

**2023 AEDC**

# Economic Forecast



**PRESENTED BY**



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

**PREPARED BY**



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# Table of Contents

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<b>2023 AEDC Employment Forecast</b>	01
<b>Change by Sector</b>	02
<b>Population</b>	02
<b>Unemployment</b>	04
<b>Inflation</b>	05
<b>Oil &amp; Gas (+100)</b>	06
<b>Healthcare (No Change)</b>	08
<b>Transportation (+200)</b>	09
<b>Government (No Change)</b>	12
<b>Professional &amp; Business Services (+100)</b>	12
<b>Construction (+100)</b>	13
<b>Leisure &amp; Hospitality (+800)</b>	15
<b>Retail Trade (+150)</b>	17
<b>Financial Activities (No Change)</b>	18
<b>Other Sectors (+100)</b>	19
<b>The Big Picture</b>	20

## List of Figures

---

<b>Figure 1.</b>	Total Anchorage Employment	01
<b>Figure 2.</b>	Anchorage Population	03
<b>Figure 3.</b>	United States, Alaska, and Anchorage Average Monthly Unemployment Rate	04
<b>Figure 4.</b>	Urban Alaska and U.S. Consumer Price Index	05
<b>Figure 5.</b>	Anchorage Oil and Gas Employment	07
<b>Figure 6.</b>	Anchorage Healthcare Employment	08
<b>Figure 7.</b>	Anchorage Transportation Employment	10
<b>Figure 8.</b>	Anchorage Government Employment	11
<b>Figure 9.</b>	Anchorage Professional and Business Services Employment	12
<b>Figure 10.</b>	Anchorage Construction Employment	14
<b>Figure 11.</b>	Anchorage Leisure and Hospitality Employment	16
<b>Figure 12.</b>	Anchorage Retail Employment	17
<b>Figure 13.</b>	Anchorage Financial Services Employment	18

# 2023 AEDC Employment Forecast

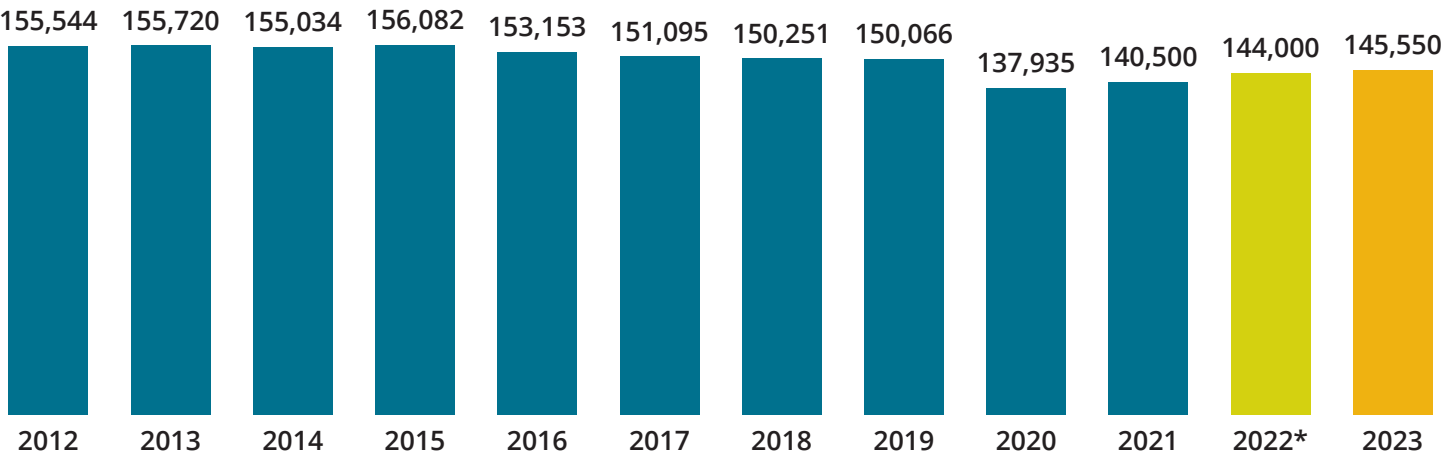
In January of 2022, Anchorage and the world were still wrestling with significant uncertainty in the wake of the COVID-19 pandemic. As the year progressed, the national economy faced several challenges: escalating inflation, rapid interest rate increases, and labor shortages across several sectors. Anchorage was not immune to these forces.

Despite these challenges, the continued recovery of Anchorage employment outpaced AEDC's midyear employment projections. Anchorage employment averaged 144,000 in 2022. While this represents a 3,500 job (+3%) increase from 2021, Anchorage employment remained 12,000 jobs (-8%) below peak employment in 2015 and prior to the statewide recession which preceded the COVID-19 pandemic.

As detailed in this forecast, AEDC expects Anchorage to regain a further 1,550 jobs in 2023. Employment is expected to remain below pre-pandemic levels, and the pace of recovery is likely to slow compared to 2021 and 2022. Further recovery will likely hinge on the availability of workers to fill open positions. To a lesser extent, the condition of the national economy may also impact Anchorage businesses. Full employment recovery back to the 2015 peak is expected to take several more years.

This employment forecast begins with an overview of a few key indicators, including population, unemployment rate, and the rate of inflation. The remaining sections describe the 2023 employment outlook for Anchorage's key sectors. The forecast concludes with a few big-picture thoughts about the trajectory of Anchorage's economy.

**Figure 1. Total Anchorage Employment, 2012-2022\* and 2023 Forecast**



*\*Employment estimate is preliminary.  
Source: Alaska Department of Labor and Workforce Development (2012 – 2021 employment); McKinley Research Group (2022 and 2023 employment)*

# Change By Sector

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## 2023 Forecasted Employment Change by Sector

Oil & Gas: +100  
Healthcare: No Change  
Transportation: +200  
Government: No Change  
Professional & Business Services: +100  
Construction: +100  
Leisure & Hospitality: +800  
Retail Trade: +150  
Financial Activities: No Change  
Other Sectors: +100  
**Total Change: +1,550**

## Population

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Anchorage population totaled 289,810 residents in July 2022, representing a net loss of 600 residents (-0.2%) compared to 2021. The 2022 population estimate marks the sixth consecutive year of decline, leaving Anchorage with 12,300 fewer residents people compared to the peak in 2013. Net outmigration remains the key driver of population loss in Anchorage.

The strength of Anchorage's economy relative to the rest of the nation will likely dictate the community's ability to retain and attract residents in the near term. Historically, population growth has been strongest when economic opportunity in Alaska is greater relative to the rest of the nation. Job openings in key sectors may stem outmigration but are not expected to spur new immigration from the Lower 48 in the near term.

Several key factors have shaped Anchorage's population change over the last several years:

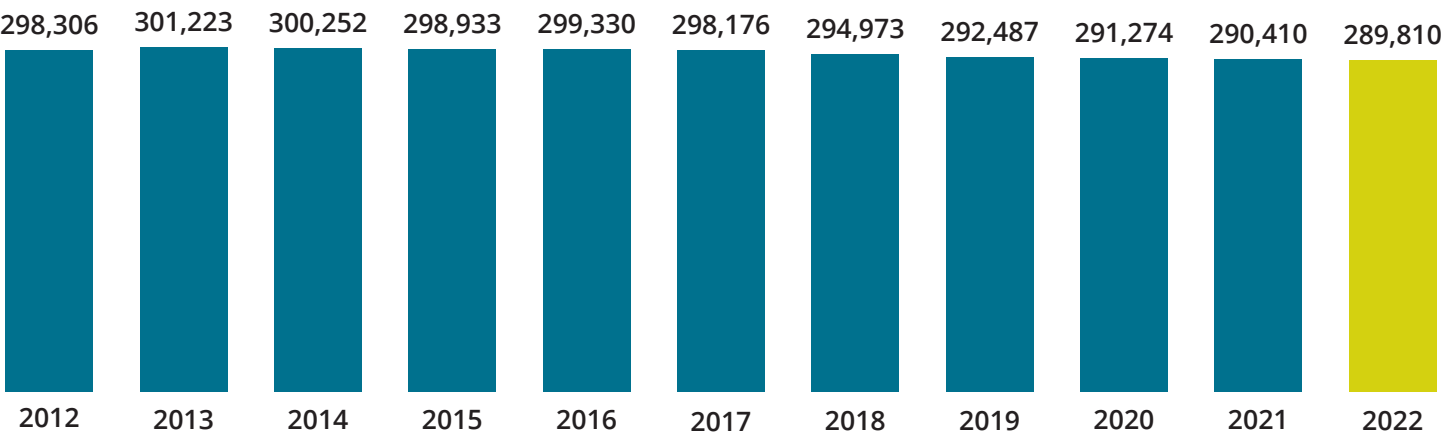
- Anchorage's net population decline from 2021 to 2022 includes 3,570 births, 2,501 deaths, and a loss of 1,669 residents due to migration.
- Between 2016 and 2021, an average of 24,300 people left Anchorage annually while 20,900 moved in. Within this five-year period, Anchorage lost an average of 3,400 residents annually due to migration. Between 2021 and 2022, Anchorage lost 1,669 residents due to net outmigration.
- Net outmigration of Anchorage residents to the Mat-Su Valley increased between 2020 and 2021, with Anchorage losing 1,415 residents between 2020 and 2021, 38% above the average net migration to the Mat-Su between 2015 and 2020. Migration from Anchorage to the Mat-Su continues to be driven in part by lower housing costs and higher availability of homes for sale.
- Anchorage has an aging population. Residents aged 55 and older represented 25% of the population in 2022, compared to only 19% in 2010.
- The working age population in Anchorage declined by 1,889 (-1%) between 2021 and 2022, continuing a trend

# Population

beginning with the 2015-2018 statewide recession. Between 2015 and 2022, the working age population in Anchorage declined by 14,700 people (-7%). Over the last several years, Anchorage's working age population has declined at a faster rate compared to the city's total population.

- The number of deaths in Anchorage rose to 2,501 in 2022, reflecting the impacts of COVID-19 and an increase in the senior population. Annual births in Anchorage have decreased to 3,570 in 2022 from a pre-pandemic annual average of 4,160. Higher death rates and lower birth rates in 2022 resulted in the lowest net natural population increase in at least 20 years.

**Figure 2. Anchorage Population, 2012-2022**



Source: Alaska Department of Labor and Workforce Development.

# Unemployment

Resident employment and unemployment data (combined represents our labor force) differ from other employment data described in this forecast; resident data are specific to people living in Anchorage regardless of the location of their job, while this forecast focuses on jobs based in Anchorage regardless of where the worker lives.

Anchorage's preliminary unemployment rate in 2022 was 3.7%, down from the annual average of 5.8% in 2021. This decline reflects an exceptionally low level of unemployed Anchorage residents who are actively seeking employment. Unemployment averaged 5,600 residents in 2022, a low level of unemployment not reported in at least 30 years.

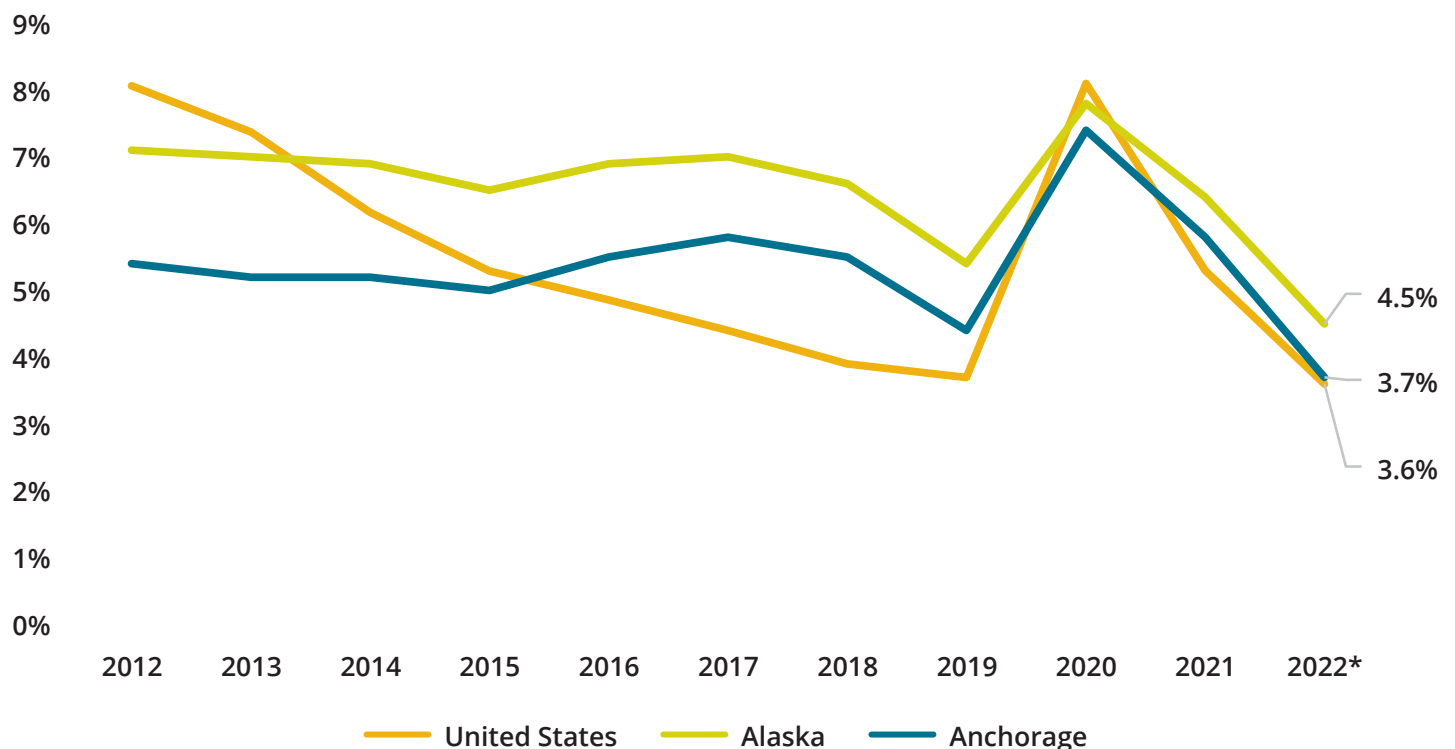
Labor force statistics also suggest resident employment rebounded in 2022 back to levels last seen in 2014, averaging 146,812 employed residents in 2022. While somewhat counterintuitive relative to Anchorage's population decline, these two components suggest the size of Anchorage's labor force rebounded in 2022 beyond the pre-pandemic levels to a size last reported in 2016.

This reported low level of unemployment has resulted in slow employment recovery in Anchorage as businesses across sectors struggle to attract and retain workers. Statewide data available through the Bureau of Labor Statistics (BLS) point to the mismatch between labor supply and demand. The average monthly number of job openings in Alaska increased 10% from 2021 to 33,000, surpassing the number of statewide job openings over the past decade by 14,000 jobs.<sup>1</sup> Job openings were higher in summer 2022, peaking in June at 42,000 statewide. Based on BLS data on job openings and the statewide unemployment level, Alaska had two job openings for each unemployed worker in the labor force in 2022.

Looking ahead, the availability of resident workers in Anchorage will likely continue to impact the pace of the city's employment growth.

<sup>1</sup> U.S. Bureau of Labor Statistics, Job Openings and Labor Turnover Survey (JOLTS).

**Figure 3. United States, Alaska, and Anchorage Average Monthly Unemployment Rate, 2012-2022\***



\*2022 figure based on preliminary data through November 2022.  
Source: U.S. Bureau of Labor Statistics

# Inflation

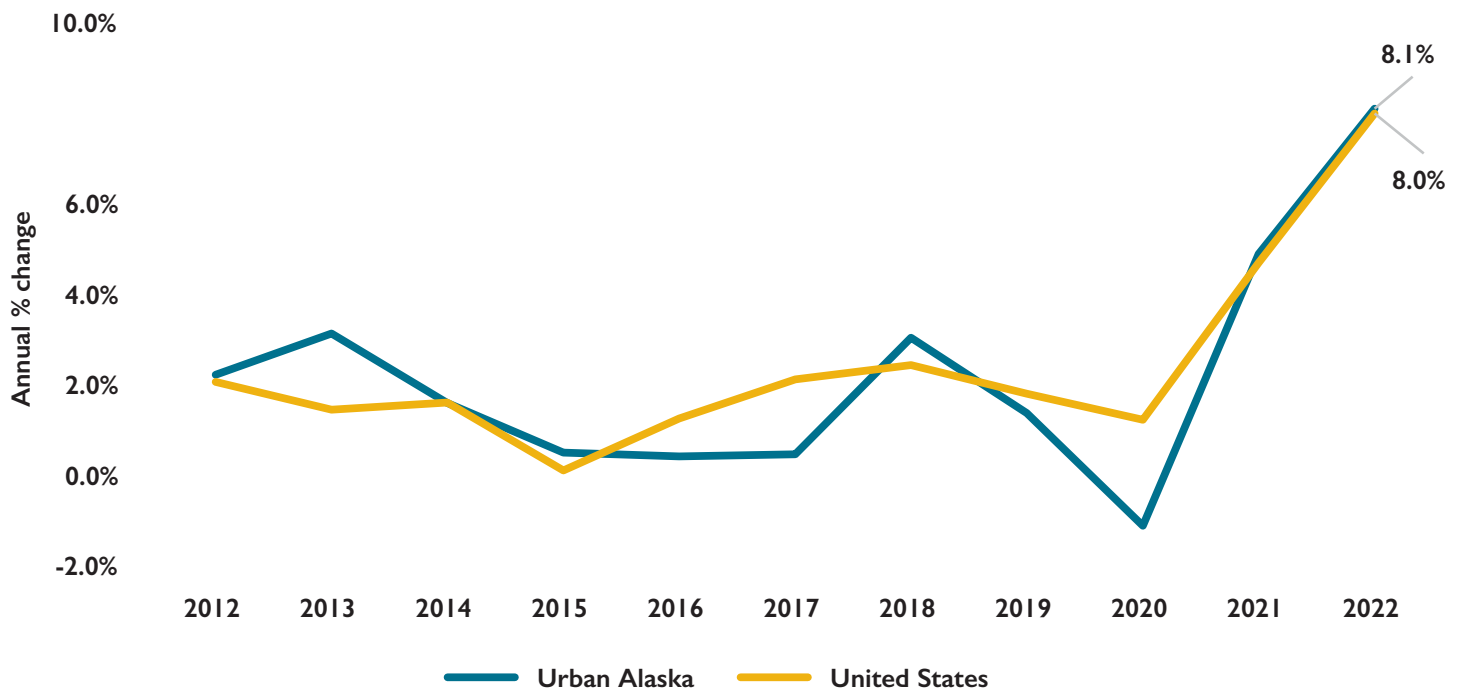
The Urban Alaska rate of inflation averaged 4.9% in 2021, following a period of deflation in 2020. Prices were also up over pre-pandemic levels (3.5% higher than 2019). The Consumer Price Index (CPI) is the primary measure of inflation and reflects changing prices for a specific goods and services. The Anchorage/Mat-Su CPI is the only measure of inflation for Alaska, described as “Urban Alaska” by the U.S. Bureau of Labor Statistics.

Urban Alaska’s price increases are part of a national rise in inflation brought on by increased demand for consumer goods, manufacturing slowdowns related to COVID-19, supply chain bottlenecks, and other global factors. These factors contributed to price volatility across a range of products.

Rising, volatile oil prices resulted in gasoline prices which were up about 12% compared to pre-pandemic levels on an annual average basis. Transportation price increases of 10% compared to 2019 point to low microchip availability which led to slowdowns in car manufacturing in 2021. Prices also increased for food (10.8%), medical care (8.0%), recreation (1.4%), and housing (0.5%). Electricity prices declined by 11.6% compared to pre-pandemic levels, likely reflecting the acquisition of Municipal Light & Power by Chugach Electric in 2020.

Outside of consumer goods, high material prices impacted construction costs and investment. These COVID-19 pandemic-related impacts are expected to persist into 2022. The trajectory of inflation nationally, and in Alaska, will depend on return to manufacturing and supply chain normalcy, along with fuel price trends and a range of other factors.

**Figure 4. Urban Alaska and U.S. Consumer Price Index, 2012-2022**



Source: U.S. Bureau of Labor Statistics

## Oil & Gas (+100)

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Employment in Anchorage's oil and gas sector ended 2022 with 1,500 jobs, down 127 jobs (-7.8%) from 2021. The loss of additional jobs in this sector continues a downward trend in oil and gas employment in Anchorage which began in 2016 as oil prices declined. This trend accelerated during the pandemic. Sector employment is now over 2,000 jobs below the 2015 peak (down by 60%).

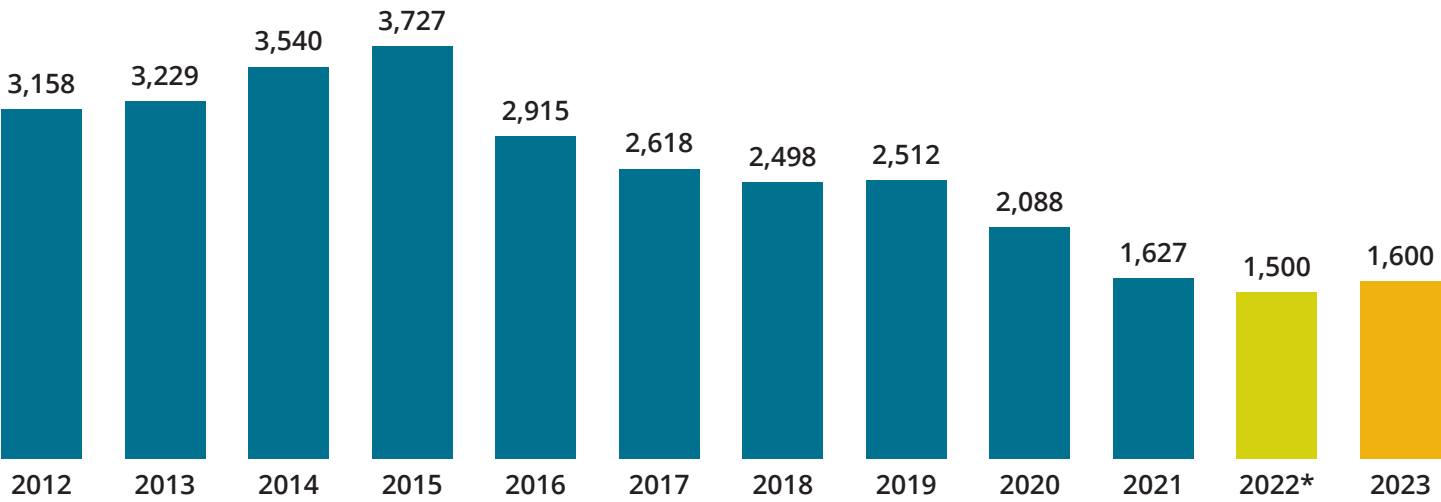
Despite this sustained loss of employment, Alaska's oil and gas sector has reason for optimism. Oil prices averaged over \$100 a barrel in 2022, the highest annual average in nearly a decade. Several large projects are on the development horizon, and several other North Slope units are poised for increased activity. As development on these projects begins on the North Slope, AEDC expects that Anchorage oil and gas employment will see a moderate increase of 100 jobs in 2023.

Key factors impacting Alaska's oil and gas industry include:

- Santos announced a final investment decision on the Pikka project in 2022, and gravel work and other surface facility construction on-site have started. The company expects the project will support 2,000 short-term construction jobs in Alaska and 800 operational jobs once Pikka Phase 1 is completed.
- Contingent on the U.S. Bureau of Land Management's final Environmental Impact Statement and Record of Decision for the Willow oil project, ConocoPhillips plans to begin road and other gravel infrastructure projects in 2023. If developed, the Willow project is expected to support 2,000 short-term construction jobs and 500 operational jobs throughout Alaska.
- Development projects will also be drilled and produced from existing infrastructure at ConocoPhillips's other units in 2023, including Fiord West, Narwhal, and West Sak.
- Production at Great Bear Pantheon's Alkaid test well is slated to begin soon and will be trucked to a nearby Pump Station for sale on the North Slope. The company estimates the Alkaid horizon has between 90 and 135 million barrels of recoverable oil.
- Hilcorp continues work at legacy fields on the North Slope and in Cook Inlet.
  - Unit expansion efforts are ongoing at Prudhoe Bay, and production at the field is expected to increase.
  - Hilcorp produces 85% of the natural gas used for heating and electricity production in Southcentral Alaska. The company recently announced they may not be able to provide new natural gas contracts as existing contracts expire between 2024 and 2033 due to lack of natural gas reserves.



Figure 5. Anchorage Oil and Gas Employment, 2012-2022\* and 2023 Forecast



*\*Employment estimate is preliminary. All figures for calendar year based on monthly average.  
Source: Alaska Department of Labor and Workforce Development (2012 – 2021 employment); McKinley Research Group (2022 and 2023 employment)*

## Healthcare (No Change)

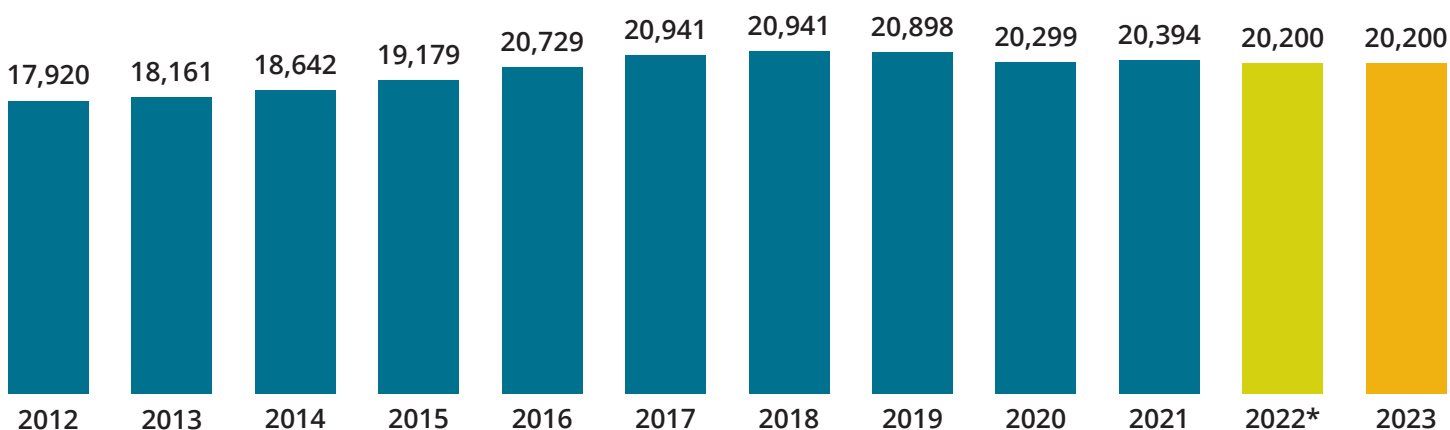
Before 2020, healthcare was a growth sector for the Anchorage economy and employment. COVID-19 was tremendously disruptive to the industry. Retirement and other workforce exits by physicians, nurses, surgical technicians, physicians' assistants, and medical specialists during the COVID-19 pandemic left large gaps at hospitals and outpatient facilities.

Healthcare employment in Anchorage decreased by 200 jobs (-1.0%) between 2021 and 2022. All subsectors of the healthcare economy (hospital, outpatient, and nursing and residential care) experienced similar decreases in overall employment. The decrease was partially driven by a lack of available workforce in highly skilled medical positions. Hospitals and clinics are struggling to find local talent and to recruit from outside Alaska.

In 2023, AEDC expects the need for medical professionals to continue, and demand to continue to outstrip supply. The ability of the healthcare sector to resume employment growth beyond 2023 will depend to some extent on the following drivers of Anchorage's healthcare labor force:

- Locally, access to medical professionals is dependent on a stable pipeline of graduates from medical programs at the University of Alaska Anchorage and other institutions, which has been stagnant or decreasing for several years. Long waitlist times to begin education, faculty retirement, and the lack of qualified medical educators have all impacted the number of program graduates.
- The proposed state budget will increase funding for the WWAMI program, which could double the number of physicians returning to Alaska each year. Still, increases in the number of graduates will lag new funding. In the interim, low enrollment rates in health education programs in Alaska will continue to constrain hiring in Anchorage's healthcare sector.
- Nationally, hospital systems struggled with steep revenue declines in 2022. Revenue reductions are expected to impact local, private hospitals which are part of these national systems in the near-term.
- Anchorage's healthcare sector requires a wide variety of workers, from medical professionals, to support staff such as custodians, food service professionals, accountants, and many others. Lack of available labor force across all of these occupations has constrained employment in the sector in 2022.

**Figure 6. Anchorage Healthcare Employment, 2012-2022\* and 2023 Forecast**



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

*Source: Alaska Department of Labor and Workforce Development (2012 – 2021 employment); McKinley Research Group (2022 and 2023 employment)*

## Transportation (+200)

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Anchorage's transportation, warehousing, and utilities sector is one of few industries to experience job growth since the beginning of Alaska's recession in 2016. The industry averaged 12,200 jobs in 2022, an increase of about 800 jobs (+7%) over 2021 and a 9% increase from 2019.

Air transportation remained the sector's largest source of job growth, adding 537 jobs between June of 2021 and June 2022 amid the resumption of Cross-Gulf cruise traffic and continued robust independent travel. A total of 4.6 million passengers moved through Ted Stevens Anchorage International Airport (ANC) through October 2022, an increase of 19% over 2021 and just 8% below 2019 levels. Accounting for direct, indirect, and induced impacts, 1 in 7 Anchorage jobs were supported by ANC in 2021.

Employment in the courier and messenger subsector, which includes cargo companies such as FedEx and UPS, has been a sustained source of job growth for the transportation industry prior to, and during, the COVID-19 pandemic. Higher freight volumes at ANC compared to 2019 levels contributed to this increase over the last several years.

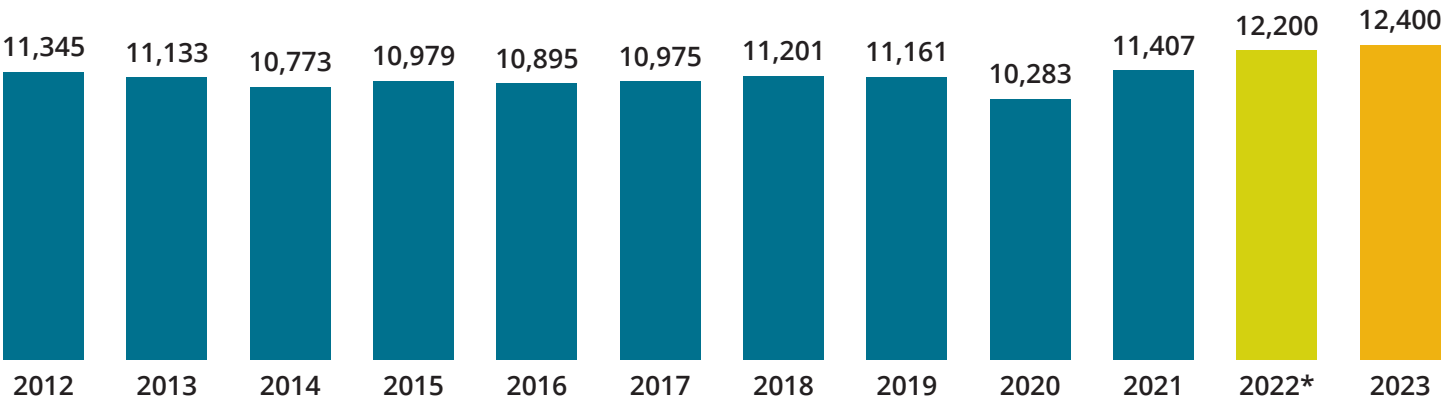
- Total 2022 cargo volume at ANC was down 5% from 2021 volumes. Global shipping bottlenecks drove increases in 2020 and 2021. Cargo volume decline in 2022 is related to manufacturing slowdowns in China and the overall easing of global shipping bottlenecks. Cargo tonnage moving through ANC declined in 2022, yet volume remained 28% above 2019 levels.
- Over 5.1 million tons of freight and fuel moved through the Port of Alaska in 2022, a 4% increase over 2021. Increased petroleum tonnage (up 134,000 tons or 4.1% compared to 2021) and cement tonnage (up 30,300 tons or 34.5%) drove overall tonnage increase. Container traffic remained relatively stable, increasing by just 0.7% (10,900 tons).

AEDC anticipates the sector will add 200 jobs in 2023 as cargo volume remains above pre-pandemic levels and passenger volume regains strength. Several key factors related to transportation and warehousing services in Anchorage may impact employment over the next several years:

- A scheduled increase in Cross-Gulf cruise traffic for the 2023 season is likely to positively impact transportation and tour providers over the coming year.
- FedEx plans to construct a \$200 million sorting facility at ANC.
- NorthLink Aviation signed a lease at ANC's South Campus to build a \$100 million air cargo terminal.
- Amazon applied for permits to build a sorting facility at the old Sears warehouse in 2023, with space for 100 delivery vans.
- Concerns related to an economic recession in the Lower 48 have the potential to weigh on cargo volumes stopping in Anchorage enroute from Asia, and on visitor volume to Alaska in the longer-term.

# Transportation (+200)

Figure 7. Anchorage Transportation Employment, 2012-2022\* and 2023 Forecast



\*Employment estimate is preliminary. All figures for calendar year based on monthly average.  
Source: Alaska Department of Labor and Workforce Development (2012 – 2021 employment); McKinley Research Group (2022 and 2023 employment)

## Government (No Change)

Government sector employment averaged 26,400 jobs in 2022, holding steady between 2021 and 2022.

Government employment is almost split evenly between the federal government with about 8,500 jobs (excluding active-duty military), state government (including the University of Alaska Anchorage) with about 9,500 jobs, and local government (including the Anchorage School District (ASD)) with about 9,500 jobs. Anchorage is home to 35% of all government employment in Alaska, including 56% of all federal employment, 42% of State of Alaska employment, and 23% of local government employment.

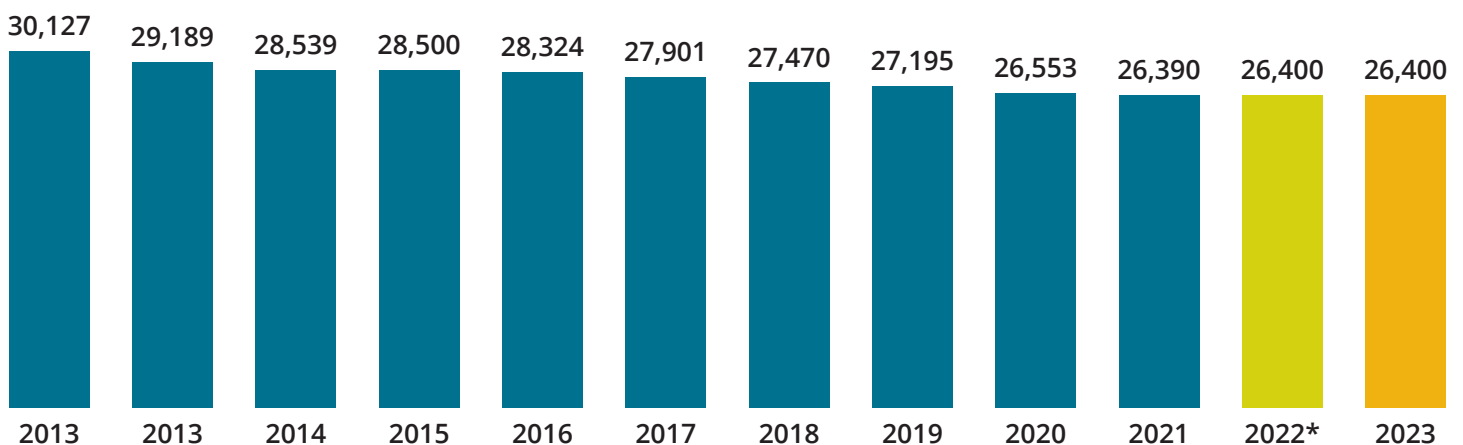
AEDC anticipates federal, state, and local government in Anchorage will maintain 2022 employment levels in 2023.

- The flow of Federal Infrastructure Investment and Jobs Act (IIJA) funds into Alaska could slightly increase federal employment as positions are added to help manage the significant funding increase expected over the next four years.
- State government employment was down 260 jobs (-3%) in the first half of 2022. State employment declines have largely been driven by cuts to the University system over the last several years. Preliminary data suggests University of Alaska employment fell to an average 1,800 jobs, a 34% reduction from the peak of state education employment in Anchorage in 2014. The FY2023 state budget included a 17% increase in UA funding; however, much of that increase went to deferred maintenance. The governor's proposed FY2024 budget does not indicate further funding cuts for UA.

Local government employment increased by 275 jobs in the first half of 2022 but remained 700 jobs (-9%) below pre-pandemic 2019 levels. During the pandemic, local government job loss was largely driven by local education employment as ASD adjusted to remote learning.

- ASD anticipates a continued wave of retirements over the next several years, and employment levels may be impacted by the district's ability to attract and retain staff to replace retirees.
- The proposed closure of Abbott Loop Elementary School in academic year 2023-2024 would impact at least 20 school district employees.
- The state's base student allocation (BSA) funding provided to ASD has remained stable at \$5,930 since 2017. ASD continues to expect funding gaps due to flat BSA funding and expected annual enrollment decline of 2% between FY2022 and FY2027.

**Figure 8. Anchorage Government Employment, 2012-2022 and 2023 Forecast**



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

*Source: Alaska Department of Labor and Workforce Development (2012– 2021 employment); McKinley Research Group (2022 and 2023 employment)*

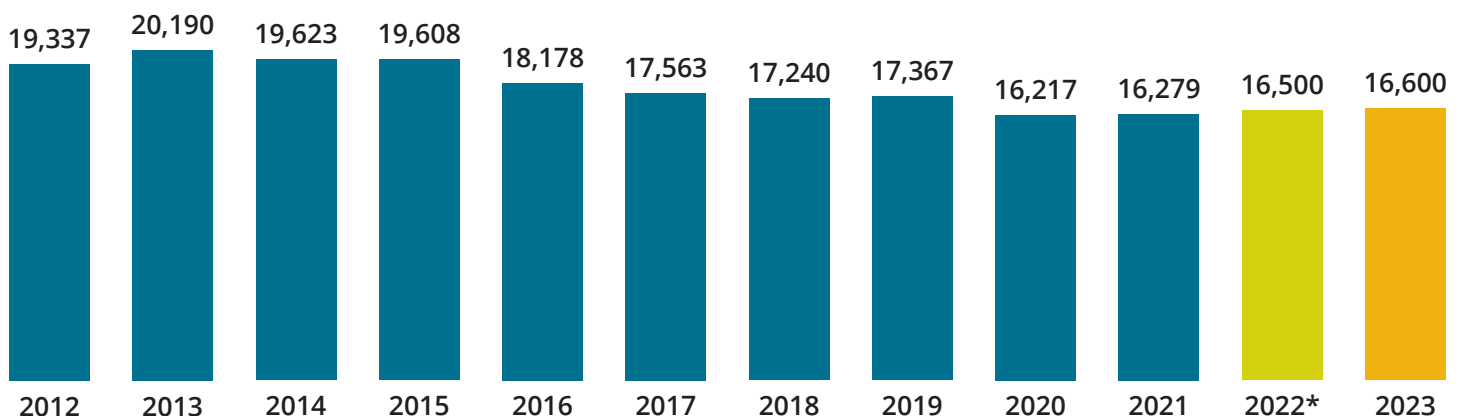
## Professional & Business Services (+100)

The professional and business services sector is comprised of a broad range of services: architecture, engineering, accounting, legal affairs, consulting, waste management, and other services. Employment in this sector averaged about 16,500 jobs in 2022, a 1.4% (+200 job) increase over 2021. Professional and business services employment remained 4,000 jobs (-20%) below the 2013 peak prior to Alaska's statewide recession.

AEDC anticipates this sector to grow by 100 jobs in 2023 as labor force availability lags opportunities for product and client growth. Factors include:

- Professional services such as engineering and architecture are in high demand as organizations seek federal infrastructure funding and pursue projects already funded through the IIJA. Demand for these services will increase demand for employees in the sector; however, firms do not expect workforce recruitment in sufficient numbers to meet this rise in demand.
- Some professional services firms, such as accountants, were engaged over the last two years to manage new revenue related to COVID-19 relief funding. Expiration of relief funds is reducing the client base for some professional services firms.
- Retirements in the professional services sector accelerated during the pandemic, and replacement of these high-level employees will continue to be a challenge locally and nationally.
- Nationally, enrollment and graduation rates are down in degree programs for professional services (accounting, engineering, architecture), further constraining the workforce pipeline.

**Figure 9. Anchorage Professional and Business Services Employment, 2012-2022\* and 2023 Forecast**



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

*Source: Alaska Department of Labor and Workforce Development (2012 – 2021 employment); McKinley Research Group (2022 and 2023 employment)*

## Construction (+100)

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Employment in Anchorage's construction industry remained nearly flat in 2022 compared to 2021. Sector employment remained about 400 jobs (-4.8%) below pre-pandemic 2019 employment levels. Some pandemic-related challenges to the industry such as severe supply chain bottlenecks and volatile material prices have been resolved over the last year. Others including high material and fuel prices and continued workforce challenges remain a drag on the industry.

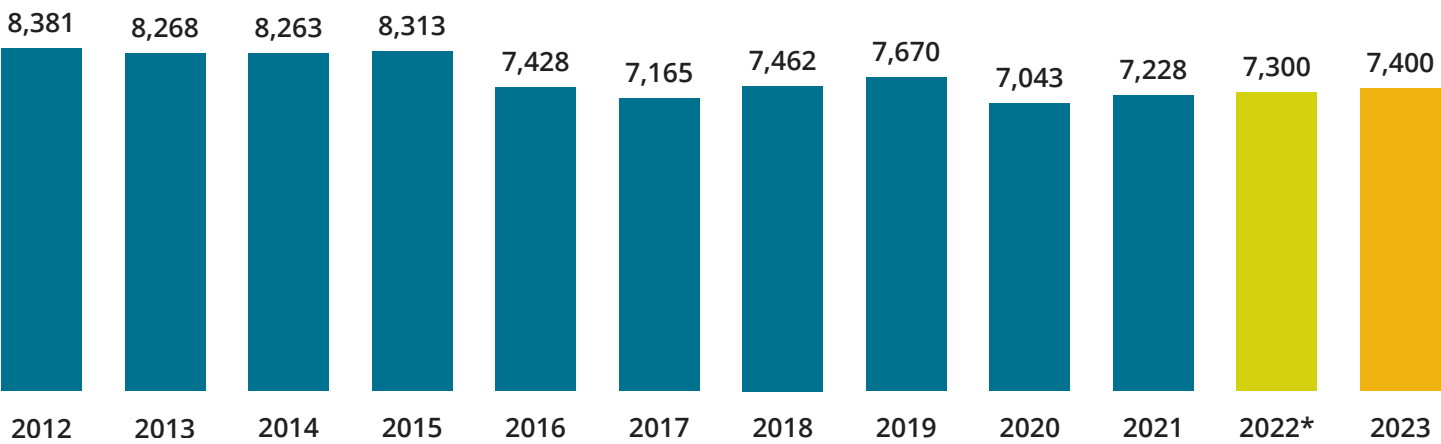
Anchorage building permit valuations totaled \$507 million in 2022, the highest since 2015. Increases in the total value of commercial and residential permits reflect higher project costs rather than an increase in the number of permitted projects.

- The average permit cost for new single-family residential homes increased by 25% to \$580,000 in 2022.
- Several large projects drove increases in commercial permitting values. Notable projects include a U-Haul facility (\$13.4 million), Phase 1 expansion of Alaska Native Tribal Health Consortium facilities (\$8.4 million), Alyeska employee housing (\$6.6 million), and renovations to the former Sam's Club by Costco (\$5.1 million).
- Government permit valuations decreased by 23% in 2022 to \$36 million. This is the lowest annual total since 2019 after several large projects were permitted in 2020 and 2021, including the solid waste transfer station.

AEDC expects construction employment to increase by 100 jobs in 2023. Factors expected to impact employment in this sector include:

- The IIJA authorized billions in new funding for road, airport, water/wastewater, broadband, and other infrastructure projects. State and local government and other grantees have secured millions in funding thus far. While these projects will be constructed across Alaska, Anchorage serves as a statewide hub of construction employment from which crews are often deployed elsewhere.
- The pace of many IIJA-funded projects will depend on the state government's ability to publish RFPs, perform permitting, and otherwise deploy additional formula funding. The timing of competitively funded projects will also depend on the availability of architects, engineers, and other professionals to complete design work, required match funding, and other factors.
- Construction firms in Alaska have long contended with a shortage of skilled workers, and expectations of additional construction activity have highlighted the labor gap. The availability of workers may slow the pace of new construction in Anchorage and in the state overall, even as demand for construction increases with the influx of federal dollars. This extends to the availability of workers employed by the State of Alaska and other grantees to manage the flow of federal funding.
- The construction industry has an aging workforce. Of the top construction-related occupations, workers aged 50 and older accounted for over 20% of the occupational work force in 2021.

Figure 10. Anchorage Construction Employment, 2012-2022\* and 2023 Forecast



\*Employment estimate is preliminary. All figures for calendar year based on monthly average.  
Source: Alaska Department of Labor and Workforce Development (2012 – 2021 employment); McKinley Research Group (2022 and 2023 employment)



## Leisure & Hospitality (+800)

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Employment in Anchorage's leisure and hospitality sector averaged 16,300 jobs in 2022, an increase of nearly 1,700 jobs (+11%) compared to 2021. The sector experienced further recovery after being severely impacted by efforts to reduce the spread of COVID-19 which affected resident spending across the industry and visitor travel to Alaska. Employment remained 1,400 jobs (-8%) below the pre-pandemic levels in 2022.

The resumption of Cross-Gulf cruise traffic and a robust independent visitor season positively impacted the sector in 2022:

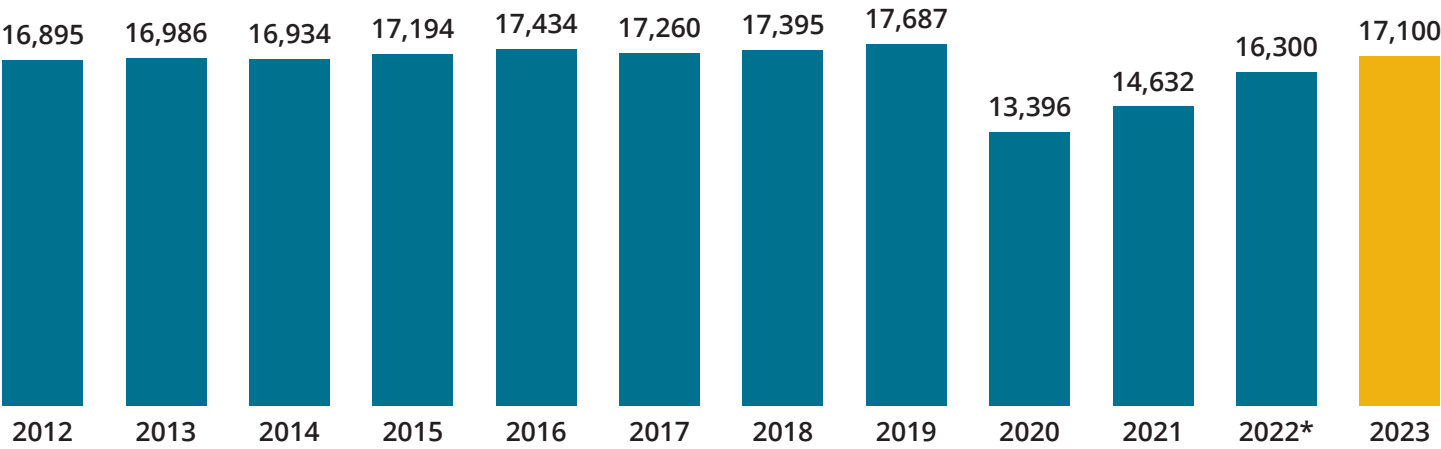
- Passenger enplanements (boardings) at ANC through October 2022 are nearly recovered at only 8% below pre-pandemic levels through October 2019.
- Nearly all "Cross-Gulf" cruise passengers transit Anchorage at some point in their trip. Cross-Gulf cruise ports of Whittier, Seward, and Anchorage received a combined 144 port calls with an estimated 337,000 passengers in 2022, 22% below the 2019 passenger volume.
- Anchorage room tax revenues through September 2022 exceeded 2019 totals by 8% and 2021 totals by 13%.
- According to Visit Anchorage and lodging data tracker STR, Anchorage's 2022 hotel room occupancy was up 7% from 2021 and 2% from 2019. Average daily revenue rates were up 25% from 2019.
- Anchorage's rental vehicle tax increased 20% relative to 2021 in the first three quarters of 2022. Total car and recreational vehicle rental revenues increased 9%.

AEDC expects the leisure and hospitality sector to add 800 jobs in 2023, leaving the industry about 600 jobs below pre-pandemic levels. Businesses in this sector have been among those most impacted by Anchorage's economy-wide labor shortages due to relatively low wages and seasonality of the industry. Continued recovery in this sector will depend to a large extent on the ability of restaurants, hotels, and others to attract workers. Other factors which may impact sector employment include:

- Cross-Gulf cruise ships scheduled to dock in Whittier, Seward, and Anchorage in 2023 have capacity for 476,000 passengers, a 10% increase in capacity compared to 2019. Cruise ships may not operate at 100% capacity in the 2023 season; however, this increase is expected to bring more visitors through Anchorage.
- The federal J-1 Visa program for summer work travel plays a critical role in bringing foreign workers to Alaska seasonally for work across visitor-related sectors. The number of J-1 summer work program brought only 297 workers to Alaska in summer 2021, an 85% decline from 2019. The ability of Alaska employers to attract J-1 workers back to the state will be crucial to seasonal employment recovery for the Leisure and Hospitality sector.
- Several projects in downtown Anchorage will likely support new employment and attractions for visitors and residents. Planned projects include the \$200 million "Block 41" redevelopment, the 6th Avenue hotel project, renovation of the Aviator Hotel, and several restaurant expansions and re-openings.

# Leisure & Hospitality (+800)

**Figure 11.** Anchorage Leisure and Hospitality Employment, 2012-2022\* and 2023 Forecast



*\*Employment estimate is preliminary. All figures for calendar year based on monthly average.  
Source: Alaska Department of Labor and Workforce Development (2012 – 2021 employment); McKinley Research Group (2022 and 2023 employment)*

## Retail Trade (+150)

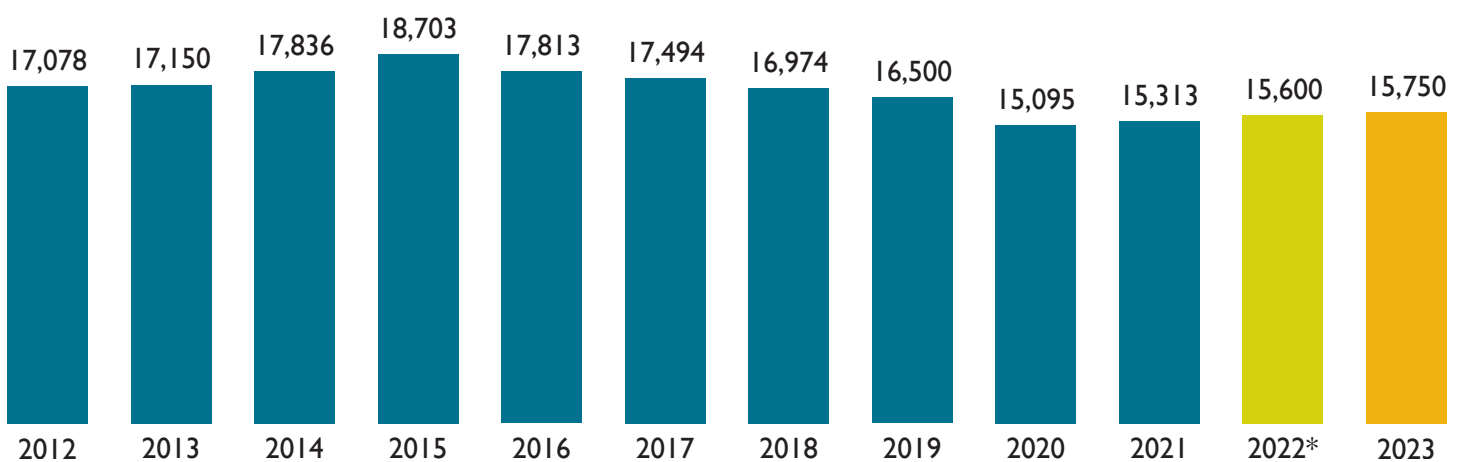
The Anchorage retail sector added back about 300 jobs in 2022 yet remains almost 1,000 jobs (-6%) below pre-pandemic levels. In the first half of 2022, employment increased by 1% in the Food and Beverage subsector (primarily grocery and liquor stores) but decreased in subsectors such as Building Materials and Garden Supply (down 9%) and Furniture and Appliance Stores (down 1%). These shifts likely reflect changing consumer demand in the face of high inflation.

Coming into 2020, this sector experienced four consecutive years of employment decline in Anchorage due largely to weakness in the national retail sector which drove large store closures. In 2022, retail employment remained 17% below the 2015 peak of 18,700.

AEDC expects the retail sector to add 150 jobs in Anchorage in 2023. The following factors will impact the health of the retail sector nationally and employment in Anchorage:

- Households nationally are responding to increased cost of living by cutting back on retail purchases. According to the U.S. Bureau of Economic Analysis, national consumer spending in goods-producing industries declined 1.4% in the third quarter of 2022. Inflation has begun to ease for many essential goods, and consumers may return to purchasing non-essential retail items, like furniture, appliances, or home improvement equipment.
- Anchorage retail businesses report the ability to hire new employees improved in the third quarter of 2022 after facing significant staffing challenges through the first half of the year. The number of open positions in Anchorage retail will likely remain high, and difficulty in hiring and retaining workforce may constrain further recovery.
- A new Costco Business Center expected to open at Tikahtnu Commons in 2023 will likely be the source of most job gains in this sector.
- If the national Albertson's-Kroger merger is approved by the Federal Trade Commission, the Carrs/Safeway stores and Fred Meyer stores in Anchorage will be owned by the same parent company. At this time, the expected impacts of this proposed merger on Anchorage employment are unclear.
- National e-commerce sales continued to increase over the past year. Compared to the same quarter in 2021, third quarter 2022 e-commerce sales climbed 10.8% while total retail sales were up just 9.1%. By the third quarter of 2022, online sales accounted for 15% of total retail sales, up from 11% in 2019, before the pandemic, and 14% in 2021.

**Figure 12. Anchorage Retail Employment, 2012-2022\* and 2023 Forecast**



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

*Source: Alaska Department of Labor and Workforce Development (2012 – 2021 employment); McKinley Research Group (2022 and 2023 employment)*

## Financial Activities (No Change)

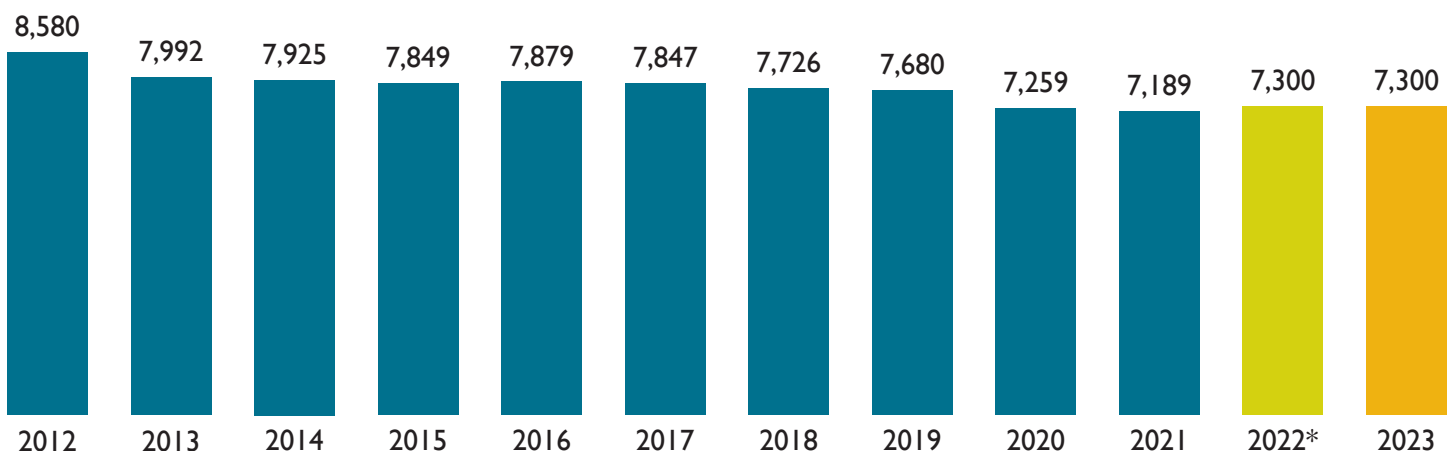
The financial services sector is comprised of banks, credit unions, investment firms, insurance companies, and real estate agents and managers who collectively employed 7,300 people in 2022.

Employment in this sector increased by about 120 jobs (+2%) in the first half of 2022 compared to 2021. Increased interest rates in 2022 resulted in a contraction in home sales, mortgage origination and consumer loan origination more broadly. Consequently, the real estate subsector saw a drop-off in employment in the first half of 2022, a loss of 130 jobs (down 5%) from 2021. Banking, insurance, and investment management employment remained flat with an average 4,200 jobs in the first half of 2022.

AEDC anticipates employment in the Anchorage financial activities sector to hold steady in 2023. Several factors will impact this sector in the near term:

- Along with overall interest rates, mortgage rates accelerated rapidly in 2022, impacting home sales. The average mortgage rate in Alaska in January 2022 was 3.5%, rising to 4.3% in the second quarter. Average rates as of January 2023 are now 6.7% for conventional 30-year mortgages.
- The Anchorage housing market shrank in 2022 compared to 2021 and 2020.
  - The number of residential units sold in Anchorage decreased by 768 units (-21%) from 2021 to 2022.
  - Average home sale prices continued to rise in 2022, rising over \$456,000 in 2022, up 8% from \$424,000 in 2021.
- Labor supply may continue to play a role in the outlook for financial services employment in Anchorage. Anecdotal information suggests companies struggled to fill positions in 2022 and do not anticipate hiring for growth in 2023.
- Nationally, the ongoing migration of banking customers to online platforms will continue to impact foot traffic in brick-and-mortar banks. With the increase in interest rates, many online banks have offered higher interest on savings accounts than traditional banks and local credit unions, resulting in depositors shifting to online banking.
- According to the American Bankers Association annual consumer survey, 72% of banking consumers prefer online banking to in-person visits, with 45% of those saying they prefer to use mobile apps. The percentage of customers using in-person banking has risen, from a low of 10% in 2021 to 14% in 2022.

**Figure 13. Anchorage Financial Services Employment, 2012-2022\* and 2023 Forecast**



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

Source: Alaska Department of Labor and Workforce Development (2012 – 2021 employment); McKinley Research Group (2022 and 2023 employment)

## Other Sectors (+100)

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Sectors not specifically addressed in this forecast (accounting for 20,700 jobs in 2022) include manufacturing, wholesale trade, information/telecommunications, social assistance, and personal services.

Several of these sectors experienced job losses through the first half of 2022, deepening pandemic-related employment declines in 2020 and 2021, including:

- Employment in social assistance (childcare centers, housing relief services, and others) fell by 274 (-7%) in the first half of 2022 as employers continued to face challenges filling open positions. Reduced availability particularly in the childcare sector has a critical impact on workforce availability in Anchorage; permanent closure of several licensed day cares in 2022 have worsened childcare challenges that pre-date the pandemic. Statewide, average employment in child day care services remained 9% below pre-pandemic levels through the first half of 2022.
- The telecommunications sector also faced further job declines in 2022, losing 163 jobs (-7%) in the first half of the year. Citing an inability to fill positions, GCI announced the closure of its consumer call center in Anchorage in 2021, contributing to this decline.
- Employment in personal services (hair salons, dry cleaning, and others) continues to lag 2019 levels, but added back 129 jobs in the first half of 2022.
- Collectively, recovery in these sectors will hinge on labor availability. AEDC expects these sectors to add about 100 jobs in 2023.
- Though the military is not included in AEDC's annual employment forecast, it provides important stability to the Anchorage economy. In 2021, about 12,600 military employees (including active-duty personnel) were stationed in Anchorage, about half of the 27,200 personnel in Alaska. Given Alaska's strategic Pacific Rim and Arctic location, the military is expected to remain a strong and steady contributor to Alaska's economy in the foreseeable future.

# The Big Picture

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The national economy still lacks a clear path forward after the pandemic. Coming into 2023, it is clear the national and Anchorage economies are on a new path and will not return to a pre-pandemic state.

As the Anchorage economy settles into a "new normal", the city has real economic opportunities. New projects on Alaska's North Slope are expected to increase oil production over the next decade and support jobs for Anchorage residents. The city's strategic location continues to be attractive for transiting air cargo along the Asia-North America route. Projects funded by new federal sources, such as the IIJA, will support demand for professional services and construction companies based in Anchorage. And while the visitor industry strained to serve Anchorage visitors in summer 2022, increased Cross-Gulf cruise ship capacity should be a source of stability for the industry.

Along with these opportunities come real challenges for Anchorage. In particular, the lack of available workforce to meet the needs of local employers has already constrained the pace of Anchorage's recovery. The effects of Anchorage's loss of 28,400 working age people since 2015 are being felt across nearly all sectors. A sixth consecutive year of population decline in Anchorage does not bode well for a reversal of this trend. The city has struggled with several factors that contribute to workforce availability and overall quality of life: high housing costs, low availability of childcare services, and uncertainty surrounding K-12 education funding being three of the most prominent in 2022.

Turning to the national economy, it is not yet clear if efforts to slow inflation will result in a recession or the Federal Reserve's goal of a "soft landing". Should conditions in the national economy deteriorate, Anchorage businesses may wrestle with new challenges.

As the local economy settles into a new trajectory, increased focus and new initiatives to make Anchorage an attractive, affordable place to live will be critical to capitalizing on the city's many opportunities and combatting whatever new challenges come next.



**THANK YOU TO  
OUR DIAMOND INVESTORS**



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