

# 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.*

## July Unemployment Rate of 7 Percent Continues Upward Trend

The July 2017 seasonally adjusted unemployment rate for Alaska was 7 percent, up slightly from 6.8 percent in June. The rate is up half a percent since the start of the year. The comparable national rate was 4.3 percent. **Figure 1**

Alaska continued to have the highest unemployment rate in the nation in June. North Dakota has the lowest rate of 2.2 percent.

The raw unemployment rate, not seasonally adjusted, was 6.6 percent—0.5 percent higher than last year and 0.8 percent higher than 2015. **Figure 2**

Although the 2016 unemployment rate for Alaska was 6.6 percent, the “rate of labor underutilization” was 12.8 percent compared to 9.6 percent for the nation, according to the Bureau of Labor Statistics. This measure includes not only the unemployed, but also workers employed only part time for economic reasons (unable to find a full-time position), and those only marginally attached to the labor force (would like to work but have not looked for work in the last month). **Figure 3**

The Alaska rate was the highest in the nation and has been increasing compared to the national rate for the last two years. The lowest rate, 5.2 percent, was reported in South Dakota.

The 2016 estimate of underutilized workers in Alaska was 23,700 unemployed (based on the official definition, plus 15,900 persons working part time involuntarily, and 6,900 persons not actively looking for work).

## Job Count in July Down 7,500 From a Year Earlier

Preliminary estimates show employment in July to be 7,500, or 2.1 percent, lower than July of 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, local government, and federal government were the only sectors reporting employment increases. The decline was spread across all regions of the state. **Figure 4**

Job growth performance in Alaska in July was the worst in the nation. Wyoming and Kansas were the only two other states reporting declines in employment from a year earlier.

## North Slope Oil Price Moves Back Above \$50 in August

The West Coast price of North Slope crude oil moved up above \$50 through early August after two months of trading below \$45. The increase in the price is due both to the OPEC decision to extend production cuts for an additional nine months and weakening of the dollar.

It has now been a little more than three years since the price of oil fell below \$100 per barrel. Over a nine-month period it dropped to \$50 and since early 2015 the price has averaged \$49. **Figure 5**

The price this fiscal year (2018) has averaged \$50 which is \$4 lower than the December 2017 Alaska Department of Revenue forecast.

### North Slope Oil Production Down Due to Normal Summer Maintenance

Production has increased at a 3 percent rate for the last two fiscal years. The latest forecast of the Alaska Department of Revenue (Spring 2017) is for production to average 470,000 barrels per day in fiscal year 2018.

North Slope oil production at the start of the new fiscal year (2018) has averaged 440,000 barrels per day, down from the average of 531,000 for the previous fiscal year. The drop is primarily due to normal summer maintenance of facilities. **Figure 6**

### Alaska Rental Vacancy Rates Higher in 2017

The vacancy rate for rental units (single family and apartments) increased in the first quarter to 7.3 percent compared to 5.8 percent in 2016 according to the annual survey of 16,500 units conducted by the Alaska Department of Labor. This is the highest rate in the 10 years the survey has been conducted. Rates were higher in all the largest rental markets in the state. **Figure 7**

### Value of 2017 Anchorage Building Permits Down 3 Percent

Through the first six months of 2017 the cumulative value of Anchorage building permits has been \$283 million compared to \$291 million last year. The slight drop is all attributable to a decline in the value of residential permits from \$80 million to \$71 million. **Figure 8**

### AEDC Three-Year Outlook For Anchorage Shows Decline Through 2018

The AEDC (Anchorage Economic Development Corporation) three-year Outlook for Anchorage forecasts an employment decline through 2018 with employment stabilizing in 2019 and slow growth (0.5 percent) resuming in 2020. **Figure 9**

Population is forecast to fall through 2018 to 296,500 and remain constant to 2020. **Figure 10**

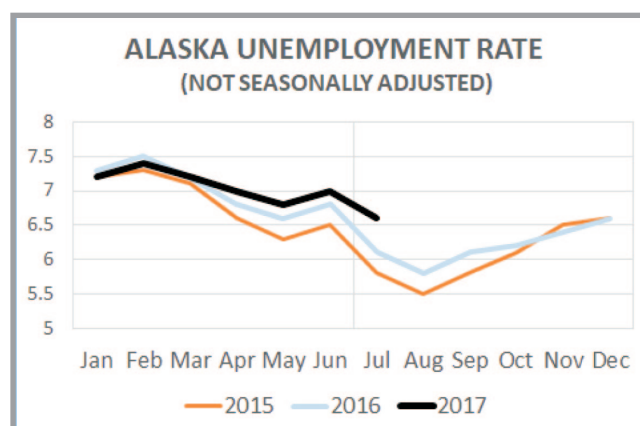
### AEDC Consumer Optimism Index Hits a New Low

The AEDC (Anchorage Economic Development Corporation) Consumer Optimism Index hit a new low of 47.5 in the second quarter. The more stable six-month moving average of the index also fell to its lowest level of 49 percent. (The index can take a value between 0 and 100. A value greater than 50 indicates relative confidence in the economy.) **Figure 11**

Of the three components of the index only Personal Financial Confidence was strong at 62. Future Expectations was at an all-time low of 40.6 as was Local Economic Confidence at 46.9.

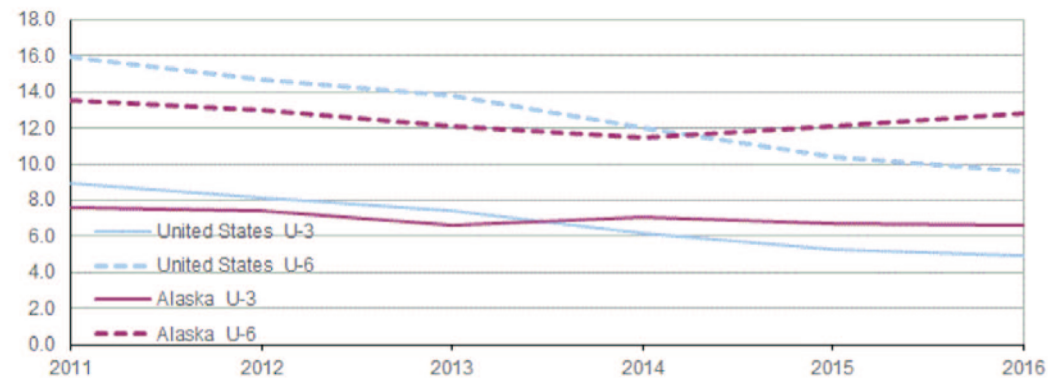


**Figure 1**



**Figure 2**

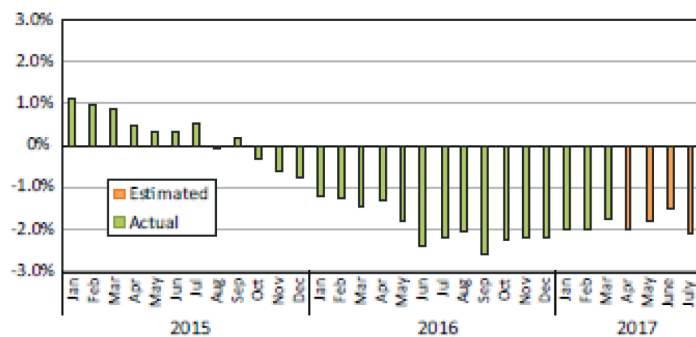
**Chart 1. Two alternative measures of labor underutilization, United States and Alaska, 2011-16 annual averages**



**Figure 3**

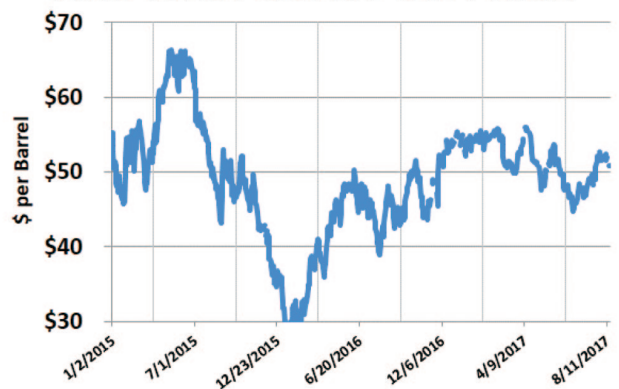
### Wage and Salary Employment

Percent change from same month the previous year



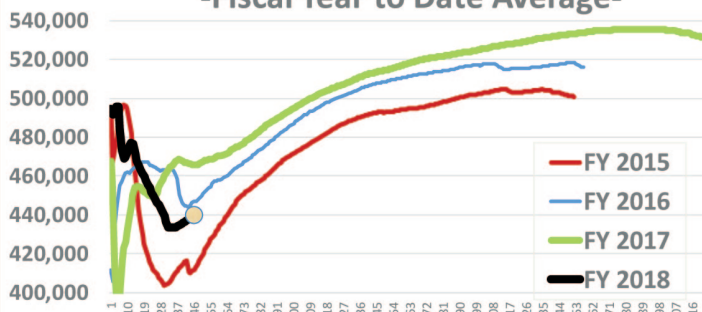
**Figure 4**

### ANS WEST COAST OIL PRICE



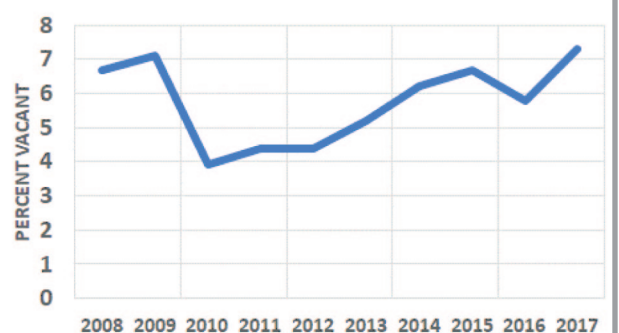
**Figure 5**

### NORTH SLOPE DAILY OIL PRODUCTION -Fiscal Year to Date Average-



**Figure 6**

### ALASKA RENTAL VACANCY RATE



**Figure 7**

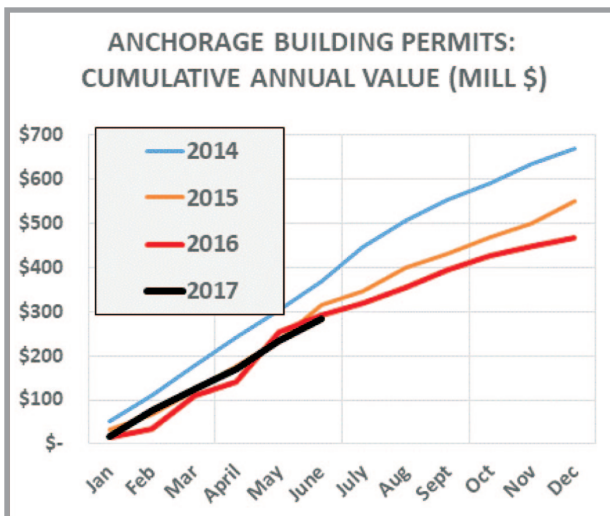


Figure 8

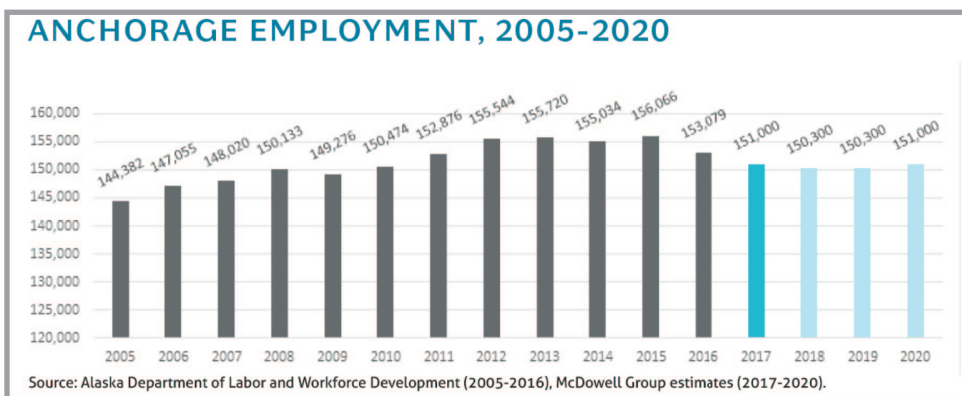


Figure 9

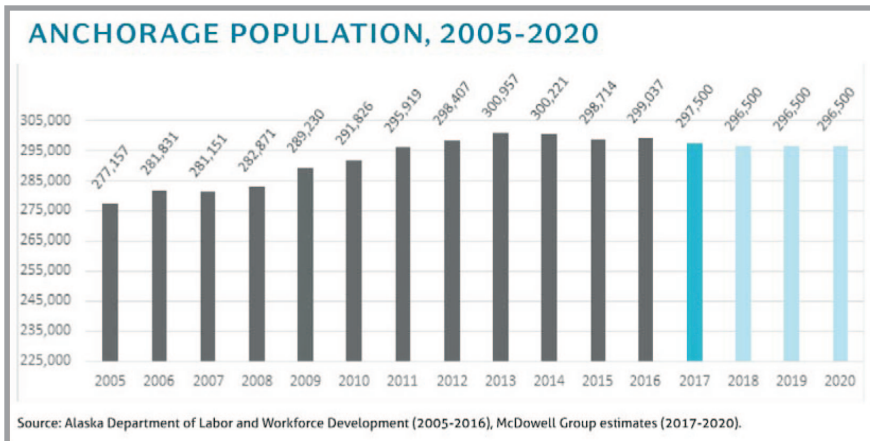


Figure 10

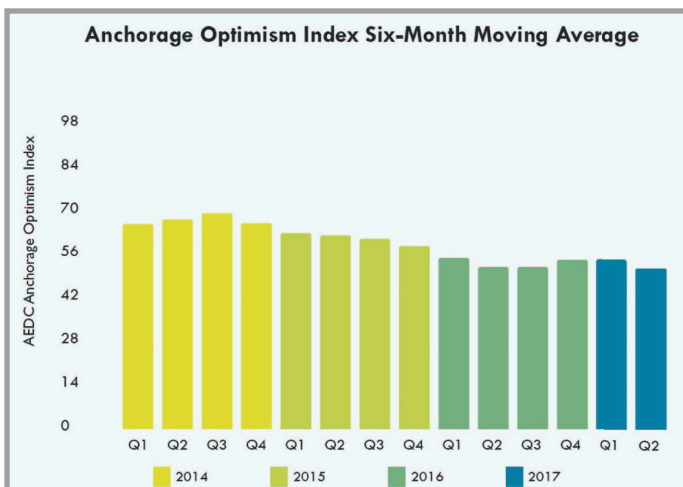


Figure 11