



UAA Institute of Social
and Economic Research
UNIVERSITY of ALASKA ANCHORAGE

Status of the Alaska Economy

Alaska Senate Finance Committee

Brett Watson, ISER and UAA

Institute of Social And Economic Research

- For over 60 years ISER has helped Alaskans understand their state and its economy.
- Most ISER research is supported by Federal, State, and Private funding.
- Our research reflects the views and expertise of those that produce it, not the opinions of a funder.
- This presentation benefited from the contributions of Mike Jones and Mary Kopriva, but all errors/omissions are my own.

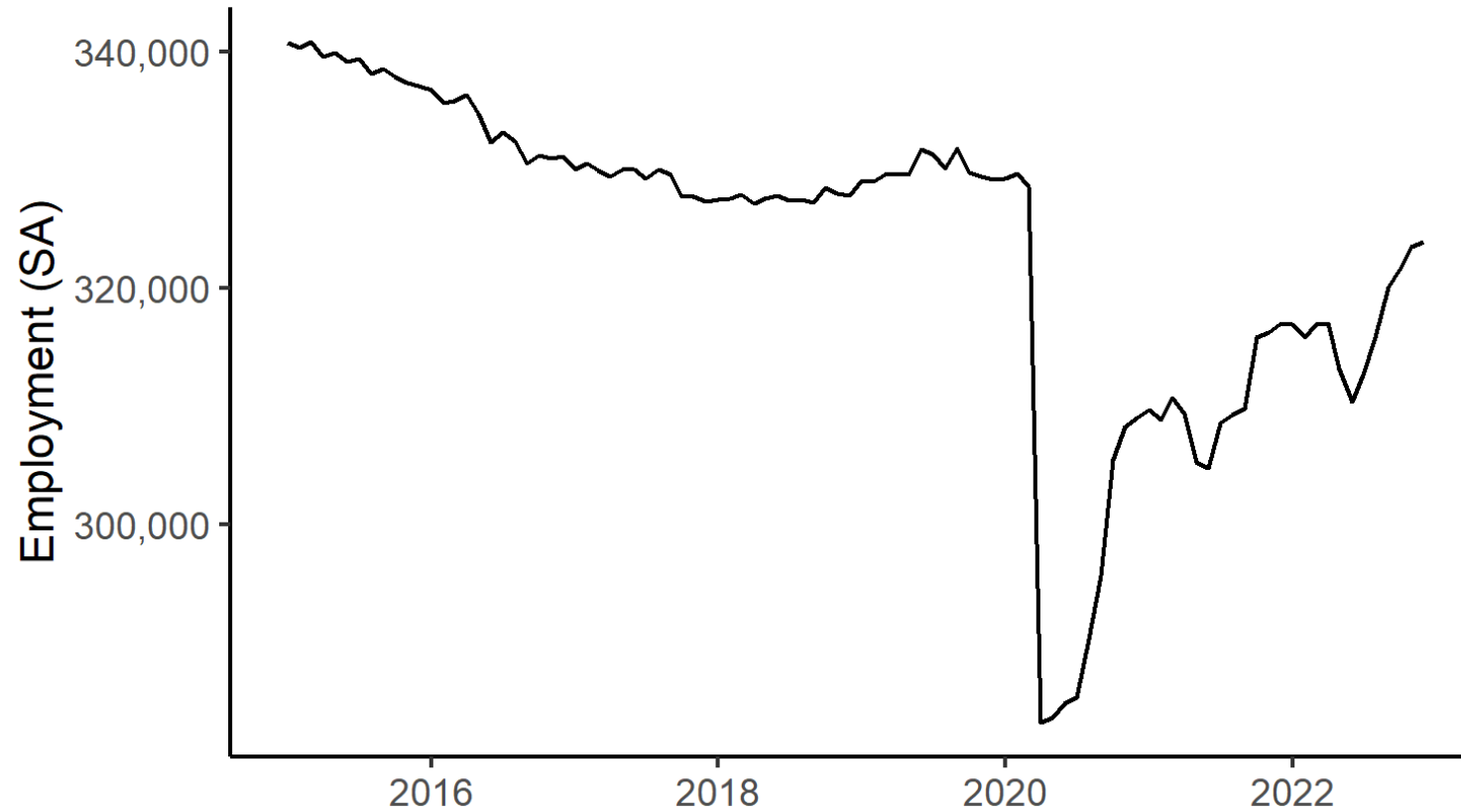
Questions about the State of the Alaska Economy

- Is Alaska in a recession?
 - No, but we are growing more slowly than most states
- Has the economic recovery been even among households?
 - No evidence that inequality is rising.
- What are the state's economic headwinds?
 - Issues before pandemic
 - Issues since pandemic
- What are the tailwinds?
 - Three legged stool
 - Oil industry
 - Federal spending
 - Other industries

Judging a Recession

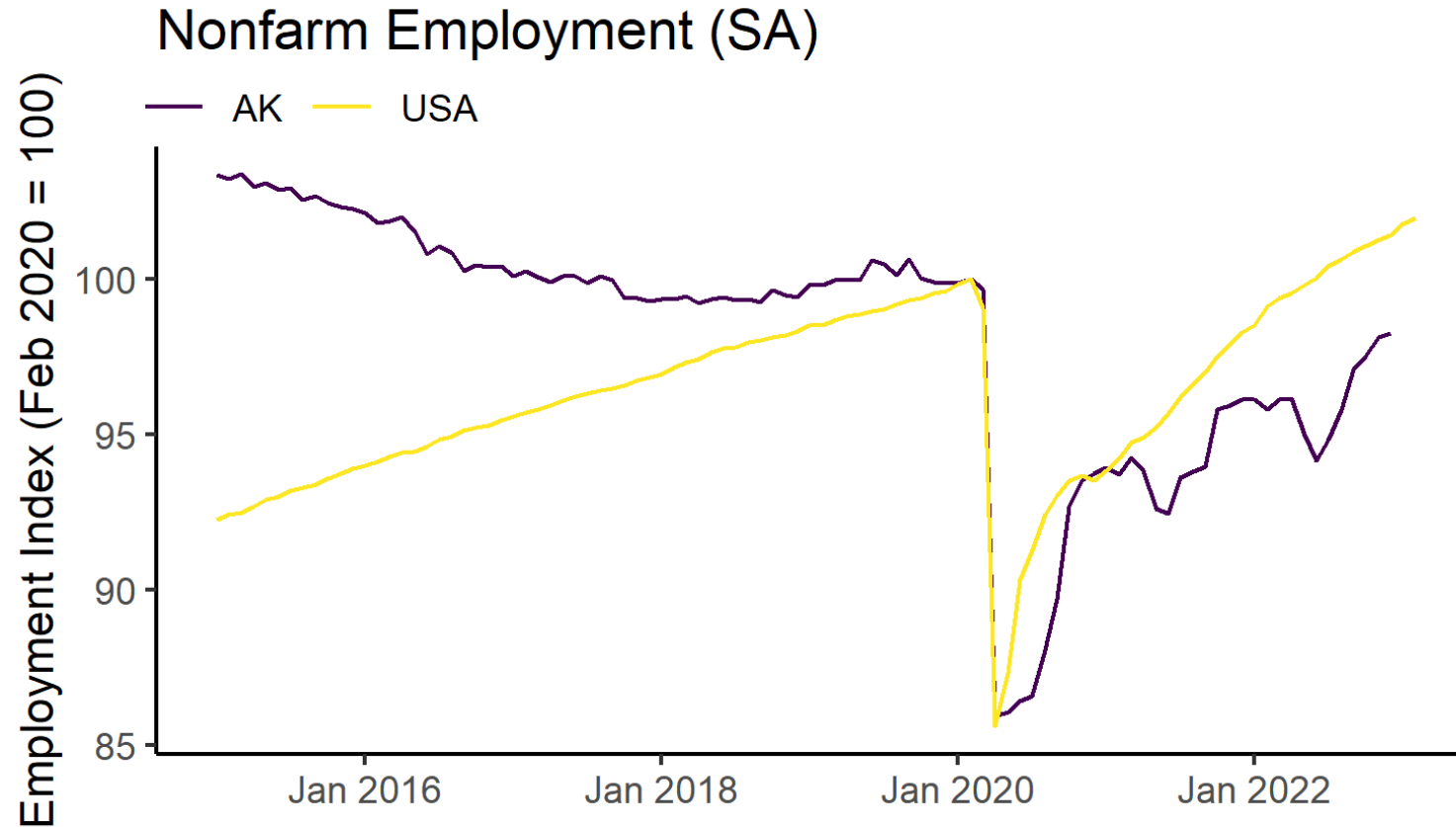
- National recessions are determined by the Business Cycle Dating Committee of the National Bureau of Economic Research
 - “a significant decline in economic activity that is spread across the economy and that lasts more than a few months”
 - Judgement Made Based on Indicators:
 - real personal income less transfers (PILT)
 - nonfarm payroll employment
 - real personal consumption expenditures
 - wholesale-retail sales adjusted for price changes
 - employment as measured by the household survey
 - industrial production
- There is no equivalent recession dating body for US states
- Alaska economists tend to use a range of similar indicators

Alaska Employment Short Pre-pandemic Levels



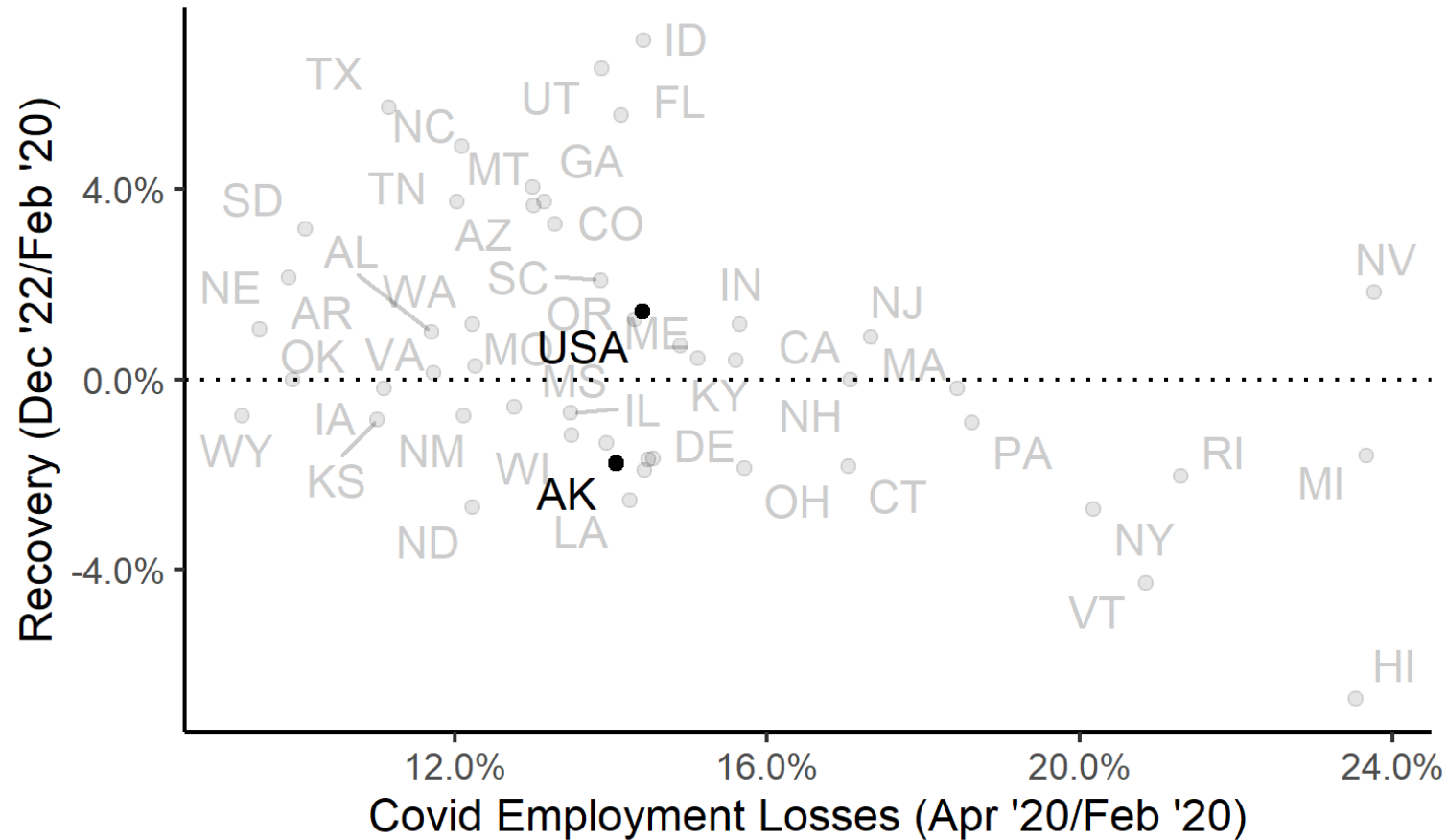
Note: BLS Current Employment Statistics (CES) Seasonally Adjusted nonfarm payrolls.

Why is Alaska Lagging the National Recovery?



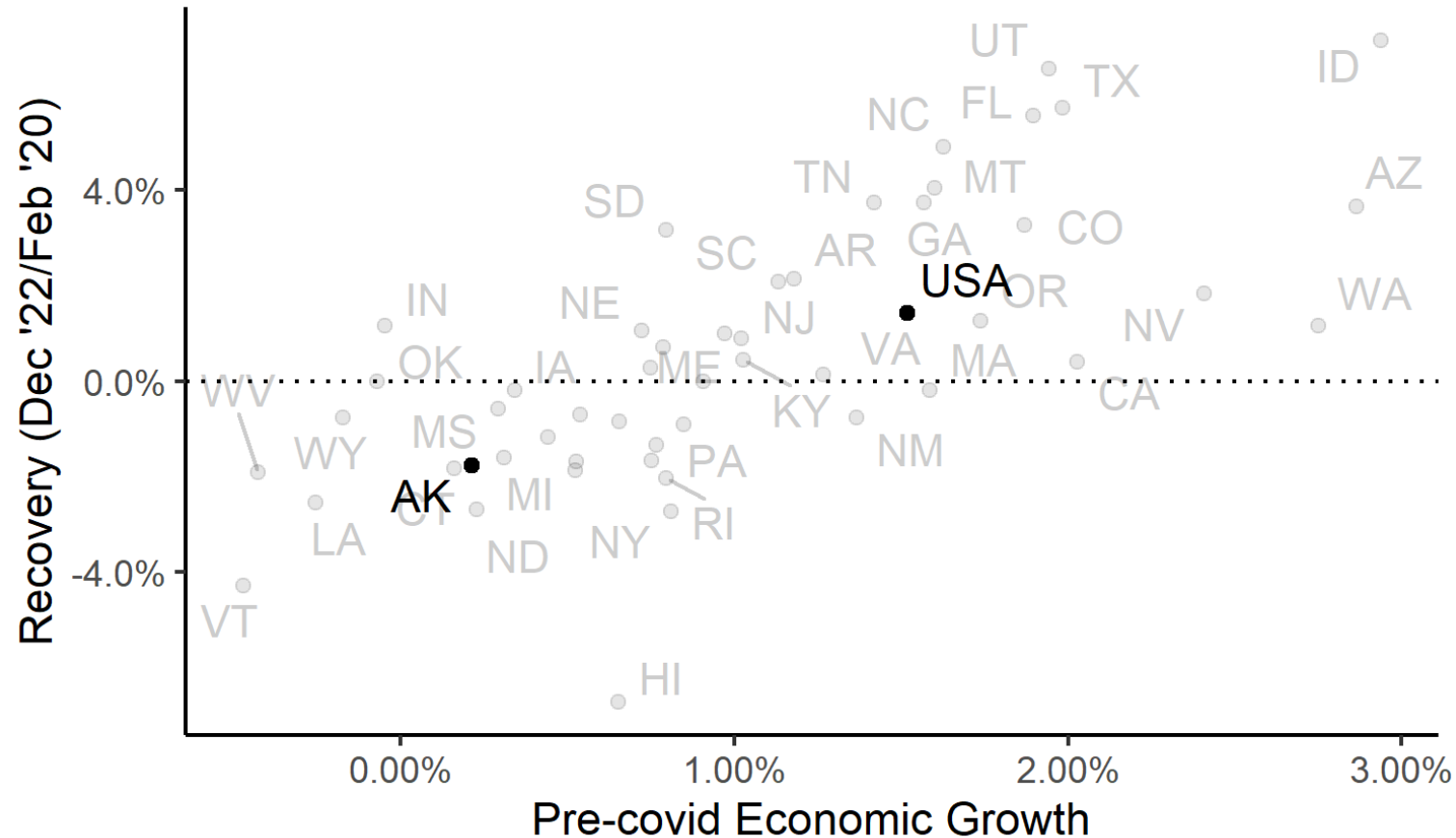
Note: BLS Current Employment Statistics (CES) Seasonally Adjusted nonfarm payrolls.

Why is Alaska Lagging the National Recovery? Depth of Covid Recession?



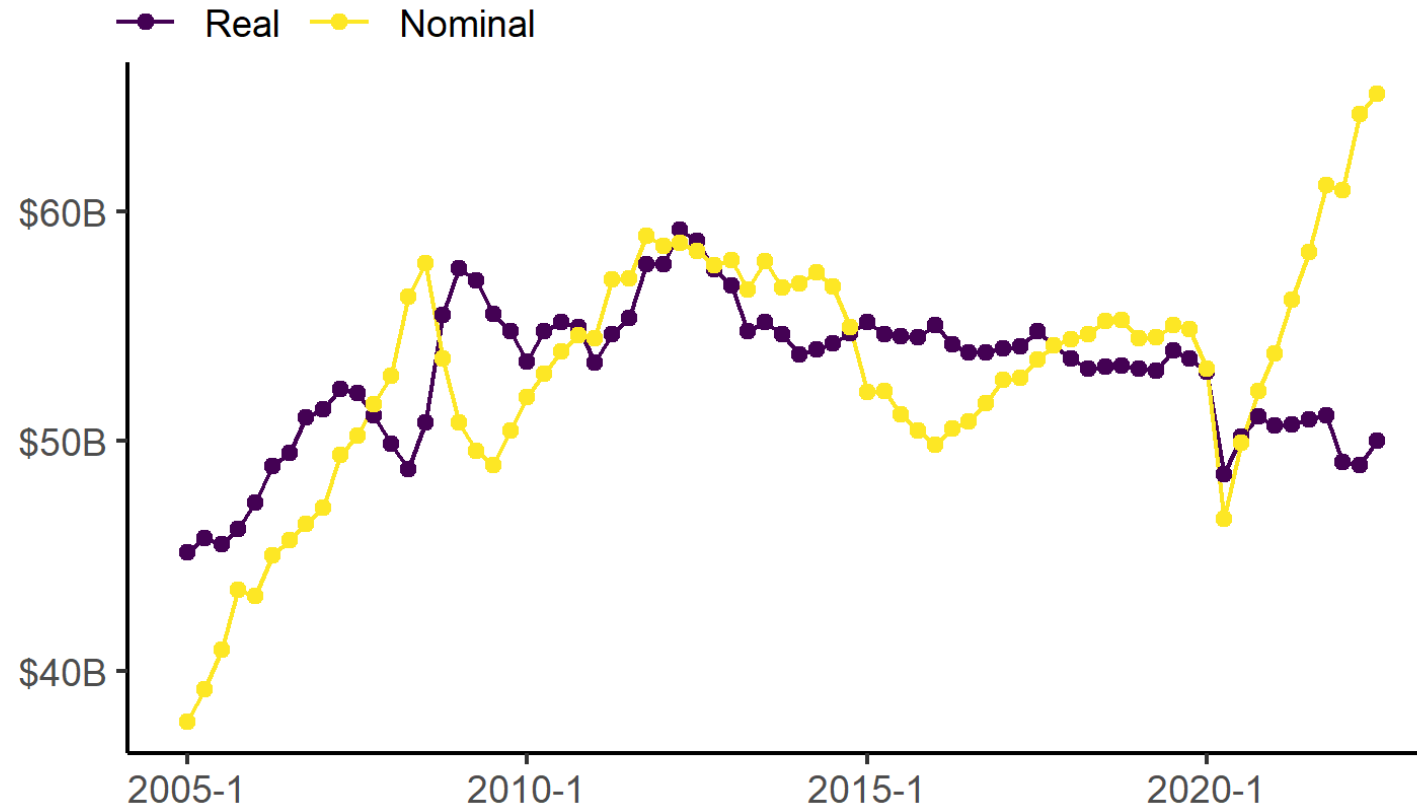
Note: BLS Current Employment Statistics (CES) Seasonally Adjusted nonfarm payrolls.

Why is Alaska Lagging the National Recovery? Pre-covid economy



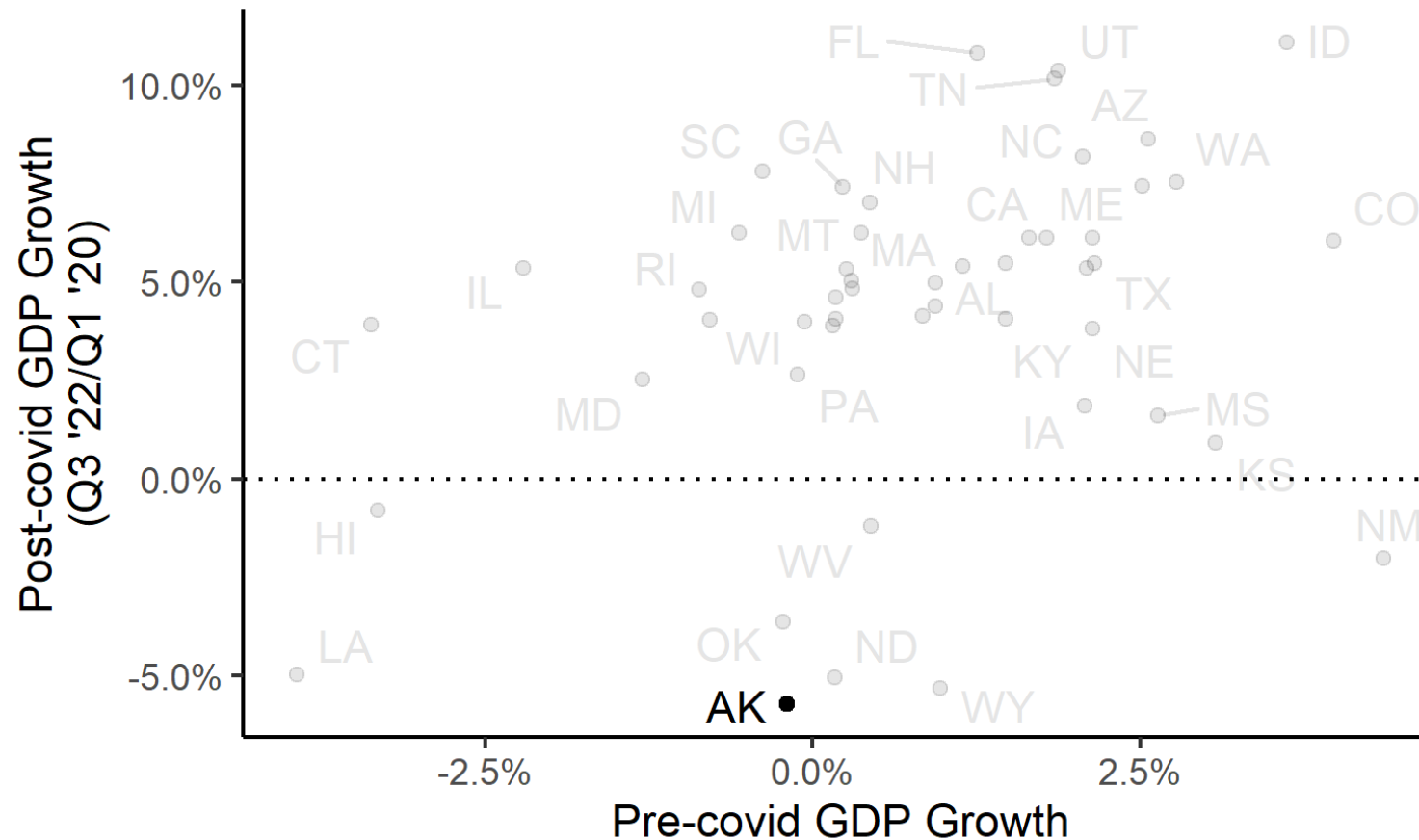
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Alaska Gross Domestic (State) Product



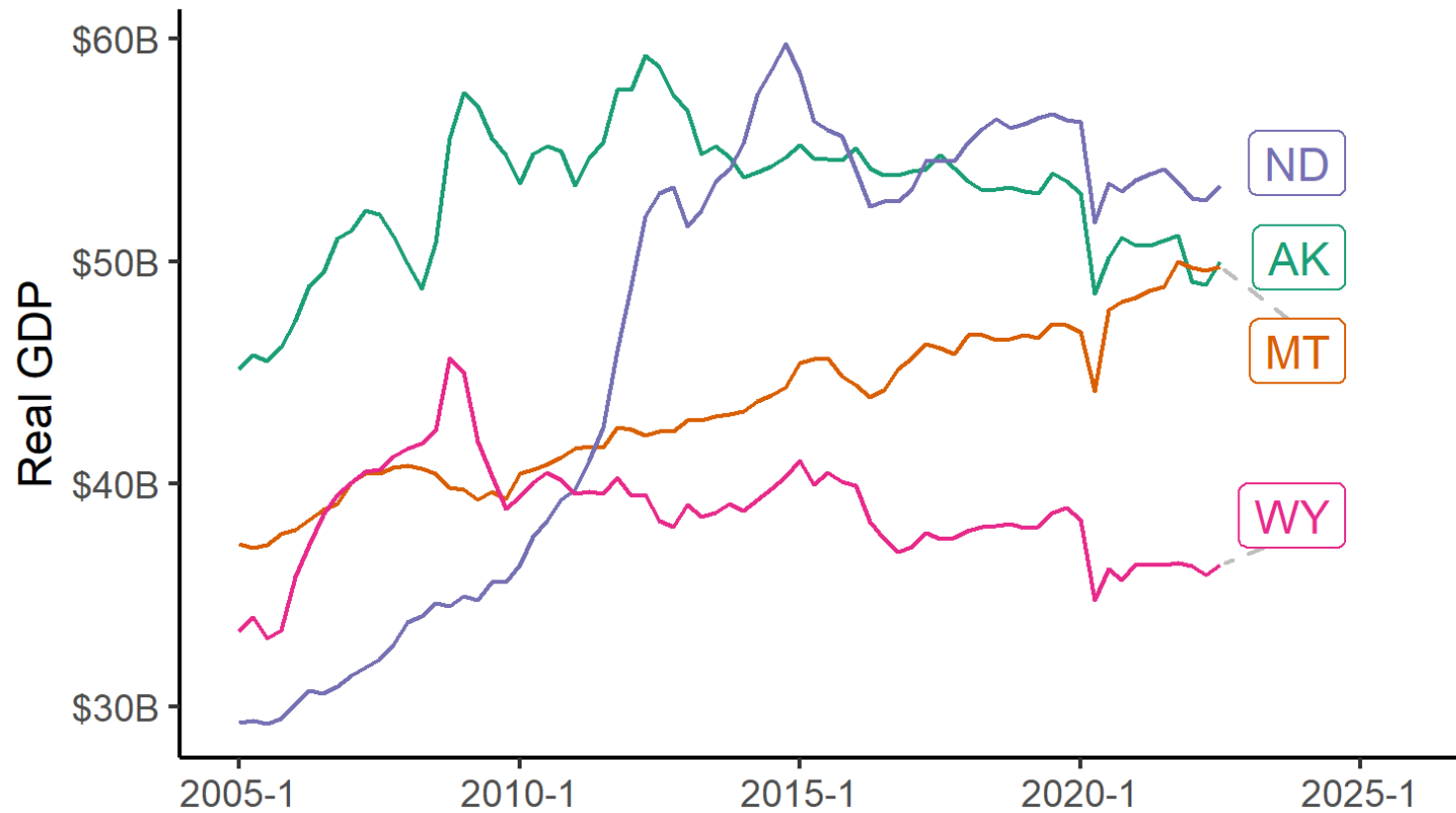
Note: BEA Millions of Chained 2012 Dollars, Seasonally Adjusted Annual Rate & Nominal GDP.

Alaska Gross Domestic (State) Product



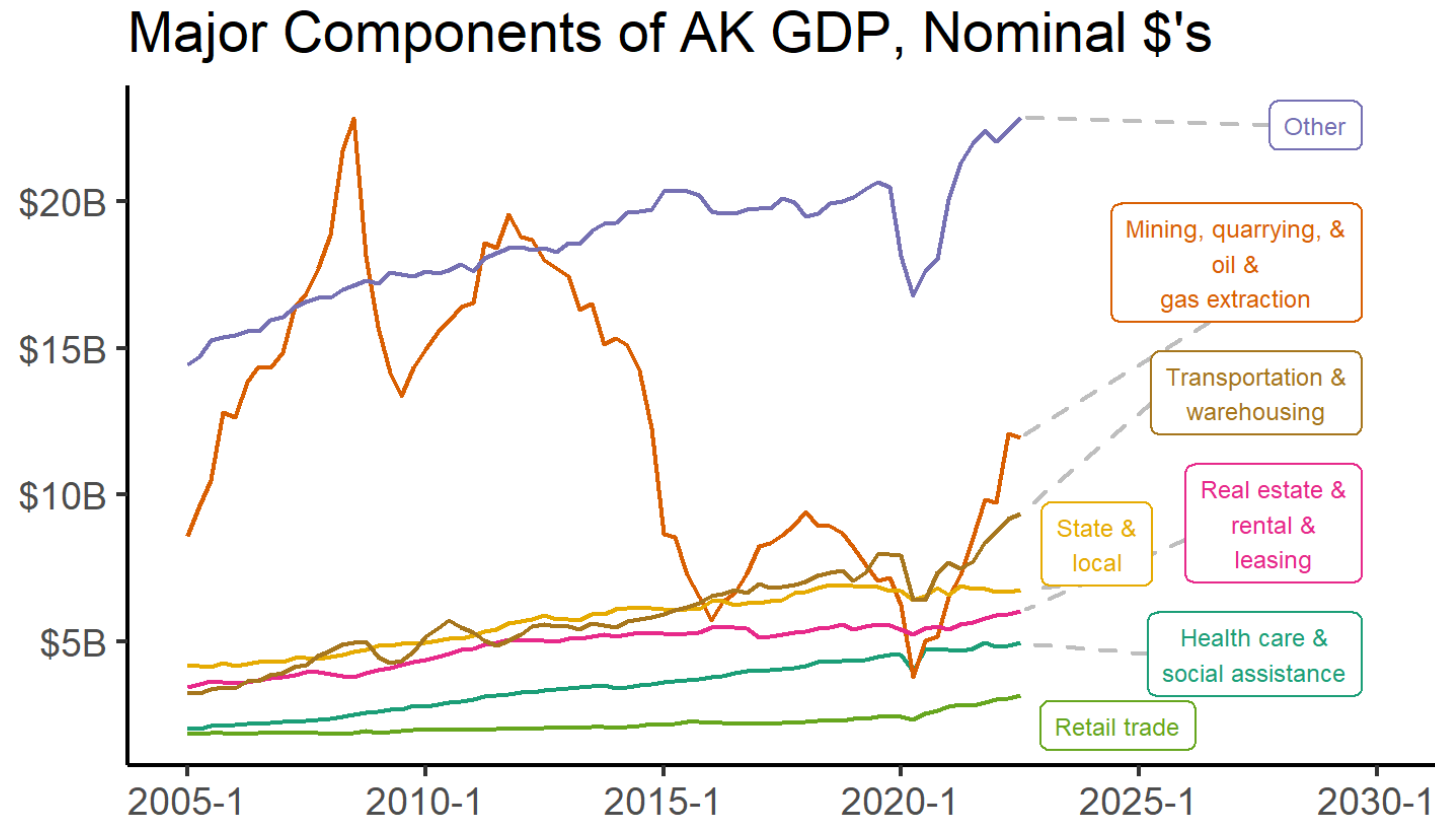
Note: BEA Millions of Chained 2012 Dollars, Seasonally Adjusted Annual Rate.

Rural Energy States



Note: BEA Millions of Chained 2012 Dollars, Seasonally Adjusted Annual Rate.

Oil Drive's State's Economic Fluctuations



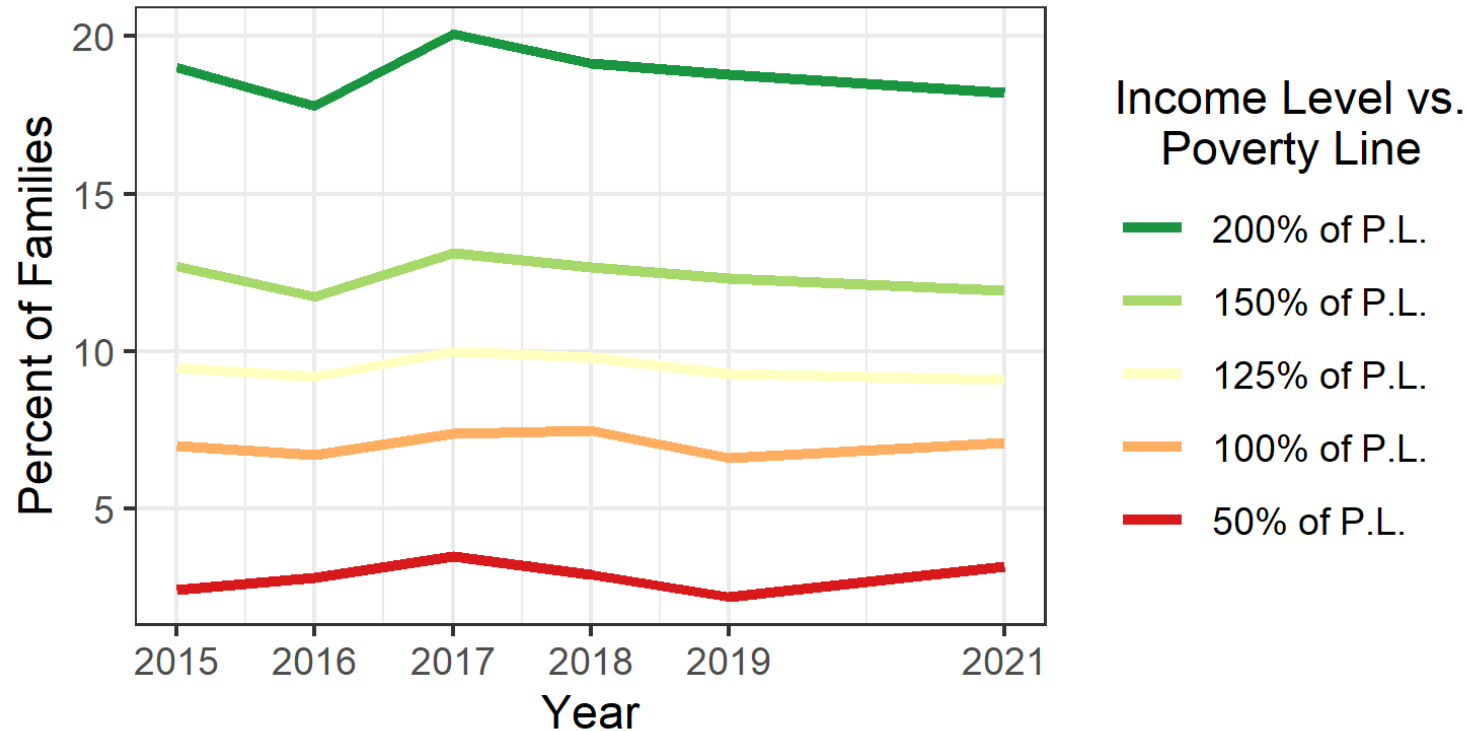
Note: BEA Annual Nominal GDP.

Other Alaska Economic Indicators

- Seasonally adjusted jobless claims (USDOL) are at record lows [weekly]
- Official unemployment (BLS) at lowest level on record [monthly]
- Consumer spending (Affinity Solutions) Dec 2022-Feb 2022 up over same time last year
- Punchline: most conventional measures of economic activity point to Alaska's economy continuing to recovery from the pandemic recession
 - Is this recovery being felt evenly?

Poverty Flat/Down Since 2017

AK Income Distribution as Percent of the Poverty Line
(Families) Lower Income Levels

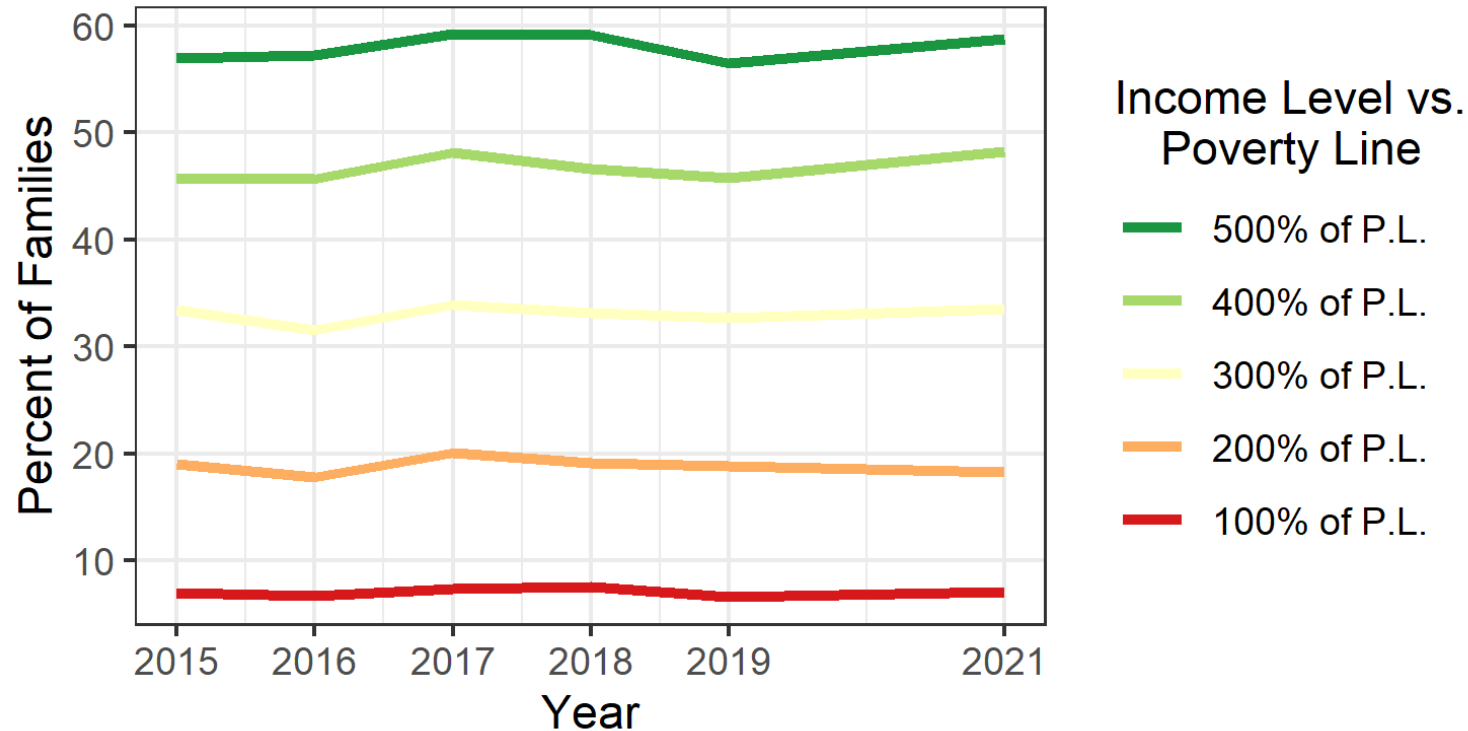


Note: US Census American Community Survey (ACS-1 Year Data, Table S1702). 2020 Data not available due to Covid. Poverty Line not reflective of cost of living differences, so only differential trends should be compared.

2021 poverty line for 4-person household was \$27,740.

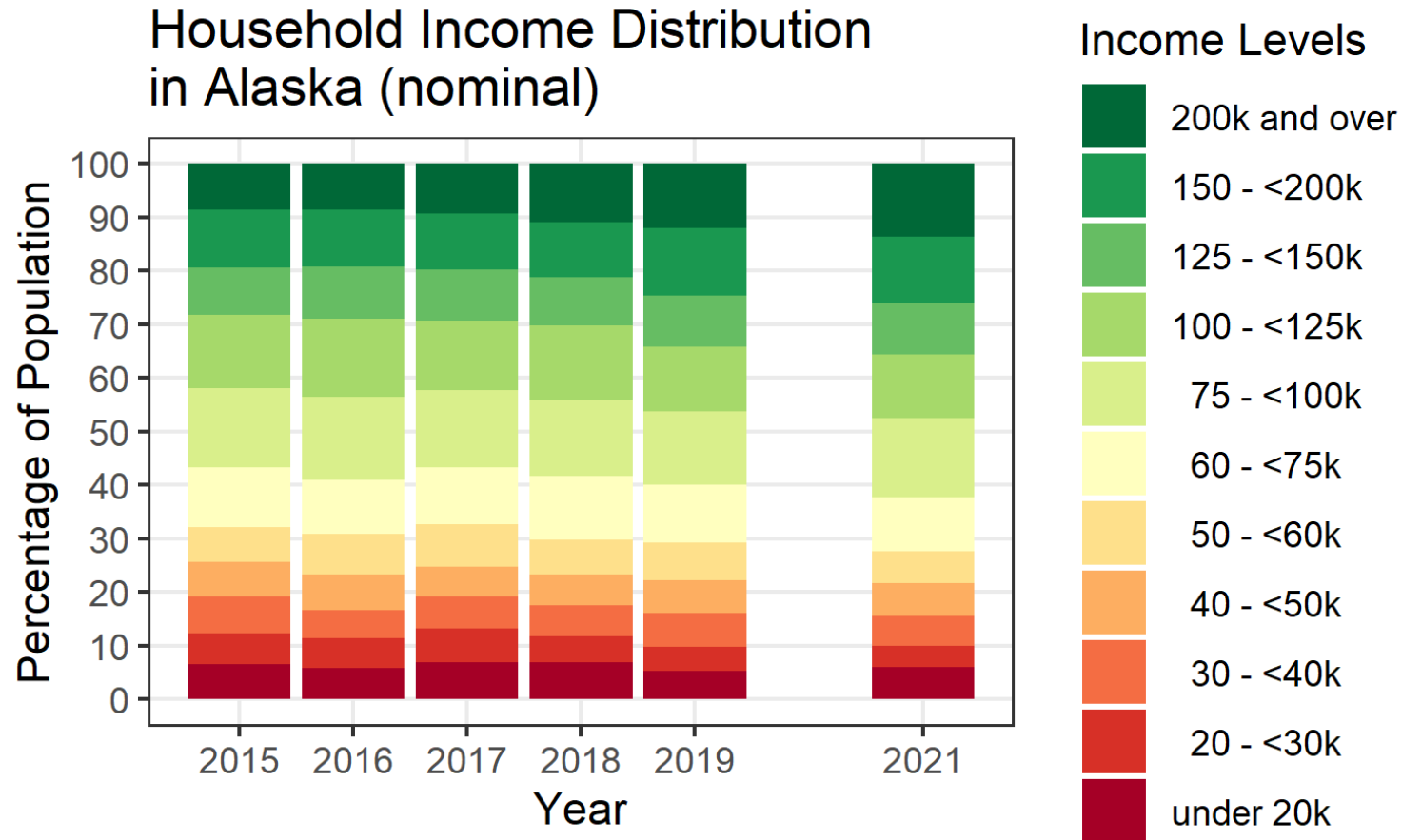
Real Income Distribution is Largely Stable Post-pandemic

AK Income Distribution as Percent of the Poverty Line
(Families) Broader Set of Income Levels



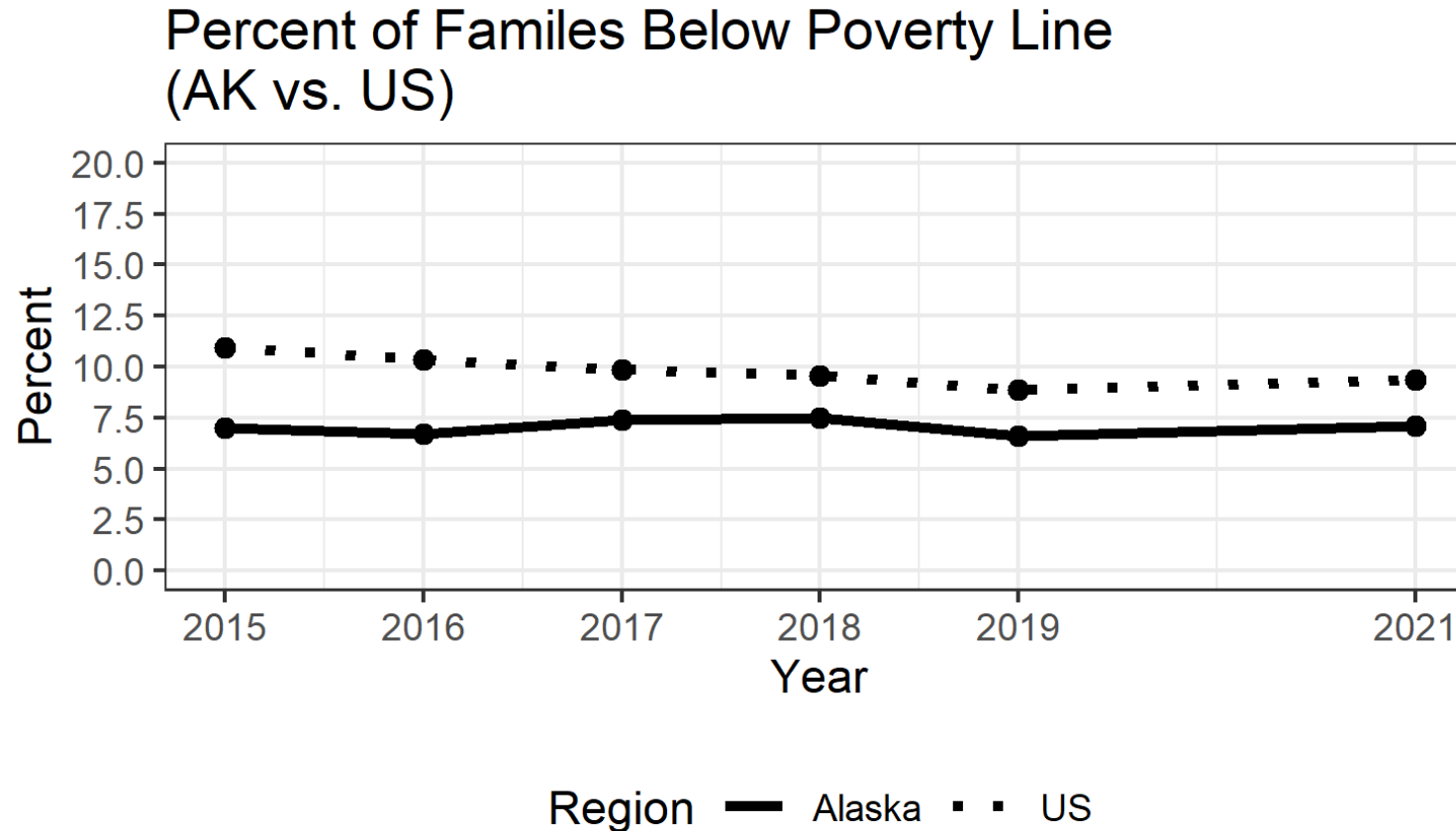
Note: US Census American Community Survey (ACS-1 Year Data, Table S1702). 2020 Data not available due to Covid. Income includes all sources, including public transfers. 2021 poverty line for 4-person household was \$27,740.

In Nominal Terms, Income Growing and Distribution Roughly Stable



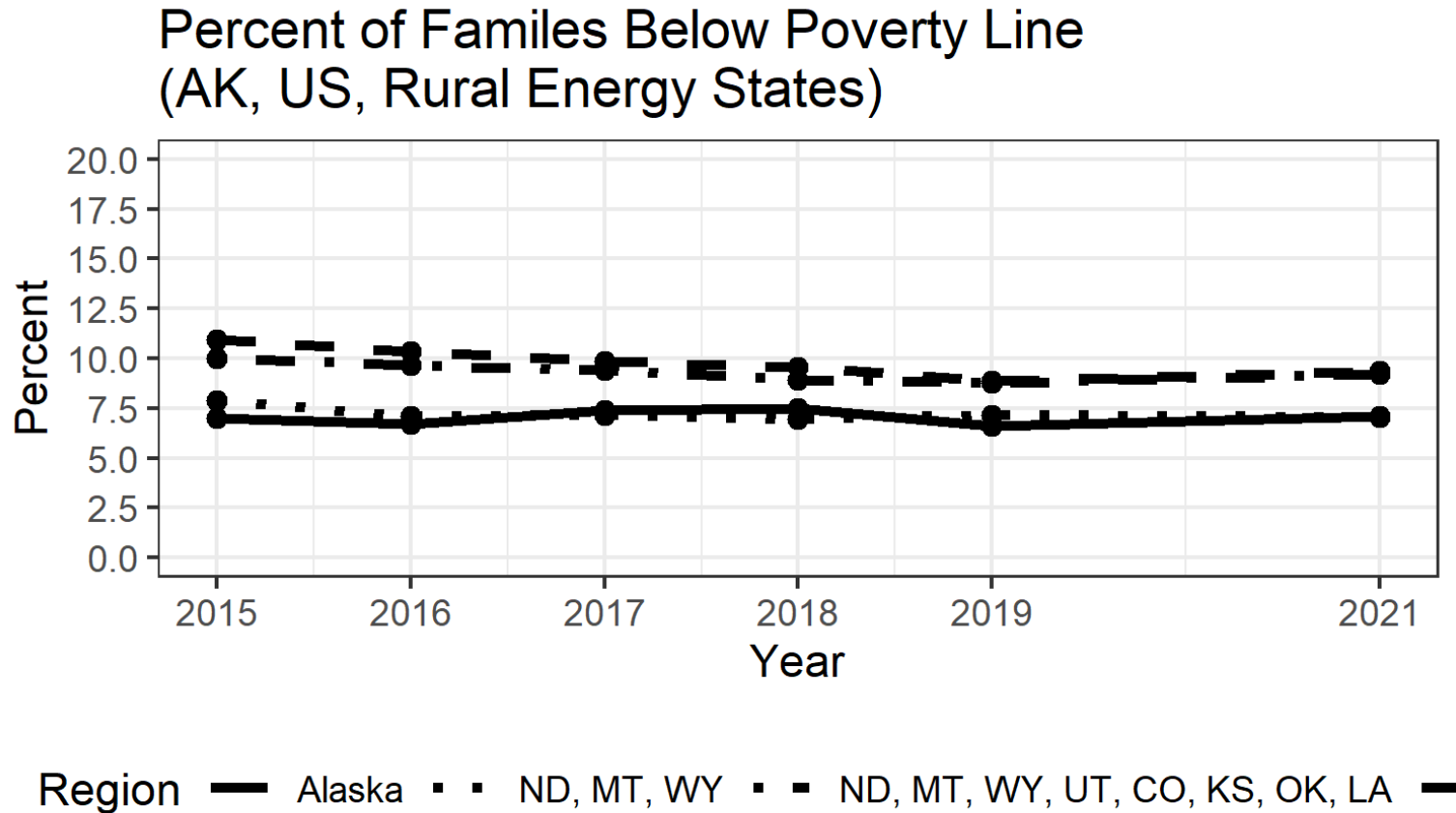
Note: US Census American Community Survey (ACS-1 Year Data, Table B19101). 2020 Data not available due to Covid. Income includes all sources, including public transfers.

US Poverty Levels Declining, While AK is Stable



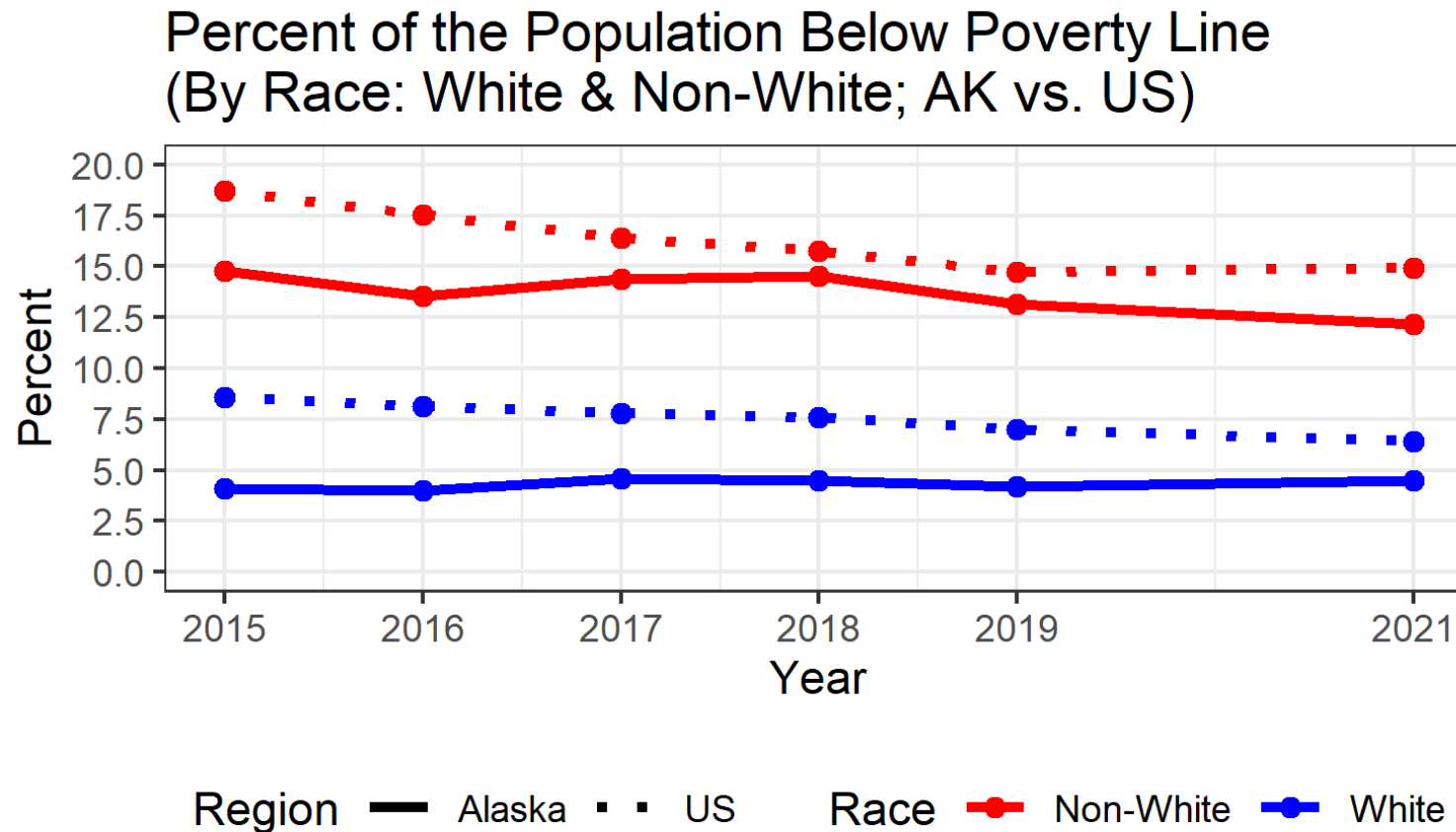
Note: US Census American Community Survey (ACS-1 Year Data, Table S1702). 2020 Data not available due to Covid. Income includes all sources, including public transfers. Poverty Line not reflective of cost of living differences, so only differential trends should be compared.

Alaskan poverty rates trend similarly to other Rural Energy states



Note: US Census American Community Survey (ACS-1 Year Data, Table S1702). 2020 Data not available due to Covid. Income includes all sources, including public transfers. Poverty Line not reflective of cost of living differences, so only differential trends should be compared.

Non-white poverty levels are higher, but falling

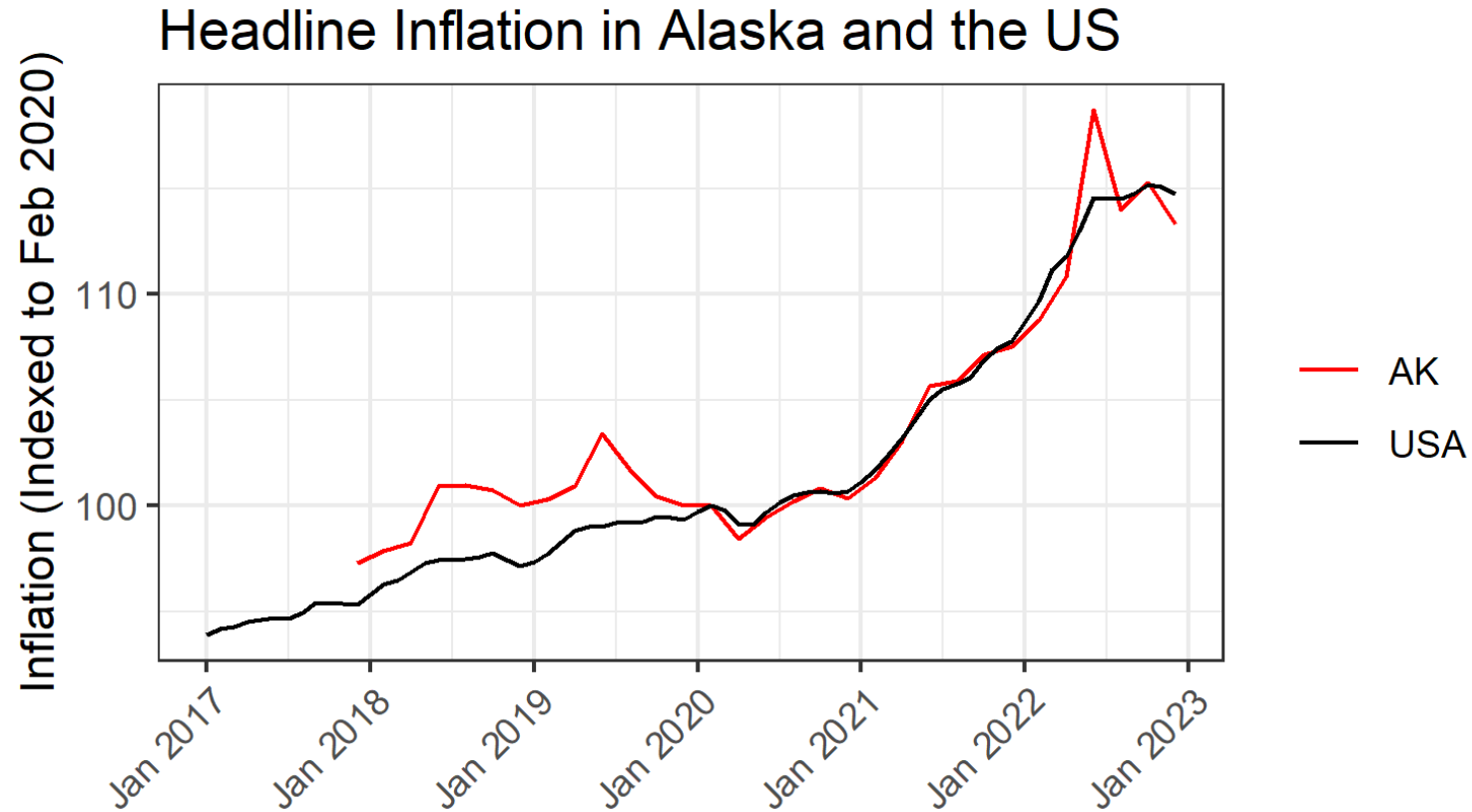


Note: US Census American Community Survey (ACS-1 Year Data, Table S1702). 2020 Data not available due to Covid. Income includes all sources, including public transfers. Poverty Line not reflective of cost of living differences, so only differential trends should be compared.

Headwinds

- Inflation
- Workforce shortages

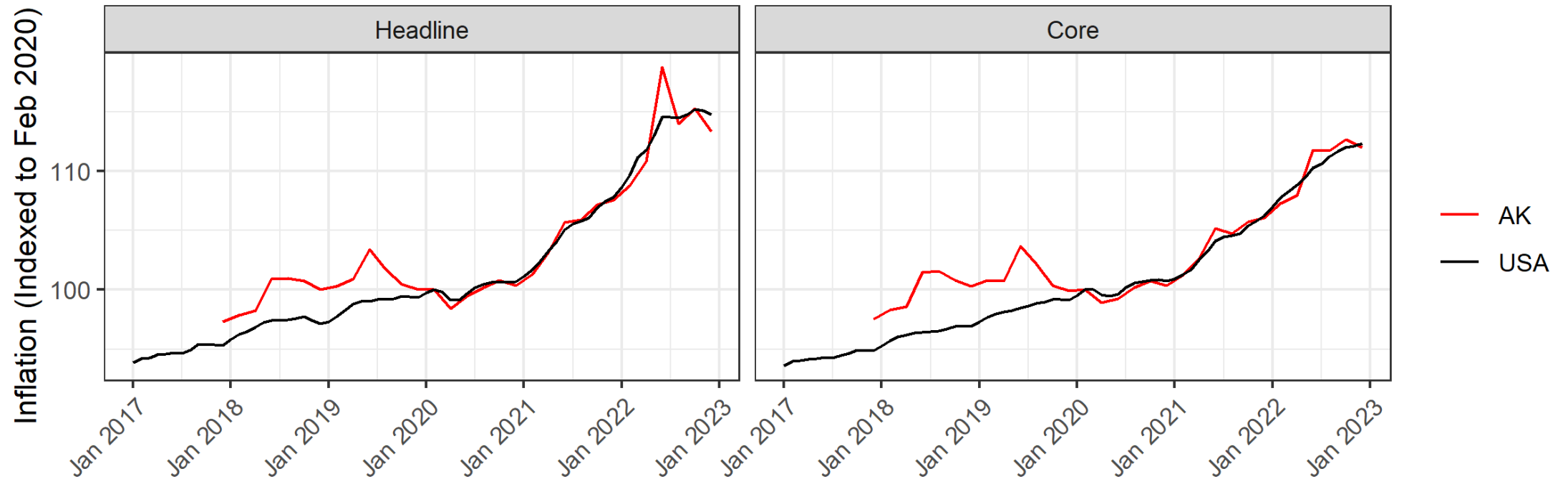
Alaska Tracks National Inflation



Note: BLS Consumer Price Index.

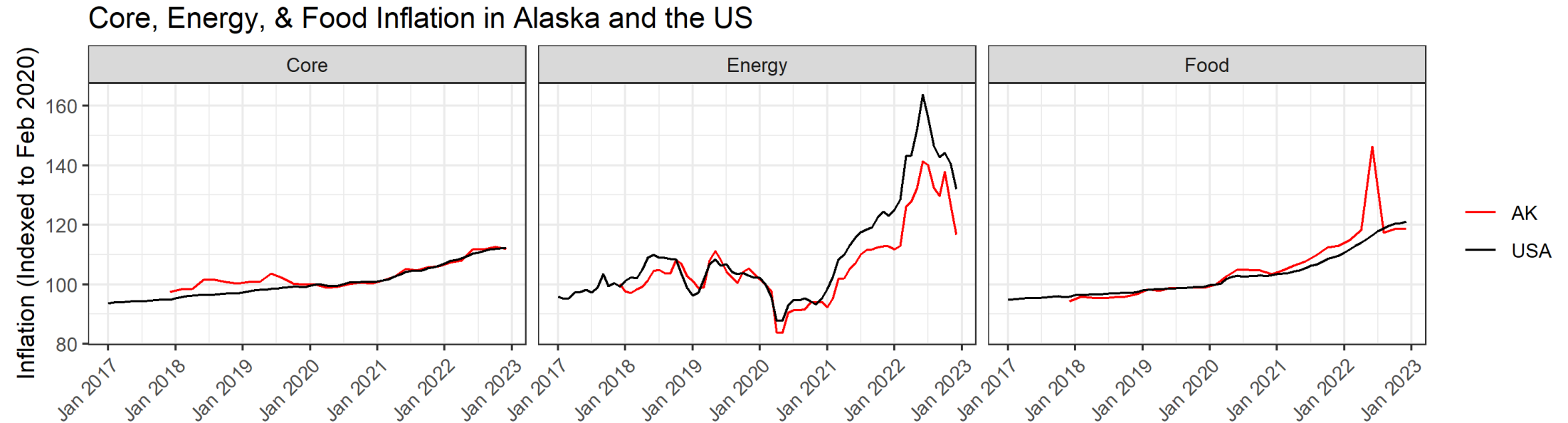
True for Headline and Core Inflation

Core v. Headline Inflation in Alaska and the US



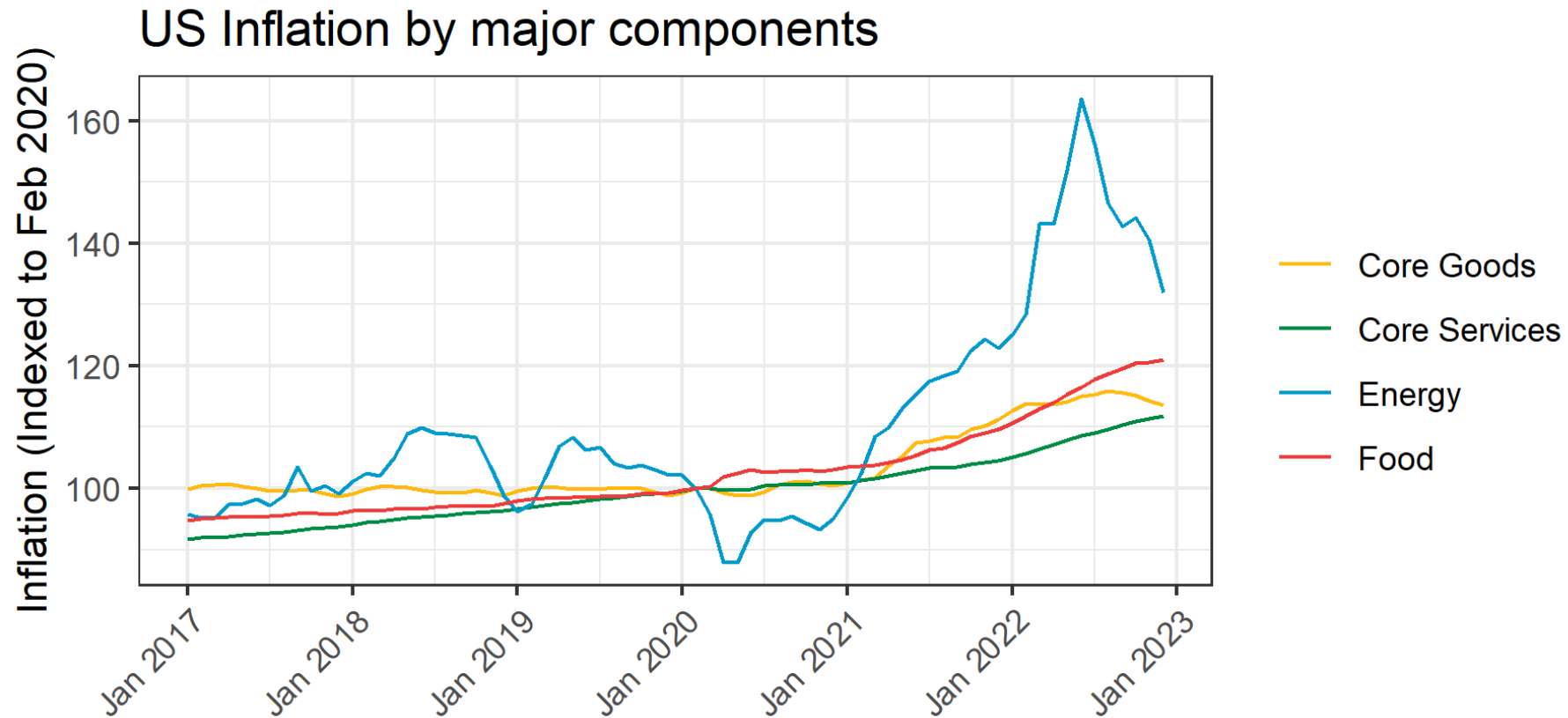
Note: BLS Consumer Price Index.

AK v US: Energy Lower, Food Higher



Note: BLS Consumer Price Index.

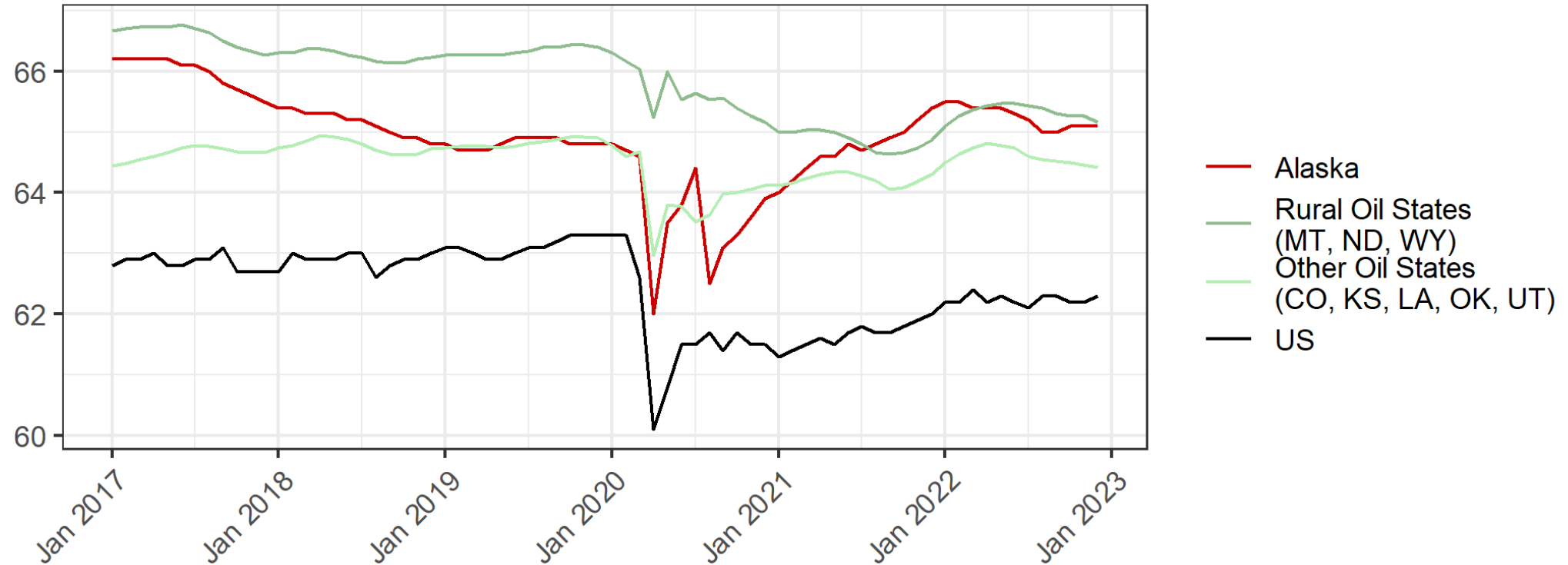
Goods Cool, While Food Continues to Rise



Note: BLS Consumer Price Index.

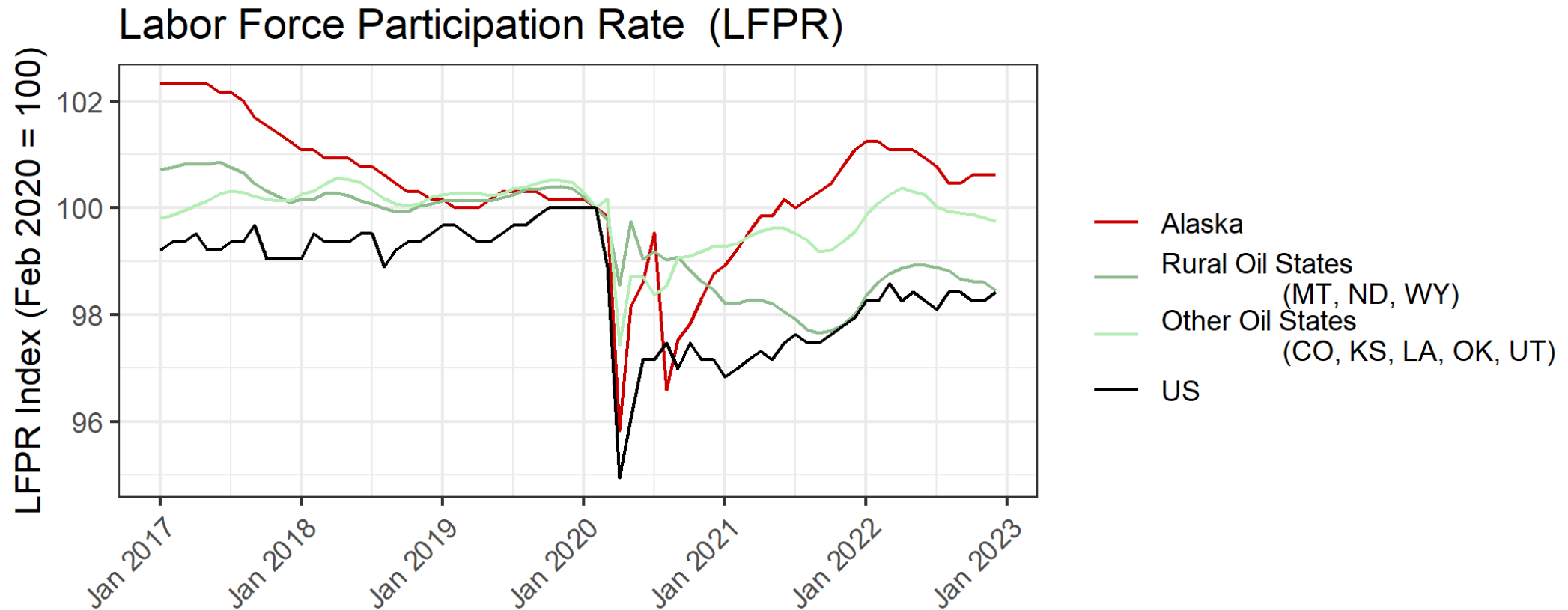
AK LFPR Back, US Still Below

Labor Force Participation Rate (LFPR)



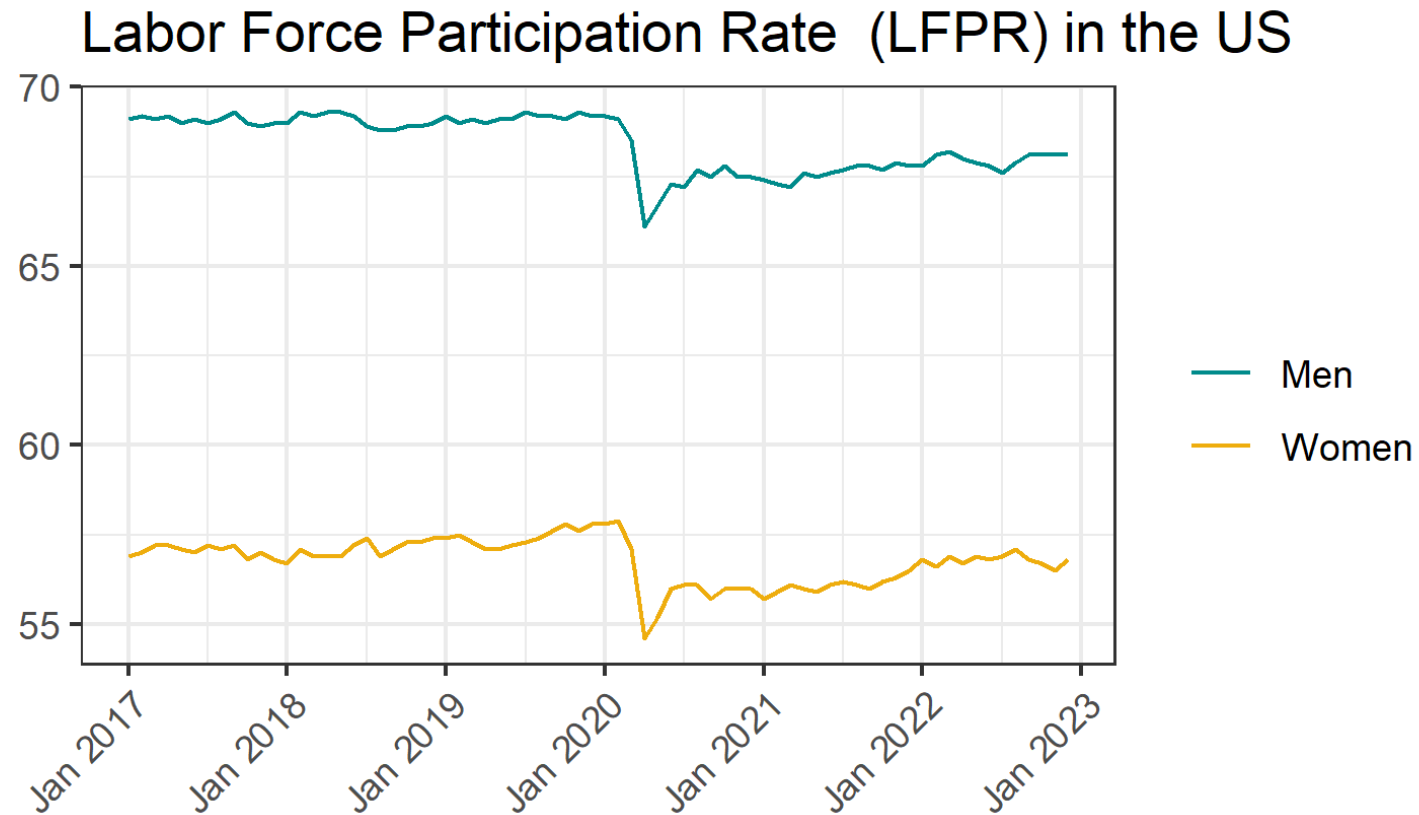
Note: BLS Labor Force Participation Rate.

AK Leads Energy States in LFPR Post-Covid



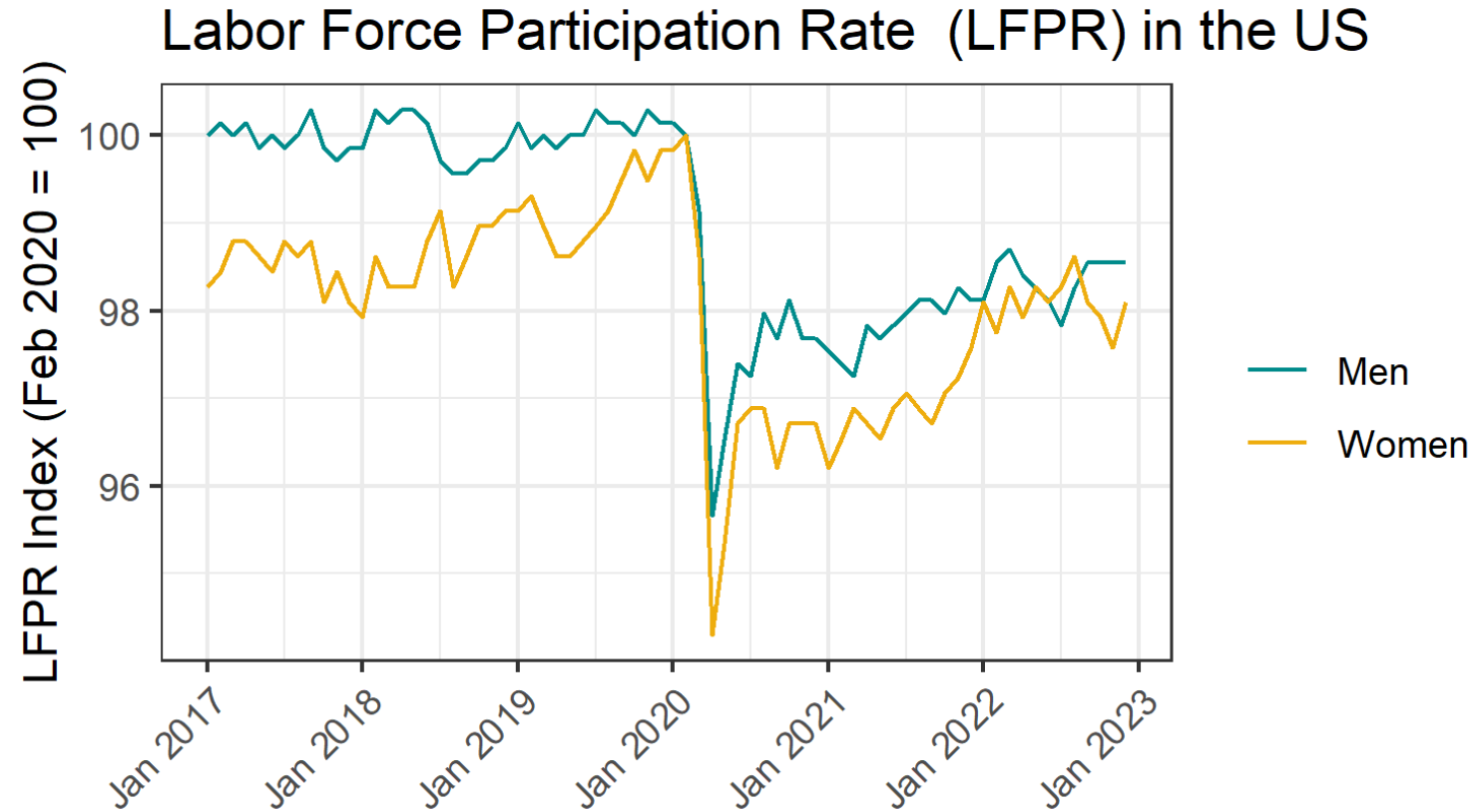
Note: BLS Labor Force Participation Rate.

Women LFPR Generally Lower than Men



Note: BLS Labor Force Participation Rate.

Despite Larger Shock, LFPR Gender Gap Shrinks



Note: BLS Labor Force Participation Rate.

Tailwinds

- Alaska three-legged stool
 - Petroleum
 - Federal Spending
 - Other “Export” Industries (tourism, mining, fishing, air cargo)

Petroleum

- Short term
 - Production down slightly
 - Prices (?)
- Medium term (Development)
 - Willow 180k bbl/d
 - Pikka 80k bbl/d
- Long term (Leasing, Exploration)
 - Limited enthusiasm for Cook Inlet, ANWR
 - Energy transition
- “Capital Discipline”

Federal Spending

- CARES/ARP Funding winding down
- Infrastructure/IRA winding up
- 2023 Construction Forecast
 - Private sector: \$2.83 billion (\$520 over 2022)
 - Public sector: \$2.4 billion (\$297 over 2022)
- Military spending (Arctic's strategic location)

Other Industries

- Tourism (Record cruise ship visitors)
- Mining - ISER projects industry to hold steady in “status quo” scenario
- Fishing - Record runs in Bristol Bay, but closures in crab fisheries

Summary

- Alaska continues to recovery from the pandemic, but more slowly than most of US
- Headwinds
 - Inflation (and the Fed's response to it) represents key short term headwind
 - Tight labor markets are raising wages, but creating hiring challenges for firms
 - Alaska's demographic/outmigration issues
- Tailwinds
 - Federal spending
 - New oil development
 - Tourism

Recently Released and Ongoing Work

- Economic and Environmental Impacts of Mining
 - Brett Watson, Bob Loeffler
- Transportation costs in rural Alaska
 - Mike Jones
- Economics of preventative health care
 - Mary Kopriva
- Workforce Development (STEM, education, construction, fisheries)
 - Dayna DeFeo
- Natural disasters
 - Jen Schmidt
- Climate Change
 - Matt Berman
- Rural infrastructure
 - Marie Lowe