

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,

Two significant events impacting the Alaska economy in December 2022 were lease sales in the Cook Inlet oil and gas acreage and the release of Governor Dunleavy's Fiscal Year 2024 budget proposal.

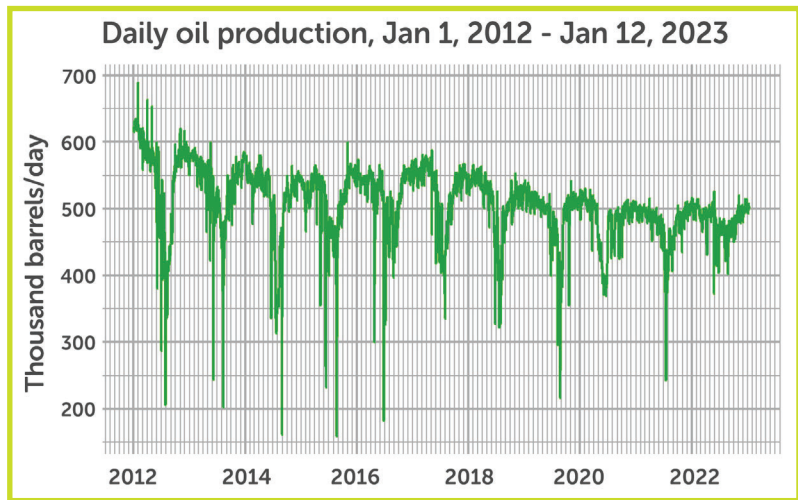
The mild activity of the Cook Inlet sale reflects the cautious stance the industry is taking toward new investment. Governor Dunleavy's proposed budget would shift some funding between agencies but does not represent a major departure from current policy.

Nationally and in Alaska, December brought some welcome news as inflation cooled somewhat while labor markets remained strong.



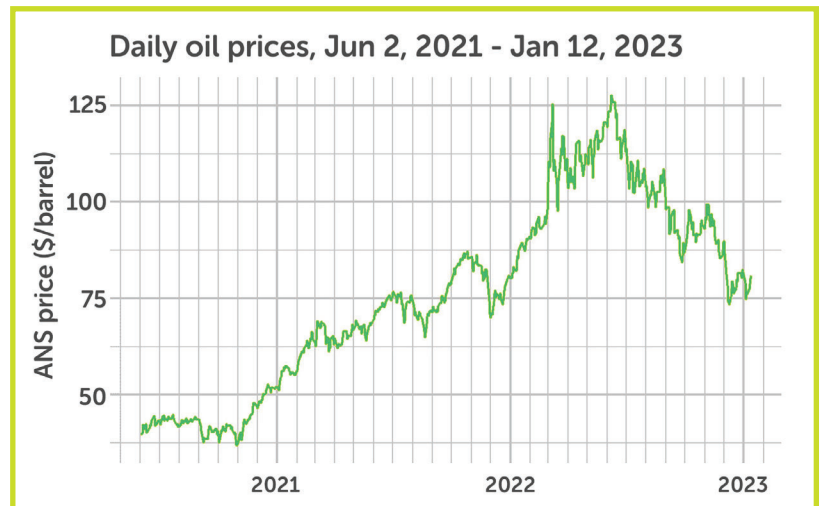
Decreasing oil production

Daily oil production in Alaska was 500,000 barrels on Jan. 12. Daily production averaged 496,246 barrels in December 2022. This compares to 502,000 barrels in December 2021 and 501,000 barrels in December 2020. ▼



Oil prices average nearly \$80 per barrel

Alaska's benchmark oil price, ANS West Coast, was \$81.02 on Jan. 12. Averaged daily prices were \$79.32 per barrel in December. This compares to \$76.13 per barrel in December 2021 and \$50.32 per barrel in December 2020. ►

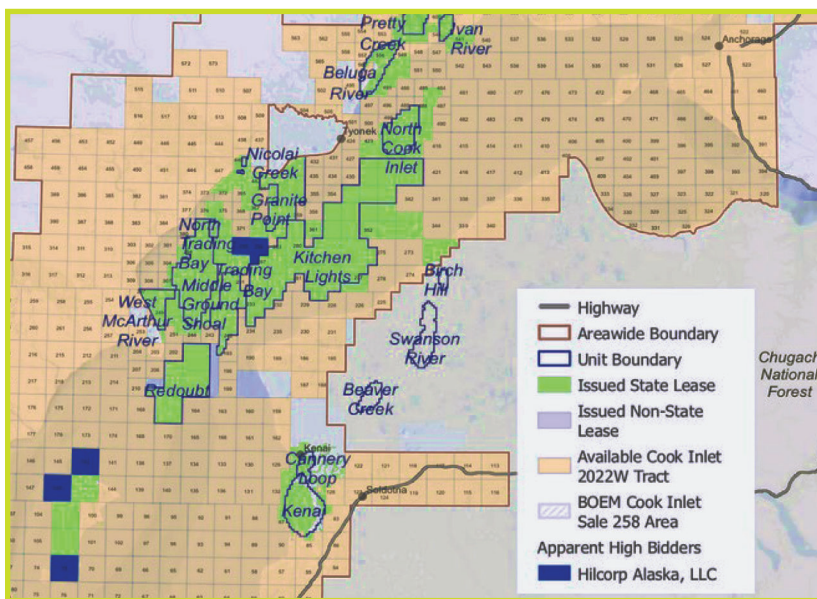


ALASKA'S ECONOMY



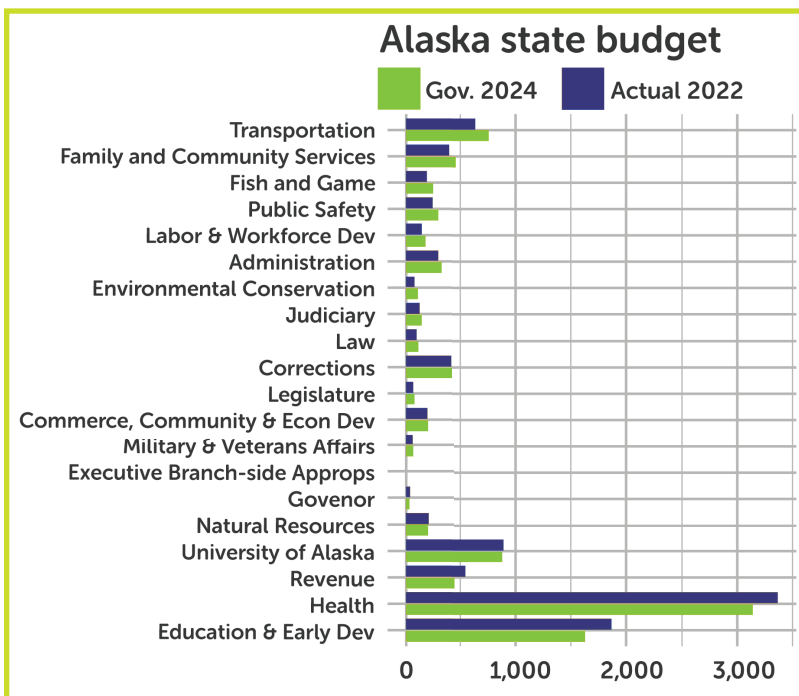
Cook Inlet oil leases draw mild interest

On Dec. 30, oil and gas lease sales were conducted in both state and federally managed offshore areas of the Cook Inlet. State and federal areas (shown in solid blue on the map) received bids. Hilcorp Alaska was the sole bidder for these tracks. Total bids were \$360,000 for the state areas and \$64,000 for the federal area. This area was leased at an average of \$11.23 per acre, while the state land was leased for an average of \$15.18 per acre for the southern tracts and \$17.55 for the northern tracts. The last time state tracts were leased near the northern tracts was in 2019, when Hilcorp paid \$20 per acre. ▼



Fiscal Year (FY) 2024 proposed budget slightly less than FY 2022 spending

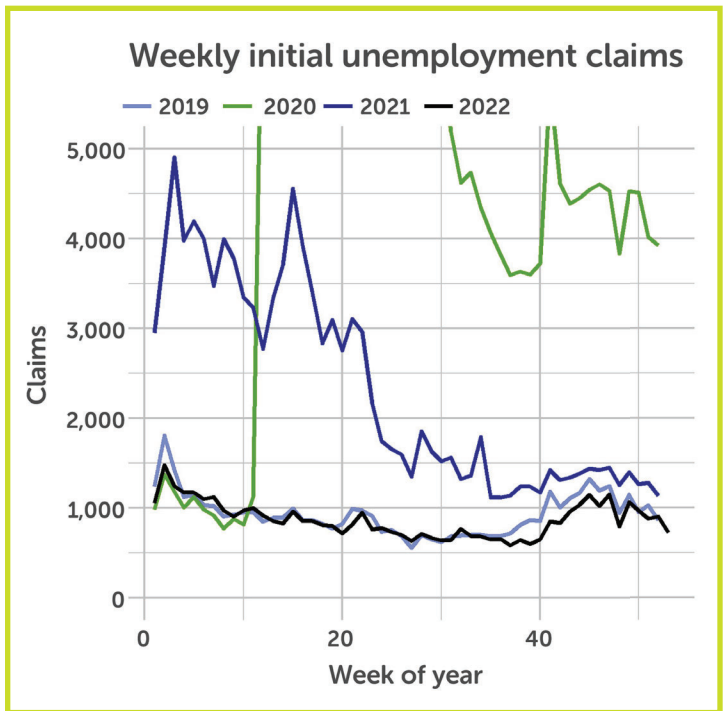
In December, Governor Dunleavy proposed his Fiscal Year 2024 budget (indicated by the green bars on the graph). The proposed budget reduces spending to \$12 million below what was spent in FY 2022 (shown in blue bars). The largest reductions were in the departments of Revenue (-\$98m), Health (-\$225m), and Education & Early Development (-\$240m). The largest proposed increases were in Transportation (+\$120m), Family and Community Services (+\$71m), Fish and Game (+\$56m), and Public Safety (+\$47m). ►





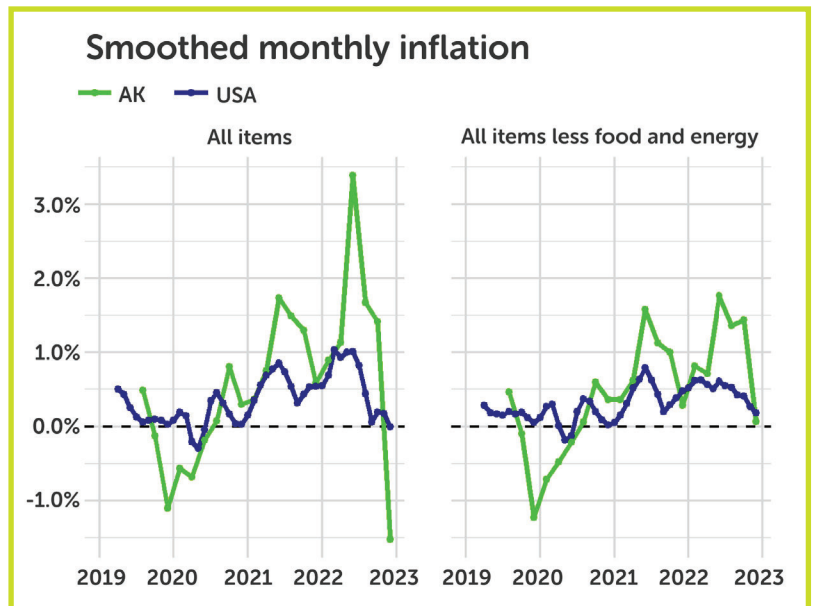
Unemployment claims at pre-pandemic levels

The rate of Alaskans filing new unemployment insurance claims was lower in most weeks in 2022 than in the same time frame in 2019. Typically, when the economy enters a downturn, employees are laid off and make unemployment insurance claims. While public opinion polling indicates that many believe the United States is currently in a recession, this is not supported by labor market data. ▼



Inflation stabilizes

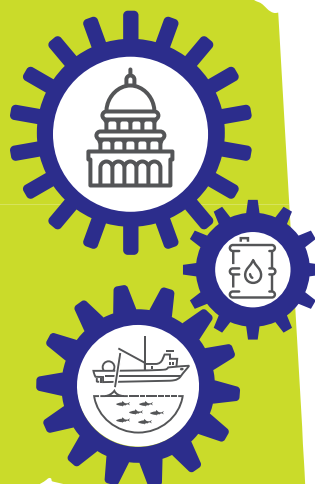
Nationally, the Consumer Price Index for all items declined 0.1% in December after increasing 0.1% in November. The decrease was led by gasoline, which offset increasing prices in food and shelter. Focusing on the less volatile components of inflation (all items less food and energy), the index rose 0.3% in December after rising 0.2% in November. In Alaska, inflation has generally been higher than the national average since 2021 for all items, as well as for all items less food and energy. Alaska did see a considerable price decline from October to December in energy, which pulled the overall index down for the final month of 2022. ►



Did you know...

labor market data indicates the U.S. is not currently in a recession?

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



PRSRRT STD
U.S. POSTAGE
PAID
ANCHORAGE, AK
PERMIT NO. 175

P.O. Box 100720
Anchorage, AK 99510-0720

First National Bank
ALASKA

