Alaska Dispatch News

Recession grips Alaska as employment losses hit new sectors

Alex DeMarban; December 2nd, 2016 – updated December 3rd, 2016

Job losses in Alaska accelerated in the year's first six months as low oil prices kept slamming the economy, with the downturn spreading from the oil and gas and construction sectors to hurt restaurants, bars and stores, according to a detailed view of the jobs picture released by state economists on Friday.

Alaska average monthly jobs by industry

January to June

Industry	2015	2016	change	percent
Total, all industries	335,409	329,879	-5,530	-1.6
Total private	253,504	248,637	-4,867	-1.9
Natural resources and mining	18,401	15,941	-2,460	-13.4
Oil and gas industry	14,517	12,133	-2,384	-16.4
Construction	16,940	15,540	-1,400	-8.3
Manufacturing	13,149	12,944	-206	-1.6
Seafood product manufacturing	9,345	9,117	-228	-2.4
Trade, transportation and utilities	64,170	64,171	1	0.0
Wholesale trade	6,517	6,432	-85	-1.3
Retail trade	36,520	36,427	-93	-0.3
Utilities	2,113	2,101	-12	-0.6
Transportation and warehousing	19,020	19,211	192	1.0
Information	6,319	6,315	-3	-0.1
Financial activities	12,778	12,700	-77	-0.6
Professional and business services	29,909	28,374	-1,536	-5.1
Education and health services	46,251	47,326	1,075	2.3
Health care	34,336	35,162	826	2.4
Leisure and hospitality	33,508	33,577	69	0.2
Accommodation	7,878	7,824	-55	-0.7
Bars and restaurants	21,046	21,007	-40	-0.2
Other services	11,803	11,107	-696	-5.9
Total government	81,905	81,242	-663	-0.8
Federal government	14,738	15,091	353	2.4
State government	26,216	25,018	-1,199	-4.6
Local government	40,951	41,133	183	0.4

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section,Quarterly Census of Employment and Wages 2016

KEVIN POWELL / Alaska Dispatch News

"I about cried when I first saw the data — it was shocking," said Caroline Schultz, an economist with the Alaska Department of Labor and Workforce Development who worked on the report. She described Alaska's current economic state as a "recession."

Employment fell 1.6 percent or 5,530 actual jobs during the period, compared to the same stretch in 2015. The job losses affected most sectors of the economy and rose from a 1.2 percent drop in January to a 2.5 percent decline in June.

The only area showing significant employment growth was health care and social services, up 2.3 percent.

In October, Alaska recorded the nation's highest unemployment rate at 6.8 percent, 1/10th of a point higher than New Mexico and above the national average of 4.9 percent that month.

The cutbacks come after three decades of growth except for a dip in 2009 tied to the national economic downturn.

They follow big cuts in the oil patch during a two-year drop in oil prices. The downturn also hit the construction sector that built many oil-field facilities when times were good. Energy employment reached record highs in early 2015 before falling.

Now, the damage in those sectors has spread to service-sector industries.

"We can safely say that started in the second quarter of 2016," Schultz said.

"We expect those losses have continued through 2016," though the state's data is solid only through the end of June, she said.

Private sector employment fell by 4,867 jobs, or 1.9 percent.

"Oil and gas industry employment was down 2,384 jobs, which was an average monthly loss of 16.4 percent," with the cutbacks growing during the period, the report said.

Construction employment fell 8.3 percent. That industry is also negatively affected by state government spending, which had been fueled by oil taxes.

Public sector jobs fell 0.8 percent, or 663 positions, the agency said. "The decline was driven by a 4.6 percent loss in state government, or 1,199 jobs," the report said.

Local and federal government helped offset some of the public-sector losses, with 183 jobs added primarily in school districts and 353 in federal civilian employment.

Losses of 1,536 jobs were recorded in professional and business services with drops in architectural, engineering and technical consulting. Jobs were lost in the wholesale and retail trade sector in part because of sporting-goods store closures.

A sector tied to the fishing industry — manufacturing — lost work because of weak salmon runs.

The leisure and hospitality industry saw 0.2 percent growth, or 69 new jobs, but employment in restaurants, bars and accommodations fell slightly.

The transportation and warehousing sector also saw increased employment because of air cargo and tourism-related transportation, though freight transportation fell slightly following reductions in local consumption.

The information industry was essentially flat, with the largest chunk of jobs in telecommunications holding steady. But the motion picture industry saw small gains in that sector, growing from 420 jobs to 475 over the year thanks to growth at movie theaters, Schultz said.

The report came on the heels of a report from the University of Alaska Anchorage's Institute of Social and Economic Research that found 60 percent of the boroughs and census areas in Alaska have lost jobs as oil prices have plummeted over the past two years. That report was released in November.

"It's safe to say that by all measures, we are in a recession," Schultz said, with the state recording three straight quarters of job losses, an informal measure of a recession used in Alaska.

Amid the gloomy economic news in Alaska, oil prices have been to slowly rising again with the decision Wednesday by OPEC to scale back output. Alaska West Coast crude oil price of $52.23 a barrel on Thursday was the highest it's been since July 31, 2015, when oil was in the middle of its slide to the high $20-range.

Is Alaska headed toward another 1980s-style recession?

Jeannette Lee Falsey; October 24th, 2015 – updated August 26th, 2016

Kes Woodward still recalls, with some amazement, selling every single painting in his first solo show. A Los Angeles-based art buyer for oil company ARCO was there. Miffed that Woodward had already sold a few of his expressionist renderings of the boreal forest, she told him she would purchase the rest on the company's behalf.

The year was 1983 and Alaska was in the midst of its last great economic boom. Oil was flowing down the 6-year-old pipeline from the North Slope to Valdez at greater volumes every year, creating a heady atmosphere in which cash flowed just as freely and optimism radiated from all major sectors of the economy: oil, government, real estate, construction and finance.

"I don't want it to sound like I was singled out or extraordinary," Woodward said in an interview more than 30 years later. "I tell that story because it's a window into what a crazy, wonderful time it was."

Few had any inkling that within three years, low oil prices would drag the state into what would come to be known as the "Great Alaska Recession." For those who lived through it, it's hard to ignore the memories of blocks of foreclosed homes and vacant malls.

More than two decades of slow but steady growth separate Alaska from the doldrums of 1986-88, but with oil prices down and no rebound in sight, a flat economy and a more than $3 billion state spending deficit, is Alaska headed for a repeat, or worse?

The consensus is that there is no consensus. There are clear differences between the economic situation today and the lead-up to the Great Alaska Recession, but what those differences mean for the future, no one can say with certainty.

On the upside, there is no outsized economic boom distorting the economy and distracting Alaskans from the potential perils ahead. And the tens of billions of dollars Alaska has in savings today give lawmakers more options than their predecessors had for steering the state away from recession.

On the downside, the state is still yoked to oil, a commodity whose global price drives the economy to erratic highs and lows and whose supplies on the North Slope have steadily decreased for more than 25 years.

In the 1980s economy, a rapid rise followed by free fall

Woodward uses the word "halcyon" to describe that period, when oil companies, banks, Alaska Native corporations and law firms were buying fine art to decorate the lobbies and upper floors of newly built office buildings.

The biggest residential real estate bubble in state history was forming. More than 36,000 homes were built in urban Alaska between 1980 and 1985, but the dramatic increase in housing supply did not dampen prices. Fueled by speculation and a booming population, the cost of a home jumped more than 50 percent during that period, according to the state Department of Labor.

Not even interest rates, which were so high as to be unimaginable today -- peaking above 17 percent in 1981 -- discouraged buyers. And the state helped the bubble grow by spending a hefty amount on programs that reduced those rates for Alaskans and also eliminated income requirements for mortgages, enabling more people to enter the housing market and buy beyond their means.

"Government grew by leaps and bounds. The population expanded a lot in Anchorage and Fairbanks. Looking back, we went too fast," said Bill Sheffield, who was Alaska governor from 1982 to 1986. "The boom had started, and we got overextended."

With the job market growing rapidly, Alaska's population burgeoned by 36 percent, or 125,000 people, during the first half of the 1980s.

The public sector was just as vibrant. Oil revenues doubled the state budget from $1.6 billion in 1980 to $3.4 billion in 1981. Lawmakers were not focused on saving. Rather, they were pouring that money back into the economy for all sorts of reasons, including massive public works known collectively as Project 80s.

Along with Loussac Library, Sullivan Arena and Egan Center, Project 80s built the Alaska Center for the Performing Arts and financed a huge expansion of the Anchorage Museum.

In a recent report titled "The '80's Recession: Are we in a similar position today?" state labor economist Caroline Schultz called the early 1980s "the most dynamic five-year expansion in Alaska's history."

But the huge boom led to a huge bust. Even before oil prices plunged, the bubble market was beginning to deflate. Housing foreclosures were accelerating, and construction jobs were falling.

"In retrospect, it's easy to see that the helter-skelter growth was built on a shaky foundation," Schultz wrote.

The fragility of an economy so dependent on one resource might seem obvious in hindsight, but the crash came as a surprise to nearly everyone. Without substantial savings to draw upon, lawmakers had no choice but to make drastic spending cuts in a short period of time. Those cuts radiated through the economy, taking down the job and housing markets, finance and the arts.

As documented by Schultz, Alaska lost more than 20,000 jobs from 1985 to 1987. More than 40 percent of its banks failed. The housing market collapsed. By the end of 1987, Anchorage had 14,000 empty homes. By the end of the decade, more than 30,000 foreclosures had been filed. In the last half of the 1980s, 44,000 more people left Alaska than moved in.

Harry Brelsford, who moved to Alaska with his family in 1971, left for graduate school during the boom years when, he recalled, "you could smell the money." He returned in mid-1986 to a state where "everybody was doing what it took to survive."

"It was traumatic. A large segment of the population had left, and it was noticeable," he said. "Up in the Matanuska Valley, we had a family cabin for many years. I remember going through the neighborhood and house after house after house was locked and empty."

There was one bright spot. Oil prices may have been low, but production was at its height. In the peak period of late 1988, more than 2 million barrels a day were moving through the pipeline, four times greater than the average daily volume in 2014.

Growth is low and slow in Alaska's economy today

Thirty years later, oil is still a dominant economic driver, accounting for between 80 and 90 percent of the state's unrestricted general fund revenues. In terms of direct jobs, it accounted for about 4 percent of employment in August, but economist Scott Goldsmith estimates about one-third of jobs, including retail and construction, exist because of the industry's presence.

The oil outlook is more sober than it once was, not just because of low prices but because after peaking in 1988 the flow through the pipeline began a long decline that continues today. But the state has substantial savings of tens of billions of dollars, which give lawmakers far more control over the severity of a downturn in the next few years.

"Today things are different. We're on the downside of Prudhoe Bay, but the positive is that we have the Permanent Fund instead," said Goldsmith, professor emeritus of economics at the University of Alaska Anchorage Institute of Social and Economic Research. "That can carry us into the future if we're careful in how we adjust to the post-Prudhoe Bay era."

The economy is also larger, with a track record of low, stable growth in jobs, housing and population dating to the early 1990s. State government spending per person, when adjusted for inflation, has been generally lower than it was in the early 1980s.

But whether Alaska's mellower economy and fiscal climates make the state more or less prone to a bad recession may be clear only in retrospect.

"We're still not sure if it's better, worse or just different," said state labor economist Neal Fried. "It's too early to tell."

There is also more of a sense of foreboding today about Alaska's economic future. More people have longtime roots here and the population on average is older. Because so many lived through the recession 30 years ago, there's more awareness of the potential for a repeat. Talk of a recession is rife at business luncheons, in politicians' speeches and in casual conversations among friends and neighbors.

"When the crash hit in 1986, it just happened to us," Fried said. "Unlike today, people didn't sit around and discuss beforehand what's going to happen. That makes it so much different."

Alaska close to recession, if not there already, economist says

Jeannette Lee Falsey, Zaz Hollander; November 13th, 2015 – updated September 28th, 2016

State jobs and population numbers show Alaska may be on the cusp of an economic recession or already in one, a University of Alaska Anchorage economist said Friday.

Gunnar Knapp, director of UAA's Institute of Social and Economic Research, told a demographics forum in Palmer the state is "probably already in or entering into at least a mild recession."

Knapp's assessment was based on two straight months of declining employment. He also factored in the state's first population drop since a major recession in 1987-88, and a $1.9 billion cut in state capital spending over the past three years.

Nonseasonally adjusted employment data from the state Department of Labor and Workforce Development showed a loss of 1,600 jobs statewide in August compared to the same month last year and 800 in September.

Those losses are very mild, less than 1 percent each month and well within the margin of error, but are worrisome because consecutive monthly job losses occur infrequently in the data set, according to Jonathan King, principal and senior economist at the Anchorage-based consulting firm Northern Economics.

"Are we there yet? I don't know, but if we get another month of negative (year-on-year decline) then this will be the first time we have had three in a row since July 2009, which was the last time we were in a recession," King said in an email.

The 2009 recession in Alaska was a mild one and the forces that slowed the economy six years ago are vastly different from those in play today. In 2009, the global financial crisis was the main reason for the economic dip in Alaska. Still, the state was largely insulated from the nation's worst economic meltdown since the Great Depression.

Today the situation is reversed. The nation as a whole is recovering, but Alaska's outlook is less promising. Prices for oil and other commodities are low and not projected to recover anytime soon, necessitating state budget cuts and threatening large job losses both in and beyond the oil patch. Other unknowns include the level of military cuts, continuation of work on the Alaska LNG project and whether the state handles its fiscal issues to the satisfaction of investors.

Because there is no set definition for what exactly constitutes a recession, the existence of one, especially when the numbers appear weak, can be up for debate. State labor economist Neal Fried is not convinced the "R" word describes Alaska's economy.

"I think the current numbers, based on the way I would define that term, are not showing that," Fried said.

And even Knapp felt compelled to offer qualifying statements after his talk hosted by the Mat-Su Borough School District in Palmer.

"I'd emphasize that the statement was not intended as a deep or formal pronouncement based on extensive research," he said in an email. "It is rather our judgment of the situation based on all the available evidence to us."

There is agreement that Anchorage is not in recession. Unlike Alaska as a whole, the state's largest city has posted improving jobs numbers throughout 2015. Southeast Alaska, however, has posted noticeable job losses, likely the result of government cuts.

"We ought to be looking at Alaska as a collection of regional economies," Knapp said. "The rates of growth and decline are different in different parts of the state."

Alaska's retail sector is shedding jobs after years of growth

Jeannette Lee Falsey; January 2nd, 2017 – updated January 6th, 2017

As retail employment hits record highs nationally, Alaska's retail jobs numbers are headed in the opposite direction.

Job losses in oil and construction slowed the state economy in the past year and a half, but Alaska's retailers appeared to show more resilience, at least for a spell. But updated state data show the sector, which includes big-box stores, car dealerships and booksellers, also began cutting positions starting this spring.

In Anchorage, the state's commercial hub, the sustained downturn in retail jobs began in April, following weak growth in the first quarter. Losses accelerated each month through June, with Anchorage down 486 retail positions that month compared to June 2015.

Statewide, the number of retail positions began shrinking in May. By June there were 728 fewer retail jobs statewide, a loss of about 2 percent of all positions in the sector, according to year-on-year numbers from the state Department of Labor and Workforce Development.

Meanwhile, the U.S. as a whole has been adding jobs. Retail employment has recovered from the recent lows of the Great Recession and is now at about 16 million jobs, the highest levels in a decade, according to the U.S. Bureau of Labor Statistics. That's despite high-profile layoffs at traditional retail stores as they struggle to compete with online rivals.

In Alaska, retail jobs estimates for the second half of 2016 showed a continuing decline. An influx of tourists each year makes summer the high season for Alaska retailers. Still, statewide employment in the sector continued to drop during the sunny months even as Alaska posted another consecutive year of strong visitor numbers.

The year-on-year reductions in retail jobs continued through the fall, when the issuance of Permanent Fund dividends generally prompts a spending binge. But consumers had less to spend this year, with the $1,022 distributions about half the size of last year's. Retail employment during the early part of the holiday season was also down, though December estimates have yet to be released.

Upcoming revisions to the preliminary data from July through November will not likely alter the downward trend, said state labor economist Neal Fried. Should retail continue to shed jobs through the end of the year, it would mark the longest decline the sector has seen in at least a decade in Alaska.

"The trend is already in play. I don't know what would change that trend," Fried said.

High turnover in retail jobs, which include serving as a sales associate at Gap or "guest experience specialist" at Petco, means employers tend to eliminate vacant positions rather than lay people off, according to Fried.

Holding off on hiring is exactly what Kim Stalder, who has owned the downtown fashion boutique Circular for nine years, chose to do. Her only full-time employee left in March after a six-year stint at the store. Stalder opted not to replace her.

"Because things are not great in the retail sector, I thought, 'I'm just not going to hire again,'" Stalder said. She decided it would be more prudent to take on the former employee's hours herself and says she knows other small business owners doing the same. Now, she has two part-time employees.

Despite the negative outlook for retail as a whole in Alaska, there are some bright spots. Grocer and general merchandiser Fred Meyer has not eliminated any company positions in Alaska for several years and is still hiring, according to Zach Stratton, a spokesman for the chain, which is owned by national food retailer Kroger.

"In fact, with the new Palmer Fred Meyer store opening in March, we are actually adding about 100 jobs," Stratton wrote in an email. "We understand the tough retail environment currently but also feel good about the future and continue to invest in Alaska."

While the overall employment losses and pullbacks in state spending suggest a dampening in consumer spending, there are no statewide sales numbers to definitively show Alaska consumers are buying less — and if they are, by how much.

In nearly all other states, retail spending can be tallied through sales tax data. But there is no statewide sales tax in Alaska and no local sales tax in Anchorage, where most retail activity takes place.

Insights from larger retailers aren't readily available because they consider sales information to be proprietary. Calls and emails requesting such information from major market players, including Wal-Mart, Fred Meyer and Target, were met with refusals.

Some Alaska localities do collect a sales tax and keep records on gross retail sales, including the City of Wasilla, the Kenai Peninsula Borough and the City and Borough of Juneau.

The Kenai borough is on track for a second straight year of reduced retail sales. Sales for the first three quarters of 2016 were $725 million, down by $29 million — or about 4 percent — from the first three quarters of 2015.

The drop in retail dollars wasn't all bad news. There has been a reduction in consumer sales activity in the borough, but a substantial portion of the drop in retail receipts was due to falling gas prices, which are included in the calculation of retail sales, said borough Finance Director Craig Chapman. On average, gas prices in Alaska were above $4 per gallon in mid-2014 and dropped to just above $2 a gallon by early 2016.

In Juneau, there was a $7.5 million drop in retail sales between the first nine months of 2015 and the first nine months of 2016, but city finance director Clayton Singletary said the 2016 figures could still rise to some extent as "numerous merchants" have yet to submit reports to the city.

Wasilla showed a jump in gross retail sales from fiscal year 2015 to fiscal year 2016, but those annual numbers do not show what has happened in retail there after June 2016, when the city's fiscal year ends, nor do they show year-on-year comparisons by month (for example, May 2016 sales versus May 2015 sales).

The lack of comprehensive sales numbers leaves some room for speculation about what job losses in retail say about the state's economy. Have Alaska's retailers become more organizationally efficient or introduced new technologies that displace workers without harming sales and profits?

Fried is doubtful. The effects of increased efficiencies would not have been seen in such a short period of time, he said.

"It's possible that employment in retail is not tied to sales," he said. "But my guess is it probably is."

What about the theory that Alaska consumers are still spending at pre-recession levels, but taking their business to online retailers rather than sellers with a brick-and-mortar presence in the state? That's another mystery — there's no data available that shows how many consumer dollars are being spent online rather than in Alaska's retail stores.

Anchorage commercial real estate vacancies expected to go up in 2017

Annie Zak; January 15th, 2017

Amid a statewide economic downturn, Anchorage's commercial real estate industry is expecting to see more vacancies in 2017.

That was one of the main takeaways from a commercial real estate forecast luncheon Friday hosted by the Building Owners and Managers Association of Anchorage.

For Class A office space, which essentially means the best buildings in the Anchorage market, the vacancy rate is expected to rise from 9.3 percent now to 11 percent or 12 percent a year from now, according to forecast numbers from Anchorage real estate appraisal and consulting firm Reliant.

The vacancy rate for both Class A and Class B (more average) office space combined in the city increased from 7.5 percent about a year ago to 9.1 percent now.

"If you're thinking the sky is falling in the office market, the answer is not yet," Reliant partner Ted Jensen said at the luncheon. "I don't think it will."

The national rate of office space vacancy was about 13 percent in the third quarter of last year, according to Los Angeles-based real estate company CBRE.

"By national and historical standards, (Anchorage) is still pretty healthy," Jensen said.

Jack White Commercial Real Estate agent Andrew Ingram expects the vacancy rate for Anchorage retail space to go up about 2 percent this year — he called that an "educated guess." It was 6.7 percent in the last quarter of 2016, marking an increase of 2 percent from the year before, he said.

"It's really going to be a slow year for new retail developments," he said at the event.

Retail jobs are also expected to drop this year. After years of growth, the sector is forecast to lose about a thousand jobs statewide, the Alaska Department of Labor and Workforce Development said earlier this month. The department predicted Anchorage will lose 600 retail jobs this year.

But there might be some bright spots. Ingram expects retailer Marshalls to make a "grand entrance" in Anchorage this year, perhaps at the former Sports Authority building in Tikahtnu Commons, and said he thinks T.J. Maxx and HomeGoods stores will also likely follow in the next year or two.

Ingram also noted "an ongoing negotiation for a 7,000-square-foot steakhouse at the Dimond Center," though he wouldn't say the name.

That commercial real estate is readying for a rise in vacancy rates is just the latest indicator of a slowed economy in Anchorage and the rest of the state. Alaska's population just saw its fourth year of more people moving away than moving here and the state is expected to lose about 7,500 jobs in 2017. That's more than preliminary numbers from the state labor department show were lost last year.

Jensen said he doesn't expect Anchorage to get to the same place it was in 1986, when a deep recession gripped the state and huge portions of office space sat empty.

"I don't know where the bottom of it is but it's hard to imagine you'd get back to that brief period of time in the 1980s," he said later over the phone. "The best model we have is that '86 crash but it was so different than it is now. All the damage happened really suddenly. Which is not happening now."

As economy loses steam, Alaska's major shippers report import declines

Jeannette Lee Falsey; October 14th, 2016

With Alaska's economy sluggish, the volume of goods brought into the state by its two major shipping lines is on the decline.

The moderate shrinkage of imports has competitors Matson and TOTE, the Totem Ocean Trailer Express, working harder to defend market share while continuing investment in a small regional economy where growth over the next few years is not in the forecast.

The companies deposit their cargoes side-by-side at the Port of Anchorage every Tuesday and Saturday. Crossing the North Pacific from the port in Tacoma, Washington, they deliver goods that make Alaska more comfortable for hundreds of thousands of residents: fleece vests, skis, dog collars, paint, toothpaste, guns and butter.

TOTE, a subsidiary of Seattle-based transportation conglomerate Saltchuk, has a long history in Alaska. Honolulu-based Matson is the newcomer settling in after purchasing Horizon Lines last year. Many of Matson's containers still sport the Horizon logo. The companies carry 83 percent of the general cargo arriving in Southcentral Alaska.

In its latest annual report, Matson estimated 2016 volumes to be "modestly lower" than the 67,300 total containers shipped in last year. The company is publicly traded, while Saltchuk is privately held.

"There are fewer vehicles, the retail segment is down a bit, and, in construction, orders for materials are down as well," said Matson CEO Matt Cox in a phone interview from Honolulu.

TOTE is seeing similar volume reductions. Orders for parts and materials used by the oil and gas industry are down, said Grace Greene, vice president and Alaska general manager of TOTE Maritime, from her office at the Anchorage port. And the cutbacks in the industry, triggered by a sustained period of low oil prices, are affecting shippers' other customers.

"All the reductions we're seeing are from the oil and gas industry," Greene said. "We're seeing less project-related cargo. If someone provided food and produce to a catering company that served the North Slope, obviously that business is being affected."

Alaska is a highly transient state and people moving away often ship their belongings by container ship. Greene said the company expected, and is seeing, a slight uptick in household goods bound south, but nothing to suggest a dramatic exodus.

"We watch household goods moving out of state pretty closely," she said. "To date, the numbers aren't where I would say I'm very concerned."

On a Tuesday in early October, the ships Matson Tacoma and Midnight Sun, owned by TOTE, were bellied up at the dock an hour after high tide.

Matson crane operators, perched in cabs several stories high, maneuvered containers off the 710-foot Tacoma and deftly landed them on chassis parked alongside the hull. Meanwhile, container trucks and new vehicles drove straight out of TOTE's 839-foot Midnight Sun on ramps that spanned the ship's decks and the dock.

There are pros and cons to each operation, according to port spokesperson Jim Jager. The three ships Matson rotates through Anchorage's port are smaller and take several hours longer to unload, but use less fuel while carrying the same amount of freight as TOTE's, whose ships are larger. TOTE can carry larger, odd-shaped items and adjust the height of its decks.

By Tuesday afternoon, TOTE's Midnight Sun had departed while the Matson Tacoma was still being unloaded.

Both companies say they're focusing more than ever on customer service for their clients, a group that includes big-box stores, food and beverage distributors, supermarkets, hotels, construction companies, government agencies and the military.

"It's second nature of course, but anytime we're in a situation like this, we focus on our relationship with our customers — giving them the best experience and providing them with the most value," Greene said. That's the No. 1 thing we're doing," Greene said.

Both continue to make investments in equipment and customer service in Alaska and say they are committed to the state over the long term.

Matson acquired freight forwarder Span Alaska this year for $197 million and recently added an Alaska committee to its corporate-giving arm, Matson Foundation. TOTE is improving its tracking system so customers can follow their items more closely.

Cox said Matson has wanted to put down roots in Alaska for decades and has no buyer's remorse.

"Of course, it would have been better if we had acquired Horizon in a more robust environment," Cox said. "But in no way would we have decided to pull back knowing what we know now."

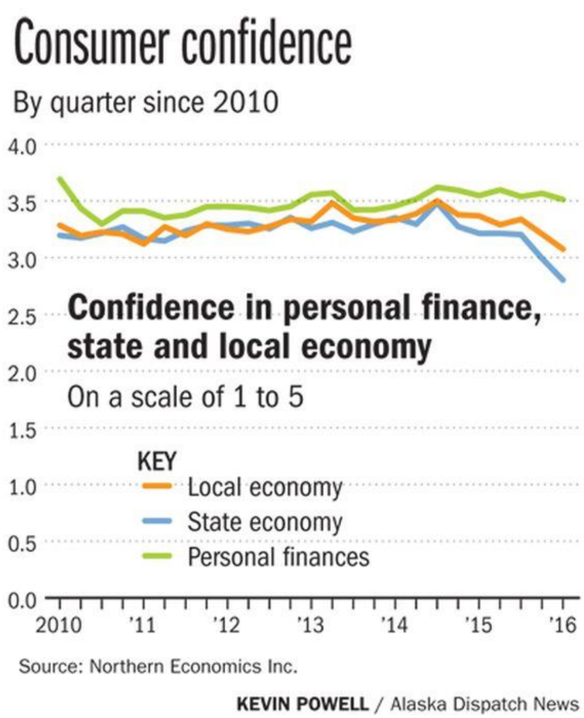
Alaska consumer confidence falls to a five-year low

Jeannette Lee Falsey; May 17th, 2016 – updated June 21, 2016

Alaska consumer confidence fell to a five-year low in the first quarter of 2016 as the state continued to grapple with a weak oil sector, budget cuts and doubt about whether lawmakers can avert a fiscal crisis.

Consumer optimism has fallen every quarter since the second half of 2014, according to a new report by Anchorage consulting firm Northern Economics and Alaska Survey Research. Oil prices began their precipitous drop in June of that year and have come nowhere close to recovering.

"People show the most concern about the thing over which they have the least control -- the state economy," said Jonathan King, vice president of Northern Economics. "There's a lot of uncertainty. Are they planning for Armageddon or another $1,000 a year in taxes?"



Respondents were more upbeat about their own household finances. Fifty-five percent felt secure about their financial situations, while 20 percent did not feel secure. And 21 percent thought their personal finances would improve, while 15 percent thought they were getting worse.

Will widespread doubt about the greater economy lead to a collective tightening of purse strings? Or will the relatively brighter perceptions of personal finances continue to buoy consumption? Those are important questions because spending, on anything from homes to pizza to gasoline, has a huge effect on the health of Alaska's economy.

And unfortunately there's no clear answer. The federal government tracks personal spending on a national level, but only has state-by-state data available through 2014. The absence of a sales tax means Alaska cannot track consumer spending as closely as other states do. There's also uncertainty about how closely consumer confidence tracks actual spending.

"The survey tells you there is anxiety, but it doesn't tell you necessarily about spending," said Mouhcine Guettabi, assistant professor of economics at the University of Alaska Anchorage's Institute for Social and Economic Research. "If you speak to people in oil and gas, they are feeling the pain. If you talk to people who are more removed, they are not feeling it. I don't think of consumer confidence surveys as informative of future spending patterns."

Better metrics might include sales of high-ticket items that require longer-term financial stability to buy, he said. Think sales of homes, cars and boats.

If anything, the confidence survey could be a reflection of people's faith in the Legislature's ability to avoid more multibillion-dollar deficits.

"This is not a prediction of what's to come. It's a snapshot in time. You never do know," said Ivan Moore, president of Alaska Survey Research. "The next survey comes out in June. Maybe by then the Legislature will have sorted themselves out and people's confidence will have returned."

Moore found that longtime Alaskans -- those who have lived here 30 years or more -- are particularly pessimistic about state, local and personal economics. Higher-income respondents tend to be more worried about the state economy than those in lower-income brackets. Whites are more pessimistic than nonwhites about the present and future of the local and state economies. Young people and singles are the most optimistic overall.

Anchorage consumer optimism also hit its lowest point since the survey began in 2010. As at the statewide level, feelings about the state and city economy were down, while people's opinions about their personal finances were rosier.

The flat job market in Anchorage is one reason residents still feel relatively good about their financial situations, said Anchorage Economic Development Corp. President Bill Popp. While the oil industry has announced large layoffs, hiring in other sectors like retail and health care have somewhat offset those losses, according to data for the first quarter of 2016 from the state labor department. And although state employment was down, federal and local government jobs increased during that same period.

"Anchorage is one of the most robust economies in the state," Popp said. "But when you look at the statewide numbers, they're reflective of lots of uncertainty out there. Cuts have begun in the oil patch. The state fiscal crisis is sucking a lot of air out of the room because there's no clear plan from the government in terms of taxes, the Permanent Fund, government services and the like. It leaves people uncertain about the future and I think that's reflected in the numbers."

Separately, a new poll commissioned by Alaska Dispatch News suggests more people than average could leave the state in the next year. Typically 5 percent to 7 percent of people move out of Alaska annually and are replaced by a roughly equal number of new or returning residents, said state demographer Eddie Hunsinger. The poll by Alaska Survey Research found about 7 percent of the 749 respondents are very or somewhat likely to leave Alaska because of state budget issues, with another 12 percent leaning toward leaving for other reasons.

The poll also found about 5 percent of the 465 respondents who own homes are very or somewhat likely to try to sell their homes in the next year based on the state's budget issues.

But whether people will follow through on their stated intentions is an open question.

"We say one thing and behave another way," said state labor economist Neal Fried. "I don't think that's terribly unusual."

Consumer confidence is influenced by many factors, including personal experience, politics or what people read or see on the news. Guettabi worries talk of a recession will actually play a part in making the economy worse by causing people and businesses to spend and invest more conservatively based on fear rather than economic realities.

"I struggle a little bit with the continual drumbeat of impending recession and the effects on the economy," he said. "The concern I've had is that there are sectors of the economy that are inevitably going to go through pain. Some belt-tightening and cutbacks may happen that are not based on fundamentals."

What constitutes a recession? Alaska's labor department proposes a way to measure it

Annie Zak; February 10th, 2016 – updated September 28th, 2016

It's still not clear if Alaska is in a recession, but the state's labor department has come up with a uniform way to determine whether it is.

In a new report released this week, the Alaska Department of Labor and Workforce Development proposes the definition of "recession" to be at least three consecutive quarters of year-over-year job losses. That way, the time period in question would always include either the first quarter or fourth quarter of each year, the report said -- when the state's seasonal industries are at their lowest employment.

Over the past year, the word "recession" has entered into discussions about the status of the Alaska economy, amid falling oil prices and a $3.8 billion state budget deficit.

But defining the term isn't always clear-cut. While there is a general consensus of what constitutes a recession at the national level -- using economic indicators such as gross domestic product, employment, unemployment and others -- it's much more murky for individual states, the report said, partly because state-level data is usually not as up-to-date or reliable.

"When people ask, 'are you in a recession?' we have to ask, well, what do you mean?" said Dan Robinson, the department's director of research and analysis, who authored the report. "Everyone has a general sense of what a recession is. … We think (this definition) makes the most sense, partly because it's simple."

This isn't a formal proposal that would need to be approved by some agency, but rather the department is suggesting a measurement of the economy that could be commonly accepted as a standard indicator of a recession.

Based on the data the labor department has right now, it's still "too early to tell" if the state is in a recession per this proposed definition, the report said. As of the third quarter of 2015, the state was still adding jobs. That means the soonest a recession could have started is the fourth quarter of last year.

"Preliminary job numbers suggest growth nearly dried up in the fourth quarter. ... Whether the expected recession is eventually determined to have begun in the fourth quarter of 2015 or the first quarter of 2016," the report said, "the writing is on the wall in the form of low oil prices, declining oil production, and a large state government budget gap."

By this same measure, the department said, the state has had three recessions since 1970: Between 1976 and 1978; 1986 and 1988; and the second quarter of 2009 to the fourth quarter of 2009. Notably, that's half as many recessions as the national economy experienced over the same time period.

The report focused on job loss as the main indicator of recession, not the state's gross domestic product or unemployment. The department said unemployment numbers can be misleading as an indicator of a recession because in Alaska "the migration of job seekers to and from the state complicates matters."

For 2014, Alaska ranked 50th for growth of gross domestic product by state, at -1.3 percent.

ALASKA Journal of Commerce

Banks see slowing loan growth in third quarter

DJ Summers; November 23rd, 2016 – updated November 30th, 2016

Alaska's fiscal climate continues to chip away at the loan growth and income of the state's financial institutions, slowing somewhat over the last year.

Wells Fargo, which has a bit more than half of Alaska's deposits, has noticed loan demand start to slow, though they are still up from the same point in 2015.

"Although we are beginning to see a softening in loan demand, total loans (consumer and business) for Wells Fargo in Alaska are up six percent year-over-year," said Greg Deal, Wells Fargo Alaska Region's new president. "Total Alaska deposits have shown modest growth through October. Consumer deposits are up five percent year-over-year."

The Alaska-only banks have been seeing the same.

First National Bank Alaska, or FNBA, continued an upward trend in loan and income growth year over year, though loan growth was modest like that of Wells Fargo.

FNBA's stock was $37.25 per share this quarter, compared to $31.12 per share for the same quarter in 2015.

FNBA had a net income of $32 million through the third quarter of 2016, up from $26.8 million in the third quarter of 2015. For the quarter income was $11.8 million versus $9.9 million in the third quarter of 2015. The bank grew to $3.7 billion in assets in the third quarter of 2016, up from $3.6 billion last year.

The bank secured $1.6 billion in net loans and leases, up from $1.5 billion the year before. Other real estate owned stayed flat from last year at $14 million.

Not all banks had the same positive outcome for income. Northrim Bancorp posted decreases in profitability, with the same slow loan growth noted by Wells Fargo and FNBA.

Net income for Northrim dropped by nearly half year-over-year, from $5.3 million in third quarter 2015 to $3.1 million this year. The bank's total assets have remained flat year over year at $1.5 billion. The bank grew its total loan portfolio from $974 million in 2015 to $997 million this year.

In a release, Northrim explained that the income downturn is due to an accounting shift and to lower mortgage demand relative to last year, reflecting Alaska's overall economic outlook in the face of a state budget crisis and declining oil production.

"New construction projects in the Anchorage market are coming in at a slower pace than in the past few years, as the economy contracts mainly due to the effects of continued low oil prices," said Joe Schierhorn, Northrim's president and CEO. "Construction loans were down 30 percent year-over-year in the third quarter of 2016, primarily due to approximately $84 million in projects which were completed and termed out in the last 12 months."

Joe Beedle, Northrim's chairman, said the employment stagnation is connected to the bank's slowing loan growth. According to the Alaska Department of Labor, the average employment in the Alaska economy was down an estimated 0.2 percent or 689 jobs in the first nine months of 2016 compared to the same period in 2015.

"While the decreases in both average and period end estimated employment represent a more moderate overall impact from the decrease in the global price of oil compared to what other energy producing regions in the nation have experienced thus far, this is a larger decline than was originally predicted for 2016. Our loan demand has slowed moderately, as the Alaska economy contracts," said Beedle.

Credit unions are faring worse in terms of income in 2016. With the exception of Juneau's True North, each of Alaska's six largest credit unions saw a decline in net income compared to the same quarter last year.

Alaska USA saw net income for the quarter drop 16 percent, from $39.5 million in 2015 to $33.1 million this year. Credit Union 1's net income dropped 51 percent to $2.2 million this year. Denali Federal Credit Union dropped 83 percent, from $4.9 million to $835,000.

Along with dip in net income, each credit union saw a rise in past due loans. Alaska USA has 4.7 percent more past due loans than the same quarter last year, and Credit Union 1 saw a 17 percent rise year over year.

The credit unions are continuing to grow their loan portfolio, however, collectively adding 8.3 percent compared to the previous year, fueling an over 3.7 percent total asset growth.

Alaska's bankers keeping their eyes on an uncertain future
DJ Summers; September 21st, 2016 – updated October 4th, 2016

"There was cautious optimism in the first six months of the year," said First National Bank Alaska Senior Vice President and Chief Financial Officer Michelle Schuh. "Now I think people are just being cautious."

Schuh clarified that the second quarter of 2016 was steady for her bank, and likely for the rest of the state, but the lack of legislative solutions to the state's $4 billion budget deficit is starting to affect the business community's outlook, if not the numbers.

Wells Fargo has $6.1 billion in deposits in Alaska, a little more than 53 percent of the market. While the company is still expanding, management said loan growth is starting to look stale.

"Wells Fargo continues to experience moderate deposit and loan growth in Alaska," said Joe Everhart, Wells Fargo's Alaska region president. "Consumer deposits were up five percent year-over-year in the second quarter. While loan demand has started to slow due to Alaska's economic headwinds, Wells Fargo continues to actively provide capital to help Alaskan businesses fund new projects and streamline operations.

"In the second quarter, business lending in Alaska increased 9.5 percent year-year-over and total loans are up six percent. Through July 31, Wells Fargo has approved 81 (Small Business Administration) loans in Alaska for a total of $16.7 million in federal fiscal year 2016."

Banks in the Last Frontier continued both deposit and loan growth in the second quarter of 2016, with collective net income increase of 12 percent to $33.7 million, up from $30 million, and a loan increase of 3.5 percent to $3.1 billion, up from $3 billion.

Fairbanks' Mt. McKinley Bank led with a 27 percent income growth, bumped from $1.7 million to $2.1 million. Denali State Bank followed with a 25 percent net income increase, from $982,000 in 2015 to $1.2 million this year.

The two largest Alaska-based banks, First National Bank Alaska and Northrim Bank, represent 20 percent and 11 percent of the state's deposits, respectively.

FNBA grew net income by 20 percent year-over-year. Net loans and leases increased 7 percent from $1.5 billion to $1.6 billion.

Though the bank is on a growth track, Schuh said, performance from the second quarter into the third seems to be stagnating.

"Our loan growth this year through year was slightly behind expectations, but not very much so," Schuh said. "We're getting a little bit mindful of the changing environment. We're not sure second half loan growth will match the first half. We're starting to already see some effect in our loan demand of the economic challenges of the state. The other thing I would say, today, that I may not have noticed in June was deposit growth. We've been on a five-year run of fairly healthy deposit growth year over year. Our deposit are up slightly this year, but we're not seeing the same deposit growth."

Schuh said state budget cuts are the beginning of a trend she hopes doesn't materialize, with declining home values at the end. Though none of the banks have noticed home values dropping in the state, Schuh said the lack of a state budget solution could produce such a decline.

"If we don't address the budget, we know we're going to have state layoffs," she said. "If you're seeing lower state employment, and you're already seeing private sector layoffs happen, your housing concerns are going to be next. That's where we're going to see a softening in the real estate market."

Other banks also note a slowdown in loan growth.

Northrim BanCorp, Inc. reported a 29 percent increase in second quarter net income over first quarter, but a decrease of 9 percent year-over-year to $4.4 million "mainly due to increased operating expenses this year in the community banking segment," according to an earnings statement.

Net loans and leases decreased 2 percent year over year.

High mortgage activity curbed the slowdown in loan growth, Northrim leadership said, noting an increase in mortgage refinancing rather than new home loans. A $6.2 million rise in delinquent loans, the bank's chief financial officer said, came almost entirely from two commercial customers.

Like Schuh, Northrim Chief Financial Officer Latosha Frye said the bank's balance sheet is still healthy, but the gloom of the state's fiscal situation is setting in.

"General sentiment is people are waiting for what's going to happen next, and every day there's a barrage of information about all the action the state isn't taking with fiscal issues," she said. "It's just unavoidable. At some point that becomes a downer. The psyche impact takes that to another level, I think."

Denali State Bank had the typical summer increase in construction lending, growing net income 26 percent year over year to $1.2 million. Net loans and leases grew by 6 percent, from $140 million in the second quarter of 2015 to $148 million this year.

In the Interior, financial leaders are keeping a close watch for impacts of state budget cuts.

"The University of Alaska Fairbanks is a bigger part of the Fairbanks budget than UUA is of the Anchorage economy," said Denali State Bank president Steven Lundgren. "I've heard from our chancellor up here they've cut 320 jobs from the university. We're frankly concerned about that. We hope that they manage their budgeting cautiously so it doesn't negatively impact the community or the state. That's the biggest question mark."

For credit unions, which have higher rates of consumer loan portfolios than that of banks, number are looking even less optimistic.

Alaska's credit unions, unlike the banks, posted an overall decrease in quarterly net income of 22 percent year over year from $30.8 million in 2015 to $24 million this year. Loan holdings increased by 9 percent, from $6.3 billion to $6.8 billion, while total assets grew by 8 percent from $8.1 billion to $8.8 billion.

Year over year, Alaska USA Credit Union's net income dropped from $23.1 million in the second quarter of 2015 to $17.7 million in 2016, a 23 percent year over year decline. Credit Union 1 posted a net income decline of 29 percent, from $3 million to $2.2 million, and Denali Alaskan's net income dropped 52 percent, from $2.4 million to $1.2 million.

Each of the three largest credit unions also posted rises in the rate of delinquent loans.

Alaska USA's delinquent loan rate rose a negligible 0.1 percent, but the delinquent loan rate for Credit Union 1 and Denali Alaskan rose by 54 percent and 77 percent respectively.