ALASKA'S ECONOMY
Understand it. Support it. Grow it.

Volume 3
November 2015

Scott Goldsmith, Professor of Economics, Institute of Social and Economic Research at the University of Alaska Anchorage, shares his views on the Alaska economy.

October Unemployment Stable at 6.4 Percent

The October 2015 seasonally adjusted unemployment rate for Alaska was 6.4 percent, unchanged from September. The national rate for October was 5.0 percent, down .1 percent from the previous month. **Figure 1**

Rates under 5 percent (not seasonally adjusted) were reported in Anchorage, Kodiak, Juneau, and the Aleutian Census Areas.

North Slope Oil Price Averaging $50 This Fiscal Year

The North Slope oil price has averaged $50 per barrel this fiscal year starting in July. **Figure 2**

This is below the $66 forecast of the Alaska Department of Revenue made last spring. The low price will likely result in a downward revision of their revenue forecast which will be published prior to the next regular legislative session in January 2016.

A continuing oversupply in world markets and a strong US dollar are combining to hold down the price.

In their annual outlook, the International Energy Agency (IEA) expects the oil market to remain oversupplied until the end of the decade. The IEA does not expect the oil price to reach $80 a barrel until 2020 in its "central scenario." However in its "low price scenario" it expects the price to remain close to $50 until the end of the decade.

North Slope Oil Production Higher

North Slope oil production through October is about 20,000 barrels per day higher than last fiscal year. Production is normally lower during the summer because of maintenance and warmer temperatures. **Figure 3**

Alaska Employment Higher Through First Half of 2015

Alaska wage and salary employment in the first half of 2015 continued to be higher than 2014 according to the Alaska Department of Labor. Increased private sector employment more than offset a decline in public, mostly state government, employment. However growth slowed over the first two quarters of the year and will probably turn negative before the end of the year. **Figure 4**

Increased employment in construction accounted for a large share of the growth, but construction spending will soon start to drop. Employment in professional services, a leading indicator of activity in the construction sector, started to fall last year. **Figure 5**

Petroleum employment peaked at the end of 2014 and is now starting to fall. **Figure 6**

Increases in employment in health care, one of the drivers of employment growth for the last several years, has ground to a halt. **Figure 7**

However the decline in federal civilian employment since 2010 may be nearing an end. **Figure 8**

Employment was higher in all major labor markets except Kenai. **Figure 9**

Anchorage Consumer Optimism Index Lower in First Quarter

The Anchorage Consumer Optimism Index, prepared by Northern Economics based on a survey of 350 households in the Municipality of Anchorage, fell for the second quarter in a row, to 56.5, its lowest level since 2011. (The index can take values between 0 and 100. A value greater than 50 indicates relative confidence in the economy.) The six-month moving average has now fallen in each of the last four quarters. **Figure 10**

Of the three components comprising the index, local economic confidence increased while personal financial confidence and future expectations both declined.

Seafood Harvesting Employment Grows

Commercial fishing employment grew .7 percent in 2014, primarily driven by increased groundfish (walleye pollock and Pacific cod) harvests. A 24.8 percent increase in groundfish employment more than offset a slight decline in employment in the salmon fishery. Commercial fishing employment has increased each year since 2009. **Figure 11**

Governor Proposes Sovereign Wealth Fund Fiscal Plan

The governor has proposed a state fiscal restructuring to address the current general fund deficit and the continuing volatility of petroleum revenues. The plan, called the sovereign wealth model, has four main elements.

1. Deposit all petroleum production taxes and an additional 25 percent of royalties into the Permanent Fund
2. Transfer $3 billion from the Constitutional Budget Reserve (CBR) to the Permanent Fund Earnings Reserve
3. Draw $3.3 billion (increasing each year with inflation) from the Earnings Reserve for state general fund spending
4. Pay the Permanent Fund dividend from the 50 percent of royalties not deposited into the Permanent Fund **Figure 12**

With all other taxes added, this would make $4.1 billion available for general fund spending, leaving a deficit of about $1 billion to be made up using budget cuts and new revenue sources.

The Permanent Fund dividend would be reduced by about one half.

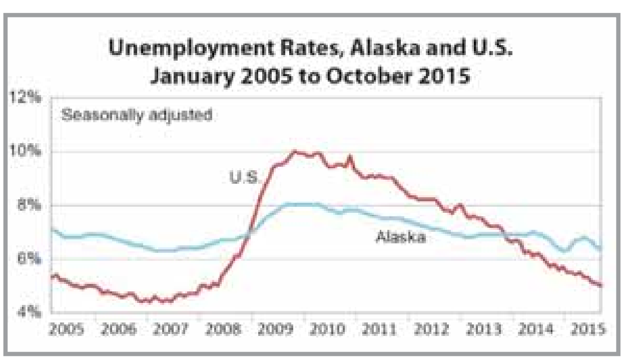

Figure 1

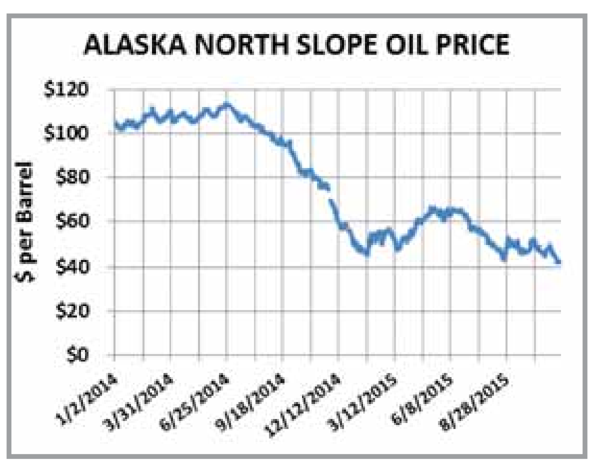

Figure 2

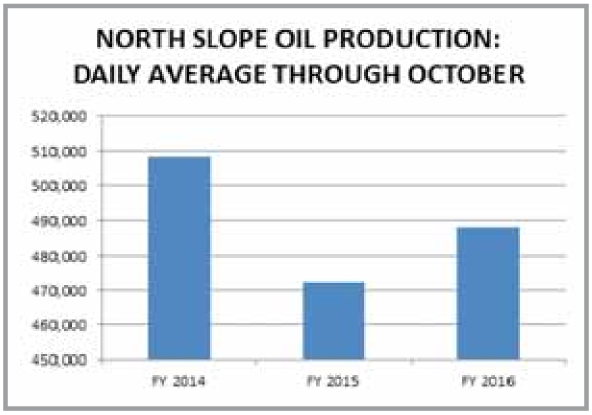

Figure 3

Figure 4

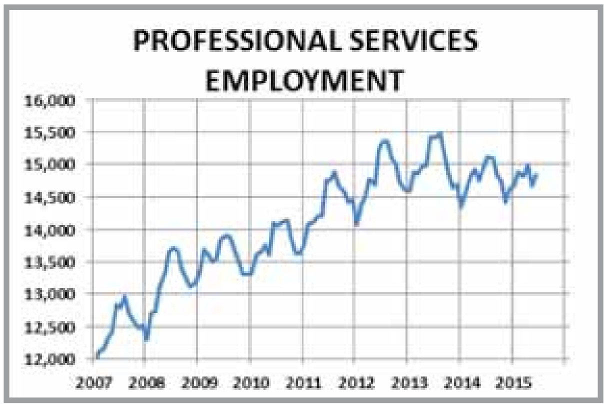

Figure 5

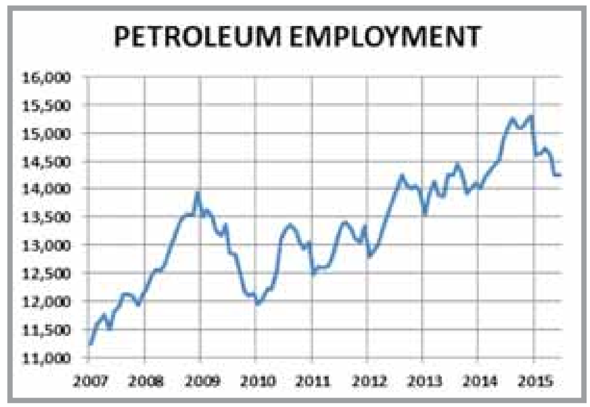

Figure 6

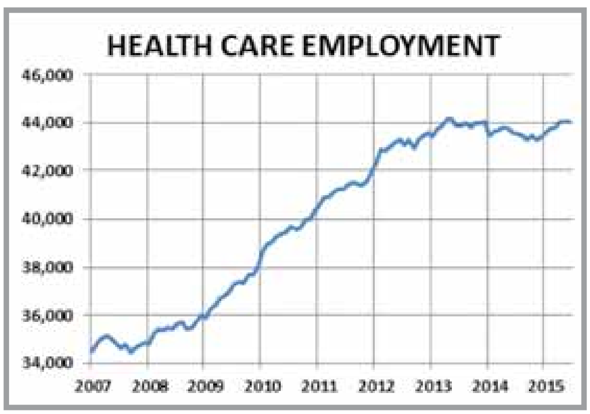

Figure 7

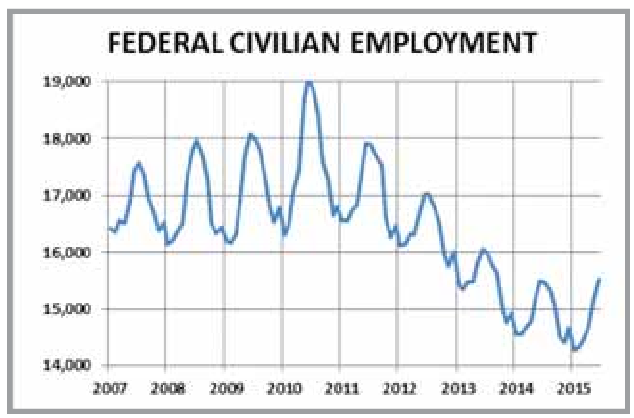

Figure 8

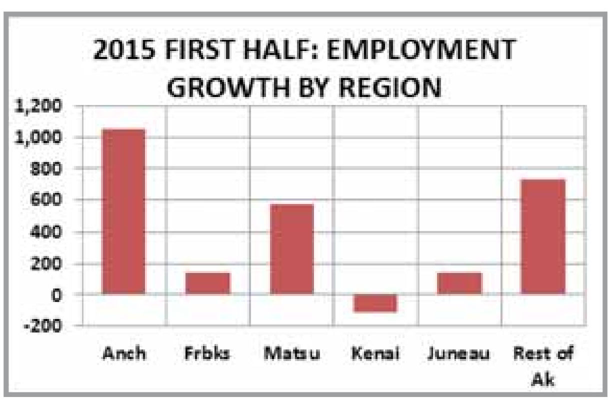

Figure 9

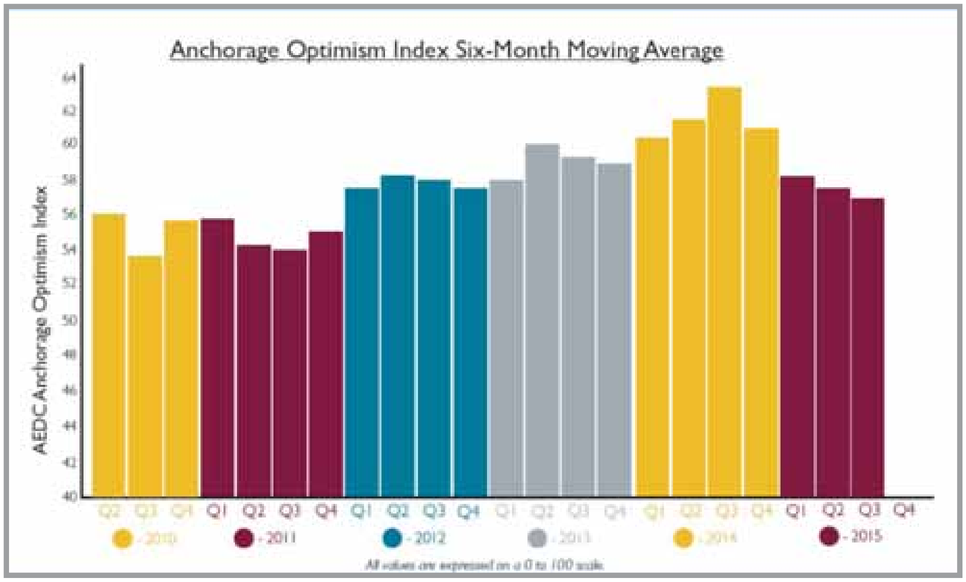

Figure 10

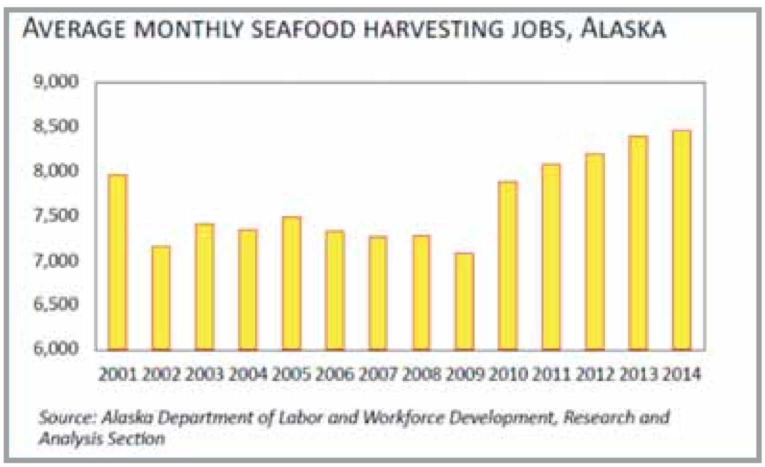

Figure 11

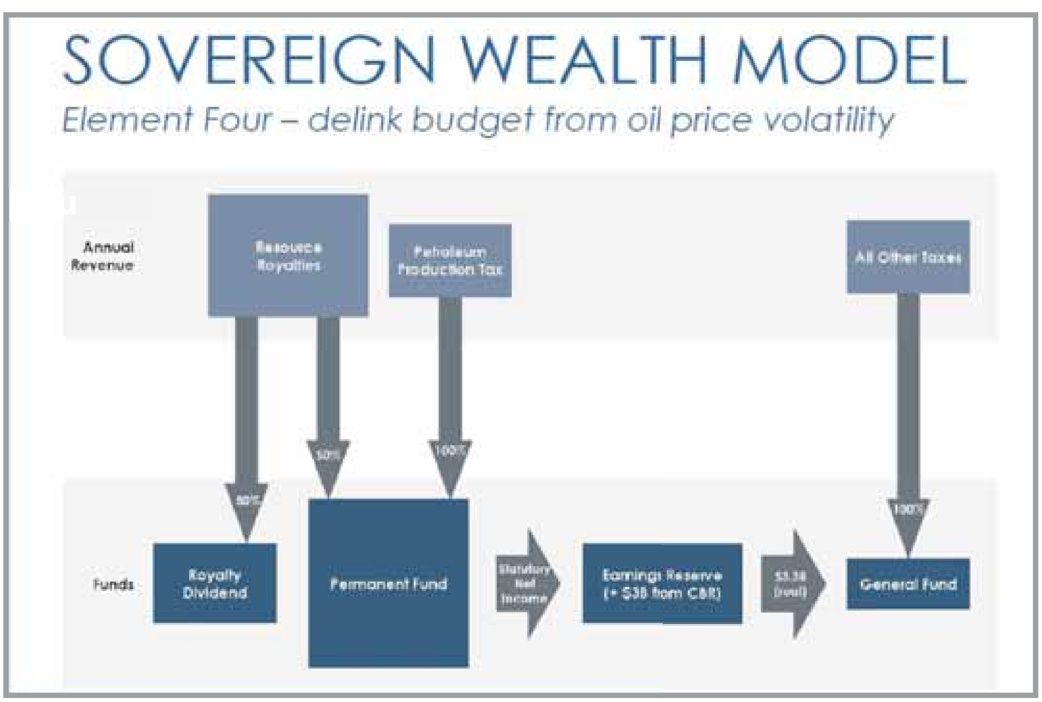

Figure 12