

ALASKA'S ECONOMY

Understand it. Support it. Grow it.



Volume 7
February 2019

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

Alaska's unemployment rate averaged 6.8 percent in 2018

Alaska's unemployment rate has historically been higher than general U.S. unemployment, with the exception of the mid-1980s and during the Great Recession that affected the Lower 48. In 2018, the U.S. unemployment rate averaged 3.9 percent while Alaska's averaged 6.8 percent. **Figure 1**

Labor force participation dropped between December 2017 and December 2018

Alaska's unemployment rate decreased to 6.4 percent in the last four months of 2018. The decrease was largely driven by a decline in labor force participation, as opposed to being driven by job creation or attainment. The number of individuals in the labor force totaled 355,543 in Dec. 2018, with 333,153 of them being employed. The difference tells us that 22,930 people were unemployed in Dec. 2018. It is important to note that labor force participation dropped by 1.9 percent between Dec. 2017 and Dec. 2018. **Figure 2**

More Alaska housing permits issued in 2018 than 2017

The number of Alaska housing unit building permits issued increased for a third consecutive year. Even without data from Dec. 2018, the total number of 2018 housing permits had exceeded those of 2017. The growth rate in 2016 was 15.54 percent, and in 2017 it was 3.5 percent. This clearly demonstrates increased activity in the construction sector. **Figure 3**

Rental vacancy rates in Anchorage increased between 2017 and 2018

Rental vacancy rates have nearly doubled in Anchorage from 3.2 percent in 2014 to 6.2 percent in 2018. Rental demand can be an indicator of changes in population or unemployment rate. The Matanuska-Susitna borough also experienced a large jump in vacancies between 2016 and 2017 (3.6 to 7.6 percent), but 2018 saw a slight decline to 7.3 percent. Juneau vacancies decreased from 7.5 to 5.7 percent from 2017 to 2018, while Fairbanks saw an increase during the same time from 12.2 to 13.7 percent. **Figure 4**

2019 construction forecast: 10 percent growth

The “Alaska Construction Spending Forecast” from the Institute of Social and Economic Research for 2019 predicts construction spending of \$7.2 billion, an increase of 10 percent over 2018. The increase is largely driven by a combination of petroleum (13 percent), and national defense (13 percent). This will make 2019 the first year construction spending will be more than 7 billion dollars since 2016. Most other sectors will also see a modest increase in spending in 2019. Private spending, excluding petroleum, will increase 2 percent to \$1.7 billion. Public spending, excluding national defense, will increase 5 percent to \$1.9 billion. Annual wage and salary employment in the construction industry in 2018 was about 15,000 workers with average annual pay of \$76,000, exceeded only by petroleum and mining. **Figure 5**

North Slope oil production averaging 4 percent below last year

In the first six weeks of 2019, oil production averaged 522,617 barrels per day. That level of production is 22,214 barrels below the same period in 2018. Oil prices have averaged roughly \$7 less in 2019 as compared to the same time last year. Specifically, they averaged \$61.16 between Jan. 1 and Feb. 14 in 2019, and \$68.23 between Jan. 1 and Feb. 14 of 2018. **Figure 6**

Alaska North Slope oil prices averaged a higher rate than West Texas Intermediate in 2018

Alaska North Slope (ANS) oil prices averaged \$43 in 2016 and the gap between ANS and benchmark West Texas Intermediate was \$0.14. In 2017, the average ANS price increased to \$54 and the gap became \$3.30. In 2018, the ANS price increased to \$71 and the gap was \$6.50. In the first month and a half of 2019, the average ANS price was \$10 below the 2018 average. The ANS and West Texas Intermediate gap for 2019 is averaging almost \$9. **Figure 7**

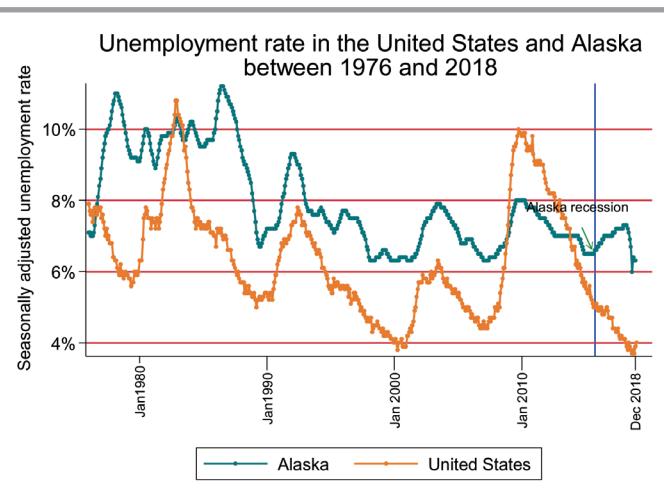


Figure 1

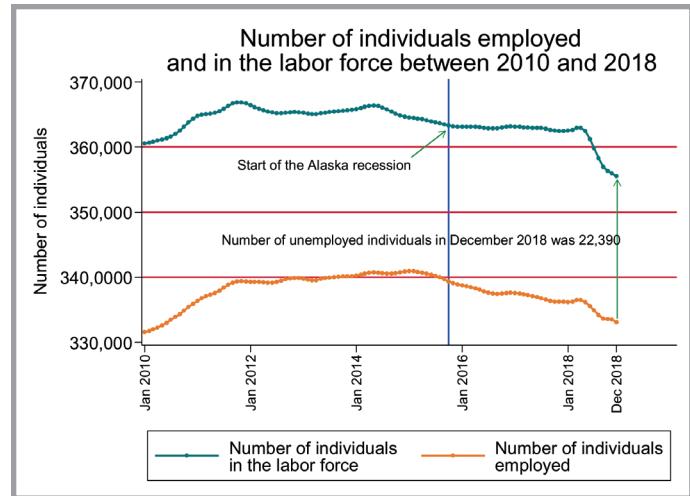


Figure 2

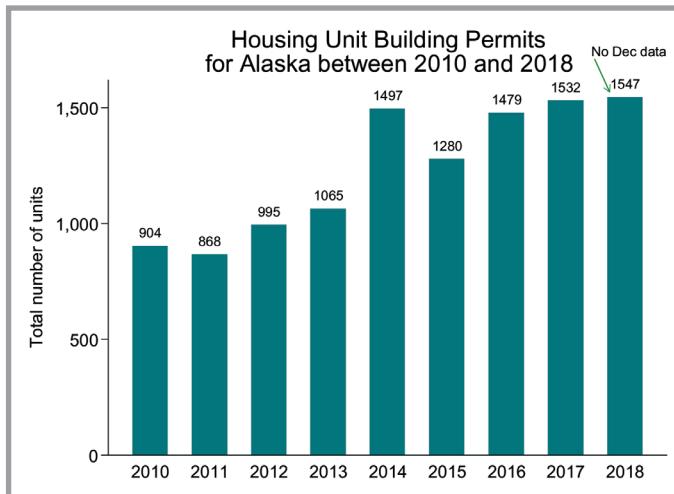


Figure 3

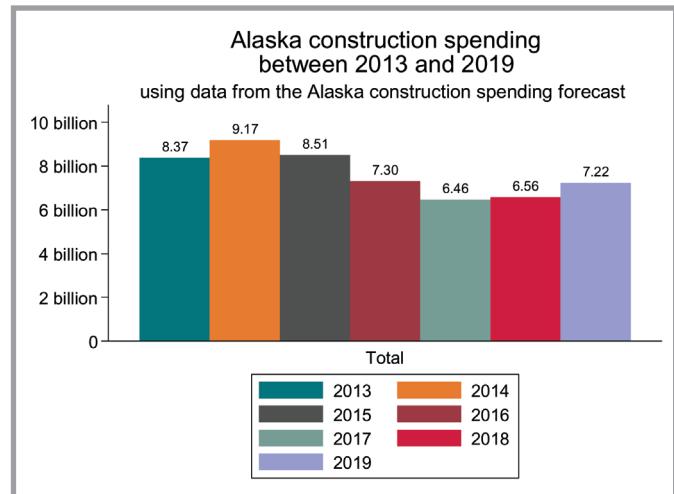


Figure 4

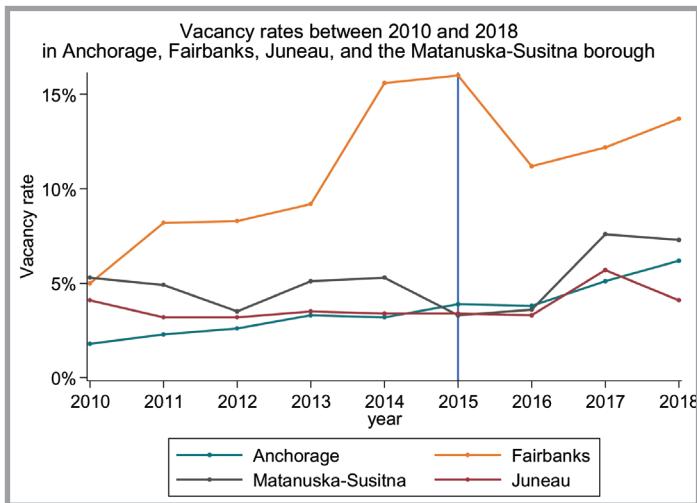


Figure 5

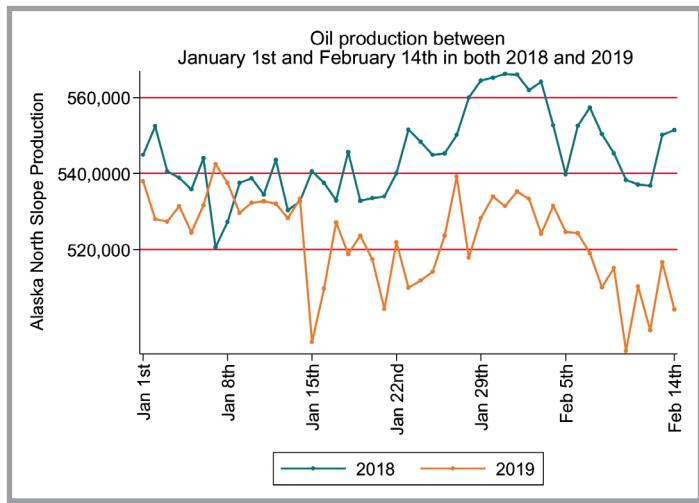


Figure 6

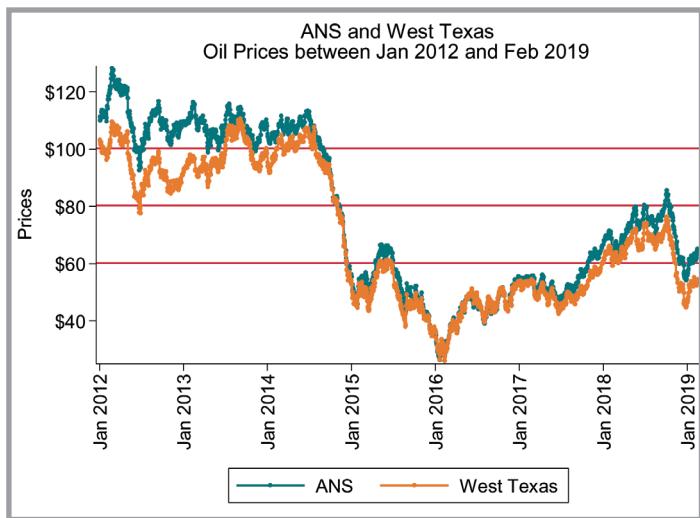


Figure 7

