



THE ECONOMY OF JUNEAU AND SOUTHEAST ALASKA: WHERE HAVE WE BEEN AND WHERE ARE WE GOING? -NOVEMBER 2001

By the Juneau Economic Development Council

Now more than ever, Americans are keenly aware of global and national economic conditions. The precipitous decline in the stock market over the past 18 months, massive layoffs in the technology sector, and the tragic events of September 11th have all kept the economy in the headlines. Where Juneau will be in the future is difficult to predict. The fact that Alaska is a safe place to travel, live and grow a business may work in our favor.

Yet how have we been doing in Alaska, southeast or specifically here in Juneau? By some measures, Juneau's economy appears to be holding its own. By other measures, however, the economy in Juneau and Southeast Alaska is in decline. Changes in per capita income, the low standing in Gross State Product and our cost of living reveal the southeast region and Juneau have lagged behind Alaska and the nation in economic growth.

This newsletter provides a number of indicators, compiled by the Juneau Economic Development Council in collaboration with the McDowell Group, aimed at providing members of our community baseline information to help you understand how Juneau has been doing in relation to the region, the state and the nation's economic picture.

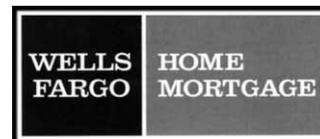
During the 1990s, job growth in Juneau outpaced the national and Alaska averages. However, much of that job growth has been fueled by relatively lower paying jobs that do not have significant benefit packages. Moreover, employment growth has slowed in recent years. Just how we end 2001 in business sales remains to be seen.

Personal income in Juneau has risen at a slower rate than the rest of the nation in the past decade. During this time average wages in Juneau dropped by 10 percent and by 12 percent in Southeast, while wages grew by 12 percent elsewhere in the U.S. Likely, income derived from the Permanent Fund, transfer payments and other unearned income have helped to buoy up per capita income in Juneau. Juneau's cost of living remains about 20-25 percent above the national average. Another sobering statistic is that Alaska is aging more rapidly than the U.S. as a whole. These statistics indicate the importance of again making Juneau and Alaska a better place for people to work and raise a family.

There are enough red flags to raise serious concern about where our economy will be next year, and in five or ten years. The Juneau Economic Development Council is committed to diversifying the economy and expanding the economic base of Juneau and Southeast Alaska. There are some specific steps we can take. As the hub for the region we must be more involved with the communities in southeast and their economic condition. Ultimately all of Southeast Alaska will need to prosper for Juneau to become more vibrant. Keeping the legislature and the capital in Juneau should be of utmost concern. Encouraging manufacturing, helping local businesses expand, and giving entrepreneurs and new businesses the tools to succeed are also crucial – these issues are the focus of JEDC programs. Finally, a strong educational system can make Juneau a more attractive place for enterprises. We must support our community schools and the University of Alaska Southeast.

In summary, the economy in Juneau and Southeast Alaska has been in decline. Changes in per capita income and our cost of living reveal the southeast region and Juneau have lagged behind Alaska and the nation in economic growth. To turn this situation around, we need to emphasize our many advantages; good schools, a growing university, low crime, sense of community, inexpensive hydro-power, low tax burden, great recreational and cultural amenities, excellent electronic infrastructure, superb air access and relatively inexpensive water transportation to name a few. As the center of government for Alaska, and the hub for southeast, Juneau has much to "capitalize" on. Critical for economic stability will be to encourage market sustainable businesses. We need to produce goods and services to sell outside of Juneau and the region – thereby creating wealth rather than recycling money. The key is to be strategic and effective in our efforts. Please contact the JEDC with your comments and questions or to learn more about our available services (www.jedc.org or 907-463-3662).

This publication was made possible with the generous support of GCI and the CBJ. We also thank Alaska Electric Light & Power, Alaska Marine Lines, Coeur Alaska, First Bank and Wells Fargo Bank of Alaska for their support.



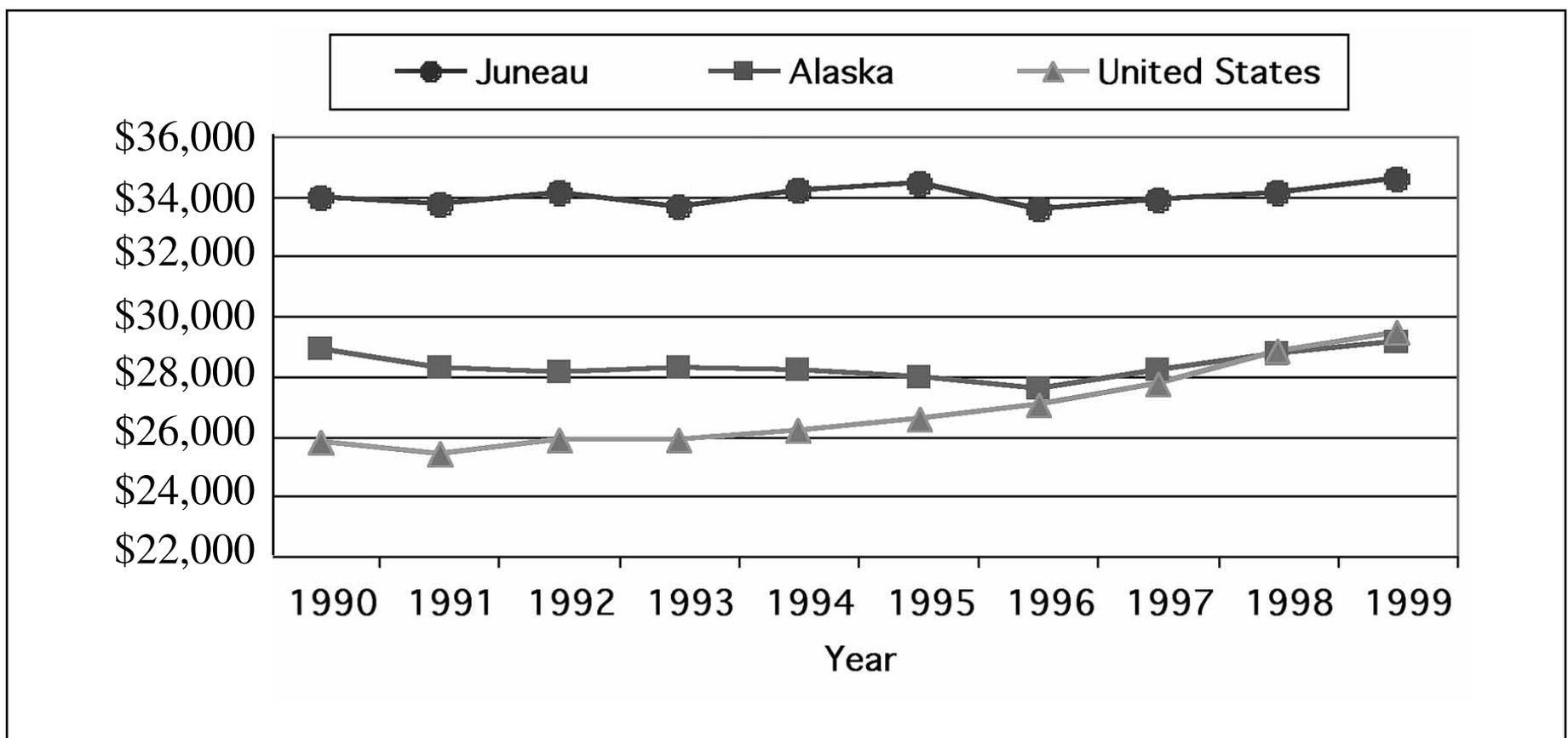
Per Capita Income – 1999

	Per Capita Income	Change 1990-1999
Juneau	\$33,974	+2%
Alaska	\$28,629	+1%
United States	\$28,546	+14%

Source: Bureau of Economic Analysis and McDowell Group.

Juneau area real (inflation adjusted) per capita income is 19 percent higher than Alaska and U.S. averages. However, local per capita income has been growing at a much slower rate than the U.S. average.

Juneau's inflation-adjusted per capita income is largely stagnant. Real per capita income in 1999 in Juneau was only \$930 higher than in 1990 while the U.S. average increased \$3,600.



Source: Bureau of Economic Analysis and McDowell Group.

Total Personal Income Growth

	Change 1990-1999
Juneau	+14%
Southeast Alaska	+2%
Alaska	+13%
United States	+25%

Source: Bureau of Economic Analysis, compiled by the McDowell Group.

Real personal income for Juneau grew by 14 percent between 1990 and 1999, well above the Southeast average and about the same rate of growth as for Alaska overall. Both Juneau and Alaska lagged far behind the rest of the country in terms of personal income growth.

Change in Average Wages (adjusted for inflation)

	1990 Average Wage	1999 Average Wage	Change 1990-1999
Juneau	\$36,390	\$32,834	-10%
Southeast Alaska	\$35,196	\$31,036	-12%
Alaska	\$37,196	\$34,098	-10%
United States	\$29,693	\$33,284	+12%

Source: Bureau of Economic Analysis, Alaska Department of Labor and McDowell Group.

Average real wages in Juneau declined by 10 percent between 1990 and 1999, about the same rate as Alaska overall. At the same time, average wages for the U.S. overall increased by 12 percent.

Cost of Living - Juneau (March 2001)

Category	Cost of Living Index
Composite Index	125.5
Grocery	128.1
Housing	132.6
Utilities	133.9
Transportation	114.4
Health Care	160.6
Misc. Goods and Services	114.1

Source: ACCRA Cost of Living Index

Juneau's overall cost of living is 25 percent higher than the national average. In fact, in all categories, Juneau residents pay more than their average American counterpart. Health care costs are the most dramatically higher, at 60 percent higher than the U.S. average. Transportation costs and the costs of miscellaneous goods and services are most comparable to average U.S. costs.

Cost of Living – Juneau (March 2001) Continued

Annual Spending 2000	Juneau	Alaska	United States Average
Housing	\$20,426	\$17,469	\$16,606
Taxation	\$2,448	\$2,756	\$3,537
Transportation	\$4,678	\$4,807	\$6,171
Misc. Goods/ Svc.	\$10,253	\$10,028	\$9,600
Total Costs	\$38,076	\$35,331	\$32,000

Source: Runzheimer Living Cost Standards as published in the June 2001 Alaska Economic trends, reader will note the categories totaled do not sum exactly to the total costs.

Juneau's housing costs (defined as total monthly payments on a 30-year mortgage for a 1500 sq. ft home) are significantly higher than the U.S. average. However, total taxes in Juneau (location-specific federal, state and local taxes) are lower than the national average.

Electricity Rates – 2001

	Cost per kWh
Juneau	\$0.084
Anchorage	\$0.109
Fairbanks	\$0.104

Source: AEL&P, Chugach Electric , and GVEA.

Within the state, Juneau's residential rates are the lowest on a non-adjusted basis; however, Fairbanks has a negative cost of power adjustment of \$0.028 (thus the resident actually pays \$0.076/kWh) due to the Fort Knox gold mine. The net result is the mine has lowered residential power costs by nearly 27% in Fairbanks.

Job Growth

	Employment 1999	Change 1990-1999
Juneau	21,727	+20.6%
Alaska	390,206	+14.4%
United States	163,757,900	+17.5%

Source: Bureau of Economic Analysis

Juneau experienced greater job growth than Alaska or the United States overall. Both Juneau and the United States experienced greater job growth than population growth; Alaska's increase in jobs is nearly commensurate with its population increase.

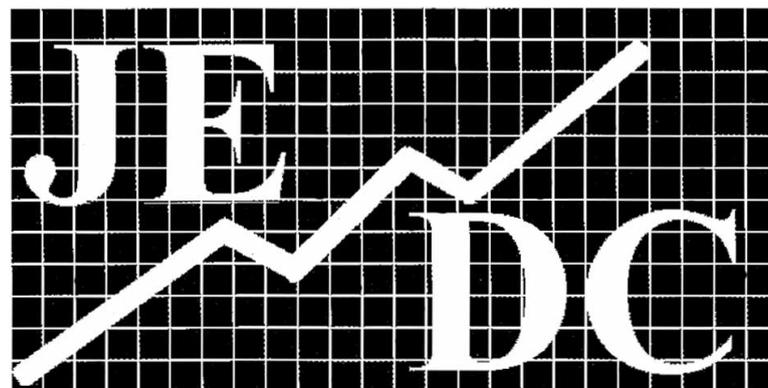
Employment by Industry (1999)

(Top Three Industries in Bold)	Juneau	Alaska	U.S.
Private Sector	66.8%	76.2%	86.1%
Public Sector	33.2%	23.8%	13.9%
Ag./Forest/Fish	2.9%	4.1%	1.3%
Mining	1.4%	2.8%	0.5%
Construction	5.4%	5.4%	5.8%
Manufacturing	2.1%	4.1%	12.0%
Trans. & Public Util.	6.1%	7.8%	5.0%
Wholesale Trade	1.9%	2.6%	4.6%
Retail Trade	14.5%	15.6%	16.8%
Finance, Ins., Real Est.	4.5%	6.0%	8.1%
Services	28%	27.8%	32.2%
Federal	3.9%	4.2%	1.7%
Military	1.9%	5.7%	1.3%
State	19.6%	5.7%	3.0%
Local	7.8%	8.1%	7.8%

Source: Bureau of Economic Analysis, 1999 data

Juneau has considerably higher public sector employment than either Alaska or the United States. However, of the three locales, it has experienced the greatest drop in government employment: from 41.8 percent in 1990 to 33.2 percent in 1999. In contrast, nationwide public sector employment has remained relatively stable. Because there are few products made in Juneau, manufacturing and wholesale trade are much lower than the national average.

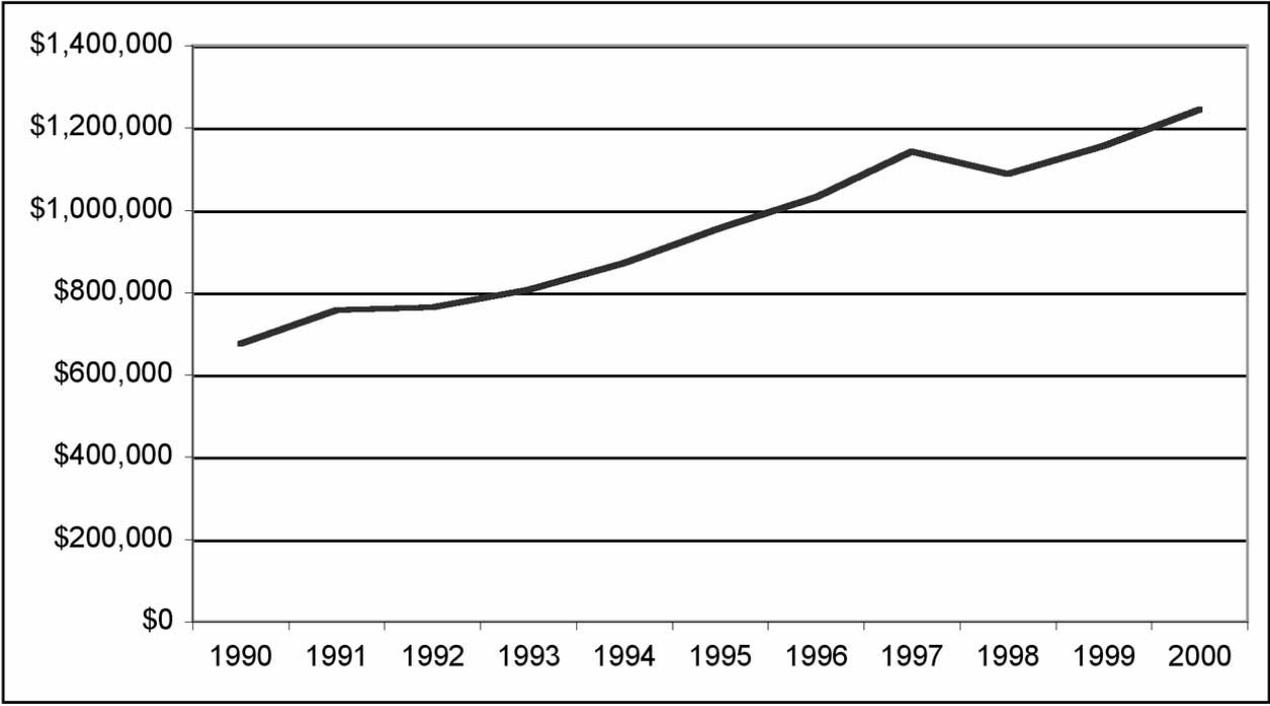
Like the United States and Alaska, Juneau has seen the most significant growth in service sector employment. Juneau's most significant decrease was in state government employment. Alaska's most significant decrease was in the military sector. Manufacturing saw the greatest losses nationwide.



Gross Business Sales

Business sales increased to \$1.244 billion in 2000. Over the past ten years, real (inflation-adjusted) gross business sales in Juneau increased by 44.6 percent. Gross sales for contractors, food, and “other” showed the steepest increases in sales while specialized retail, automotive, and real estate sales showed the most modest gains.

Gross Business Sales in Juneau, 1990–2000
(000\$)

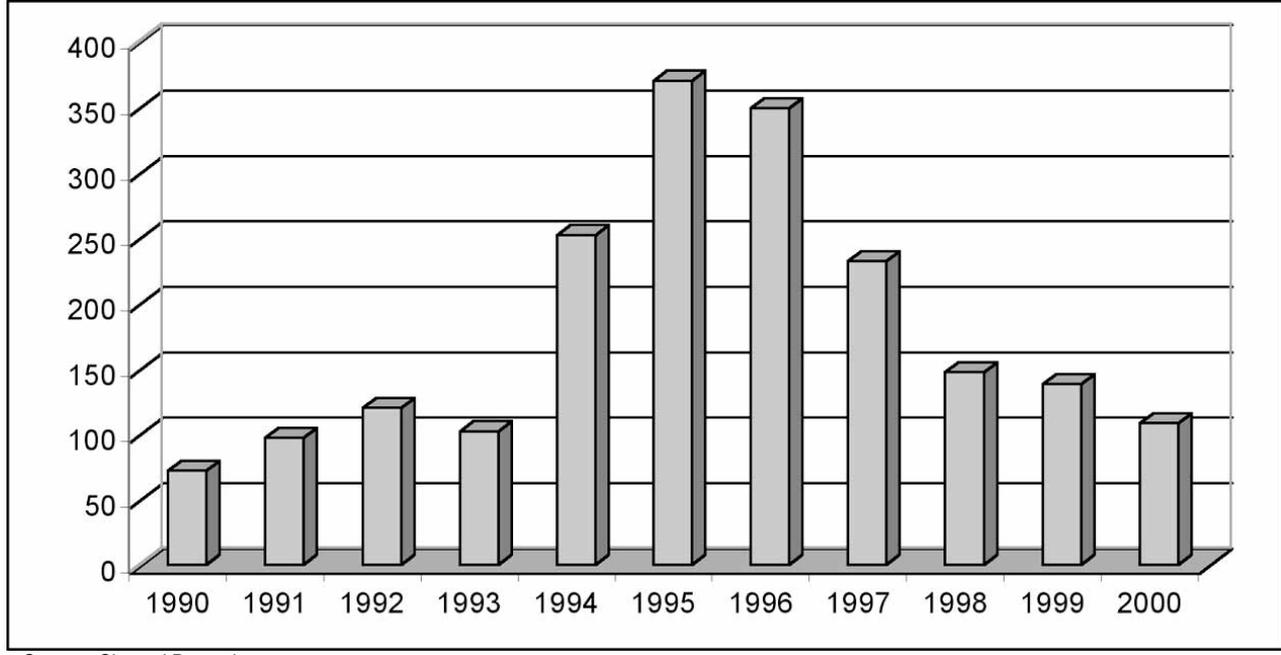


Source: City and Bureau of Juneau

New Residential Construction

The number of new housing units constructed in Juneau declined for the fifth consecutive year in 2000. In 2000, a total of 108 units were permitted for construction, compared to 370 in 1995.

Number of New Dwelling Units Constructed
Juneau, 1990–2000



Source: City and Borough

Population

	Population, 2000	Change 1990- 2000
Juneau	30,711	+13.6%
Southeast Alaska	73,282	+6.2%
Alaska	626,932	+13.3%
United States	281 million	+12.4%

Source: U.S. Census Bureau

Both Juneau and Alaska experienced greater population growth than the United States in the past ten years, with Juneau showing slightly faster growth than Alaska overall.

Median Age

	Median Age, 1990	Median Age, 2000	Change 1990- 2000
Juneau	31.7	35.3	+11.3%
Alaska	29.2	32.4	+11.0%
United States	32.8	35.3	+7.6%

Source: U.S. Census Bureau

Juneau's median age matches that of the United States overall; however it is significantly higher (2.9 years) than Alaska's median age. Juneau shows the greatest increase in median age of the three locales.

Public School Enrollment

	Enrollment, 2000	Change 1990- 2000
Juneau	5,646	+10.9%
Alaska	131,696	+15.7%
United States	46,851,000	+12.2%

Source: Alaska Department of Education

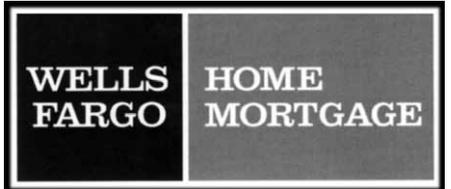
Juneau's public school enrollment increased less than Alaska's. Alaska experienced greater public school enrollment than population gains over the past ten years, while Juneau experienced lesser. U.S. public school enrollment paced population gains over the ten-year period.

Gross State Product

	Change, 1992-99	National Ranking
Alaska	0.5%	49th
United States	4.0%	

Source: U.S. Census Bureau

Alaska's gross state product (a measure of the value added to all goods and services produced by Alaska businesses and organizations) grew slowly compared to other states. This trend is primarily a function of changing oil prices.



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