



*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 7.3 Percent**

The December 2017 seasonally adjusted unemployment rate for Alaska was 7.3 percent, up 0.1 percent from November. The comparable national rate was steady at 4.1 percent. **Figure 1**

Alaska continued to have the highest unemployment rate in the nation in December. The lowest rate, 2.0 percent, was reported in Hawaii.

The raw unemployment rate (not seasonally adjusted) rose to 7.3 percent in December. Last year at that time it was 6.6 percent.

## **Preliminary Job Count in December 3,300 Below Last Year**

The preliminary estimate of employment (wage and salary jobs) in December from the Alaska Department of Labor shows a decline of 3,300 (1.0 percent) from a year earlier. The state has now experienced more than two full years of declining employment.

Substantial losses continued in oil, construction, state government, and professional and business services tied to the oil and construction industries. Retail trade also recorded significant losses, suggesting declining consumer spending. Healthcare and local government were the only industries experiencing growth. **Figure 2**

Job growth performance in Alaska in December continued to be the worst in the nation. Utah, with a growth rate of 2.9 percent, had the best performance.

## **North Slope Oil Price Above \$60 Since November**

The West Coast price of North Slope crude oil moved above \$60 at the end of October and since then has continued to rise towards \$70. The strengthening of the price is partially due to the extension of the supply constraint agreement within OPEC (and including Russia) beyond its expiration date in March. Geopolitical concerns, particularly in the Middle East, are also likely a factor. The long-term direction of price remains uncertain. **Figure 3**

The price this fiscal year (2018) has averaged \$58 which is \$2 above the latest (fall) Alaska Department of Revenue forecast of \$56.

## **North Slope Oil Production Averaging 3 Percent Less Than Last Fiscal Year**

Through January of this fiscal year (2018) production has averaged 510,000 barrels per day, about 3 percent (15,000 barrels) lower than last year at this time. **Figure 4**

If the current trend continues, production will end the fiscal year close to the most recent (fall) Alaska Department of Revenue forecast of 533,000 barrels per day.

## Revenue Forecast from Alaska Department of Revenue

The fall 2017 Revenue Sources book from the Alaska Department of Revenue forecasts fiscal year 2018 Unrestricted General Fund Revenue will be \$2.08 billion. Over the next decade annual revenues will gradually increase to \$2.8 billion. This 10-year forecast is higher than last year because of a higher estimate of future production. **Figure 5**

This forecast is based on a price for ANS (Alaska North Slope) crude on the west coast of \$56 in 2018. It is forecast to rise to \$72 by 2026. **Figure 6**

The average daily production of North Slope crude in 2018 is forecast to be 533,000 barrels per day, falling to 495,000 by 2026. **Figure 7**

## 0.5 Percent Job Loss for 2018 Forecast by Alaska Department of Labor

A job loss of 0.5 percent, 1,800, is forecast for 2018 by the Alaska Department of Labor. This would be the third consecutive year of job loss and the sixth year of poor performance for the economy. The decline is projected to be smaller than the previous two years.

Employment increases are expected only in healthcare and seafood processing. The largest declines are expected in petroleum, construction, state government, and business services. **Figure 8**

Although the employment declines associated with the completion of the oil pipeline and the oil price “bust” were more severe, the current economic slowdown (as measured by employment growth) is the longest lasting since at least 1970. **Figure 9**

## Hawaii, California and New York Cost of Living Higher Than Alaska

The cost of living in Alaska, as reported by the Council for Community and Economic Research, is exceeded by only three states—Hawaii, California and New York—as well as the District of Columbia. Rounding out the top five states is Maryland. The Alaska index was 132, compared to a U.S. average of 100. **Figure 10**

The cost of living is lowest in Mississippi, Arkansas, Tennessee, Kansas and Oklahoma.

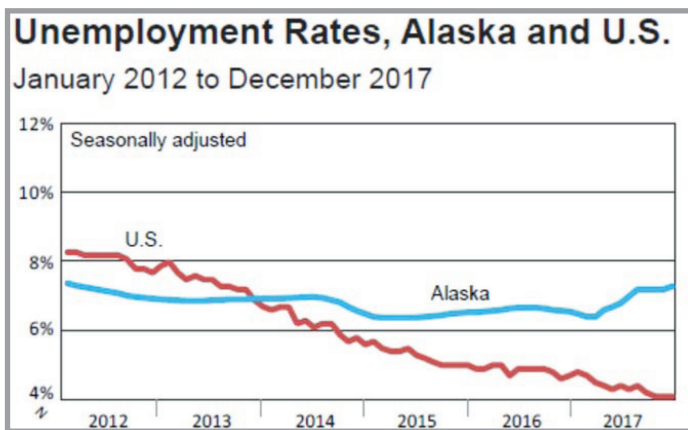


Figure 1

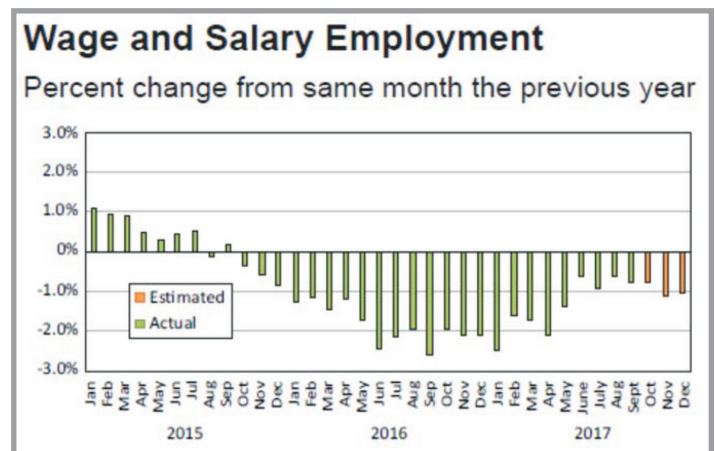


Figure 2

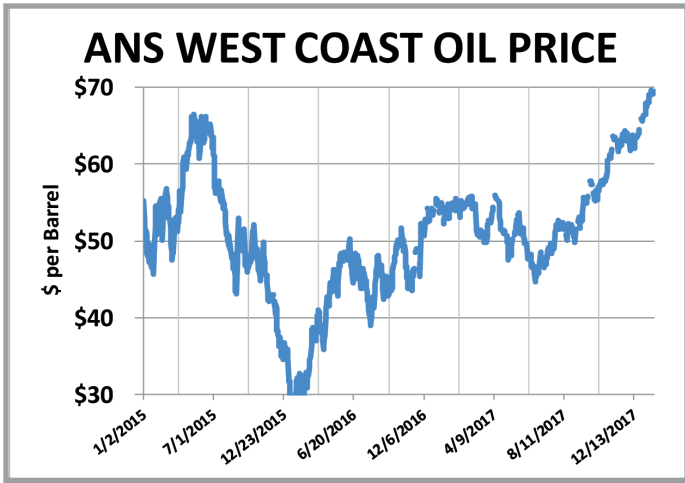


Figure 3

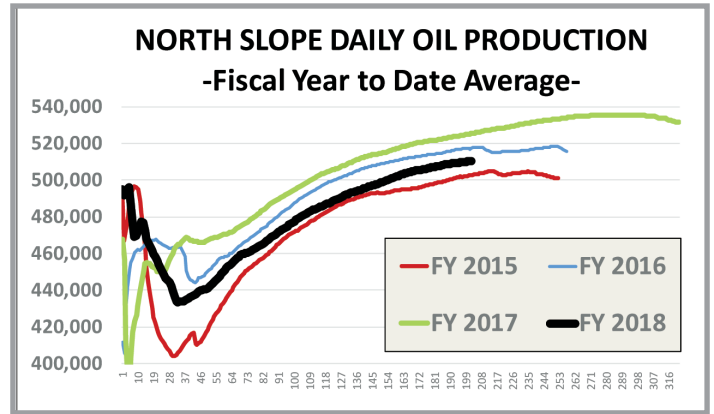


Figure 4

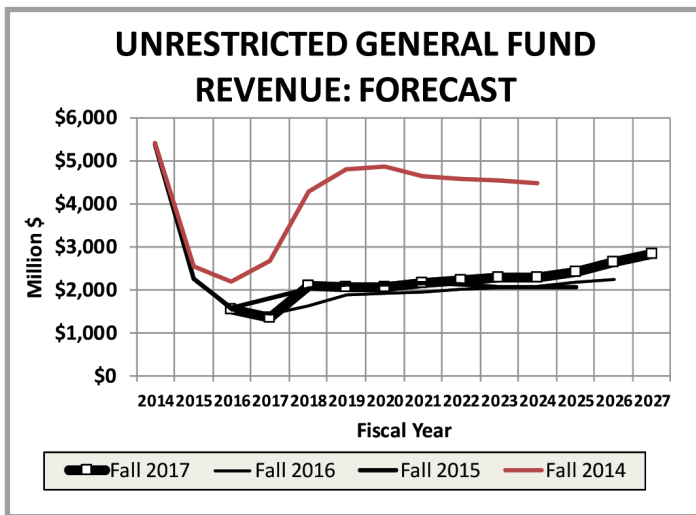


Figure 5

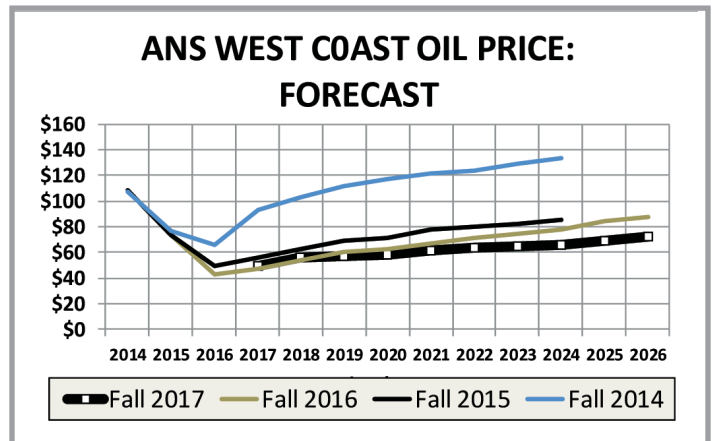


Figure 6

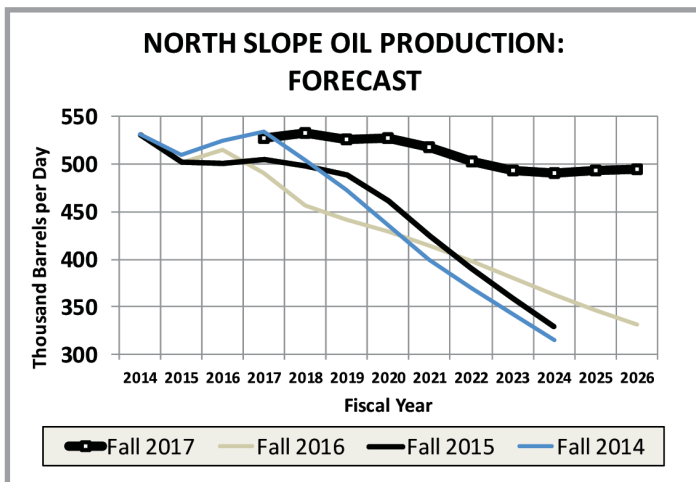


Figure 7

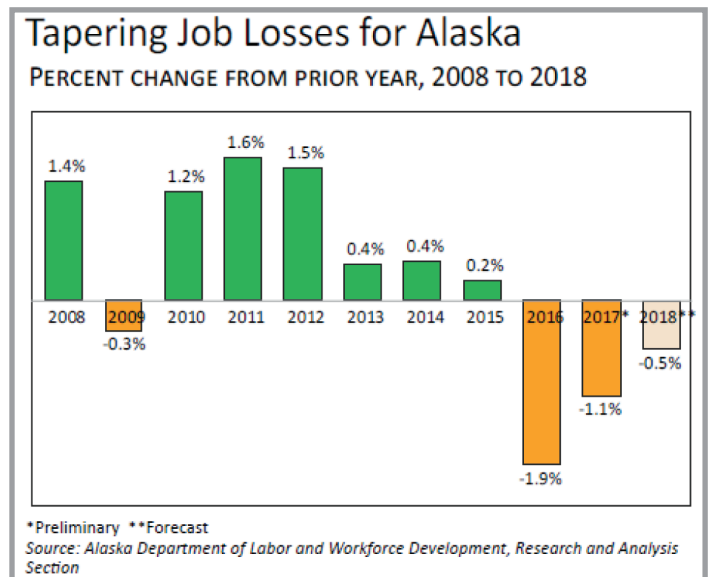


Figure 8

# Alaska's Employment Growth History

PERCENT CHANGE FROM PRIOR YEAR, 1970 TO 2018 FORECAST

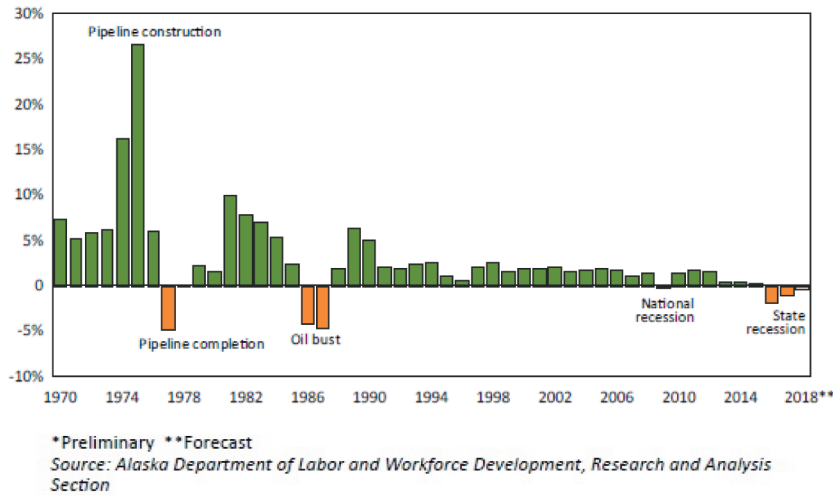


Figure 9

# Composite Cost of Living

2017 3rd Quarter

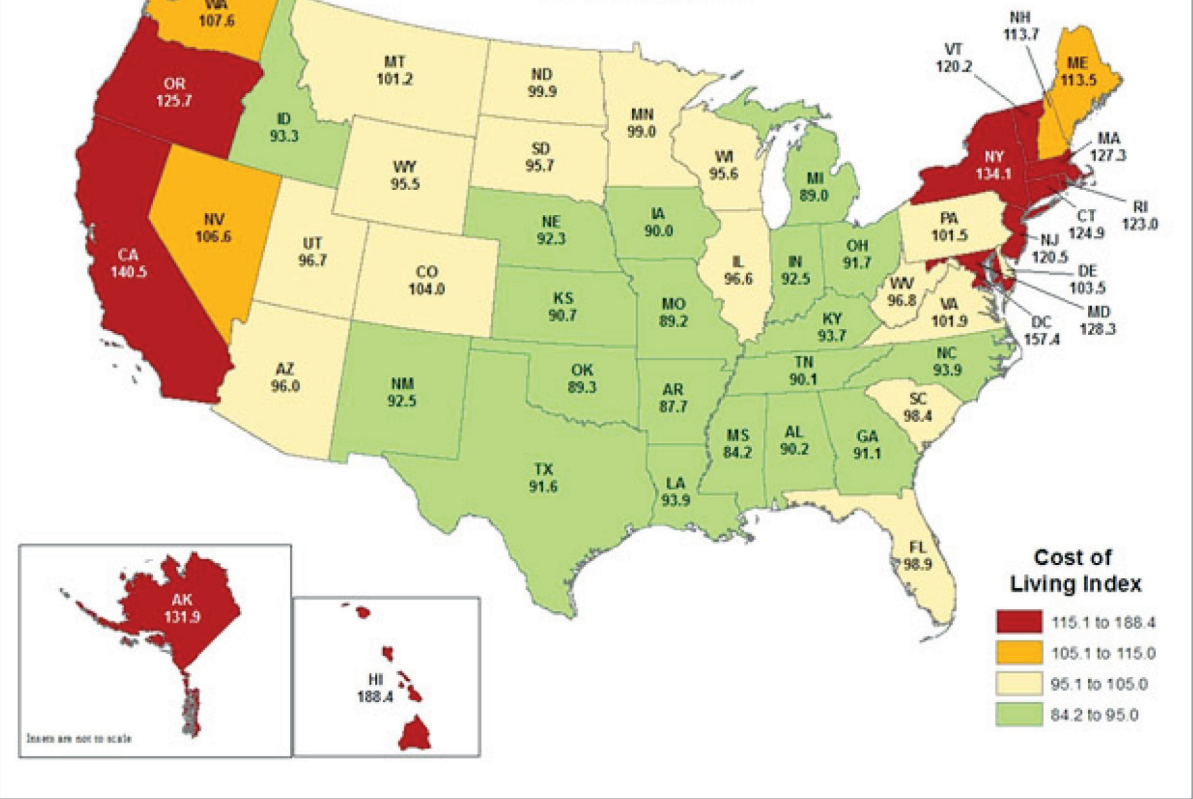


Figure 10