



# 2023 AEDC

## THREE-YEAR OUTLOOK REPORT

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## ABOUT THIS FORECAST

Each year AEDC develops a three-year outlook for a set of key economic indicators, revising the forecast annually as events unfold and new data becomes available.

The purpose of the AEDC Three-Year Outlook is to identify key economic forces at work in Anchorage and provide a sense of trajectory for the economy, based on the best available information. Our commitment is to offer an objective and informed perspective on the local economy, recognizing the uncertainty inherent in this and any other forecast.

# BIG PICTURE

Anchorage has long prided itself on the ways we are distinct from other U.S. cities. Beautiful scenery, abundant recreation, the economic hub of Alaska: all these factors contribute to our unique place in the world. While these attributes distinguish us from other cities, we can't escape the global macroeconomic forces impacting the entire nation. High inflation, the Federal Reserve's interest rate increases, geopolitical tensions, foreign manufacturing, and availability of investment capital all factor into Anchorage's near-term economic outlook.

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*Anchorage's economy is on a new course. Over the next three years, we expect modest growth by most measures. The economy has added jobs back steadily over the last two years of recovery.*

Other factors in our economic forecast are more recognizable as Anchorage-specific or Alaska-specific. In particular, Anchorage's struggle to retain our working-age population will likely constrain employment and economic growth. An important highlight of this forecast is the expectation that Anchorage's total population will start to increase in 2023 after six years of decline. This bodes well for the effort to sustain and attract the working-age population, though demographic realities will dampen this impact. By 2026, the final year in this forecast, most "Baby Boomers" (born between 1946 and 1964) will have aged out of the working-age population. The number of people aged 18 to 64 moving to Anchorage is not expected to make up for this decline.

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On a brighter note, after years of significant disruptions, Anchorage's economy is on a new course. Over the next three years, we expect modest growth by most measures. The economy has added jobs back steadily over the last two years of recovery. Yet as of 2022, wage and salary employment remained about 12,500 jobs below the pre-Alaska recession level in 2015. Economic indicators suggest demand for workers may still outstrip the available workforce. Statewide, job openings rose to historically high levels even as the number of unemployed people seeking work declined significantly, leaving Alaska with fewer than one unemployed person for every two job openings by the end of 2022. All of these indicators suggest that the pace of further job growth in Anchorage may yet be constrained by historically low levels of unemployment and continued decline in our working-age population.

While global macroeconomic factors push and pull on the indicators in this forecast, population and working-age population growth will be central to realizing sustained growth in the Anchorage economy. It is challenging to attract new people to Anchorage; targeted investments in housing, public safety, and redevelopment across the community could further stem the tide of outmigration and attract more people to our city.

# POPULATION

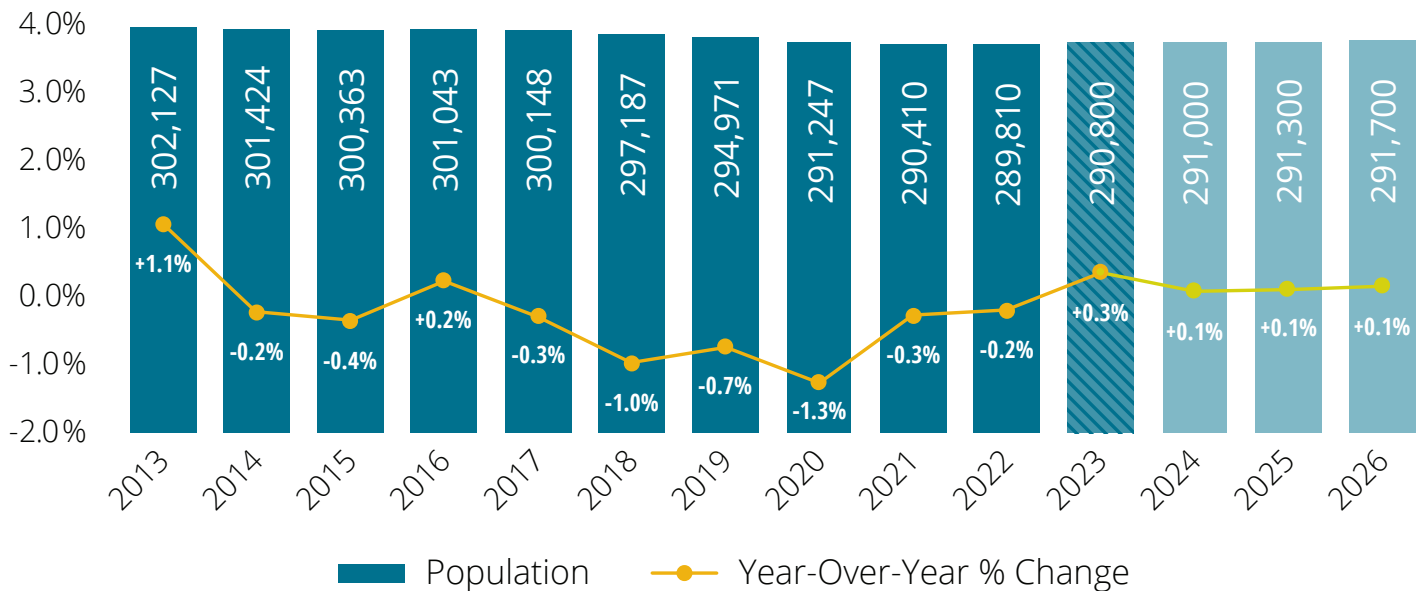
**AFTER SIX YEARS OF CONTINUOUS DECLINE, AEDC EXPECTS ANCHORAGE TO EXPERIENCE POPULATION GROWTH OF ABOUT 1,000 INDIVIDUALS IN 2023.**

## FACTORS CONTRIBUTING TO THE FORECAST

- Anchorage is seeing signs of slowing net outmigration as pandemic disruptions on the economy and relocation ease.
- Growth rates in the Mat-Su are slowing, and Mat-Su average housing prices are less competitive compared to Anchorage.
- Work on Alaska's North Slope is expected to bring new residents to Anchorage over the next several years to support new field developments and Pikka production starting in 2026. Developments such as Willow will likely draw new residents to Anchorage later in the decade.
- While birth rates remain low, death rates decreased in 2022 following highs during the pandemic.

## Anchorage Population and Annual Growth Rate, 2013-2026

Modest increases are expected after years of population decline.

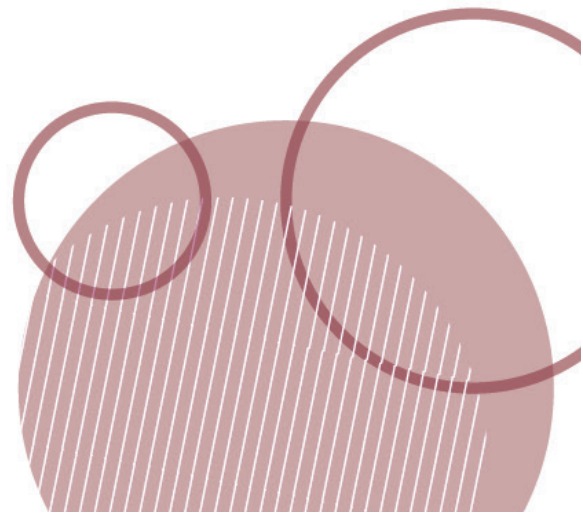
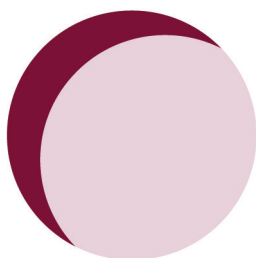


<b>CURRENT TRENDS</b>		
	2021-2022 Change	2021-2022 % Change
<b>Total Population</b>	-600	-0.2%
<b>Net Migration</b>	-1,669	-0.6%
<b>Natural Increase</b>	+1,069	+0.4%
<b>Births</b>	+3,570	+1.2%
<b>Deaths</b>	-2,501	-0.9%

Source: Alaska Department of Labor and Workforce Development (2013-2022); McKinley Research Group estimates (2023-2026).

<b>CURRENT TRENDS</b>		
	2021-2022 Change	2021-2022 % Change
<b>Total Working-Age Population</b>	-1,761	-0.9%
<b>2015-2020</b>		
<b>Average Annual Working Age Net Migration</b>		-2,908
<b>Average Annual Working Age In-Migration</b>		+14,999
<b>Average Annual Working Age Out-Migration</b>		-17,908

Source: Alaska Department of Labor and Workforce Development (2013-2022); McKinley Research Group estimates (2023-2026)



# WORKING-AGE POPULATION

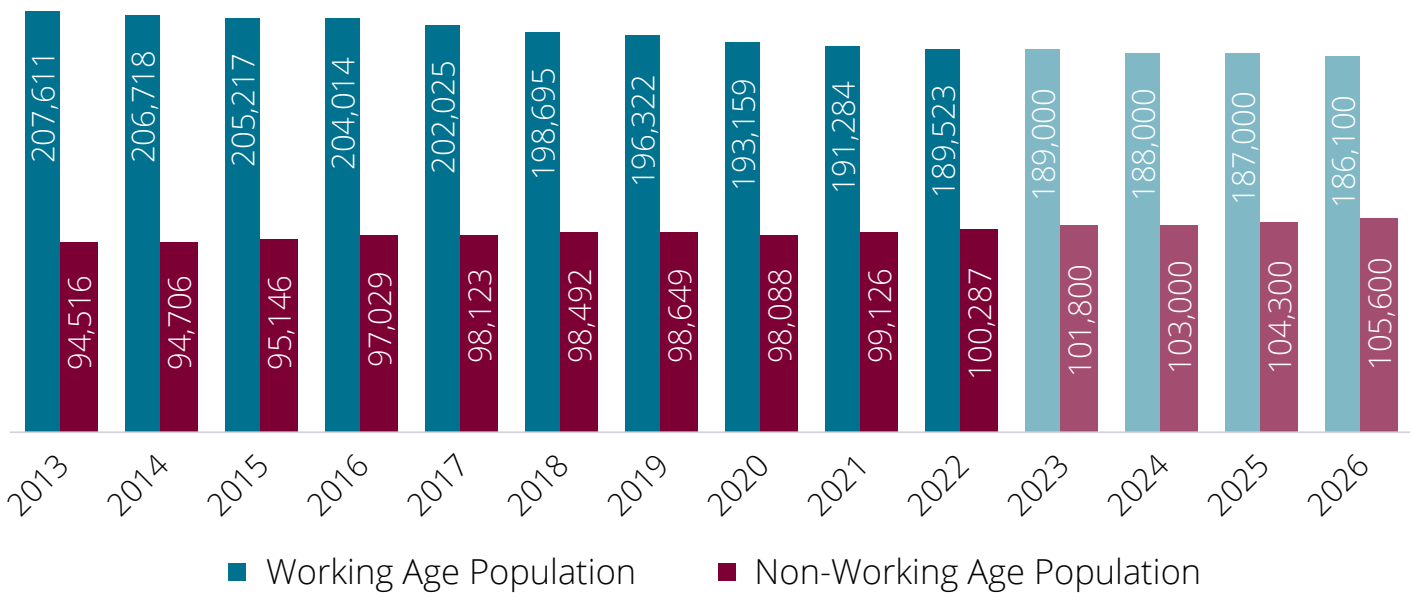
THE PROPORTION OF ANCHORAGE'S POPULATION THAT IS WORKING AGE (BETWEEN 16 AND 64 YEARS OLD) IS EXPECTED TO DECLINE FURTHER AS THE POPULATION AGES OUT.

## FACTORS CONTRIBUTING TO THE FORECAST

- Over the next five years, most residents in the baby boomer generation will age out of the working-age population.
- The number of people moving to Anchorage for new jobs in the oil industry will not outpace the rate of baby boomers aging out of the working-age population.
- Working-age residents represent 65% of Anchorage's total population in 2022, down from 69% in 2013.

## Anchorage Working-Age and Non-Working Age Population, 2013-2026

Modest decreases in Anchorage's working-age population are expected to occur as the population continues to age.



# EMPLOYMENT

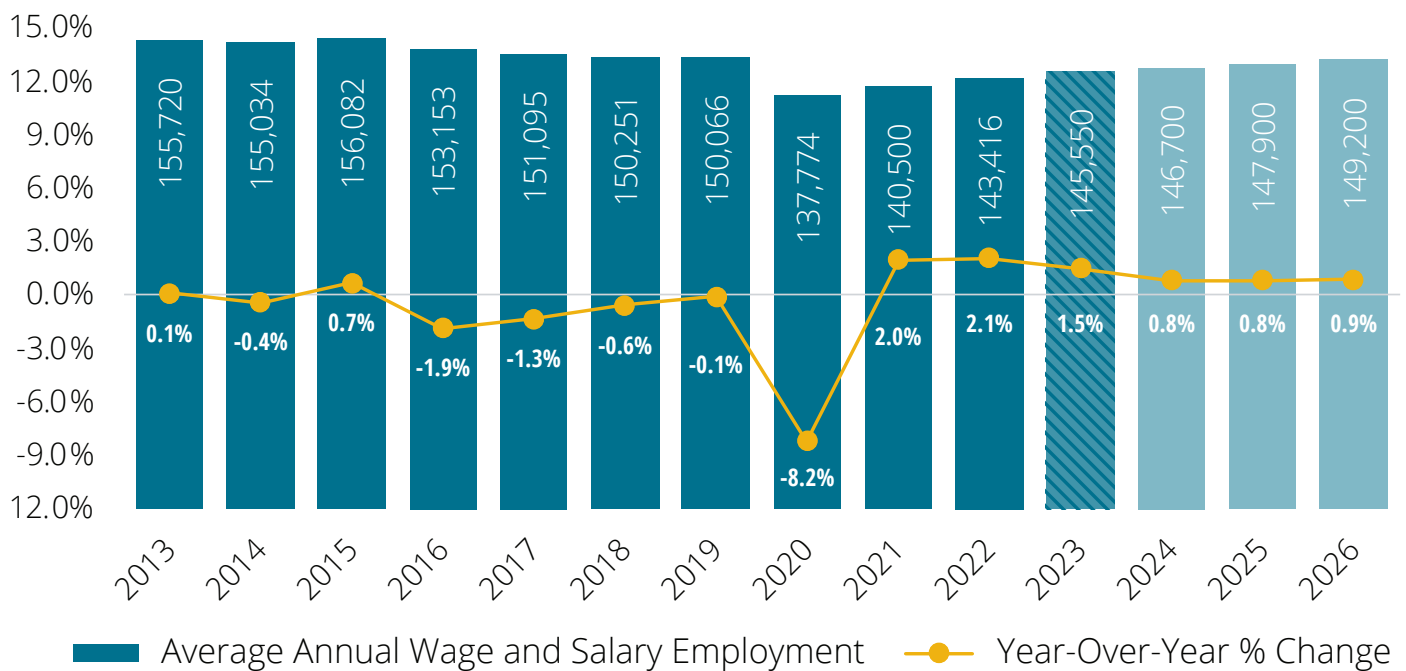
**AGING AND POST-PANDEMIC LABOR FORCE FACTORS WILL CONTINUE TO CONSTRAIN THE PACE OF EXPECTED EMPLOYMENT GROWTH AND RECOVERY IN ANCHORAGE.**

## FACTORS CONTRIBUTING TO THE FORECAST

- Work on Alaska’s North Slope will require additional oil and support services employment in Anchorage.
- Professional and business services employment is expected to grow as the flow of Federal infrastructure funding ramps up in the Alaska economy.
- Slow population growth and lower working-age population continue to constrain employment growth.
- Over the last five years, the number of self-employed residents in Anchorage has increased by about 4%. Sole proprietor employment is expected to increase at a faster rate than total employment as more workers participate in the gig economy or otherwise become self-employed in professional services, construction, and other industries.

## Anchorage Average Employment, 2013-2026

Anchorage employment has steadily increased after the pandemic.



Note: Sole proprietor employment is not included in average annual employment figures.

## CURRENT TRENDS

Top 3 Sectors (2021-2022)		Bottom 3 Sectors (2021-2022)	
Leisure & Hospitality	+1,845 jobs	Health Care	-181 jobs
Transportation	+1,160 jobs	Government	-87 jobs
Professional & Business Services	+338 jobs	Mining/Oil & Gas	-80 jobs
		Wage & Salary Employment	Self-Employment
2017		151,095	37,841
2021		140,542	39,263
2017-2021 % Change		-7.0%	+3.8%

2021 Workforce Residency	Alaska Residents		Non-Alaska Residents
	Live where they work	Don't live where they work	Work here, live elsewhere
Where Anchorage Workers Live	76%	12%	13%
Where Alaska Workers Live	67%	13%	20%

Source: Alaska Department of Labor and Workforce Development (2013-2022); U.S. Bureau of Economic Analysis (2017, 2021), McKinley Research Group estimates (2023-2026)

Note: Rows may not add to 100% due to rounding.





# PERSONAL INCOME

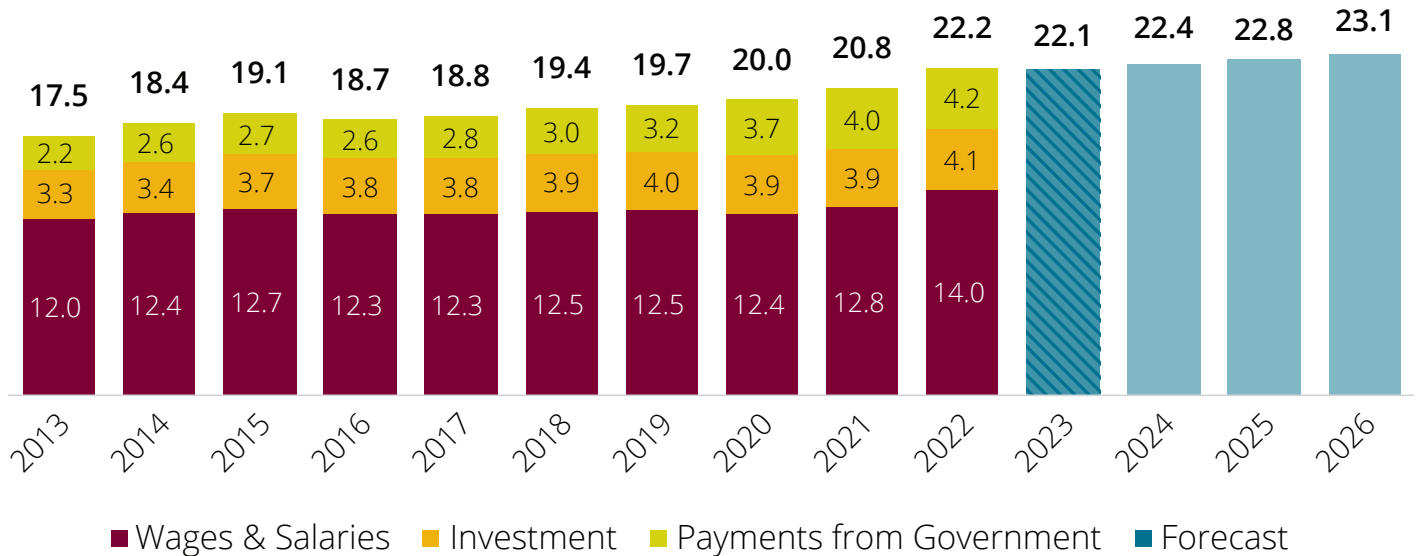
CONTINUED INFLATIONARY PRESSURE IS EXPECTED TO OUTWEIGH REDUCTIONS IN COVID-19 RELATED SUPPORT PAID TO INDIVIDUALS OVER THE LAST SEVERAL YEARS, RESULTING IN A SMALL DECREASE IN TOTAL PERSONAL INCOME IN 2023.

## FACTORS CONTRIBUTING TO THE FORECAST

- Work-related income is expected to increase with continued inflationary pressure.
- Programs providing COVID-19 related relief payments to individuals have ended.
- Permanent Fund Dividends are expected to return to historically normal levels (\$1,000 to \$1,500).
- Investment and other income are impacted by the Federal Reserve's efforts to curb inflation.

## Anchorage Personal Income (\$Billions), 2013-2026

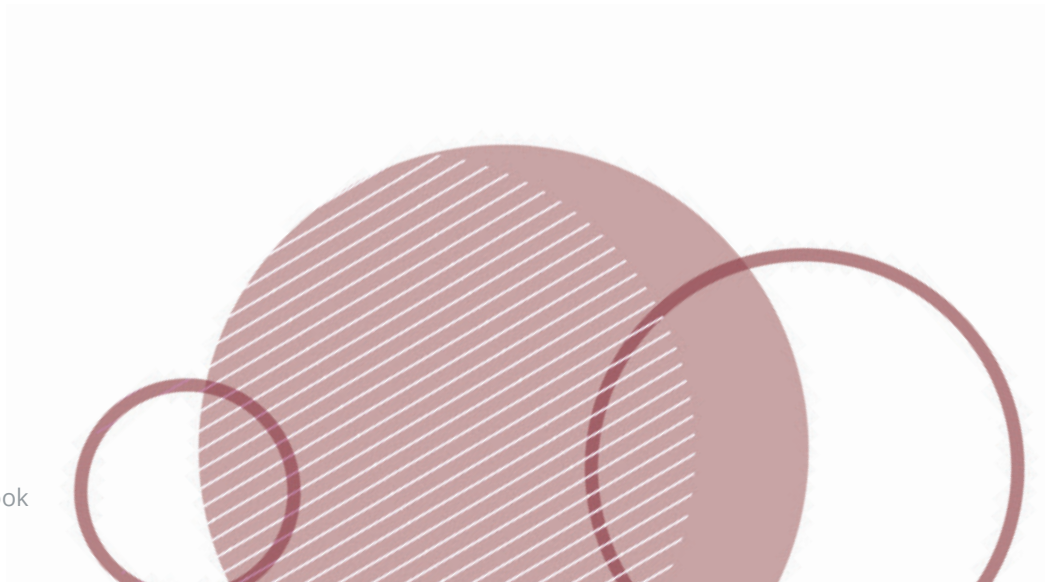
COVID-19 related payments to individuals drove up personal income in 2022.



## CURRENT TRENDS

	2022 (\$Billion)	% of 2022 Total	2021-2022 % Change
Salaries, wages, and proprietors' income (including benefits)	\$14.0	63%	+9.1%
Payments from the government (i.e., unemployment insurance, social security, PFD)	\$4.2	19%	+2.7%
Investment income	\$4.1	18%	+3.9%

Source: U.S. Bureau of Economic Analysis (2013-2021), McKinley Research Group Estimates (2022 – 2026)



# ANCHORAGE AIR CARGO

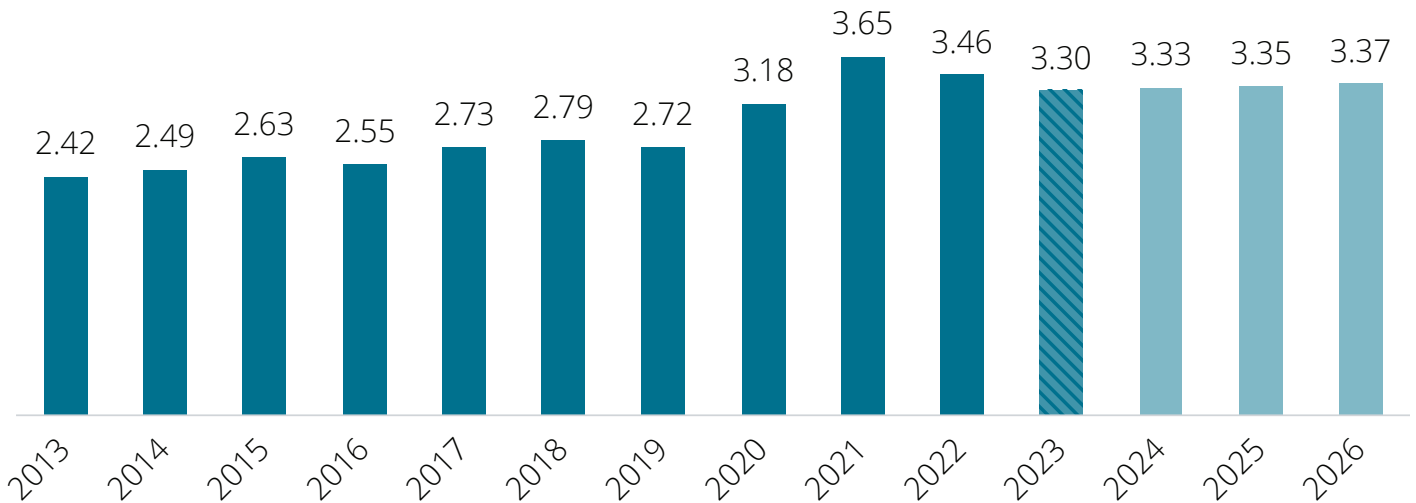
**AEDC EXPECTS AIR CARGO VOLUMES TO STABILIZE WITH MODEST GROWTH AS SUPPLY CHAIN DISRUPTIONS CONTINUE TO EASE AND INFLATIONARY IMPACTS ON CONSUMER DEMAND PERSIST.**

## FACTORS CONTRIBUTING TO THE FORECAST

- Supply chain disruptions caused by the COVID-19 pandemic will continue to improve.
- The stability of Chinese manufacturing and production will impact air cargo demand.
- National consumer confidence and resulting demand for goods impacts the volume transiting the Asia-North America route.
- Anchorage International Airport air cargo volumes declined modestly in 2022 following unprecedented increases in 2020 and 2021 driven by global supply chain pressures.

## Anchorage International Airport Air Cargo (Million Metric Tons), 2013-2026

Air cargo volumes reached a new high in 2021 before decreasing in 2022.



## CURRENT TRENDS

	2022	2021-2022 Change	2021-2022 % Change
<b>Metric tons of air cargo</b>	3.5 M	-192,000	-5%
<b>Cargo landings</b>	53,388	-1,476	-3%
	<b>2022 Rank</b>		
<b>Global airport rank by cargo volume</b>	3rd		

Source: State of Alaska Department of Transportation and Public Facilities (2013 – 2022), McKinley Research Group Estimates (2023 – 2026)

Note: Data are displayed in million metric tons and may appear different from previous forecasts due to this change in units.

# PORT OF ALASKA

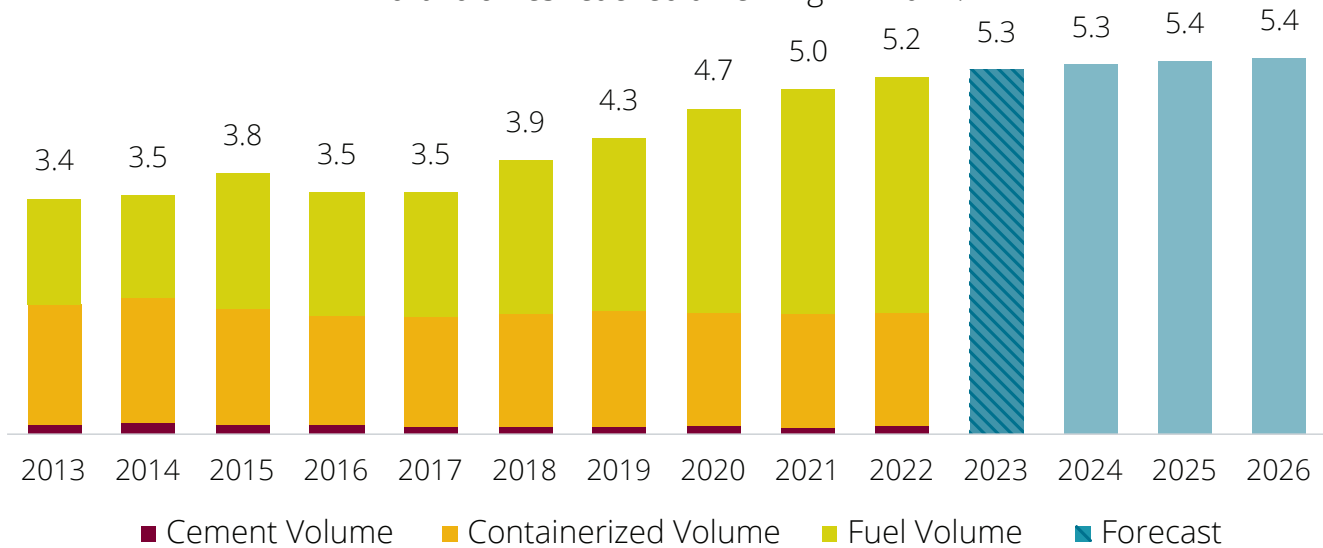
THE PORT OF ALASKA WILL CONTINUE TO BE AN IMPORTANT TRANSPORTATION GATEWAY SUPPORTING INFRASTRUCTURE DEVELOPMENT ACROSS THE STATE.

## FACTORS CONTRIBUTING TO THE FORECAST

- Construction activity and projects across Alaska will drive freight demand higher with new Federal infrastructure funding and oil development on the North Slope.
- Modest growth in operations at the Anchorage International Airport will impact demand for fuel.
- Limited service reductions which impacted container volume in 2023 are not expected to persist.
- Modest population growth in Anchorage will have minimal impacts on overall demand for goods.

## Port of Alaska Volume (Million Tons), 2013-2026

Port volumes reached a new high in 2022.



## CURRENT TRENDS

	2022	% of 2022 Total	2021-2022 % Change in Volume
Fuel volume	3.4 M	66%	+4.5%
Containerized volume	1.6 M	32%	+0.2%
Cement volume	0.1 M	2%	+34.5%

Source: Municipality of Anchorage, Port of Alaska (2013 – 2022), McKinley Research Group Estimates (2023 – 2026)

# BUILDING PERMIT ACTIVITY

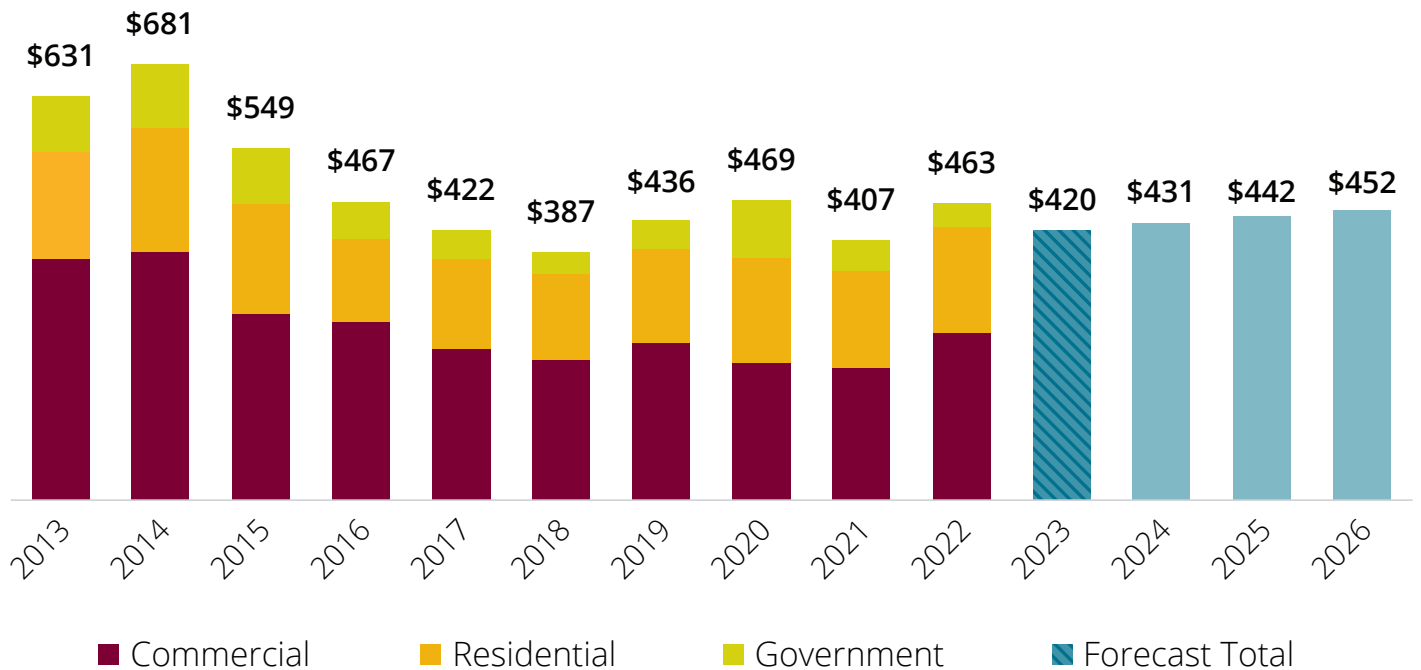
AEDC EXPECTS PERMIT VALUES TO DECLINE IN 2023, WITH GROWTH RATES SIMILAR TO INFLATION BETWEEN 2024 AND 2026.

## FACTORS CONTRIBUTING TO THE FORECAST

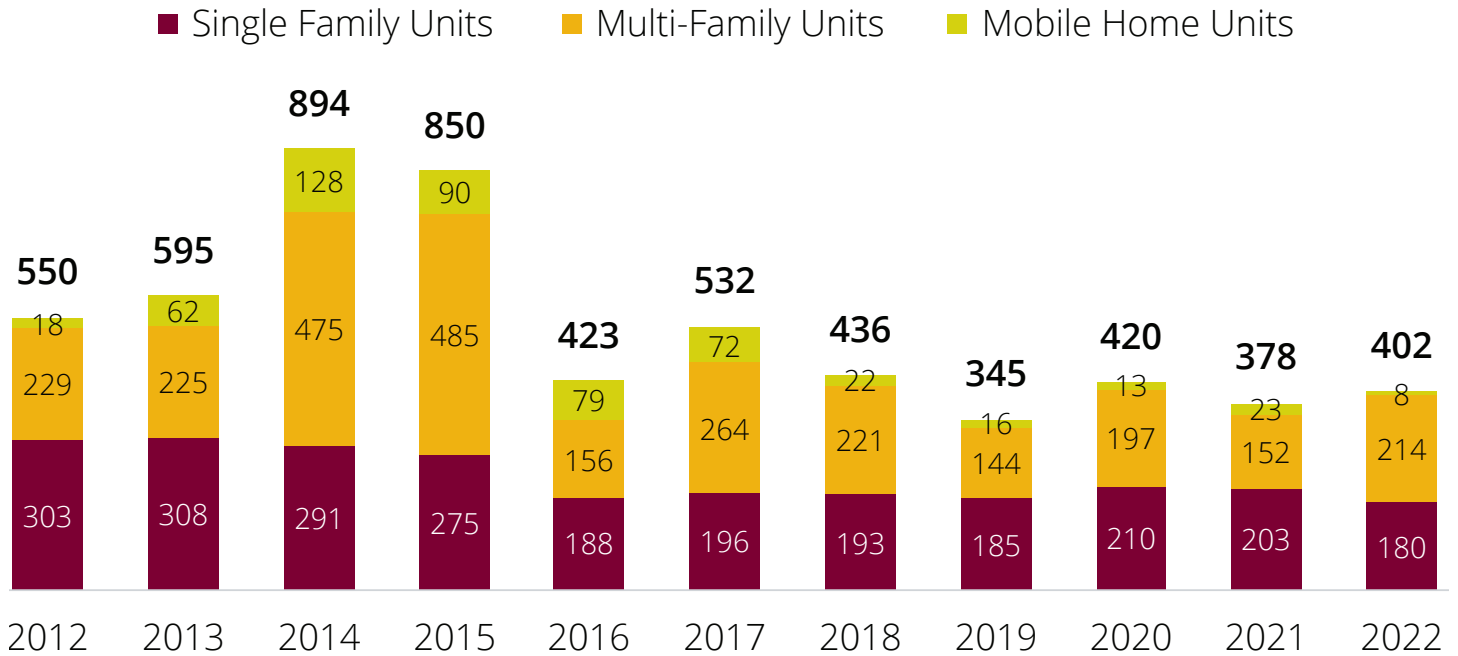
- Interest rate increases enacted by the Federal Reserve to combat inflation have put downward pressure on residential construction and remodeling activity.
- Inflationary impacts on material prices persist.
- Several commercial projects in the pipeline will help sustain permit values in the near term.

## Anchorage Building Permit Values (\$Million), 2013-2026

Building permit values have not recovered to 2014 levels.



# New Housing Units Built in Anchorage by Type, 2012-2022



## CURRENT TRENDS

	2022 Permit Value	% of 2022 Total	2021-2022 % Change
Commercial activity	\$262 M	57%	+27%
Residential activity	\$163 M	35%	+6%
Government activity	\$37 M	8%	-22%
	YTD (Jan-May) 2023	YTD (Jan-May) 2022-	2023 % Change
Average home sales price	\$465,855		+4%
	2012	2022	
Anchorage - Mat-Su average home sales price difference	\$90,128	\$57,907	

Source: Municipality of Anchorage (2013 – 2022), Alaska Housing Finance Corporation (2012 – 2022), Alaska Multiple Listing Service (2022 – 2023), McKinley Research Group Estimates (2023 – 2026)

# VISITOR INDUSTRY

**INFLATIONARY PRESSURES MAY IMPACT DEMAND, INTERFERING WITH STRONGER VISITOR MARKET GROWTH.**

## FACTORS CONTRIBUTING TO THE FORECAST

- Annual Southcentral cruise ship passenger capacity will grow by 7% (+33,000) in 2023.
- High inflation rates continue to influence travel demand and consumer confidence for all types of visitors.
- Online platforms allowing individuals to rent their property to consumers, such as Airbnb and Turo, have come into municipal compliance in recent years, capturing new tax revenues.

### Air Passenger Volume

- Southcentral Alaska cruise capacity growth will have corresponding impacts on air passenger volumes.
- Plane ticket purchases are impacted by national consumer confidence, fuel prices, and inflationary pressures.

### Room Tax

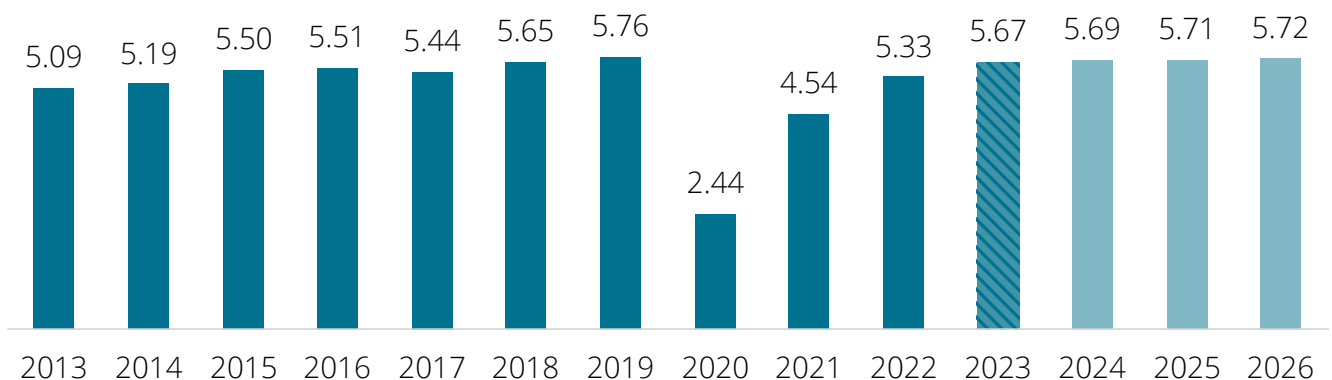
- Current and announced hotel developments will not impact hotel capacity or room tax collections in 2023. Online platforms, like Airbnb and VRBO, are expected to help meet excess demand.
- Non-hotel collections, such as those from Airbnb and traditional bed and breakfasts, increased significantly, now representing over 10% of total room tax collections.

### Rental Vehicle Tax

- Anchorage rental car companies will continue to rebuild their fleets, seeking the right mix of vehicle types and quantity to meet demand.

## Anchorage International Airport Air Passenger Volume (Million Passengers), 2013-2026

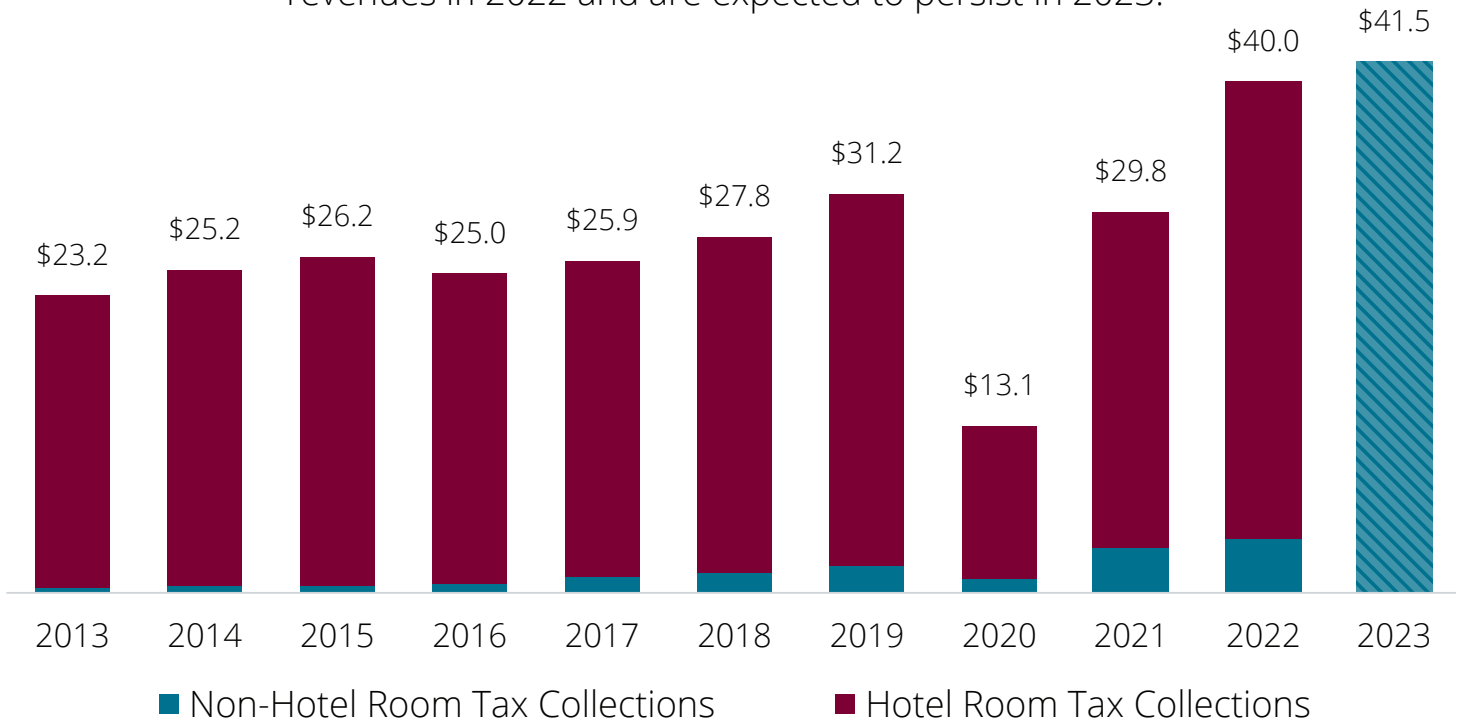
Air passenger volumes have not fully recovered from the impacts of the COVID-19 pandemic.





## Room Taxes (\$Millions), 2013-2023

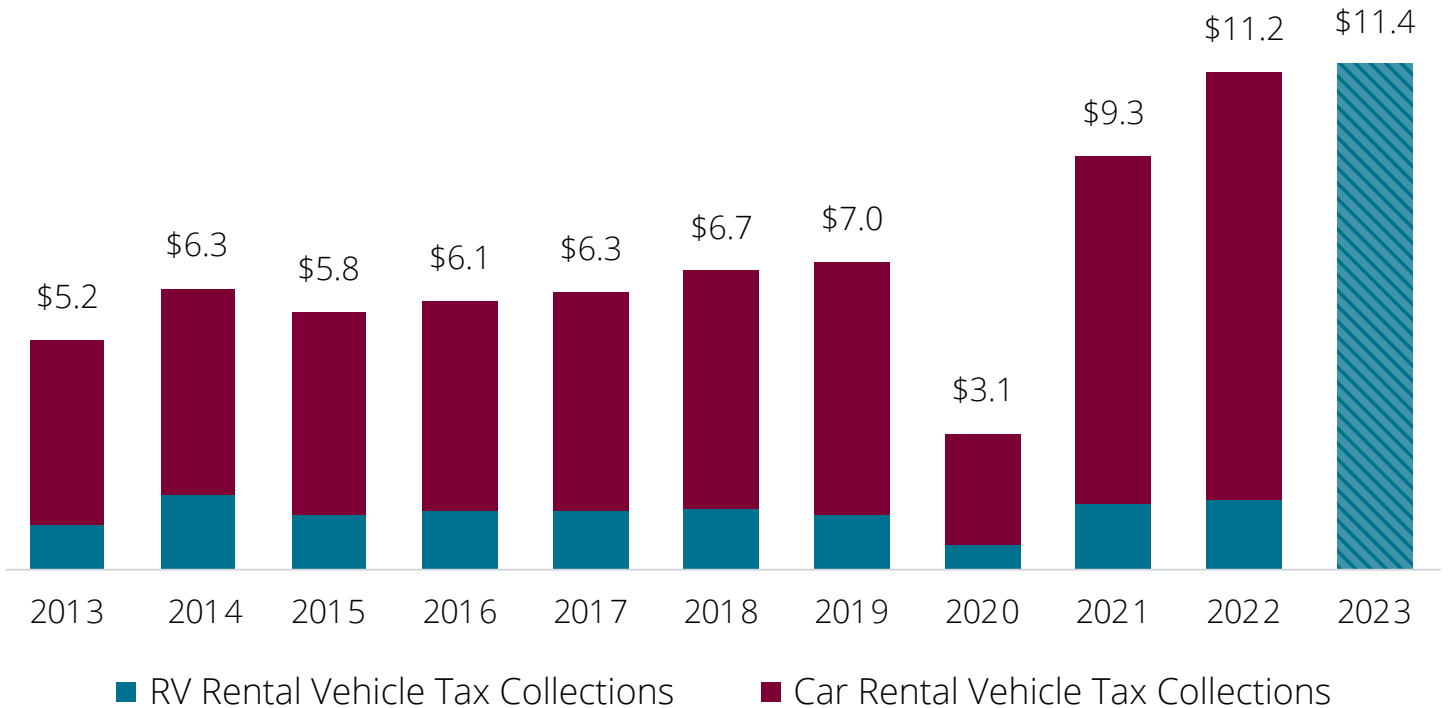
Higher average daily room rates drove increased Anchorage tax revenues in 2022 and are expected to persist in 2023.



Note: Non-hotel room tax collections include collections from peer-to-peer platforms and other small operators.

## Rental Vehicle Taxes (\$Millions), 2013-2023

Anchorage rental vehicle tax collections have risen due to tight market conditions, higher rates, and increased hosting platform compliance.



### CURRENT TRENDS

	2021-2022 Change	2021-2022 % Change
Number of air passengers	+791,000	+17%
	2023	2022-2023 % Change
Southcentral cruise ship port calls	300	+4%
Southcentral cruise ship passenger capacity	498,000	+7%
Average daily hotel rates (Jan-April)	\$143 per night	+7%
	2021-2022 Change	2021-2022 % Change
Room Tax collections	+\$10.2 M	+34%
Rental Vehicle Tax collections	+\$1.9 M	+20%

Source: Municipality of Anchorage (2013 – 2022), State of Alaska Department of Transportation and Public Facilities (2013 – 2022), Cruise Line International Association Alaska (2022 – 2023), Visit Anchorage (2022 – 2023), McKinley Research Group Estimates (2023 – 2026)

# OIL INDUSTRY

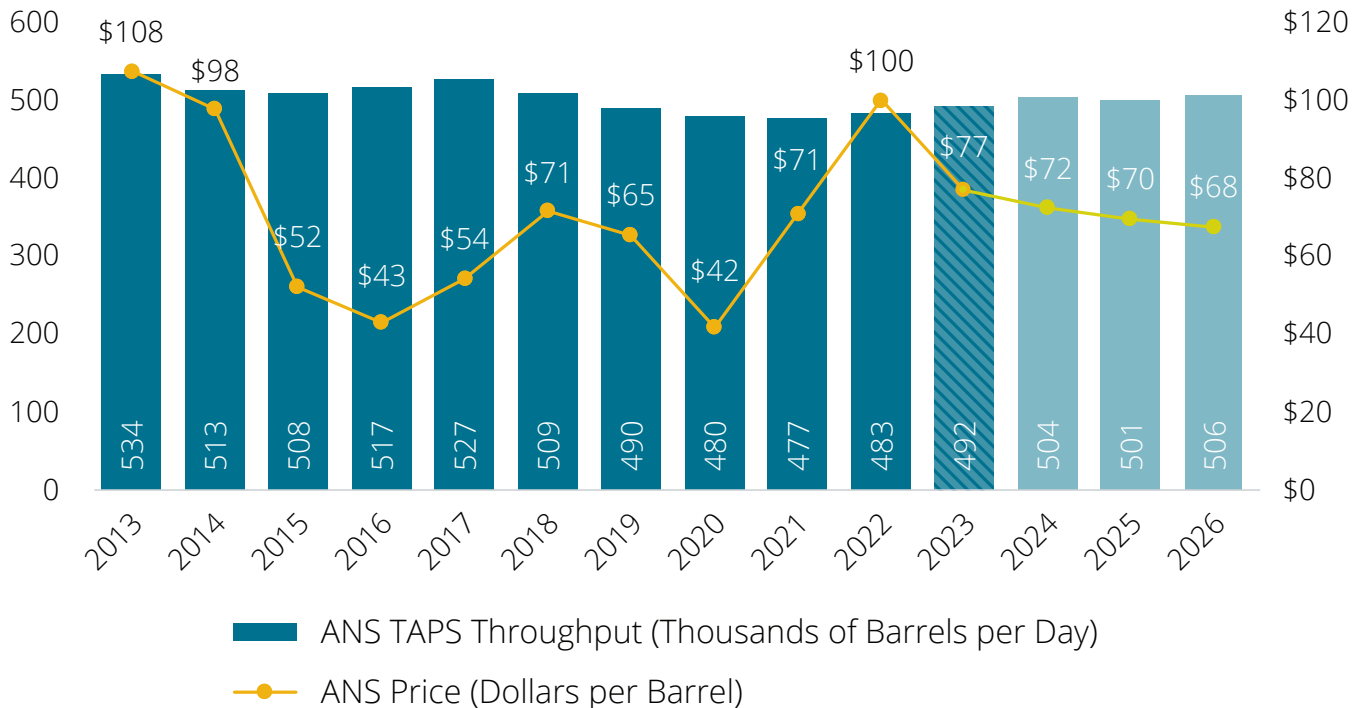
**ALASKA NORTH SLOPE (ANS) PRICES ARE EXPECTED TO REMAIN WELL BELOW THE 2022 HIGH, WITH STEADY DECLINES ANTICIPATED THROUGH 2026.**

## FACTORS CONTRIBUTING TO THE FORECAST

- Sanctions created a \$60 per barrel cap on Russian oil exports, rerouting Russian export volumes from traditional markets.
- Political instability in Russia and the war in Ukraine will continue to impact global pricing.
- In response to declining global oil prices, OPEC and Russia announced production cuts through the end of 2023.
- Large new developments on Alaska's North Slope are expected to ramp up to full production after 2026.

## Alaska North Slope Crude Oil Production and Prices, CY2013-2026

Production has remained steady through volatile price swings.



## CURRENT TRENDS

YTD (Jan-June), 2023 Average    YTD (Jan-June), 2022-2023 % Change

**ANS oil price/barrel**

**\$79.29**

**-23%**

Sources: Alaska Department of Revenue, Energy Information Administration, CME Group, McKinley Research Group calculations

# THANK YOU TO OUR DIAMOND INVESTORS

