

ALASKA'S ECONOMY

Understand it. Support it. Grow it.



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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.

March Unemployment Rate Higher

The March 2015 seasonally adjusted unemployment rate for Alaska was 6.5 percent, up slightly from 6.3 percent last month. The national rate was 5.5 percent. **Figure 1**

The drop in the Alaska unemployment rate during the second half of 2014 was partially due to the fall implementation of new more stringent work search requirements for those individuals currently unemployed.

North Slope Oil Price Bounces Up Above \$60

The ANS (Alaska North Slope) oil price bounced up over \$60 for two days in mid-April. The average for this fiscal year through mid-April is \$75. **Figure 2**

If the price remains at the current level of \$60 through the rest of the fiscal year, the average will be \$71 which is slightly above the level forecast by the Alaska Department of Revenue.

North Slope Oil Production Hits 555,000 Barrels Per Day

North Slope oil production peaked at 555,000 barrels per day in early April and averaged about 540,000 barrels for the month. If production continues at the current rate through the rest of the fiscal year, the annual average will be 509,000 barrels per day, almost equal to the Alaska Department of Revenue forecast of 510,000 barrels. **Figure 3**

Alaska Employment Steady

The Alaska employment level is stable based on preliminary data through March from the Alaska Department of Labor. After three months of unusually high reported employment (mostly manufacturing and construction), the March figure was consistent with 2014 data. Mining (oil and gas) continues to increase. **Figure 4**

Spring State Revenue Projections Revised Downward

The Alaska Department of Revenue spring forecast for fiscal year 2015 General Fund revenues was \$250 million below the forecast of December of last year and half the level of the forecast made last year at this time. The drop is attributable to weakening of the oil price. **Figure 5**

The forecast for 2016 was unchanged and while the projection for 2017 was higher by \$500 million, subsequent year projections were lower.

The oil price is forecast to stay below \$100 until 2020. **Figure 6**

North Slope oil production is forecast to increase for the next two years and drop below 500,000 barrels per day in 2019. **Figure 7**

US Dollar Strengthening

The US Dollar has been strengthening against the currencies of its trading partners for the past 12 months. This is reflected in an increase in both the Index of Major Currencies (primarily the Euro, Yen, and Pound) as well as the broader Index. When the dollar is stronger, the price of US exports is higher. This makes it harder for Alaska exports to compete in world markets. **Figure 8**

Gasoline Price Drop Increases Consumer Purchasing Power

The gasoline price in Anchorage dropped from more than \$4 per gallon to about \$2.40 over six months after the price of crude oil began to fall. In the last two months it has bounced back up and is currently averaging about \$2.80.

If the price stays below \$3 for a year, the average household will save about \$1,000 and Alaska discretionary income will increase about \$250 million. (Alaska household gasoline consumption is about 85 percent of the national average.) **Figure 9**

The trend in the gasoline price in Anchorage is generally consistent with that of Seattle. **Figure 10**

Mortgage Interest Rate Falling

The US average 30-year mortgage interest rate has trended downward over the last two years and last week was at 3.67 percent, almost as low as early 2013. Refinancing activity, according to the Alaska Housing Finance Corporation, dropped off when the rate jumped two years ago, but it may start to pick up again. **Figure 11**

Home Energy Costs Vary Across the State

More than 75,000 households in Alaska (31 percent) are cost burdened according to the Alaska Housing Finance Corporation. This means they spend more than 30 percent of their income on housing costs. Energy costs that vary dramatically across the state are an important contributing factor to that burden. **Figure 12**

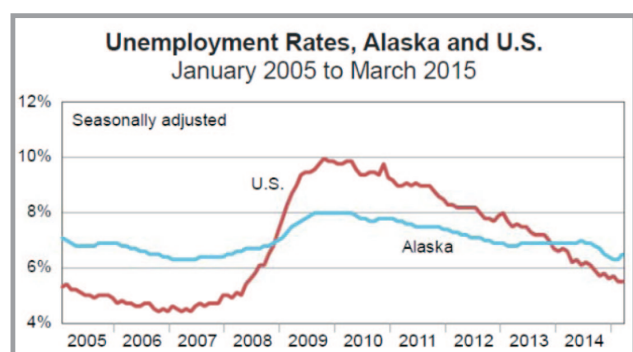


Figure 1

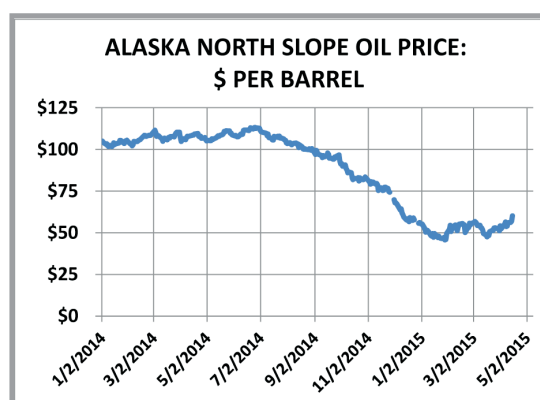


Figure 2

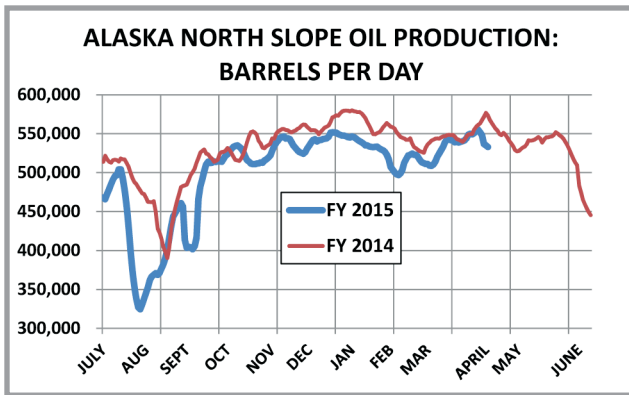


Figure 3



Figure 4

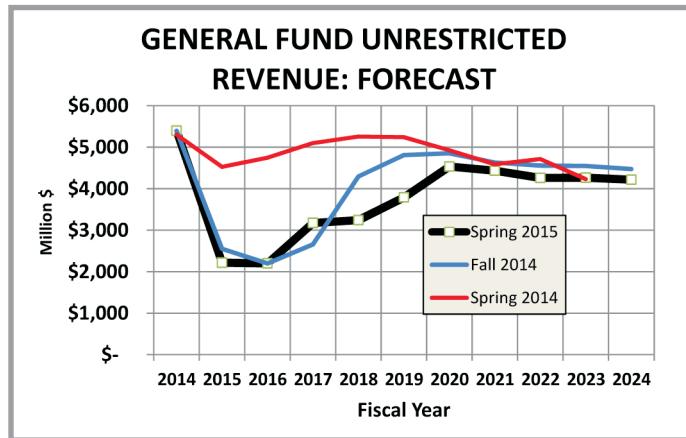


Figure 5

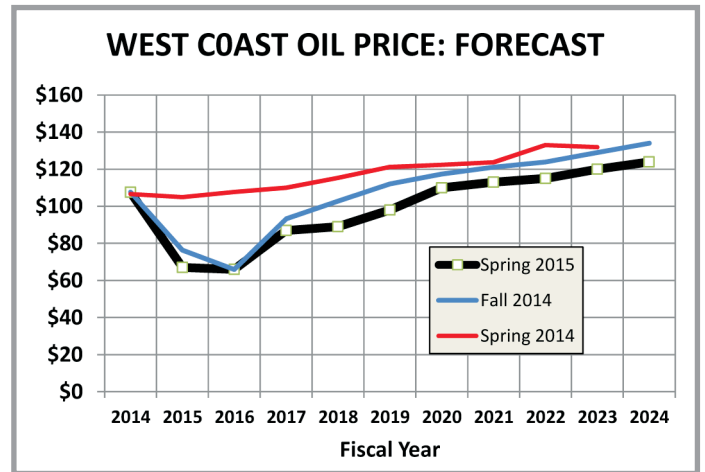


Figure 6

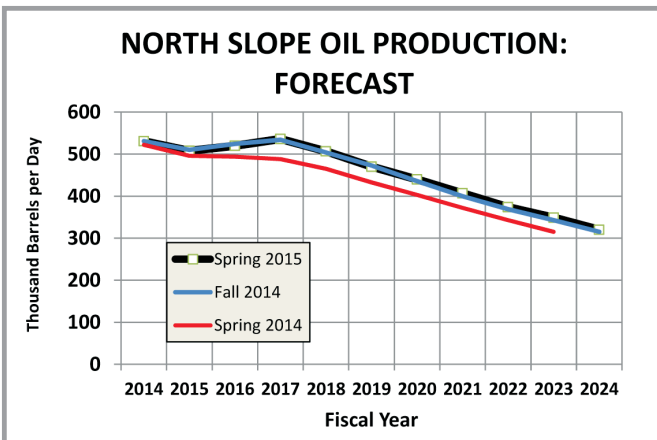


Figure 7

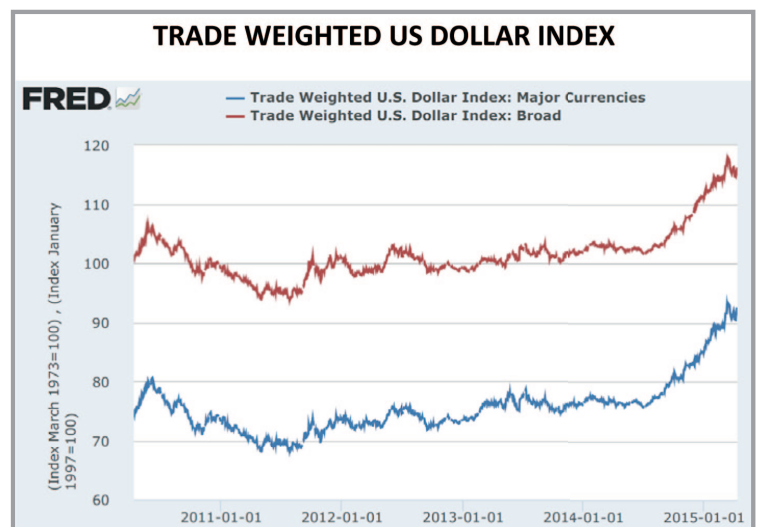


Figure 8

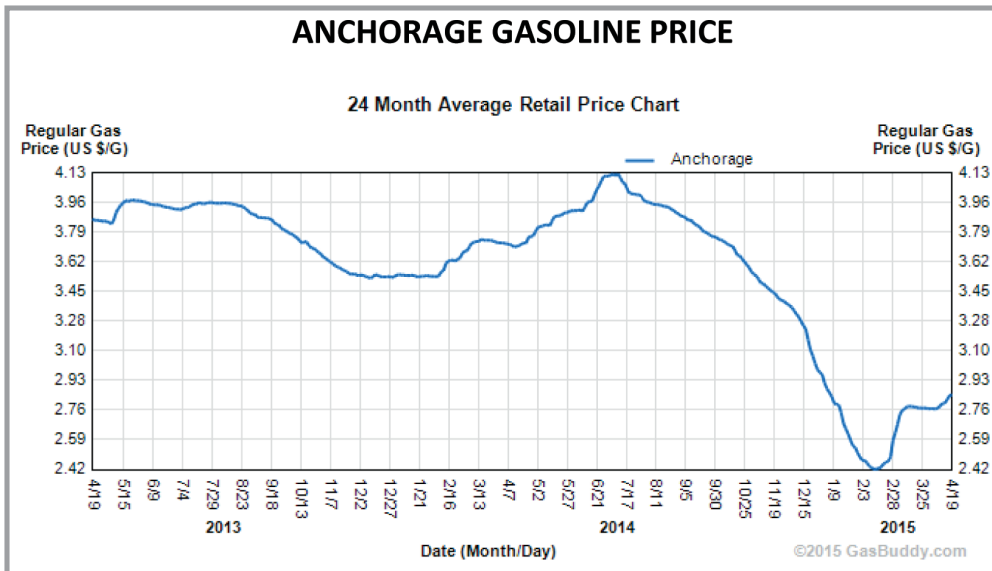


Figure 9

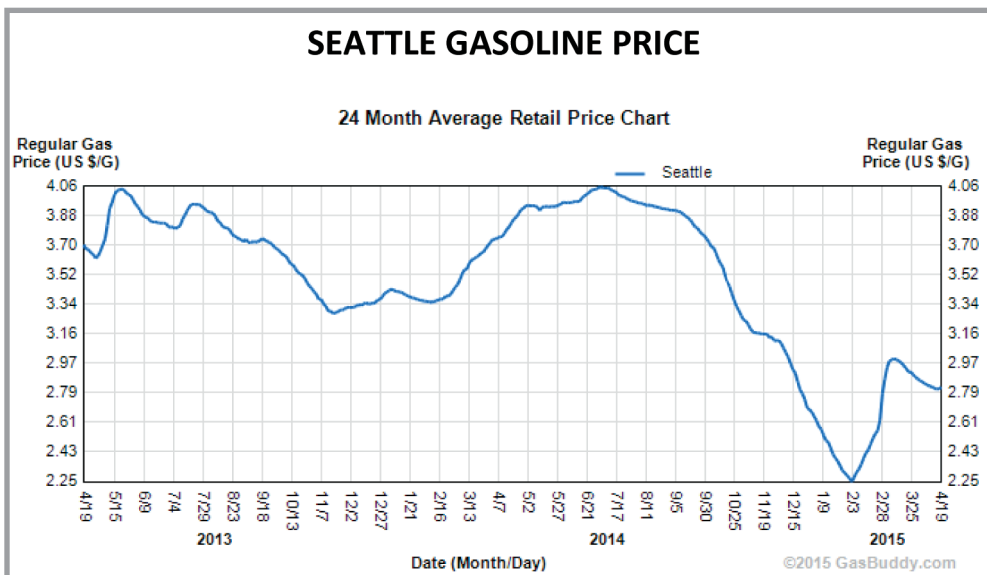


Figure 10

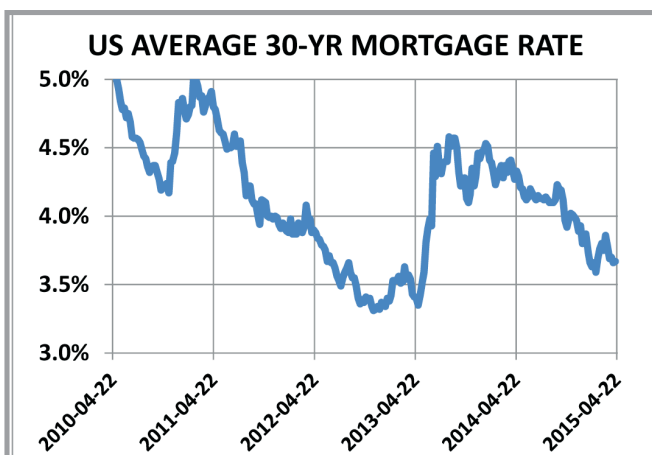


Figure 11

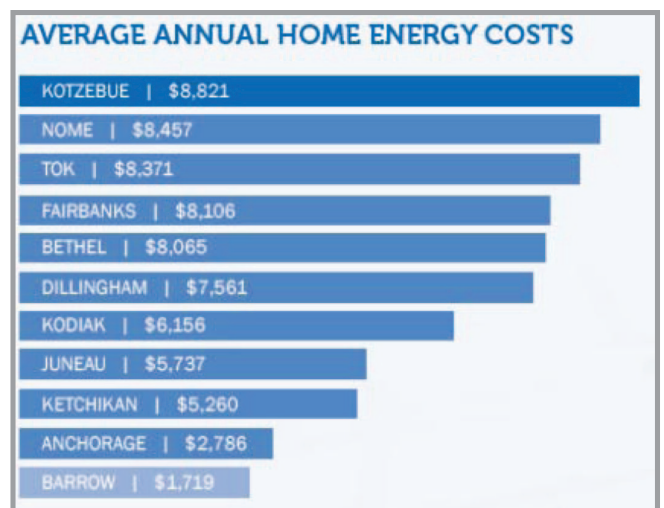


Figure 12