



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

July Unemployment Rate Unchanged From Last Month

The July 2015 seasonally adjusted unemployment rate for Alaska was 6.7 percent, essentially unchanged from the June rate of 6.8 percent. The national rate for July was 5.3 percent, unchanged from the previous month. **Figure 1**

The Alaska unemployment rate has been relatively stable at the historical average for the past year while the national rate has continued to fall.

North Slope Oil Price Slips Below \$50

The ANS (Alaska North Slope) oil price slipped below \$50 in mid-August. It has averaged \$53 since the start of the fiscal year on July 1. **Figure 2**

The Department of Revenue price forecast for this fiscal year is \$66. The average price for 2015, the fiscal year that just ended, was \$73 per barrel, slightly above the Spring forecast of \$67 by the Alaska Department of Revenue.

The price of ANS has recently been closely tracking the price of Brent crude, and about \$4 higher than the West Texas Intermediate (WTI) price, as well as the one-month future quote for light sweet crude on the New York Mercantile Exchange. Both indexes are now at their lowest point in 6 years.

Short Term Oil Price Forecast Revised Downward

The US Energy Information Administration revised their two year price forecast for Brent crude downward in August compared to the month before. They are currently forecasting an average price of \$54 for 2015, increasing to \$59 for 2016. (The Alaska North Slope price has been tracking close to the Brent crude price recently.) **Figure 3**

Alaska Employment Continues to Grow in 2015

Alaska wage and salary employment is .6 percent – about two thousand – higher than last year through the first seven months of this year based on preliminary data from the Alaska Department of Labor. However the increase in the monthly volatility of the data suggests the growth should be viewed with caution. **Figure 4**

Construction, trade, transportation, health services, accommodation, and local government were all higher in July than one year earlier.

2015 Permanent Fund Earnings Down \$600 Million

The statutory net income of the Alaska Permanent Fund was \$2.9 billion in fiscal year 2015. This was a decline from \$3.5 billion in the previous year. This income is deposited into the Permanent Fund Earnings Reserve (also known as the Assigned Fund Balance) and is used to pay the dividend and protect the Fund from inflation. **Figure 5**

The balance in the Permanent Fund at the end of the fiscal year was \$52.8 billion, an increase of \$1.6 billion from the year before. Of this total \$39.2 billion is constitutionally protected. The rest is the balance in the Earnings Reserve account and the unrealized gains, both of which can be spent under current law. **Figure 6**

Alaska's Fiscal Problem in one Graph

This graph, from the Institute of Social and Economic Research, summarizes the state fiscal challenge. **Figure 7**

The horizontal lines show the deficit at different oil prices. The vertical bars are rough estimates of the possible contribution of each of the big tools available to close the deficit. There are many other sources of new revenues, like a lottery, but they are so small as to be invisible on this chart.

At the current oil price, we will have to use some form of all these tools to permanently get rid of the deficit.

How Big is \$3 Billion ?????

The state general fund deficit this year will probably be more than \$3 billion. That means the state is drawing about \$10 million from reserves every day to cover the deficit. Three billion is about the distance, in miles, from the earth to Pluto.

Coal Price Falling

The coal price, about \$43 per ton, has fallen about 30 percent in the last year and is at the lowest level in at least five years. **Figure 8**

Gold and Silver Prices Continue Downward Trend

Both the gold and silver prices have continued to trend downward over the last two years after falling abruptly in 2012. Gold is currently trading at \$1,160 per ounce and silver is at \$15.21.

Figures 9 and 10

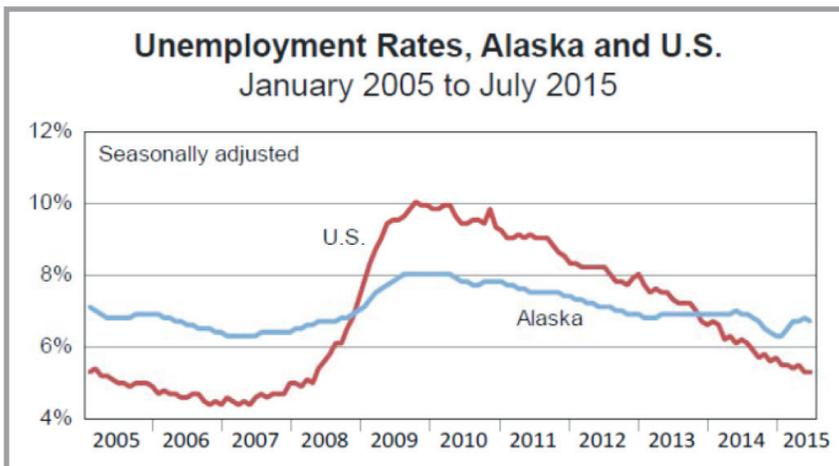


Figure 1

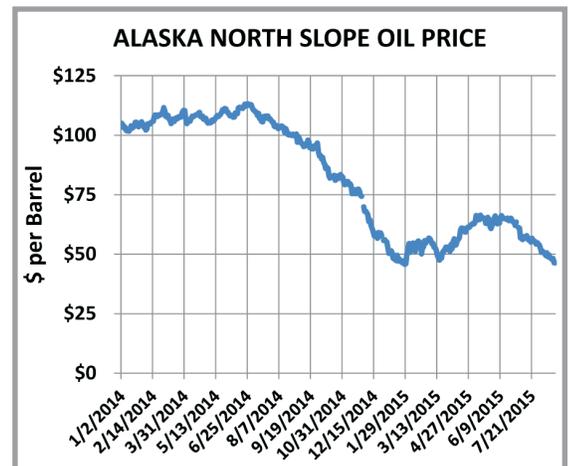


Figure 2

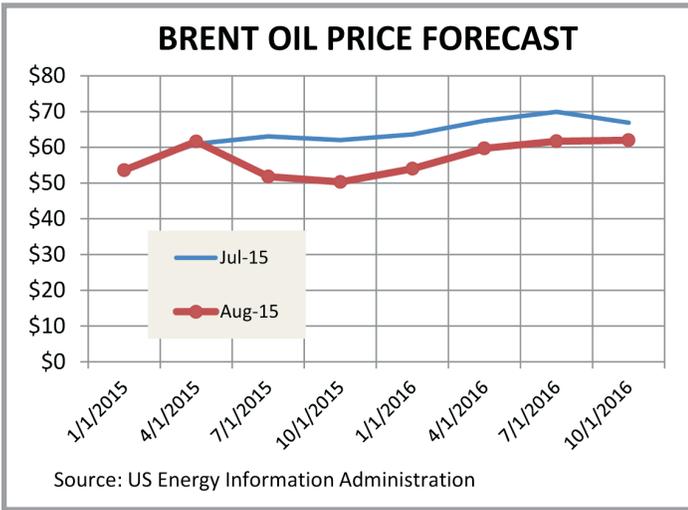


Figure 3

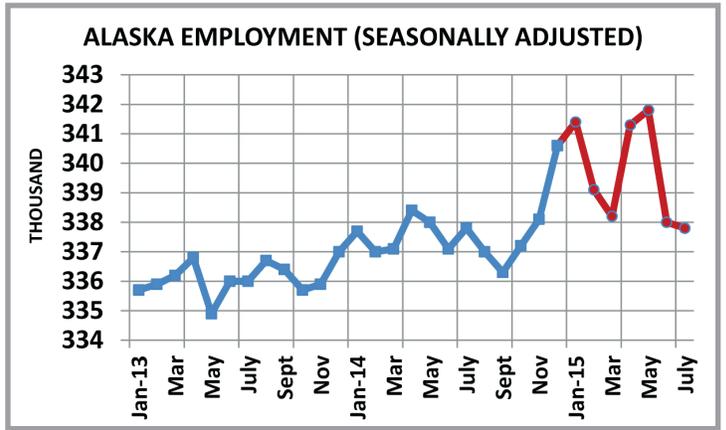


Figure 4

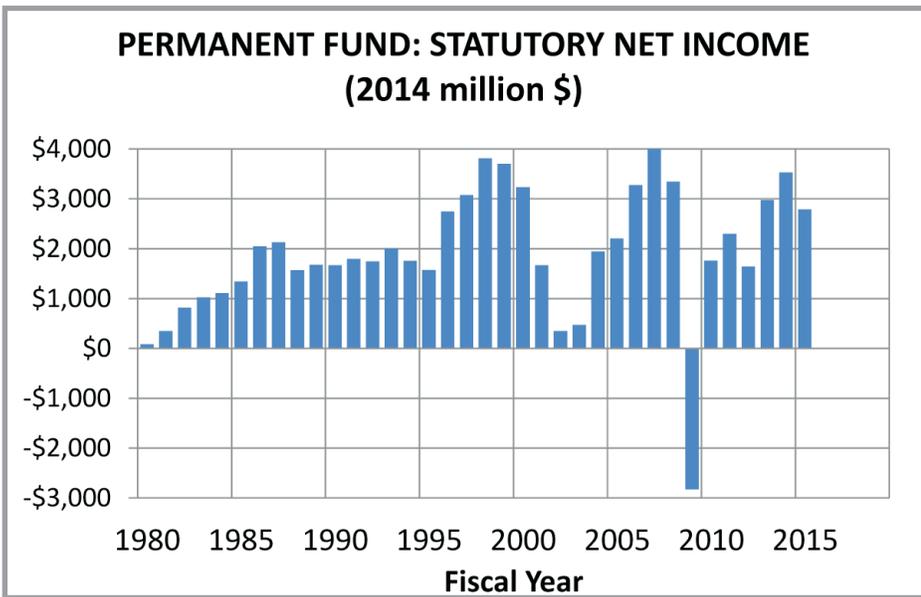


Figure 5

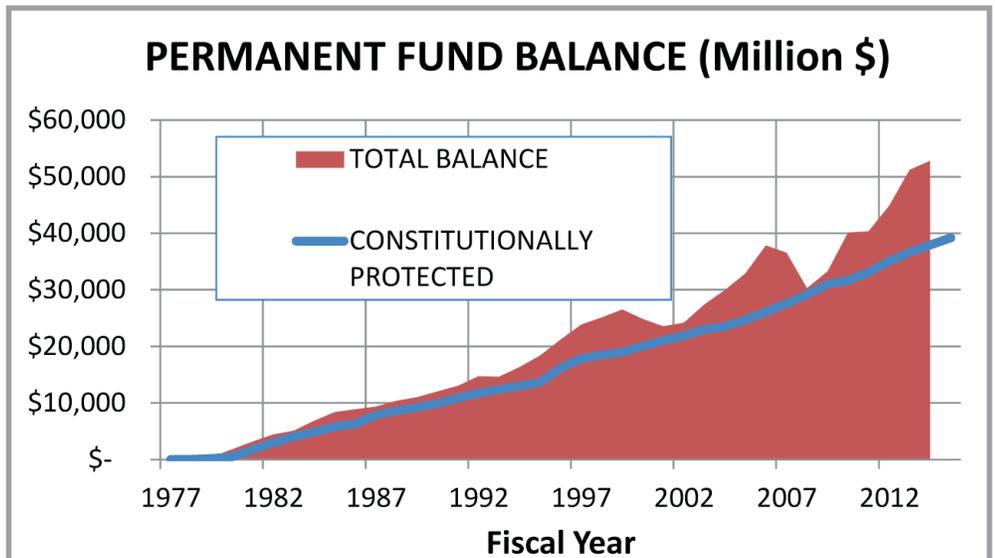


Figure 6

Figure 7

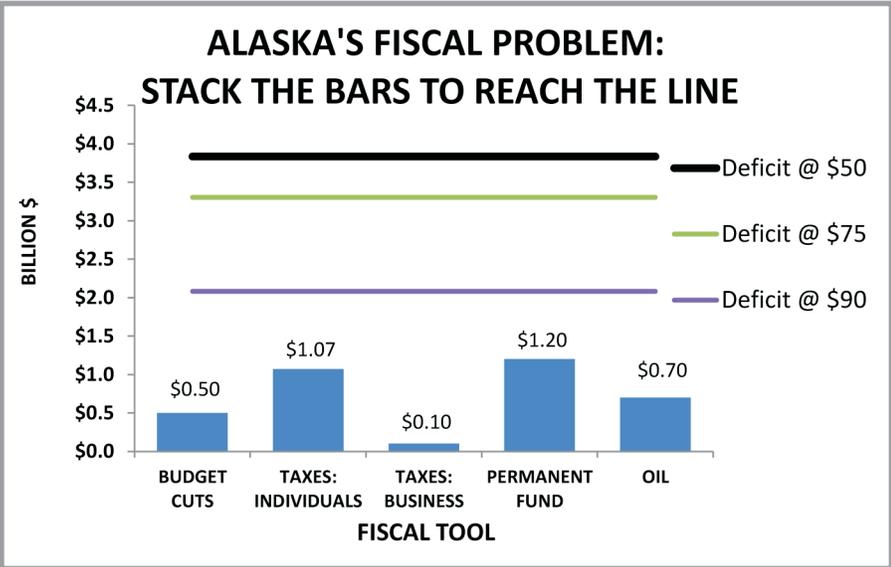


Figure 8

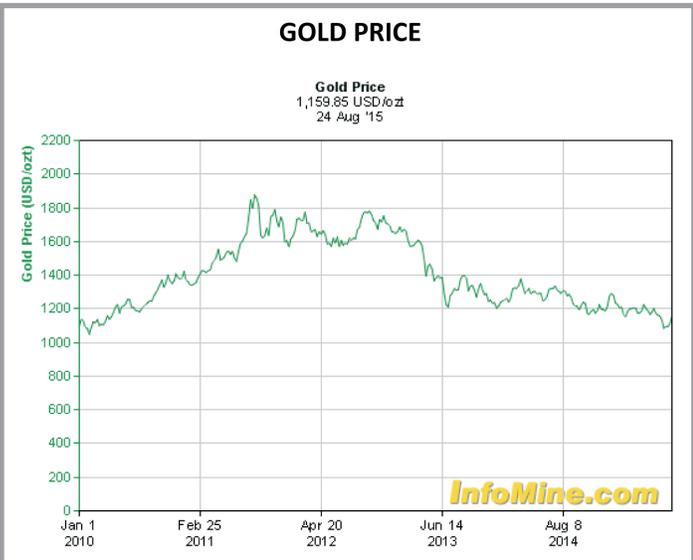


Figure 9

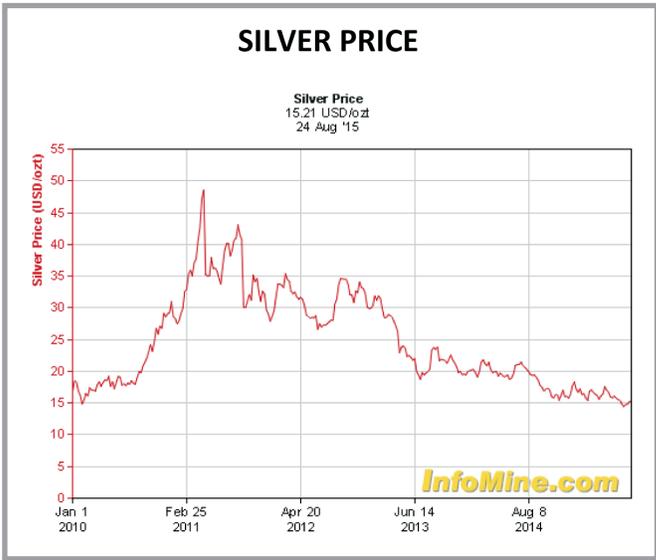


Figure 10