loss of 3,959 residents due to migration.
- A weak job market in Anchorage coupled with a strong national economy is likely a significant contributor to net out-migration. There is also some net loss to other areas of Alaska. In 2016, at least 5,600 residents from other Alaska communities moved to Anchorage and 5,800 Anchorage residents moved to other Alaska communities. This includes an estimated 3,200 Anchorage residents who moved to the Mat-Su Borough, and 1,900 Mat-Su Borough residents who moved to Anchorage.
- The Anchorage population is getting older. In 1996, the average age was 31.5 years; in 2016 the average age was 33.7 years. The Alaska Department of Labor and Workforce Development projects that by 2026 the average age will be more than 36 years.

## ANCHORAGE POPULATION 2006-2017, 2018 FORECAST



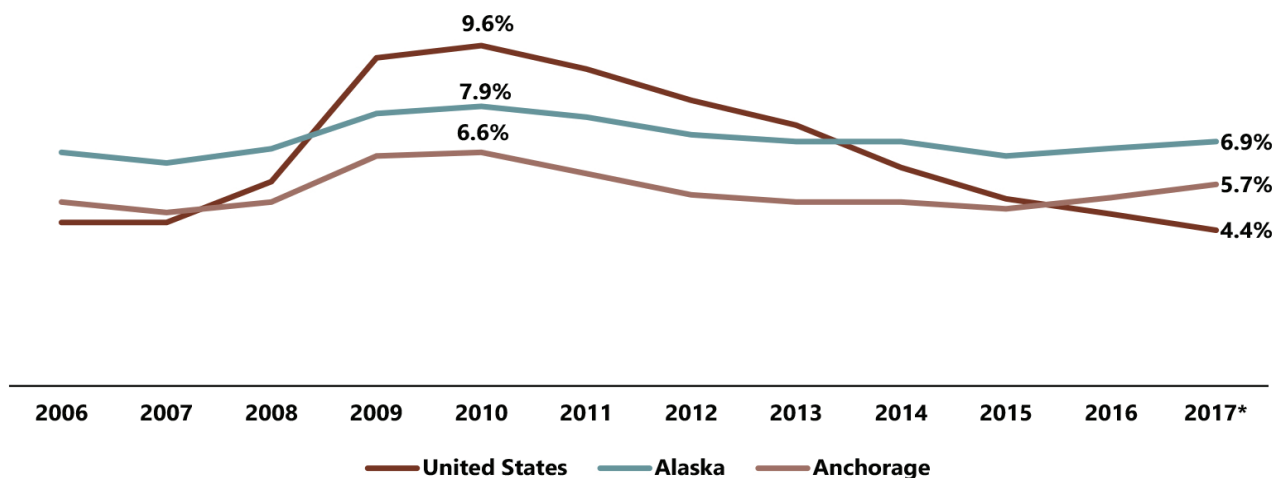
Sources: Alaska Department of Labor and Workforce Development (2006-2016), McDowell Group (2017 and 2018 estimate).

# ANCHORAGE UNEMPLOYMENT

At 5.7 percent, the unemployment rate in Anchorage for 2017 was below the statewide rate of 6.9 percent but well above the national rate of 4.4 percent. Further, unemployment in Anchorage has trended upward as the national rate has trended downward. The national rate is at a 17-year low; Anchorage and Alaska are at 7 and 4-year highs, respectively.

- Between 2008 and 2014, Anchorage unemployment was lower than the U.S. When the national rate peaked at 9.6 percent in 2010, Anchorage experienced 6.6 percent unemployment.
- Historically, the Anchorage unemployment rate has been lower than the Alaska rate, averaging a 1.5 percent difference since 2006.
- The 2017 unemployment rate of 5.7 percent in Anchorage is just a few tenths of a percent above the 2016 rate (5.3 percent) and the average for the 2012 to 2016 period (5.2 percent).
- Anchorage's 2017 unemployment rate suggests there are approximately 9,000 individuals actively seeking employment.
- While the Anchorage economy has lost about 5,000 jobs since 2015, the number of unemployed residents has only increased about 1,100. Out-migration of resident workers contributes to the relatively low number of currently unemployed residents. In addition, non-residents may have accounted for disproportionate share of the job losses. Finally, a number of workers likely retired rather than remain in the labor force after losing a job.

## ANCHORAGE, ALASKA, & U.S. UNEMPLOYMENT RATE (%) 2006-2017



\*2017 figure based on preliminary data.

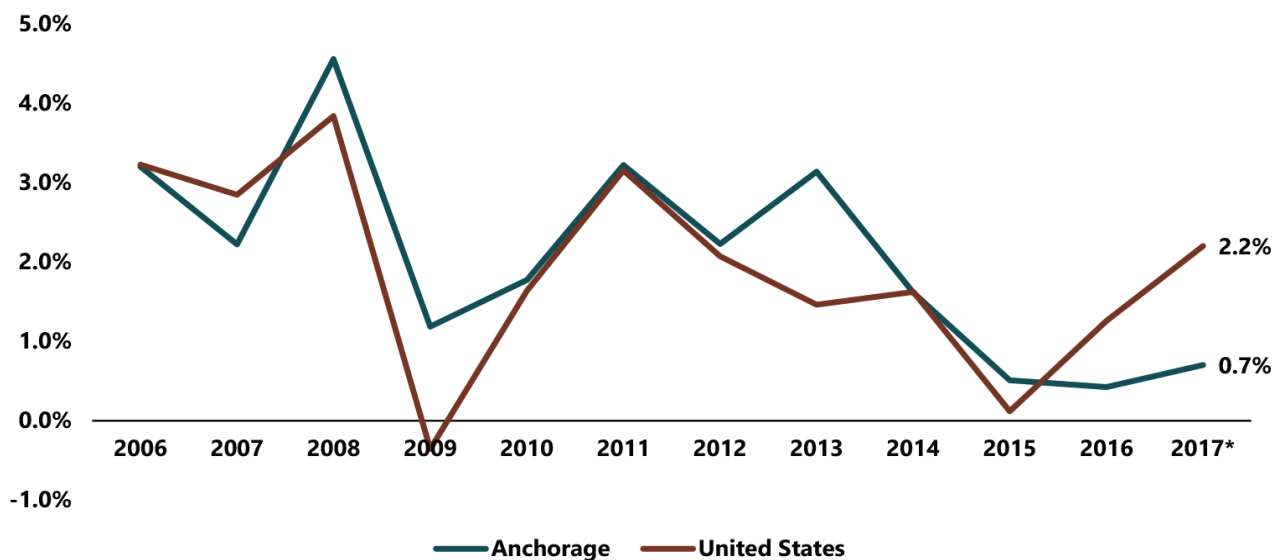
Source: Alaska Department of Labor and Workforce Development, U.S. Bureau of Labor Statistics (2005-2017).

# ANCHORAGE INFLATION RATE

Through the first half of 2017, Anchorage prices increased just 0.7 percent, a rate well below the ten-year average of 2.4 percent. AEDC anticipates inflation in 2018 to remain below historical averages.

- Inflation is measured with the Consumer Price Index (CPI), which tracks price changes over time for a selection of consumer goods and services. The Anchorage CPI is the only available measure of inflation for Alaska.
- Prices that increased in the first half of 2017 include energy (+6.3 percent), medical care (+1.3 percent), and food (+0.4 percent). Reductions to education and communication (-2.7 percent), apparel (-1.6 percent), and shelter (-0.7 percent) moderated the net change.
- Since 2015, the Anchorage inflation rate has been lower than the national rate, likely reflecting the divergent effects of economic recession in Alaska and growth in the national economy.

## ANCHORAGE AND U.S. CONSUMER PRICE INDEX ANNUAL AVERAGE CHANGE, 2006-2017



\*2017 figure based on preliminary data through first half of the year.  
Source: U.S. Bureau of Labor Statistics (2006-2017).

## OIL & GAS *No Change*



In 2017, Anchorage's oil and gas sector lost 300 jobs, down 11 percent from 2016. With total employment at 2,600 jobs, this sector has lost about 1,200 jobs since 2015 (a 30 percent decline) and settled back to the 2010 level. Statewide, the oil and gas industry has lost about 4,000 jobs since peaking at 14,800 in 2014.

The economic impact of the oil and gas industry in Anchorage goes well beyond the direct jobs described above. McDowell Group's 2016 study measured 28,000 jobs and \$1.9 billion in wages directly or indirectly connected with oil and gas industry activity in Alaska, not counting jobs and wages created by taxes and royalties paid by the industry.

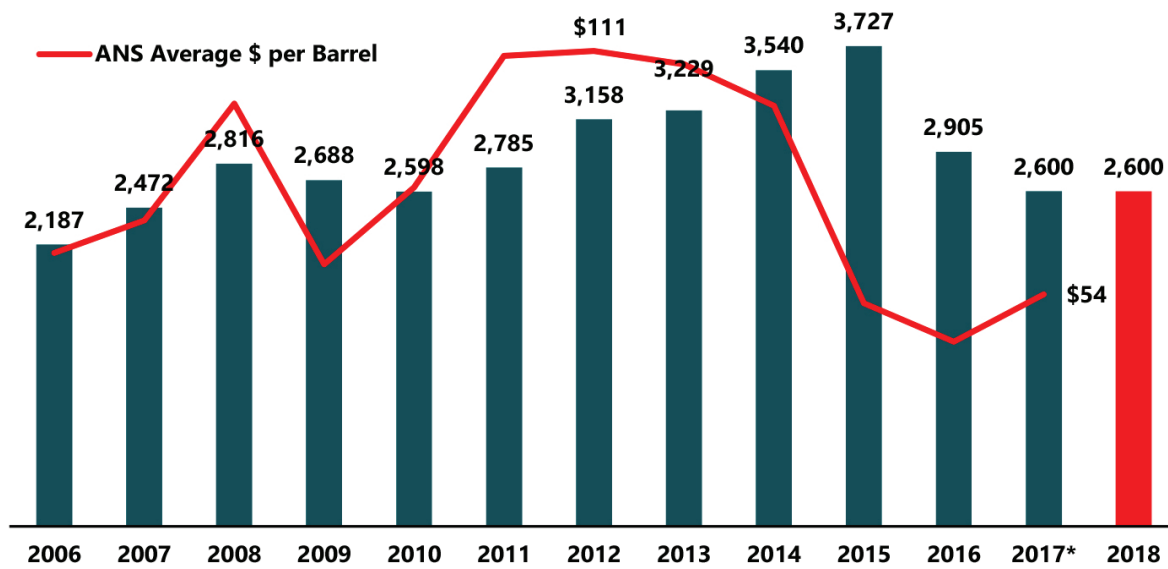
With significant cuts already behind this sector, slowly increasing oil prices, and growing industry optimism, AEDC anticipates employment will stabilize in 2018, remaining at about 2,600 jobs, unchanged from 2017.

- The Trans-Alaska Pipeline System (TAPS) averaged throughput of 527,323 barrels per day in 2017, the second consecutive year of growth. This volume represents a 1.5 percent increase from 2016, and 3.7 percent over 2015.
- New development on the North Slope bodes well for increasing the volume of oil moving through the pipeline and for generating revenue for state government. It is important to note that production from federal land such as NPRA does not offer the same revenue benefits for Alaska as production on state-leased land.
- Oil and gas activity on the North Slope is anticipated to increase in 2018.
  - ConocoPhillips plans on first oil from Greater Mooses Tooth #1 in 2018, with additional near-term work planned on Greater Mooses Tooth #2, CD2, and CD5. ConocoPhillips plans to expand CD2 and CD5 with drilling starting in 2020. The company plans to drill five exploratory wells in 2018.
  - Hilcorp is finishing construction at its Milne Point's Moose Pad project with first oil anticipated in 2018.
  - Longer-term projects include ConocoPhillips' Fiord West (20,000 barrels per day) and Willow (100,000 barrels per day) projects and Hilcorp's Liberty Project (65,000 barrels per day). Armstrong Energy's Nanushuk project in the Pikka Unit is expected to produce 120,000 barrels per day. Caelus' Smith Bay also offers long-term potential.
  - Eni is drilling in its Nikaichuq North prospect with additional wells possible, and Glacier Oil and Gas is drilling an exploratory well at Badami. Brooks Range Petroleum, Alliance Exploration, Accumulate Energy Alaska, and other companies are also active planning, exploring, and developing on the North Slope.
- Activity in Cook Inlet is primarily focused on production of natural gas destined for local consumption.
  - Hilcorp plans to drill up to six wells in the Kenai Unit and restart production at Birch Hill Unit, in addition to other activity in the Seaview, Deep Creek, Nikolaevsk, and Ninilchik units. The company is also developing a \$73 million cross-inlet pipeline, with completion planned for late 2018.
  - BlueCrest Energy is planning a development well in the Cosmopolitan Unit, and AIX Energy is improving operations at the Kenai Loop field.
- Adding to a decade of effort in the Nenana Basin, Doyon plans to drill the Totchaket #1 exploration well in the summer of 2018. Cook Inlet Regional Inc. (CIRI) is a partner on this \$20-\$30 million project.
- The opening of the Arctic National Wildlife Refuge's 1002 area and potential for increased access to offshore leases offer the industry additional possibilities for long-term growth.
- Through early 2018, oil is trading at three-year price highs. Short-term forecasts from the Energy Information Agency, Alaska Department of Revenue, and Goldman Sachs indicate oil prices will be higher in 2018 than 2017.



## ANCHORAGE OIL & GAS EMPLOYMENT AND ALASKA NORTH SLOPE (ANS) PRICE PER BARREL

2006-2017, 2018 FORECAST



\*Employment estimate is preliminary. All figures for calendar year based on monthly averages.

Sources: Alaska Department of Labor and Workforce Development (2006-2016 employment), McDowell Group (2017 and 2018 employment) Alaska Department of Revenue (2006-2017 oil price).

## HEALTH CARE +600



In 2017, Anchorage's healthcare sector posted yet another year of growth, adding almost 800 jobs, a 3.8 percent increase. Healthcare accounted for an average of 20,700 jobs in 2017. Outpatient services such as dentists, imaging, and private physicians compose most of this sector, accounting for 53 percent of employment. Hospitals contributed 34 percent, and nursing and residential care services accounted for the remainder (13 percent).

Anchorage is the medical care center of Alaska, with 56 percent of the state's healthcare employment. Supported by an aging population with greater healthcare needs, expanding local healthcare capacity, workforce training efforts to reduce the need for non-resident nurses and other healthcare providers, and policies such as Medicaid expansion, AEDC expects healthcare employment to expand again in 2018, adding another 600 jobs (2.9 percent). It is reasonable to question whether this long period of healthcare employment growth is sustainable or indicative of a bubble.

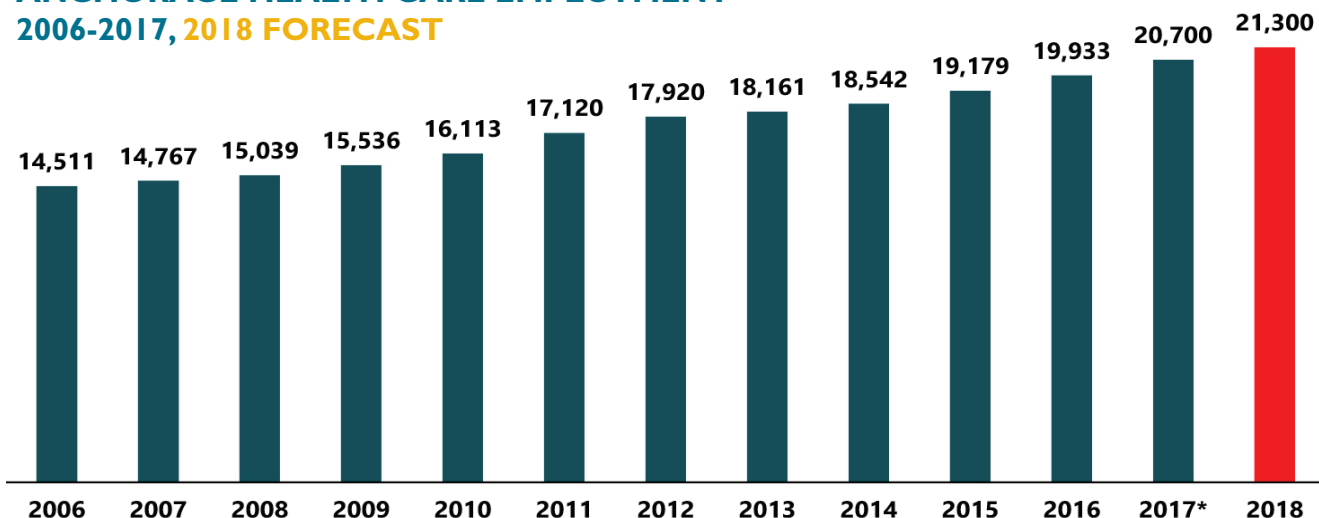
Activity in the local healthcare sector includes:

- Providence Alaska Medical Center expanded its emergency care facility to 50 rooms with the recent addition of 13 rooms.
- In 2017, the Anchorage Municipality entered into an innovative arrangement with Vera Whole Health, which will operate a health clinic in east Anchorage exclusively for City employees.
- Alaska Regional Hospital closed its new Mountain View primary care clinic in 2017 due to greater-than-expected financial losses.
- Increased service capacity (such as oncology and pediatric services) in Alaska Native health organizations continues to support recent growth in the healthcare sector.

An aging population will require more healthcare services. While Anchorage's population has declined an annual average of 0.1 percent in the last five years, the 65+ cohort has expanded by an average of 4.9 percent annually, totaling 31,272 residents in 2017.

Moving forward, the industry may be challenged by continued uncertainty surrounding federal healthcare policy, further deterioration of reimbursement yields (such as reduction in Medicaid rates), increasing prevalence of high-deductible plans shifting costs from employer to employee, anticipated diminished profit margins, further downward pressure on pricing, and increasing "healthcare tourism" that funnels patients and their dollars to Lower 48 providers.

### ANCHORAGE HEALTH CARE EMPLOYMENT 2006-2017, 2018 FORECAST



\*Employment estimate is preliminary. All figures for calendar year based on monthly averages.

Sources: Alaska Department of Labor and Workforce Development (2006-2016), McDowell Group (2017 and 2018).

## TRANSPORTATION +100

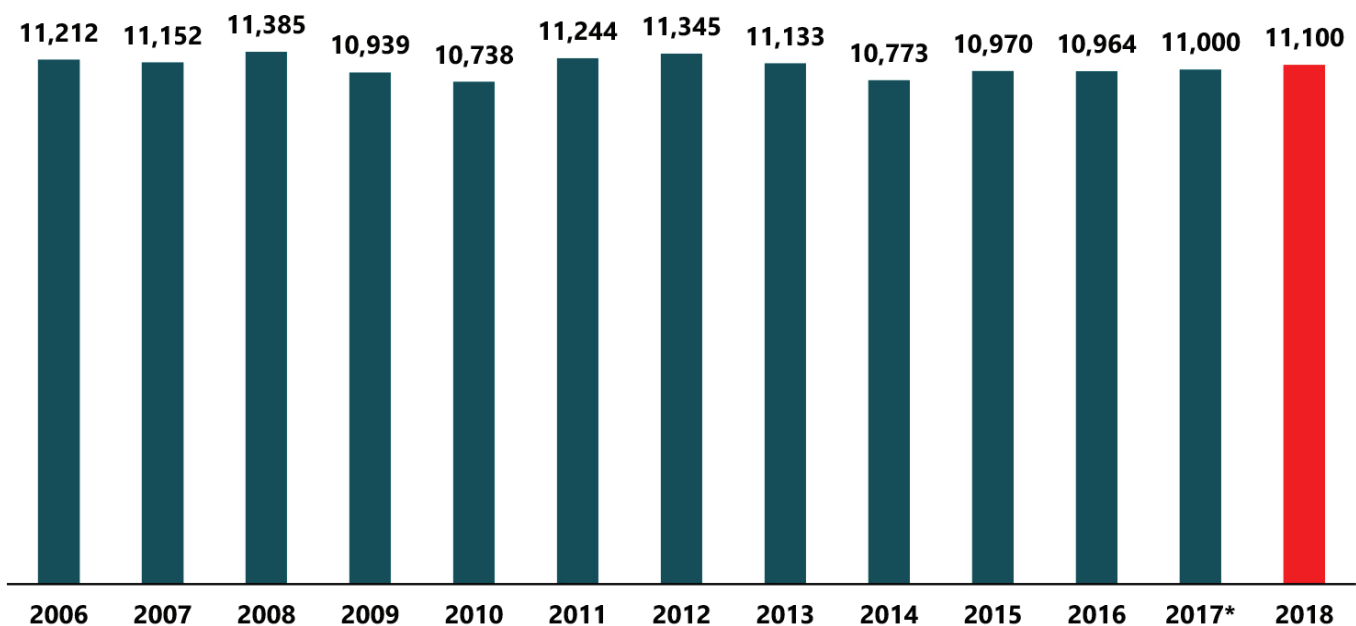


Employment in Anchorage's transportation, warehouse, and utilities sector was flat in 2017, averaging approximately 11,000 positions. Historically one of Anchorage's most stable sectors, air transportation accounts for approximately 30 percent of the sector's total employment. Couriers such as UPS and FedEx account for about 20 percent, and truck transportation totals 12 percent. Scenic and sightseeing business, utilities, warehouses, and other establishments account for the remainder of 38 percent.

Supported by strong freight volumes at the Ted Stevens Anchorage International Airport (ANC), stabilized volumes at the Port of Alaska, continued growth of ecommerce, and increased visitor travel, AEDC anticipates this sector will add 100 jobs (0.9 percent) in 2018, rising to an average of 11,100 positions.

- Anchorage is the transportation hub for much of Alaska: a significant portion of consumer, industrial, and defense supplies moved by air, water, and truck throughout the state move through the city.
- Volume at the Port of Alaska totaled 3.5 million tons in 2017, the same as 2016. Petroleum shipments totaled 1.8 million tons, up 0.8 percent. Container volume increased for the first time since 2014, growing 0.6 percent to 1.6 million tons.
- Through the first 11 months of 2017, enplaned, deplaned, and transited air cargo volume at ANC was up 6.8 percent (to 2.7 million tons) from the same period in 2016.

### ANCHORAGE TRANSPORTATION EMPLOYMENT 2006-2017, 2018 FORECAST



\*Employment estimate is preliminary. All figures for calendar year based on monthly averages.

Sources: Alaska Department of Labor and Workforce Development (2006-2016), McDowell Group (2017 and 2018).

## PROFESSIONAL & BUSINESS SERVICES -200

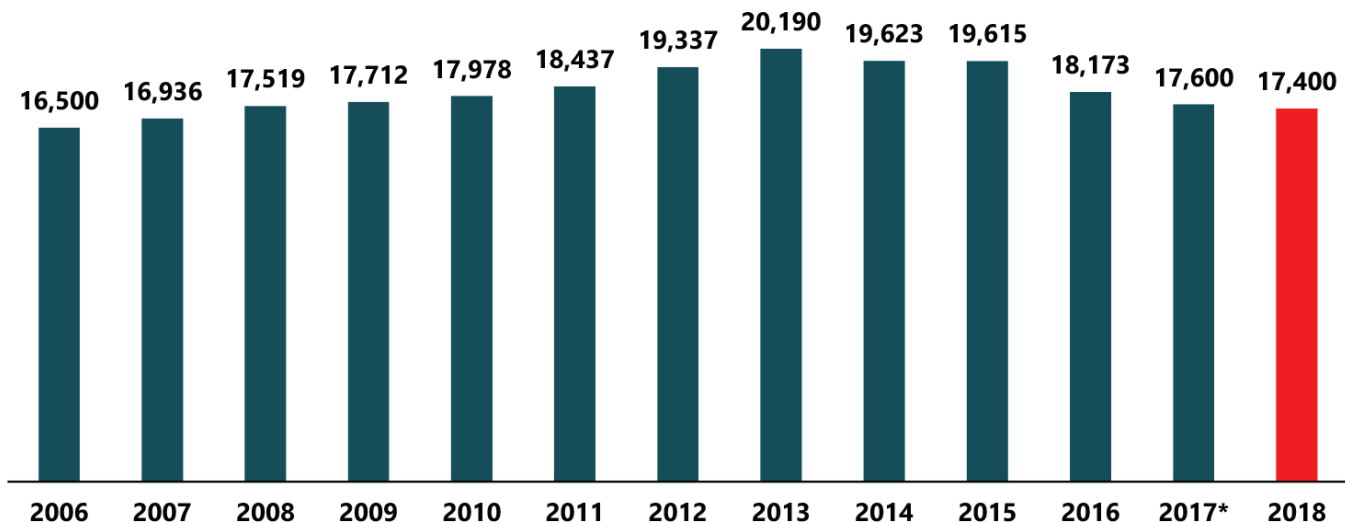


Anchorage professional and business services employment averaged 17,600 jobs in 2017, a decline of about 600 jobs (3.2 percent) from 2016. Engineers, architects, lawyers, accountants, business managers, and other professionals account for 60 percent of this sector; administrative and waste management positions are the remainder. About two-thirds of Alaska's professional and business service employment is in Anchorage.

Local firms provide services for a wide variety of public and private projects and organizations throughout Alaska. While increased defense spending, steady federal highway funds, and recovering oil and gas investment offer the hope of stability for this sector, reduced State of Alaska capital budgets will continue to contribute to losses in 2018. AEDC anticipates employment to average 17,400 jobs, a decline of 200 positions from 2017 (1.1 percent).

- Following a peak of 20,190 jobs in 2013, employment in this sector has declined by 2,800 jobs (14 percent). Employment losses over the last five years are primarily due to reduced oil and gas industry spending, sharply reduced state funding for “megaprojects” such as the Susitna-Watana Hydroelectric Project and Knik Arm Bridge Crossing, and a generally lower level of private investment due to slowing economic activity in Anchorage and Alaska.
- Engineering, design, and planning firms have been hardest hit by the decline in capital project spending in Alaska.
- The rise and fall of professional and business services employment over the past decade has followed the same trend as oil prices and revenues, which peaked in the 2012-2013 period.
- Sources of near and long term-opportunity for this sector include the Donlin and Pebble mining projects which would require significant engineering, planning, and social science research. Expansion of Alaska's missile defense infrastructure and preparation for the arrival of two F-35 squadrons at Eielson Air Force Base will support local firms, and an increase in oil and gas capital investment will contribute to stabilization of this sector. Federal highway construction spending will continue to be an important source of professional services activity.

### ANCHORAGE PROFESSIONAL AND BUSINESS SERVICES EMPLOYMENT 2006-2017, 2018 FORECAST



\*Employment estimate is preliminary. All figures for calendar year based on monthly averages.

Sources: Alaska Department of Labor and Workforce Development (2006-2016), McDowell Group (2017 and 2018).

# CONSTRUCTION -200



In 2017, Anchorage's construction industry lost jobs for the second year in a row, declining by 400 positions (5.6 percent) to an average of 7,000. Specialty trades account for 50 percent of employment in this sector. Building construction and heavy construction each compose about one quarter of the total.

Stabilized in part by federal defense spending and renewed oil and gas activity but still weakened by diminished State capital budgets – AEDC anticipates losses to moderate in this sector in 2018. A decline of 200 jobs (2.9 percent) is expected.

- Since 2015, employment in the construction sector has declined by 1,300 jobs, a decrease of 16 percent.
- State of Alaska capital budgets have fallen by more than \$2 billion since 2013, sharply impacting the construction sector. A capital budget typically takes 3-5 years to be spent, meaning impacts associated with large budgets of the past are nearing an end.
- Army Corps of Engineers spending in Alaska will total \$550 million in FY2018, similar to previous years. While most work will occur in the Interior, Anchorage businesses have been awarded several contracts associated with this spending.
- Anchorage building permit data provides an indicator of intended building projects. In 2017, total valuation for almost 2,600 permits was \$422 million, a 9.7 percent reduction from 2016. The residential component was up 5.7 percent to \$140 million while the commercial component was down 14 percent to \$236 million. Government permit valuation accounted for the remainder, down 22 percent to \$46 million.
- Projects currently under construction in Anchorage include King Street Brewery (\$6.5 million), West and Romig schools (\$4.9 million), Chugiak High School (\$1.1 million), Inuit Building (\$2.3 million), and Providence Medical (\$680,000), among others.
- Mixed-use development in Anchorage will contribute to increased construction activity including:
  - The Rail, an 11-acre project including a 35-unit condo development known as “Downtown Edge”.
  - A \$40 million development on 6th Avenue with a 120-room hotel, 39 apartments, and restaurant, among other amenities.
  - At East Tudor and Elmore, a \$180 million project including apartments and condos, new offices for the City's Health Department, a hotel, grocery store, and other commercial enterprises.
  - In the place of the City's existing health department offices, a 120-apartment senior housing complex with retail, café, and pharmacy.

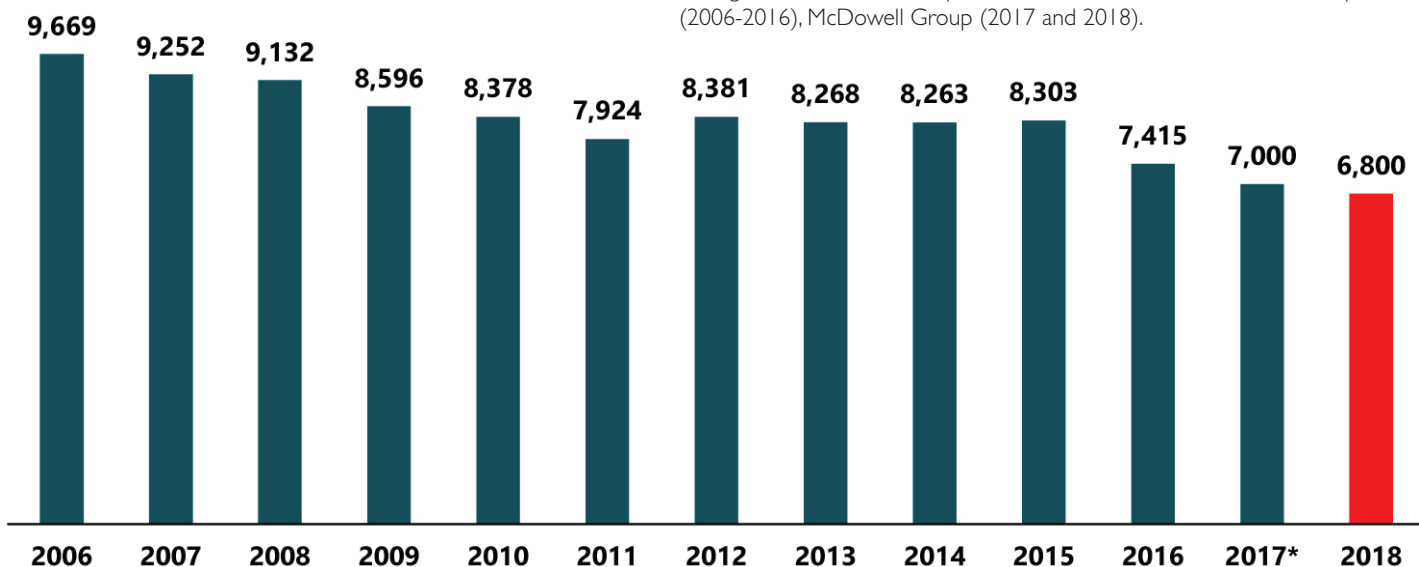
These large, mixed-used commercial and housing projects suggest developers are looking to take advantage of reduced construction costs, brought about by the down-turn in Alaska's economy.

Looking ahead, projects such as AK LNG, Donlin, and Pebble have the potential to support thousands of construction jobs, offering the industry an optimistic long-term perspective.

## ANCHORAGE CONSTRUCTION EMPLOYMENT

### 2006-2017, 2018 FORECAST

\*Employment estimate is preliminary. All figures for calendar year based on monthly averages. Sources: Alaska Department of Labor and Workforce Development (2006-2016), McDowell Group (2017 and 2018).



## LEISURE & HOSPITALITY -200



Roughly two-thirds of leisure and hospitality employment is in food service while accommodations account for 20 percent. The balance is provided by the arts and recreation sectors. In 2017, employment in this sector remained close to record levels at 17,300 positions, with only a slight loss (about 100 jobs, or 0.6 percent) from the previous year.

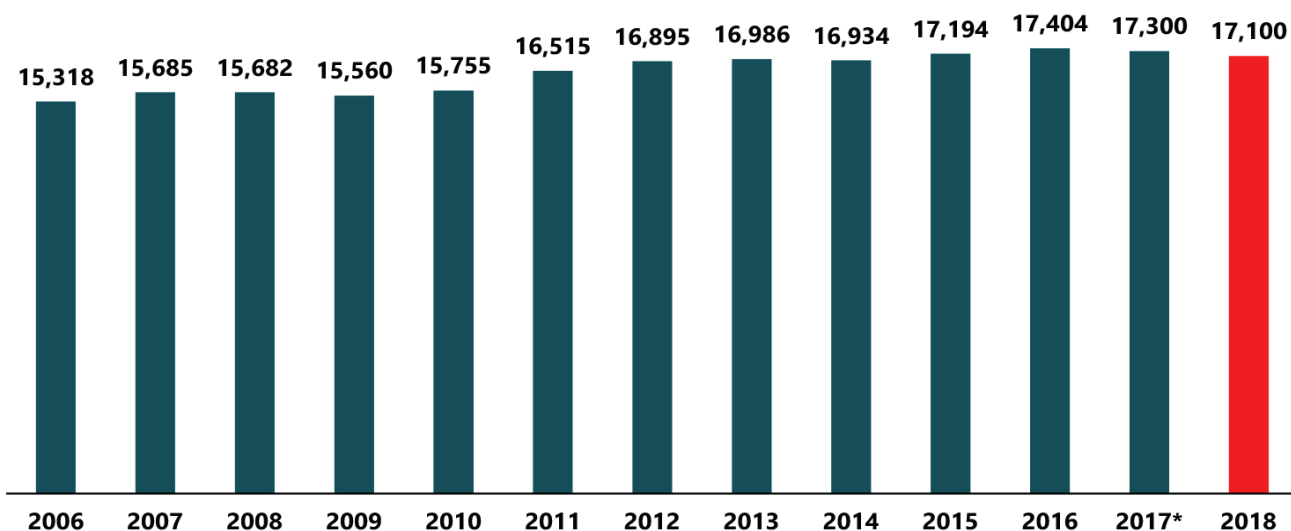
While accommodation employment is anticipated to increase slightly in 2018, gains will be offset by modest reductions in food service employment. AEDC expects the leisure and hospitality sector to lose 200 jobs in 2018, a decline of 1.2 percent. Several forces will shape the sector:

- Although the visitor industry is vital to this sector, resident spending (at restaurants, bars, and other attractions) is the primary driver. Until Anchorage area employment stabilizes, resident spending will be constrained.
- Resident business travel, also an important aspect of this sector, has declined in tandem with Alaska's economy. It too will remain weak until the economy shows more signs of recovery.
- Statewide, cruise passenger volume is projected to increase by 7.0 percent in 2018. Cross-gulf volume, however, is expected to increase by 25 percent.
- The Port of Anchorage anticipates 10 cruise ship calls in 2018, the same as 2017.
- Preliminary expectations for the 2018 convention market indicate a similar level of activity as 2017, including the Alaska Federation of Natives Annual Convention (3,500 participants), First Alaskans Institute Elders & Youth Conference (1,400), and the National Indian Child Welfare Association's annual conference (1,100 participants).

Other indicators of recent activity and trends in the leisure and hospitality sector include:

- Bed tax revenue through the first three quarters of 2017 totaled \$22.1 million, a 3.2 percent increase from the same period in 2016.
- Car and RV rental tax revenue for the first three quarters in 2017 increased 3.3 percent from 2016 to \$5.7 million.
- Enplanements at Ted Stevens Anchorage International Airport decreased slightly between 2016 and 2017 (through November), down 0.8 percent.
- Statewide cruise passenger volume increased by 6.2 percent between 2016 and 2017; however, cross-gulf volume (passengers embarking or disembarking at Whittier or Seward) decreased slightly, by 0.2 percent.
- Anchorage is the center of Alaska events and conferences. In 2017, the city hosted 441 meetings and conventions, 47 sporting events, and 47 trade shows.

### ANCHORAGE LEISURE AND HOSPITALITY EMPLOYMENT 2006-2017, 2018 FORECAST



\*Employment estimate is preliminary. All figures for calendar year based on monthly averages.

Sources: Alaska Department of Labor and Workforce Development (2006-2016), McDowell Group (2017 and 2018).

## RETAIL TRADE -400

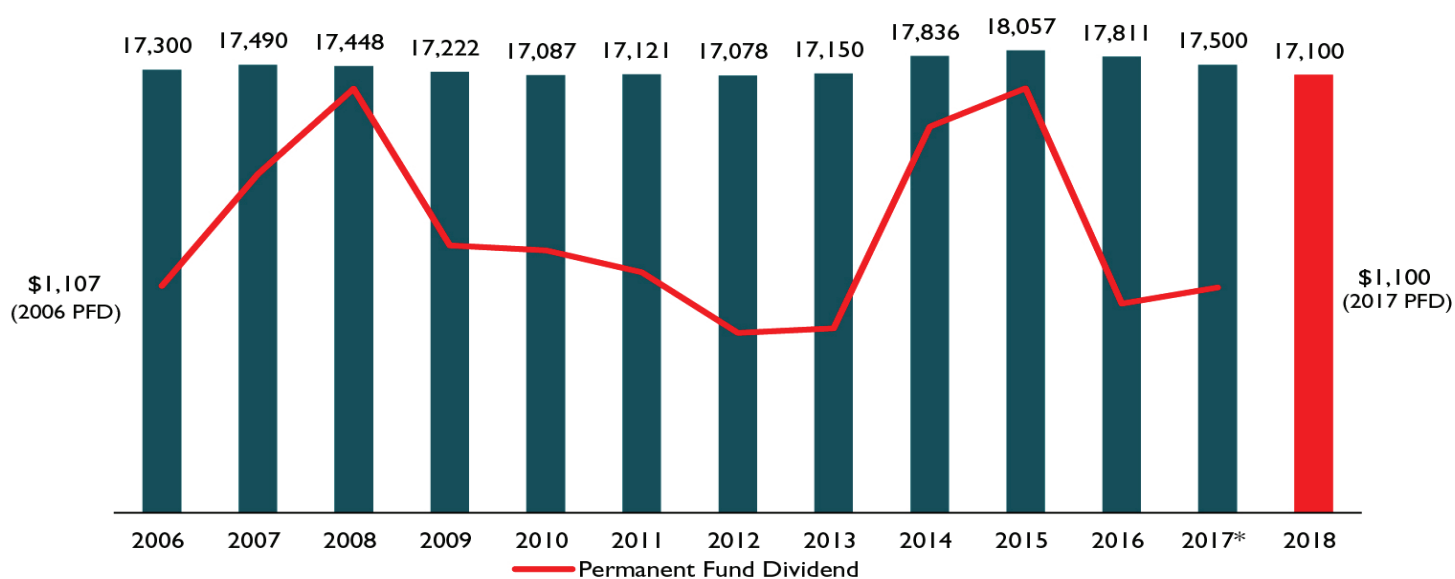


Anchorage's retail sector accounted for 17,500 jobs in 2017, down 300 (1.7 percent) from 2016. The 2017 decline marks the second consecutive annual loss. General merchandise stores account for 27 percent of employment in this sector, the largest component. Auto dealers and motor parts businesses contribute 13 percent of employment, and food and beverage retail establishments total 12 percent. A wide variety of gasoline, clothing, health, electronics, and furniture retailers, among others, account for the remainder. The total number of retail establishments in Anchorage has trended down from a peak of 858 businesses in 2008 to 784 in 2016.

While most sectors in the Anchorage economy are expected to show signs of recovery in 2018, the retail sector is anticipated to lose more jobs in 2018 than in 2017. AEDC expects a decline of about 400 jobs, or 2.3 percent, largely due to closure of some larger employers as well as further weakness in local consumer spending.

- Though largely unrelated to economic conditions in Anchorage, the closure of two Sam's Clubs and one Sears in Anchorage in 2018 will cost 350-450 jobs. Many displaced workers may find other positions, but these store closures will account for a 2 percent loss in retail sector employment.
- Opening in the spring of 2018, a Duluth Trading Company will be located near the Dimond Center Mall, with about 50 employees. Outdoor equipment retailer Black Diamond is opening a store in Anchorage, further off-setting some of the losses in other retail sectors.
- While Anchorage (and national) firms are struggling to compete with online shopping, local businesses face the additional challenge of maintaining operations during a recession.
- As Alaska's hub of retail enterprise, Anchorage benefits disproportionately from the annual PFD distribution. Worth more than \$600 million to Alaskans in 2017 – and likely about the same in 2018 – it is likely the majority of the PFD-related spending on consumer goods will occur in Anchorage.

## ANCHORAGE RETAIL TRADE EMPLOYMENT & ALASKA PERMANENT FUND DIVIDENDS 2006-2017, 2018 FORECAST



\*Employment estimate is preliminary. All figures for calendar year based on monthly averages.

Sources: Alaska Department of Labor and Workforce Development (2006-2016), McDowell Group (2017 and 2018), Alaska Department of Revenue (2006-2017 Permanent Fund Dividend)

## FINANCIAL ACTIVITIES -100

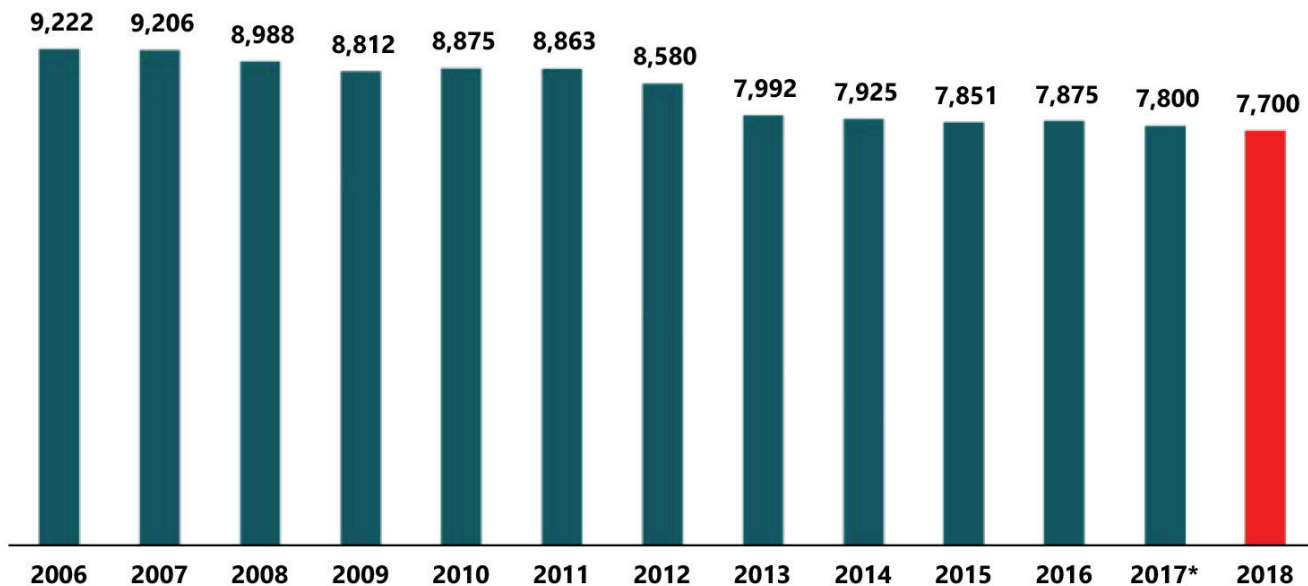


In 2017 Anchorage's financial sector extended a trend of small annual losses, declining about 100 positions (1.0 percent). The sector employed an average 7,800 workers in 2017. Consumer banking and real estate services each contribute about 40 percent of employment to this sector. A mix of insurance, investment, and other financial services businesses compose the remainder.

AEDC expects this sector to lose about 100 positions in 2018, or about 1.3 percent, primarily a result of continued slow decline in real estate employment.

- The sharp drop in employment in the Financial Activities sector between 2011 and 2013 was the result of reclassifying Native corporation employment (which was moved into the Professional and Businesses Services sector).
- Banking has been a relatively steady source of employment over the past decade, at about 3,200 jobs. Insurance and real estate have experienced slow steady decline in employment.
- While home values in Anchorage have remained relatively stable, local mortgage lending activity has slowed. During the first three quarters of 2017, 2,387 single-family and condominium mortgages were closed, a 10 percent decline from the same period in 2016, according to a survey of local lenders. The value of these mortgages declined as well, falling 12 percent to about \$310 million. An increase in internet-based mortgages (which are not represented in this survey) may have contributed to the decline.

### ANCHORAGE FINANCIAL ACTIVITIES EMPLOYMENT 2006-2017, 2018 FORECAST



\*Employment estimate is preliminary. All figures for calendar year based on monthly averages.

Sources: Alaska Department of Labor and Workforce Development (2006-2016), McDowell Group (2017 and 2018).



## GOVERNMENT -200

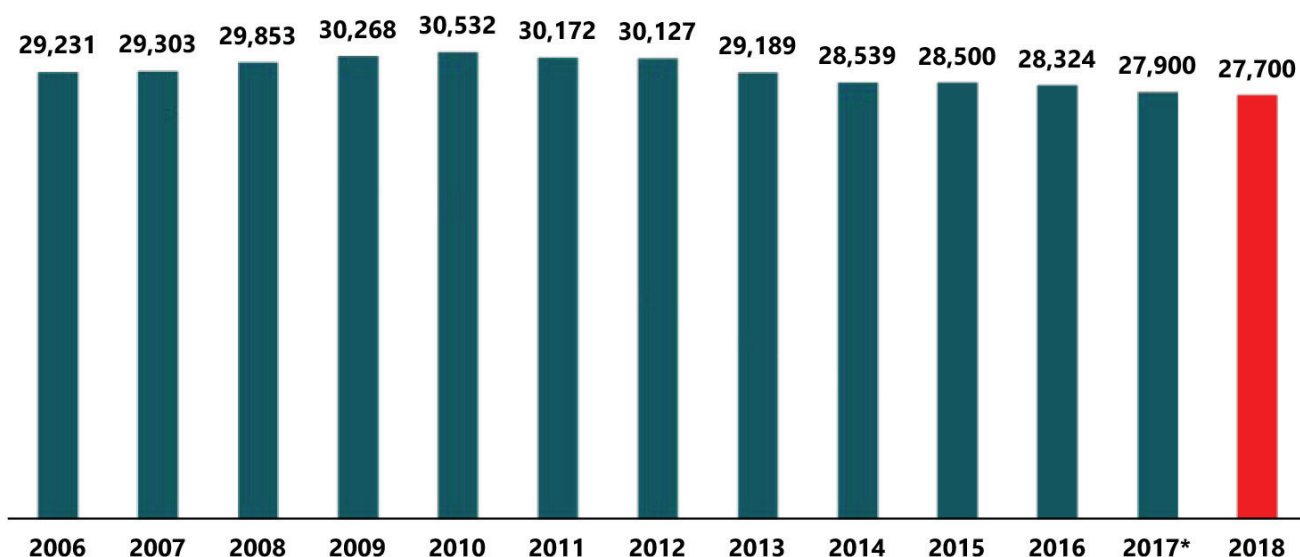


In 2017, total government employment in Anchorage declined to 27,900 positions, a loss of 400 jobs or 1.4 percent. Federal, state, and local government each account for roughly one-third of total employment in this sector. Government accounts for about one in five wage and salary jobs in Anchorage. Total government employment in Anchorage in 2017 was 8.6 percent lower (approximately 2,600 jobs) than the peak of 30,500 jobs in 2010.

In 2018, AEDC anticipates the loss of approximately 200 government positions (0.7 percent) as the State of Alaska continues to grapple with its budget deficit. Losses to federal government employment are possible, as the Trump administration initiates restructuring at the Interior Department and other agencies.

- Preliminary data indicate federal government employment in Anchorage totaled 8,400 jobs in 2017, a 1.2 percent decline from 2016. Since a peak of 9,800 jobs in 2010, employment in this sector has declined 14 percent.
- Totaling 10,000 positions in 2017, state government employment declined 2.0 percent from 2016, according to preliminary estimates. Employment in this sector has declined 7.4 percent (800 jobs) from a 2015 peak of 10,800 jobs. The University of Alaska Anchorage, with about 2,600 jobs, accounts for about a quarter of State employment in Anchorage. Total state government employment in Alaska is down about 10 percent (2,500 jobs) from its 2014 peak of about 26,000 jobs.
- Local government employment totaled 9,500 positions in 2017, a slight loss (1.0 percent) from 2016, and has declined 7.8 percent since a high of 10,300 positions in 2012. Anchorage School District employees account for about three out of four jobs in this category.
- Stemming from an AEDC Utilities Working Group recommendation, sale of the publicly-owned Municipal Light & Power (one of two Anchorage electricity utilities) has been proposed by Mayor Ethan Berkowitz and other community leaders. Sale of ML&P, which is subject to voter approval, would not result in lay-offs; workforce consolidation would occur through retirements and otherwise normal attrition.
- JBER's 13,000 active duty soldiers (with 20,000 dependents) and 1,000-position civilian workforce have a significant impact on the Anchorage economy. Defense-related activity at the Port of Alaska, contracts with Anchorage businesses, and about \$1 billion in annual payroll, among other activity, supports thousands of local jobs.

### ANCHORAGE GOVERNMENT EMPLOYMENT 2006-2017, 2018 FORECAST



\*Employment estimate is preliminary. All figures for calendar year based on monthly averages.

Sources: Alaska Department of Labor and Workforce Development (2006-2016), McDowell Group (2017 and 2018).

## OTHER SECTORS OF THE ANCHORAGE ECONOMY -400

In addition to the nine primary sectors previously described, the Anchorage economy includes 21,600 jobs in the manufacturing, telecommunications, automotive repair, private education sectors, among others. Preliminary 2017 data indicate most sectors in this category experienced losses, including manufacturing (6.2 percent), information services (4.7 percent), and private education (1.7 percent). Challenged by generally lower levels of economic activity, AEDC anticipates these sectors will lose an additional 400 positions (1.9 percent) in 2018.

### *The Big Picture*

While further jobs losses are expected in Anchorage, we can now see the first signs of recovery. The sector hit hardest by the down-turn in oil prices, oil and gas, is expected to hold its own in 2018, after losing 30 percent of its Anchorage workforce over the past three years. Professional and business services, and the construction sector, will likely shed a few more jobs this year, but nothing like the losses experienced in 2016 and 2017.

In the meantime, healthcare will continue its steady upward march, adding 600 jobs in 2018 if our forecast holds true. We also see growth in the transportation sector, in response to Alaska's growing visitor industry. Other ingredients for growth are on also the table. Oil prices are trending up and investment in Alaska's mining industry is on the uptick after suffering the effects of several years of low commodity prices. Though Anchorage may be hundreds of miles from where resource development occurs, we reap the benefits from our role as Alaska's service, supply, and transportation hub.

Developers are showing confidence in Anchorage's future, another signal that we are nearing the bottom. With \$200+ million in proposed mixed-use commercial and residential development, investors are evidently looking to take advantage of favorable construction conditions.

Whether 2018 marks the bottom of the recession may depend on the state legislature. Budget and tax certainty could not only mitigate the lingering support sector effects of recession, but also set the stage for a return to full growth. The legislature can also spur investment in critical infrastructure in Alaska, including badly needed Port of Alaska upgrades.

Fully reigniting the economy will require more than State investment. Local, public, and private investment will be needed to take full advantage of opportunities and to address the city's challenges, such as housing and healthcare costs, crime, and other issues in our pursuit to make Anchorage the number one city to live, work, and play.

*Thank you*  
for making this report possible:



This report was  
prepared by:



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