



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

Unemployment rate falls to 6.5 percent

The September 2018 seasonally adjusted unemployment rate for Alaska was 6.5 percent, down from 6.7 percent in August. The rate, which was 7.3 percent at the start of the year, has fallen steadily since January. The comparable national rate was 3.7 percent. **(Figure 1)**

Alaska's August rate continued to be the highest in the nation. The lowest rate, 2.1 percent, was reported in Hawaii.

Preliminary job count in September 2,000 fewer than last year

The preliminary estimate of employment (wage and salary jobs) in September from the Alaska Department of Labor shows a decline of 2,000 (0.6 percent) from a year earlier. The state has now experienced more than three full years of declining employment. Since September 2015, the job loss has been 13,000. **(Figure 2)**

Healthcare continued to be the strongest sector, adding 600 jobs. Construction was 200 higher, and leisure and hospitality was up 100. Transportation, warehousing and utilities was 300 higher and federal government added 100 jobs.

Retail trade reported the biggest job loss (900) followed by professional and business services (500), oil and gas (400), local government (400) and state government (200).

Alaska job growth performance in August was better than only one state – Vermont – where employment declined 0.7 percent over the year. Utah, with a growth rate of 3.7 percent, had the best performance.

North Slope oil spot price above \$80 in October

The West Coast price of North Slope crude oil has traded above \$80 for the last several weeks, pulling the fiscal year average price up to \$77. This compares to the fiscal year average from last year (2018) of \$64. It is also \$14 above the most recent Alaska Department of Revenue forecast for fiscal year 2019 of \$63. According to the Alaska Department of Revenue, each dollar increase in the price of oil generates about \$80 million in additional state revenue. **(Figure 3)**

The recent price increase is largely the result of a squeeze on the world supply of oil due to the imposition of sanctions against Iran. This has resulted in a significant reduction in their exports, which has been only partially offset by increases from other countries. The demand for oil may also increase slower than previously anticipated due to the higher price and the trade war. Some forecasters think the price of oil will rise to \$100 in the near future, while others see it returning to the \$60-\$70 range.

North Slope oil production averaging 3 percent below last year

Through October of this fiscal year (2019) production has averaged 465,000 barrels per day, about 3 percent (15,000) lower than last year at this time. **(Figure 4)**

However, in early October, ConocoPhillips began production from the Greater Mooses Tooth 1 field in the National Petroleum Reserve-Alaska (NPR). Production from this field will

eventually reach 25,000-30,000 barrels per day. This will increase the fiscal year average, and the total for the year will be close to the most recent (Spring 2018) Alaska Department of Revenue forecast of 522,000 barrels per day.

Other oil dependent states recovering from recession

Of the 13 states with significant dependence on oil and gas (measured by Gross State Product), only six experienced a recession (decline in employment) when the price of oil fell in 2014, according to a new study by the Institute of Social and Economic Research. (Figure 5)

The employment declines by percentage in Oklahoma and Louisiana were quite modest, and after one year they began to recover. The declines in Wyoming and North Dakota were much more pronounced and continued for three years. Employment in these states has begun to recover, but is still below the 2014 level.

After a slight increase in employment in 2015, Alaska has continued to contract, although the percentage loss of employment has been less than Wyoming or North Dakota. West Virginia employment was contracting before the fall in the price of oil so its experience cannot be compared with the other states.

Although the share of Gross State Product from oil is a partial explanation of the severity of the recession across states, the overall strength and diversification of each economy is also an important factor.

Alaska Department of Labor projects 5.1 percent job growth over 10 years

The Alaska Department of Labor projects job growth from 2016 to 2026 to be 17,000 or 5.1 percent. This projection does not include the possibility of large projects, such as the construction of a gas line or development of the Donlin Creek mine. (Figure 6)

Nearly two-thirds of the new jobs would be in healthcare and social assistance because of growth and aging of the population. Jobs in accommodation and food services would increase because of growth in the tourism industry. Mining (including oil and gas) would not add many new jobs, nor would wholesale and retail trade. State government employment would be the biggest job loser.

The job count in 2026 would be 349,000 (excluding military and the self-employed). Since Alaska employment peaked at 339,000 in 2015 before the start of the current recession, the 2026 job count would be about 10,000 more than the historical high.

Alaska income inequality less than any state except Utah

Income inequality, as measured by the ratio of the share of income going to the top 20 percent of the population compared to the bottom 20 percent, was lower in Alaska than any other state except for Utah in 2017. The top 20 percent of the Alaska population had 13 times the income of the bottom 20 percent, according to the Center for American Progress. New York had the most unequal distribution of income, with the top 20 percent collecting 21 times as much as the bottom 20 percent of the population. (Figure 7)

Percentage of Alaskans in poverty estimated to be 12.1 percent

The U.S. Bureau of the Census estimates that 12.1 percent of Alaskans have incomes below the poverty level (\$12,488 for an individual, \$16,493 for a two-person household, \$19,515 for a three-person household). The national average was 12.8 percent. Louisiana had the highest rate – 20 percent. New Hampshire had the lowest rate – 6.7 percent. (Editor's note: Because the poverty threshold is not adjusted for the higher cost of living in Alaska, the poverty percentage is an underestimate compared to other states.)

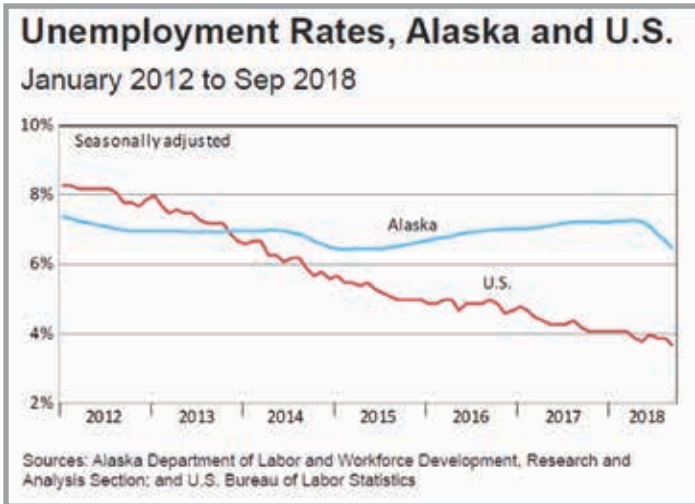


Figure 1

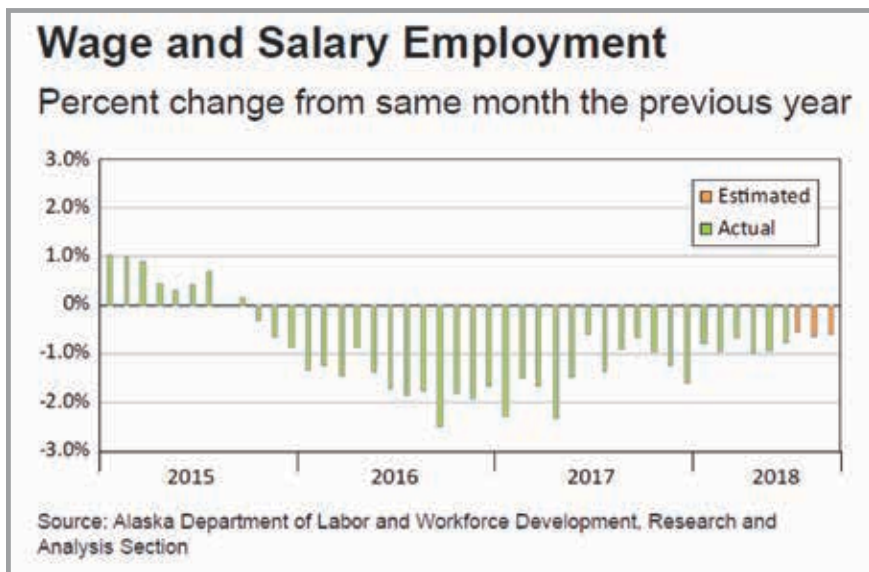


Figure 2

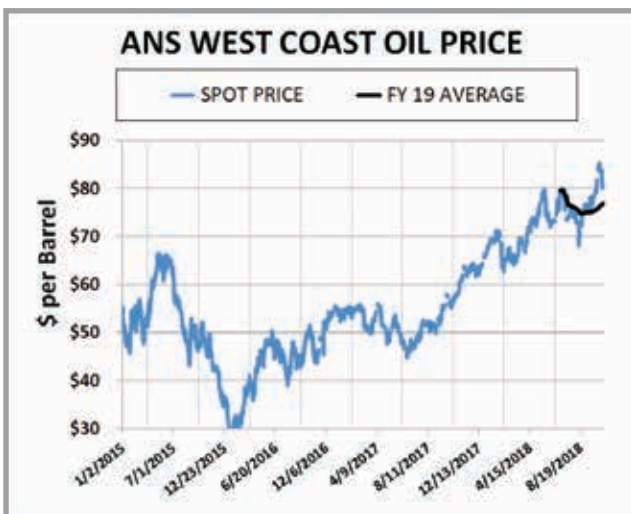


Figure 3

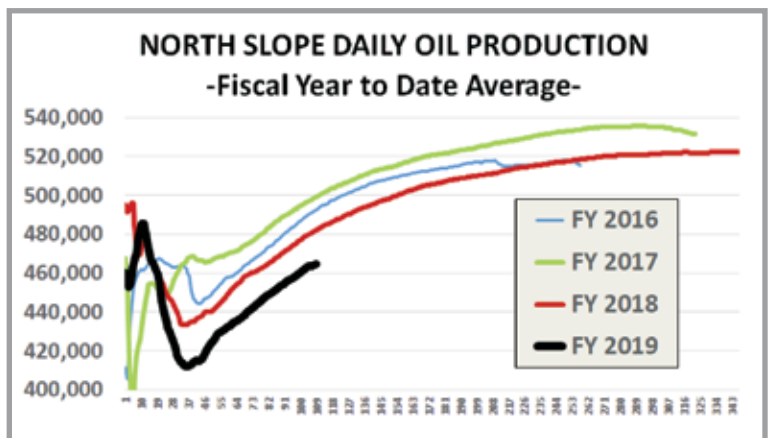


Figure 4

Figure 5

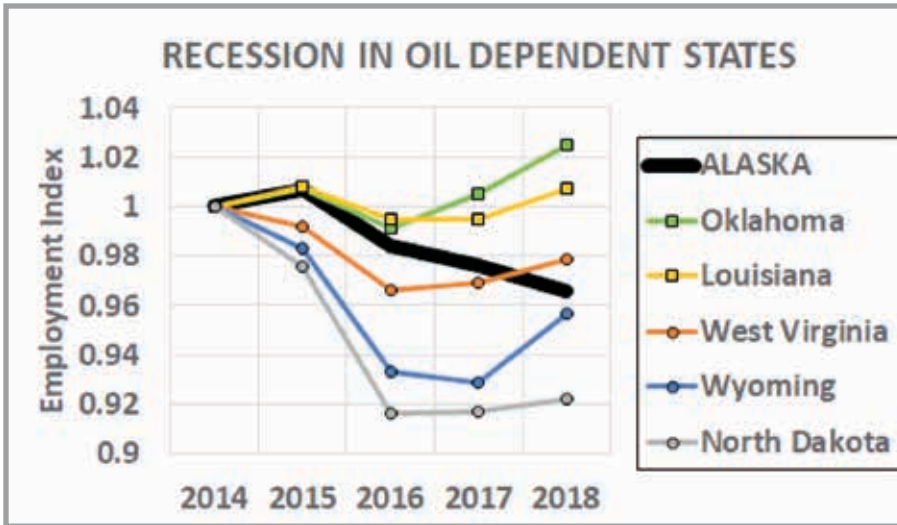


Figure 6

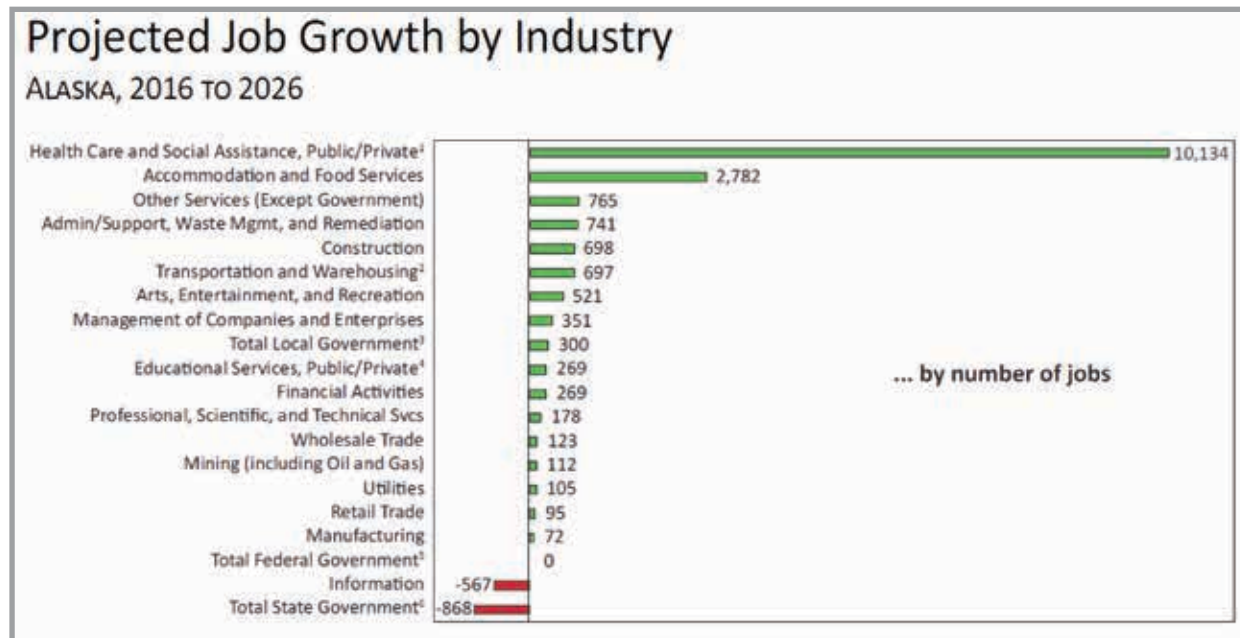


Figure 7

