

ALASKA'S ECONOMY

It's everyone's business.

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Dear reader,

The most recent employment data for Alaska suggests the healthcare industry may have recovered its pandemic losses, while the oil and gas and leisure and hospitality industries remain well below their job numbers from 2019.

Oil prices have fallen about \$12 per barrel since November. From the perspective of state government revenue, the difference between oil at \$80 per barrel and \$70 per barrel is around \$200 million over a six-month period. Finally, while price inflation in the services sector is around its pre-pandemic trend, the sectors of the economy that sell goods have seen prices increase significantly.

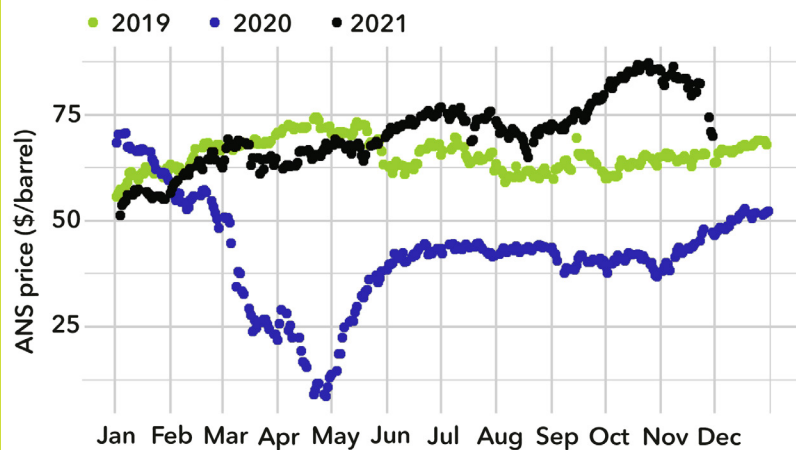


November oil prices in the mid-\$80s

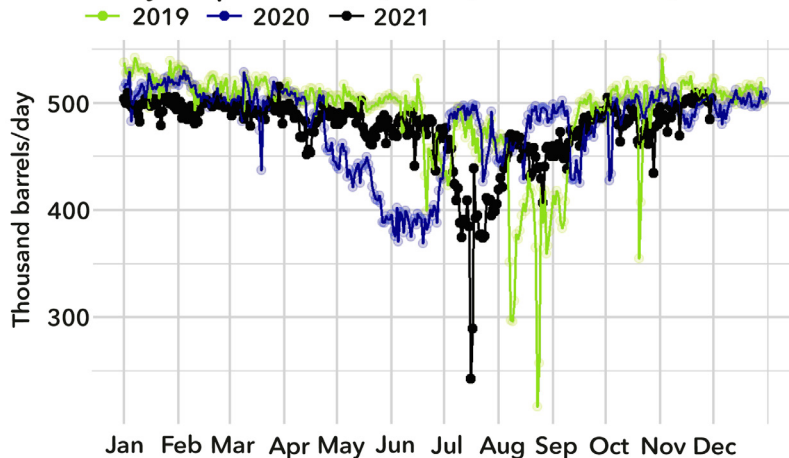
Alaska's benchmark oil price, ANS West Coast, was \$70.02 on December 1. In November, daily prices averaged \$82.14 per barrel.

This compares to \$42.92 per barrel in the same month of 2020, and \$64.97 per barrel in November 2019. As COVID-19 cases in Europe have risen, demand for gasoline has slipped. At the same time, global oil production has almost returned to its pre-pandemic level, easing some supply concerns. ▼

Daily oil prices, Jan 1, 2019 - Dec 2, 2021



Daily oil production, Jan 1, 2019 - Dec 1, 2021



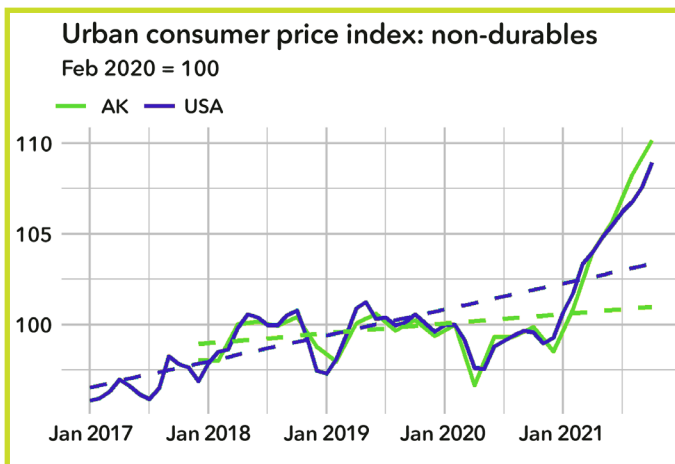
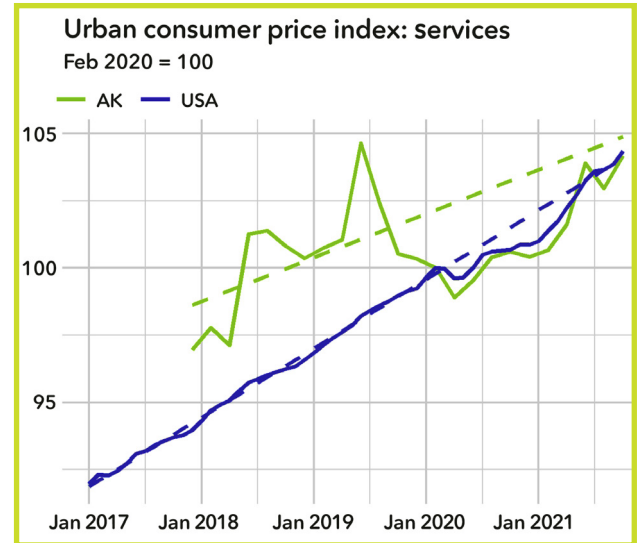
Oil production over the last three years

Daily oil production in Alaska was 505,000 barrels on December 1. In November, daily production averaged 496,000 barrels. This compares to 499,000 barrels in November 2020 and 512,000 barrels in the same month of 2019. ◀



Inflation in service sector close to pre-pandemic trend

Looking at inflation in the prices for services (for example, healthcare, dining, transportation), the CPI for Alaska and the rest of the country remains close to pre-pandemic trends. While the price level has risen in this sector of the economy, particularly in the first two quarters of 2021, it has not seen as much inflation as the goods sector. This is mainly because people have shifted their buying habits away from purchasing services and toward purchasing goods. Some of this switch is likely due to fear of contracting COVID-19. Most services require contact with other people, and some individuals have chosen to avoid the crowds of concerts, movie theaters, or restaurants. ▶



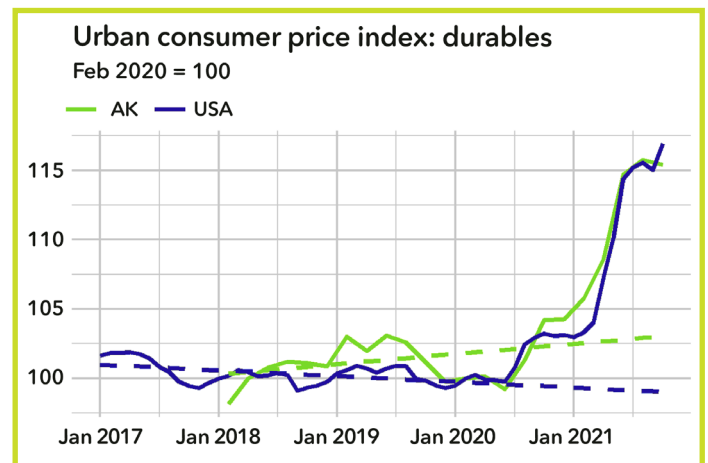
Non-durable goods inflation

Inflation in the prices for non-durable goods (e.g. gas, food) is high. The CPI for non-durable goods is tracking well above its pre-pandemic trend in Alaska and the U.S. Like services, non-durable goods saw price reductions after the outbreak of the pandemic (as demand fell for things like gasoline). By January 2021, prices had almost returned at their pre-pandemic levels. The sharp decline in demand for gas at the start of the pandemic led many oil producers to cut back on production, new drilling, and refining in the following months, uncertain of how long the price collapse would last. The global economic recovery happened faster and in a different form than producers across many sectors anticipated, but many are still reluctant to invest in new capacity to meet demand. Since the beginning of the pandemic non-durable goods prices have risen about 10.2% in Alaska. ▲



Durable goods experience sharp increase in inflation

Inflation in the prices for durable goods (e.g. cars, appliances, or furniture) is high. The CPI is tracking well above its pre-pandemic trend in Alaska and across the U.S. While services saw price reductions after the outbreak of the pandemic, durable goods prices began sharply rising by early summer 2020. As more people spent time at home, they shifted consumption from services and into goods, leading to record sales for many products. This high volume of sales put pressure on international supply chains, adding further pressure to prices. Since the beginning of the pandemic durable goods prices have risen about 15.4% in Alaska. ▼



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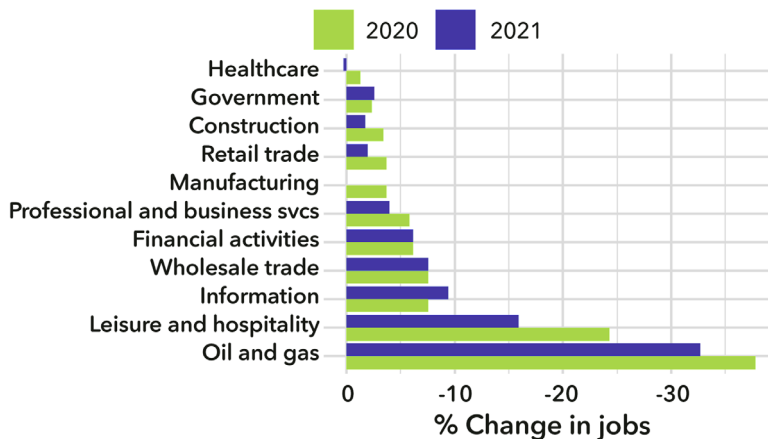


The employment picture in Alaska

Comparing Alaska's employment in October 2021 (the most recent month of available data) to employment in October 2020 and 2019 highlights which sectors have struggled the most during the pandemic. Employment for the oil and gas industry has seen the largest drop and only a modest recovery, with 38% fewer jobs in October 2020 and 33% fewer jobs in October 2021 compared to the same month in 2019. Leisure and hospitality employment, while still 15% below 2019 levels, has seen a moderate recovery from last year when employment was nearly 25% below 2019 levels. Employment in information, wholesale trade, and finance is all still 5% to 10% lower than its 2019 levels. The only industry to see more jobs in October 2021 compared to 2019 is healthcare, which continues its multi-year growth trend in the state. ▼

Change in employment

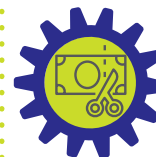
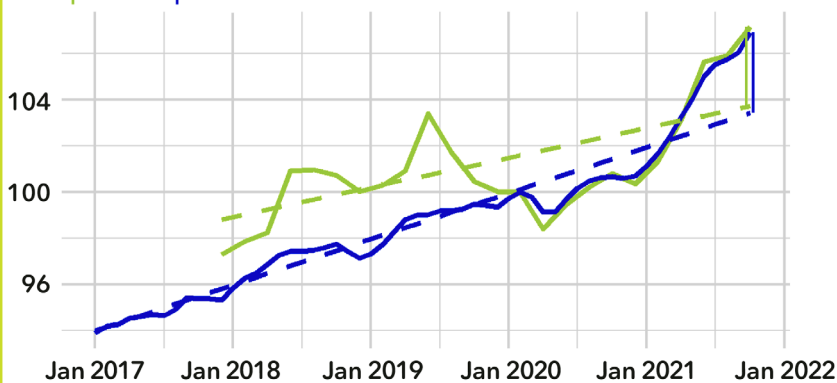
October 2020 and 2021 compared to 2019



Urban consumer price index

Feb 2020 = 100

AK USA



Inflation in Alaska and U.S. high relative to pre-pandemic trends

The urban Consumer Price Index (CPI) is the key measure of overall inflation in the economy. The CPI continued to rise throughout October, the last month data was available, both in Alaska and nationwide. Since the beginning of the pandemic prices have risen about 7.2% in Alaska and 6.9% nationally. However, not all of the increase is attributable to the pandemic and the government's response to it. This can be better understood by comparing the trend in the price index before the pandemic (the dotted line in the figure) to the price levels today (the solid line). In Alaska, prices are 3.4% above their pre-pandemic trend, compared to 3.5% nationally. There are many contributing factors to the recent rise in inflation, all caused by the pandemic. These factors include changes in buying patterns from services to goods, supply chain bottlenecks, and fiscal and monetary policy. ◀

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Did you know...

Since the pandemic began in 2020, durable goods prices have risen about 15.4%.

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



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