

ALASKA'S ECONOMY

It's everyone's business.

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Dear reader,

In Alaska, economic growth remains steady and job growth has increased, while the national economy is growing at a slower pace. Slowing national labor market growth has led to the Federal Reserve reducing interest rates.

U.S. oil production continues to reach record highs. The Organization of the Petroleum Exporting Countries (OPEC) sees global markets as oversupplied and has decided to hold off on increasing production targets to support prices.



Fed's first rate cut since 2020

The U.S. Federal Reserve Bank announced a 0.5% reduction in the federal funds rate, bringing it to a range of 4.75% to 5%. This marks the first cut since the beginning of the tightening cycle in March 2020. The Fed indicated more cuts may follow over the next two years.

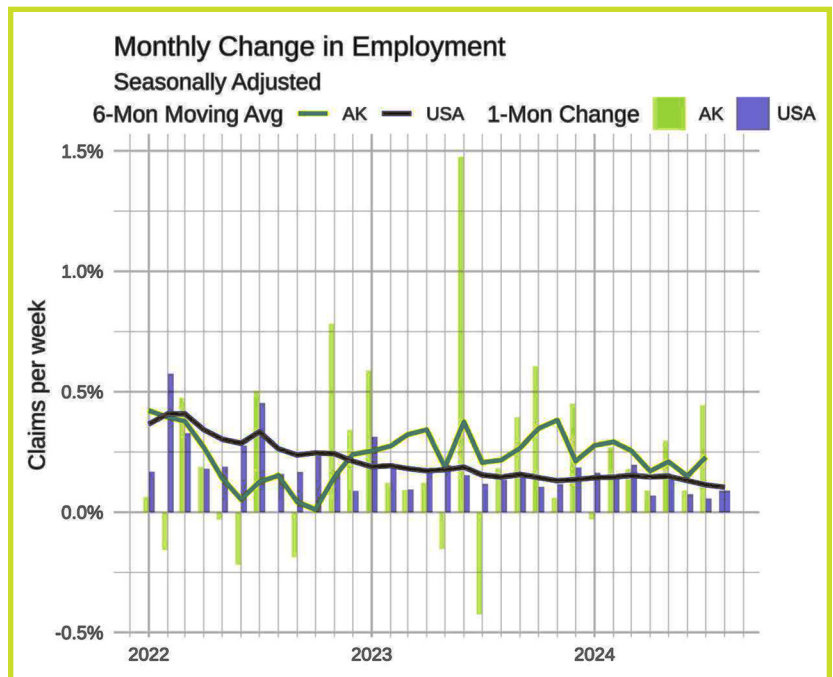
The federal funds rate directly impacts consumer debt and mortgage interest rates. Higher rates increase borrowing costs for credit cards, loans and adjustable-rate mortgages. Lower federal funds rates reduce borrowing costs, stimulate consumer spending and make mortgages more affordable, although long-term market trends influence fixed-rate mortgages.

Data from the U.S. Federal Reserve Bank

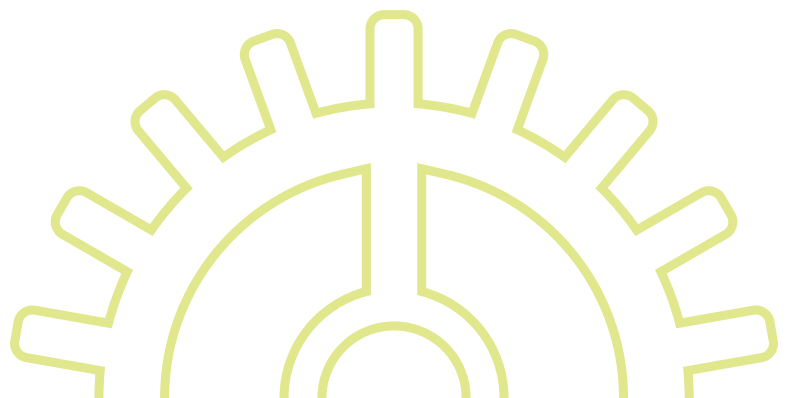


Slower national economic growth may lead to more Fed cuts

During the past year and a half, employment in Alaska increased more than the national average. Since the beginning of 2023, Alaska has been growing at an average monthly rate of 0.26%, while the national economy has grown by 0.14%. ▼



Data from the U.S. Bureau of Labor Statistics



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Alaska sees economic growth amid national employment slowdown

Unemployment insurance claims provide a timely indication of economic activity by reflecting real-time changes in labor market conditions. Increasing claims suggest potential economic slowdowns while decreasing claims indicate strengthening employment. These claims are seasonal, with more claims in winter than in summer.

Nationally, claims per week have decreased by three per 100,000, while Alaska is down by 10 per 100,000 people. The claims data closely align with state and national employment data. Alaska's year-over-year economic growth remains steady, while economic growth in the rest of the country is slowing. ►

Data from the U.S. Employment and Training Administration



Alaska's July employment highest in eight years

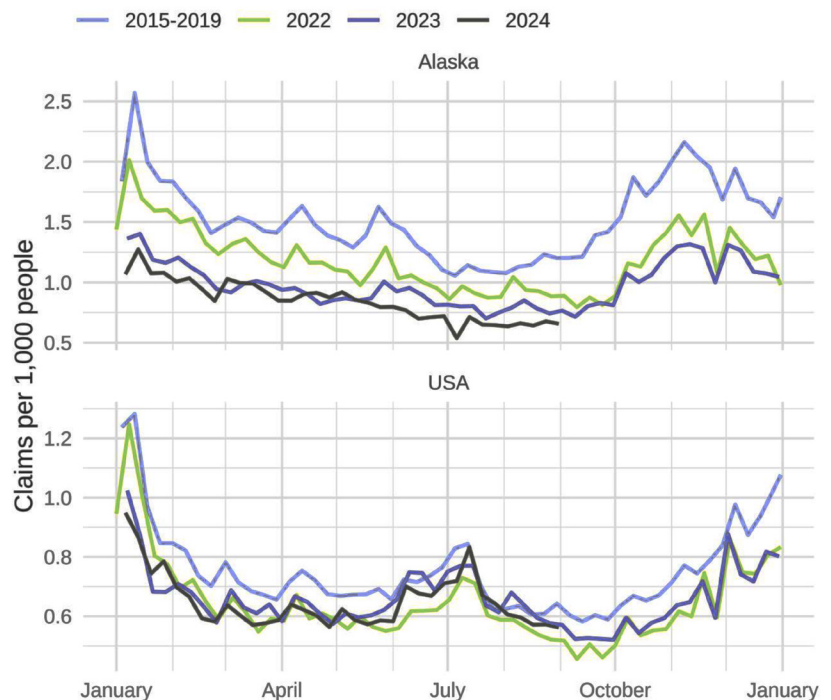
Employment in Alaska remains higher than pre-pandemic levels.

Alaska added 5,800 jobs to the economy in June compared to 6,900 in July 2023. July employment is the highest since 2016, the second year of Alaska's 2015-2019 recession. In August, the largest job gains were in seasonal manufacturing, particularly fish processing, which added 4,500 jobs but is down by about 1,700 from 2023. Construction jobs also saw seasonal growth in August, with an increase of about 2,900 jobs from 2023 due to federal infrastructure spending and major projects beginning. ►

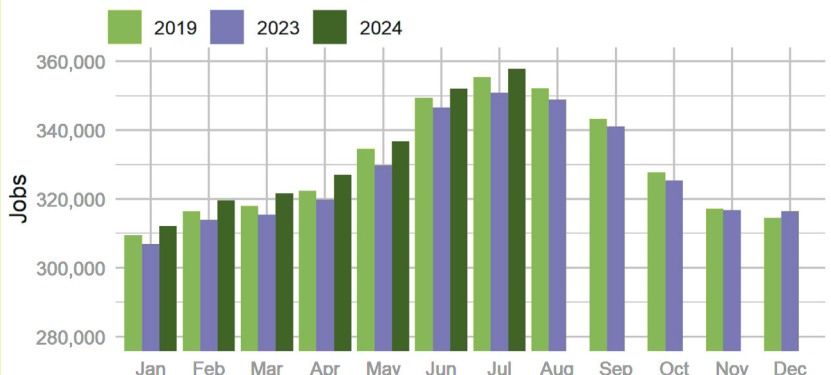
Data from Alaska Department of Labor and Workforce Development



Weekly Unemployment Claims



Total Alaska Employment





OPEC delays planned production bump facing falling global prices

The horizontal dotted line represents \$78 per barrel, the price that results in a balanced budget for the State of Alaska.

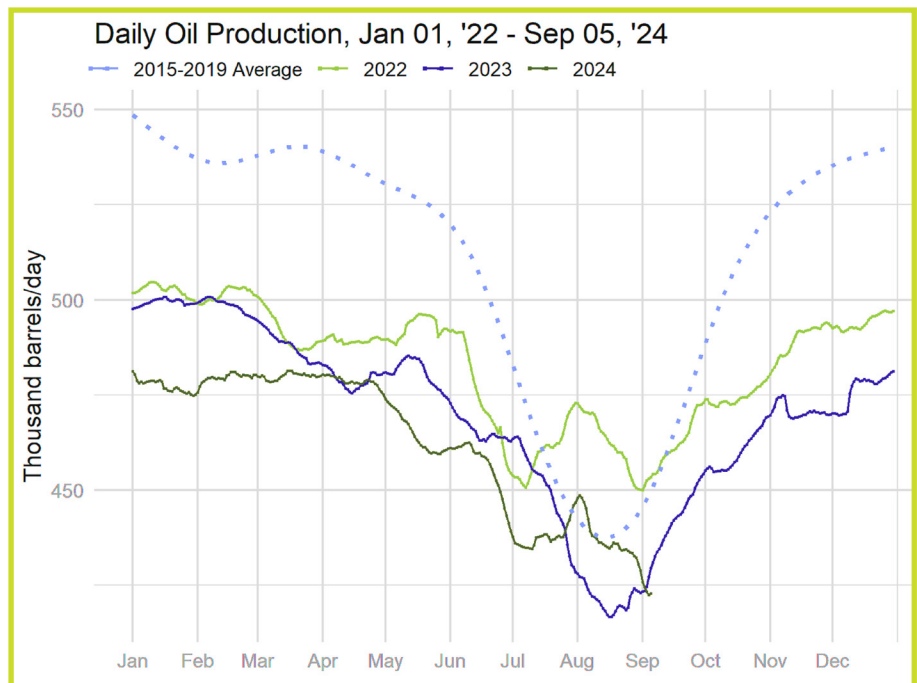
Alaska's benchmark oil price, ANS West Coast, was \$73.94 on Sept. 5. In August, daily prices averaged \$79.97 per barrel, compared to \$87.80 in August 2023 and \$102.96 in August 2022.

After a strong summer travel season, the demand for oil has decreased while the U.S. continues to produce record amounts of it. This has caused oil prices to drop, putting pressure on the economies of oil-rich countries. OPEC decided to postpone a planned 180,000-barrel-per-day production increase that was supposed to take effect in the coming months. With U.S. oil supply still growing and global demand expected to stay the same, OPEC will need to decide whether or not to reduce production in order to maintain current prices. If they fail to coordinate, prices could drop significantly further. ▼



Alaska year-to-date oil production 2 million barrels short of 2023

Daily oil production in Alaska was 390,000 barrels on Sept. 5. In August, daily production averaged 429,442 barrels, compared to 424,000 in August 2023 and 451,000 in August 2022. Year-to-date, Alaska's oil production has totaled 114 million barrels, 2.13 million barrels fewer than in 2023. ▼



Data from the Alaska Department of Revenue



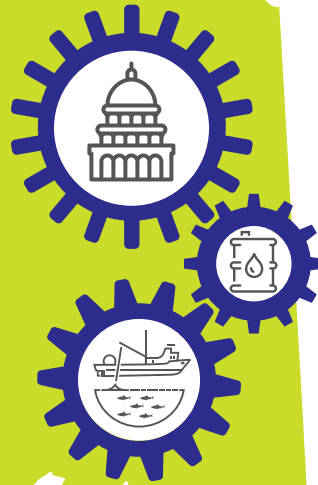
Data from the Alaska Department of Revenue

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Did you know...

The Alaska employment rate is at its highest level in eight years?

Learn more in this issue of *Alaska's Economy*.



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