

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.

August 7.2 Percent Unemployment Rate Continues Upward Trend

The August 2017 seasonally adjusted unemployment rate for Alaska was 7.2 percent, up 0.2 percent from 7.0 percent in July. The comparable national rate was 4.4 percent. The Alaska rate has been slowly trending up since the start of the year when it was 6.5 percent. **Figure 1**

Alaska had the highest unemployment rate in the nation in August. The lowest rate, 2.2 percent, was reported in North Dakota.

The raw unemployment rate, not seasonally adjusted, was 6.3 percent—higher than the previous two years. **Figure 2**

Job Count in August Down 4,800 From a Year Earlier

Preliminary estimates show employment in August to be 4,800, or 1.4 percent, lower than August in 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 industries experiencing growth.

Job growth performance in Alaska in August was the worst in the nation. Nevada and Oregon, each with a growth rate of 3 percent, reported the best performance. **Figure 3**

Construction Employment Weak in First Quarter

The preliminary census of construction employment for the first quarter of the year, reported by the Alaska Department of Labor, shows a continuation of the decline from two years earlier. The average for the first quarter was 12,640, down 11.4 percent from the 14,081 of a year earlier. The decline in the previous year was 9 percent. In the last two years employment has fallen about 20 percent—2,700. **Figure 4**

North Slope Oil Price Averaging \$51 This Fiscal Year

The West Coast price of North Slope crude oil has increased in the last month to a range around \$55 as market uncertainty over supply on the world market continues. 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 ability of shale oil producers in the U.S. to increase production. World geopolitical uncertainty has recently added an additional dimension to price volatility. **Figure 5**

The price this fiscal year (2018) has averaged \$51 which is \$3 lower than the December Alaska Department of Revenue forecast.

North Slope Oil Production Down 4 Percent From Last Year

North Slope oil production through mid-September of this fiscal year (2018) has averaged 462,000 barrels per day, about 4 percent less than last year at this time. **Figure 6**

The average production rate has been increasing since the usual summer maintenance slowdown and is now close to the most recent forecast of the Alaska Department of Revenue of 470,000 barrels per day.

Alaska Summer Visitor Count Increased 4 Percent in 2016

The number of summer visitors (May through September) to Alaska increased 4 percent in 2016 according to a new report by the McDowell Group. Spending per visitor in Alaska (excluding the cost of travel to Alaska) was estimated to be \$1,057, or \$115 per night. Aggregate spending in Alaska by 1.858 million summer visitors was \$1.96 billion. **Figure 7**

Cruise ship passengers accounted for 55 percent of the total while visitors who both arrived and departed by air accounted for 40 percent. Since 2011 the number of cruise ship passengers has increased 16 percent while air traffic has grown 24 percent.

The forecast for 2017 is for an increase in cruise ship passengers of 3.3 percent. **Figure 8**

Although most summer visitors are coming to Alaska for vacations, some also come for business or to visit friends and relatives (VFR). Vacation/pleasure visits have accounted for almost all the increase in summer visits since 2011. **Figure 9**

Alaska has 4.1 percent of the world cruise ship capacity, down from 4.5 percent in 2011. The drop is due to rapid expansion of new markets in other parts of the world.

Anchorage Inflation Rate .7 Percent Since Last Summer

Prices in Anchorage, as measured by the Consumer Price Index for All Urban Consumers (Bureau of Labor Statistics), were unchanged in the first half of 2017 and increased only 0.7 from a year earlier. The annual growth rate in prices is the slowest in nearly 30 years.

Nationally the inflation rate for the last year has been 1.6 percent. **Figure 10**



Figure 1

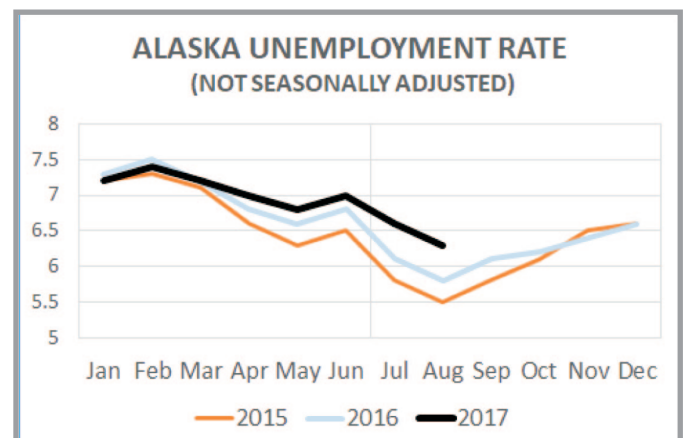


Figure 2

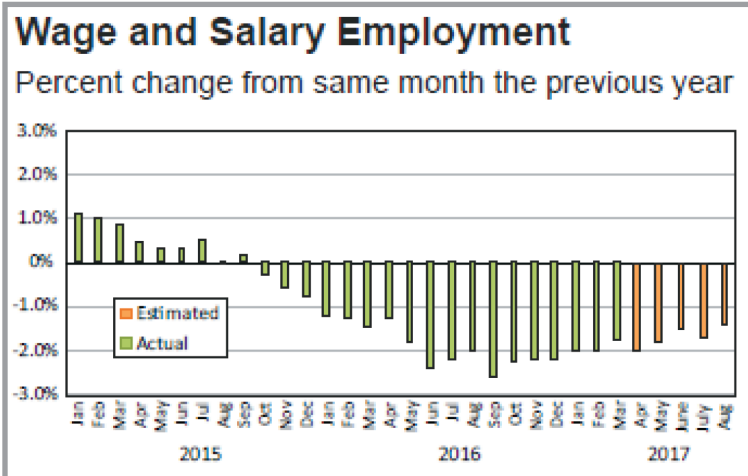


Figure 3

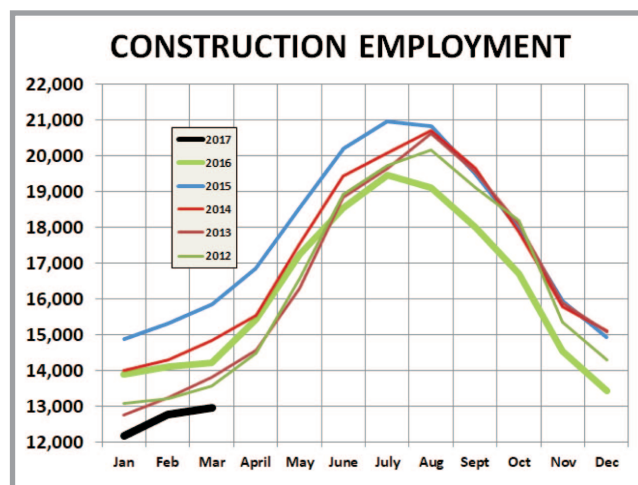


Figure 4

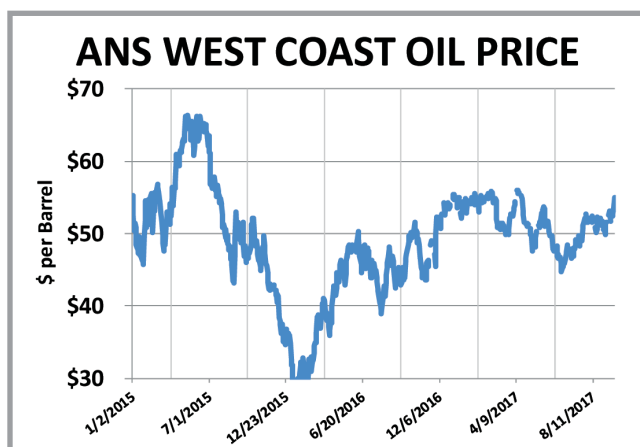


Figure 5

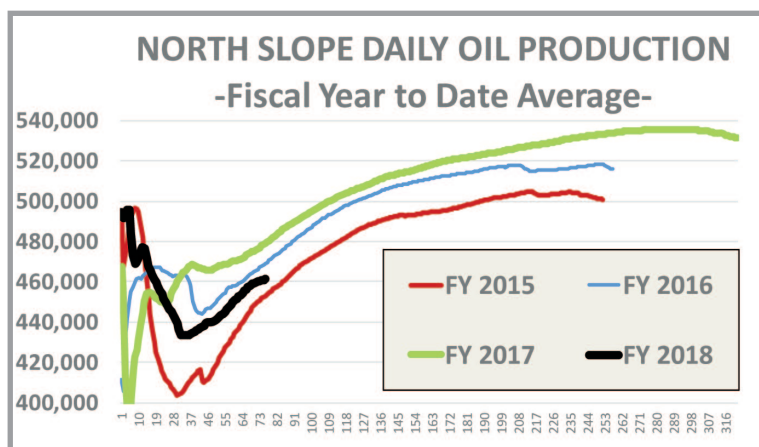


Figure 6

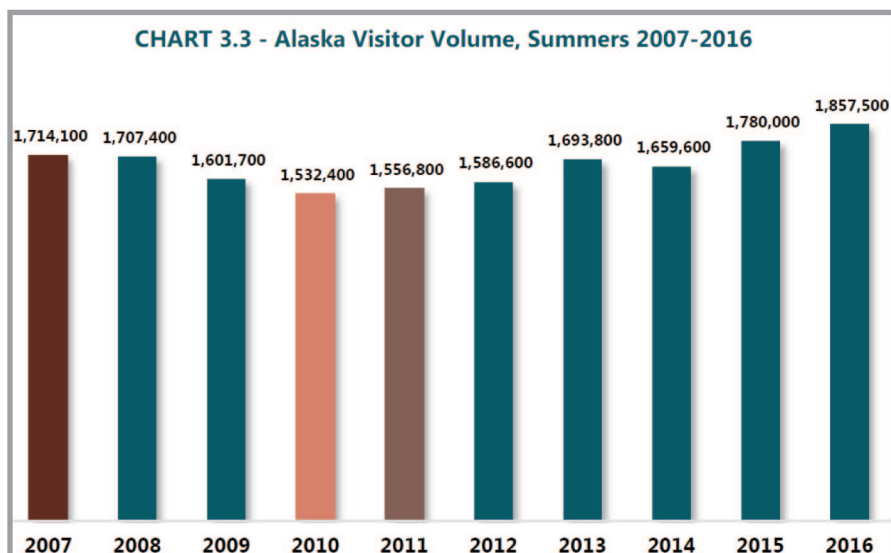


Figure 7

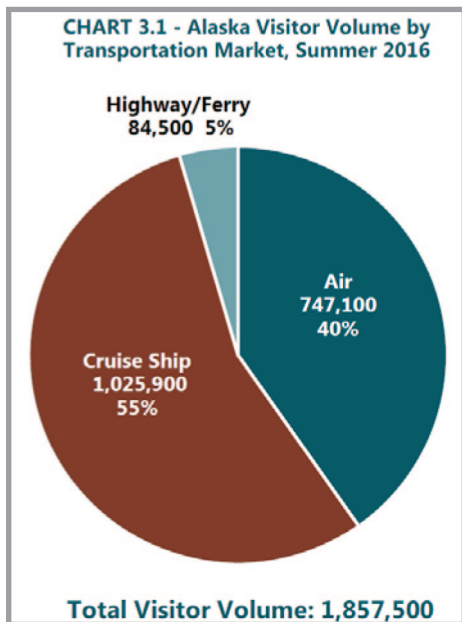


Figure 8

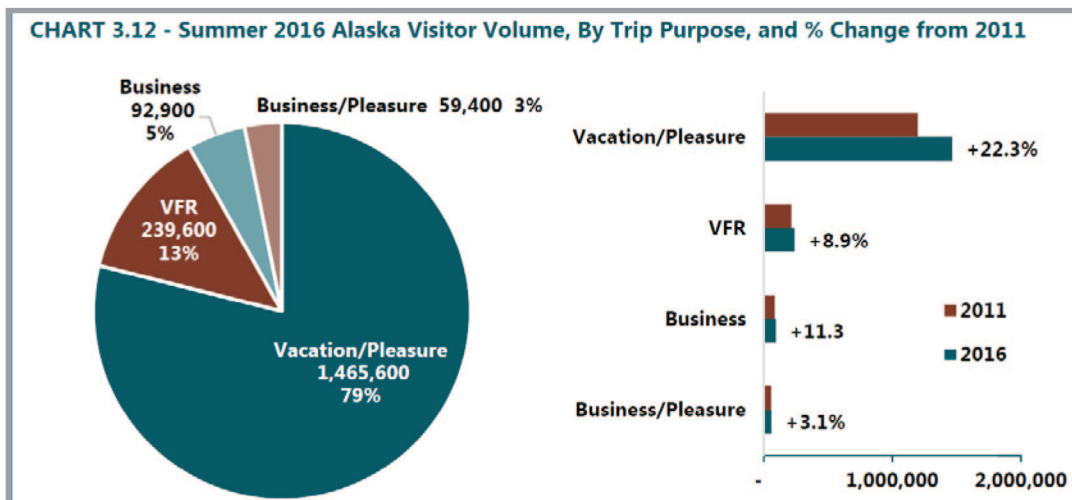


Figure 9

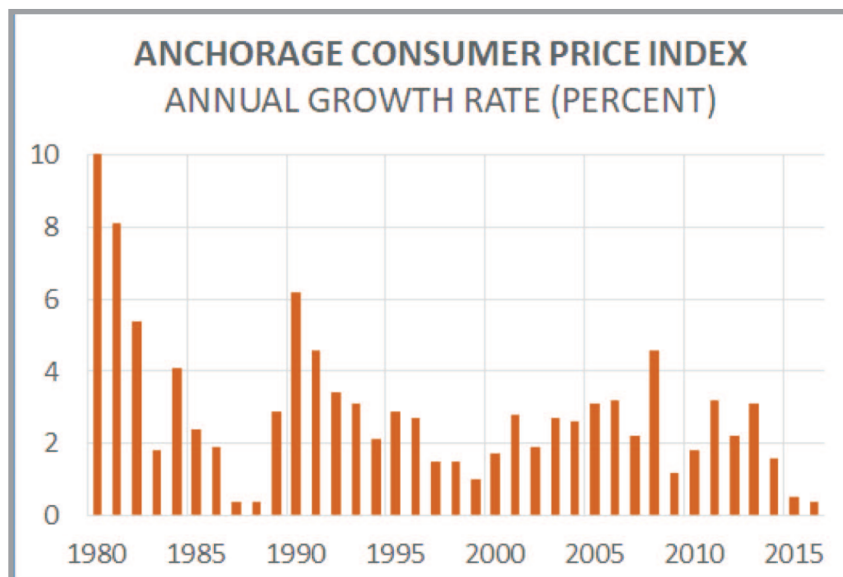


Figure 10