

Alaska's Economy: Then and Now

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Outline

- 1 General Overview
 - Alaska's Economy and Demographics: Then and Now
- 2 A little bit of context: a historical perspective
 - Considerable change in a few decades
 - Historical employment
 - Private sector decline: Wave 1
 - Government
 - Private sector: Wave 2
- 3 What can we say about the near future?
 - Where do we go from here?

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- Alaska as a state used to be known for rising employment and population, characterized by periods of **boom and bust** such as the construction of the **trans-Alaska oil pipeline** in the mid-1970s, the recession following completion of the pipeline in the late 1970s, the government spending and construction driven boom of the early 1980s, and the **oil price crash driven deep recession** of the late 1980s. While true once, that picture is no longer true.

Big Savings account

- Alaska has built a very big savings account. In 1976, Alaskans voted to put part of the state's oil revenues into a special account the legislature couldn't spend. With that decision, Alaskans used temporary oil revenues to create a permanent asset. As of October 5th, 2017 the Permanent Fund had a balance of close to **62 billions**.

Snapshot of how much Alaska has changed

	1970	2016/2017
Wage employment	130,000	361,183
Savings account	0	\$62 billion
Population	304,000	737,000

Slow and steady

- For the past quarter-century, Alaska's economy has been characterized by relatively **slow and steady growth** in population and employment driven by growth across many sectors such as the **federal government, mining, tourism, air cargo, healthcare, and retail trade, and with significant regional variation.**

What about now? Alaska's situation in numbers

Alaska's Fiscal and Economic Situation by the numbers

	Budget and economy				
	2013	2014	2015	2016	2017
Unrestricted GF revenues	6.9	5.39	2.25	1.53	1.64
Wage and Salary Employment	335,366	336,640	338,262	332,138	324,498

Dimensions of change

- Alaska has considerably changed along almost all dimensions.
- Quality of life has improved significantly.
- Alaskans are richer, more likely to own a home, and less likely to be male than 50 years ago.

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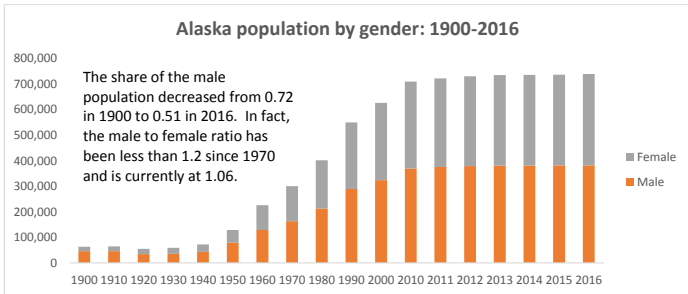
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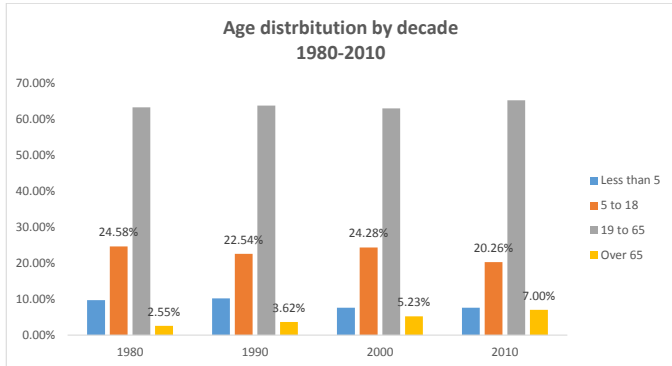
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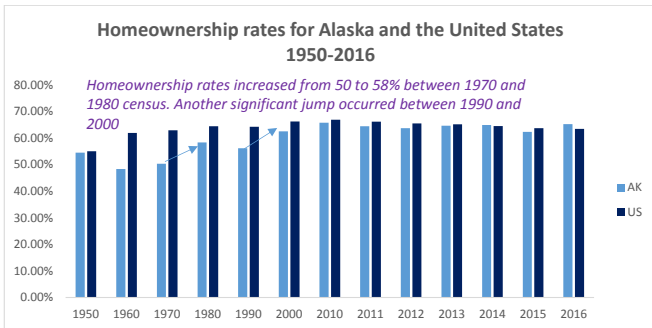
Does Alaska still have considerably more men?



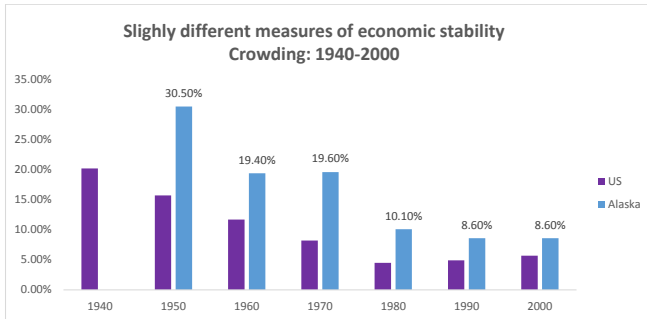
What about the age distribution?



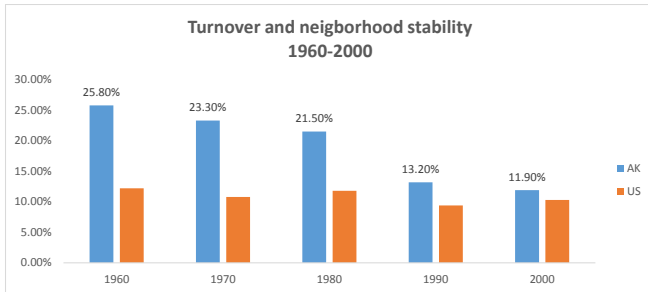
Alaska evolution: homeownership



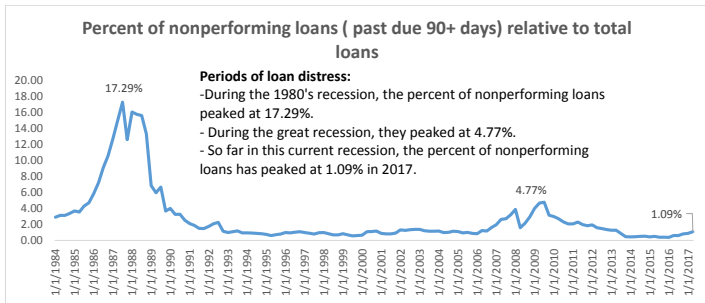
Alaska evolution: crowding



Alaska evolution: neighborhood stability



Nonperforming loans: Now and Then

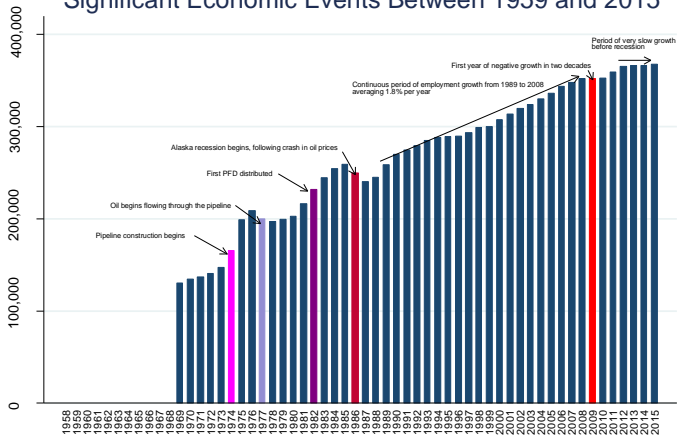


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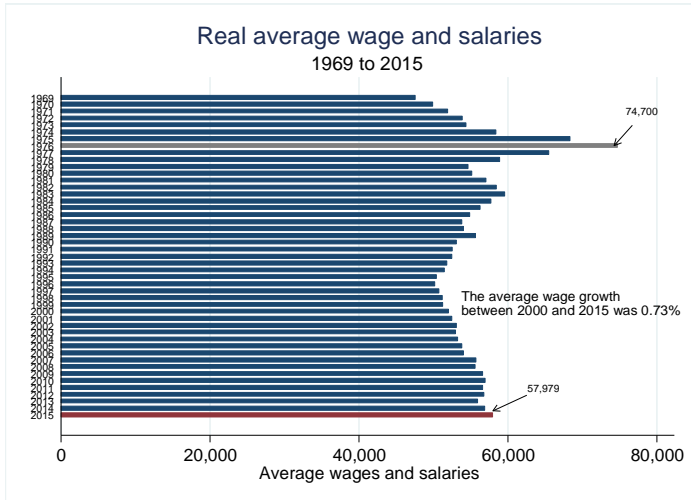
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Major events

Wage and Salary Employment in Alaska Significant Economic Events Between 1959 and 2015



What about wages?



What do we know about the current economic situation?

- We are in the middle of the second year of the recession.
- The contraction has spread from Oil and Gas, Construction, and Government to the rest of the economy in this last year.
- Most boroughs and census areas are feeling the squeeze.

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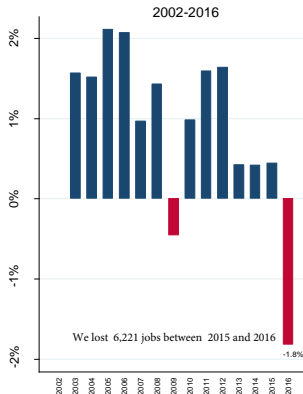
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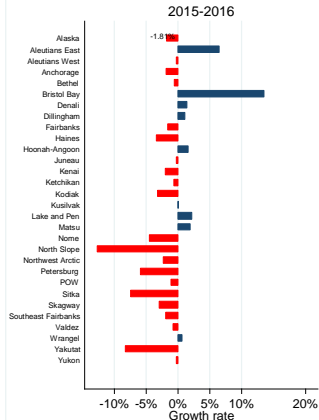
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Basic picture: Economic contraction

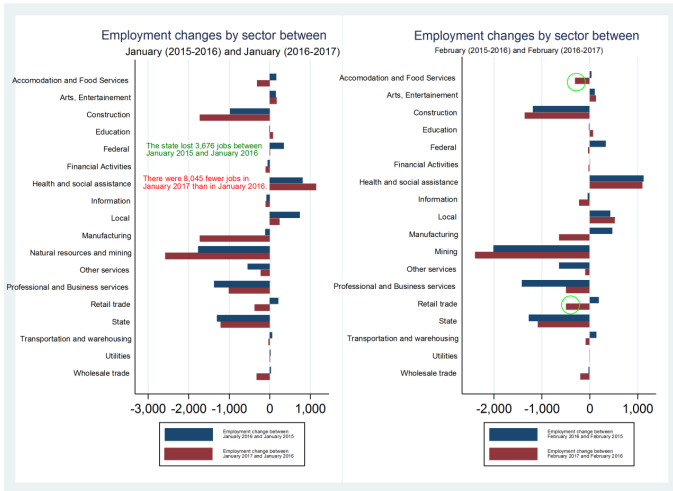
Employment growth rate using QCEW
at the state level



Employment growth rate at the borough level



Inside the numbers



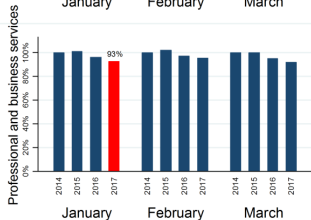
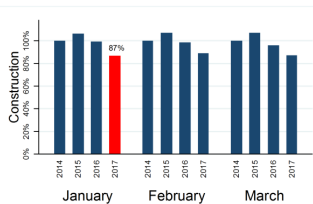
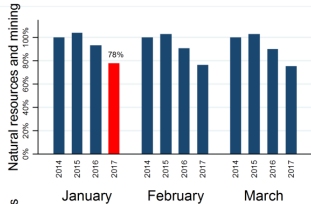
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How are the hardest hit sectors doing relative to 2014?

Employment declines between 2014 and 2017

A focus on the first wave

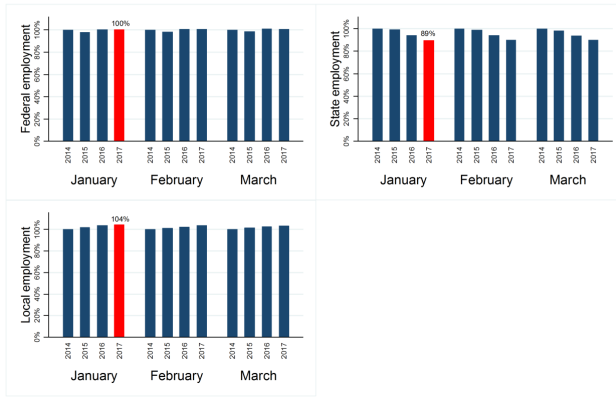


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How is Government doing relative to 2014?

Government employment 2014-2017

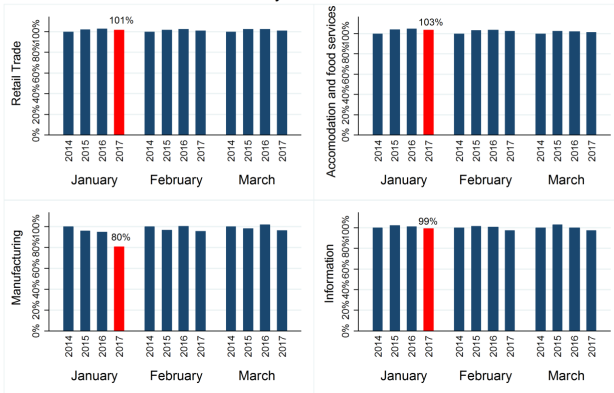


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How are spending dependent sectors doing relative to 2014?

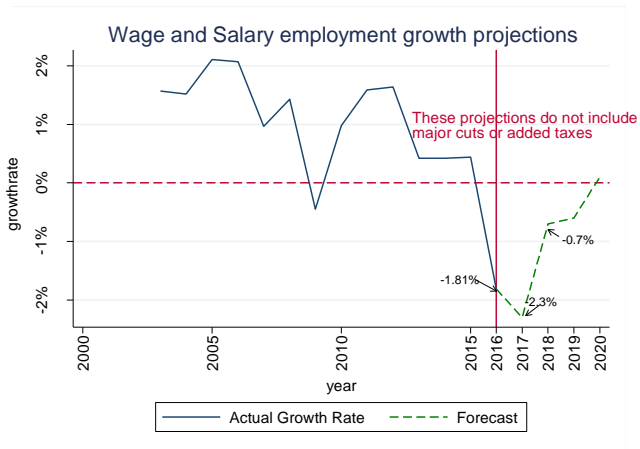
Sectoral employment Secondary wave: 2014-2017



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Preliminary projections



Major decisions ahead

- Alaska is slowly becoming a state dependent on a financial asset.
- Need for new revenues is inevitable.
- While the economy has weakened, the fundamentals are still sound.
- Delaying a decision means more uncertainty.
- The good news is that the state has options that are sustainable.

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