

ECONOMIC PROJECTIONS FOR ALASKA AND THE SOUTHERN RAILBELT 2004-2030

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TABLE OF CONTENTS

INTRODUCTION	1
THE BASE CASE PROJECTION	3
THE BASIC SECTORS.....	3
THE NATIONAL ECONOMY AND POLITICS	5
STATE FISCAL POLICY.....	6
INFRASTRUCTURE AND SUPPORT	8
TOTAL EMPLOYMENT GROWTH.....	9
POPULATION AND HOUSEHOLDS	9
WAGES AND PERSONAL INCOME.....	10
PRICES	10
STATEWIDE SUMMARY	10
ANCHORAGE	11
MATANUSKA-SUSITNA BOROUGH.....	11
KENAI PENINSULA BOROUGH	12
SENSITIVITY CASES	13
ECONOMIC PROJECTION METHODOLOGY	18
 APPENDIXES	
ECONOMIC SCENARIO ASSUMPTIONS.....	21
STATEWIDE ECONOMIC PROJECTIONS	31
REGIONAL ECONOMIC PROJECTIONS.....	51
SENSITIVITY CASES	59
KENAI GAS MANUFACTURING SHUTDOWN	59
HIGH FEDERAL SPENDING	63
RAPID TOURISM EXPANSION	67
HIGH OIL REVENUES	71
POPULATION SHIFT TOWARD MAT-SU.....	75
RAPID RETIREE GROWTH.....	79
SLOW GROWTH OF U.S. PRODUCTIVITY	83
RAPID MINING SECTOR GROWTH.....	87
ALASKA HIGHWAY GAS LINE	91
MILITARY BASE CLOSURE.....	95
KNIK ARM CROSSING	99
HISTORICAL ECONOMIC AND DEMOGRAPHIC DATA FOR THE SOUTHERN RAILBELT	103

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INTRODUCTION

In the 30 years between statehood and 1990, Alaska was dominated by petroleum-driven growth punctuated by a number of boom and bust cycles, each of which has brought the economy to a higher plateau of activity (Figure 1.) Since 1990 the Alaska economy has moved into a period of slower growth because petroleum production—the source of half of state value added—has been in decline. This has been offset in recent years by rapid growth in federal spending for infrastructure and operating programs. This rapid growth will moderate in the years to come. The challenge for the economy will be to foster growth in basic industries such as mining and tourism while at the same time maintaining strength in the oil and gas sector.

But dependence on commodity-producing industries means that cycles in the petroleum, fishing, timber, and mining sectors will continue to generate business cycles at the state and regional levels. The large federal and state government presence in the economy means that political decisions made in Washington and Juneau will continue to exert a strong influence on the economy.

For the state as a whole, the most likely (BASE CASE) rate of wage and salary employment growth, the best measure of the size of the economy, is projected to gradually rise, resulting in a 30-year average (2000 to 2030) of 1.15 percent (Table 1A). This is based on the assumptions of continued competitiveness of Alaska's export industries and successful downsizing of state and local government in response to reduced petroleum revenues. The drag this transition places on the economy is gradually overcome. Growth in real personal income will also be below the historical rate because of slower growth in the number of jobs, the continuing shift toward lower wage industries, and slower growth in government payments to individuals. Population will grow at a faster rate than employment because of the continuing trends of aging of the population and the replacement of nonresidents in the work force with Alaskan residents. The average household size will continue its historical decline so growth in the number of households will exceed that of population.

Unanticipated surprises, such as the discovery of oil at Prudhoe Bay and the Exxon Valdez oil spill, have been an important source of economic growth for Alaska in the past and could contribute to growth in the future as well. In this report we have included, along with the BASE CASE projection, a number of SENSITIVITY CASES. Each SENSITIVITY CASE measures the impact on future economic growth of changing one important assumption underlying the BASE CASE. Most of these important assumptions individually have a modest effect on growth of the economy statewide in the long run. However if several of these important BASE CASE assumptions were to turn out to be too high or too low, the combined effect on long term economic growth could be substantial. We leave it to the reader to investigate potential high or low case projections based on these SENSITIVITY CASES.

Economic and population growth will be concentrated in South Central Alaska (The Southern Railbelt). In the BASE CASE, the Anchorage and Kenai Peninsula 30 year average wage and salary employment growth rate is 1.1 percent, while in the Matanuska-Susitna Borough it is 3.9 percent. The comparable rate for the rest of the state is only .8 percent. The Anchorage and Matanuska-Susitna Boroughs will continue to become more integrated economically, and an increasing share of the growth in this "Greater Anchorage" region will tend to gravitate to the Matanuska-Susitna Borough. Strength in this region comes from its economic diversification. Anchorage serves as the trade, service, and headquarters center for the state. The Kenai Peninsula Borough is also relatively diversified with oil, fishing, timber, tourism, and government.



**TABLE 1A. PROJECTION SUMMARY
2004 BASE CASE**

	POPULATION (000)	HOUSEHOLDS (000)	TOTAL EMPLOY- MENT (000)	WAGE AND SALARY EMPLOYMENT (000)	PERSONAL INCOME (MILL 03\$)	PETROLEUM REVENUES (MILL 03\$)
2000	626.9	221.6	395.0	280.7	\$20,267	\$1,470
2001	632.7	226.1	404.7	287.9	\$21,125	\$1,140
2002	641.5	229.4	414.0	292.3	\$21,636	\$745
2003	649.6	232.9	418.8	296.6	\$21,644	\$1,976
2004	655.1	235.9	426.6	301.9	\$21,603	\$2,256
2005	662.1	239.2	434.2	306.0	\$22,010	\$1,889
2006	673.0	244.1	438.9	309.6	\$22,639	\$1,648
2007	681.8	248.2	438.9	309.6	\$23,003	\$1,272
2008	692.1	252.8	441.7	311.8	\$23,460	\$1,122
2009	695.3	254.9	437.2	308.3	\$23,462	\$1,085
2010	698.4	256.9	439.1	309.8	\$23,580	\$1,111
2011	707.8	261.0	445.7	314.8	\$23,958	\$1,168
2012	719.4	265.9	449.0	317.3	\$24,194	\$1,208
2013	728.2	269.7	451.0	318.9	\$24,358	\$1,188
2014	737.6	273.7	455.2	322.1	\$24,644	\$1,169
2015	748.2	278.1	458.9	324.9	\$25,009	\$1,148
2016	757.2	281.9	460.6	326.2	\$25,119	\$1,143
2017	767.1	286.0	465.7	330.1	\$25,543	\$1,140
2018	779.8	291.0	471.6	334.5	\$26,013	\$1,138
2019	792.8	296.2	476.8	338.5	\$26,439	\$1,105
2020	805.2	301.2	482.2	342.6	\$26,826	\$1,073
2021	818.6	306.5	489.1	347.8	\$27,360	\$1,043
2022	831.7	311.7	494.4	351.8	\$27,693	\$1,014
2023	844.3	316.8	501.0	356.8	\$28,224	\$986
2024	857.9	322.2	508.0	362.1	\$28,778	\$959
2025	870.7	327.3	513.7	366.3	\$29,242	\$934
2026	882.6	332.3	519.8	371.0	\$29,768	\$910
2027	895.5	337.5	527.4	376.6	\$30,346	\$887
2028	909.5	343.1	535.2	382.5	\$30,945	\$865
2029	923.9	348.9	543.4	388.6	\$31,568	\$844
2030	938.8	354.9	552.0	395.0	\$32,218	\$824

ANNUAL AVERAGE GROWTH RATE

2000-2010	1.09%	1.49%	1.06%	0.99%	1.53%	-2.76%
2010-2020	1.43%	1.60%	0.94%	1.01%	1.30%	-0.35%
2020-2030	1.55%	1.65%	1.36%	1.43%	1.85%	-2.60%

2000-2020	1.26%	1.55%	1.00%	1.00%	1.41%	-1.56%
2000-2030	1.35%	1.58%	1.12%	1.15%	1.56%	-1.91%

MAP MODEL SIMULATION
PREPARED FOR
CREATED

CEA04B
CHUGACH ELECTRIC ASSOCIATION
August 2, 2004

POPULATION
HOUSEHOLDS
TOTAL EMPLOYMENT
WAGE & SALARY EM
PERSONAL INCOME
PETROLEUM REVENUES

JULY 1 CENSUS DEFINITION
JULY 1 CENSUS DEFINITION
INCLUDES ACTIVE DUTY MILITARY, RESERVISTS, PROPRIETORS, AND MISC
ALASKA DEPT OF LABOR DEFINITION
USDC BEA DEFINITION
INCLUDES PERMANENT FUND CONTRIBUTION AND WINDFALLS

POP
HH
EM99.BEA
EM97
DF.PIB
DF.RP9S