

ALASKA'S ECONOMY

It's everyone's business.



MOUHCINE GUETTABI, ASSOCIATE PROFESSOR OF ECONOMICS, INSTITUTE OF SOCIAL AND ECONOMIC RESEARCH AT THE UNIVERSITY OF ALASKA ANCHORAGE, SHARES HIS VIEWS ON THE ALASKA ECONOMY.

Dear reader:

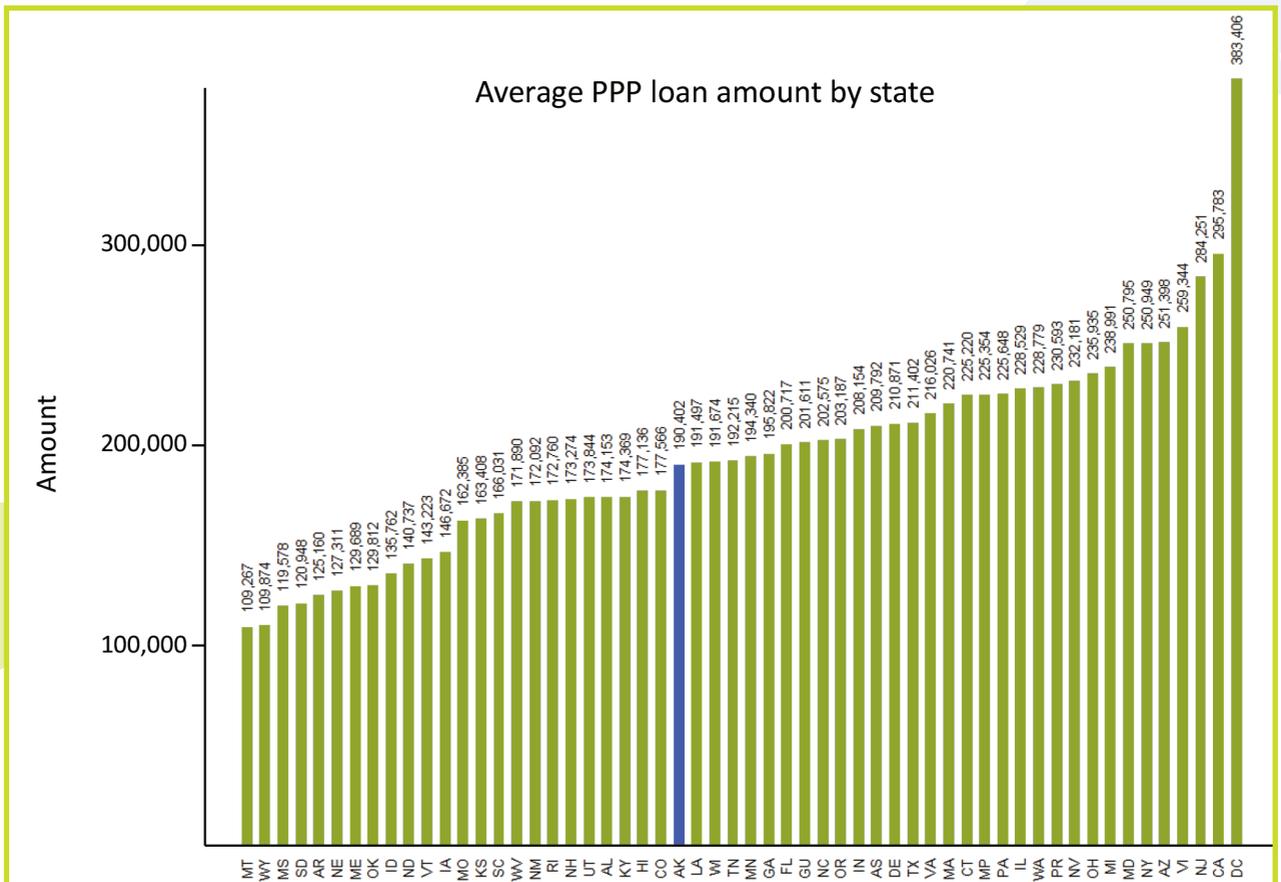
Alaska's economy is experiencing multiple ripple effects due to COVID-19, putting immense strain on households, businesses, the state, and local governments. The federal government continues to provide considerable assistance to households and businesses to deal with these disruptions. While we have a preliminary sense of the scale of the economic shock, it is too early to determine the depth of the impacts.

Below is an overview of how COVID-19 is affecting Alaska, as of April 25.



4,842 firms receive Paycheck Protection Program (PPP) loans

The federal government has allocated considerable resources to businesses to keep employees on payroll and to help mitigate permanent business closures. In the first round of PPP, which closed on April 16, Alaska received more than \$900 million, which was allocated to more than 4,800 businesses and nonprofit organizations. The average loan amount per recipient was \$190,000. ▼



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Oil prices drop between January and April

Alaska North Slope (ANS) oil prices are averaging roughly \$23 less than the same period in 2019. This decline is due to much lower demand and excess supply concerns which have caused storage capacity problems.

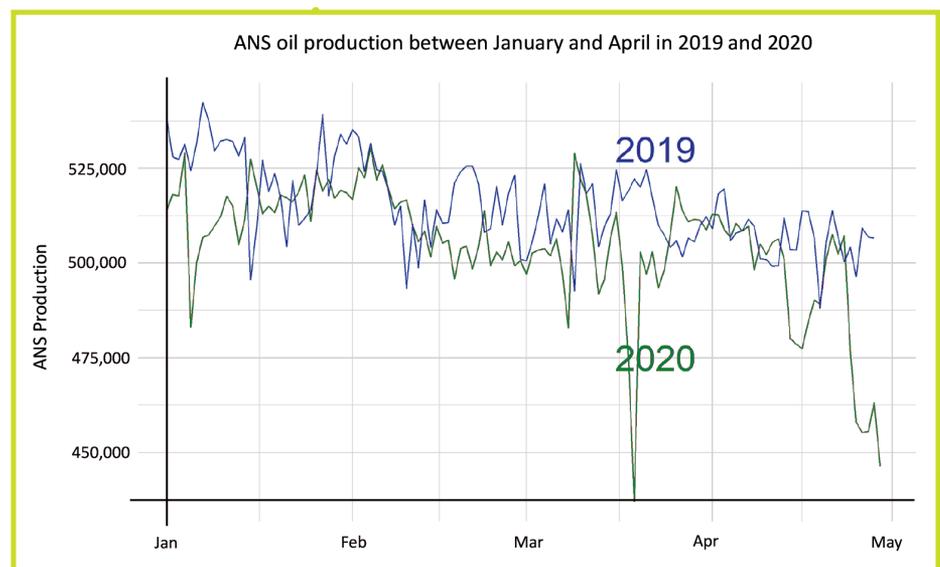
Demand should pick up as economies around the world start re-opening but it will take time to use the glut of supply that has been accumulated during global social distancing measures implemented during COVID-19. ►



Low oil prices drive producers to adjust operations

Conoco Phillips, Alaska's largest producer, has announced it will cut production by 100,000 barrels per day. For context, Alaska averaged 504,000 barrels per day between January and April, 2020. This announced cut represents 20% of all production in Alaska.

The combination of lower price and production will translate into a significant reduction in oil revenues. This will also result in significant layoffs in Alaska's highest paying sector which currently has 10,500 employees ►





70,000 Alaskans file for unemployment

Between March 15 and April 25, 21% of Alaska's labor force, more than 70,000 residents, filed for unemployment insurance. The high number of initial claimants reflects the effects of the temporary business closures but also provides a sense of the scale of the economic challenge. We do not know what share of these initial filers are permanently separated from their employers and what share will be recalled as the reopening accelerates. ▼

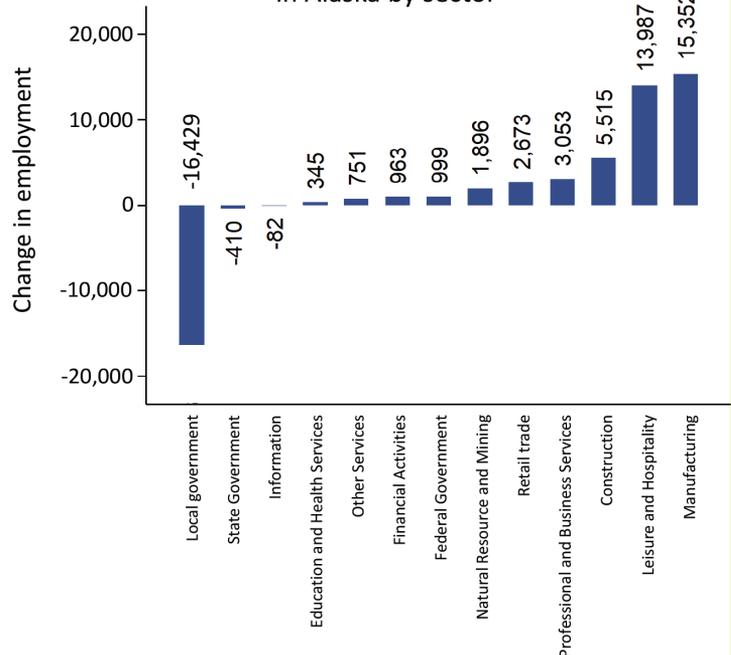
Between March 15 and April 25, the number of initial claims for unemployment is more than six times the number of jobs lost between 2015 and 2018



Much of summer employment in jeopardy

Over the summer, employment typically increases in Alaska as demonstrated in the July 2019 numbers captured below. The recent cruise cancellation announcements mean that much of the leisure and hospitality bump in activity that typically happens will not occur in 2020. ▼

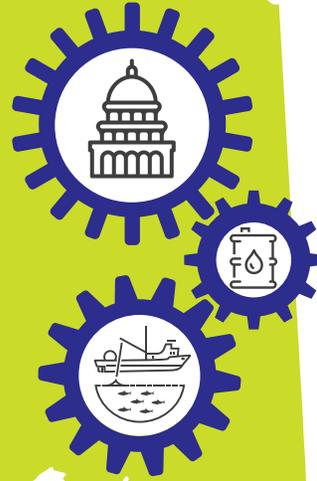
Change in employment between January and July 2019 in Alaska by sector



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Did you know...

Alaska received more than \$900 million in the first round of the Paycheck Protection Program? Learn more in this issue of *Alaska's Economy*.



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