

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.

Unemployment Insurance Claims Rose 2.1 Percent in 2016

The number of people who collected unemployment insurance benefits rose 2.1 percent in 2016, with most of the increase in the first half of the year. **Figure 1**

Oil and gas had the largest increase in claims for the second year in a row. Other industries with notable increases included construction, professional and business services, restaurants and bars, and trade.

Employment Continues to Decline

Employment continues to decline at an annual rate of about 2 percent, based on preliminary February data from the Alaska Department of Labor. 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.

Annual employment growth for the nation continues at just below 2 percent. Only Wyoming is performing worse than Alaska with a growth rate of -2.5 percent. **Figure 2**

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

North Slope Oil Price Averaging \$49 This Fiscal Year

The West Coast price of North Slope crude oil has averaged \$49 this fiscal year (2017). This is higher than the December Alaska Department of Revenue forecast of \$47, but slightly below the new (April) forecast of \$50.

During the last month the price moved up several dollars but market uncertainty continues to result in instability. The Organization of the Petroleum Exporting Countries (OPEC) agreement to restrict supply seems to be holding and may be extended beyond the six-month period initially agreed upon. At the same time however an expansion of production of shale oil is adding to supply. It is unclear how responsive this supply increase will be if the price continues to increase. **Figure 3**

North Slope Oil Production Continues Higher Than Last Year

North Slope oil production through April of this fiscal year (2017) has averaged 532,000 barrels per day, about 3 percent higher than last year, and 6 percent higher than 2015. **Figure 4**

At this production rate the annual average will exceed the December Alaska Department of Revenue forecast by 9 percent. (In April the forecast was revised upward to 506,000 barrels per day.)

Personal Income 1 Percent Lower in 2016

Personal income declined by 1 percent in Alaska in 2016 to \$41 billion compared to the national growth rate of 3.6 percent according to the US Department of Commerce.

Although Alaska personal income increased each quarter in 2016 it still ended the year lower than 2015. **Figure 5**

The largest component of personal income, earnings, declined .6 percent in Alaska in 2016. Earnings in only North Dakota and Wyoming fell by a larger percentage. **Figure 6**

Spring Revenue Forecast 14 Percent Higher

The forecast for State Unrestricted General Fund revenue for fiscal year 2017 was revised upward 14 percent in April by the Alaska Department of Revenue to \$1.646 billion from the \$1.447 billion forecast in December of last year. The revision was due to higher forecasts for production and price. The forecast for 2018 was revised upward by 13 percent, due to a higher production forecast. Forecast revenues for subsequent years were almost the same as before. **Figure 7**

Downward Trend in Mortgage Interest Rate Ends

The US average rate for a 30-year fixed rate mortgage has moved up above 4 percent for the first time in two years. It dipped below 3.5 percent in 2013 and late 2016 but is unlikely to fall that low again in the foreseeable future. **Figure 8**

Alaska Median Household Income Second Highest in Nation

The median household income in Alaska in 2015 was \$75,100, second highest in the nation after New Hampshire (US Department of Commerce) and 33 percent above the US average of \$56,500. **Figure 9**

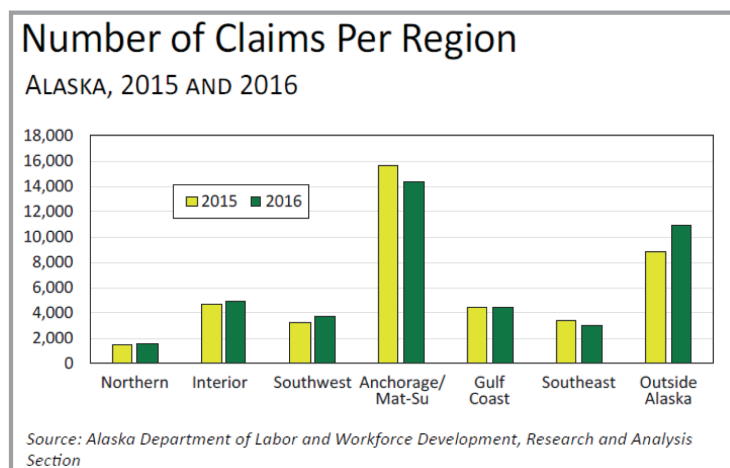


Figure 1

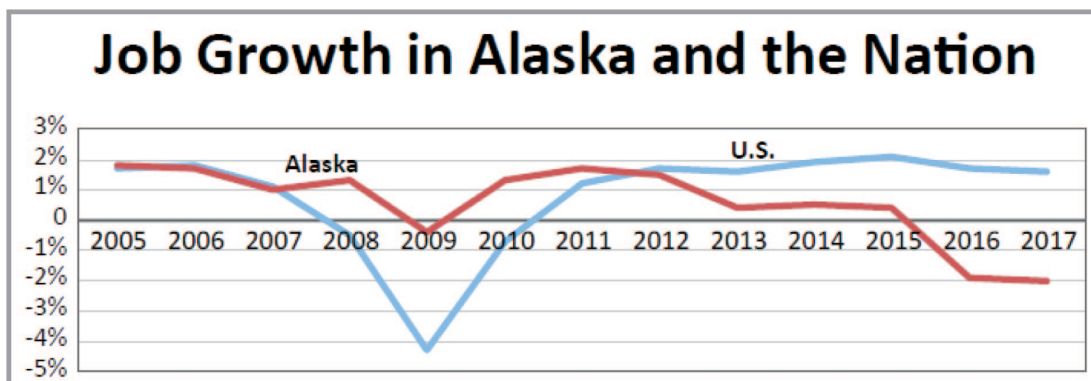


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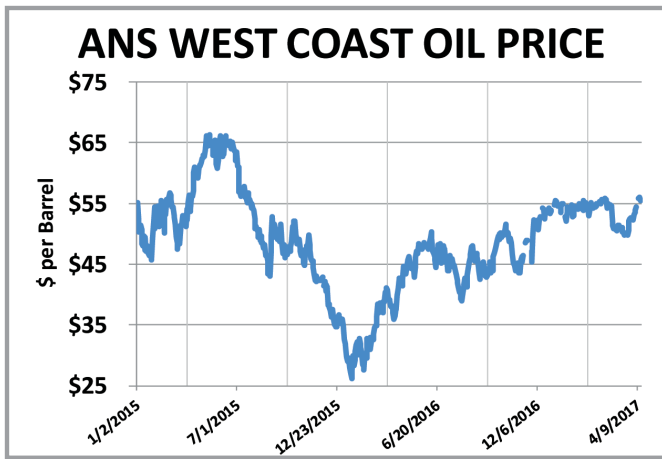


Figure 3

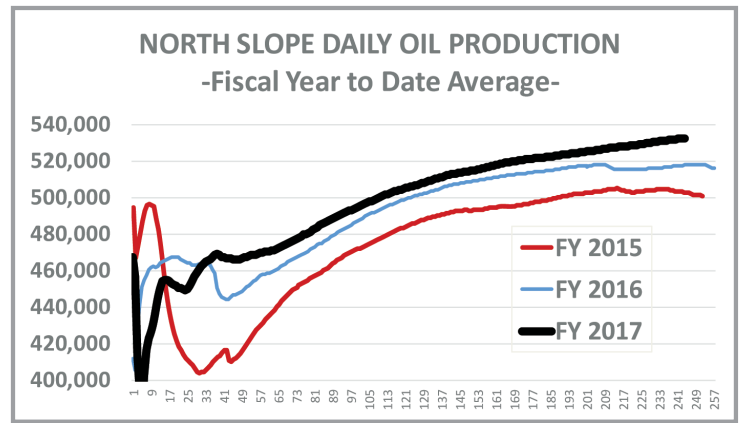


Figure 4

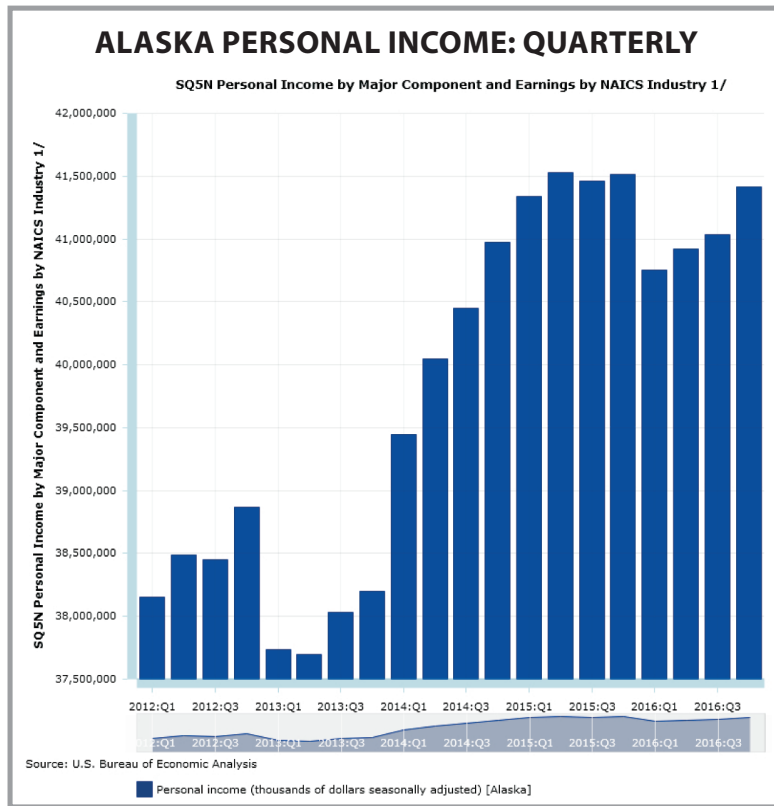


Figure 5

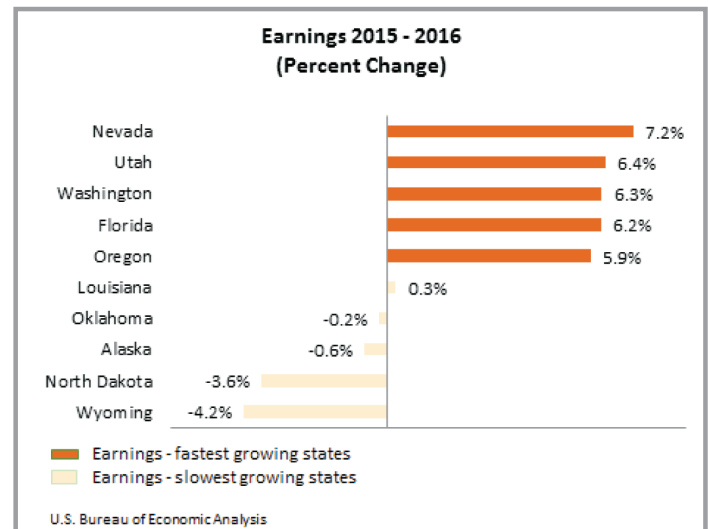


Figure 6

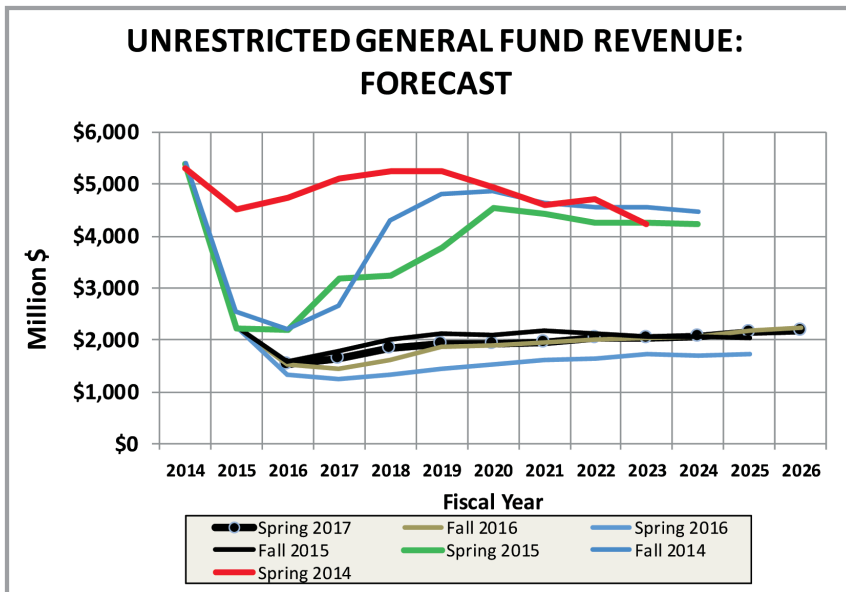


Figure 7

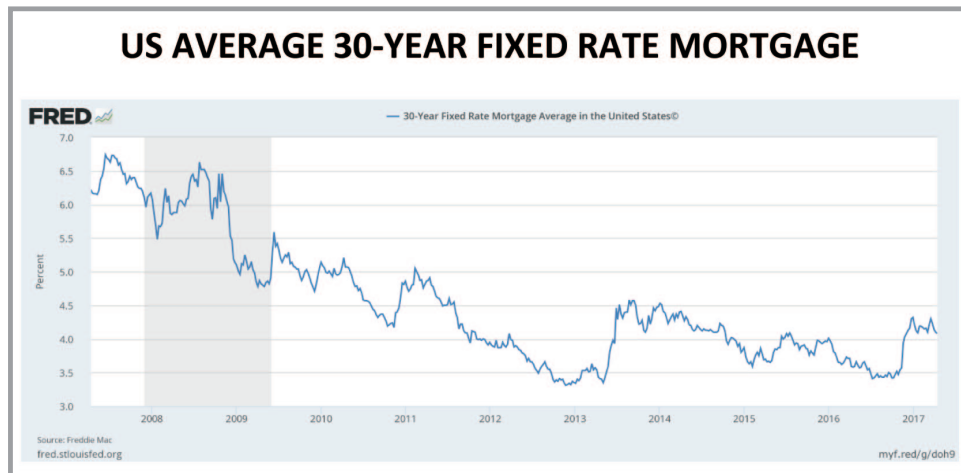


Figure 8

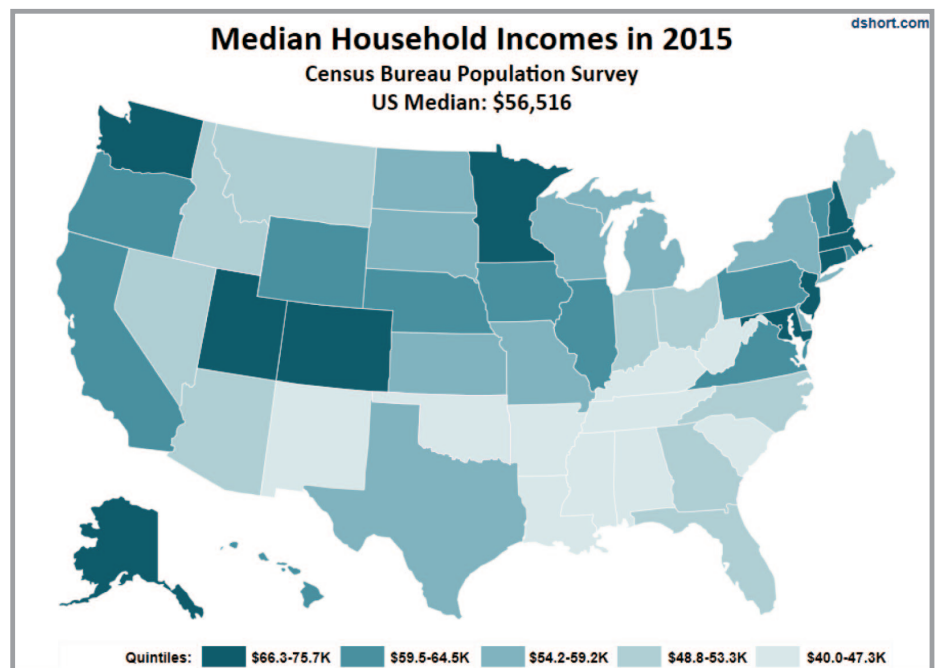


Figure 9