Alaska’s Economy: Implications for Ports and Harbors

A presentation by Mike Fisher

AAHPA Port & Harbor Lunch Series

October 6, 2020
Agenda

- Where we are
- Where we’re going
- What that means for funding and infrastructure
Where We Are

The news is a forecast telling us that there’s a storm coming our way and it’s called COVID-19.

As I see it that leaves us with really only one choice, secure for a severe storm, check all systems, constantly and consistently inform the crew and passengers, adjust speed and course up into the weather, and brace for a long rough ride.

In the end the same rules that we use to be safe when at sea apply here and now.

* Keep a close watch on the ship and the crew.*
* There will be things that go wrong. Plan for it, Prioritize, take them one at a time, fix it and move on.*
* Don’t panic; panic kills.*
* Plan for the worst and hope and pray for the best.*

We’re all in this together. Let’s stay connected and help whenever and wherever we can.

Best of health to us all,
Bryan

• Tourism
  o Cruise passengers
  o Air and highway tourists
  o In-state tourism

• Commercial Fishing
  o Natural factors led to a weak season
  o Human factors led to lower demand
    - Less demand from food service industry
    - Increased demand from cooking at home
  o Trade challenges

• Tariff wars

• Employment

• Household Spending
Percent Change in Employment*
In Alaska as of July 29, 2020, employment rates increased by **10.1%** compared to January 2020 (not seasonally adjusted).

*Change in employment rates (not seasonally adjusted) indexed to January 4-31, 2020. This series is based on payroll data from Paychex and Intuit, worker-level data on employment and earnings from Earnin, and timesheets data from Kronos. The dotted line in the low-wage sectors is a prediction of employment rates based on Kronos data.

**Source:** Opportunity Insights / tracktherecovery.org
Employment Change by Region

Percent change in jobs, August 2019 to August 2020

-10.5% Statewide

-11.7% North Slope

-8.0% Interior Region

-9.0% Anchorage Mat-Su Region

-6.0% Southeast Region

-12.1% Anchorage Mat-SU

-17.3% Anchorage Mat-SU

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section
Projected Job Growth or Loss by Alaska Industry, 2018–2028

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Percent Change in All Consumer Spending*

In Alaska as of September 2020, total spending by all consumers decreased by 13.4% compared to January 2020.

-Changing consumer credit and debit card spending, indexed to January 4-31, 2020 and seasonally adjusted. This series reflects daily data through July 5, 2020 and weekly data after July 5, 2020. This series is based on data from Affinity Solutions.

last updated: September 9, 2020  next update expected: October 6, 2020

Source: Opportunity Insights / tracktherecovery.org
Percent Change in All Consumer Spending*

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Source: Opportunity Insights / tracktherecovery.org
Percent Change in Small Business Revenue*

In Alaska as of September 2020, total small business revenue decreased by 31.8% compared to January 2020.

*Change in net business revenue for small businesses indexed to January 4-31, 2020 and seasonally adjusted. This series is based on data from Womply.

Source: Opportunity Insights / tracktherecovery.org
Where We’re Going

- Alaska Department of Labor and Workforce Development Population Projections
- Forecasts from UAA CED, ISER, and SBDC
- Northern Economics’ Forecast of COVID-19 Impacts
- Uncertainties
ADOL&WD Population Projections

Slow long-term growth the most likely scenario

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section
Forecasts from UAA CED, ISER, and SBDC

- Depressed travel and other spending will be a challenge to recovery
- Lower sales taxes and other revenues will create additional challenges
- We’ll see growth but will be below pre-COVID-19 levels for a long time
- We’ll have more clarity in 6-10 months
- There’s a lot of downside risk
- Measures the government has taken (stimulus checks, enhanced unemployment benefits) were to get us through until demand comes back, but we don’t know when demand will return
Modeling of Alaska’s Recovery

- Northern Economics used a dynamic economic input/output model to forecast Alaska’s recovery, based on work by Scott Nystrom of FTI Consulting.

- Key features of Nystrom’s model
  - 20 percent reduction in birth rates nationally
  - 20 percent reduction in international migration to the US
  - 10 percent increase in international import & export costs
  - All impacts are modelled at the national level
  - Regional impacts trickle down from systemic national changes
Impacts of Systemic National Changes using the Alaska REMI Model
Recovery Rankings

Unemployment Rate

1st Nebraska 4.0%
50th Nevada 13.2%

Job Growth

1st Idaho -0.5%
50th Hawaii -16.3%

Job Growth, Private

1st Idaho -0.8%
50th Hawaii -19.8%

Job Growth, Government

1st Idaho 1.2%
50th Wisconsin -7.3%

Job Growth, Leisure and Hospitality

1st Mississippi -4.5%
50th Hawaii -52.0%

Note: Government employment includes federal, state, and local government plus public schools and universities.
1August seasonally adjusted unemployment rates
2August employment, over-the-year percent change

Sources: U.S. Bureau of Labor Statistics and Alaska Department of Labor and Workforce Development, Research and Analysis Section
Uncertainties

- Oil production and revenue
  - Current trajectory
  - Ballot Measure 1

- Tourism
  - Return of cruise passengers?
  - Other tourism?

- AMHS’ Future
What That Means for Funding & Infrastructure

Your Facilities
What Choices Will We Make?

Statehood and 1980s investments led to booms
We’re due for the next rebuild

- How do we invest?
- How do we recapitalize?
- Do we rebuild what we had?
- Do we build new for a different course?
- What do we want?
- What are we willing to pay for it?
- How do we support investment in the Alaska of the future?
Thank you!

Identifying Our Needs

Over to you, Nils!