



*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.*

### **Unemployment rate inches down to 6.4 percent**

The October seasonally adjusted unemployment rate for Alaska was 6.4 percent, down from 6.5 percent in September. The comparable national rate was steady at 3.7 percent. (Figure 1)

Alaska continued to have the highest unemployment rate in the nation. The lowest rate, 2.2 percent, was reported in Hawaii.

### **Preliminary job count in October 1,100 below last year**

The October preliminary estimate of employment (wage and salary jobs) from the Alaska Department of Labor shows a decline of 1,100 (.3 percent) jobs from the same time last year. Although the state has now experienced more than three full years of declining employment, the rate of decline continues to moderate. (Figure 2)

Retail trade reported the largest loss from a year earlier—800. Other sectors reporting losses were oil and gas (100), manufacturing (400), information (100), financial services (300) and professional services (400).

Healthcare added the largest number of jobs—600. Other sectors reporting gains were construction (300), transportation (200) and leisure and hospitality (100).

Federal government added 100 jobs, while local government lost 100. State government was unchanged from the previous year.

Job growth performance in Alaska in September was better than only one state—Vermont where employment declined 1 percent over the year. Florida, with a growth rate of 4.8 percent, had the best performance.

### **North Slope oil spot price drops to \$65 from a recent peak of \$85**

The West Coast price of North Slope crude oil dropped to about \$65 per barrel after peaking at \$85 in October. (Figure 3)

The falling price is primarily due to weakening world demand for oil combined with growth in supply, particularly in the U.S. where production from shale continues to increase. Furthermore, the supply reduction due to the imposition of sanctions on Iran has been less than expected.

Price volatility can be expected to continue as OPEC considers a reduction in supply to counteract the recent drop in price.

The fiscal year (2019) average price is now \$76 which is \$13 above the latest (Spring 2018) Alaska Department of Revenue forecast of \$63.

### **North Slope oil production averaging 4 percent below last year**

Through mid-November of this fiscal year (2019) North Slope production has averaged 476,000 barrels per day according to the Alaska Department of Revenue. This is about 4 percent (18,000

barrels) lower than last year at this time. However, in early October ConocoPhillips began production from the Greater Mooses Tooth 1 field in the National Petroleum Reserve - Alaska (NPRRA) which should eventually reach 25,000 barrels per day. Consequently, as time passes the fiscal year average should move closer to last year. **(Figure 4)**

At this time, it appears production for the fiscal year will fall slightly below the most recent (Spring 2018) Alaska Department of Revenue forecast of 522,000 barrels per day.

### **Anchorage consumer confidence continues to increase**

The Anchorage Consumer Confidence Index published by the Anchorage Economic Development Corporation increased again in the third quarter and has now returned to its level in early 2015 at the start of the recession. A value for the index above 50 suggests consumer optimism. **(Figure 5)**

Two of the three components of the index—local economic confidence and future expectations—were higher in the third quarter. The third component—personal financial confidence—was only marginally lower.

A companion Alaska Confidence Index published by the Alaska Department of Commerce, Community and Economic Development shows the same general pattern based on a statewide consumer survey.

U.S. consumer confidence also increased during this period. The Conference Board Consumer Confidence Index rose 8.9 points and the University of Michigan Consumer Sentiment Index rose 1.9 points. Both reflect confidence in the present and positive future expectations.

### **Alaska personal income 3.3 percent higher than a year ago**

Alaska personal income, including both wage and nonwage income, increased in the second quarter of 2018 to \$43.5 billion. Personal income has now been growing since the start of 2016 even though employment has been falling since the latter part of 2015. U.S. personal income increased 4.6 percent from a year earlier.

Alaska personal income is about 5 percent above the level before the crash in the oil price. During the same time U.S. personal income has grown more than 15 percent. **(Figure 6)**

### **New state population projections lower**

The 2018 population projections to 2045 from the Alaska Department of Labor are lower than those prepared in 2016. The middle-case projection for the year 2045 is now 838,000 compared to 900,000 for the 2016 projection. The low-case projection is almost the same as previously. The high case is now 1.18 million compared to 1.25 million in 2016. **(Figure 7)**

Population growth in the middle case is projected to be about .5 percent annually in the first decade after which it drops to about .4 percent annually. Between 2017 and 2025 the population is projected to increase by about 33,000. However, since the growth in the senior population is projected to be 38,000, the number of working-age Alaskans (20-64) actually declines by 12,000.

**(Figure 8)**

Over the subsequent 20-year period population in the middle case is projected to increase by 67,000. The number of children, working age adults and seniors all increase. Noteworthy is the large increase of the very elderly during this time (the last of the baby boomers ageing in place).

**(Figure 9)**

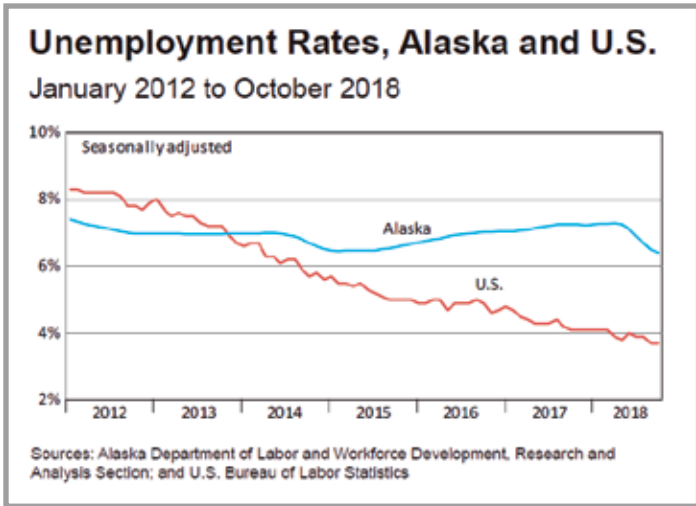


Figure 1

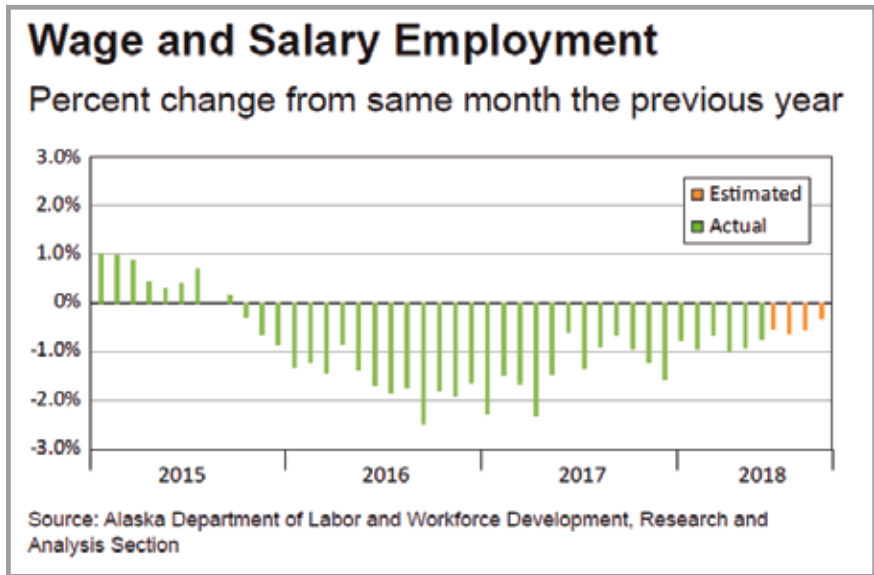


Figure 2

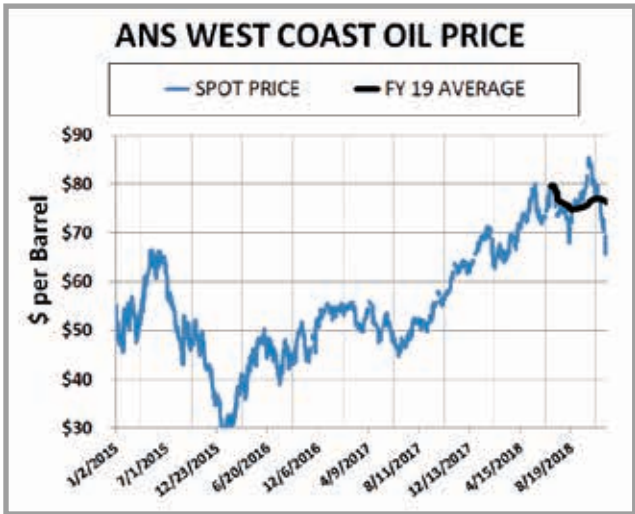


Figure 3

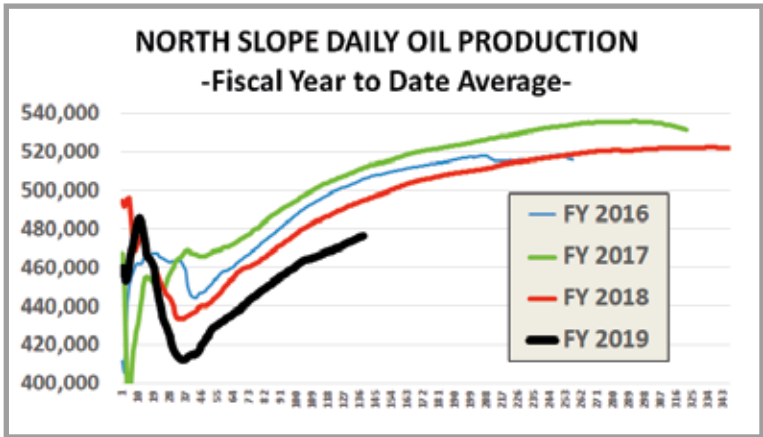


Figure 4

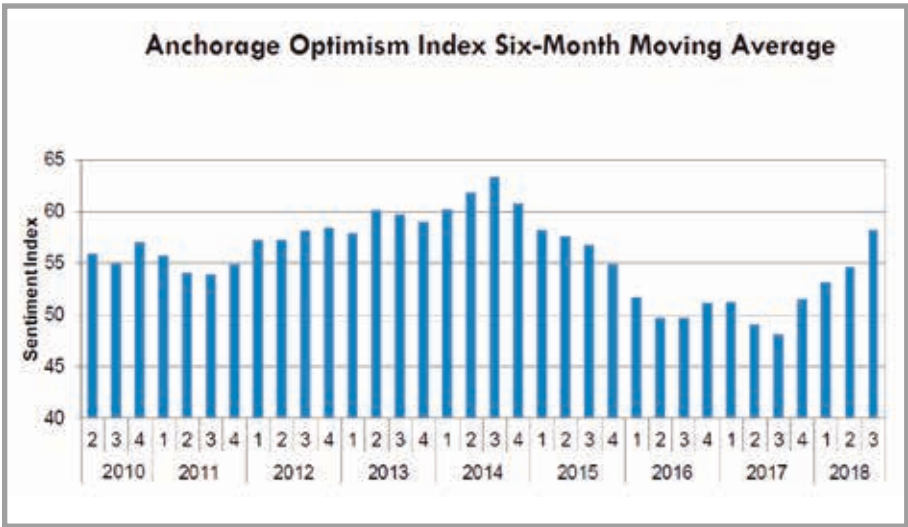


Figure 5

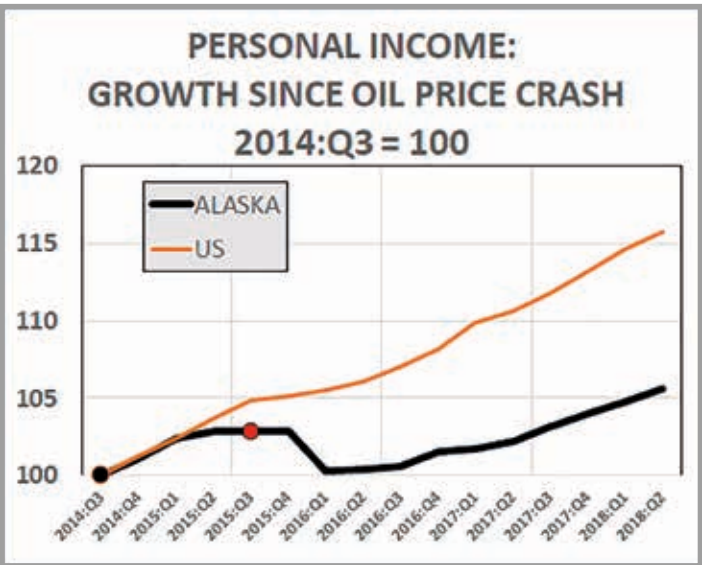


Figure 6

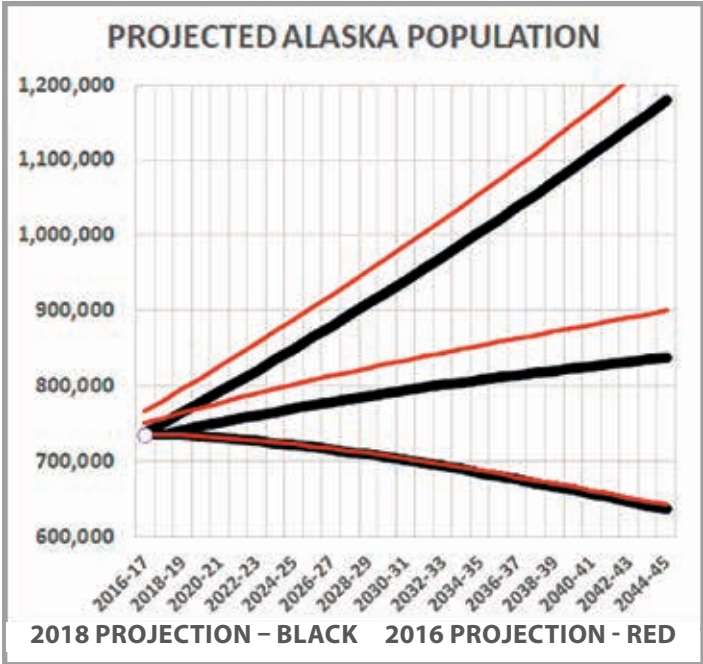


Figure 7



Figure 8

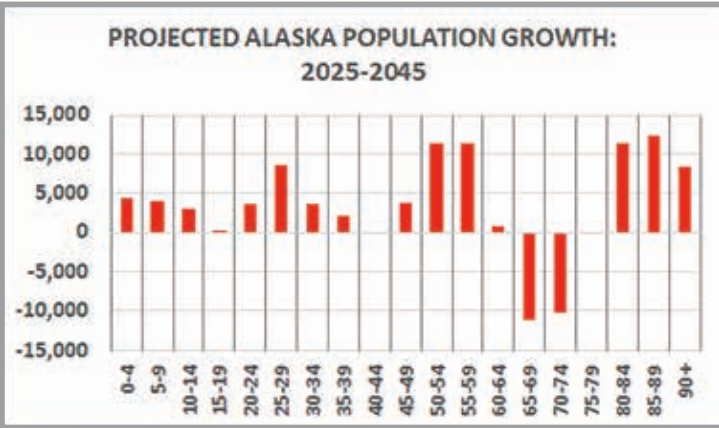


Figure 9