

2024

ANCHORAGE **ECONOMIC** **FORECAST** REPORT

Presented by



AEDC

Anchorage Economic
Development Corporation

Prepared by



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ABOUT THIS FORECAST

Each year AEDC develops an economic forecast for a set of key economic indicators, revising the forecast annually as events unfold and new data becomes available. The purpose of the AEDC forecast is to identify key economic forces at work in Anchorage and provide a sense of trajectory for the economy, based on the best available information. Our commitment is to offer an objective and informed perspective on the local economy, recognizing the uncertainty inherent in this and any other forecast.

BIG PICTURE

The last several years have been full of surprises – a mixed bag of bad and good economic news. Perhaps none has been so surprising as the United States’ ability to avoid an economic recession following years of disruption and uncertainty. The steps taken by the U.S. Federal Reserve to combat high inflation seem to be working. While these interest rate spikes have dampened private investment, price stability is expected to have a positive overall economic impact.

The national economy’s growth while prices stabilized should be good news for key sectors in Anchorage which rely on the strength of the Lower 48 economy. U.S. demand for goods fuels much of the cargo throughput of Ted Stevens Anchorage International Airport, and American travelers’ confidence in the economy, and willingness to spend, are critical to Alaska’s visitor industry. These sectors will continue to bring money into the city in the years ahead.

Other mainstays of Anchorage’s economy, oil and gas and federal funding, will also bring a surge of activity into Alaska over the next several years. Long-awaited projects are underway on Alaska’s North Slope. Anchorage’s architects, engineers, and construction companies should see high demand for years as funding from the 2021 federal Infrastructure Investment and Jobs Act, and Inflation Reduction Act, is awarded to projects statewide.

Over the coming year, we expect modest growth by most measures. Our outlook for the number of working-age people living in Anchorage is a notable exception. Anchorage has lost more than 17,000 working-age residents over the past decade, an 8.5% decline. This population loss has likely contributed to staffing shortages across multiple industries. Early retirements during the COVID-19 pandemic likely exacerbated this issue. Statewide, Alaska continues to have fewer than one unemployed person for every two job openings. This change in population is significantly related to a noticeable slowdown in the number of people moving to our city over the last several years. High housing costs, perceptions of public safety, school quality, and other community factors all impact Anchorage’s ability to pull new residents north.

The avoidance of a national recession, large new oil developments, and federal infrastructure funding are all bright signals for the Anchorage economy. Yet, the condition of our community remains of utmost importance to capture these opportunities. Investments in housing, public safety, education, and redevelopment across the community are still needed to retain residents and attract new working-age people to Anchorage.

DEMOGRAPHICS & EMPLOYMENT

POPULATION

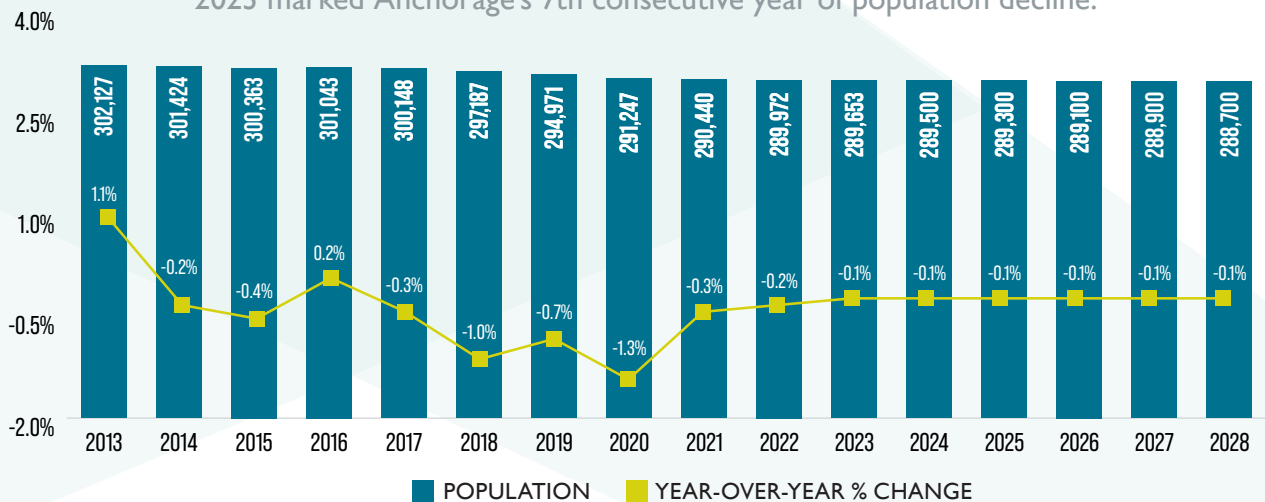
ANCHORAGE'S POPULATION IS EXPECTED TO CONTINUE DECLINING AT LOW RATES OVER THE NEXT FIVE YEARS.

CONTRIBUTING FACTORS

- The number of births in Anchorage continues to decline with a lower working age population.
- Anchorage is seeing signs of slowing net outmigration, a leading contributor to population decline over the last decade, compared to the pace of population loss during the Alaska statewide recession (2015-2018).
- Demographic shifts and net outmigration will likely outweigh the number of new residents drawn to Anchorage over the next several years amid development activity on Alaska's North Slope.

Anchorage Population and Annual Growth Rate, 2013-2028

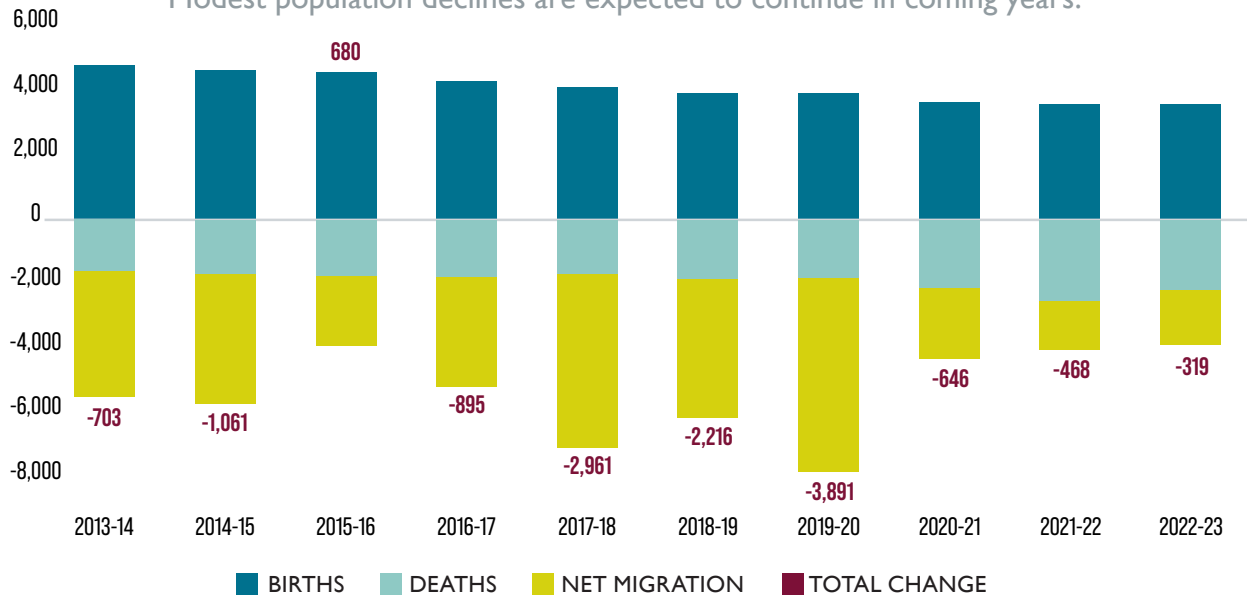
2023 marked Anchorage's 7th consecutive year of population decline.



POPULATION CONTINUED

Components of Anchorage Population Change, 2013-2023

Modest population declines are expected to continue in coming years.



CURRENT TRENDS

| | 2022-2023 Change | 2022-2023 % Change |
|------------------|------------------|--------------------|
| Total Population | -319 | -0.1% |
| Net Migration | -1,733 | +13% |
| Natural Increase | +1,414 | +32% |
| Births | +3,570 | -0.1% |
| Deaths | -2,156 | -14% |

Source: Alaska Department of Labor and Workforce Development (2013-2023); McKinley Research Group estimates (2024-2028)

WORKING-AGE POPULATION

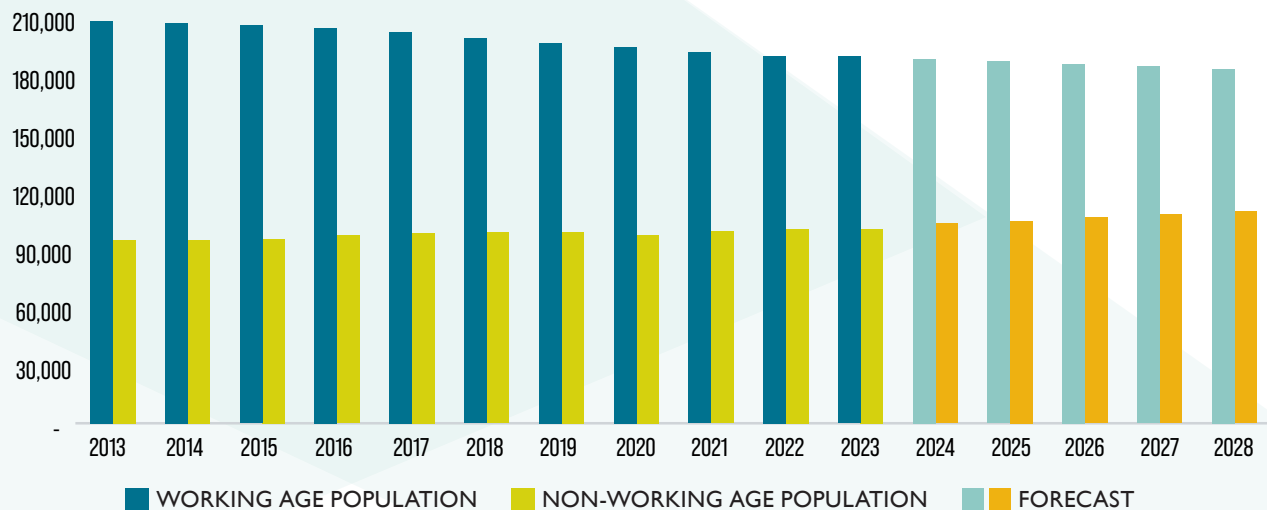
THE PROPORTION OF ANCHORAGE'S POPULATION THAT IS WORKING AGE (BETWEEN 16 AND 64 YEARS OLD) IS EXPECTED TO DECLINE FURTHER AS THE POPULATION AGES.

CONTRIBUTING FACTORS

- Over the next five years, most residents in the baby boomer generation will age out of the working-age population.
- Typically a source of new working-age residents, in-migration to Anchorage has slowed over the last decade.
- Less than half of people born in Alaska stay in Alaska long-term. With 48.7% of those born in the state living in Alaska as of 2021, Alaska has the second lowest population retention rate in the nation.
- New residents moving to Anchorage for jobs in the oil industry are not expected to outpace the rate of baby boomers aging out of the working-age population.
- Working-age residents represent 65% of Anchorage's total population in 2023, down from 69% in 2014.

Anchorage Population by Age Category, 2013-2028

Anchorage's working age population declined for the 9th consecutive year in 2023.



WORKING-AGE POPULATION CONTINUED

| Year | Working Age Population | Non-Working Age Population | Total Population | |
|------------|------------------------|----------------------------|------------------|---------|
| 2013 | 207,611 | 94,516 | 302,127 | |
| 2014 | 206,718 | 94,706 | 301,424 | |
| 2015 | 205,217 | 95,146 | 300,363 | |
| 2016 | 204,014 | 97,029 | 301,043 | |
| 2017 | 202,025 | 98,123 | 300,148 | |
| 2018 | 198,695 | 98,492 | 297,187 | |
| 2019 | 196,322 | 98,649 | 294,971 | |
| 2020 | 194,123 | 97,124 | 291,247 | |
| 2021 | 191,400 | 99,040 | 290,440 | |
| 2022 | 189,623 | 100,349 | 289,972 | |
| 2023 | 189,297 | 100,356 | 289,653 | |
| FORECASTED | 2024 | 188,000 | 101,500 | 289,500 |
| | 2025 | 186,800 | 102,500 | 289,300 |
| | 2026 | 185,500 | 103,600 | 289,100 |
| | 2027 | 184,200 | 104,700 | 288,900 |
| | 2028 | 182,900 | 105,800 | 288,700 |

CURRENT TRENDS

| | 2022-2023 Change | 2022-2023 % Change |
|---|------------------|--------------------|
| Working-Age Population | -325 | -0.2% |
| | 2015-2020 | |
| Average Annual Working Age Net Migration | -2,908 | |
| Average Annual Working Age In-Migration | +14,999 | |
| Average Annual Working Age Out-Migration | -17,908 | |

Source: Alaska Department of Labor and Workforce Development (2013-2023); McKinley Research Group estimates (2024-2028); Federal Reserve Bank of Dallas

EMPLOYMENT

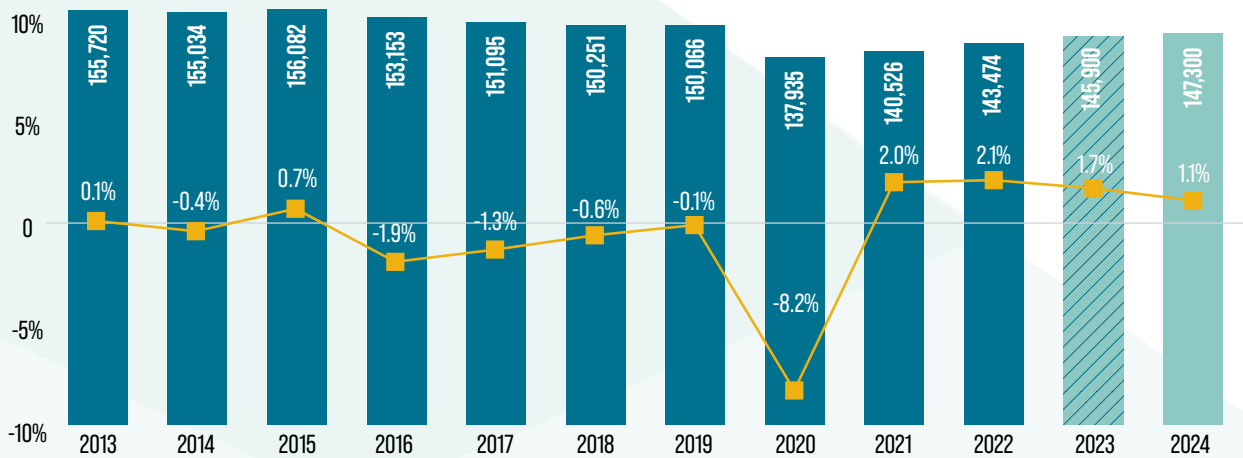
AGING AND POST-PANDEMIC LABOR FORCE FACTORS WILL CONTINUE TO CONSTRAIN THE PACE OF EXPECTED EMPLOYMENT GROWTH AND RECOVERY IN ANCHORAGE.

CONTRIBUTING FACTORS

- Slow population growth and lower working-age population continue to constrain employment growth.
- Professional and business services employment is expected to grow as the flow of federal infrastructure funding ramps up in the Alaska economy.
- The strength of the national economy will continue to impact demand for transportation services through, and visitor travel to, Anchorage.
- Work on Alaska’s North Slope will require additional oil and support services employment in Anchorage.

Anchorage Average Employment, 2013-2024

Anchorage employment remains below 2019 levels.



Note: Sole proprietor employment is not included in average annual employment figures.

■ AVERAGE ANNUAL WAGE AND SALARY EMPLOYMENT ■ YEAR-OVER-YEAR % CHANGE ■ FORECAST

EMPLOYMENT CONTINUED

| CURRENT TRENDS | | | |
|-----------------------------------|----------------------|--------------------------------------|---------------------------|
| Top 3 Sectors (Jan-Jun 2022-2023) | | Bottom 3 Sectors (Jan-Jun 2022-2023) | |
| Leisure & Hospitality | +719 jobs, +5% | Financial Services | -191 jobs, -3% |
| Transportation & Warehousing | +558 jobs, +5% | Government | -33 jobs, -0.1% |
| Healthcare | +404 jobs, +2% | Oil & Gas | +15 jobs, +1% |
| | | Wage & Salary Employment | Self-Employment |
| 2018 | | 150,251 | 37,933 |
| 2022 | | 143,474 | 43,469 |
| 2018-2022 % Change | | -5% | +15% |
| 2021 Workforce Residency | Alaska Residents | | Non-Alaska Residents |
| | Live where they work | Don't live where they work | Work here, live elsewhere |
| Where Anchorage Workers Live | 76% | 12% | 13% |
| Where Alaska Workers Live | 67% | 13% | 20% |

Source: Alaska Department of Labor and Workforce Development (2013-2022); U.S. Bureau of Economic Analysis (2018, 2022), McKinley Research Group estimates (2023-2024)
 Note: Rows may not add to 100 due to rounding.

PURCHASING POWER

PERSONAL INCOME

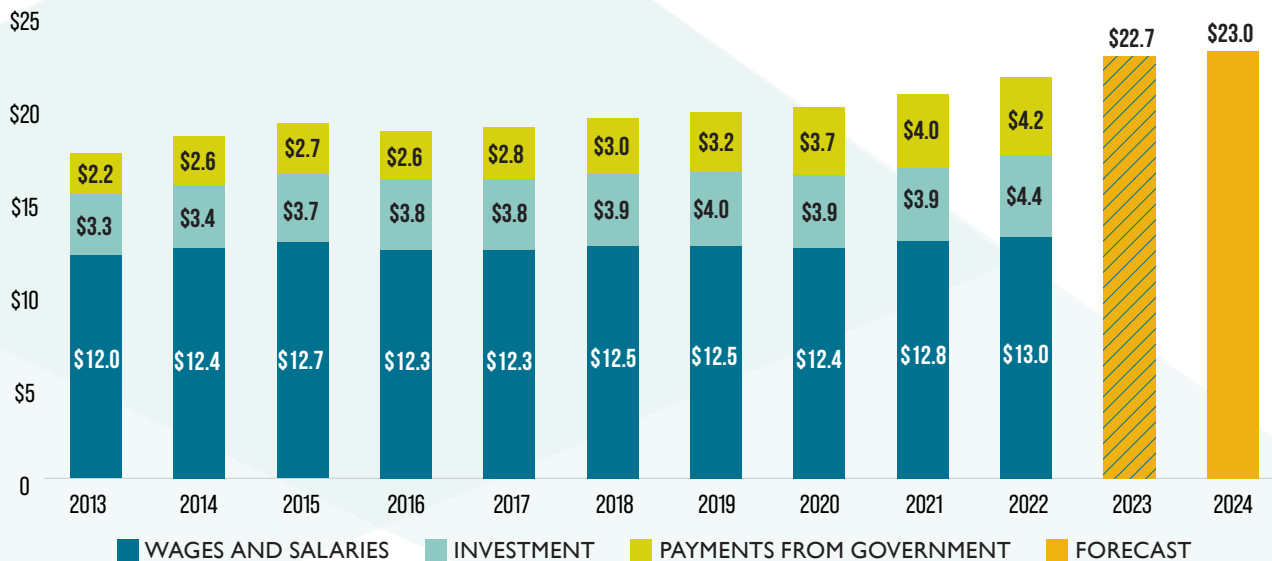
WAGE GROWTH IS EXPECTED TO OUTWEIGH REDUCTIONS IN COVID-19 RELATED SUPPORT TO INDIVIDUALS, RESULTING IN HIGHER PERSONAL INCOME IN 2024.

CONTRIBUTING FACTORS

- Work-related income is expected to increase with continued inflationary pressure.
- Programs providing COVID-19 related relief payments to individuals have ended.
- Permanent Fund Dividends are expected to return to historically normal levels (\$1,000 to \$1,500).

Anchorage Personal Income (Billions of Dollars), 2013-2024

COVID-19 related payments to individuals drove up personal income over the last several years.



CURRENT TRENDS

| | 2022 (Billion) | % of 2022 Total | 2021-2022 % Change |
|--|-------------------|--------------------|--------------------|
| Income from work | \$13.0 | 60% | +2.9% |
| Investment income | \$4.4 | 20% | +7.5% |
| Payments from the government (i.e., social security, PFD) | \$4.2 | 19% | +3.0% |

Source: U.S. Bureau of Economic Analysis (2013-2022), McKinley Research Group Estimates (2023 – 2024)

INFLATION

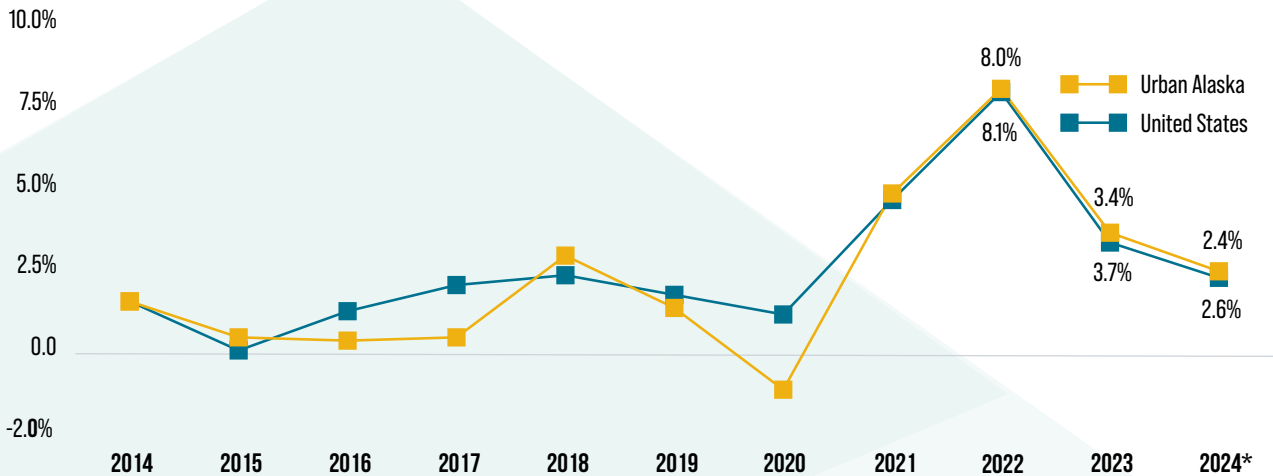
STEADY INTEREST RATES AND FUEL PRICES WILL HELP TO KEEP INFLATION ON THE DECLINE OVER THE NEXT YEAR.

CONTRIBUTING FACTORS

- Steady increases in interest rates through 2023 have successfully reduced inflation down to 3.7% as supply chains have returned to normal post-COVID19 pandemic.
- Expectations that the Federal Reserve will keep interest rates high, possibly with small reductions, through 2024 will put continued downward pressure on inflation.
- Fuel prices are expected to be steady around \$80 per barrel, minimizing additional inflationary pressures.

Consumer Price Index, 2014-2024

Inflation will continue to decrease through 2024.



*Forecasted

CURRENT URBAN ALASKA TRENDS

| Top 3 Price Increases (2022-2023) | | Top 3 Price Decreases (2022-2023) | |
|-----------------------------------|-------|-----------------------------------|--------|
| Motor Vehicle Insurance | 20.3% | Fuel Oil | -14.7% |
| Rent | 6.5% | Piped Natural Gas | -13.8% |
| Food Away From Home | 5.2% | Airline Fares | -9.4% |

Source: U.S. Bureau of Economic Analysis (2013-2023)

TRANSPORTATION INDUSTRY

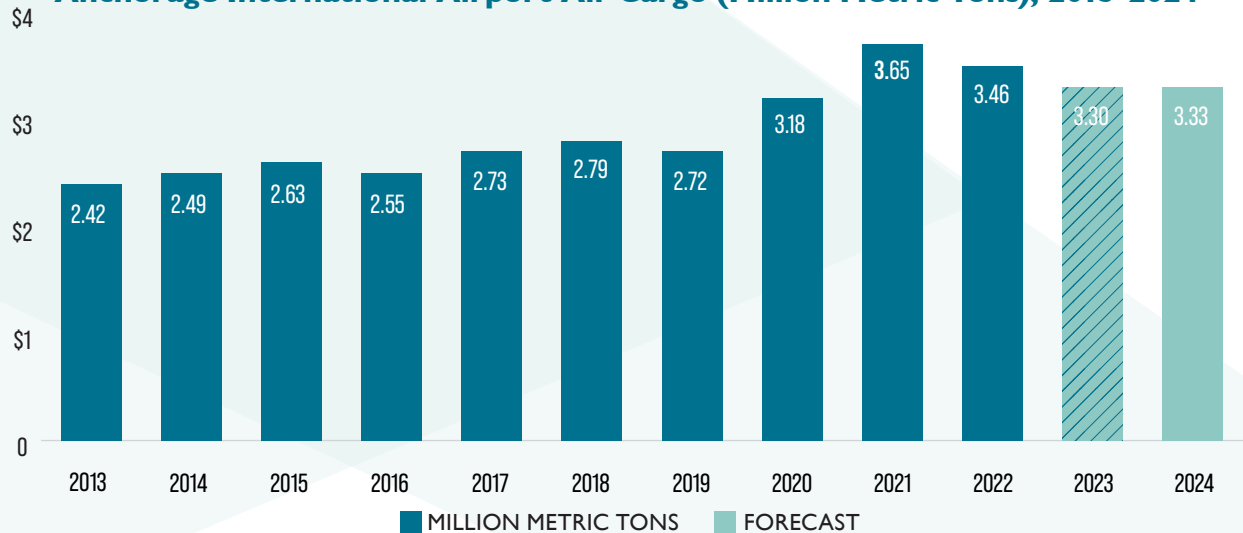
ANCHORAGE AIR CARGO

AIR CARGO VOLUME WILL STABILIZE WITH MODEST GROWTH AS SUPPLY CHAINS CONTINUE TO READJUST TO PRE-PANDEMIC PATTERNS.

CONTRIBUTING FACTORS

- National consumer confidence and resulting demand for goods positively impacts the volume transiting the Asia-North America route.
- Nationally, air cargo volume declined following historic highs in 2021. This trend coincides with a reduction in online shopping after significant pandemic-era increases.
- Completion of new the FedEx sorting facility will increase capacity for air cargo at ANC.
- International events are contributing to increased passage of material through Anchorage enroute to Europe and the Middle East.

Anchorage International Airport Air Cargo (Million Metric Tons), 2013-2024



CURRENT TRENDS

| | 2023 | 2022-2023 Change | 2022-2023 % Change |
|-------------------------------------|-----------|------------------|--------------------|
| Metric tons of air cargo | 3.3 M | -161,000 | -5% |
| Cargo landings | 53,388 | -1,476 | -3% |
| | 2022 Rank | | |
| Global airport rank by cargo volume | 3rd | | |

PORT OF ALASKA

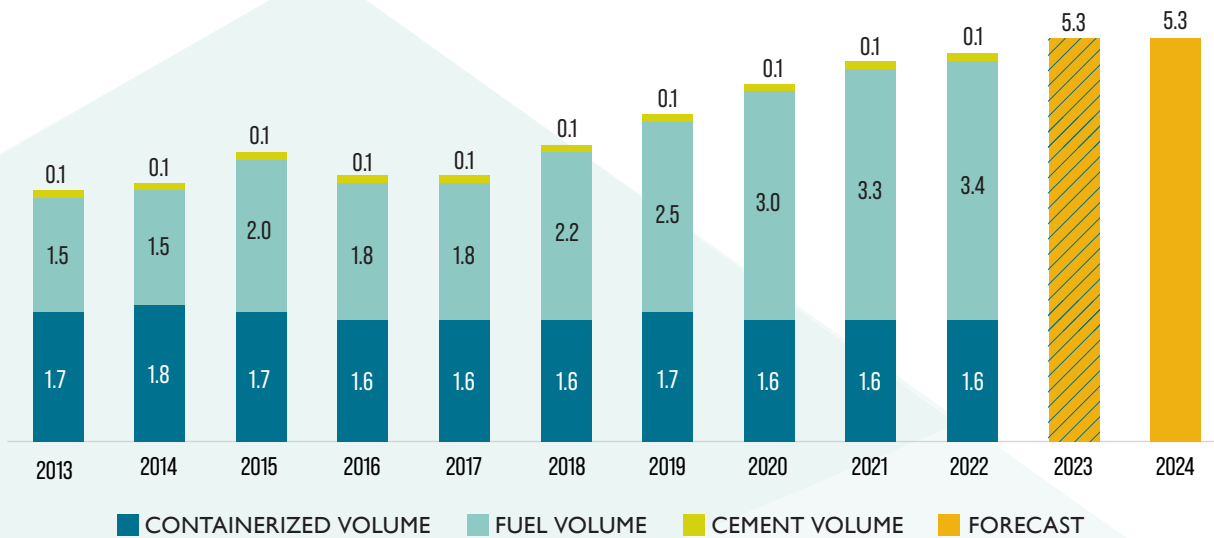
SHIPPING THROUGH THE PORT OF ALASKA WILL CONTINUE AT HISTORICALLY HIGH VOLUMES THROUGH THE NEXT YEAR.

CONTRIBUTING FACTORS

- Construction projects throughout the state are supporting strong cement demand, resulting in a nearly 50% increase in shipping volume over last year.
- Stable population rates in Anchorage will mean little to no increase in demand for consumer goods.
- Construction projects at the Port in 2024 may increase capacity in future years, but shipping volume will likely remain stable through the next year.

Port of Alaska Cargo Volume (Million Tons), 2013-2024

Construction projects will keep shipping volumes high.



| CURRENT TRENDS | | | |
|----------------------|-----------|-----------------|-------------------------------|
| | 2023 Tons | % of 2023 Total | 2022- 2023 % Change in Volume |
| Fuel volume | 3.2 M | 66% | -5% |
| Containerized volume | 1.6 M | 32% | -1% |
| Cement volume | 0.1 M | 2% | +47% |

Source: Alaska Department of Labor and Workforce Development (2013-2022); McKinley Research Group estimates (2023-2026).

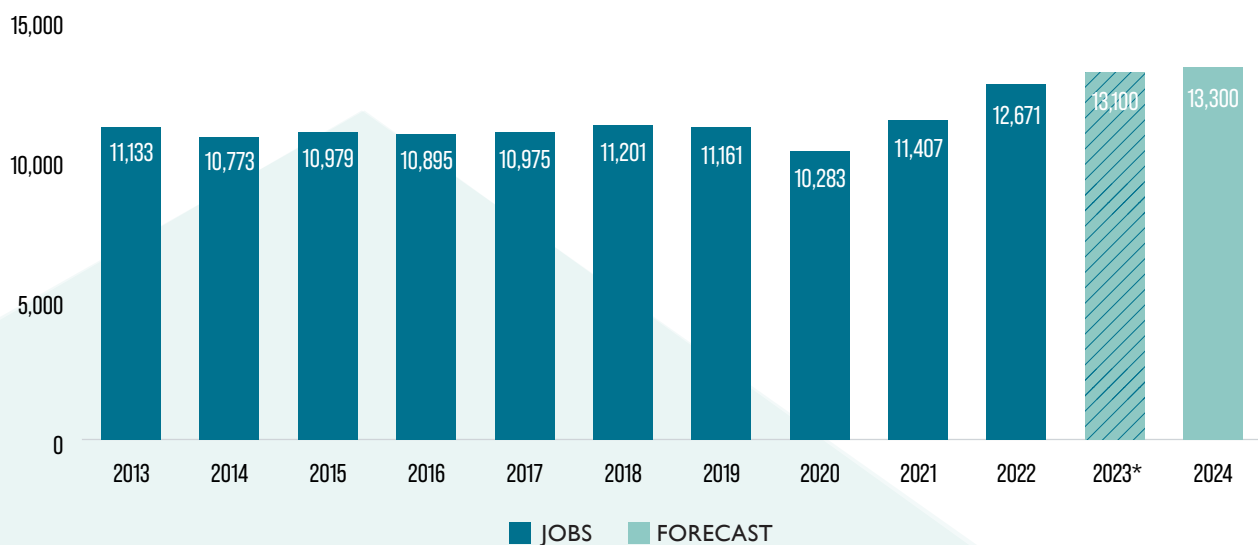
TRANSPORTATION EMPLOYMENT

TRANSPORTATION EMPLOYMENT WILL CONTINUE TO EXPAND IN 2024.

CONTRIBUTING FACTORS

- The opening of new facilities such as the FedEx facility and Amazon sorting facility will increase demand for employees in the Transportation sector.
- FedEx plans to close its MD-11 freighter crew base in Anchorage, relocating pilots to other crew bases in their network, as part of a companywide cost saving initiative and ongoing retirement of the MD-11 fleet.

Anchorage Transportation Employment, 2013-2024



Source: Alaska Department of Labor and Workforce Development (2013–2022), McKinley Research Group Estimates (2023–2024)

* Employment estimate is preliminary

CONSTRUCTION INDUSTRY

BUILDING PERMIT VALUES

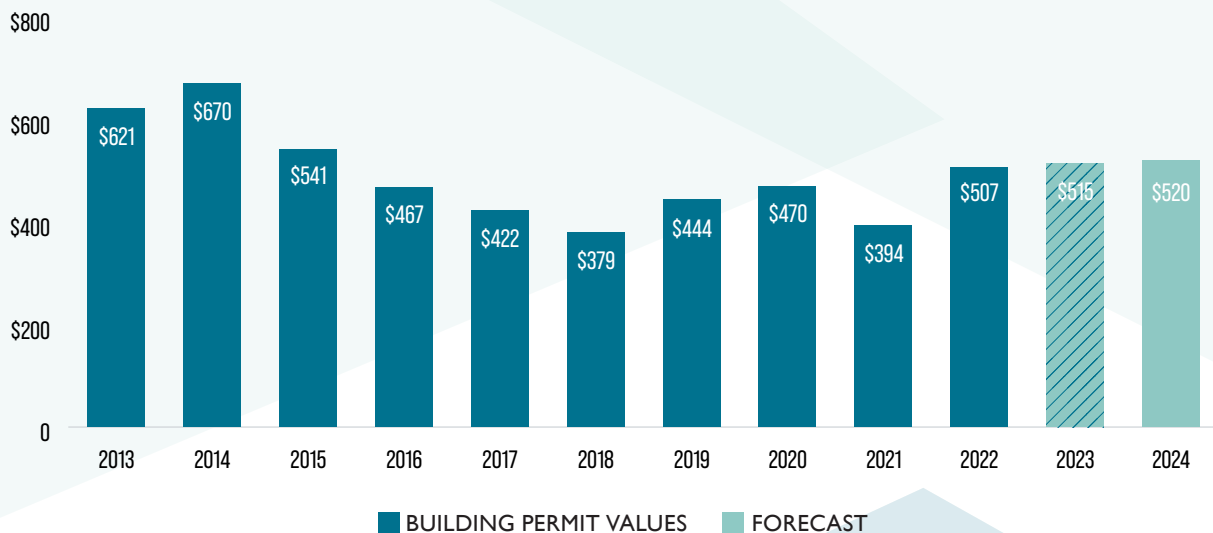
ANCHORAGE CONSTRUCTION PERMITS IN 2024 ARE EXPECTED TO INCREASE SLIGHTLY, DESPITE FACING DOWNWARD PRESSURE FROM HIGH INTEREST RATES AND MATERIAL PRICES.

CONTRIBUTING FACTORS

- The pace of federal interest rate hikes has slowed. However, rates remain high, exerting downward pressure on residential and private, commercial construction activity.
- Material costs remain high due to inflationary pressures.
- Several commercial projects, including modernization work at the Port of Alaska and cargo projects at the Anchorage International Airport, will help sustain permit values in the near term.

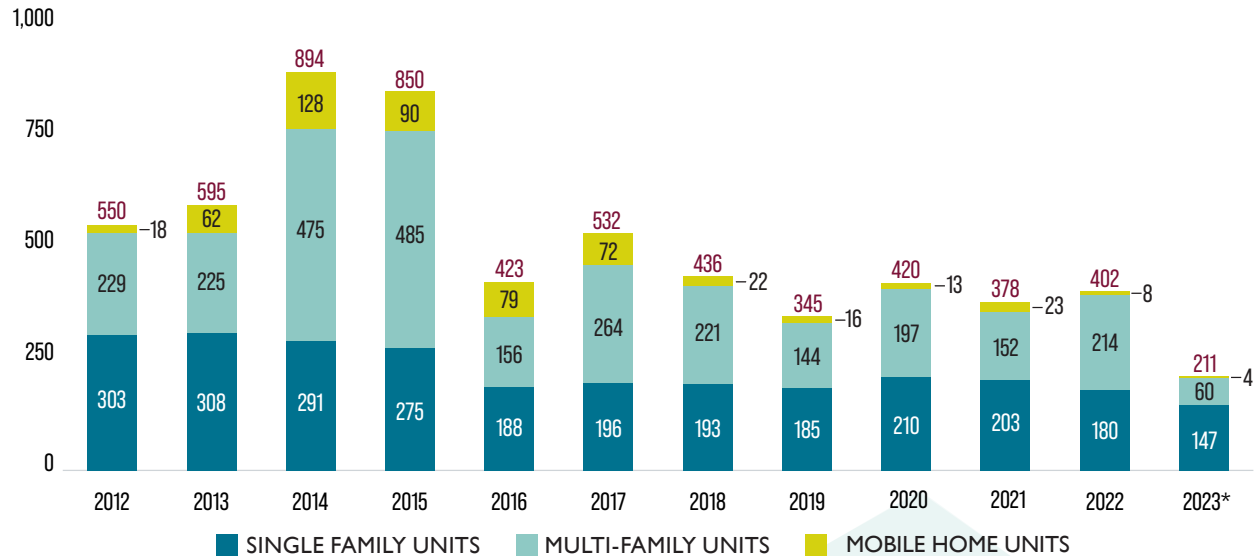
Anchorage Building Permit Values (Millions of Dollars), 2013-2024

Higher material costs drove up total construction permit values in 2022 and 2023.



HOUSING UNITS BUILT IN ANCHORAGE

New Units Built in Anchorage by Type, 2012-2023



* 2023 units based on preliminary data through September 2023 and forecasted data through December.

CURRENT TRENDS

| | 2023 Permit Values | 2022-2023 % Change |
|---|--------------------|--------------------|
| Total activity | \$514.9 million | +1.6% |
| | 2023 | 2022-2023 % Change |
| Average home sales price | \$481,181 | +5% |
| | 2019, YTD Q3 | 2023, YTD Q3 |
| Anchorage – Mat-Su average home sales price difference | \$105,005 | \$64,884 |

Source: Municipality of Anchorage (2013–2023), Alaska Housing Finance Corporation (2013–2023), Alaska Multiple Listing Service (2019–2023), McKinley Research Group Estimates (2023–2024).

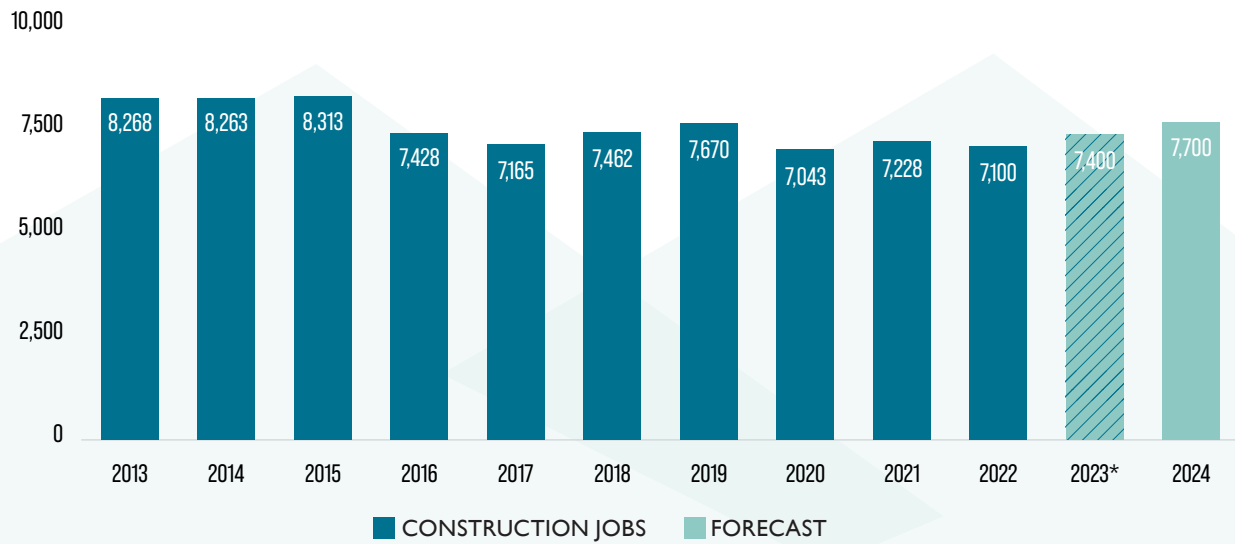
CONSTRUCTION EMPLOYMENT

INCREASED CONSTRUCTION ACTIVITY ACROSS ALASKA WILL DRIVE AN INCREASE IN ANCHORAGE CONSTRUCTION EMPLOYMENT IN 2024.

CONTRIBUTING FACTORS

- Over \$6 billion in infrastructure funding authorized by the federal Infrastructure Investment and Jobs Act has been awarded to Alaska organizations. Anchorage is a hub of the statewide construction industry, and local employers will see increased demand for their services statewide.
- As in other sectors, the construction industry has contended with workforce shortages for several years which will likely constrain the pace of employment growth in the industry in the near-term.

Anchorage Construction Employment, 2013-2024



Source: Alaska Department of Labor and Workforce Development (2013–2022), McKinley Research Group Estimates (2023–2024)

* Employment estimate is preliminary

VISITOR INDUSTRY

ANCHORAGE AIR PASSENGERS

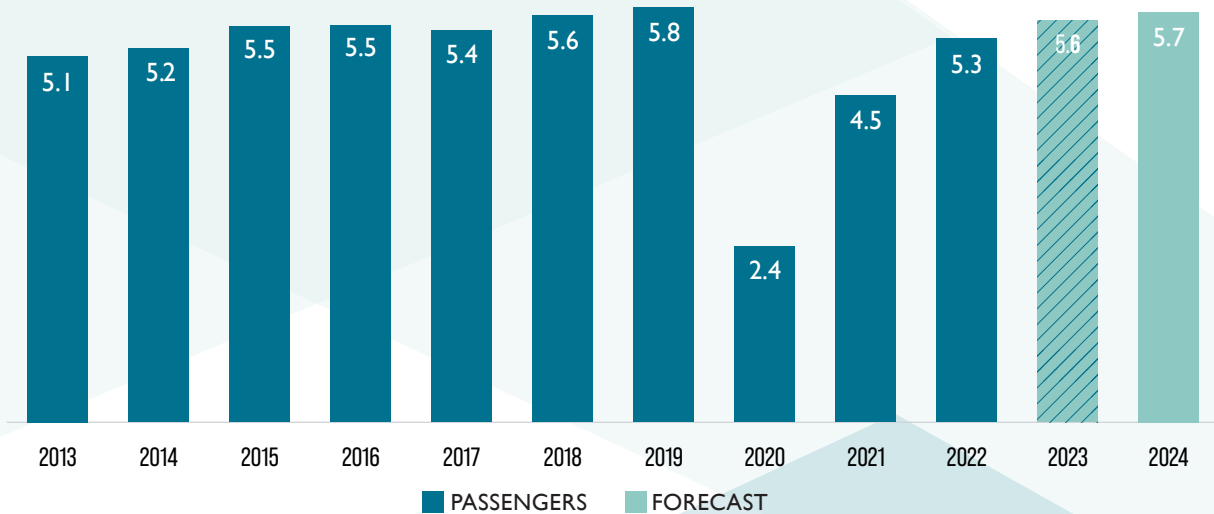
AIR PASSENGERS VOLUME THROUGH ANCHORAGE INTERNATIONAL AIRPORT WILL CONTINUE TO RECOVER FROM PANDEMIC-ERA LOWS.

CONTRIBUTING FACTORS

- Cross-gulf cruise ship passenger volume is expected to increase by 12% in 2024. Cruise lines plan to increase 2024 capacity beyond pre-pandemic visitation levels.
- Strong 2023 Anchorage convention and meeting attendance indicate a rebound in business travel.
- Non-cruise related visitor volumes may stabilize to pre-pandemic levels as the post-COVID travel boom stabilizes.

Anchorage International Airport Air Passenger Volume (Millions), 2013-2024

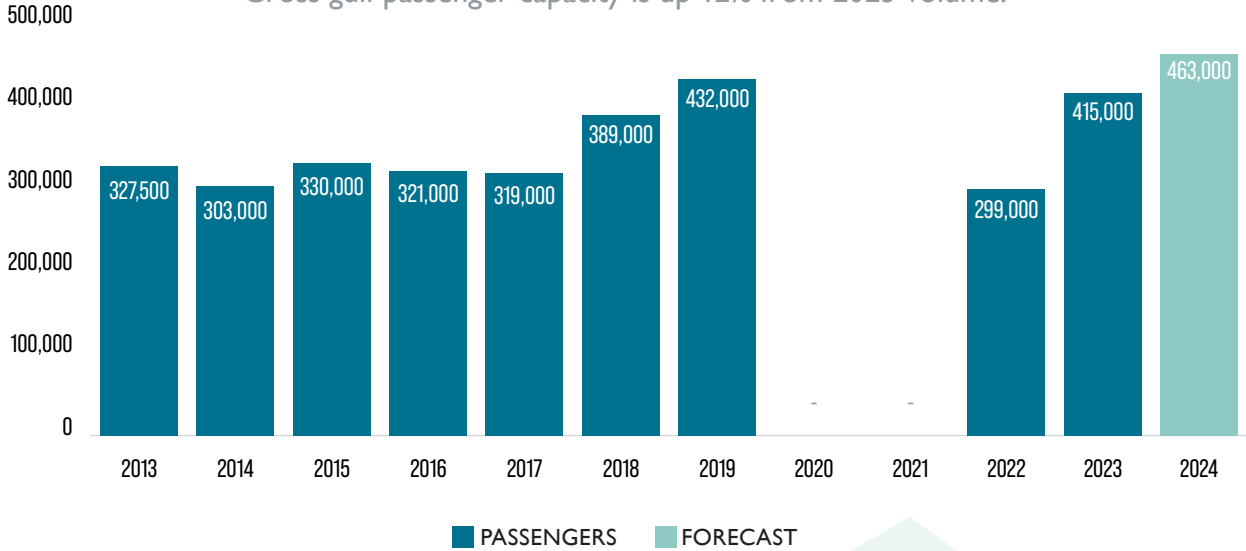
Air passenger volumes have not fully recovered from the impacts of the COVID-19 pandemic.



CROSS-GULF CRUISE SHIP PASSENGERS

Cross-Gulf Cruise Ship Passengers 2013-2023, 2024 Capacity

Cross gulf passenger capacity is up 12% from 2023 volume.



| CURRENT TRENDS | | |
|--|---------------------------|---|
| Municipal Tax Receipts | YTD (Jan-Sep) 2023 | YTD (Jan-Sep) 2022-2023 % Change |
| Room Tax | \$38.2M | +9% |
| Rental Vehicle Tax | \$9.8M | -4% |
| Anchorage Air Passengers | YTD (Jan-Nov) 2023 | YTD (Jan-Nov) 2022 - 2023 % Change |
| Passenger volume | \$5.2M | +5% |
| Cross-Gulf Cruise Volume (Whittier, Seward) | 2023 | 2022-2023 % Change |
| Passenger volume | 415,000 | +39% |

Source: Municipality of Anchorage; Cruise Line Agencies of Alaska; McKinley Research Group Estimates

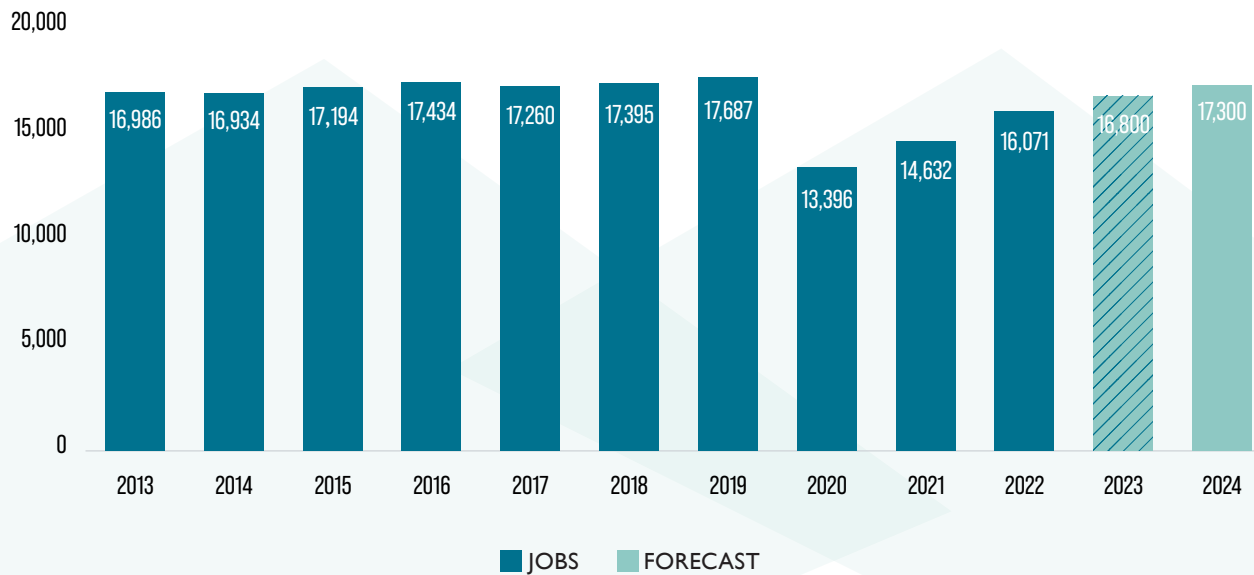
LEISURE AND HOSPITALITY EMPLOYMENT

LEISURE AND HOSPITALITY EMPLOYMENT WILL CONTINUE TO RECOVER IN 2024 YET IS EXPECTED TO FALL SHORT OF PRE-PANDEMIC LEVELS DUE TO LABOR FORCE CONSTRAINTS.

CONTRIBUTING FACTORS

- Continued strength in consumer spending and the visitor industry will support industry demand.
- New Anchorage hotels under construction will increase employment.
- Statewide, participation in the foreign summer visa program (J-I exchange worker program) remains below pre-pandemic levels.

Anchorage Leisure and Hospitality Employment, 2013-2024



OIL AND GAS INDUSTRY

ALASKA NORTH SLOPE OIL PRICE AND PRODUCTION

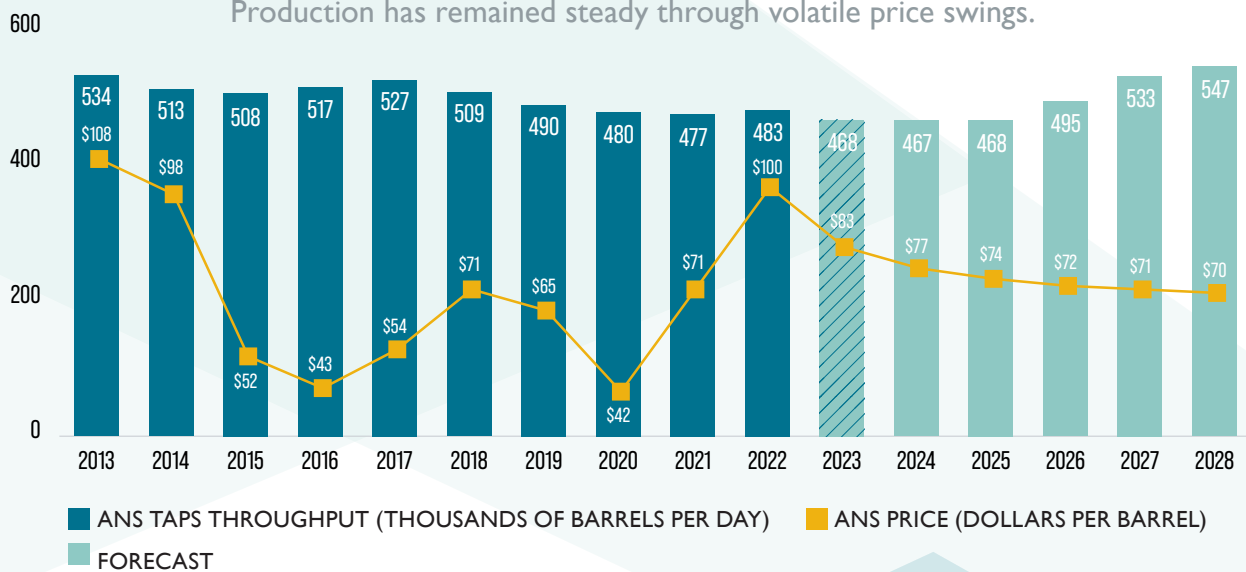
ALASKA NORTH SLOPE (ANS) PRICES ARE EXPECTED TO REMAIN WELL BELOW 2022 HIGHS, WHILE PRODUCTION IS EXPECTED TO STEADILY INCREASE AFTER 2026.

CONTRIBUTING FACTORS

- Construction is underway on two large new developments on Alaska’s North Slope, with new production expected in 2026.
- Political instability in Russia and the war in Ukraine will continue to impact global pricing.
- Alaska North Slope oil prices averaged approximately \$83 per barrel in 2023, a decrease of 18% compared to 2022.

Alaska North Slope Crude Oil Production and Prices, 2013-2028

Production has remained steady through volatile price swings.



CURRENT TRENDS

| | CY 2023 Average | CY 2022 – CY 2023 % Change |
|----------------------|-----------------|----------------------------|
| ANS oil price/barrel | \$82.60 | -18% |

Sources: Alaska Department of Revenue, Energy Information Administration, CME Group, McKinley Research Group calculations

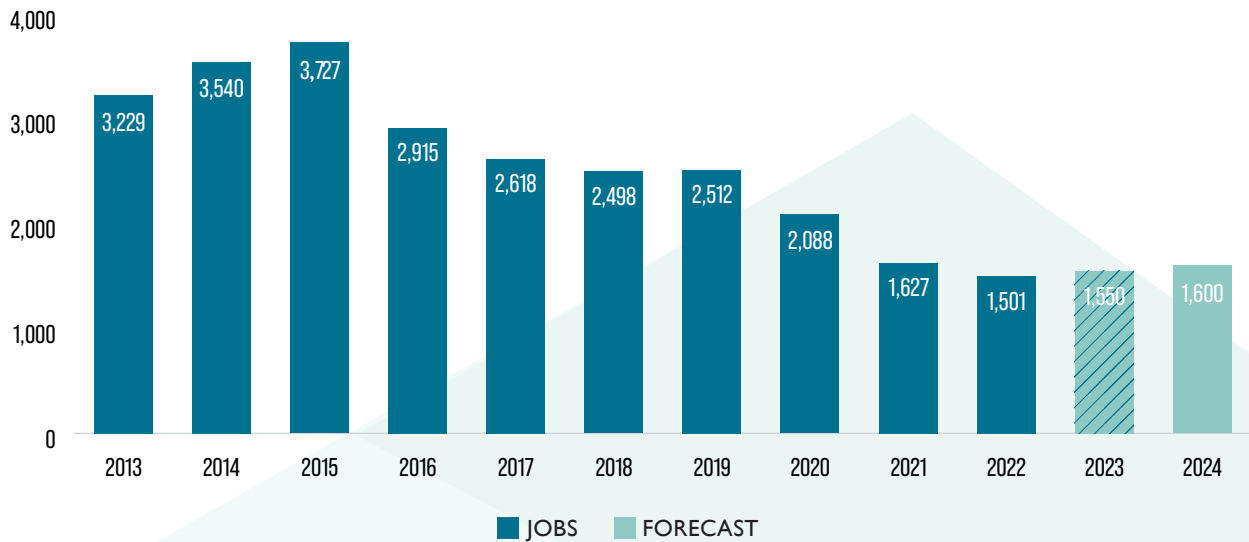
OIL AND GAS EMPLOYMENT

PROJECTS UNDER DEVELOPMENT ON ALASKA'S NORTH SLOPE WILL DRIVE MODEST OIL & GAS EMPLOYMENT GROWTH IN ANCHORAGE.

CONTRIBUTING FACTORS

- High oil price environments and increased activity on Alaska's North Slope will generate modest additional oil and gas and support services employment in Anchorage in 2024.
- Additional jobs are expected to be added in Anchorage later in the decade as construction and development is finalized on new projects.
- Oil industry employment was slow, yet positive through the first half of 2023.

Anchorage Oil & Gas Employment, 2013-2024



Source: Alaska Department of Labor and Workforce Development (2013-2022), McKinley Research Group Estimates (2023-2024)

* Employment estimate is preliminary

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