

# Alaska Economic Report

*Tracking resource, business, industry  
& construction issues since 1974*

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## **Employment down 1.4 percent in September**

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### **Job losses ease; oil shows minor increase**

Job losses continue to moderate in line with economists' expectations that employment will flatten out in 2018 and perhaps begin to grow, slowly, in 2019 or 2020. September preliminary wage and salary totals, an important indicator, was 1.3 percent down, or 4,600 jobs, from September 2016 totals. In comparison, August totals were 1.4 percent less year-over-year, or 4,800 jobs down. Oil and gas, a key industry, showed a slight gain of 200, to 9,800, over August. September oil jobs were down 700 compared with the same month of 2016. August oil jobs were down 1,000 compared with August 2016. The trend of modest improvements in oil will likely continue as winter work picks up on the North Slope, where a fairly busy season is forecast. The softening of jobs losses in oil is also seen in professional and business services, which includes engineering and professional work linked to oil and minerals. Professional and business service jobs were down 500 in September

year over year compared with 800 in August. Health care continued to show growth in September, up 1.4 percent year-over-year, while leisure and hospitality, a category that includes eating and drinking establishments, showed a modest uptick or 0.3 percent after several months of modest declines.

Other industries like construction, transportation, finance and retail continued to show declines in September. Government employment totals were slightly

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### **State forecasts oil production increase for third year**

The state is forecasting an increase in North Slope oil production for the third year in a row. Average slope production for the state's current fiscal year, FY 2018, is now estimated at an average of 533,000 b/d based on four months of data since July 1, the beginning of the fiscal year, the state Dept. of Natural Resources told the Senate Finance Committee in an Oct. 30 briefing. That would be 9,000 barrels per day up from FY 2017 production average of 524,000 bar-

rels per day, assuming the production trend holds. FY 2017 ended on June 30, so state analysts now have actual production data for the 12-month period. FY 2017 saw a similar increase of 9,000 b/d over FY 2016, and that year saw a 13,900 b/d gain over FY 2015, the legislative committee was told. Average production in FY 2015 was 501,000 b/d. Cook Inlet oil production, which is holding steady at about 18,000 b/d, is not included in the numbers, DNR said.

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## **Infrastructure:**

### **Ketchikan's airport access project**

The state Dept. of Transportation and Public Facilities is close to starting the Gravina Island Access Project, a series of upgrades of a cross-channel ferry system that will improve access to Ketchikan's airport, which is on an island. About \$77 million is available, left from a project to build a bridge across the channel that was not done. DOTPF says the project will take four years to complete.

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### **\$11 million Wrangell harbor upgrade**

Wrangell will begin an \$11 million upgrade of its Shoemaker Bay small boat harbor. The Legislature approved \$5 million from the state Municipal Harbor Facility Grant Fund, and the community will raise the rest in a combination of borrowing, including a \$2.5 million revenue bond and other local contributions. The badly needed project was estimated at \$11.5 million.

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## **Fisheries:**

### **Salmon harvest value up 66%**

It has been a great year for salmon harvesters. Preliminary Dept. of Fish and Game estimates put the value of the 2017 harvest, in payments to fishermen at \$678.8 million. That is up 66 percent from \$407.3 million paid last year, which was a down year. For the third year in a row the sockeye salmon harvest exceeded 50 million. Sockeye is one of the high-value salmon fisheries.

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### **New UAF grant for seaweed research**

University of Alaska Fairbanks's College of Fisheries received a \$500,000 grant to study commercial harvesting of seaweed. There are experimental harvests now underway but the UAF research will provide support. The U.S. Dept. of Energy is interested in seaweed as a potential biomass resource for energy production.

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## **Energy:**

### **AIDEA near sale of Fairbanks utility**

The Alaska Industrial Development and Export Authority's board approved a contract to sell the small Fairbanks Natural Gas utility to the Interior Gas Utility along with a small LNG plant in the Matanuska Susitna Borough that ships liquified gas by truck to Fairbanks. IGU's board has 60 days to review and approve the deal, which also involves AIDEA financing the \$60 million acquisition cost.

AIDEA also concluded a new gas sales contract with Hilcorp Energy to support the plant, which would be expanded to meet growing gas demand in Fairbanks. The price of gas was \$7.78 per thousand cubic feet, or mcf, which would be over \$20 per mcf after it is liquefied and moved to the Interior city.

In a new development, Knikatnu Inc., a Native village corporation in the Mat-Su, has presented AIDEA and IGU with an alternative plan for a new-built small LNG plant at an industrial site at Houston, further north on the Parks Highway, where there is access to gas and the Alaska Railroad. Knikatnu, which owns a 3,000-acre tract at Houston, is working with Siemens, the technology company, on the plan. Knikatnu argues LNG from its site would be less expensive for Fairbanks

Siemens has built several new-technology modular LNG plants including one in northern British Columbia that ships liquefied gas by truck up the Alaska Highway to Yukon. LNG made at a Houston site could be shipped by rail to Fairbanks, which would reduce costs. Siemens estimates the cost of its modular plant in the \$30 million range, which is less than estimates for the expansion of the present plant being used.

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### **Employment trend (Cont.)**

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down by 0.5 percent with flat federal employment and a gain in local government jobs of 0.2 percent softening a 2 percent loss in state worker totals.

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