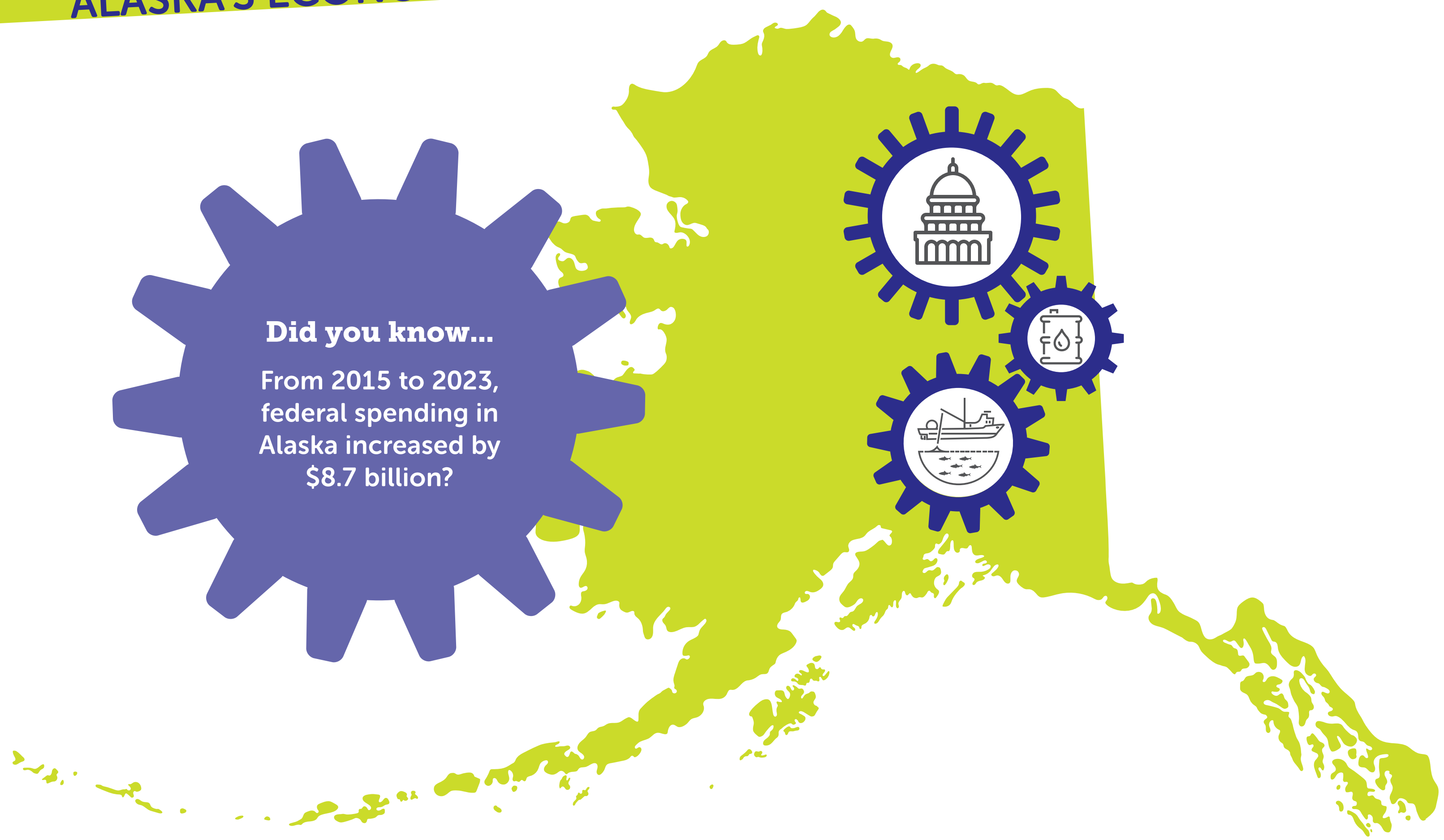

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ALASKA'S ECONOMY

It's everyone's business.

BRETT WATSON, RESEARCH PROFESSIONAL AT THE INSTITUTE OF SOCIAL AND ECONOMIC RESEARCH (ISER) AT THE UNIVERSITY OF ALASKA ANCHORAGE, SHARES HIS VIEWS ON THE ALASKA ECONOMY.

Dear reader,

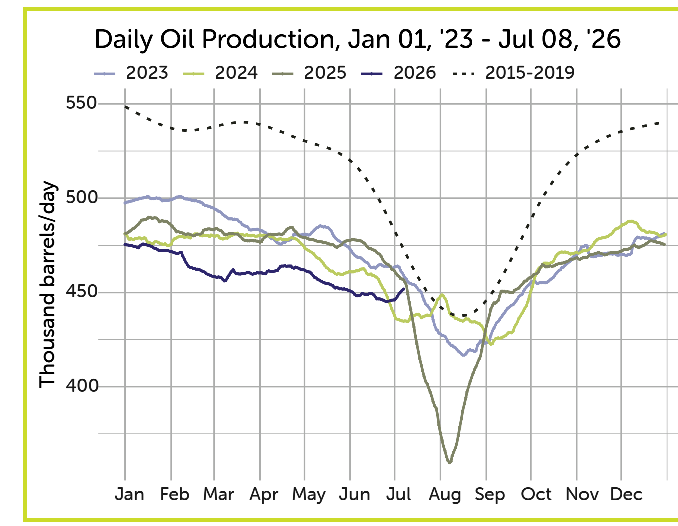
On June 17, President Trump signed an agreement with Iran aimed at reducing tensions and allowing oil trade to normalize through the Strait of Hormuz. Oil prices dropped in July because export volumes from the Persian Gulf increased.

However, on July 7, tensions flared after Iran attacked three vessels in the Strait, leading to U.S. retaliation. The following day, President Trump announced that the U.S.-Iran ceasefire was "over," causing oil prices to rise again. Currently, oil prices are still above what Alaska needs to balance its state budget.

Recent employment data for Alaska indicates that the job market is stagnant. Although there is month-over-month growth, it is primarily due to the typical increase from the summer tourism season. One major reason for the stalled employment growth compared to 2025 is the reduction in federal jobs. Over the last decade, the federal government has become increasingly vital to Alaska's economy, both directly and indirectly.

Alaska oil production is down 3 million barrels from 2025

Daily oil production in Alaska was 461,000 barrels on July 8. In June, daily production averaged 445,800 barrels, compared to 462,000 in June 2025 and 439,000 in June 2024. Year-to-date, Alaska oil production has totaled 86.21 million barrels, which is 3.48 million barrels fewer than at this time in 2025. The slight uptick in July production is mostly driven by Prudhoe Bay, where daily production has increased modestly over the last few weeks. ►

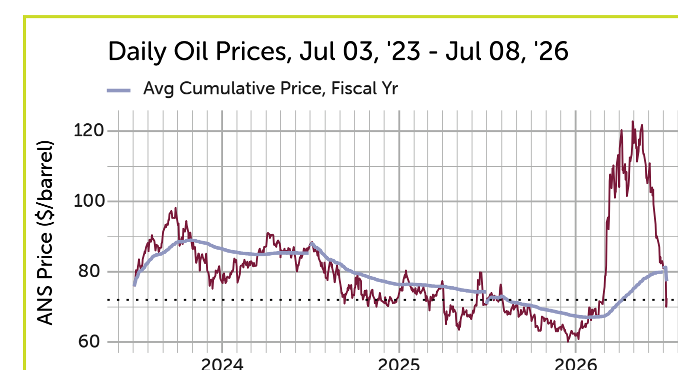


Data from the Alaska Department of Revenue

Oil prices continue to rise

The horizontal dotted line of $72 per barrel represents the minimum price for Alaska's fiscal year 2027 budget.

Alaska's benchmark oil price, ANS West Coast, was $72.44 per barrel on July 8. In June, daily prices averaged $94.93 per barrel, compared to $72.63 in June 2025 and $84.36 in June 2024. Prices since the start of Alaska's fiscal year have averaged $77.25 per barrel. Prices over the next twelve months need to average at least $72 per barrel for Alaska's fiscal year 2027 budget to balance. ►



Data from the Alaska Department of Revenue and Intercontinental Exchange, Inc.

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ALASKA
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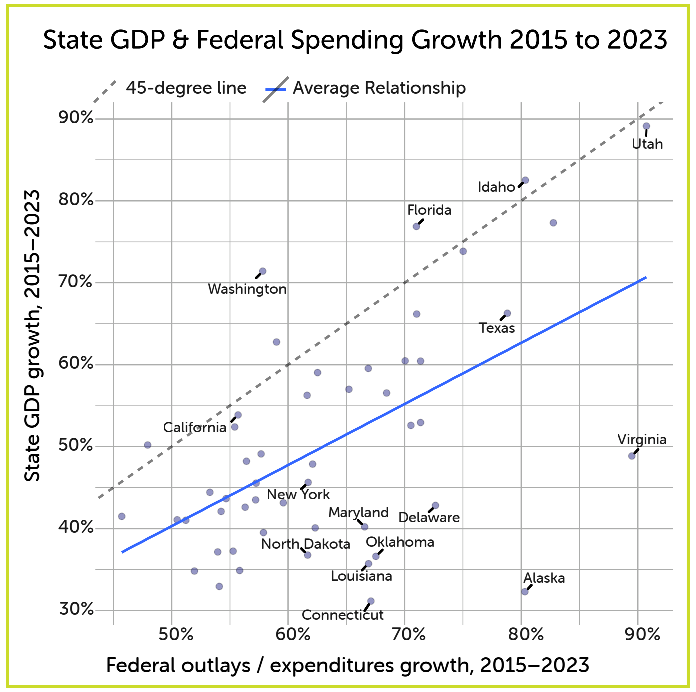
Alaska's economy grew significantly slower than federal spending

One way to understand the connection between federal spending and the economy in different states is by comparing their growth rates. A recent figure shows that only five states, including Washington, Florida and Idaho, experienced faster growth in their overall economies over the past decade compared to federal spending growth.

The blue line on the graph indicates the average growth rates for federal spending versus overall state economies across all 50 states. States located above this blue line, like Texas and California, enjoyed quicker economic growth than the increase in federal spending. States below this line experienced slower economic growth compared to federal spending.

Alaska saw federal spending rise by over 80%, but its GDP only grew by 32%. From 2015 to 2023, Alaska's GDP growth was among the lowest in the country, only slightly better than Connecticut. Other resource-dependent states, such as Wyoming, Louisiana, Oklahoma and North Dakota, also struggled with slow economic growth during this timeframe. These states didn't see as significant of an increase in federal spending as Alaska did. ▼

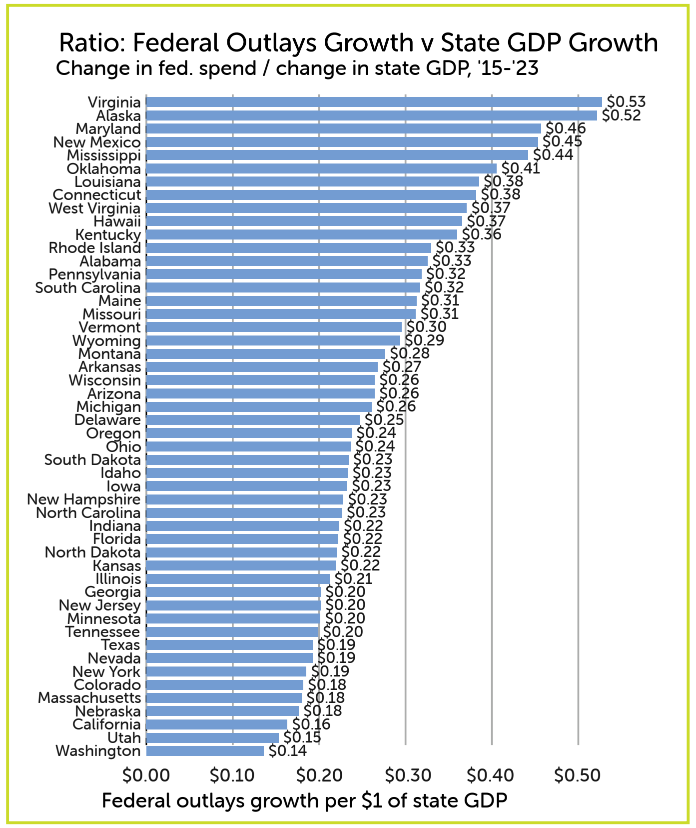


Data from Rockefeller Institute of Government

Alaska's economy grew second slowest in the country

From 2015 to 2023, federal government spending in Alaska grew significantly compared to the state's overall economy. For every dollar that Alaska's GDP increased, federal spending went up 52 cents. Only Virginia had a higher ratio of federal spending growth to GDP growth in this period. Maryland was third in this ranking. This trend highlights how areas close to Washington, D.C. often benefit from federal spending.

States like Washington, Utah and California experienced only modest increases in federal spending compared to their economic growth. One reason for Alaska's high federal spending ratio is that low commodity prices slowed down growth in the private sector. Other states that rely on resources, such as New Mexico, Oklahoma, West Virginia, Louisiana and Wyoming, also showed above-average ratios. However, this pattern does not apply to North Dakota or Texas, indicating that other factors also influence the federal spending-to-GDP ratio in different states. ▼



Data from Rockefeller Institute of Government

Alaska labor market still sluggish, weighed-down by federal cuts

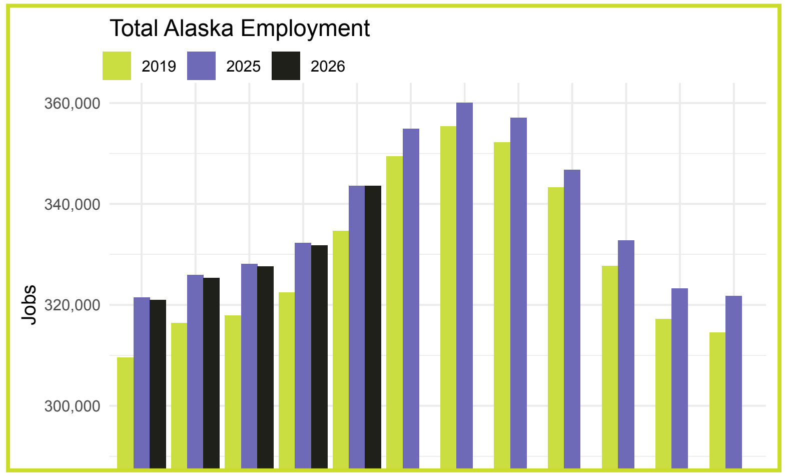
Alaska experienced a positive change in its job market, gaining 11,800 jobs between April and May as seasonal industries prepared for the busy summer tourism season. Total nonfarm employment held steady at 343,600 jobs in May, the same as May 2025. This marks the first month since November 2025 that year-over-year employment has not declined.

The biggest growth came in the leisure and hospitality industry, which added 6,100 jobs. The trade, transportation and utilities industry followed closely, contributing 4,800 new jobs. Transportation, warehousing and utilities added 3,600 jobs, while retail trade added 1,200 jobs.

Other industries showed growth as well: professional and business services gained 1,100 jobs, while construction added 800 jobs. These gains were tempered by a loss of 1,500 jobs in manufacturing, as well as smaller reductions in state government and mining and logging.

Compared to 2025, job growth was primarily seen in transportation and resource-related jobs. Employment in transportation, warehousing and utilities increased by 1,600 jobs since May 2025. Oil and gas, along with mining, saw an additional 1,000 jobs, while leisure and hospitality added 400 jobs. Educational and health services employment rose by 300 jobs, financial activities added 200 jobs, and other services gained 100 jobs.

These positive trends were mostly countered by a decline in government jobs, which fell by 2,400 compared to May 2025. Federal government jobs decreased by 1,500, state government jobs dropped by 700, and local government roles lost 200 positions. Additionally, construction employment was down by 600 jobs and professional and business services saw a decline of 300 jobs from 2025. ▼



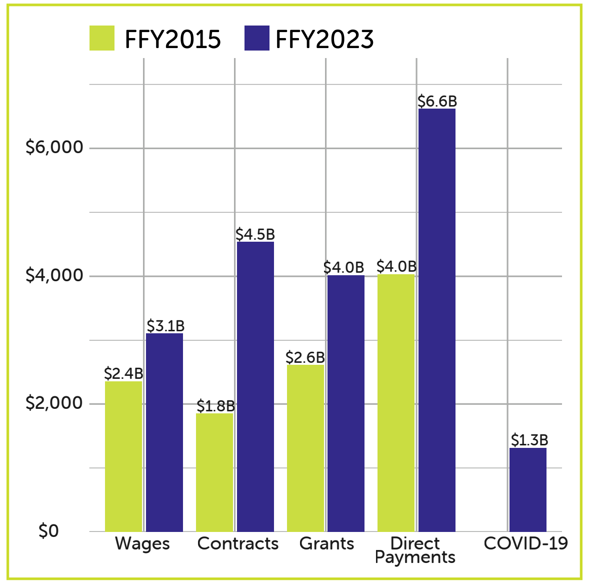
Data from the Alaska Department of Labor and Workforce Development

Alaska federal spending has grown strongly over last decade

The federal government plays a significant role in Alaska's economy, with its contributions increasing over the past eight years. From federal fiscal year (FFY) 2015 to FFY 2023, federal spending in Alaska rose by $8.7 billion, reflecting an 81% increase. This growth includes a temporary boost of about $1.3 billion due to COVID-19-related spending. Without this pandemic-related funding, federal spending still increased by $7.4 billion, reflecting a 69% rise.

For context, during this same period, Alaska's total gross domestic product (GDP) grew from $51.6 billion to $68.2 billion, an increase of $16.7 billion. Federal spending has four main components: wages paid to federal employees, contracts for goods and services from federal agencies (with the Department of Defense being the largest), grants to state and local governments and organizations (notably Medicaid, the Federal Highway Trust Fund) and direct payments to individuals such as Social Security and Medicare.

Among these components, contracts saw the largest growth, both in total and percentage terms, increasing by $2.7 billion or 245%. Direct payments also rose significantly, with an increase of $2.6 billion. ▼



Data from Rockefeller Institute of Government