

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.

November Unemployment Rate Down Slightly From October

The November 2016 seasonally adjusted unemployment rate for Alaska was 6.8 percent, down one tenth of a percent from the adjusted rate of 6.9 percent in October. The national rate continued to drop, reaching 4.6 percent. **Figure 1**

The Alaska raw unemployment rate (not seasonally adjusted) was 6.6 percent compared to 6.5 percent a year earlier. This continues the trend of each month's rate in 2016 being higher than the corresponding month in 2015. **Figure 2**

North Slope Oil Price Moving Higher

The North Slope oil price moved above \$50 per barrel in December as OPEC reached an agreement to restrict production starting in January. The average for the current fiscal year (2017) bumped up to \$46 from \$45 last month. The current average is just below the new Alaska Department of Revenue forecast of \$47. **Figure 3**

North Slope Oil Production Continues Higher Than Last Year

North Slope oil production through mid-December of the current fiscal year (2017) has averaged 497,000 barrels per day compared to 492,000 barrels through the same period last year according to data from the Alaska Department of Revenue.

Production for the 2016 calendar year, 517,000 barrels per day, is nearly 2 percent higher than last year. The production rate fluctuates significantly over the course of the year. **Figure 4**

Number of Well Completions Declines

New petroleum wells drilled to completion in 2016 have totaled 149 through November compared to 212 through the same period in 2015 according to reporting from the Alaska Oil and Gas Conservation Commission (AOGCC). The reduction is spread throughout the oil patch including both Cook Inlet and the North Slope, and the majors as well as smaller firms. **Figure 5**

Alaska Job Count Down 9,000 From Last Year in June

Alaska wage and salary employment in June was nearly 9,000 below the same month in 2015 according to data from the Alaska Department of Labor. This continues the downward trend in employment that began in the final quarter of last year. Most of the job loss was in the private sector, although state government was down by 1,000 from a year earlier. **Figure 6**

The private sector loss has been concentrated in petroleum, construction, and business services which together account for 6,500 of the total loss. Petroleum employment is down by 3,100 from a year earlier.

A decline of 700 jobs in retail trade is an indication that the recession has grown beyond the oil patch and state government spending and is spreading throughout the rest of the economy. **Figure 7**

Preliminary employment data through November shows the employment decline continuing during the second half of the year.

(Wage and salary employment counts exclude self-employed and active duty military.)

New State Revenue Forecast Down From Last Year

The Alaska Department of Revenue now forecasts state unrestricted general fund revenue for the current fiscal year (2017) to be \$1.447 billion and for next fiscal year (2018) to be \$1.624 billion. The forecast for the current year is 19 percent lower than last year at this time and the forecast for the new fiscal year is 20 percent lower. **Figure 8**

Most of the downward revision is due to a lower forecast of the price of oil which dropped from \$56 to \$47 a barrel for 2017 and from \$63 to \$54 for 2018.

Looking ahead, revenues are projected to slowly increase and reach \$2 billion by 2022, driven by a slow rise in the oil price and an oil production decline rate of 4 percent. **Figure 9**

Unrestricted general fund expenditures in 2017 are expected to be about \$4.4 billion which will result in a deficit of about \$3 billion this fiscal year. The 2018 budget proposed by the governor is \$4.3 billion which would result in deficit of about \$2.7 billion next fiscal year without changes to the state fiscal structure.

Personal Income Growth Slow During Second Quarter of 2016

Nationally, state personal income growth accelerated to 1 percent in the second quarter of the year from 0.3 percent in the first quarter according to the U.S. Department of Commerce. Alaska recorded the slowest growth of all the states at 0.4 percent.

Most of the increase in personal income came from earnings (wages and salaries). Earnings growth in Alaska was only 0.3 percent. **Figure 10**

Value of Mineral Production Fell in 2015

The value of mineral production in Alaska dropped in 2015 to \$2.759 billion, down from \$3.282 billion the previous year. The decline was primarily the result of lower prices for all metals including gold, silver, lead, and zinc. Zinc was the highest value mineral with a value of \$1.204 billion. **Figure 11**

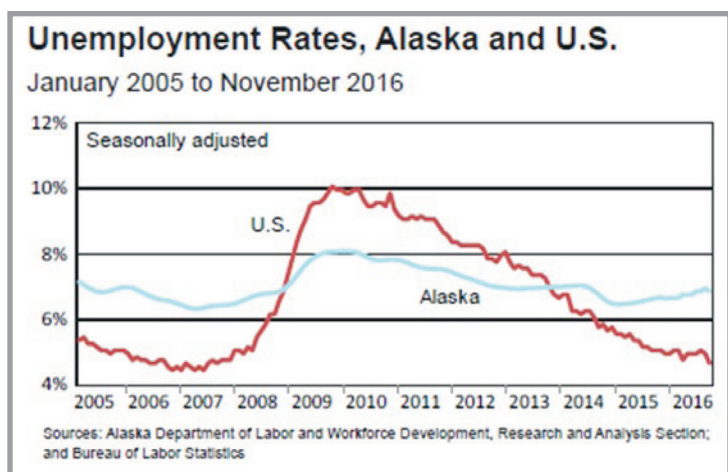


Figure 1

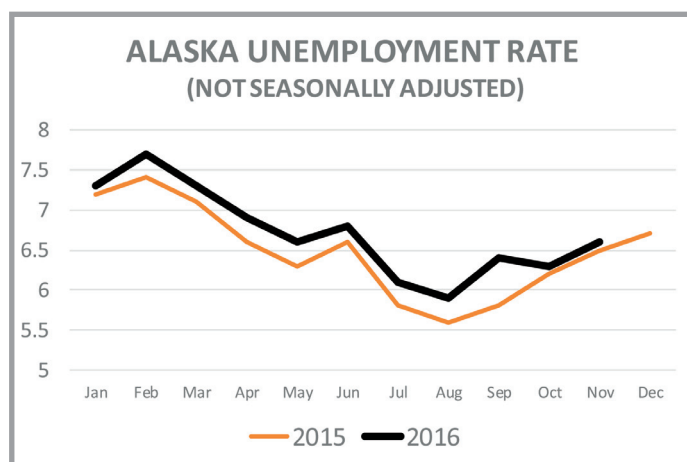


Figure 2

