

ALASKA'S ECONOMY

Understand it. Support it. Grow it.



Volume 3
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Scott Goldsmith, Professor of Economics, Institute of Social and Economic Research at the University of Alaska Anchorage, shares his views on the Alaska economy.

December Unemployment Rate Down

The December 2014 seasonally adjusted unemployment rate for Alaska was 6.3 percent, down from 6.5 percent in November. The national rate that month was 5.6 percent. **Figure 1**

Alaska Population Flat From 2013 to 2014

The Alaska population in 2014 was 735,601, virtually unchanged from a year earlier, according to the Alaska Department of Labor. The last time the state population was stagnant was 1995. **Figure 2**

The Mat-Su Borough was the only location with significant growth in 2014 (2.1 percent); the rest of the state experienced a slight decline. In most places net out-migration was slightly greater than natural increase (births minus deaths). **Figure 3**

Oil Price Continues to Drop Through Early 2015

The Alaska North Slope (ANS) West Coast oil price continued to fall through the first weeks of 2015 and reached a new low of \$48 per barrel on January 13. Through early January, the average oil price for fiscal year 2015 (July 1, 2014-June 30, 2015) was just under \$86. **Figure 4**

The price has fallen because of an excess supply of crude oil reaching the market (estimated at 2 million barrels per day). The price will stabilize when the production of high-cost oil (mostly from shale oil formations in Texas and North Dakota and oil sands in Alberta) begins to fall. However, through January, shale oil production in the U.S. was still growing because of investments made before the price drop. Consequently it is impossible to predict how low the price might fall and when it will begin to climb.

State Sustainable Spending for FY2016 Estimated to be \$4.5 Billion

A new report by the Institute of Social and Economic Research (ISER) estimates that the sustainable level of state General Fund spending for FY2016 would be \$4.5 billion. This is the level of spending, based on current and projected future revenues streams, that could be maintained consistently long into the future—adjusted for inflation and population growth. Actual spending in FY 2015 was about \$6 billion—a non-sustainable level.

Under a “business as usual” scenario of continued growth in spending and oil revenues as forecast by the Alaska Department of Revenue, the state would exhaust its cash reserves (the Constitutional Budget Reserve and other Designated Reserves) by FY2022. **Figure 5**

If the oil price remains low, the cash reserves could be exhausted as early as FY2019. ISER economists have developed an interactive model for investigating the implications of different revenue and spending assumptions, combined with different policies for closing the fiscal gap. It is available for download from the ISER website at www.iser.uaa.alaska.edu.

Flat Employment Forecast for Alaska in 2015

The Alaska Department of Labor State forecasts that wage and salary employment will be 336,700 in 2015, the same as in 2014. This continues the deceleration in job growth that began in 2013 as federal stimulus funding declined. Much of the slowdown in the last two years is attributable to contraction in public sector employment—government lost 1,600 jobs in 2013 and 800 more in 2014. The public sector is forecast to lose another 800 jobs in 2015. **Figure 6**

Job growth is projected to continue in the oil and gas sector. **Figure 7**

Job growth in the health care sector, a strong contributor to job growth for many years, is slowing. **Figure 8**

Anchorage Forecast to Lose 800 Jobs in 2015

The Alaska Department of Labor forecasts that Anchorage will lose 800 jobs this year—a drop of 0.5 percent. Increases in tourism, health care, and retail jobs will offset some of the weakness in other sectors, particularly government, which is projected to lose 500 jobs for the second year in a row. In addition, JBER (Join Base Elmendorf-Richardson) has announced a reduction of 780 active-duty military personnel by the end of the year. Active duty personnel are not included in the employment forecasts. **Figure 9**

Federal civilian employment in Anchorage has been trending down since 2010. **Figure 10**

Fairbanks Forecast to Add 200 Jobs in 2015

The Alaska Department of Labor forecasts that after two years of job losses, Fairbanks will add 200 jobs in 2015, a 0.5 percent growth rate. Increased employment in health care, mining, and professional services will more than offset losses from the closure of the Flint Hills Refinery. **Figure 11**



Figure 1

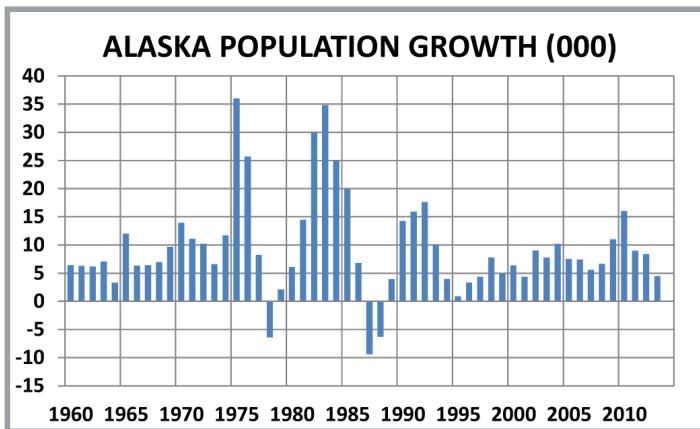


Figure 2

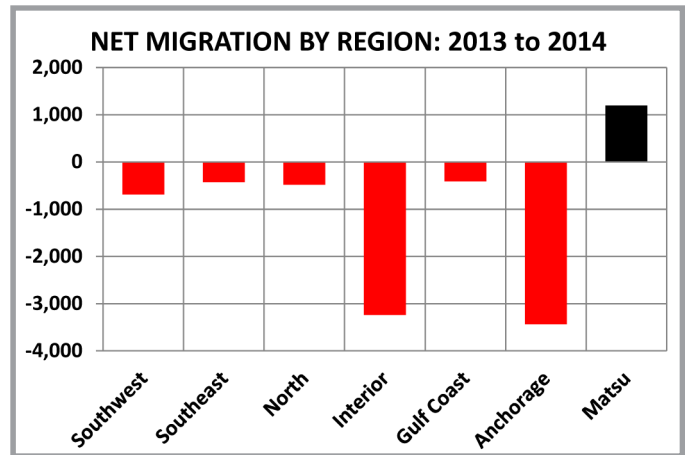


Figure 3

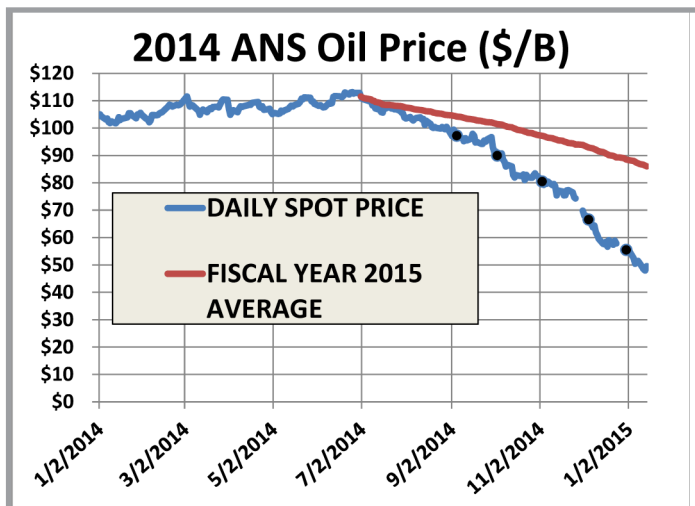


Figure 4

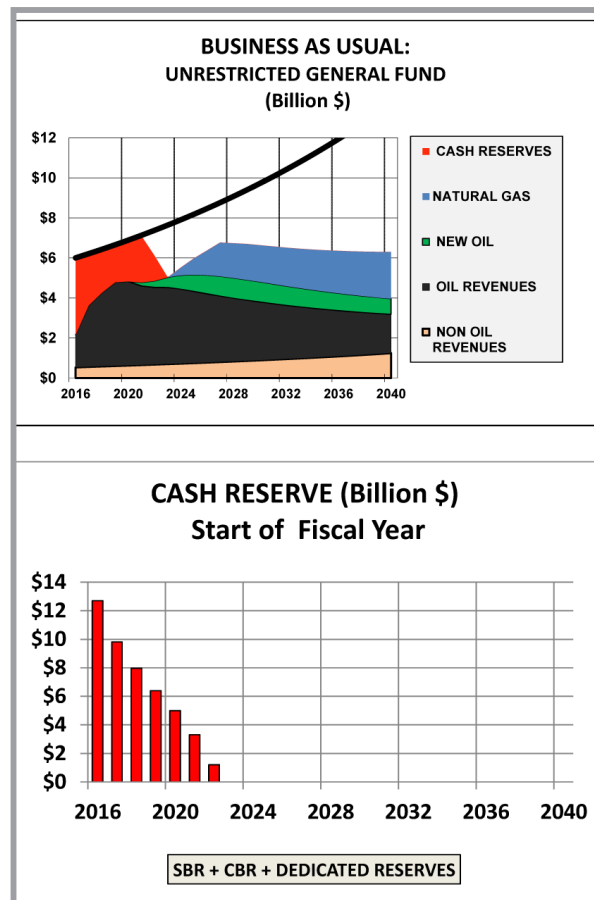


Figure 5

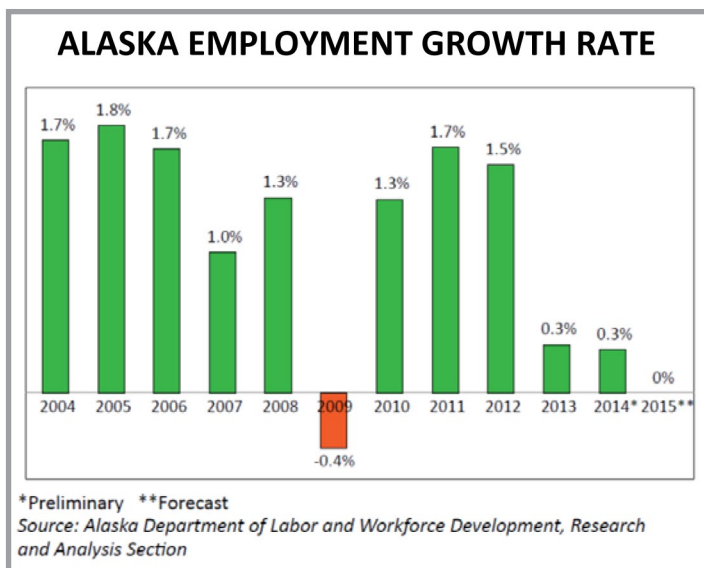
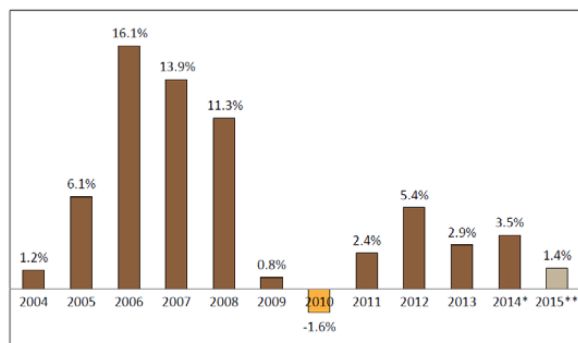


Figure 6

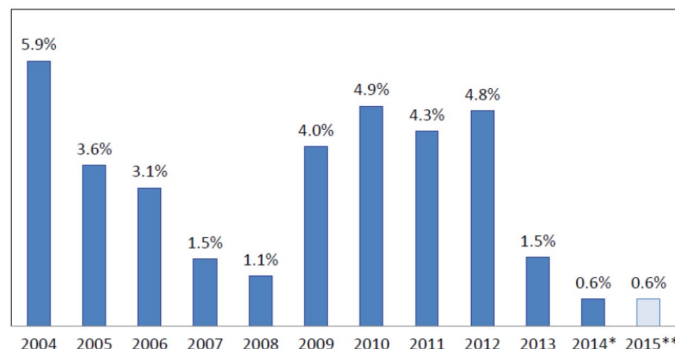
ALASKA OIL AND GAS EMPLOYMENT GROWTH RATE



*Preliminary **Forecast
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Figure 7

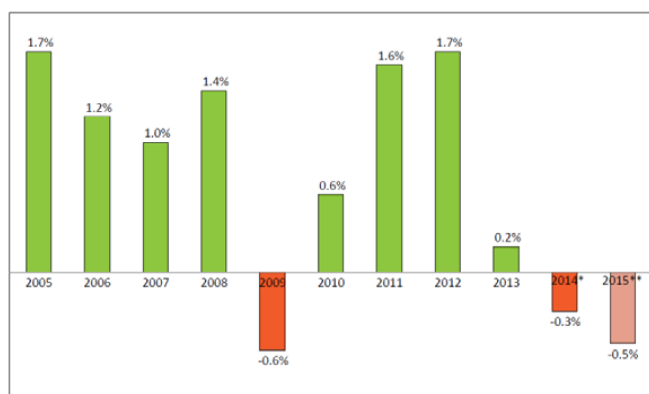
ALASKA HEALTH CARE EMPLOYMENT GROWTH RATE



*Preliminary **Forecast
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Figure 8

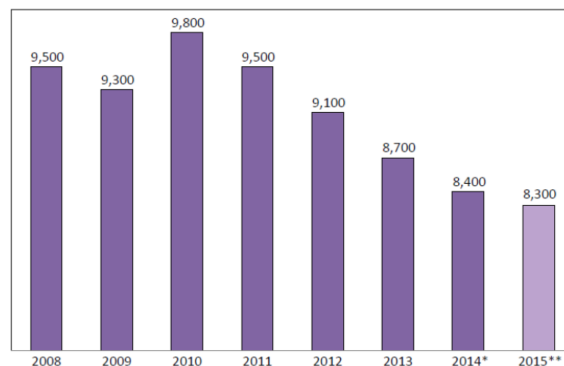
ANCHORAGE EMPLOYMENT GROWTH RATE



*Preliminary **Forecast
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Figure 9

ANCHORAGE FEDERAL CIVILIAN EMPLOYMENT



*Preliminary **Forecast
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Figure 10

FAIRBANKS EMPLOYMENT GROWTH RATE



*Preliminary **Forecast
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Figure 11