

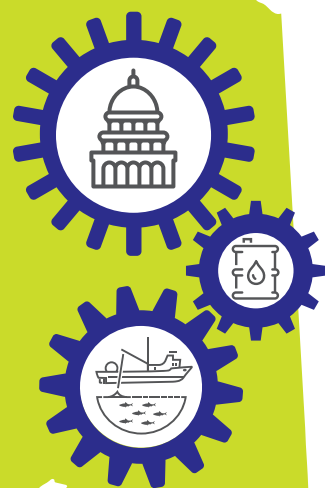
ALASKA'S ECONOMY

It's everyone's business.

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



Did you know...
Used car prices have likely peaked, but new car prices are expected to remain high?
Learn more in this issue of *Alaska's Economy*.



Dear reader,

The cost of transportation has risen due to the pandemic, with prices for new vehicles increasing by 14%, motor fuel by more than 40%, and used cars and trucks by 42% since February 2020. Wholesale used car prices peaked in April and have come down slightly since the beginning of May.

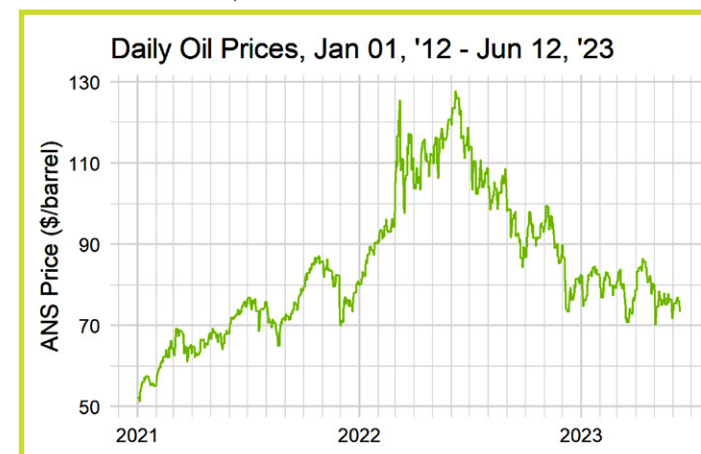
Work-from-home policies and changes in commuting habits have affected demand for vehicles and public transportation. Nationally, downtown businesses struggle with reduced foot traffic, and public transportation ridership remains below pre-pandemic levels, potentially leading to future budget shortfalls for transit agencies.



Plans to replenish the U.S. oil reserve

Alaska's benchmark oil price, ANS West Coast, was \$73.29 per barrel on June 12. In May, daily prices averaged \$75.64 per barrel, compared to \$115 in May 2022 and \$67.45 in May 2021. One significant development in oil markets has been the recent first-stage implementation of a plan to refill the United States Strategic Petroleum Reserve. Last summer, the reserve was drawn down to provide additional supply to the market as consumers faced high prices at the pump. On June 9, the U.S. Department of Energy announced that it would purchase three million barrels of oil at \$73 per barrel. The administration plans to purchase an additional three million barrels in September. ▼

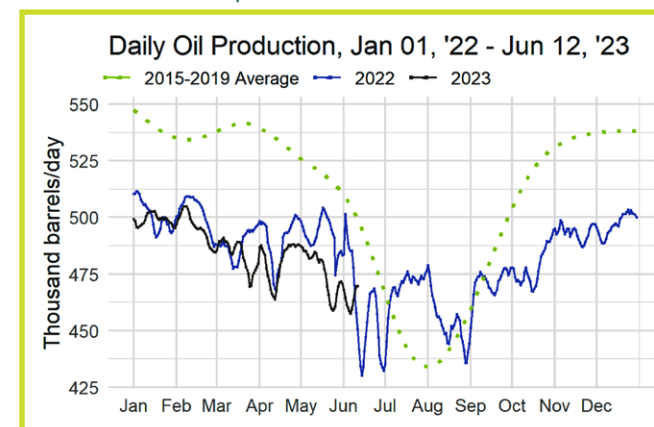
Data from the Alaska Department of Revenue



Alaska oil production

Daily oil production in Alaska was 458,000 barrels on June 12. In May, daily production averaged 474,931 barrels, compared to 493,000 in May 2022 and 482,000 in May 2021. ▼

Data from the Alaska Department of Revenue



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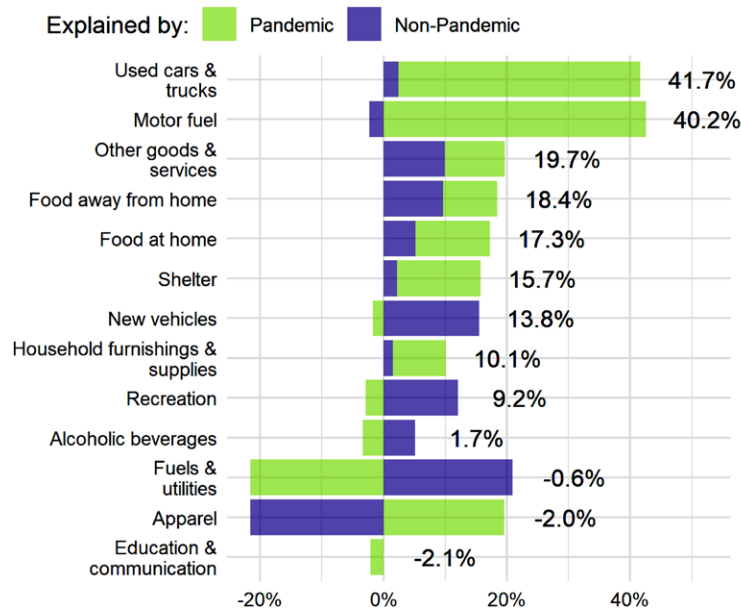


Used vehicle prices and inflation

The cost of transportation in Alaska has been heavily impacted by the pandemic. Since February 2020, average prices for new vehicles increased by 14%, the cost of motor fuel rose by 40%, and the price of used cars and trucks increased by 42%. While new vehicle prices today are slightly lower than pre-pandemic, the cost of used vehicles has soared due to high demand. The last several months of inflation data have pointed to used car prices as a key driver of total inflation in the economy. New vehicle inventory remains impacted by backlogged supply chains for computer chips. ▼

Data from the Bureau of Labor Statistics, Urban Alaska Consumer Price Index. Percentages reflect the total change since February 2020. The non-pandemic component is the portion of inflation since February 2020 that is explained by a pre-pandemic linear trend. The pandemic component is the difference between the total change in price since the pandemic and the pre-pandemic trend.

Components of Alaska Inflation Since Pandemic



Used vehicle prices in the coming months

Official inflation statistics are consistently measured and are reliable sources for forecasting used vehicle prices. The market insights website Blackbook.com published an article on June 13 about the recent trends in wholesale prices of used vehicles. Their data shows that wholesale used car prices have decreased since the beginning of May. The price decrease will eventually trickle down to the consumer, providing a window into the potential future movement of the official inflation measure. Prices fell 0.4% in the last week of May and 0.3% in the last week of April. The inflation in used car prices from April to May was 4.4%. ◀



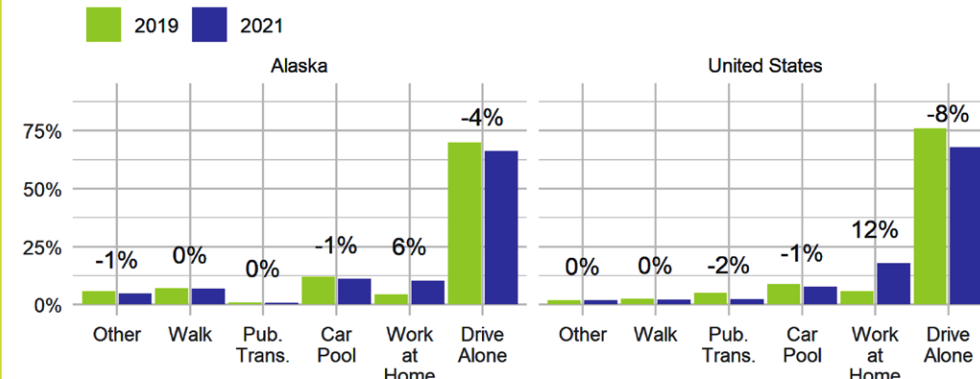
Impact of working from home

While more recent data suggests that remote work in 2022 was less common than in 2021, it is still much more common than before the pandemic.

The decline in daily commuters has a significant impact on the national economy. Workers who continued working from home have little to no need to travel to places they don't frequent daily. Downtown businesses across the country are struggling with the reduced customer foot traffic from employees who report to work virtually. ▼

Data from the American Community Survey one-year estimates. The bar height is the fraction of commuters using that mode.

Number of Commuters by Mode



Public transportation ridership

As of April, public transportation ridership remains significantly below its pandemic levels in virtually every state in the country, despite national employment being above its pre-pandemic levels. In Alaska, ridership in Anchorage and Fairbanks was at 75% of pre-COVID pandemic levels, ranking eighth among states for recovery. Work from home is likely having a significant effect on which transit systems are experiencing slower recovery. Transit agencies could face future budget shortfalls as COVID-relief money dries up and ridership remains depressed. ▼

Data from U.S. Federal Transit Administration Raw Monthly Ridership. Colors indicate the fraction of public transit ridership in April 2023 versus February 2020.

Public Transportation

April 2023, % of Pre-Pandemic Ridership

