

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,

Alaska saw an average oil price of \$78 per barrel in December and continued lower-than-expected oil production.

Governor Dunleavy's Fiscal Year (FY) 2025 budget proposal shifted some funding between agencies but does not represent a major departure from recent policy. However, inflation has eroded some of the state's purchasing power.

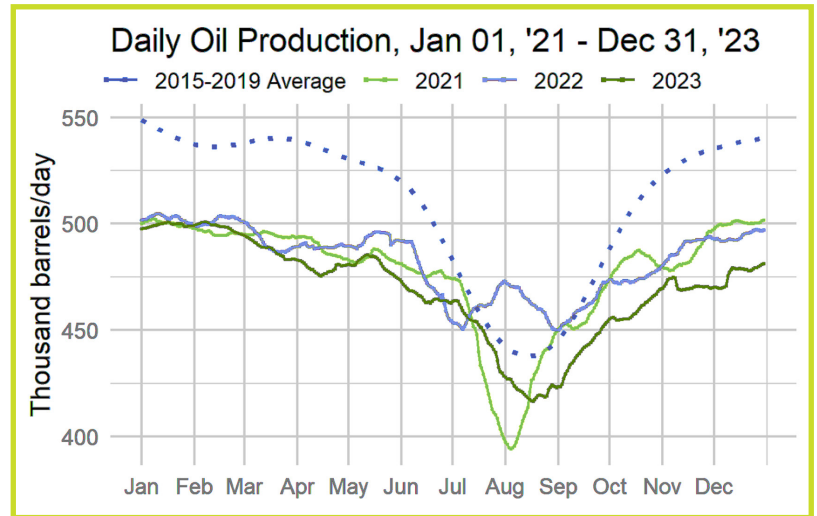
While many states have seen moderate economic growth over the last few months, economic activity in Alaska has been flat or declining, as measured by the Federal Reserve Bank of Philadelphia.



2023 oil production well below historic levels

Daily oil production in Alaska was 427,000 barrels on Jan. 3. In December, daily production averaged 481,167 barrels, compared to 497,000 in December 2022 and 502,000 in December 2021. ▼

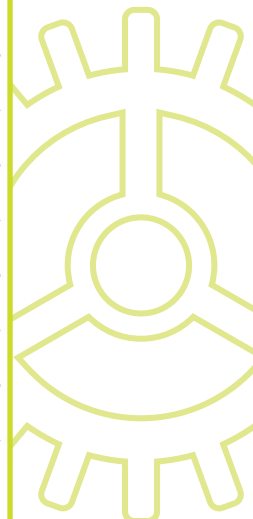
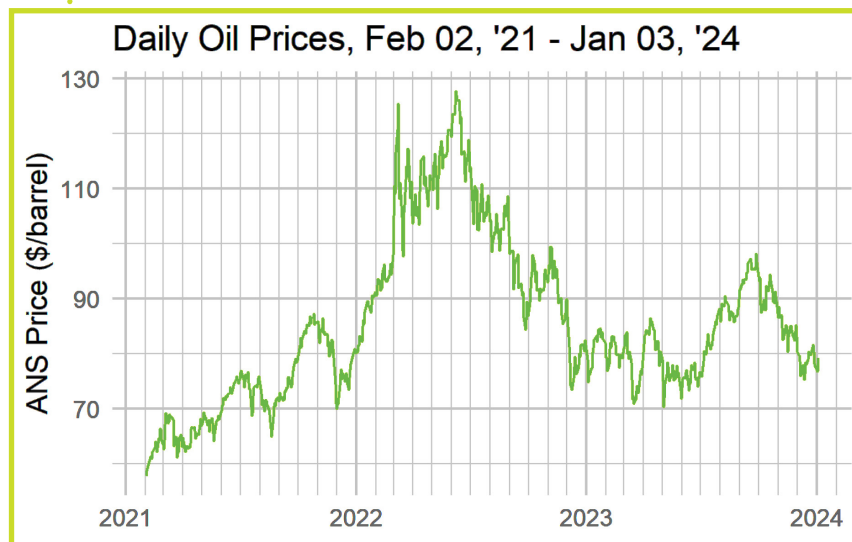
Data from the Alaska Department of Revenue



Alaska oil prices

Alaska's benchmark oil price, ANS West Coast, was \$79.14 per barrel on Jan. 3. In December, daily prices averaged \$78.55 per barrel, compared to \$79.32 in December 2022 and \$76.13 in December 2021. ►

Data from the Alaska Department of Revenue



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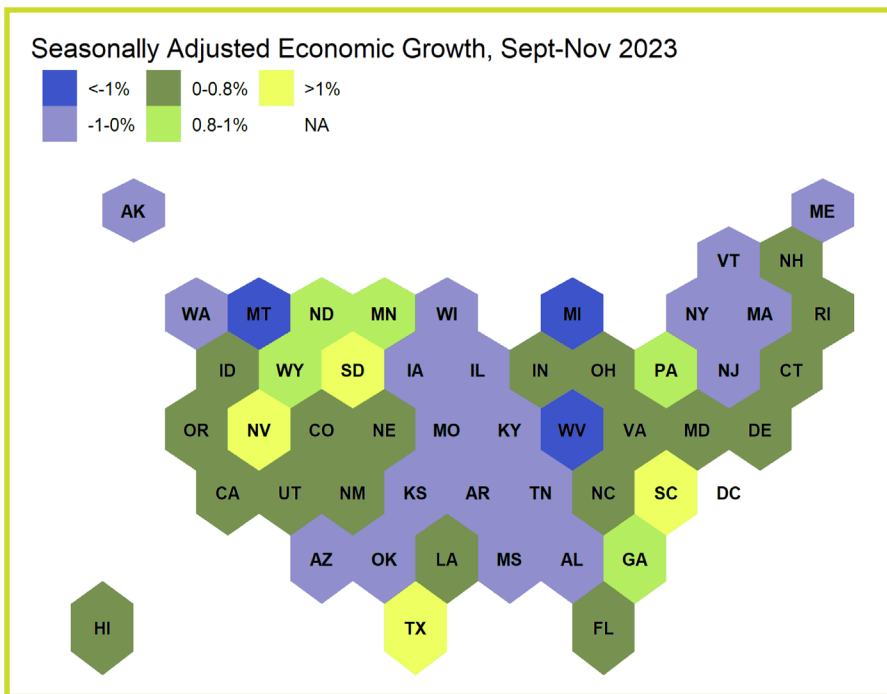


Alaska ranks fourth from bottom for economic growth

The Philadelphia Federal Reserve's Coincident Economic Activity Index measures and aggregates four key economic indicators: nonfarm payroll employment, unemployment rate, average hours worked in manufacturing, and wages and salaries.

The map shows each state's economic activity change from September 2023 to November 2023. During this period, economic conditions improved in 28 states and decreased in 22, including Alaska. South Carolina saw the best results over this period, growing at a 1.5% annualized rate, followed by Nevada (1.3%) and Texas (1.2%). North and South Dakota, Wyoming, and Minnesota also performed well. West Virginia (-2.9%), Montana (-2.7%), and Alaska (-0.71%) saw a reduction in growth. ▼

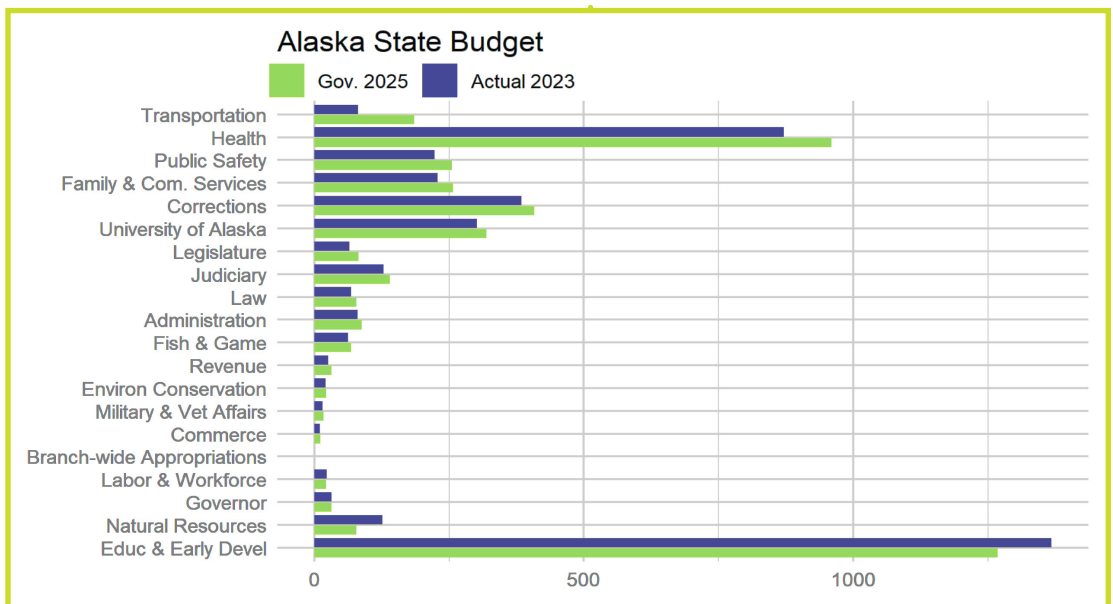
Data from the Federal Reserve Bank of Philadelphia's State Coincident Indexes



Governor's proposed FY 2025 budget

In December, Governor Dunleavy released his FY 2025 budget. The budget proposes a \$207 million increase above what was spent in FY 2023. Agency by agency, the largest reductions were in Education and Early Development (-\$121 million), Natural Resources (-\$47 million), and the Office of the Governor (-\$0.57 million). The largest proposed increases were in Transportation (+\$104 million), Health (+\$88 million) and Public Safety (+\$32 million). ▼

Data from the Alaska Legislative Finance Division





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Alaska's fluctuating budget

The unrestricted portion of the Alaska budget was down in FY 2024 relative to FY 2023 but similar in size to the budgets of the preceding years. The capital portion of the budget and Permanent Fund Dividends are the components that have fluctuated the most in recent years. In FY 2023, high oil prices and federal dollars from COVID-19 relief increased and supplemented the state's budget. In FY 2024, total budgeted expenditures were also lower than budgeted revenues, creating a small surplus. The total savings will be determined at the end of FY 2024. ►

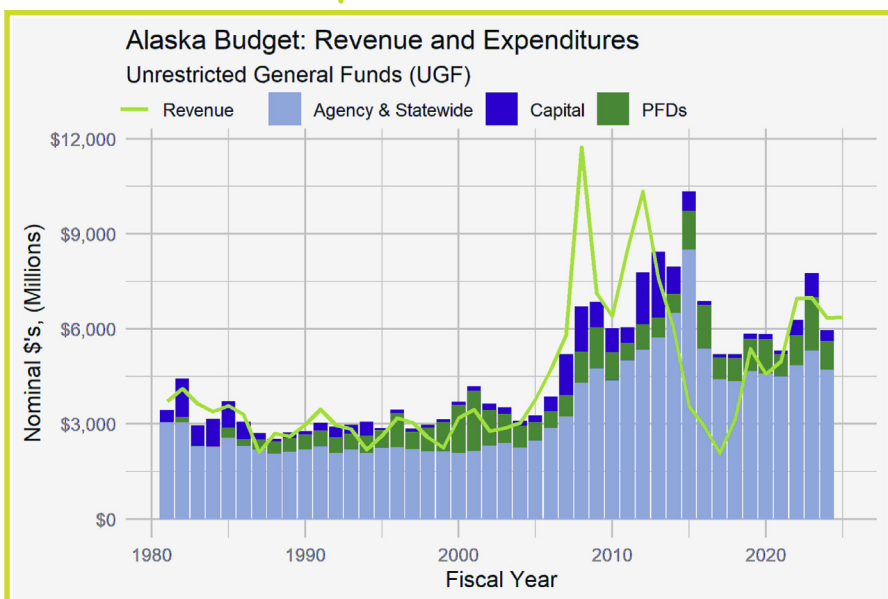
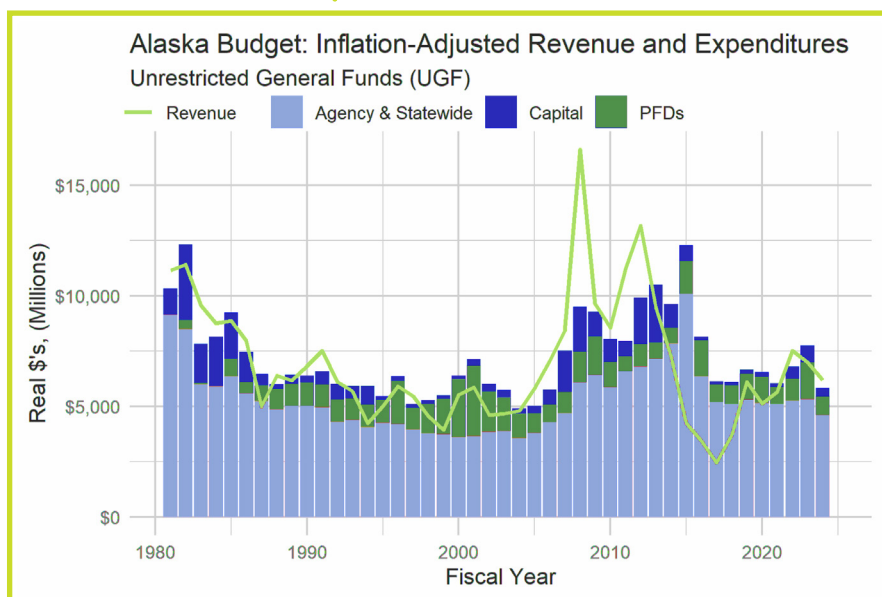
Data from the Alaska Legislative Finance Division



Inflation-adjusted Alaska budget

The unrestricted portion of the inflation-adjusted Alaska budget was down in FY 2024 relative to FY 2023 and lower than previous years. FY 2024 represented the smallest inflation-adjusted budget since FY 2006. High inflation over the last several years has eroded some of the state's purchasing power. ▼

Data from the Alaska Legislative Finance Division

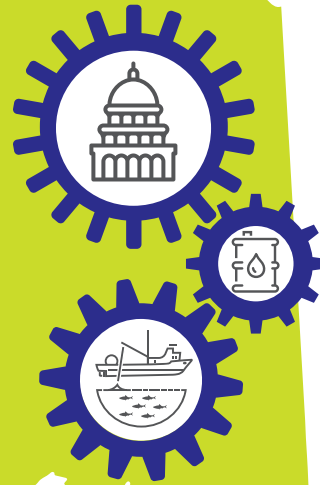


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Did you know...

the Alaska FY 2024 budget was the smallest inflation-adjusted budget since FY 2006?

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



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