

# 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.*

## **October Unemployment Rate Stable at 7.2 Percent**

The October 2017 seasonally adjusted unemployment rate for Alaska was 7.2 percent, the same as the previous two months. The comparable national rate fell to 4.1 percent. **Figure 1**

Alaska continued to have the highest unemployment rate in the nation in October. The lowest rate, 2.4 percent, was reported in North Dakota.

The raw unemployment rate (not seasonally adjusted) rose to 6.7 percent in October. Last year at this time it was 6.2 percent. **Figure 2**

## **Preliminary Job Count in October Down 4,100 From Last Year**

The preliminary estimate of October employment from the Alaska Department of Labor shows a decline of 4,100 (1.3 percent) from a year earlier. The state has now experienced more than two full years of declining employment. **Figure 3**

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.

Job growth performance in Alaska in October continued to be the worst in the nation. Nevada, with a growth rate of 2.7 percent, had the best performance.

## **First Half Job Count Shows Recession Slowing**

Final data from the Alaska Department of Labor on employment by industry through the second quarter of 2017 shows the job loss slowing in the second quarter. **Figure 4**

The slowdown in job loss is primarily due to reductions in job losses in the oil and gas and other (total excluding oil and gas, construction, business services, state government, and health care) sectors. Other is composed primarily of support sectors like retail trade and transportation and other services.

Notably, losses in the construction sector have not yet diminished. Health care spending continues to be the only sector reporting consistent growth in employment in the last year. **Figure 5**

Note that job losses only began about a year after the drop in the price of oil in the summer of 2014. Initially those losses were confined to the oil and gas and state government sectors.

## **North Slope Oil Price Above \$60 in November**

The West Coast price of North Slope crude oil moved above \$60 at the end of October and has remained there through November. The strengthening of the price is partially due to the likelihood of a continuation of supply constraint by OPEC and Russia after the present agreement to limit production expires next March. Political unrest in the Middle East is likely also to be a factor. The long-term direction of price remains uncertain. **Figure 6**

The price this fiscal year (2018) has averaged \$55 which is \$1 above the latest (Spring) Alaska Department of Revenue forecast.

### North Slope Oil Production in November at Same Level as Last Year

After low production levels in late summer and fall, North Slope oil production in November of this year has averaged 543,000 barrels per day, almost identical to November 2016. Through November of this fiscal year (2018) production has averaged 497,000 barrels per day, about 3 percent (16,000 barrels) lower than last year at this time. **Figure 7**

If the current production trend continues, production will exceed the most recent (Spring) Alaska Department of Revenue forecast of 470,000 barrels per day by between 40,000 and 50,000 barrels per day.

### AEDC Anchorage Consumer Optimism Index Stable

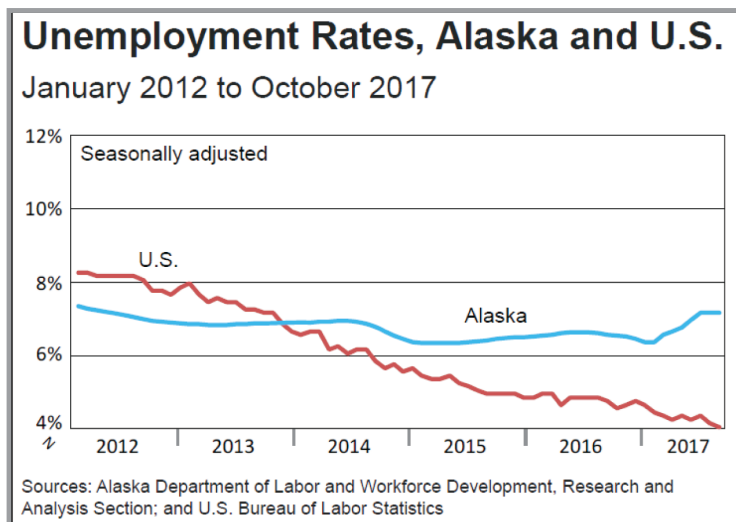
The AEDC (Anchorage Economic Development Corporation) Consumer Optimism Index was up slightly to 48.7 in the third quarter. However, the more stable six-month moving average of the index hit an all-time low for the second time this year at a level of 48.1. (The index can take a value from 0 to 100. A value higher than 50 indicates relative consumer optimism.) **Figure 8**

Respondents have been more pessimistic this year about the current condition of the economy than at any time since the Index was created in 2013. **Figure 9**

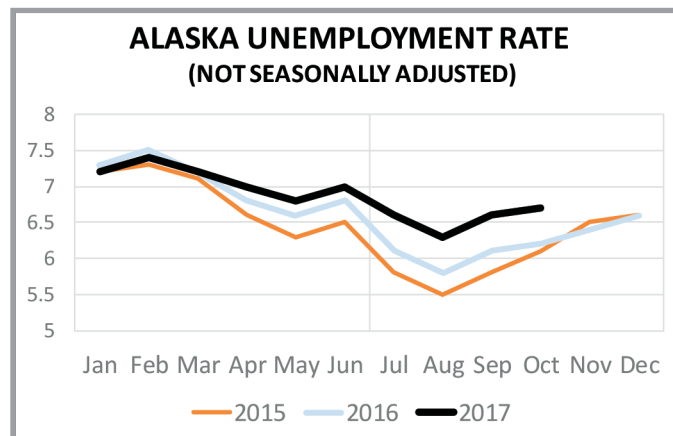
And respondents continue to feel that the local economy is getting worse. **Figure 10**

### Personal Income

Alaska personal income was \$41.8 billion in the second quarter according to the US Department of Commerce. After a drop in 2016, it has now regained the maximum level reported at the end of 2015. The drop was due to a decline in wage earnings associated with the recession. **Figure 11**



**Figure 1**



**Figure 2**

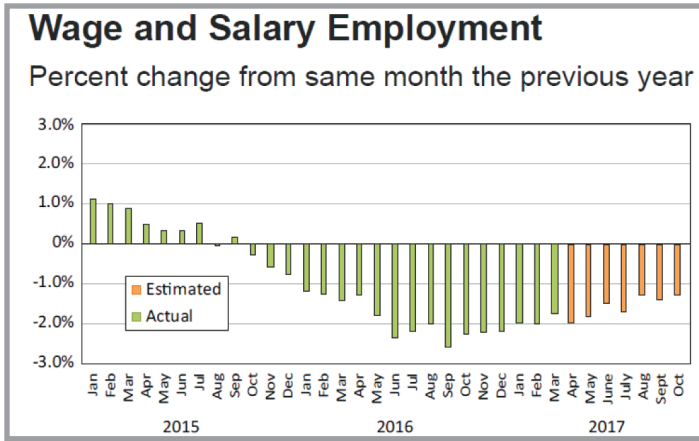


Figure 3

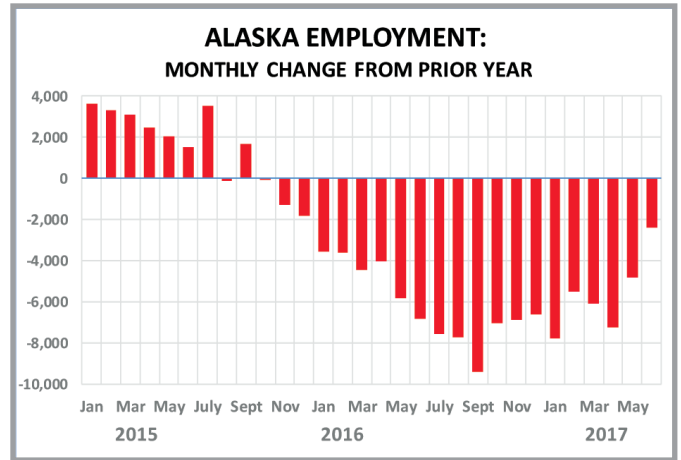


Figure 4

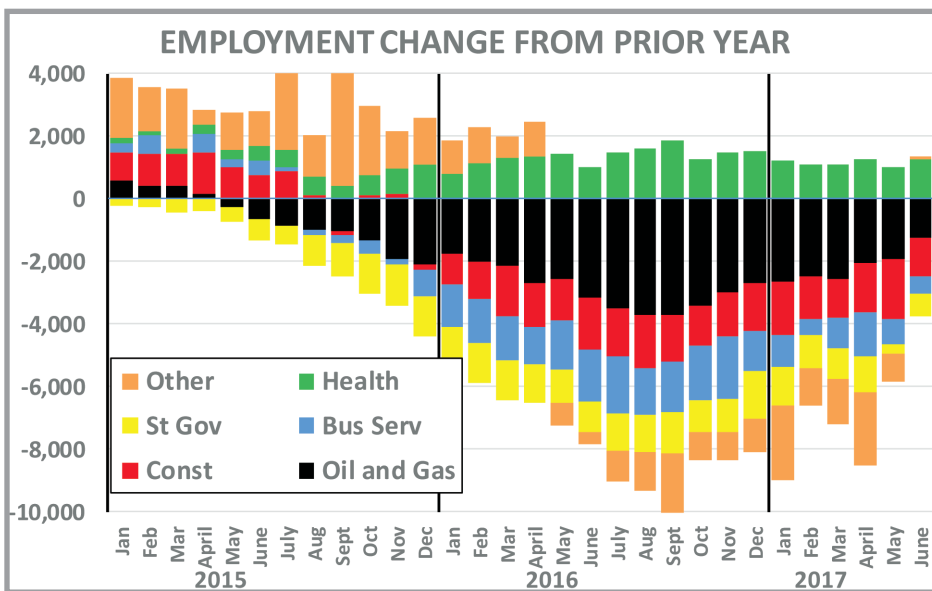


Figure 5

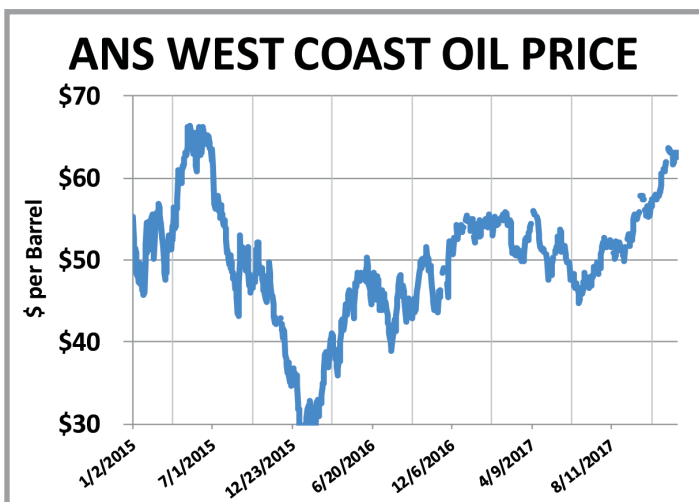


Figure 6

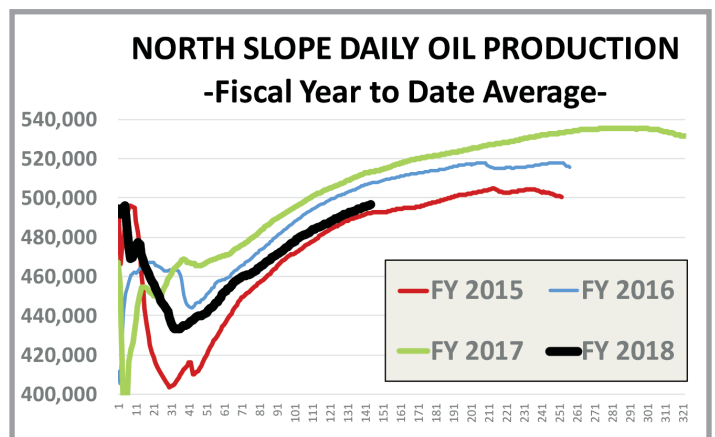
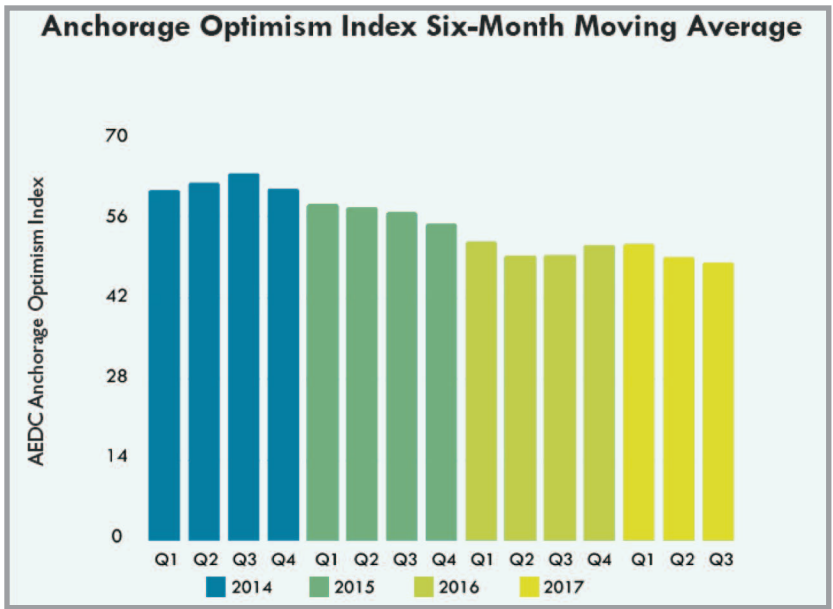
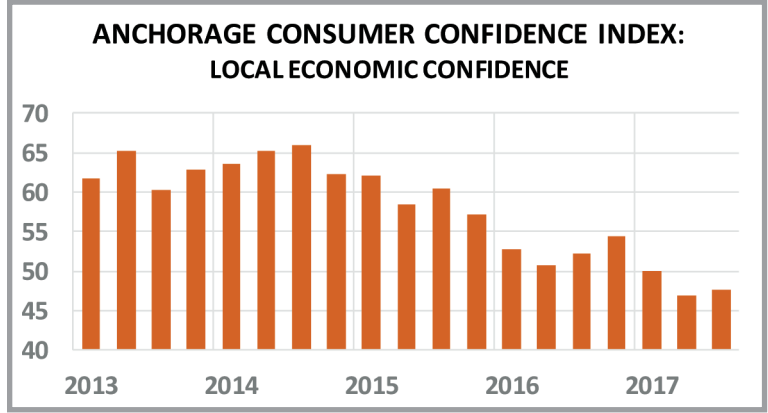


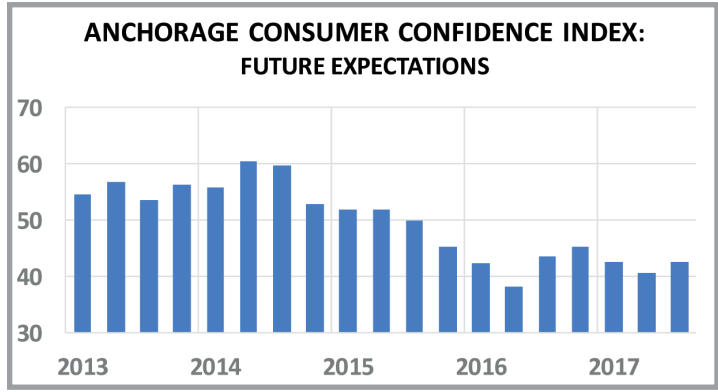
Figure 7



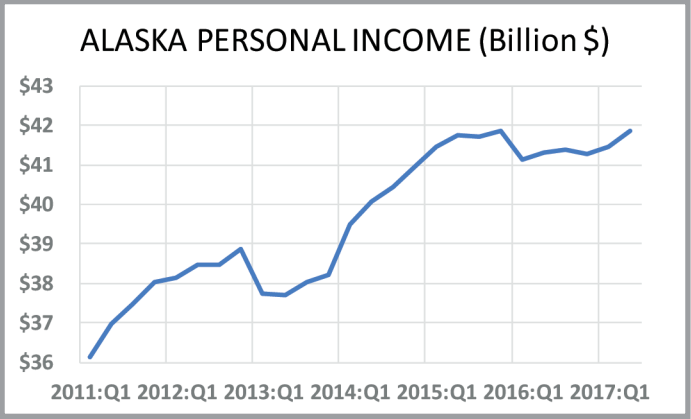
**Figure 8**



**Figure 9**



**Figure 10**



**Figure 11**