

ALASKA'S ECONOMY

It's everyone's business.

BRETT WATSON, RESEARCH PROFESSIONAL AT THE INSTITUTE OF SOCIAL AND ECONOMIC RESEARCH AT THE UNIVERSITY OF ALASKA ANCHORAGE, SHARES HIS VIEWS ON THE ALASKA ECONOMY.



Dear Reader,

The Alaska economy continues to be weak due to the ongoing COVID-19 pandemic. Unemployment remains persistently high, with several thousand Alaskans newly filing for unemployment benefits each week. On the contrary, oil prices have almost returned to spring 2020 levels after seeing record low prices in April. Additionally, the value of assets held by the Alaska Permanent Fund topped \$70 billion.



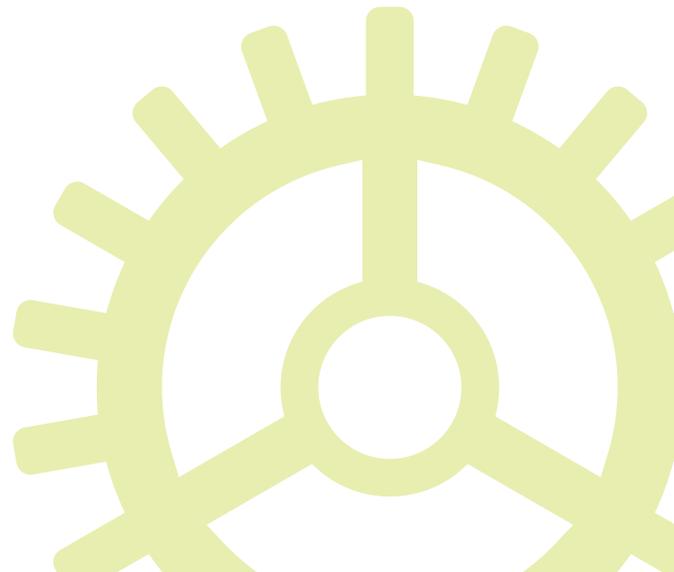
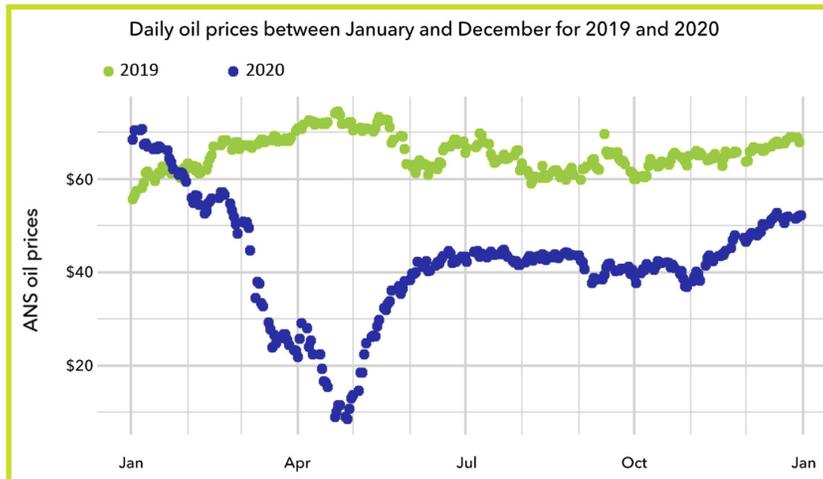
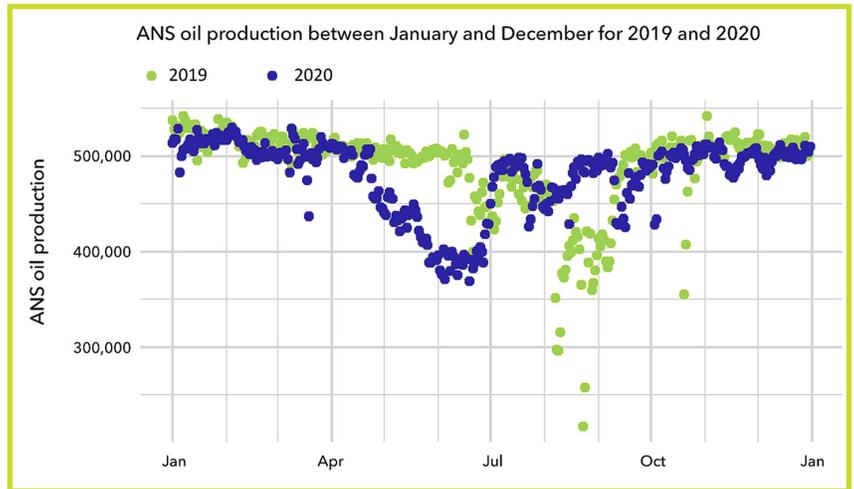
Oil production remained stable throughout the fourth quarter of 2020

Daily oil production in Alaska was 483,000 barrels on January 10. Due to the pandemic, declines in production lagged declines in prices. While oil prices bottomed out at the end of April, production also began declining. It took to mid-June before production recovered to pre-pandemic trends. In the fourth quarter of 2020, production was lower than the same quarter in 2019. Daily production for December 2020 was 10,000 barrels fewer than 2019 levels. The Alaska Department of Revenue, according to their fall 2020 forecasts, expects production to fall over the next two years. ▼



Oil prices recover to spring 2020 levels

Alaska's benchmark oil price, Alaska North Slope (ANS) West Coast, hit \$56.08 on January 8, and continues to recover from its low of \$8.56 on April 28, 2020. For much of 2020 prices remained around \$20 less than 2019 levels for the same time-of-year, but began to rise gradually in November. In their fall 2020 forecast the Alaska Department of Revenue projected prices between \$45 to \$50 per barrel over the next four years, but also noted uncertainty in this market. ▼

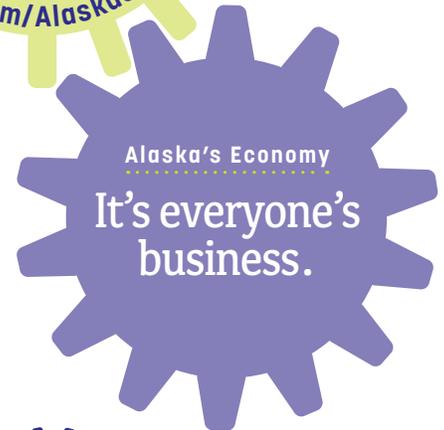
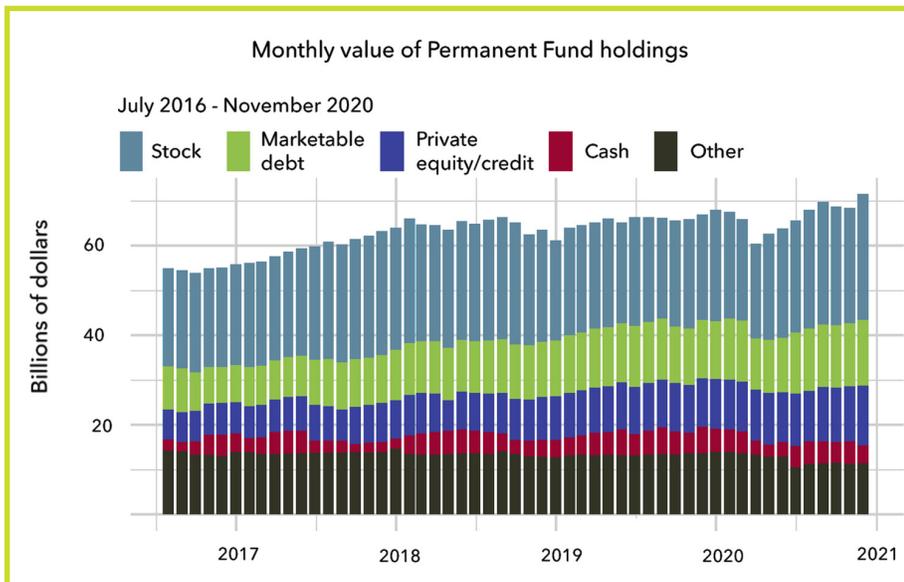


ALASKA'S ECONOMY



The Permanent Fund reaches record-high value

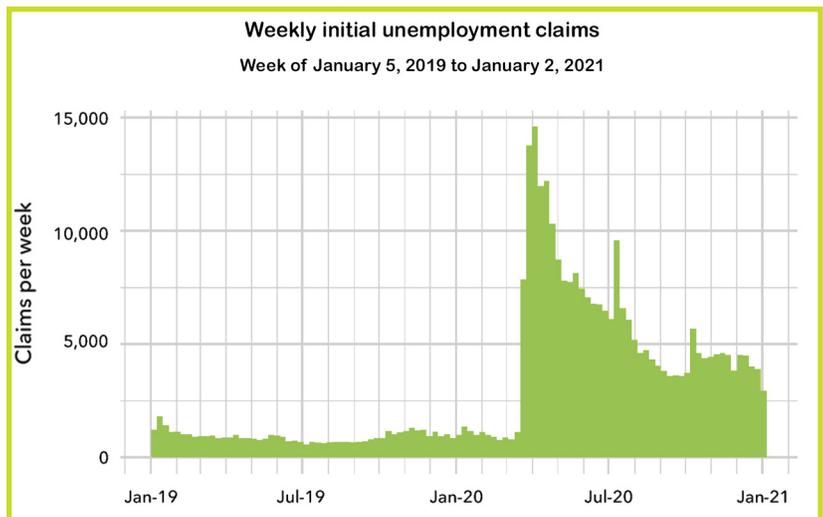
Alaska has become reliant on the Permanent Fund to finance the majority of the state's budget as oil prices remain low and production continues to decline. The Alaska Permanent Fund's total assets were \$73 billion as of November 30, 2020, according to the monthly financial statements from the Permanent Fund Corporation. The fund's value mirrored the movements of broader U.S. markets, seeing a sharp decline in March 2020 with recovery and growth by midyear. The fund's private equity investments continue to grow both in absolute and relative value in the Fund's portfolio while infrastructure and real estate positions were cut in the last year. ▼



Alaska's initial unemployment insurance claims¹ remain high

2,947 Alaskans began collecting unemployment insurance benefits for the first time as of January 2. Initial unemployment claims have been slightly lower through December than the two preceding months. This may be the result of the holidays rather than improvements in the status of the economy. ▼

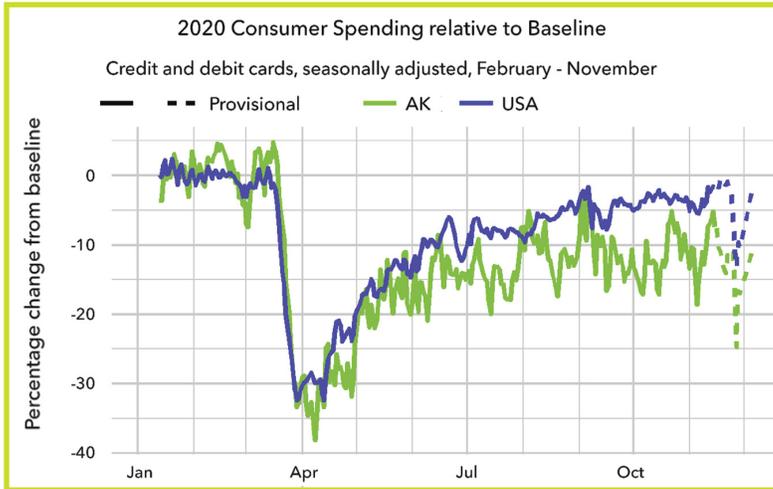
¹ Initial unemployment claims refer to new filings for unemployment insurance. During this pandemic, they provide a sense of how many people are experiencing new job losses.





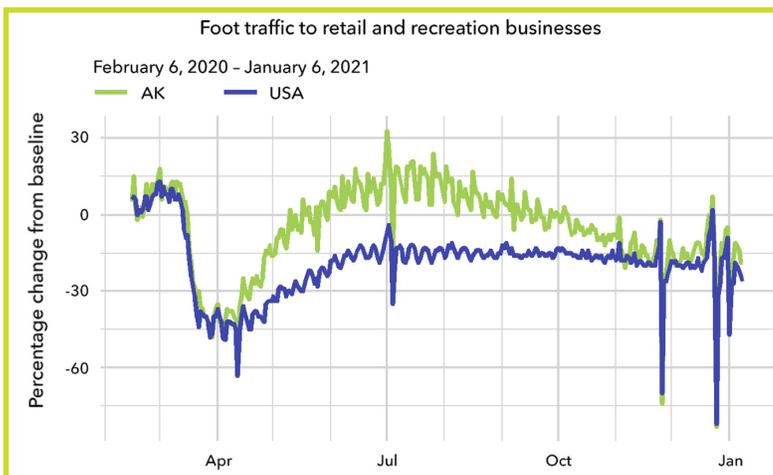
Alaska's consumer spending lags national recovery

Consumer spending has yet to return to pre-pandemic levels nationwide, according to credit and debit card transaction data. In Alaska spending remains 12% less than January levels, while nationally it is 4% less than January levels. ▼



After a promising summer, retail foot traffic in Alaska stalls

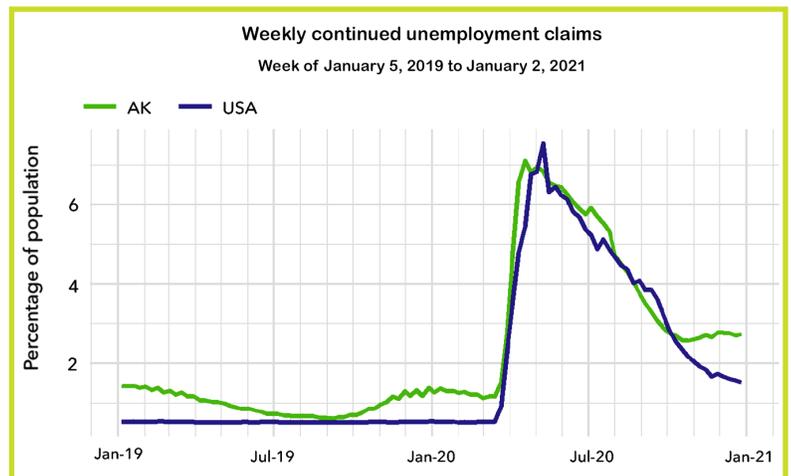
Retail foot traffic was volatile over the last two months of 2020, both in Alaska and across the U.S. as a whole. On average, traffic was down 16% relative to January. Despite Anchorage's December "hunker-down," traffic to businesses was steady from November to December on a statewide scale. While Alaska's retail and recreation foot traffic outperformed the rest of the country for most of the summer and early fall, the last few months have seen it more closely mirror the national experience. ▼



Alaskans are more likely than other Americans to be on unemployment insurance

20,064 Alaskans continued claiming unemployment insurance² as of January 2, or 2.74% of the state's population. This compares to a national rate of 1.53%. While Alaska had initially tracked the national claims trends more closely during the early months of the pandemic, since October the larger and more sustained fraction of the state's population remains unemployed and claim insurance benefits. Between 2015 to 2019, the highest level of continued unemployment claimants was 15,600 in December 2015. ▼

² Continuing claims are unemployment claims made after the individual's first (initial) filing. The number of continuing claims roughly show how many people remain unemployed.

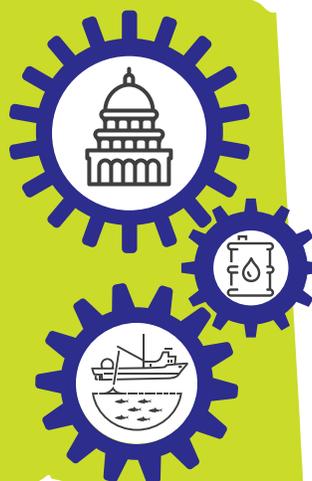


ALASKA'S ECONOMY

Did you know

Alaska's retail and recreation foot traffic outperformed the rest of the country for most of the summer and early fall?

Learn more in this issue of *Alaska's Economy*.



PRSRT STD
U.S. POSTAGE
PAID
ANCHORAGE, AK
PERMIT NO. 175

P.O. Box 100720
Anchorage, AK 99510-0720

First National Bank
ALASKA

