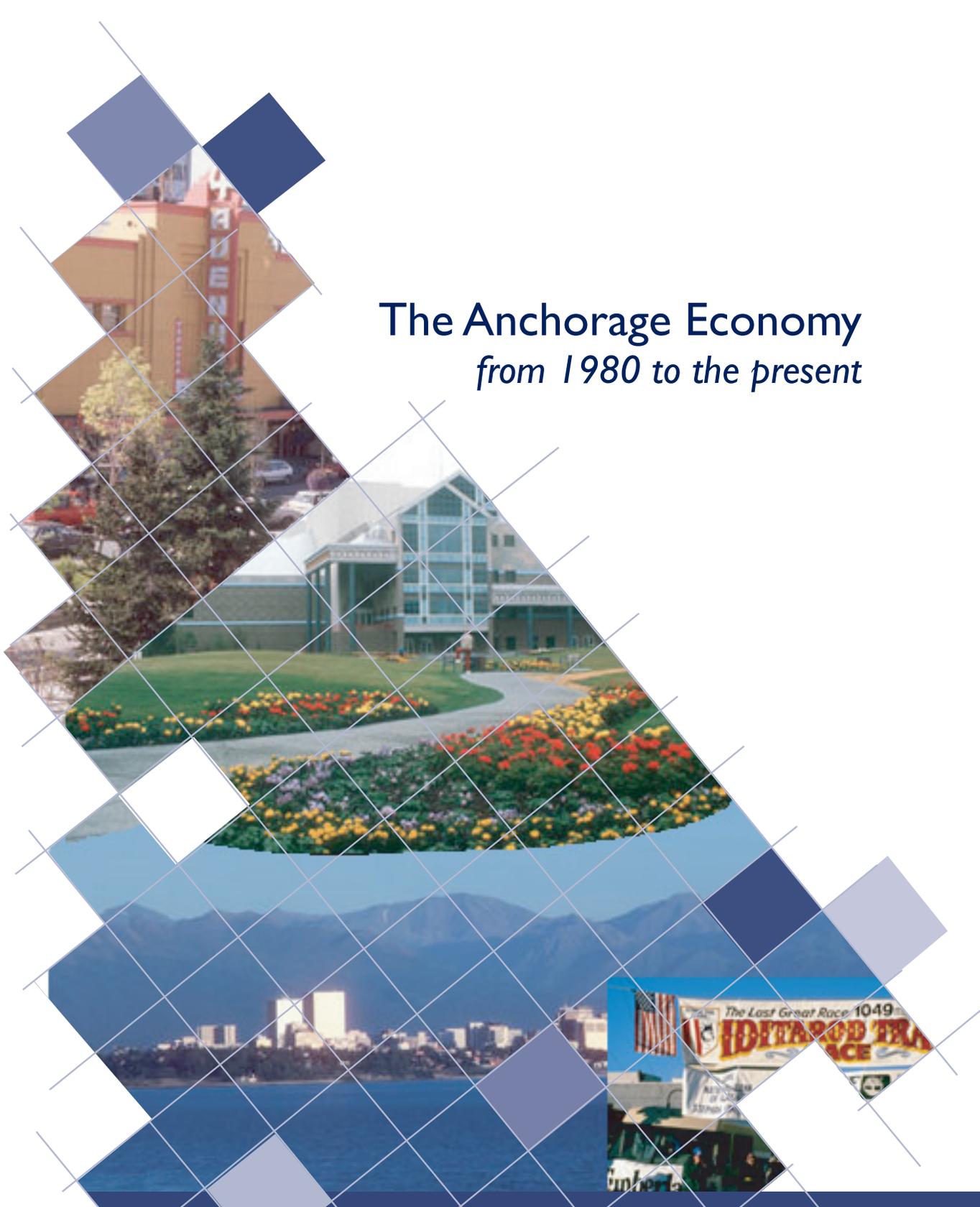


The Anchorage Economy *from 1980 to the present*



northern  **economics inc.**

Prepared for

**Anchorage Economic
Development Corporation**

July 2004

Photo credits, from top: ACVB, Alaska Division of Tourism; Ernst Schneider, Alaska Division of Tourism;
ACVB, Alaska Division of Tourism; Alaska Division of Community and Business Development

The Anchorage Economy from 1980 to Present

1980 to 1985: a period of Economic Boom

- This period is characterized as the glorious years; a period of economic boom and construction frenzy; both Anchorage and statewide
- Anchorage and Alaska industries grew faster relative to national growth rates; 11 out of 11 industries grew faster than the corresponding national growth rates
- Major economic indicators were UP (i.e. employment, income, and population); Oil prices were high, the first permanent fund dividend was distributed
- From 1982 to 1985, Anchorage added 19,000 jobs and 44,000 residents
- In 1982, the State's General Fund Unrestricted Revenues reached \$4.1 billion
- In Anchorage, construction of the Loussac Library, the Egan Civic and Convention Center, the Performing Arts Center, and the Museum expansion happened in this period

1985 to 1990: a period of Economic Slump/Recession

- In 1986, oil prices fell and marked the beginning of the recession
- From 1985 to 1988, Anchorage lost 12,000 jobs and 29,000 residents
- Rental apartment vacancies in Anchorage increased from 3 percent in 1982 to 25 percent in 1986
- In 1987, the General Fund Unrestricted Revenues fell to about \$1.8 billion; a decline of \$2.3 billion from 1982
- Most industries in Anchorage (8 out of 11 industries) lagged behind national employment growth rates
- There was a marked increase in the number of self-employed (5,000) in Anchorage; as individuals that lost their jobs in the recession but wanted to remain in Anchorage became the source of the newly self-employed
- In 1989, the economy started to rebound; the Exxon oil spill in Prince William Sound created a frenzy of economic activity that triggered a short-term spike in employment and income, particularly in the Valdez region; although indirect and induced effects were also felt in Anchorage
- Federal Express began their Anchorage expansion in 1989

1990 to 1995: a period of Economic Rebound

- The Anchorage economy experienced a gradual rebound from the 1985 to 1990 recession with expansion of the big box retail (K-mart plus other national chains) starting in 1993; hotel expansions in 1994; and increases in the number of cruise passengers in Seward (exceeded 100,000 in 1992)
- Employment growth rate was recorded at 9 percent over the period 1990 to 1995
- The oil industry, however, began to experience significant job losses in 1992; the lay-offs that began in 1992 coincided with the growth of the sector called support for oil and gas operations (as employment shifted from the oil industry to the oil and gas support sector)

1995 to 2000: a period of Modest Growth and Economic Diversification

- The Anchorage economy reached a level of maturation or a level of growth and diversity that made it more resilient to shifts in external market forces
- Employment levels continued to rise, albeit at modest levels
- There was a big growth in the number of firms in the accommodations sector (more hotels came on line, but did not cause a significant spike in employment because most new hotels did not have restaurants; hotel operations are not as labor-intensive as restaurants)
- In 1997, Ted Stevens became Chairman of the Appropriations committee (Anchorage and Alaska received even more Federal dollars); as a result of this increase in Federal dollars, the construction sector expanded
- In 1998, the new Alaska Native Medical Center was formed and the Anchorage Telephone Utility (ATU) was privatized
- From 1998 to 1999, there was an increase in construction and sales of housing units
- In 1999, the General Fund unrestricted revenues fell below \$0.8 billion; but the economy continues to grow
- Six out of the 11 major sectors in Anchorage grew faster than their corresponding national growth rates (during this period)
- According to the shift-share analysis, Anchorage's services sector fell behind the growth in U.S. services sector; as Anchorage was not able to keep up with the growth in the high-tech industry in the Lower 48. Nonetheless, the services sector continues to grow and provides significant employment to Alaska residents

The following sections provide more detail on trends or shifts in economic and demographic indicators particular to Anchorage from 1980 to present.

Shift-Share Analysis

- Shift-share analysis is a tool that allows interpretation of regional economic changes. The analysis provides insight into the industry mix and the competitive advantage of the region's industries. It measures whether the region's employment in a given sector is growing more rapidly than its national counterpart. If so, there is something within the region that enables the sector to be particularly active and productive in generating goods and services. This analysis is also useful to identify sectors that have done particularly well.
- The tables show the results of the shift share analysis for Anchorage and Alaska. The first table shows the regional employment shifts for the major industry categories. The next table shows the shifts for selected sectors.
- The values in the tables are not indicative of the level of employment; the values measure the shifts in employment in each of the sectors relative to their national counterparts
- Negative values indicate that the region grew slower than the national growth for that sector; in contrast large and positive values indicate that the sector grew faster in Anchorage or Alaska compared to the national growth in employment in that sector

Table 1. Regional Employment Shift in Alaska and Anchorage Sectors Relative to National Employment Shifts, 1980 to 2000

Category	1980 to 2000	1980 to 1985	1985 to 1990	1990 to 1995	1995 to 2000
All Sectors					
Alaska	44,641	24,786	760	9,260	-3,538
Anchorage	26,392	20,914	-6,461	32	4,028
Agriculture, Forestry, Fishing and Hunting					
Alaska	1,016	112	905	442	-173
Anchorage	174	44	92	-45	98
Mining					
Alaska	5,214	2,965	1,412	2,423	492
Anchorage	4,442	769	2,722	1,480	650
Construction					
Alaska	4,273	8,133	-5,771	-328	951
Anchorage	53	4,150	-3,927	-781	384
Manufacturing					
Alaska	3,922	-2,428	4,106	2,539	-117
Anchorage	713	602	-517	960	-282
Finance, Insurance & Real Estate					
Alaska	-1,085	3,044	-2,076	-1,814	-909
Anchorage	-1,197	1,863	-1,800	-1,530	23

The Anchorage Economy from 1980 to Present

Category	1980 to 2000	1980 to 1985	1985 to 1990	1990 to 1995	1995 to 2000
Transportation & Warehousing, Utilities & Information					
Alaska	-2,555	-3,051	-403	4,745	-3,271
Anchorage	2,239	882	-995	3,514	-1,930
Trade					
Alaska	11,802	9,241	-3,972	4,453	-746
Anchorage	3,248	3,800	-1,973	-1,134	1,713
Accommodation, food & entertainment					
Alaska	3,185	4,206	-2,491	-197	-178
Anchorage	1,838	2,649	-1,225	86	-971
Services except health and social services					
Alaska	-2,706	5,367	-5,102	14	-6,054
Anchorage	-3,348	1,940	-2,193	-934	-2,351
Health Care and Social Assistance					
Alaska	11,844	3,090	3,662	-4,400	5,101
Anchorage	5,166	1,619	1,389	-2,702	2,888
Public Administration					
Alaska	-1,159	10,330	-2,559	-5,372	-5,036
Anchorage	-3,445	2,916	-2,220	-1,538	-2,897

Source: Northern Economics Estimates, based on Shift-share Analysis, Employment data were obtained from the U.S. and Alaska County Business Patterns for 1980, 1985, 1990, 1995, and 2000

Population Trends

{Data are also provided in the excel file entitled *Anchorage Population Data 1980-2003.xls*}

Notes about population trends in Alaska and Anchorage:

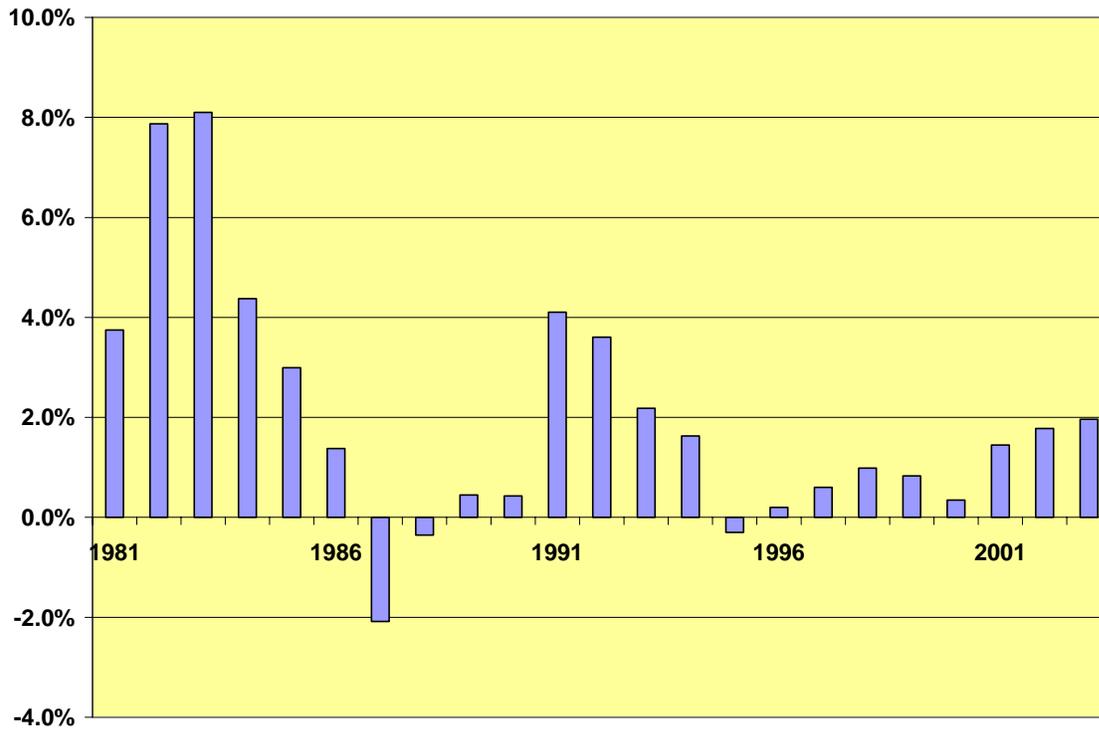
- The population of Anchorage in the early 1980's grew at rapid rates that peaked at about 8 percent from 1982 to 1983; Figure 1 shows annual growth rates for the period 1980 to 2003; the periods 1981-1982 and 1982-1983 had the highest growth rates at around 8 percent per year
- In the period from 1980 to 2003, Anchorage population grew by 99,572
- The mid-80's saw declining and even negative rates as the state and Anchorage economies experienced a major recession
- The July 2004 issue of the Alaska Economic Trends notes that Alaska is a state of migrants; only 38.1 percent of Alaskans were born here
- Recent migration data show Anchorage to be the major hub of migration movement, both within the State and to and from other states (see July issue of Alaska Economic Trends for more details)
- The military is a major stimulus to migration to and from Alaska

Table 2. Municipality of Anchorage Population from 1980 to 2003

Year	Population
1980	174,431
1981	180,969
1982	195,216
1983	211,028
1984	220,254
1985	226,848
1986	229,965
1987	225,170
1988	224,371
1989	225,374
1990	226,338
1991	235,626
1992	244,111
1993	249,440
1994	253,503
1995	252,729
1996	253,234
1997	254,752
1998	257,260
1999	259,391
2000	260,283
2001	264,052
2002	268,738
2003	274,003

Source: Alaska Department of Labor and Workforce Development

Figure 1. Annual Percent Change in Population, Municipality of Anchorage, 1980 to 2003

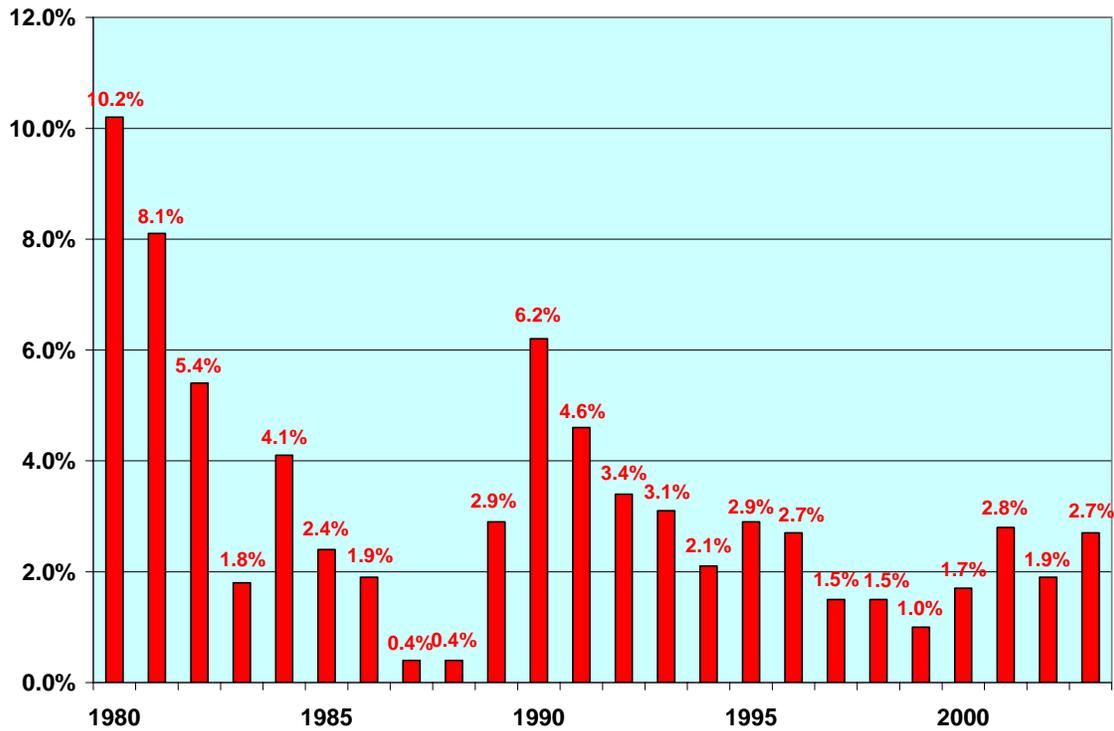


Source: Alaska Department of Labor and Workforce Development

Cost of Living

- Alaska is not as expensive as it used to be relative to other states; a 1997 cost-of-living survey by the American Chamber of Commerce Researchers (ACCRA) listed four Alaska cities in the eight most expensive cities in the United States. By 2003, no Alaska city was listed in the top 15 (Juneau and Kodiak were 16th and 17th in the list). Generally, according to the Alaska Economic Trends report, living costs in Alaska are not as high relative to other Cities as they once were, based on ACCRA and other cost of living measures
- The State's population has grown and technology has brought advances both in the ability of the State to supply more of its own goods and also to obtain goods from national and international markets (June Issue of Alaska Economic Trends)
- The booming years of the early 80's experienced price increases at rates as high as 10.2 percent (1980 to 1981)
- It has been ten years since Anchorage recorded an inflation rate of more than 3 percent
- The Consumer Price Index tracks prices of a sample of items meant to approximate the expenditures of a typical consumer. The market basket of goods and services generally includes housing, food, transportation, medical care, and entertainment, among others. The CPI, often referred to as the inflation rate, indicates the change in cost of living over time.

Figure 2. Annual Percent Change in Anchorage CPI, 1980 to 2003



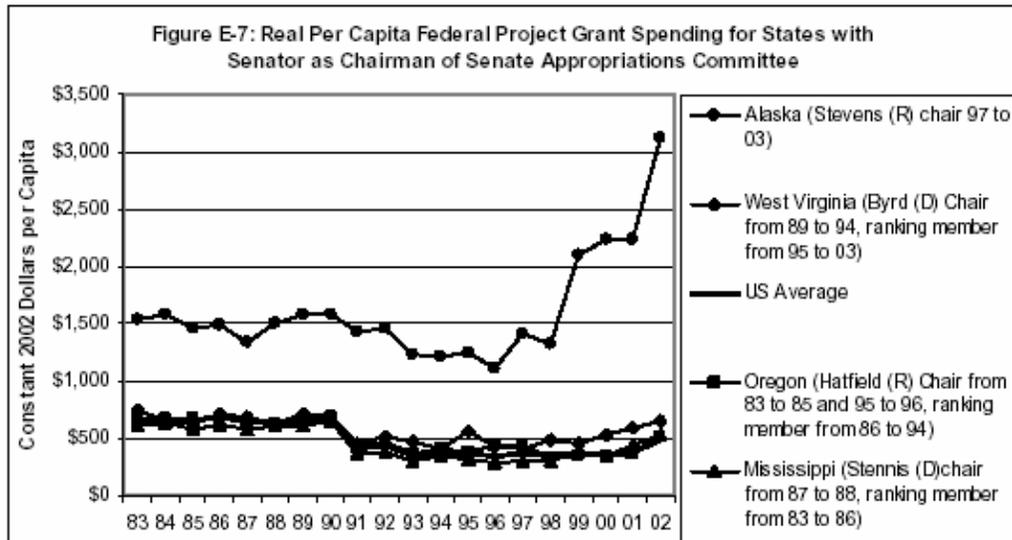
Source: Alaska Department of Labor and Workforce Development

Federal Funds and the Ted Stevens Factor

{Supporting data are also provided in the excel file --CFFR.xls}

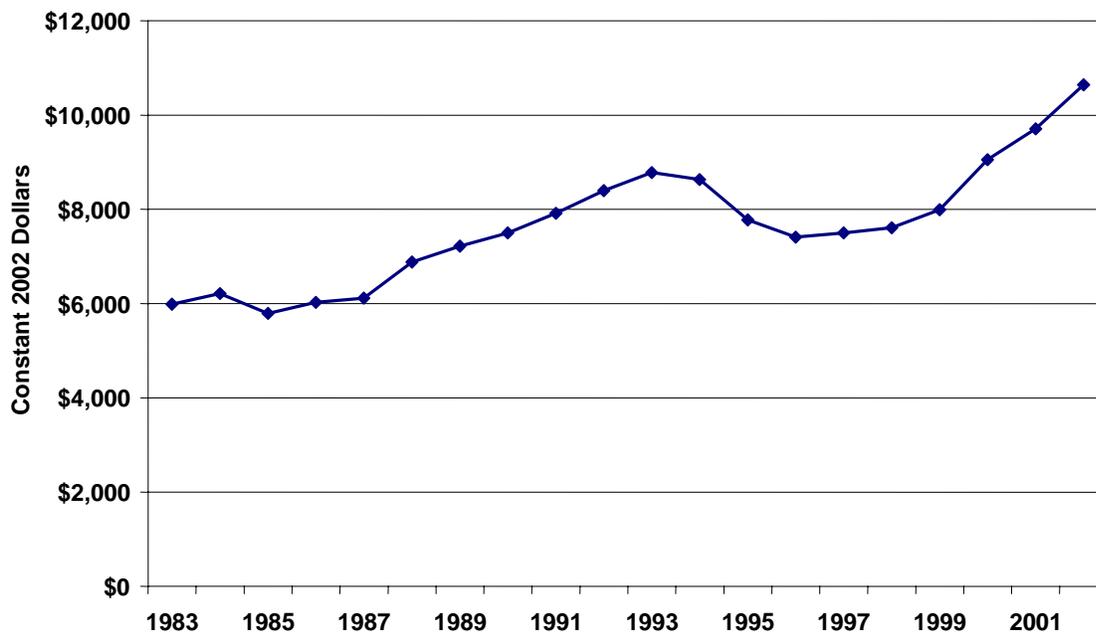
- Federal spending has been a major economic driver in Alaska for years; federal spending continues to grow
- ISER looked at federal spending and revenues in Alaska. The ISER report noted the following:
 - “Before Senator Stevens became the chairman of the appropriations committee in 1997, per capita federal spending going to Alaska was between 20 percent to 50 percent higher than the national average. Starting in 1999 (two years after the Senator became chair) federal funding per capita going to Alaska increased from about 30 percent above the national average to over 70 percent above the per capita national average in 2002”.
 - Federal spending is 38 percent of the level of personal income of Alaskans
 - Federal spending creates 38,000 direct jobs and 58,000 indirect jobs (through spending on grants, procurement, and payments to individuals; In total federal spending supports one third of the jobs in the state
 - **Alaskans receive more than they pay.** “On average, for every dollar that Alaska residents pay in federal personal income taxes, Alaska residents receive \$2 per resident in federal dollars
- Federal dollars flowing into Anchorage have been increasing, particularly in the past 5 years (See Figure 3 and Figure 4 on the following page.)

Figure 3. Real Per Capita Federal Project Grant Spending for States with Senator as Chairman of Senate Appropriations Committee



Source: Consolidated Federal Funds Reports and Congressional Quarterly
ISER spreadsheet source: Appropriations Chair Analysis.XLS

Figure 4. Real Per Capita Federal Spending, Municipality of Anchorage, 1983-2002



Changes in the Top 50 Employers, 1985 to 2002

{Data are also provided in the excel spreadsheet entitled *Alaska Top 50 Employers.xls*}

Annually, the Department of Labor and Workforce Development publishes the Trends 100 which looks at the largest private employers in Alaska. Table 3 and Table 4 show the top 50 employers in Alaska in 1985 and 2002, respectively. The tables show that most of the top firms are headquartered in Anchorage. Hence, economic trends and patterns for Anchorage can be deduced from a lot of the statewide-level economic data.

Looking at the changes in the top 50 employers list from 1985 to 2002, the following observations are noted:

- Firms have grown in size; in 2002, there were 12 firms that employed more than 1,000 workers, twice as many when the list was first compiled in 1985
- Providence Hospital employment grew by 110 percent, Alaska Airlines employment grew by 145 percent, from 1985 to 2002 (see
- Sixty-eight percent (34 out of 50) of the firms in the 2002 list were not in the top 50 in 1985; though a number of these firms were already operating in 1985
- More retailers and healthcare providers made the list in 2002; and fewer oil companies (mainly due to mergers).

Table 3. Top 50 Employers in Alaska, 1985

Rank	Firm Name	Employment	Industry	Headquarters
1	ARCO Alaska, Inc.	2,835	Mining	Anchorage
2	Carrs Quality Center, Inc.	1,894	Retail Trade	Anchorage
3	Providence Hospital	1,627	Services	Anchorage
4	SOHIO Alaska Petroleum Co	1,348	Mining	Anchorage
5	Lutheran Hospital & Homes of America	1,066	Services	Fairbanks
6	Alascom, Inc.	1,028	Trans. Communications & Utilities	Anchorage
7	National Bank of Alaska	942	Finance, Insurance & Real Estate	Anchorage
8	Alyeska Pipeline Service Co., Inc.	907	Trans. Communications & Utilities	Anchorage
9	Safeway Stores, Inc.	845	Retail Trade	Anchorage
10	1st National Bank of Anchorage	803	Finance, Insurance & Real Estate	Anchorage
11	VECO, Inc.	771	Mining	Anchorage
12	Alaska Airlines, Inc.	768	Trans. Communications & Utilities	Anchorage
13	McDonalds	679	Retail Trade	Anchorage
14	Humana Hospital Alaska, Inc.	665	Services	Anchorage
15	Alaska USA Federal Credit Union	631	Finance, Insurance & Real Estate	Anchorage
16	Icicle Seafoods, Inc.	630	Manufacturing	Petersburg
17	MarkAir	619	Trans. Communications & Utilities	Anchorage
18	Union Oil of California	547	Mining	Anchorage
19	Fred Meyer Shopping Centers	524	Retail Trade	Anchorage
20	Spenard Builders Supply, Inc.	511	Retail Trade	Anchorage
21	Sears Roebuck and Co.	509	Retail Trade	Anchorage

The Anchorage Economy from 1980 to Present

Rank	Firm Name	Employment	Industry	Headquarters
22	Ketchikan Pulp Co	494	Manufacturing	Ketchikan
23	Captain Cook Hotel	459	Services	Anchorage
24	J C Penny Co.	454	Retail Trade	Anchorage
25	Nordstrom, Inc.	449	Retail Trade	Anchorage
26	Anchorage Daily News	439	Manufacturing	Anchorage
27	Pioneer Construction Co.	437	Construction	Anchorage
28	Anchorage Times Publishing Co., Inc.	426	Manufacturing	Anchorage
29	Alaska Commerical Co.	408	Retail Trade	Anchorage
30	Felec Services Inc	408	Trans. Communications & Utilities	Fairbanks
31	Wilsyk, Inc.	402	Services	Anchorage
32	Sheffield Enterprises, Inc.	401	Services	Anchorage
33	Pay N Save	398	Retail Trade	Anchorage
34	All Alaskan Seafoods, Inc.	398	Manufacturing	Kodiak
35	AIC-Martin JV, Inc.	385	Construction	Anchorage
36	Yukon Office Supply, Inc.	379	Wholesale Trade	Anchorage
37	Chugach Electric Association, Inc.	375	Trans. Communications & Utilities	Anchorage
38	Alaska National Bank of the North	369	Finance, Insurance & Real Estate	Anchorage
39	H C Price Construction Co.	365	Construction	Anchorage
40	Lamonts, Inc.	352	Retail Trade	Anchorage
41	Tanana Chiefs Conference, Inc.	349	Services	Fairbanks
42	Int'l. In-Flight Catering Co., Ltd	348	Retail Trade	Anchorage
43	Alaska Sales & Service, Inc.	338	Retail Trade	Anchorage
44	Sheraton Anchorage Hotel	335	Services	Anchorage
45	ERA Helicopters, Inc.	331	Trans. Communications & Utilities	Anchorage
46	Alaska Pulp Corporation	326	Manufacturing	Sitka
47	Reeve Aleutian Airways, Inc.	313	Trans. Communications & Utilities	Anchorage
48	Burger King	312	Retail Trade	Anchorage
49	Salvation Army, Alaska Division	310	Services	Anchorage
50	First Interstate Bank of Alaska	308	Finance, Insurance & Real Estate	Anchorage

Source: Alaska Department of Labor and Workforce Development

Table 4. Alaska's Top 50 Employers, 2002

Rank	Firm Name	Employment	Industry	Headquarters
1	Providence Health System Alaska	3417	Services	Anchorage
2	Safeway Stores/Carrs	3028	Retail Trade	Anchorage
3	Wal-mart/Sam's Club	2345	Retail Trade	Anchorage
4	Fred Meyer	2251	Retail Trade	Anchorage
5	Alaska Airlines	1882	Transportation, Communications & Utilities	Anchorage
6	BP Exploration	1549	Mining	Anchorage
7	Alaska Petroleum Contractors	1210	Mining	Anchorage
8	Banner Health System	1204	Services	Fairbanks
9	Federal Express	1120	Transportation, Communications & Utilities	Anchorage
10	Yukon-Kuskokwin Health Corporation	1110	Services	Bethel
11	VECO Operations	1098	Mining	Anchorage
12	Alyeska Pipeline Service Company	1007	Transportation, Communications & Utilities	Fairbanks
13	Alaska Communication Systems	997	Trans. Communication & Utilities	Anchorage
14	ConocoPhillips	946	Mining	Anchorage
15	NANA Marriott, Joint Venture	939	Services	Anchorage
16	Alaska Regional Hospital	898	Services	Anchorage
17	Kmart	892	Retail Trade	Anchorage
18	South central Foundation	886	Services	Anchorage
19	GCI Communications	872	Transportation, Communications & Utilities	Anchorage
20	Alaska USA Federal Credit Union	767	Finance, Insurance & Real Estate	Anchorage
21	First National Bank of Alaska	753	Finance, Insurance & Real Estate	Anchorage
22	Alaska Native Tribal Health Consortium	752	Services	Anchorage
23	Spenard Builders Supply	742	Retail Trade	Anchorage
24	Alaska Commercial Company	684	Retail Trade	Anchorage
25	UniSea	676	Manufacturing	Dutch Harbor
26	Wells Fargo	675	Finance, Insurance & Real Estate	Anchorage
27	Peak Oilfield Service Company	671	Mining	Anchorage
28	Tanana Chiefs Conference	669	Services	Fairbanks
29	Southeast Alaska Regional Health Corp.	669	Services	Juneau
30	Doyon/Universal Ogden, Joint Venture	667	Services	Anchorage
31	Costco	655	Retail Trade	Anchorage
32	ERA Aviation	651	Transportation, Communications & Utilities	Anchorage
33	Icicle Seafoods	616	Manufacturing	Petersburg
34	Nabors Alaska Drilling Company	558	Mining	Anchorage
35	The Alaska Club	546	Services	Anchorage
36	McDonalds Restaurants of Alaska	544	Retail Trade	Anchorage
37	Anchorage Daily News	541	Manufacturing	Anchorage

Rank	Firm Name	Employment	Industry	Headquarters
38	Hope Community Services	537	Services	Anchorage
39	Sears Roebuck	520	Retail Trade	Anchorage
40	Maniliaq Association	520	Services	Kotzebue
41	North Pacific Processors	519	Manufacturing	Kodiak
42	Home Depot	512	Retail Trade	Anchorage
43	Williams Express	510	Retail Trade	Anchorage
44	Valley Hospital	500	Services	Palmer
45	Alyeska Resort	496	Services	Girdwood
46	Westward Seafood	496	Manufacturing	Unalaska
47	Peter Pan Seafoods	488	Manufacturing	King Cove
48	Northwest Airlines	479	Transportation, Communications & Utilities	Anchorage
49	Pizza Hut	473	Retail Trade	Anchorage
50	Ocean Beauty Seafoods	449	Manufacturing	Kodiak

Source: Alaska Department of Labor and Workforce Development

Table 5. Employment Growth of Selected Firms in the Top 50 List

Firm Name	1985	2002	Percent Change
Alaska Airlines, Inc.	768	1882	145.1%
Alaska Commerical Co.	408	684	67.6%
Alaska USA Federal Credit Union	631	767	21.6%
Alyeska Pipeline Service Co., Inc.	907	1007	11.0%
Anchorage Daily News	439	541	23.2%
Fred Meyer Shopping Centers	524	2251	329.6%
Icicle Seafoods, Inc.	630	616	-2.2%
McDonalds	679	544	-19.9%
Providence Hospital	1627	3417	110.0%
Safeway Stores+ Carrs	2739	3028	10.6%
Sears Roebuck and Co.	509	520	2.2%
Spenard Builders Supply, Inc.	511	742	45.2%
Tanana Chiefs Conference, Inc.	349	669	91.7%
VECO, Inc.	771	1098	42.4%

Source: Alaska Department of Labor and Workforce Development

Employment Growth Rates by Industry, 1980 to 2000

{Data are provided in the excel file "Major Category Growth Bar Chart"}

For the period 1980 to 2000, the fastest growing sectors in terms of employment are:

- 1) Mining (8.5 percent growth in 20 years; see Figure 3b)
- 2) Healthcare and social assistance (6 percent growth; see Figure 3a)
- 3) Services (except health and social services) (4 percent growth from 1980; see Figure 3a)

Figure 5a. Industry Growth Rates for the U.S., Alaska, and Anchorage, 1980 to 2000

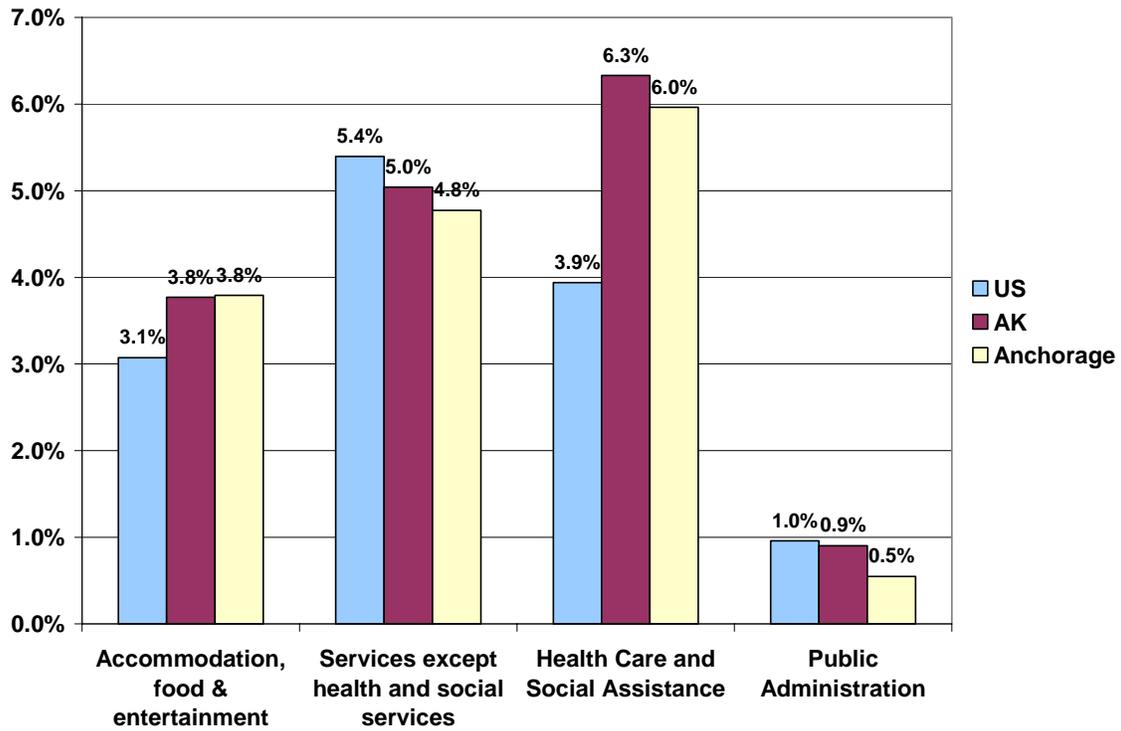
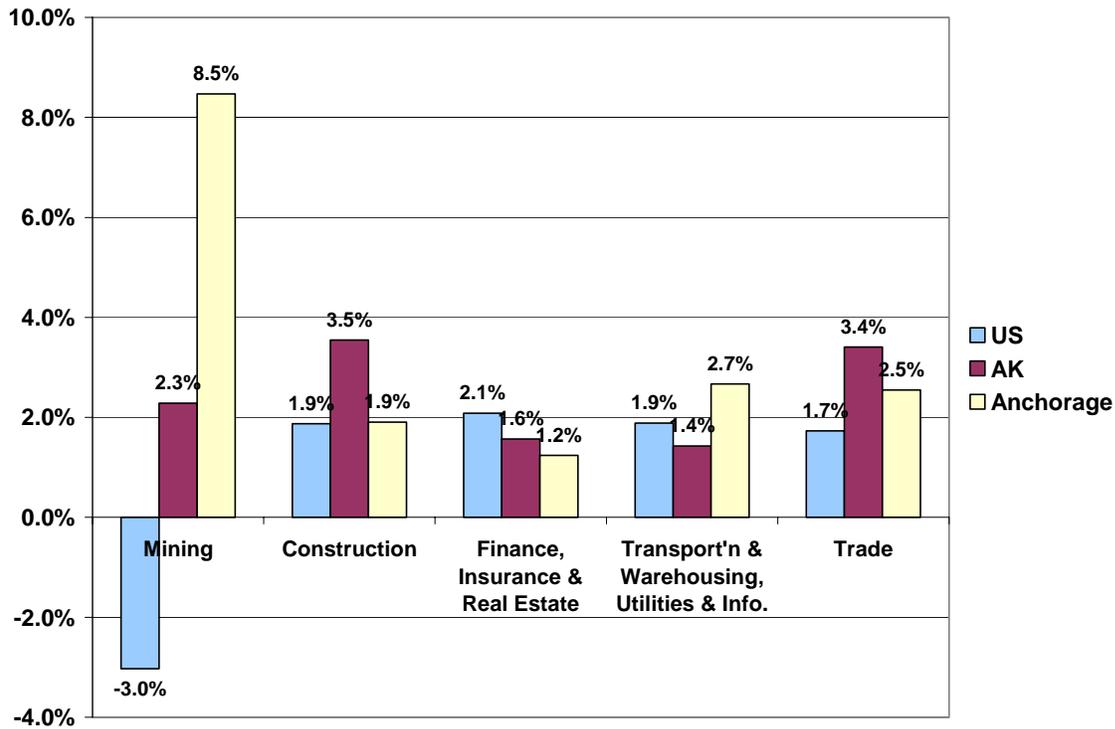


Figure 5b. Industry Growth Rates for the U.S., Alaska, and Anchorage, 1980 to 2000



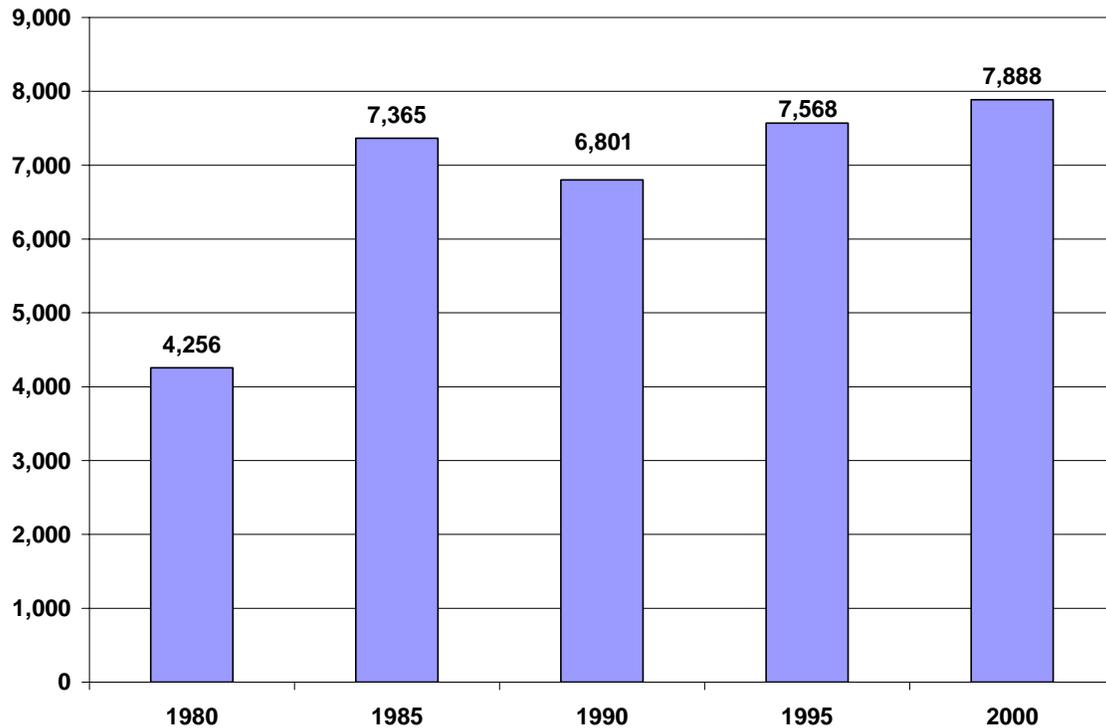
Source: County Business Patterns, 1980 and 2000

Change in Number of Establishments, Municipality of Anchorage

{Data are provided in the excel file "Anchorage Total Establishments.xls"}

- The number of firms in Anchorage grew by over 3,600 from 1980 to 2000
- The number of firms grew by (an amazing) 73 percent from 1980 to 1985
- The period from 1985 to 1990 saw a decline in the number of firms
- Growth in the number of firms in the past ten years has been more modest but stable

Figure 6. Total Number of Establishments, Municipality of Anchorage, 1980 to 2000 in 5-Year Increments



Source: County Business Patterns, 1980, 1985, 1990, and 2000

Ratio of Population to Employment by Services Sectors

- The table shows the change in the number of Anchorage residents served by workers in major services sectors
- Except for the Finance, Insurance, and Real Estate sector, the level of services available/provided in Anchorage, as indicated by the ratio of population to employment, has improved. Of note is the improvement in the health care sector.
- The decrease in the values from 1980 to 2000 as shown in the Table imply that diversity and depth of services provided in these sectors have improved a lot; where residents may have once gone out to get these services they are now provided locally

Table 6. Change in the Number of Residents per Worker for Selected Services Sectors

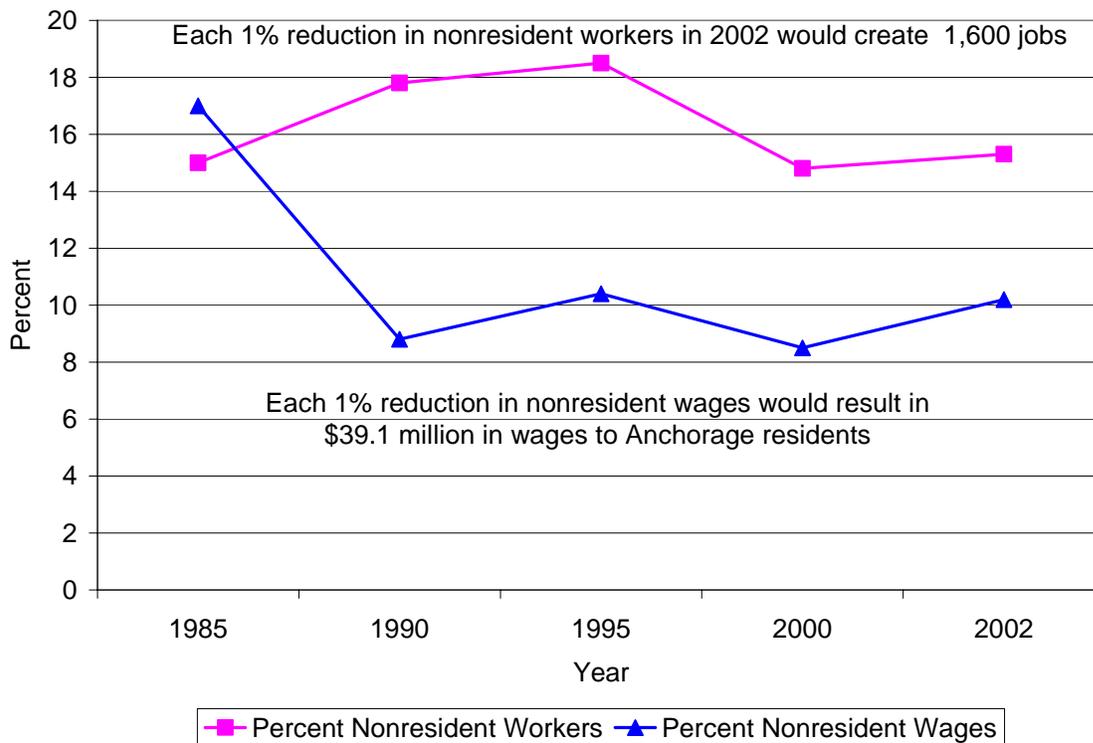
Sector	1980	1985	1990	1995	2000
Accommodations, Food, and Entertainment	28	24	21	20	19
Trade	14	14	13	14	12
Services, except health	19	17	14	16	10
Health Care	38	33	23	21	17
Finance, Insurance, and Real Estate	36	33	41	36	41

Nonresident Employment

{Data are provided in the excel file “Nonresident Hire Chart.xls”}

- In 2002, nonresident workers in Anchorage accounted for about 15 percent of the private sector workforce; and earnings by nonresident workers accounted for only 10 percent of the total private sector wages and salaries
- Nonetheless, a one percent reduction in nonresident workers in 2002 would create 1,600 jobs; and a 1 percent reduction in nonresident wages would result in \$39.1 million in wages to Anchorage residents

Figure 7. Percent of Nonresident Workers and Nonresident Wages in the Private Sector, Municipality of Anchorage, 1985 to 2002

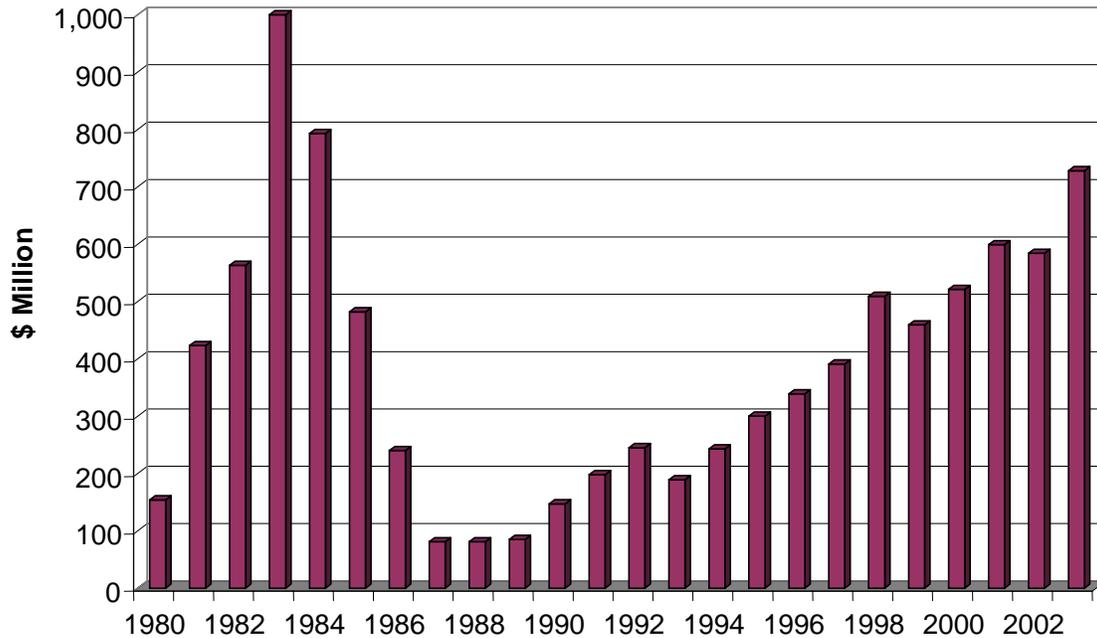


Trends in the Value of Building Permits in Anchorage

{Data are provided in the Excel file “Building Permit Value and Data Chart.xls”}

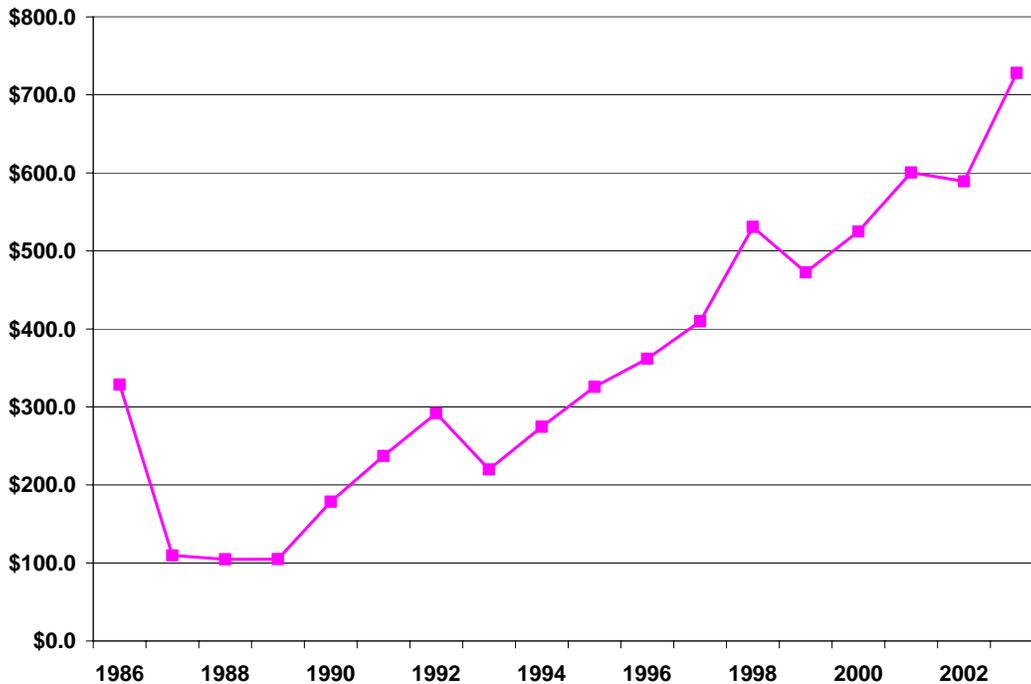
- The value of building permits is an indicator of the level of economic activity in the community; it tracks new construction and remodeling projects.
- The charts below indicate a spike in construction activity during the 1980 to 1985 period and a significant drop in activities from 1986 to the 1989.
- In general, construction activities have been increasing since 1990.

Figure 8. Value of Building Permits Issued from 1980 to 2003, Municipality of Anchorage



Source: Municipality of Anchorage

Figure 9. Real Value of Building Permits in Anchorage, 1986 to 2003, in 2003 \$



Source: Municipality of Anchorage

Note: PPI for new construction was used as deflator; the PPI data was only available for the years 1986 to 2004