



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

### **December unemployment rate inches up to 6.4 percent**

The December 2018 seasonally adjusted unemployment rate for Alaska was 6.4 percent, up .1 percent from November. The comparable national rate was steady at 3.7 percent. **Figure 1**

Alaska continued to have the highest unemployment rate in the nation in December. The lowest rate, 2.4 percent, was reported in Hawaii and Iowa.

The raw (not seasonally adjusted) unemployment rate in Alaska was also 6.4 percent in December. Last year at this time it was 7.3 percent.

### **Preliminary job counts in December lower than previous year**

The preliminary estimate of employment (wage and salary jobs) in December from the Alaska Department of Labor shows a decline of 900 jobs (.3 percent) compared to the previous year. The rate of decline continues to moderate as the recession (as measured by employment) enters its 42nd month.

Substantial losses continued in retail (-400), manufacturing (-400), professional and business services (-400), and government (-500). Healthcare jobs increased (400), as did petroleum (100) and construction (200). **Figure 2**

Alaska job growth performance in December was better than only one state, Vermont, where employment decreased .6 percent. Nevada, where employment increased 3.9 percent, had the best performance.

### **North Slope oil price hovering around \$60 per barrel since November**

The West Coast price of North Slope crude oil has hovered around \$60 per barrel for the last month. Uncertainty in the market stems from weakened demand due to a forecasted slowdown of the world economy and OPEC production cuts. The long-term direction of price remains uncertain. **Figure 3**

The price this fiscal year (2019) has averaged \$72 per barrel, which is \$4 above the latest Alaska Department of Revenue forecast of \$68 per barrel.

### **North Slope oil production averaging 3 percent less than last fiscal year**

Through January of this fiscal year, North Slope production has averaged 492,000 barrels per day, about 3 percent (18,000 barrels) lower than last year at this time. **Figure 4**

If the current trend continues, production will end the fiscal year at about 3 percent below the recent Alaska Department of Revenue forecast of 527,000 barrels per day.

### Alaska Department of Revenue forecast

The *Fall 2018 Revenue Sources* book from the Alaska Department of Revenue forecasts that fiscal year 2020 total General Fund revenue will be \$6.1 billion. This is the first time the forecast includes the draw (5.25 percent of the value of the fund) from the earnings reserve of the Permanent Fund to pay the Permanent Fund Dividend and a share of state government expenditures. The draw in 2020 will be \$2.9 billion. Petroleum revenues are forecast to be \$1.7 billion, based on an average price of \$64 per barrel. Non-petroleum revenues are forecast to be \$1.2 billion. This is the first forecast that includes restricted general funds.

The forecast oil price and production rates are almost the same as last year at this time, so the forecast of petroleum revenues remains about the same. **Figure 5**

Over the next decade, annual revenues will gradually increase to \$6.3 billion, primarily due to growth of the Permanent Fund and the annual draw (which drops to 5 percent starting in 2021).

The preliminary General Fund budget proposed by the new governor for 2020 is \$7.7 billion, including \$5.7 billion for state operations and capital as well as payment of a full dividend, totaling \$2 billion. This will result in a deficit of \$1.6 billion. An oil price of about \$90 per barrel would be needed to avoid a deficit. **Figure 6**

### Job growth for 2019 forecast by Alaska Department of Labor

Job growth of .4 percent is forecast for 2019 by the Alaska Department of Labor, after three years of declining employment.

The main drivers accounting for growth will be the oil and gas, construction, healthcare, mining, and tourism sectors.

However, employment declines are projected to continue in retail, finance, information, business services, and state and local government. **Figure 7**

### Forecasted job growth unevenly distributed across Alaska

Job growth will be 1.8 percent in the Fairbanks labor market, stimulated by the construction of national defense facilities at Eielson, Clear and Greely military bases. Anchorage, the largest labor market, will see growth of .2 percent, about half the state average. Growth in Southeast Alaska, the first in six years, will be .1 percent. **Figure 8, 9, 10**

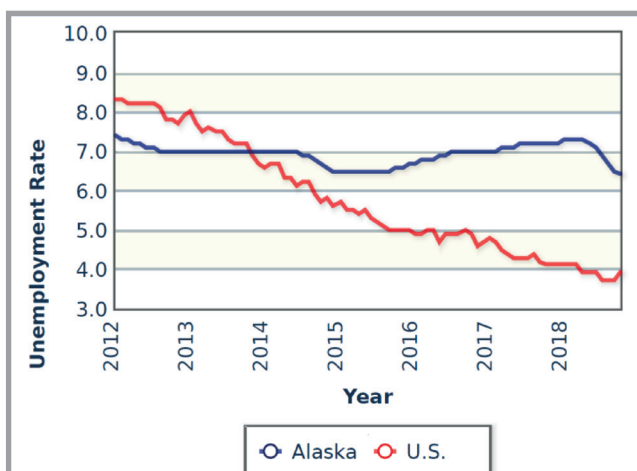


Figure 1

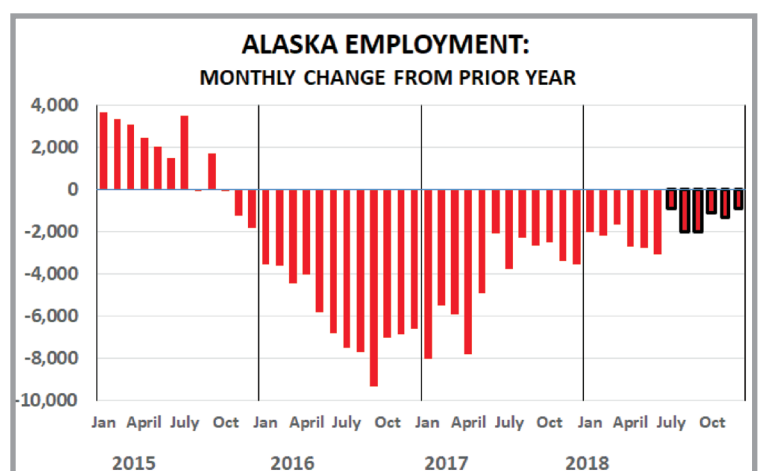


Figure 2

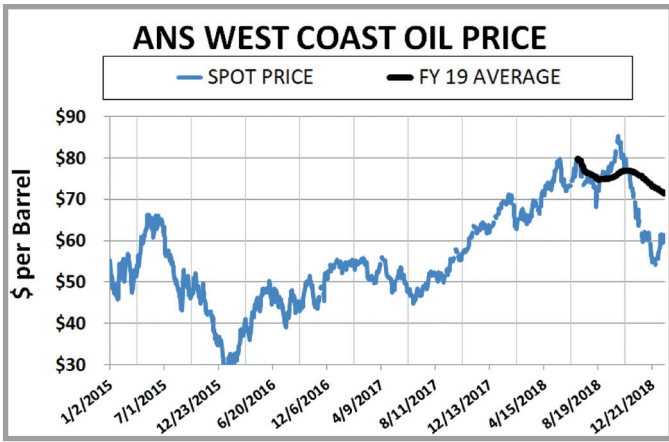


Figure 3

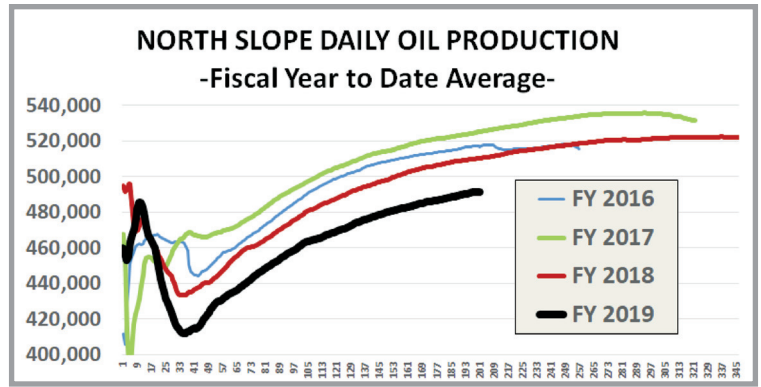


Figure 4

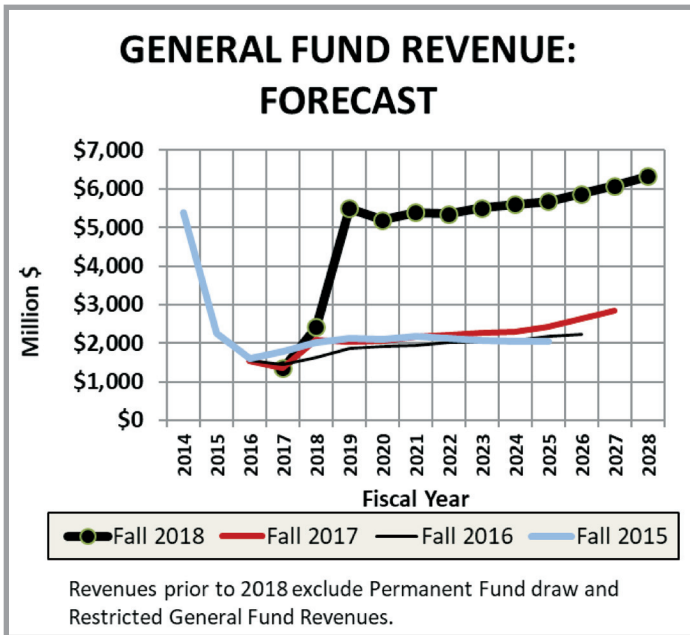


Figure 5

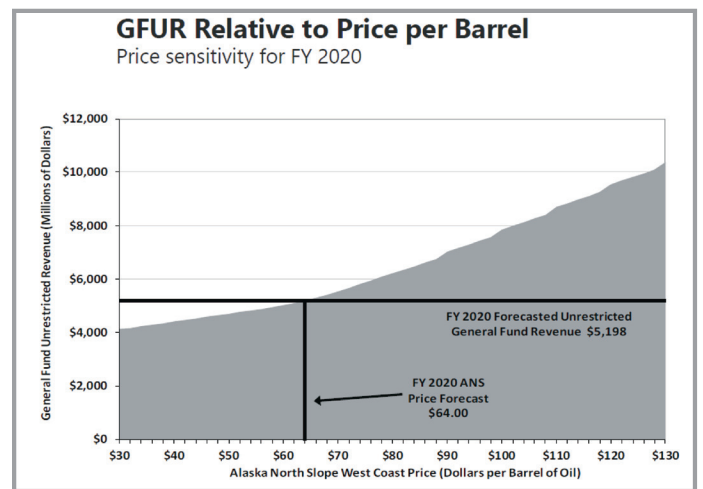


Figure 6

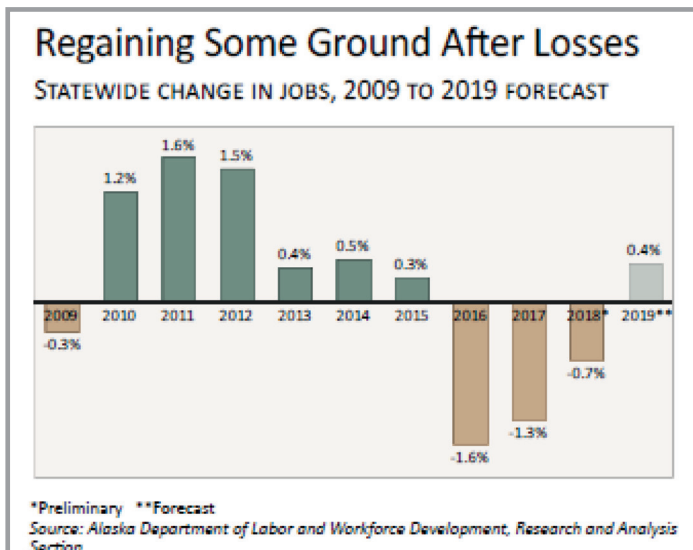


Figure 7

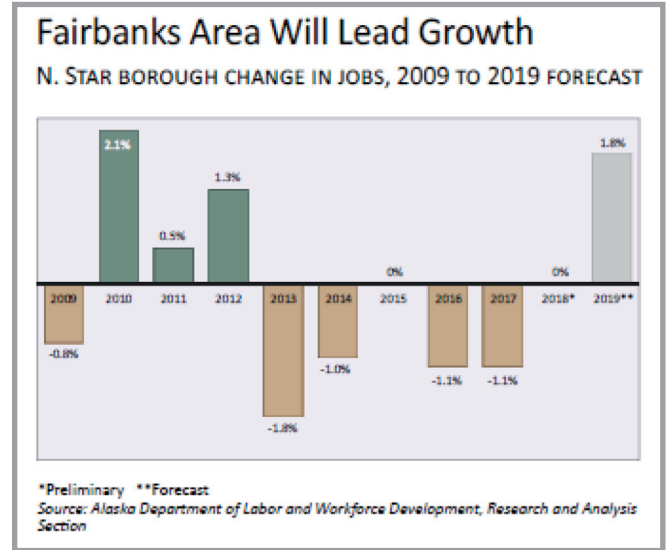
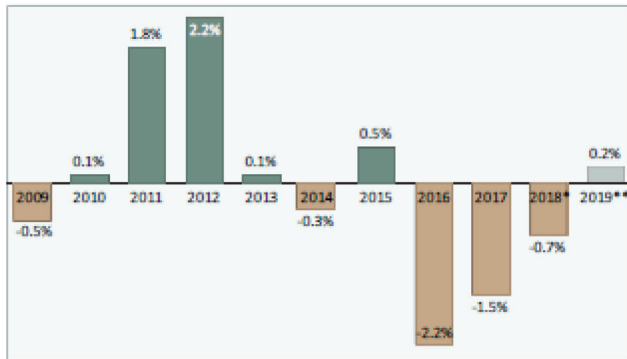


Figure 8

## Minor Job Gains After 3 Years of Loss

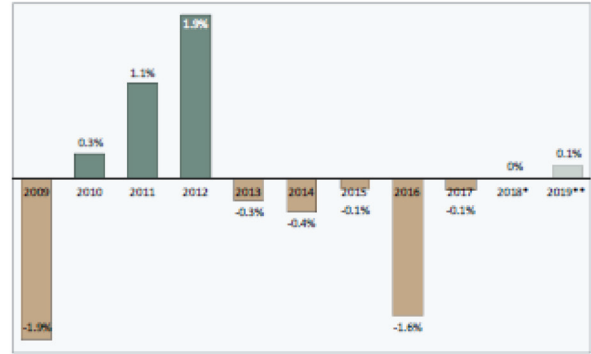
ANCHORAGE CHANGE IN JOBS, 2009 TO 2019 FORECAST



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

## Slight Job Growth Likely This Year

SOUTHEAST CHANGE IN JOBS, 2009 TO 2019 FORECAST



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

Figure 9

Figure 10