

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.

April Unemployment at 6.7 Percent

Alaska's unemployment rate in April was 6.7 percent, up from 6.5 percent in March. The national unemployment rate in April was 5.4 percent. Alaska's rate this April was slightly below what it had been in April 2014, when it was 6.9 percent. **Figure 1**

Visitors to Alaska Down 1 Percent in 2014

The number of people (mostly tourists) visiting Alaska dropped 1 percent from fall 2013 to fall 2014, after increasing 7 percent in the previous year. Still, close to 2 million people traveled to Alaska in the most recent year. Summer visits declined, while winter visits increased. **Figure 2**

Total visitor spending of \$1.8 billion in 2013-2014 was concentrated in Southcentral Alaska, which saw 44 percent of spending. The Southeast region was next, with 32 percent of spending. **Figure 3**

Energy Price Projections, U.S. Energy Information Administration

The oil and gas price projections in the Annual Energy Outlook (AEO) for 2015 of the U.S. Energy Information Administration are significantly lower than last year's projections.

The Brent crude oil spot price in the 2015 reference case grows to \$100 (2013 \$) only by 2029, while in the 2014 reference case the price reaches \$100 by 2020. **Figure 4**

However, the range of 2015 oil price forecasts is quite wide between the low and high cases. **Figure 5**

For natural gas, the reference case Henry Hub price increases to \$6 (2013 \$) per MCF* by 2030. **Figure 6**

The 2015 energy outlook projects that Alaska dry natural gas production will begin to increase in 2026 in the high-oil-price case, and in 2027 in the reference case. Production reaches 1.2 TCF in 2029 (3.3 BCF per day) and remains at that level through 2040 in the high-oil-price case. Alaska production reaches 1.1 TCF in 2040 in the reference case, following the projected completion of a new LNG export facility in Alaska. In the low-oil-price and high-oil-and-gas resource cases, lower international natural gas prices make LNG exports from Alaska uneconomical, and Alaska dry natural gas production falls through 2040 as declines in oil production reduce use of natural gas for drilling operations.

Personal Income Growth Strong in 2014

Alaska personal income increased 5.7 percent in 2014, the highest rate among all states. But the doubling of the Permanent Fund dividend accounted for 1.7 percent of that increase. Without the dividend, the percent increase in 2014 would have been the same as in the U.S. as a whole. **Figure 7**

Per capita personal income in Alaska in 2014 was \$52,901, 15 percent above the U.S. average and the ninth highest among the states.

* MCF = 1,000 Cubic feet, TCF = trillion cubic feet and BCF = billion cubic feet.

Voter Preferences for New State Revenues

A recent National Education Association (NEA) survey asked 500 Alaska voters what kind of tax they would prefer, if the state needed new sources of revenue. Voters strongly preferred a state sales tax to an income tax. If the only choice were an income tax, voters were slightly more likely to support it, if it would result in smaller cuts in state education programs. **Figure 8**

Respondents also had a strong preference for revisiting the oil tax, and an aversion to using the Permanent Fund earnings reserve to fund government.

Commuters Make up Half of Mat-Su Workforce

An analysis by the Alaska Department of Labor found that about 30 percent (12,418) of employed residents of the Matanuska-Susitna Borough in 2013 worked in Anchorage, and another 15 percent commuted to other Alaska locations; 8 percent (3,105) worked on Alaska's North Slope. **Figure 9**

Resident Commuters to North Slope Jobs From Greater Anchorage

About half of the Alaska residents who work on the state's North Slope live in Anchorage or the Matanuska-Susitna Borough, according to data from the Alaska Department of Labor. About one-quarter live in the North Slope Borough. (These figures do not include non-resident workers.) **Figure 10**

Consumer Price Index up 1.4 Percent

The Anchorage consumer price index for all urban consumers (CPI-U) was 1.4 percent higher in the second half of 2014 than it had been the year before. Energy prices rose 5.5 percent, mainly due to an increase in the price of natural gas service. Excluding food and energy, the index increased 1 percent over the year. **Figure 11**

Stability of Alaska Population Increasing

As measured by the share of the Alaska population that was born here, the state is becoming more stable. An analysis using U.S. census data shows that in 1980, 33 percent of the population had been born in the state. Today that share has risen to 42 percent. **Figure 12**

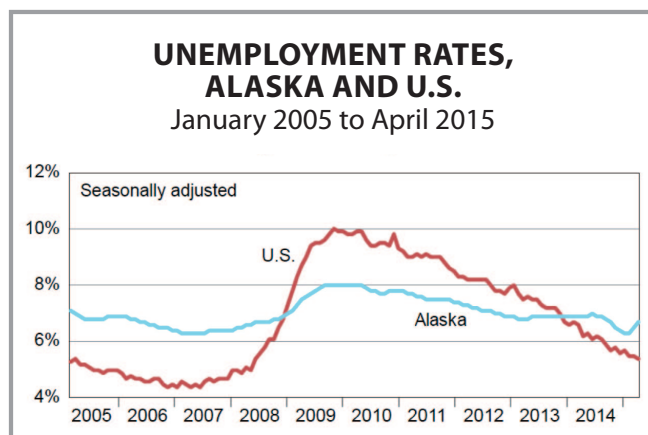


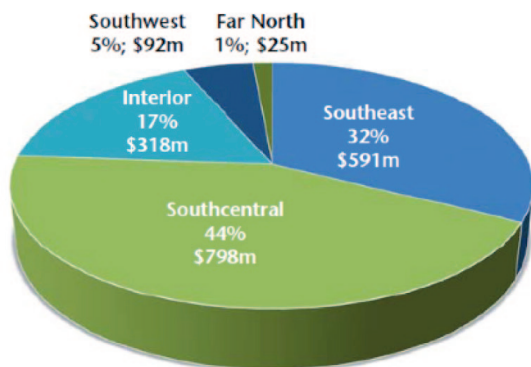
Figure 1



Figure 2

ALASKA VISITOR SPENDING BY REGION, 2013-14

TOTAL SPENDING: \$1.83 BILLION



Note: Excludes spending on transportation to enter/exit Alaska, such as cruise and cruise/tour packages, air tickets, and ferry tickets.

Figure 3

BRENT CRUDE SPOT PRICE PROJECTION (2013 \$)

Average Annual Brent Crude Oil Spot Prices in the AEO 2015 and 2014 Reference Cases, 1990-2040. (In 2013\$ per Barrel)

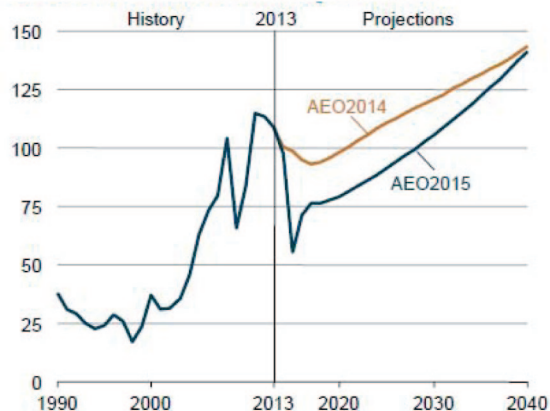


Figure 4

BRENT CRUDE SPOT PRICE PROJECTION (2013 \$)

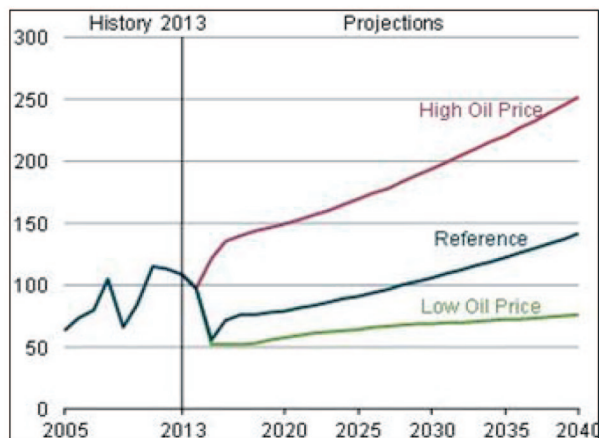


Figure 5

HENRY HUB NATURAL GAS SPOT PRICE PROJECTION (2013 \$ PER MCF)

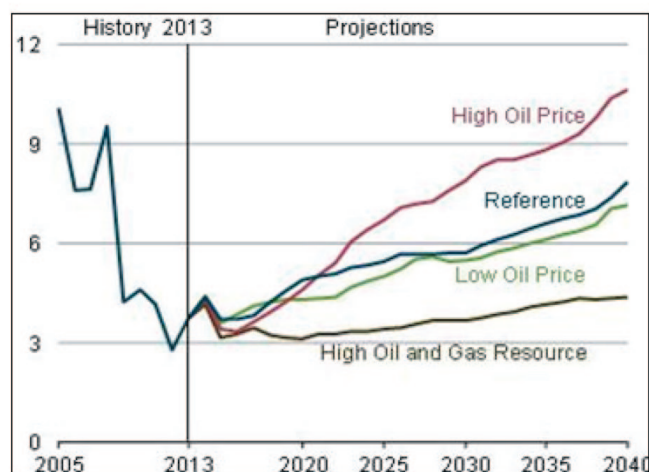


Figure 6

ALASKA PERSONAL INCOME (ANNUALIZED)

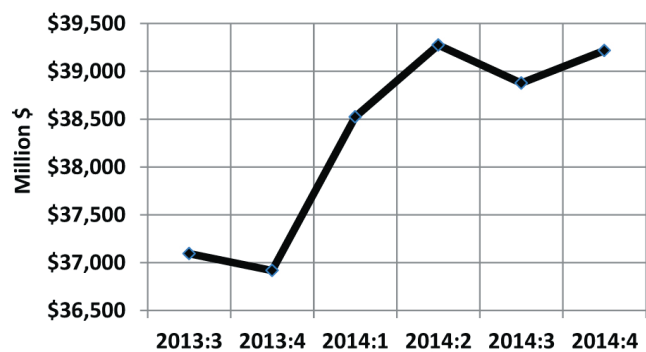


Figure 7

VOTER SURVEY RESPONSE: Which tax would you prefer?

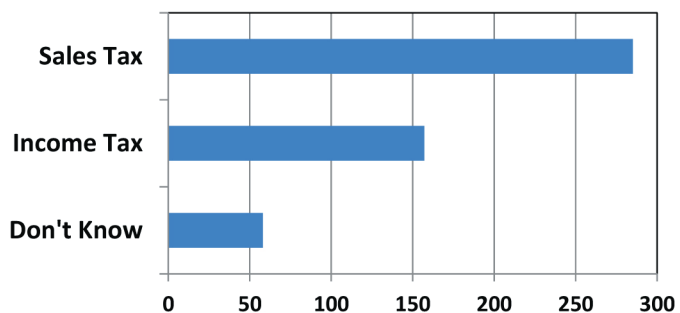


Figure 8

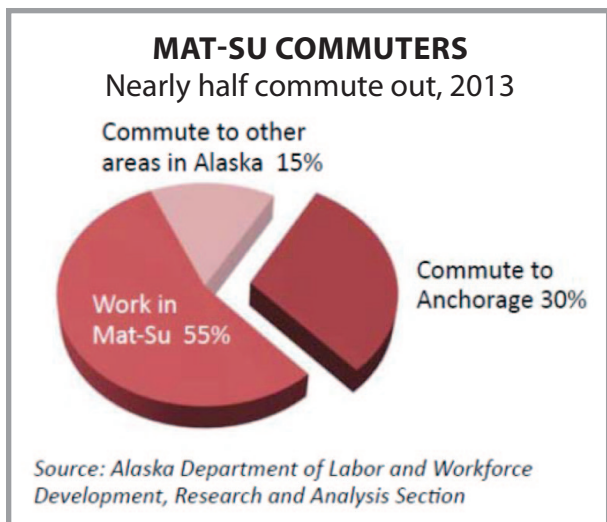


Figure 9

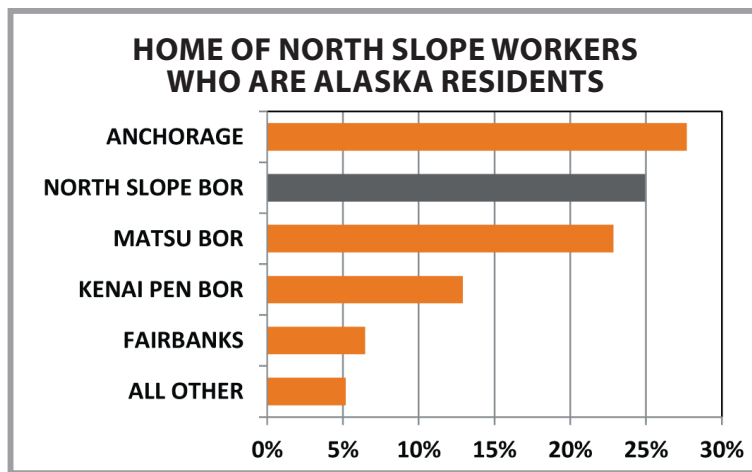


Figure 10

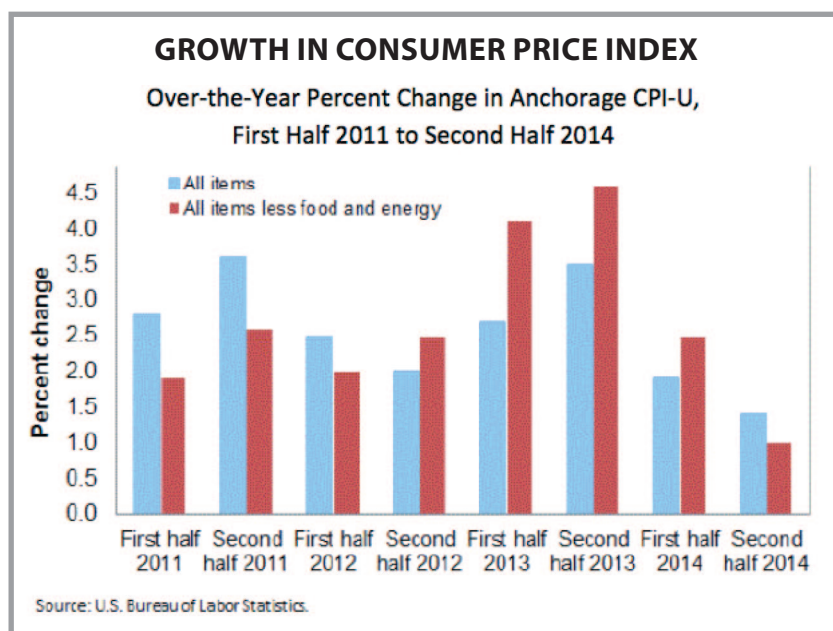


Figure 11

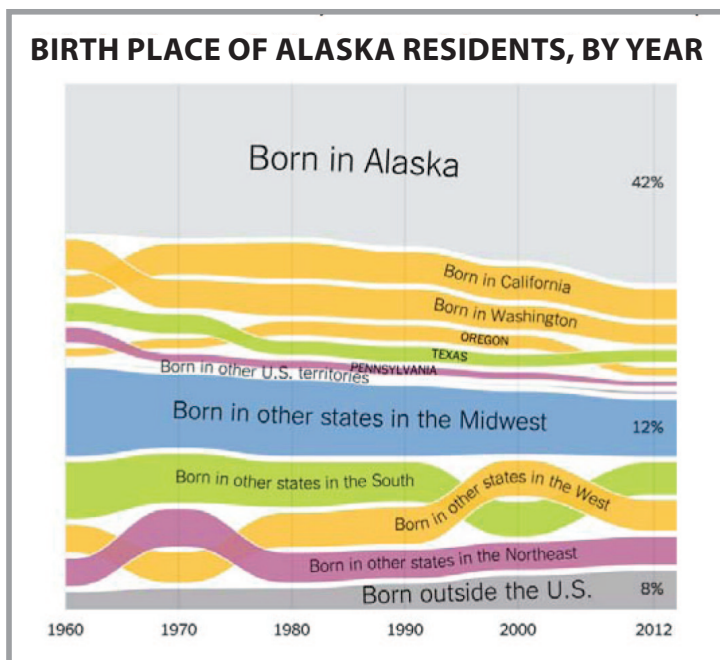


Figure 12