

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.

Dear Reader,

The Alaska economy remains weak due to the ongoing COVID-19 pandemic. While virus case counts fall and Alaska continues to lead the nation in the vaccination effort, unemployment remains high, particularly in the service-based sectors like restaurants, hotels and tourism. At the same time, regional and national trends have caused strong increases in housing prices throughout Alaska.



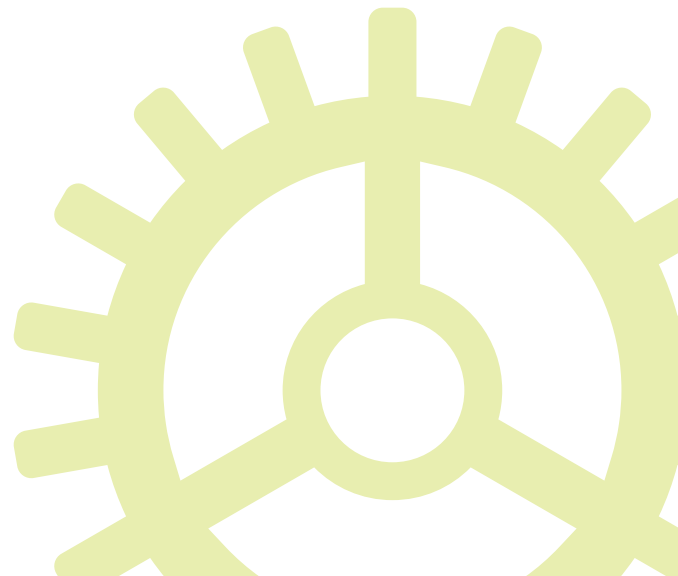
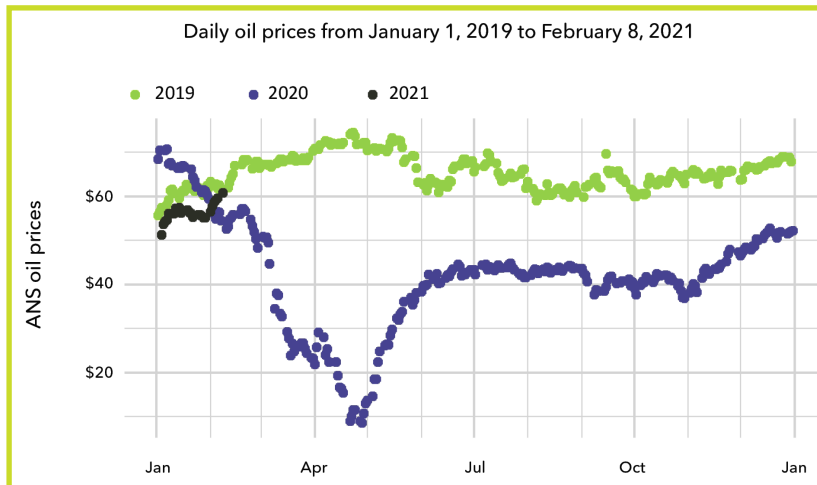
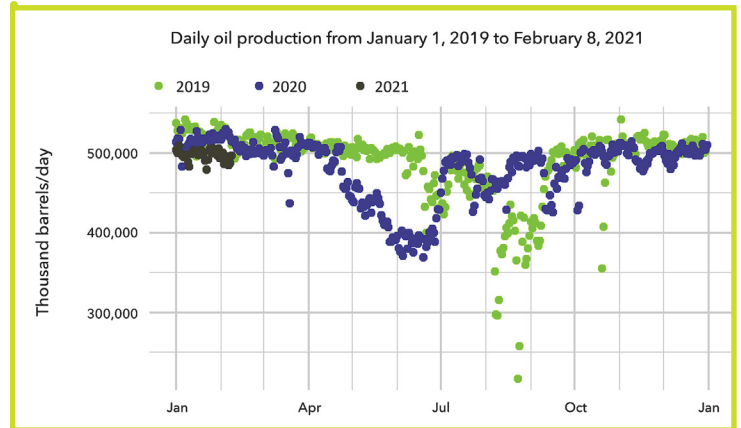
Oil prices recover to spring 2020 levels

Alaska's benchmark oil price, Alaska North Slope (ANS) West Coast, hit \$60.72 on February 8, and continues to recover from its low of \$8.56 on April 28, 2020. Last month prices averaged \$55.57 per barrel. This compares to \$65.48 per barrel in the same month of 2020, and \$60.40 per barrel in 2019. The recent rise comes as inventories continue a drawdown from a late spring peak. For much of 2020, prices remained around \$20 less per barrel than 2019 levels for the same time of year, but began to rise gradually starting in November. The Alaska Department of Revenue projects oil prices to be \$45 to \$50 per barrel over the next four years, but also notes uncertainty in this market.



Oil production remains stable through Q4 of 2020

Daily oil production in Alaska was 497,000 barrels on February 8. January daily production averaged 498,000 barrels. This compares to 515,000 barrels in the same month of 2020, and 525,000 barrels in 2019. The Alaska Department of Revenue expects production to fall over the next two years, but as new fields come online in the following years, the department expects daily production to be 460,000 to 480,000 barrels per day.

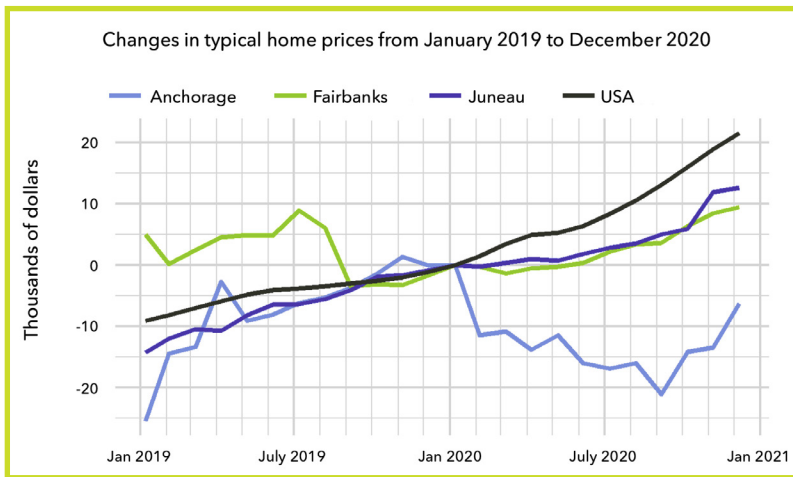


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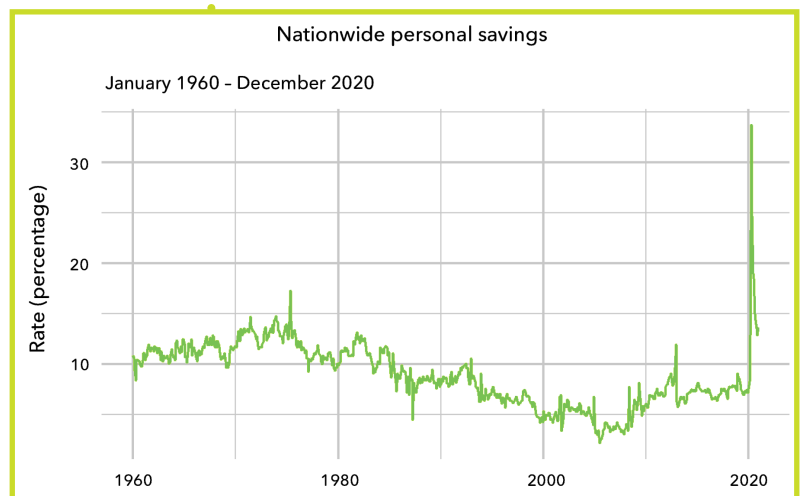
Alaska's housing market fluctuates

As of December 31, 2020, a typical home in the Anchorage area was selling for \$321,000, in Fairbanks for \$250,000, and in Juneau for \$415,000. These compare to national average prices of \$269,000. Nationwide, home values increased steadily over the last two years, increasing an average of \$22,000 in 2020. The situation in Alaska varies from market to market. Prices in Juneau have risen steadily since January 2019; in 2020 alone the typical home price increased by \$13,000. Prices in Fairbanks fell slightly in the fall of 2019, but recovered by December 2020. Prices in Anchorage have exhibited the most volatility. In 2019, prices rose by approximately \$25,000, but reversed sharply in the first half of 2020. As of December 2020, prices were down \$6,000 from January 2020. ▼



Personal savings at record levels nationally

The pandemic has had the extraordinary effect of increasing personal savings among people in the United States. Personal savings for many increased as they reduced expenditures on dining, entertainment and other services. In April 2020, personal savings rates reached a record 34%. The previous high was 17% in May of 1975. As of December 2020, personal savings had fallen to 13.7%, which is still significantly higher than the savings rate prior to the pandemic. These savings are likely one reason for strong movements in housing markets across the country. ▼

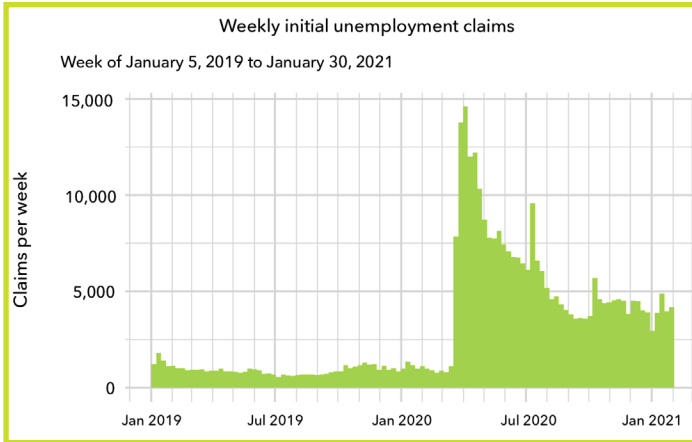




Alaska's initial unemployment insurance claims¹ remain high

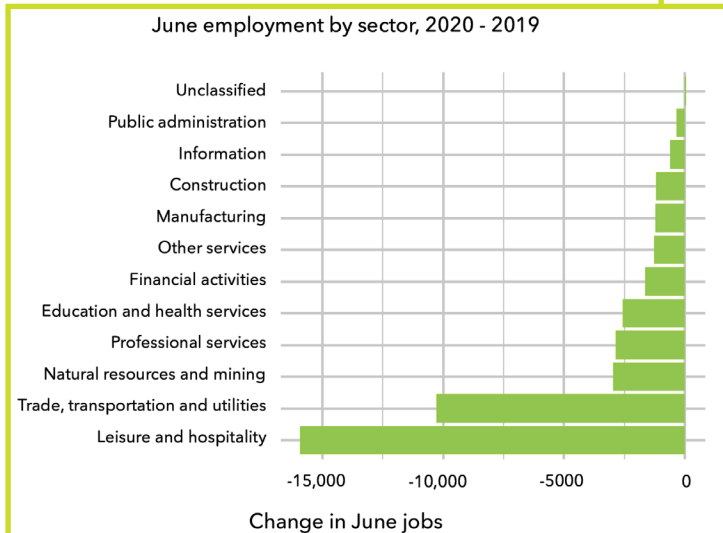
4,190 Alaskans started collecting unemployment insurance benefits for the first time as of January 30. As coronavirus case counts in Alaska fall and the vaccine campaign continues, consumers' confidence to safely patronize business will likely increase, as will summer-seasonal industries like fishing and construction. ▼

¹ Initial unemployment claims refer to new filings for unemployment insurance. During this pandemic, they provide a sense of how many people are experiencing new job losses.



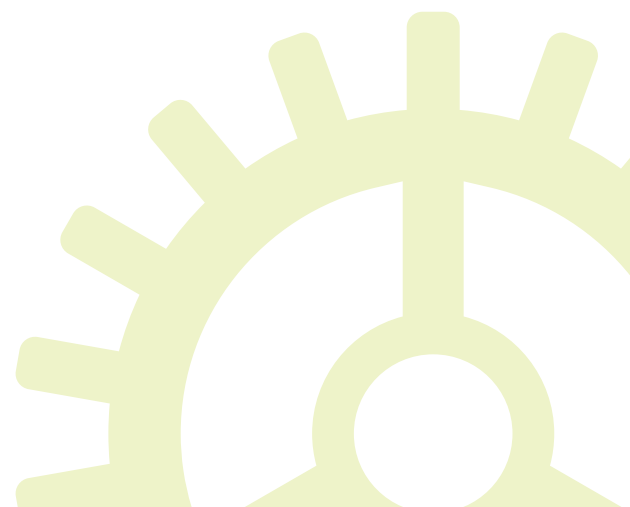
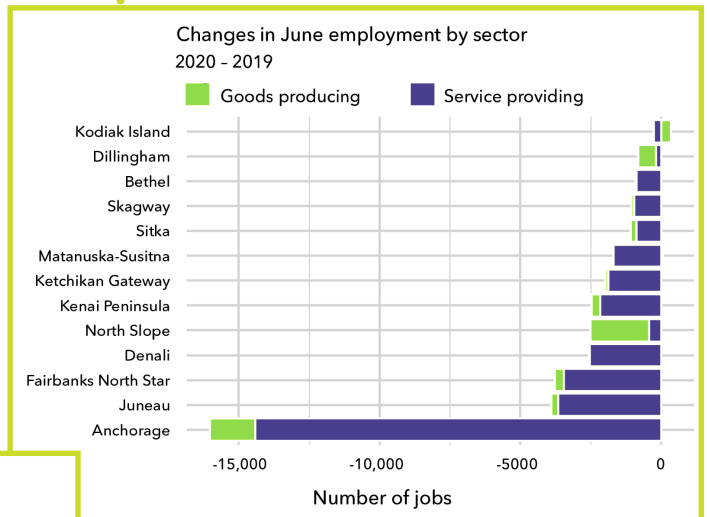
Statewide, service sectors see deep employment drops in 2020

Unsurprisingly, employment in the service industry was most affected in 2020. Hospitality, accommodations and food services had 28,430 employees in June 2020, 15,911 fewer jobs than the previous year. The transportation and warehouse sector (which provides support to food service and retail) had 10,284 fewer jobs in June 2020 than the previous year. Low oil prices spurred oil industry layoffs, driving the extractive sector to have 2,969 fewer jobs than the year prior. ▼



Tourism and oil-reliant boroughs hard-hit

Employment impacts of the pandemic vary across Alaska. The 13 boroughs listed below all experienced a year-over-year employment loss of more than 500 jobs. The lack of 2020 summer tourism jobs impacted the service sector in the Southeast boroughs, which rely on cruise ship passengers. There were also striking losses in the small Denali Borough, which had 2,500 fewer jobs than the year prior. Losses in the oil and gas industry led the North Slope Borough to have 2,100 fewer jobs than the previous year, while seafood-processing reductions led the year-over-year job loss in Dillingham. However, positive changes in the Kodiak fisheries led to it being the only borough to have a modest net increase in employment year-over-year. ▼

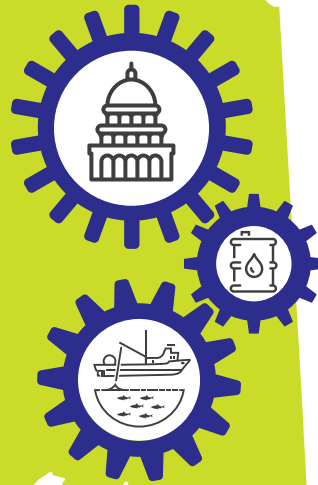


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Did you know

The pandemic has had an extraordinary effect on the rates of personal savings nationwide?

Learn more in this issue of *Alaska's Economy*.



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