

ALASKA'S ECONOMY

Understand it. Support it. Grow it.



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

March Unemployment Rate Unchanged at 6.6 Percent

The March 2016 seasonally adjusted unemployment rate for Alaska was 6.6 percent, unchanged for the last six months. The national rate for March was 5.0. **Figure 1**

The raw unemployment rate (not seasonally adjusted) has been higher for the first three months of this year than 2015. This may be an indicator of a weakening of the job market.

Labor Force Participation Rate Continues Downward Trend

The share of adults in the labor market (labor force participation rate) fell to 66.7 percent in March, continuing its downward trend since early 2014. The national rate was 63 percent. Minnesota had the highest rate at 71.2 while the lowest, 53.1, was in West Virginia. **Figure 2**

The rate represents the share of the adult civilian population (aged 16 plus) in the labor market, either working or looking for work.

North Slope Oil Price Averages \$43 So Far this Fiscal Year

The North Slope oil price continued to average \$43 per barrel this fiscal year starting in July. This level is below the Alaska Department of Revenue forecast of \$50 made late last year. **Figure 3**

After falling to \$26 in late January, the price has moved upward and is now in the range of \$40. The increase is due to an expectation that the excess supply in the market is finally beginning to disappear. Unfortunately, the major producers were unable to reach an agreement to limit production at their meeting on April 16 so the price may fall in the short term.

Federal Short-Term Oil Price Forecast Unchanged

The April Short-Term Energy Outlook of the US Energy Information Administration is projecting the West Texas Intermediate (WTI) oil price to remain close to \$40 per barrel through the middle of next year. The forecast through the middle of next year is unchanged from March.

This is based on the expectation of continuing large inventories creating uncertainty in the market. However, the range of prices for futures and options contracts highlights the volatility in the market. The 95 percent confidence interval for the market price at the end of 2016 is \$22 to \$78. **Figure 3**

North Slope Oil Production Continues to Outpace Last Year

North Slope oil production through mid-April of fiscal year 2016 has averaged 517,000 barrels per day. This is about 15,000 barrels per day (3 percent) higher than last year. It is also slightly higher than the 500,000 barrels per day forecast by the Alaska Department of Revenue. **Figure 5**

Alaska Employment Lower Than Last Year Thru March

Preliminary data from the Alaska Department of Labor shows a drop in employment in the first three months of the year compared to 2015. Increases in retail trade and health care were more than offset by declines in oil and gas, construction, business services and accommodation. **Figure 6**

State Revenue Forecast Revised Downward

The Spring 2016 Alaska Department of Revenue forecast of state general fund revenues shows a downward adjustment of about \$500 million per year compared to the forecast done in the fall of 2015. **Figure 7**

The downward adjustment is due to a reduction in the forecasted price of oil which is now not expected to reach \$60 until 2021. **Figure 8**

Historical and Projected Petroleum Tax Credit Program Expenditures Loom Large

Between 2007 and 2016 the state has spent \$3.45 billion on refundable tax credits, mostly for capital expenditures. About two-thirds has gone to North Slope activities. Forecasted refundable credits between 2017 and 2025, according to the Alaska Department of Revenue, are \$3.16 billion. **Figure 9**

Credits against tax liability have been \$4.61 billion from 2007 thru 2016. Forecasted credits thru 2025 are \$1.97 billion. Almost all of these credits go to North Slope production. **Figure 10**

Commercial Salmon Harvest Forecast Down From Last Year

The Alaska Department of Fish and Game is expecting a decrease in commercial salmon harvests in 2016, mostly due to the projected decrease in pink salmon harvests. The total commercial catch is forecasted to be 161 million fish. **Figure 11**

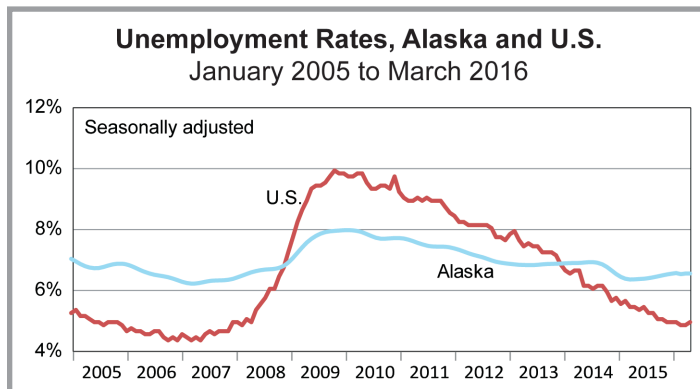


Figure 1

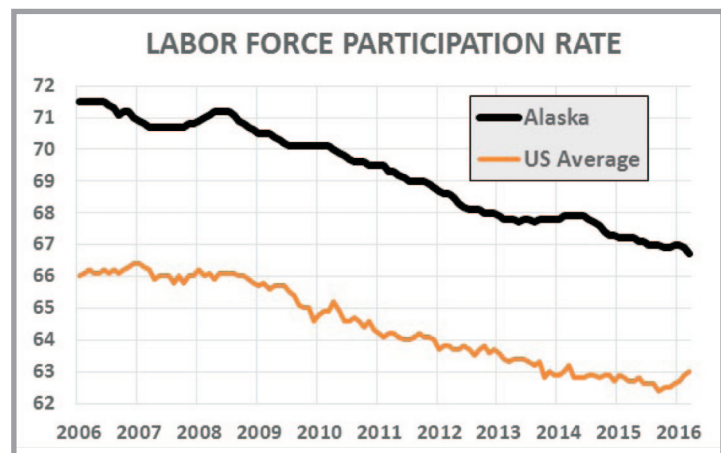


Figure 2

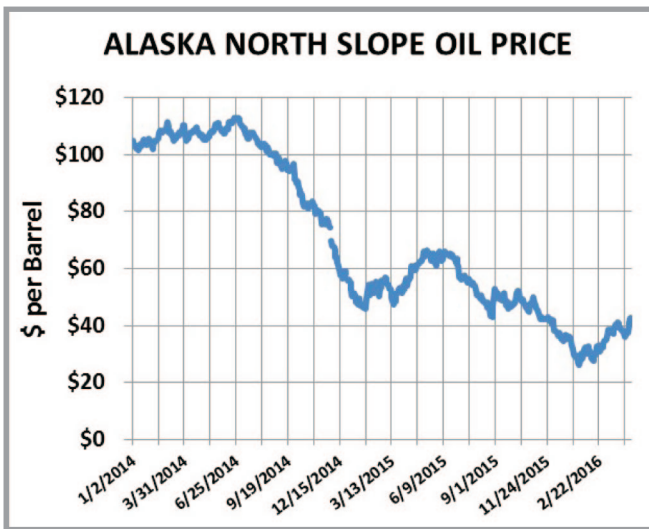


Figure 3

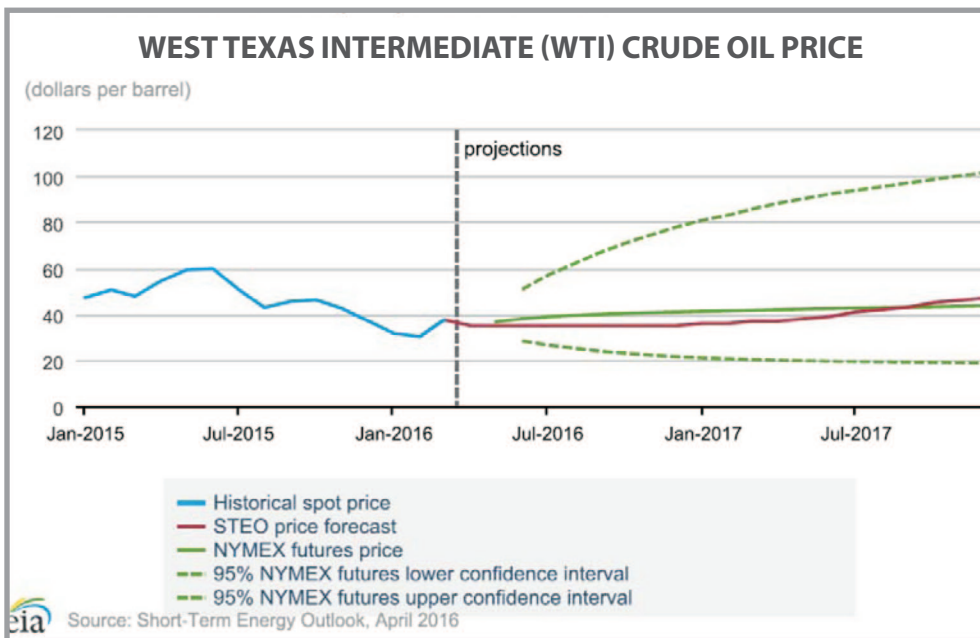


Figure 4

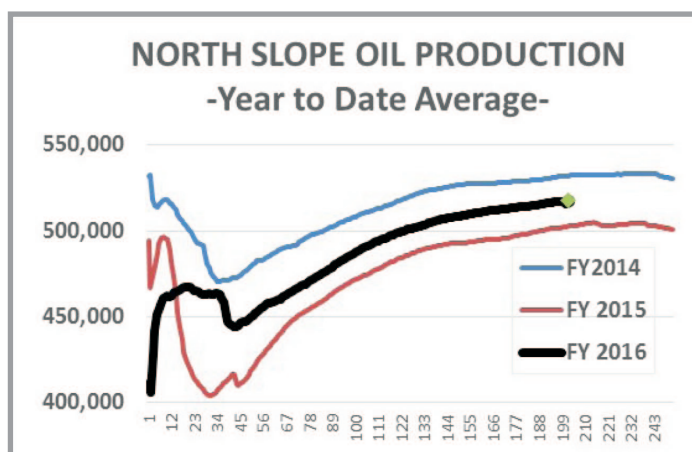


Figure 5



Figure 6

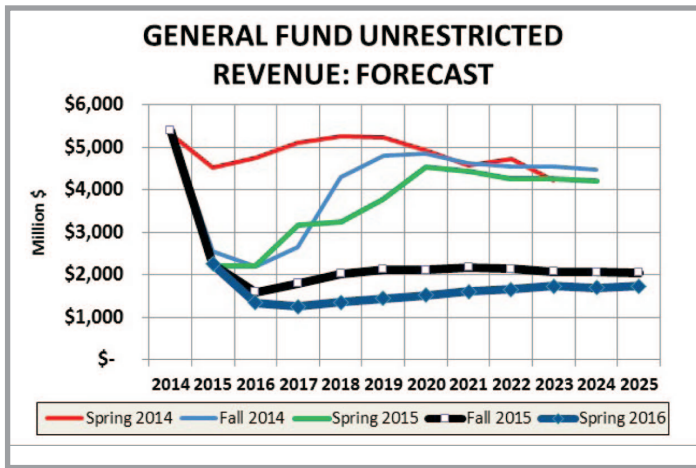


Figure 7

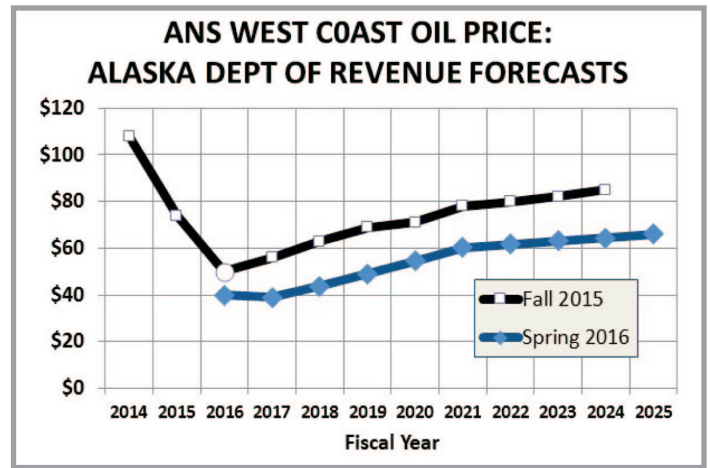


Figure 8

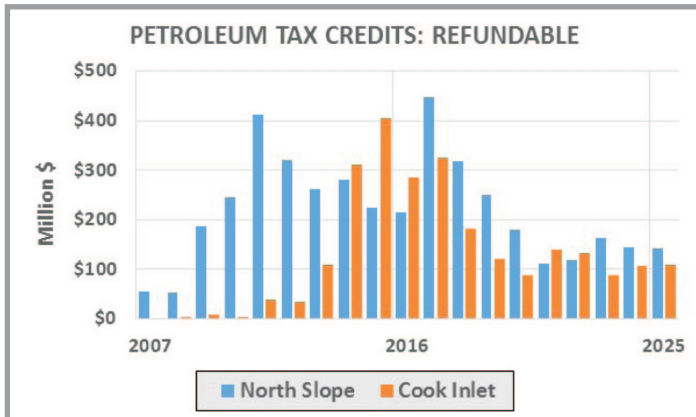


Figure 9

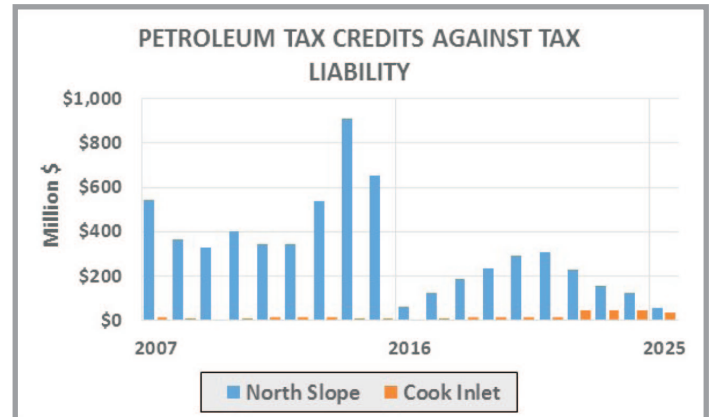


Figure 10

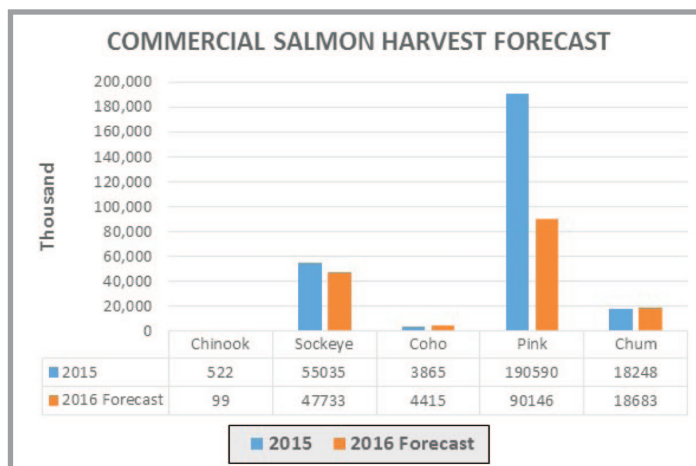


Figure 11