

## Issues to Watch in 2006

Potential development of the Alaska natural gas pipeline, continuing high oil prices and large construction projects remain the three key factors in Anchorage's economy in 2006. While the timing of pipeline construction remains uncertain and is no doubt years in the future, it is likely even a contract agreement would have a positive impact on the Anchorage economy.

While high fuel prices have serious negative impacts on rural energy consumers, Anchorage and the state overall will continue to see benefits from surplus state revenue. AEDC expects the price to remain relatively high throughout 2006. Projects like the expansion to the Port of Anchorage and the building of a new convention center are expected to yield sustainable, long-term economic benefits.

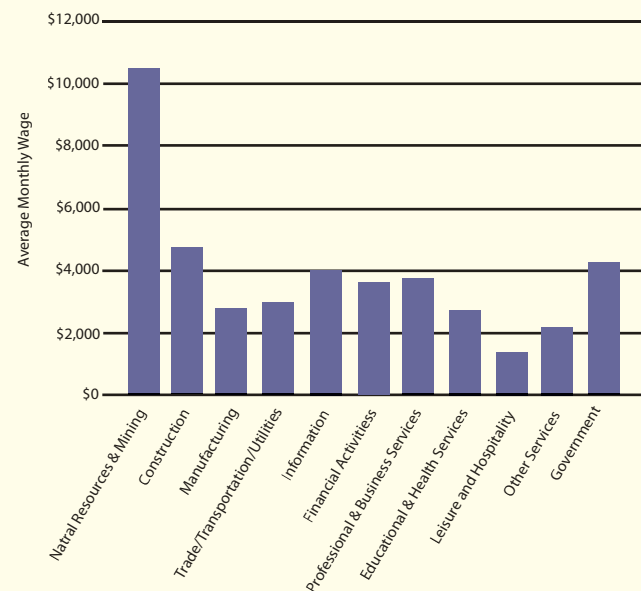
## Summary of 2005

In 2005, there were 146,850 jobs in the Municipality of Anchorage. The accompanying pie chart shows the split of wage and salary workers by industry sector. In addition, there are more than 32,000 self-employed business proprietors at work and about 12,000 active duty military personnel in Anchorage.

## Average Wages

The following figure illustrates the wide range of wages paid within sectors of Anchorage's economy. The 2005 average monthly wage was \$3,500, about \$50 higher than in 2004. Oil and gas industry wages are more than twice that of the Anchorage average. Local government wages experienced the highest percent growth in 2005, increasing 14 percent (or an additional \$533) over 2004 wages.

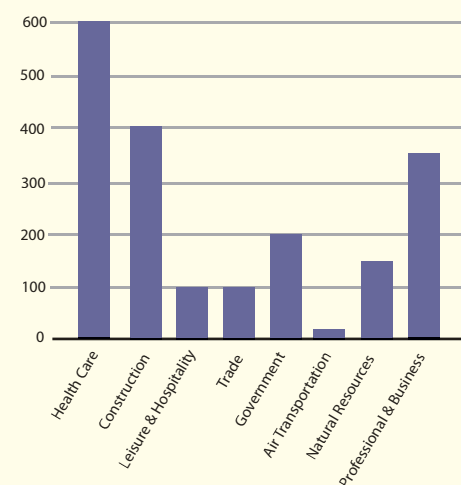
**Anchorage Average Monthly Wages by Industry Sector, 2004**



## Summary of 2006 Expected Changes in Employment

Anchorage will enjoy its 18<sup>th</sup> consecutive year of growth adding 1,900 jobs to the local economy. The expected employment changes by sectors of Anchorage's economy are shown in the following graph.

**Employment Growth in Anchorage, by Sector, 2006 Estimates**



This economic forecast prepared for AEDC by:



# AEDC economic forecast

The Economic Forecast of Anchorage Economic Development Corporation

## Last Year's Forecast

*In 2005, AEDC predicted 2,100 new jobs for Anchorage.*

*According to the Alaska Department of Labor and Workforce Development, Anchorage saw 2,050 new jobs created in 2005, an increase of 1.4 percent over 2004. In 2005, Anchorage enjoyed its 17<sup>th</sup> consecutive year of job growth.*

## 1,900 Jobs Forecast for 2006

AEDC predicts that 1,900 new jobs will be added to the Anchorage economy in 2006, an increase of 1.3 percent over 2005. The service sector will once again account for most of this growth, led by health care, professional and business services, trade, and leisure and hospitality services. Government employment is also expected to rise in 2006. Increased state spending stemming from a billion dollar budget surplus will likely bring in more state and municipal job opportunities to the Anchorage area. Natural resource and construction jobs will continue to grow, bolstering the goods producing sector for another year.

It is important to note that uniform military personnel are not included in the jobs forecast, though Fort Richardson is expecting a net increase of 2,000 military personnel in 2006 as part of the U.S. Military's nationwide reorganization.

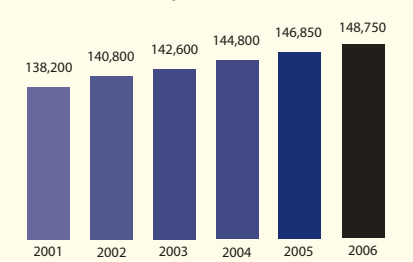
## Unemployment

Anchorage's unemployment rate for the first 11 months of 2005 was 5.3 percent; a slight increase from last year's annual rate of 5.2 percent. The highest month for unemployment was February at 6.2 percent. Anchorage's unemployment rate remains well below the statewide rate of 6.7 percent, but is slightly above the nationwide rate of 5.1 percent.

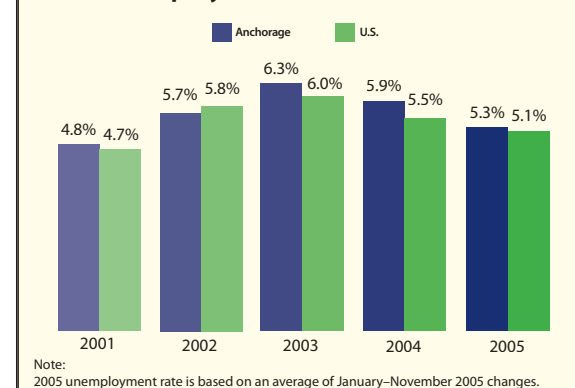
## Self-Employed

According to the U.S. Bureau of Economic Analysis (BEA), there were approximately 32,273 self-employed proprietors in the Anchorage economy in 2003, the most current data available.

**Anchorage Employment, 2001–2005, 2006 Estimates**



**Anchorage and U.S. Unemployment Rates, 2001–2005**



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The Anchorage Economic Development Corporation is a private, nonprofit corporation (IRS code 501(c)(6)), operating since 1987. It exists to encourage growth and diversity in the Anchorage economy. Funding sources for the corporation are municipal grants, state grants and contracts, and private contributions.



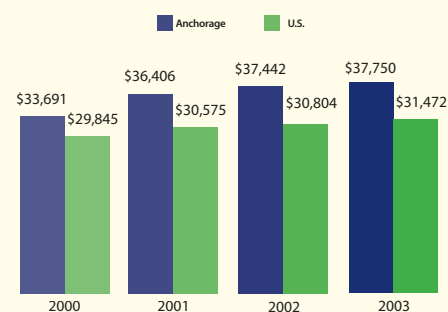
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## Personal Income

Personal income estimates from the U.S. Bureau of Economic Analysis show total statewide personal income at \$21 billion for 2003 (the most current data available). Anchorage residents earn almost half of that, with personal income of just over \$10 billion. Per capita personal income in Anchorage was \$37,750 in 2003, about 1 percent above the previous year. Per capita personal income for Anchorage remains high compared to statewide and national averages. Anchorage per capita income was 14 percent higher than the statewide average and just over 20 percent higher than the U.S. average in 2003.

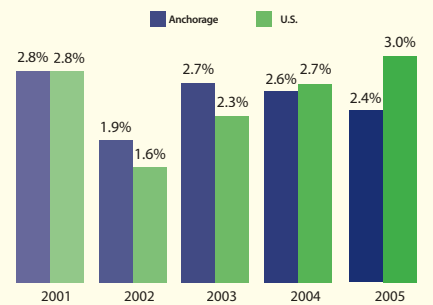
**Anchorage and U.S. Per Capita Personal Income Levels, 2000-2003**



## Consumer Price Index

According to the Anchorage's Consumer Price Index, the rate of inflation in Anchorage averaged 2.4 percent for the first 6 months of 2005. The U.S. Consumer Price Index rose by 3.0 percent over the same period. Increases in the Consumer Price Index are in large part attributable to higher fuel prices.

**Changes in Anchorage and U.S. Consumer Price Indexes, 2001-2005**

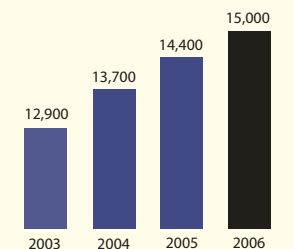


# Employment by Sector

## Health Care

Anchorage's health care sector experienced a 5 percent increase in employment in 2005, a total of 700 new jobs. Similar growth is expected for 2006, with another 600 health care jobs created in the Anchorage area. Continued growth is attributed to increased federal spending, increasing health care needs of our aging population, and an overall increase in population in Anchorage and statewide. Further, advances in healthcare technology are requiring more specialized personnel to help administer new services.

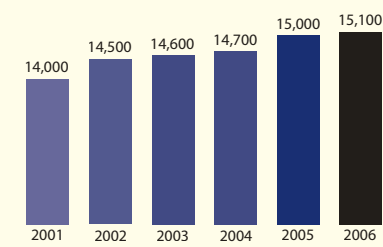
**Anchorage Health Care Employment, 2003-2005, 2006 Estimates**



## Leisure and Hospitality

The leisure and hospitality sector, which includes accommodations, food services and drinking places, will add another 100 jobs in 2006, bringing Anchorage's total to 15,100 workers. Many hotel construction and renovation projects have been completed in recent years and no significant hotel construction is expected in 2006. Restaurant and bar owners will add jobs as they continue to serve the increasing Anchorage tourist trade and the growing local population.

**Anchorage Leisure and Hospitality Employment, 2001-2005, 2006 Estimates**

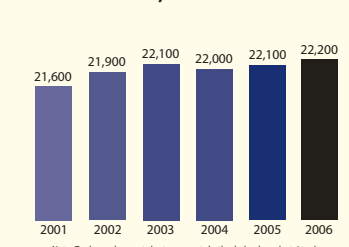


Alaska cruise ship traffic grew to 950,000 passengers in 2005, and is expected to be up a percent or two in 2006. One-third of Alaska's cruise ship passengers move through Anchorage. There is a continuing trend of cruiseship passengers coming into the South-central region and choosing to "do their own thing," spending post-cruise time in the area. This translates to more spending in Anchorage and surrounding communities. Overall, hotel reservations and other bookings for summer months were strong in 2005 and advance reservations are higher for 2006.

## Trade

AEDC predicts employment in the trade sector to be up slightly in 2006, adding about 100 new jobs. In December of 2005, Home Depot opened a second store in south Anchorage bringing in 130 new jobs to the area. The retail trade sector in Anchorage has enjoyed steady growth in recent years. While employment growth in this sector tends to closely follow population trends in Anchorage, retail growth in the Mat-Su may be dampening expansion in Anchorage. In 2006 Wal-Mart will likely begin construction of a new Supercenter; however, the effects on retail employment will not likely be seen until 2007.

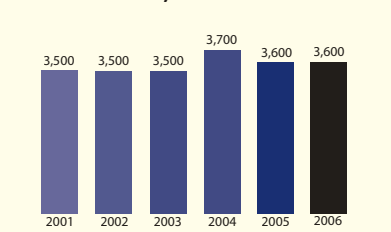
**Anchorage Trade Employment, 2001-2005, 2006 Estimates**



## Air Transportation

There are 3,700 workers in the air transportation sector in Anchorage. Employment in this sector is expected to be stable through 2006. Deplaning and enplaning cargo at Ted Stevens Anchorage International Airport increased by 11 percent in 2005, recovering from a 4 percent decrease from 2004. This cargo either originates or terminates in Anchorage, requiring workers for the unloading and loading. Transit cargo volume continued to increase in 2005, up 14 percent over the previous year. This trend is expected to continue in 2006 with more air cargo traffic moving into China and other Asian markets. Despite these encouraging economic indicators, employment growth in this sector may be offset by some companies that have experienced recent layoffs.

**Anchorage Air Transportation Employment, 2001-2005, 2006 Estimates**



## Construction

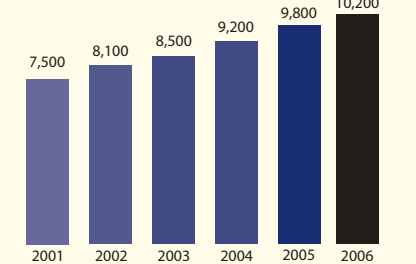
Construction is expected to add another 400 jobs to the Anchorage economy in 2006.

Residential construction is expected to decline in 2006. Increasing building materials costs and the lack of available land for development will continue to constrain growth. AEDC expects to see a continuing trend toward more multi-family structures projects to help fuel the industry in 2006.

Growth in construction employment will primarily come from the commercial and public sectors. Providence Hospital continues to expand, and will open more office buildings and a new cancer center in 2006. Construction of a new Wal-Mart Supercenter is anticipated to start in the spring of this year near the corner of Dowling Road and the New Seward Highway. Other Wal-Mart projects are expected in following years. Elmendorf Air Force Base is in the process of adding and upgrading housing facilities for military personnel living on the base.

The start of the new Convention Center project is anticipated to begin in May of 2006 and the Port of Anchorage is slated to begin construction of its \$376 million expansion project in 2006 as well.

**Anchorage Construction Employment, 2001-2005, 2006 Estimates**

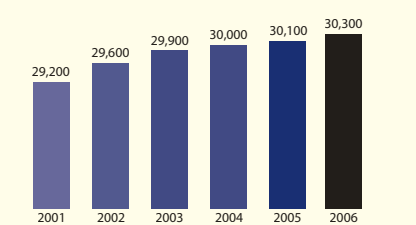


## Government

Government employment is expected to increase slightly in the coming year. In 2005, there were 30,000 government workers in Anchorage, including federal civilian workers, State of Alaska employees (including UAA), and local government workers (including Anchorage School District employees). It is important to note that the government workforce does not include uniform military personnel at Elmendorf and Fort Richardson.

Government employment was up about 100 jobs in 2005 compared to 2004, primarily the result of increasing state government employment. In 2006, AEDC projects another 200 new government jobs, primarily the result of increased state spending. The increase in state spending will affect (among other state government activities) the University of Alaska Anchorage and Anchorage School District. Additionally, increases in local government employment will stem from higher demand for basic services by a growing population. Federal government employment is expected to remain flat at about 9,700 jobs. Gradual attrition of the workforce may also be a factor.

**Anchorage Government Employment, Excluding Uniform Military Personnel, 2001-2005, 2006 Estimates**



## Military

Fort Richardson is expected to have a net gain 2,000 soldiers in 2006 as part of a nationwide reorganization of the U.S. Army. Although Fort Richardson will be transferring a light brigade division to Fort Wainwright, the recent addition of an airborne brigade and planned arrival of other personnel in 2006 will account for the net gain. Construction of office building and facilities are underway to accommodate the Air Force's plans to base C-17 cargo planes at Elmendorf Air Force Base.

## Natural Resources and Other Sectors

With the high price of oil and the expectation of future mining developments around the state, AEDC expects more engineering and business consulting service employment to meet the growing demand. A total of 500 jobs in businesses that support the industry is expected in 2006.

Anchorage's oil and gas employment increased by 100 workers in 2005. This increase brought the total up to 2,038 workers in the natural resources sector and further growth is expected. For example, BP recently announced the need to employ 200 new employees statewide by the end of 2006. Oil and gas industry employment numbers mask the true effect of the oil and gas industry in Anchorage. The industry accounts for thousands of additional contract jobs in construction and industry support services. Oil companies plan fairly aggressive exploration activity for 2006 and those new jobs will be reflected in the construction and services industries.

Also related to the oil industry, Alyeska Pipeline Service Company is expected to lose about 200 direct employees statewide through 2006, along with 150 contractor jobs. Some portion of this employment loss will occur in Anchorage.