

# 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.

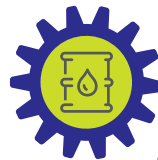


Dear reader,

While oil production in Alaska has increased since its lows over the summer, prices are falling below forecasted levels from the state's spring 2022 revenue forecast. This development may put pressure on the state's FY2024 budget.

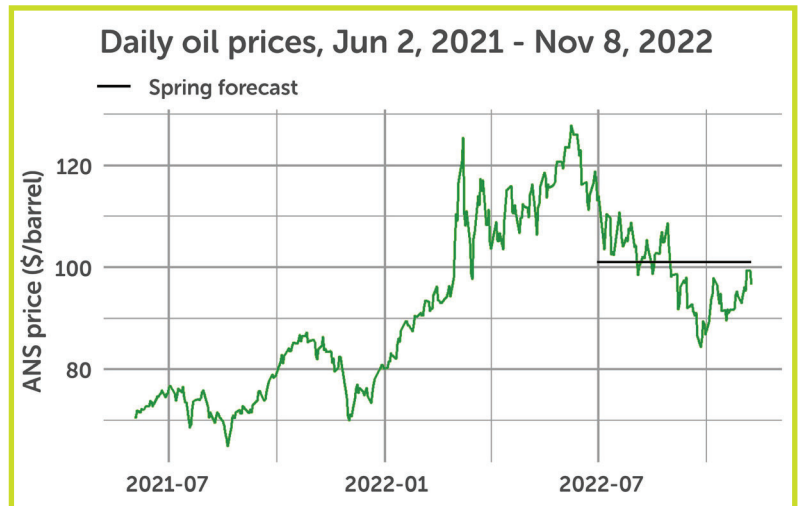
Additional pressures are the decrease in the value of the Alaska Permanent Fund and inflation. However, October's national and Alaska-specific inflation was lower than in previous months.

The state's economy remains considerably depressed from the highs seen during the previous period of high oil prices, despite seeing some growth in emerging sectors such as healthcare.



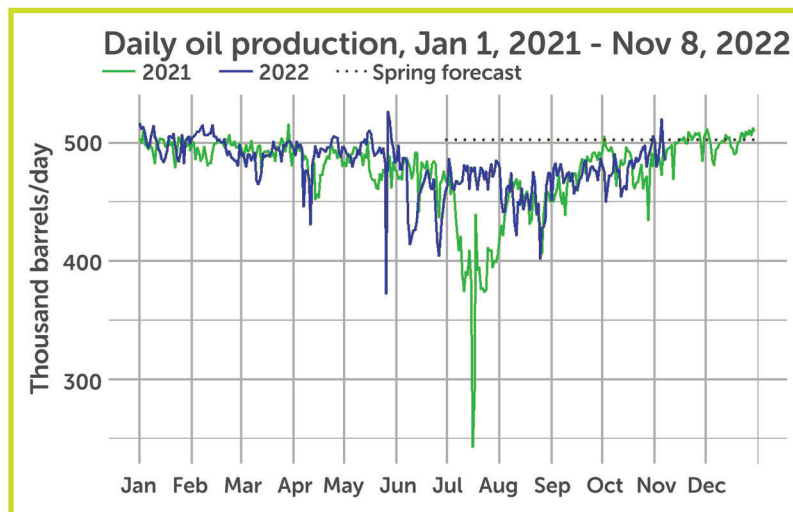
### Oil prices below state spring forecast

Alaska's benchmark oil price, ANS West Coast, was \$96.53 on Nov. 8. Last month, daily prices averaged \$93.07 per barrel. This compares to \$84.37 per barrel in October 2021 and \$40.42 per barrel in October 2020. Prices are currently below the state's spring 2022 forecast of \$101 per barrel. Further, prices in the first 131 days of FY2023 averaged \$98.68 per barrel, \$2.32 less than the forecast. ▼



### Oil production below state spring forecast

Daily oil production in Alaska was 485,000 barrels on Nov. 8. Production is currently below the state's spring 2022 forecast of 502,300 barrels per day. Further, production in the first 131 days of FY2023 (July 1, 2022 — June 30, 2023) averaged 469,000 barrels per day. Cumulatively, the production shortfall relative to the spring forecast is 4.3 million barrels to date. ►



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## Value of Permanent Fund down 16% from all-time highs

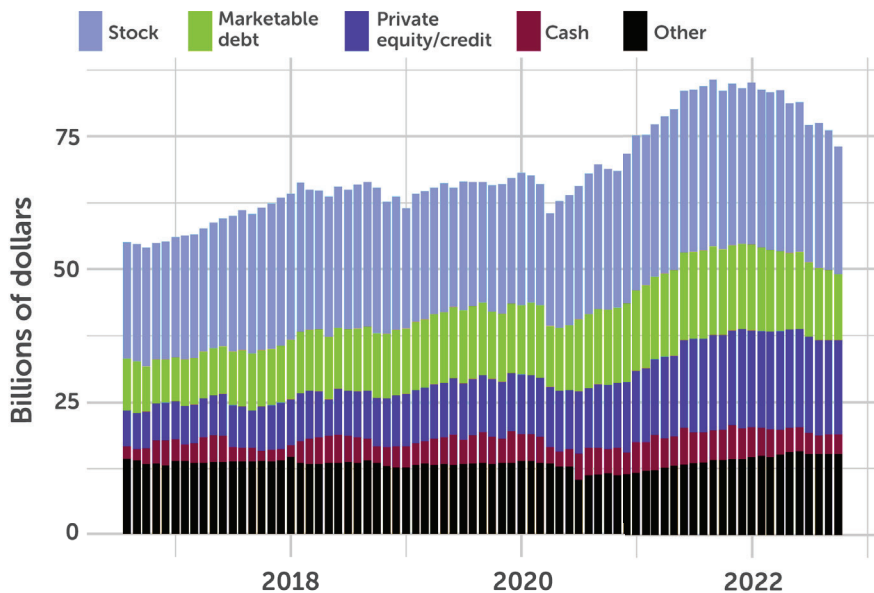
In September, the total value of the Alaska Permanent Fund was \$74 billion, down 16% from its all-time high of \$88 billion in August 2021. Nearly all of the decline in value is reflected in the fund's holdings of public stocks and marketable debt. Conversely, the fund's private credit and equity investments have not changed meaningfully in aggregate value. ▼



## Yearly inflation flat in Alaska and nationally

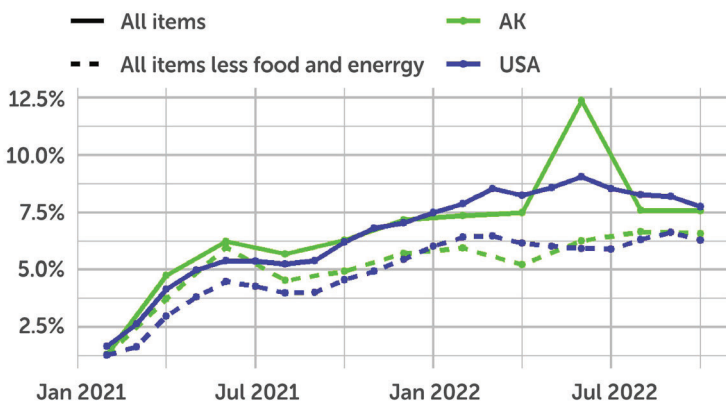
From September to October, prices rose nationwide 0.4% across all items. From August to October, prices rose 1.1% in Alaska (Alaska only has inflation measured every other month). Twelve-month inflation (October 2022 versus October 2021) was 7.7% nationally and 7.5% in Alaska. Because food and energy prices are more volatile, they are often excluded when looking at "core" inflation, the portion of inflation that is less subject to these fluctuations. Core inflation has been 6.3% nationally and 6.6% in Alaska from October 2021 to October 2022. Shelter has been an important recent driver of core inflation. However, as mortgage interest rates are climbing, the housing market is cooling and rental price increases are tapering. It takes time for these shifts to be fully reflected in inflation rates, but we may soon see their growing effects. ►

## Monthly value of permanent fund holdings Jul 2016 – Sep 2022



## 12-Month inflation

All items and core inflation





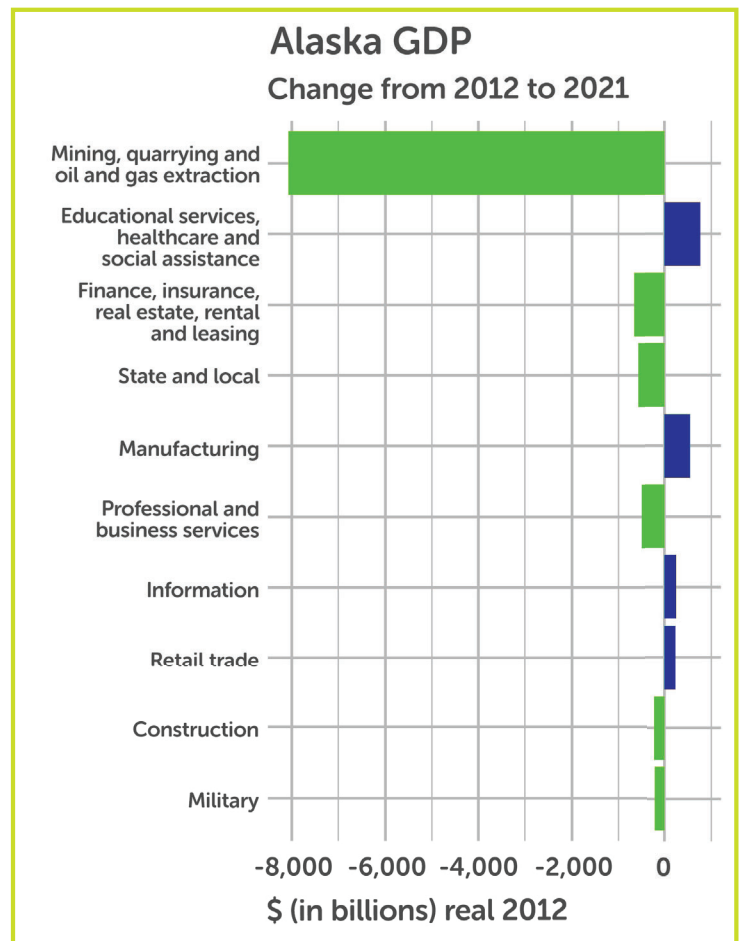
### Despite uptick in 2021, Alaska GDP below historic levels

The Alaska Gross Domestic Product (GDP), the value of all goods and services produced by the economy, was \$50.9 billion in 2021 (measured in real 2012 dollars). This was up slightly from 2020, but still down from its pre-pandemic size of \$53.4 billion in 2019. However, Alaska's economy has shrunk considerably over the last decade, nearly 13% from its peak size in 2012. Compare this to Wyoming, another rural energy state. Wyoming saw its economy shrink 6.4% from \$38.9 billion in GDP in 2012 to \$36.4 billion in 2021. During this same period, the U.S. economy grew around 21%. ▼



### Healthcare only partially offsets Alaska GDP loss from oil

The sharp decline in the contribution from the oil and gas industry is the primary driver of Alaska's \$7.4 billion GDP decline from 2012 to 2021. In fact, during that period the industry contracted by more than \$8 billion. Associated revenue loss for the state government saw the state and local public sector contract by \$575 million. The other negative spillovers in professional services and finance shrank the overall GDP by another \$1.2 billion. These losses were modestly offset by gains in healthcare (\$800 million) and seafood and energy (petroleum and coal) manufacturing (\$530 million). ►

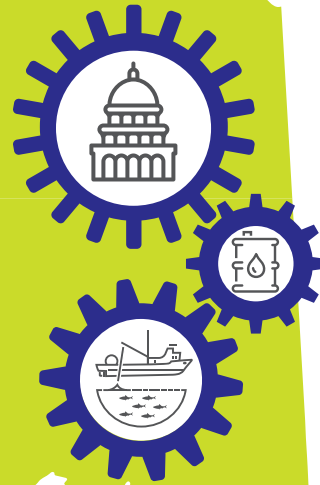


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## Did you know...

Alaska's GDP declined by \$7.4 billion between 2012 and 2021?

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



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