

ALASKA'S ECONOMY

Understand it. Support it. Grow it.



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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.

February Unemployment Rate of 6.4 Percent Down Slightly From January

The February 2017 seasonally adjusted unemployment rate for Alaska was 6.4 percent, slightly lower than the 6.5 percent rate in January. The comparable national rate was 4.7 percent. The Alaska rate remained relatively steady last year despite falling employment because the labor force declined, at least partially due to retirements and outmigration. **Figure 1**

Only New Mexico had a higher unemployment rate than Alaska at the end of last year.

Job Count in February Down 6,500 From a Year Earlier

Preliminary estimates show employment in February to be 6,500, 2 percent lower than February 2016. Substantial losses continued in oil, construction, state government and professional and business services tied to the oil and construction industries. Retail trade also recorded significant losses, suggesting declining consumer spending. Health care and local government were the only industries experiencing growth. **Figure 2**

Economic performance in Alaska, as measured by job growth, has lagged the nation since 2013. **Figure 3**

North Slope Oil Price Averaging \$49 This Fiscal Year

The West Coast price of North Slope crude oil has dropped in the last month to a range around \$50 as uncertainty over supply on the world market intensifies. On the one hand there is concern surrounding the ability of OPEC and its partners (primarily Russia) to constrain production. On the other hand there is uncertainty over the extent to which shale oil producers in the US can increase production in response to the higher price in recent months. **Figure 4**

The price this fiscal year (2017) has averaged \$49 which is \$2 higher than the December Alaska Department of Revenue forecast.

North Slope Oil Production Continues Higher Than Last Year

North Slope oil production through March of this fiscal year (2017) has averaged 529,000 barrels per day, about 2 percent higher than last year, and 6 percent higher than 2015. **Figure 5**

If this production trend continues, production will exceed the December Alaska Department of Revenue forecast of 490,000 barrels per day by 8 percent.

Nonresident Employment Share up in 2015

The share of nonresidents in the Alaska workforce increased in 2015 for the sixth consecutive year to 21.3 percent (90,000) according to the Alaska Department of Labor. **Figure 6**

Nonresidents accounted for 16 percent of wages paid—\$2.7 billion. The nonresident share of wages has been increasing since at least 2004. **Figure 7**

Three sectors—seafood processing, leisure and hospitality (tourism), and trade and transportation (tourism)—account for more than half the nonresident workers in the state. **Figure 8**

The sectors with the largest share of nonresident workers were seafood processing (74 percent nonresident), oil and gas (36 percent nonresident), mining (36 percent nonresident), leisure and hospitality (33 percent nonresident), and construction (22 percent nonresident).

Construction Spending Forecast to Decline 10 Percent in 2017

Construction spending is forecast to be \$6.5 billion in 2017, down 10 percent from a year earlier according to a report published by the Associated General Contractors. **Figure 9**

State and local government construction spending is forecast to fall 39 percent from last year, largely due to the drop in the state capital budget necessitated by the loss of oil revenues. Oil and gas is projected to fall 10 percent, due to the continued postponement of several developments and continued cost-cutting by the majors.

Private spending will be about the same as last year thanks to strength in health care and mining offsetting declines elsewhere. Federal spending will be about the same as last year as military spending, particularly associated with the F-35 and Missile Defense, will increase. **Figure 10**

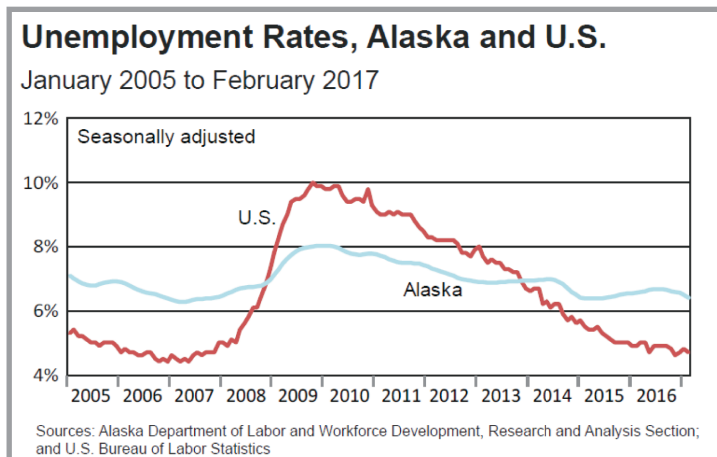


Figure 1

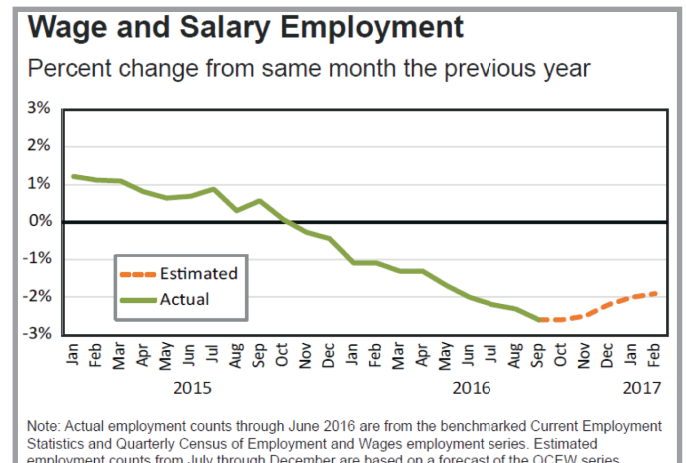


Figure 2

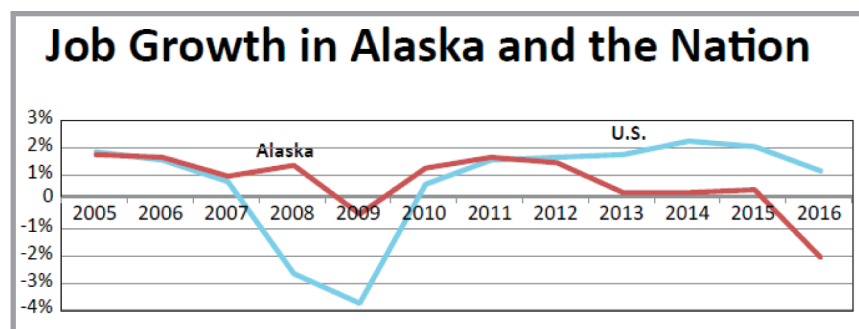


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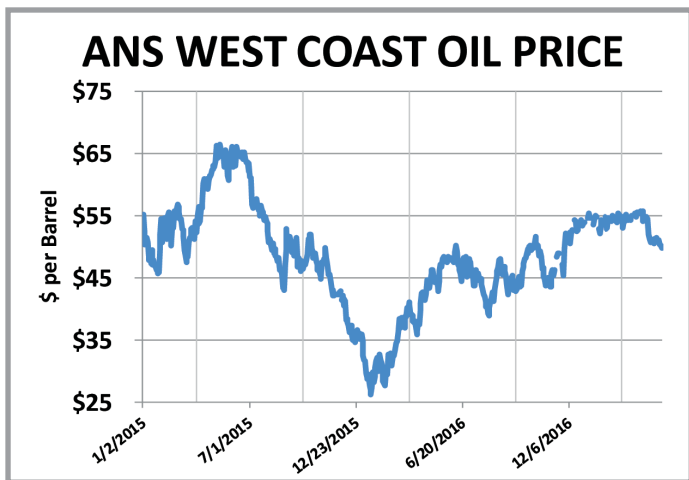


Figure 4

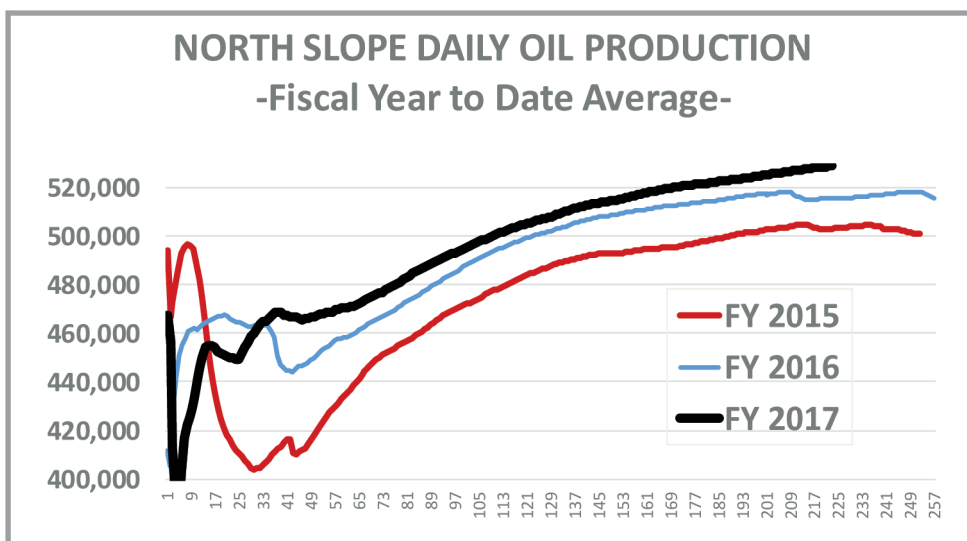


Figure 5

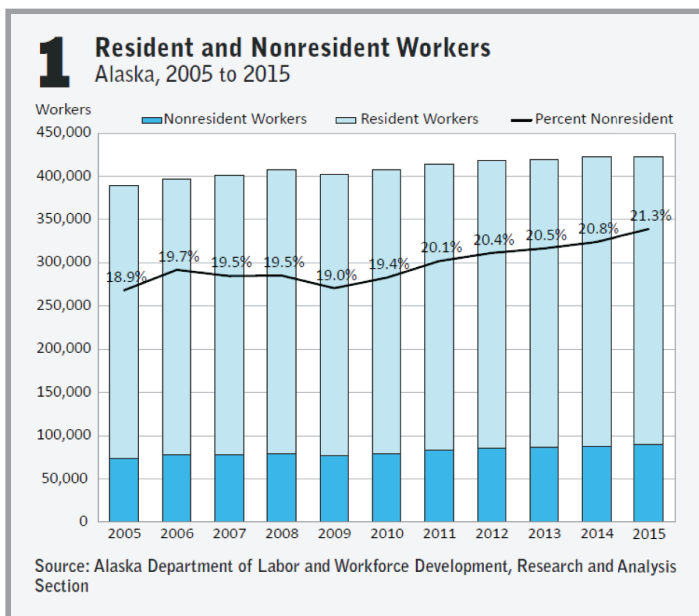


Figure 6

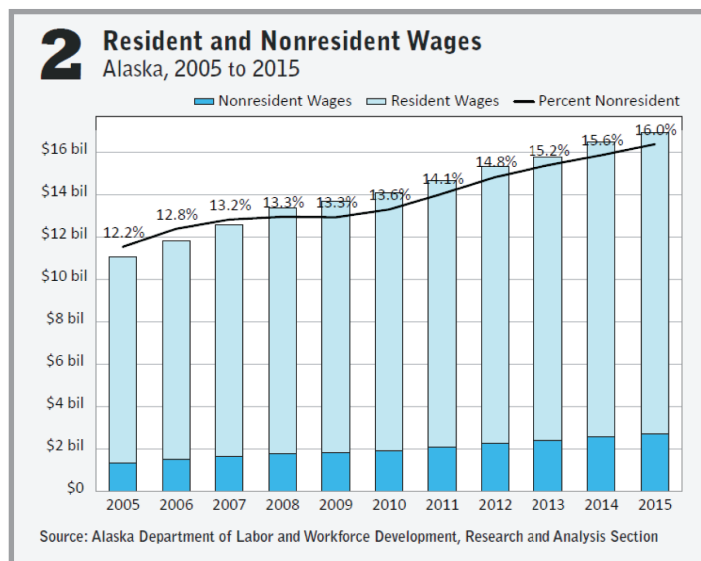
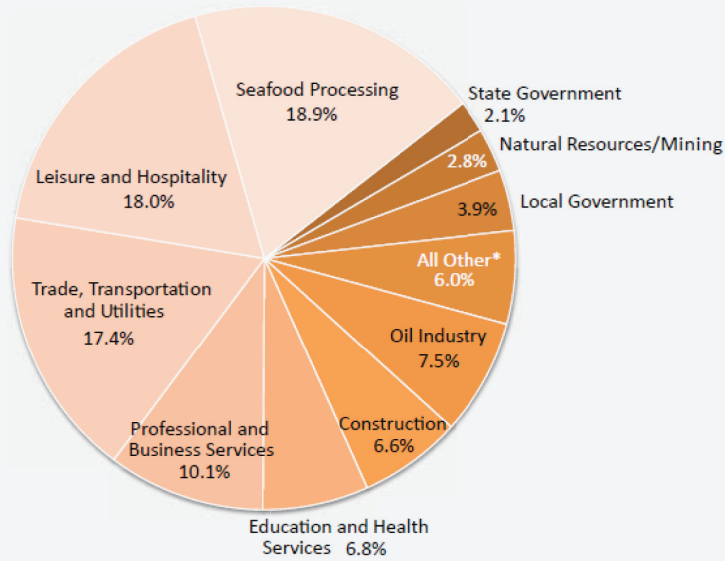


Figure 7

4 Nonresident Workers, Industry Distribution Alaska, 2015



Note: Percentages may not add to 100 due to rounding.

*All other includes nonseafood manufacturing, information, financial activities, public administration, other services, and unclassified industries.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Figure 8

CONSTRUCTION SPENDING (BILLION \$)

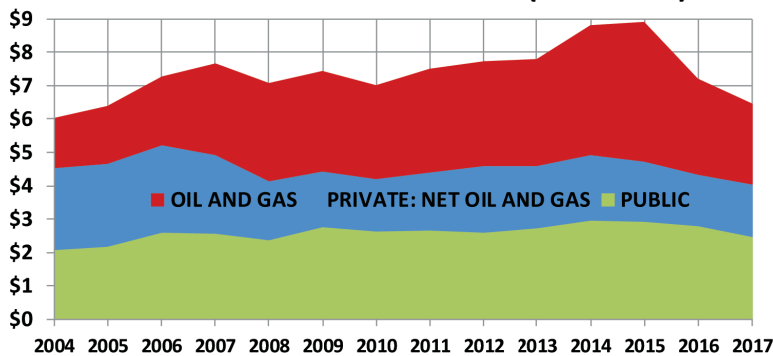


Figure 9

CONSTRUCTION SPENDING (Mill \$)

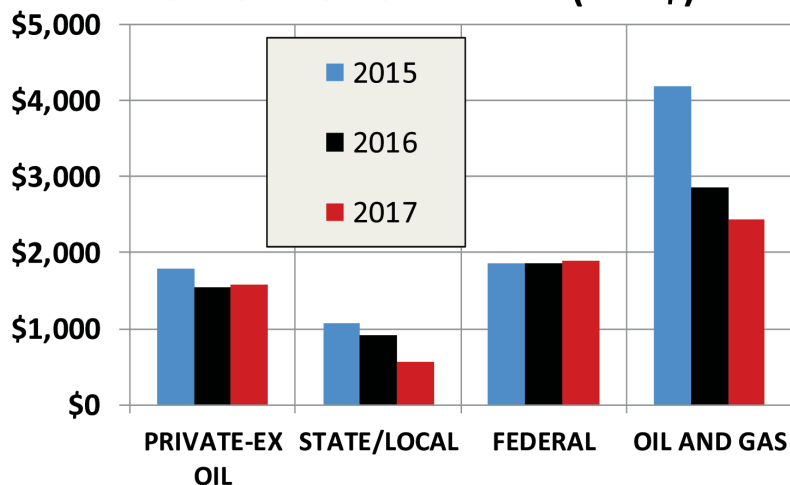


Figure 10