

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 State of Alaska continues to face a structural budget deficit despite the performance of the Permanent Fund and a continued recovery in oil prices.

Many other commodity prices (e.g. lumber) have seen a recent rise in price due to bolstered demand and tight supply chains. These forces have led to a general rise in consumer prices, particularly in the transportation sector.



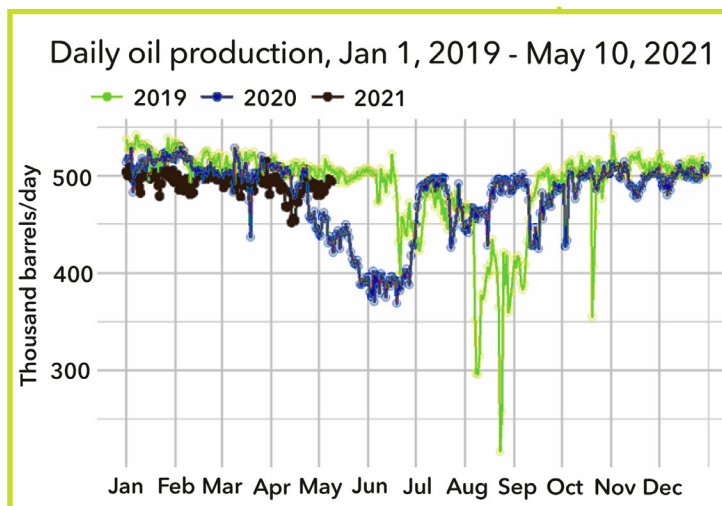
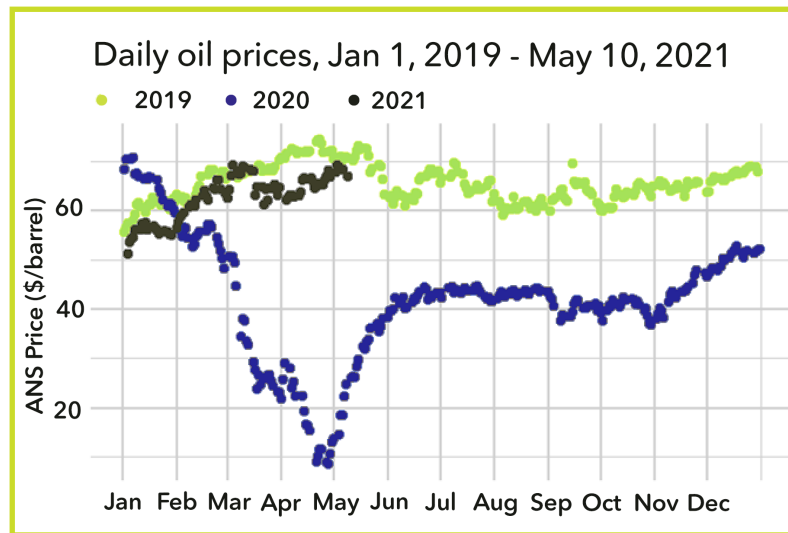
Oil prices near \$70 per barrel

Alaska's benchmark oil price, ANS West Coast, was \$67 per barrel on May 10. In April, daily prices averaged \$65.02 per barrel. This compares to \$17.51 per barrel in April 2020 and \$72.16 per barrel in April 2019. The Organization of the Petroleum Exporting Countries' May report indicated global demand for oil may increase if we continue to make progress combatting the coronavirus. ▶



Oil production continues to fluctuate

Daily oil production in Alaska was 494,000 barrels on May 10, whereas April daily production averaged 483,000 barrels. This compares to 490,000 barrels in April 2020 and 506,000 barrels in April 2019. In a conference call with investors in early May, ConocoPhillips anticipated starting production at its Greater Moose's Tooth-2 project this year at 10,000 barrels per day; rising to 35,000 barrels per day at peak production. ▼



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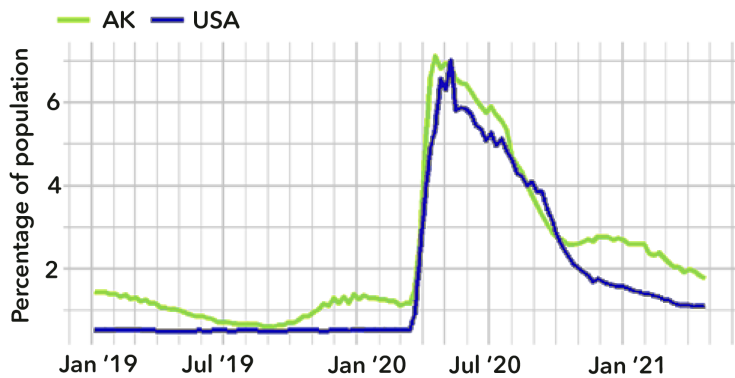
Alaskans more likely to claim unemployment insurance than other Americans

As of May 1, 1.77% of the state's population (12,949 Alaskans) continued claiming unemployment insurance. This compares to the national rate of 1.11%. While Alaska mirrored national unemployment rates more closely during the early months of the pandemic, since October a larger and more sustained fraction of the population has been unemployed. Between 2015 and 2019 the highest level of continued unemployment claimants was 15,600 in December 2015. ▼



Weekly continued unemployment claims

Week of Jan 5, 2019 - May 1, 2021

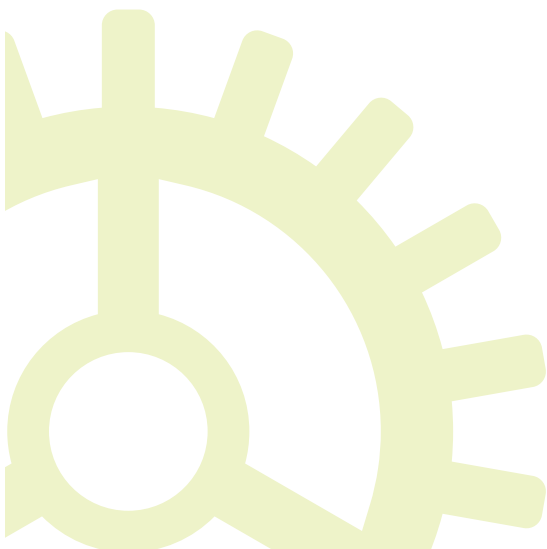
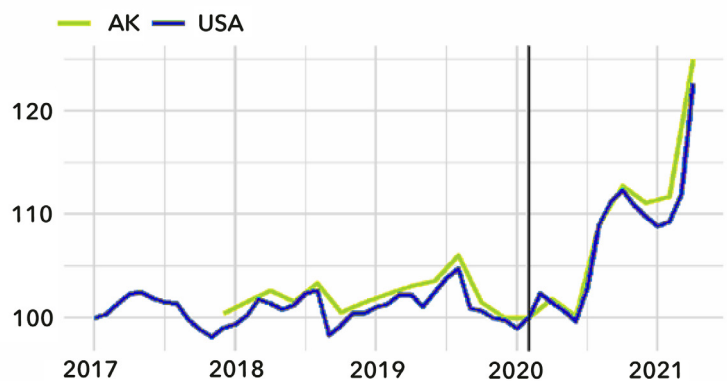


Consumer price inflation driven by used vehicle prices

The Bureau of Labor Statistics' inflation report for April identified the market for used cars and trucks as a notable reason inflation has increased, responsible for nearly 1/3 of the overall increase in the urban consumer price index. Alaska has seen a similar trend in prices for used vehicles since the start of the pandemic. Reports have attributed the rise in used car prices to weariness or lacking availability of public transportation, federal stimulus, a computer chip shortage affecting the production of new vehicles, and rental car agencies holding their vehicle inventory. ▼

Used cars and trucks price index

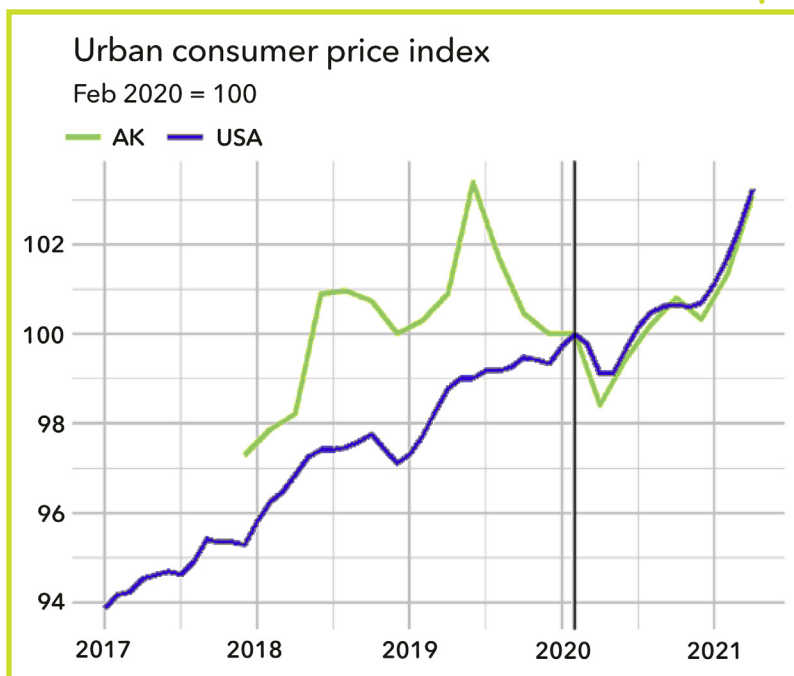
Feb 2020 = 100





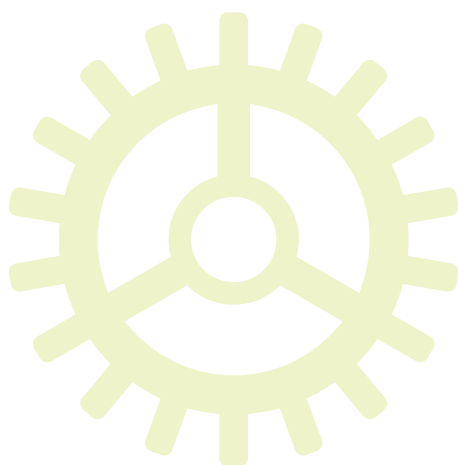
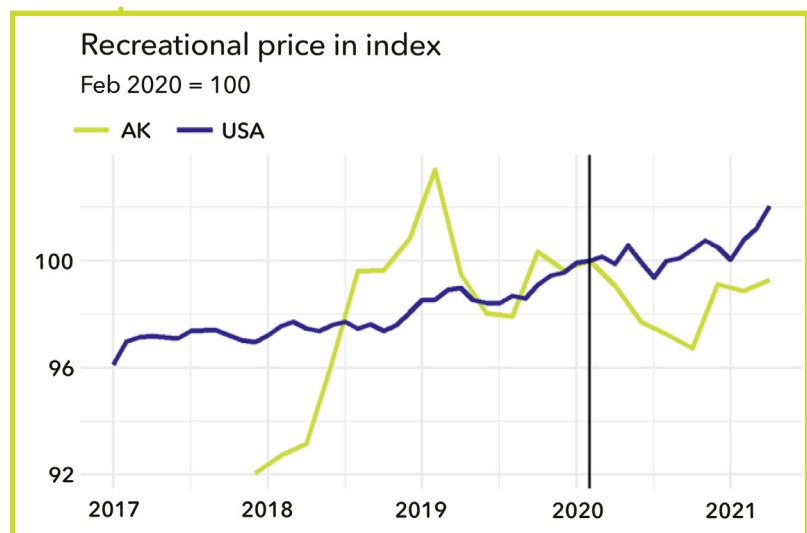
Consumer prices rise on bolstered demand and tight supply chains

The Bureau of Labor Statistics' April report indicated consumer prices in urban Alaska and the U.S. continued to increase after falling during the pandemic's initial outbreak last spring. Consumer confidence has grown recently in response to the continued progress on both the public health and economic fronts. Federal stimulus programs have also bolstered demand for a range of products and services. This demand is larger and has come about more quickly than many producers anticipated. After laying off employees and idling plants last spring, firms are now struggling to meet demand. Prices are rising as a result. ▼



Recreation price index below pre-pandemic levels

The Bureau of Labor Statistics' monthly inflation report for April found Alaska's prices for recreational products and services (including audio and video, pets, and photography) remained below pre-pandemic levels. Since February 2020 prices in this category in the rest of the U.S. have risen about 2%, while in Alaska they remain about 1% lower. ▼



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Did you know
consumer price
inflation is driven by
used vehicle prices?
Learn more in this issue
of *Alaska's Economy*.



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