ALASKA'S ECONOMY

Understand it. Support it. Grow it.

Volume 5
October 2017

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 from 7 percent in July. The comparable national rate was 4.4 percent. The Alaska rate has risen each month since February when it stood at 6.4 percent. **Figure 1**

Alaska had the highest unemployment rate in the nation in August. The lowest rate, 2.3 percent, was reported in North Dakota.

The raw unemployment rate (not seasonally adjusted) bottomed out in August at 6.4 percent. Last year at this time it was 5.8 percent. **Figure 2**

Job Count in August Down 4,800 from Last Year

Preliminary estimates show employment in August to be 4,800, or 1.4 percent lower than August 2016. The state has now experienced two full years of declining employment.

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, federal government, and local government were the only industries experiencing growth.

Job growth performance in Alaska in August was the lowest in the nation. Nevada, with a growth rate of 3.3 percent, was the highest. **Figure 3**

High-Wage Industry Employment Decline Slowing?

Final data on employment by industry thru the first quarter of 2017 from the Alaska Department of Labor hints at a slowdown in employment losses in the main high-wage industries in the state.

The slowdown is most evident in business services where the job loss peaked in the latter part of 2016 and has since declined by half. **Figure 4**

The same general pattern, although less pronounced, is evident for petroleum employment. **Figure 5**

However construction and state government employment losses continue at about the same amount each month through March.

North Slope Oil Price Above $55 for the Most Recent Month

The West Coast price of North Slope crude oil has moved above $55 in the last month. Several factors could account for this increase including a reduction in inventories, supply restraint by OPEC, an increase in anticipated demand, geopolitics, or weather patterns. The long-term direction of price remains uncertain. **Figure 6**

The price this fiscal year (2018) has averaged $52 which is $2 below the spring Alaska Department of Revenue forecast.

North Slope Oil Production 3 Percent Below Last Year

North Slope oil production through September of this fiscal year (2018) has averaged 480,000 barrels per day, about 3 percent lower than last year at this time. **Figure 7**

If this production trend continues, production will exceed the spring Alaska Department of Revenue forecast of 470,000 barrels per day.

Foreclosures and Defaults Remain Low

The numbers of foreclosures and defaults remain at low levels through the first quarter of 2017 according to the Alaska Housing Finance Corporation. Both are near a 10-year low. **Figure 8**

Home Loan Activity Continues Decline

The number of new single-family and condominium loans reported for the second quarter of 2017 by Alaska Housing Finance Corporation was 1776, 14 percent below last year. The annual level has been declining since a peak in 2013. (This includes both new construction and resale loans.) **Figure 9**

Commercial Salmon Harvest Value Estimated at $679 Million

The preliminary estimate of the ex-vessel value (value to fishermen) of the 2017 commercial fishing harvest was $679 million (Alaska Department of Fish and Game). This is 67 percent higher than the harvest value of $407 million of last year.

Sockeye accounted for 48 percent of value followed by pink salmon at 25 percent. **Figure 10**

Permanent Fund Return for 2017 More Than 12 Percent

The Alaska Permanent Fund earned a 12.57 percent rate of return for fiscal year 2017 which significantly exceeded the target of 6.63 percent (5 percent real return plus inflation). Because of volatility in capital markets this level of return cannot be expected in the long term. The rolling average fund return is more modest as it includes years of both high and low returns. **Figure 11**

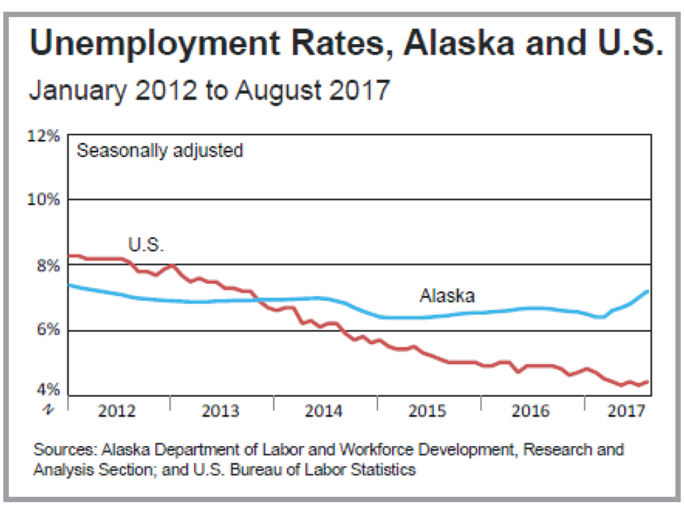

Figure 1

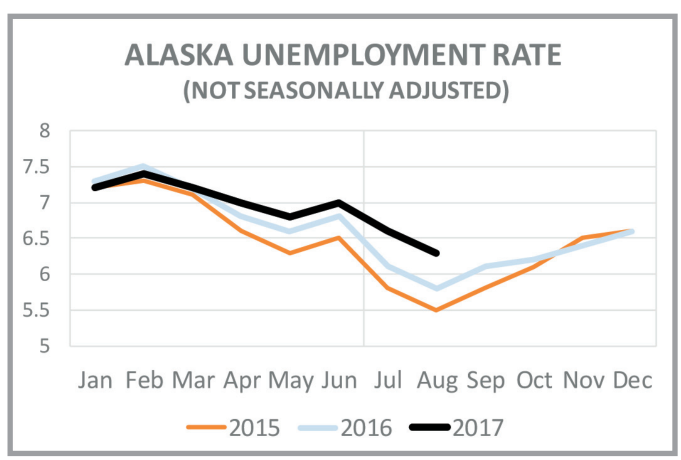

Figure 2

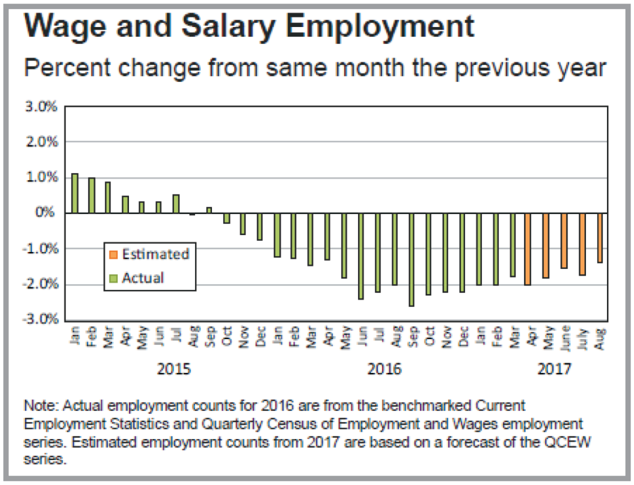

Figure 3

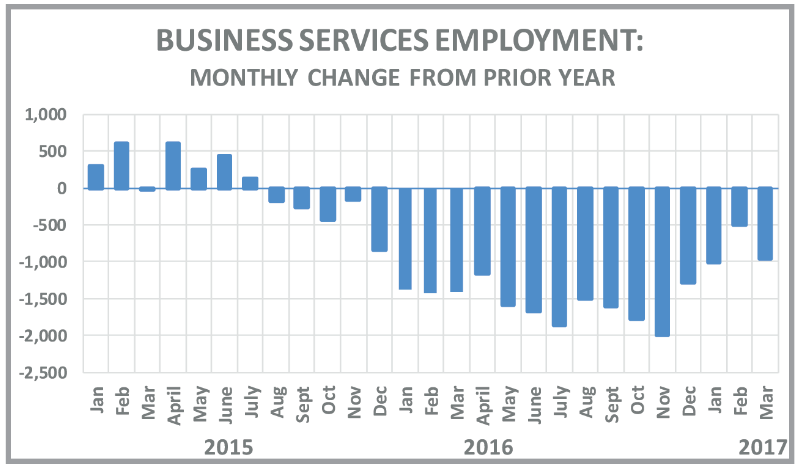

Figure 4

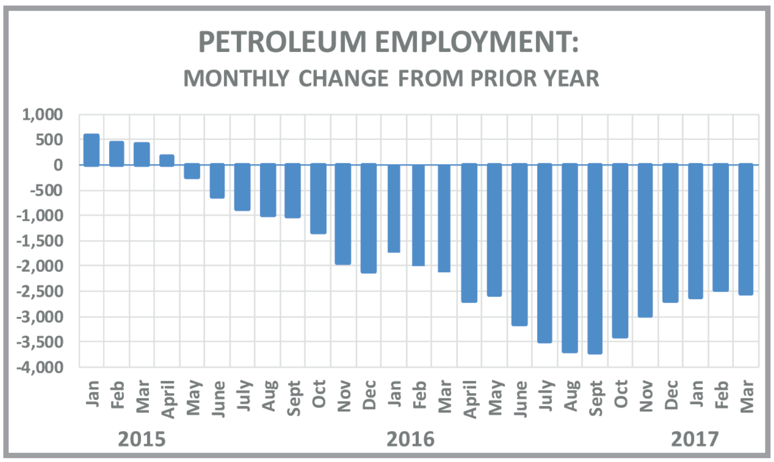

Figure 5

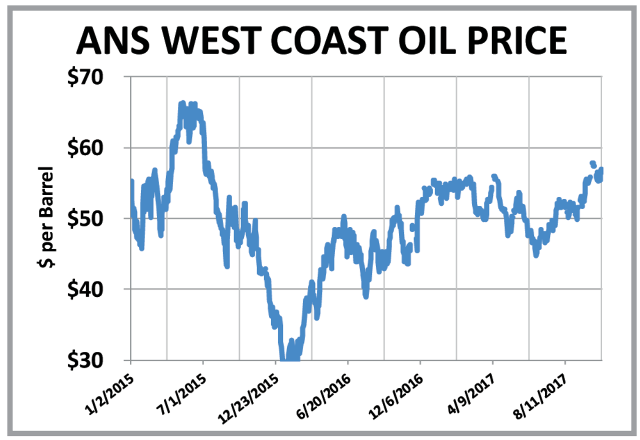

Figure 6

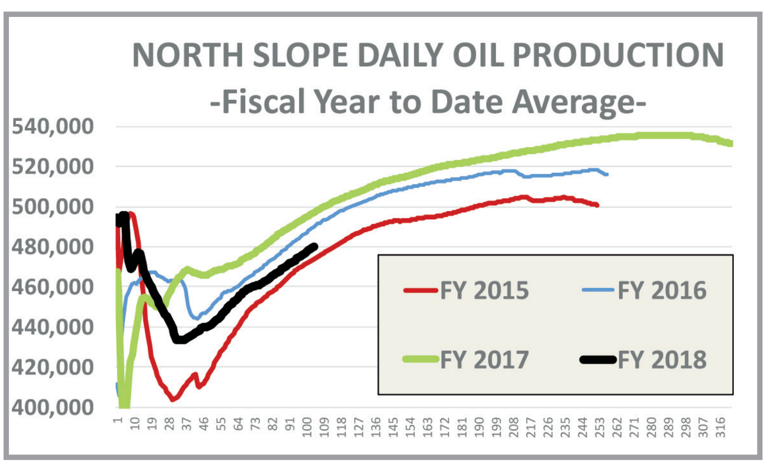

Figure 7

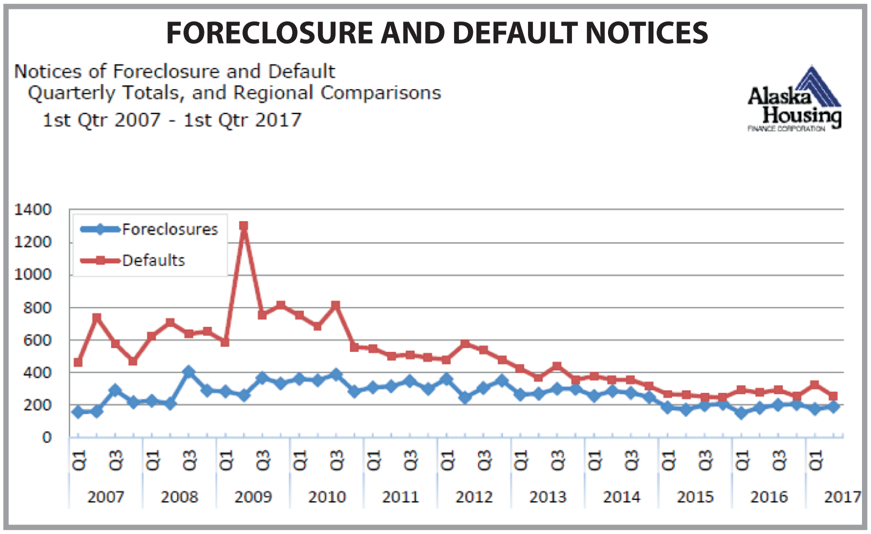

Figure 8

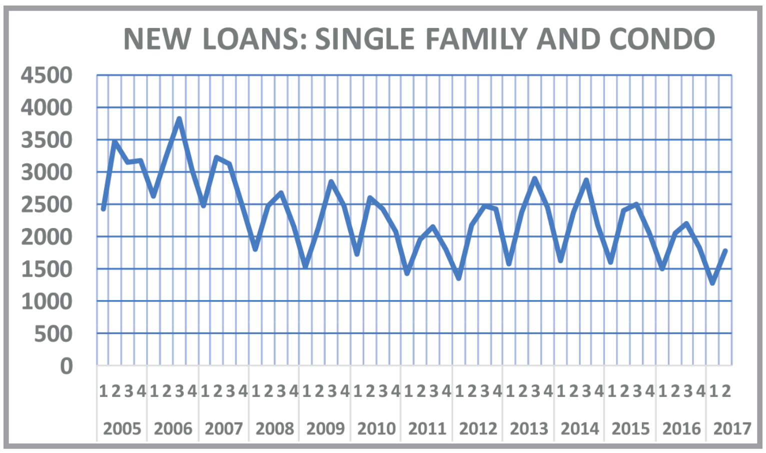

Figure 9

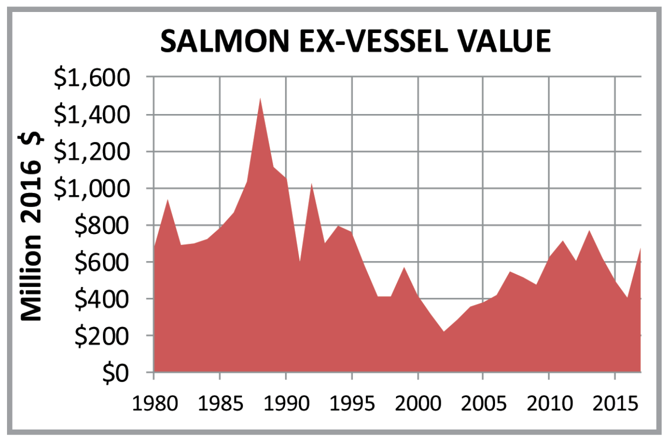

Figure 10

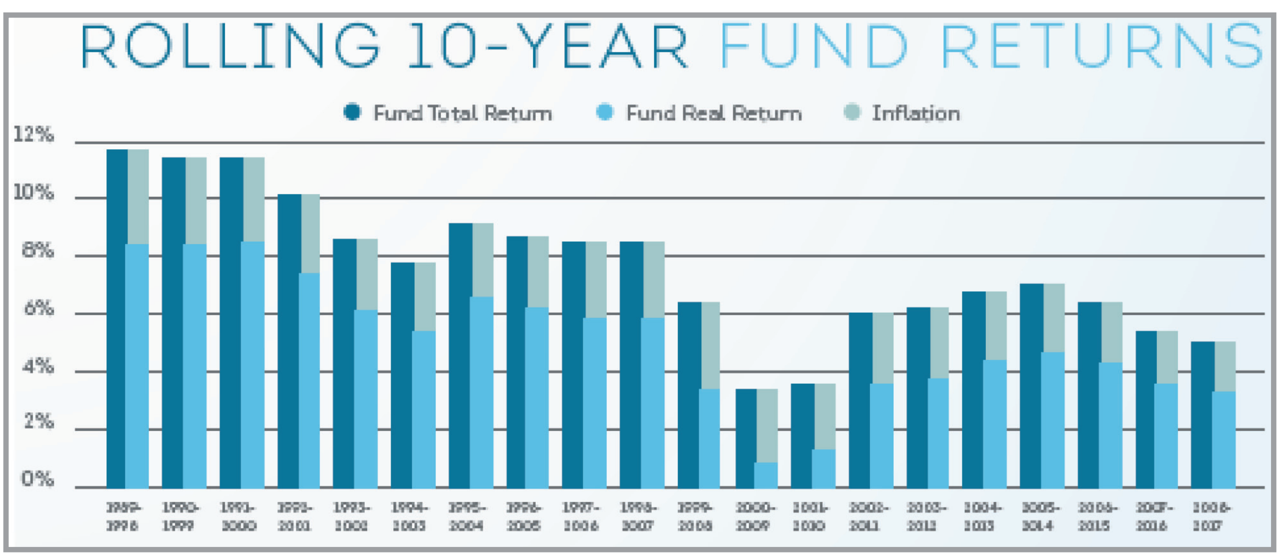

Figure 11