

# 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,

The Organization of the Petroleum Exporting Countries (OPEC) announced an extension of its deep oil output cuts well into 2025. Despite the cuts, oil prices have trended downward in recent months but are still high enough to justify new drilling investments in Alaska and other states. Major oil development on the North Slope is driving significant construction activity.

U.S. employers continue to add jobs as the labor markets cool. In Alaska, April employment shows a statewide increase of 6,400 jobs since April 2019.

American households have depleted excess savings accumulated during the pandemic. This should exert downward pressure on consumer demand and ease inflation, which remains above the Federal Reserve's long-run target of two percent.



### Alaska oil prices

The horizontal dotted line at \$78 per barrel signifies the price point necessary for the State of Alaska to achieve a balanced budget.

Alaska's benchmark oil price, ANS West Coast, was \$81.95 per barrel on June 6. In May, daily prices averaged \$85.55 per barrel, compared to \$75.64 in May 2023 and \$115.00 in May 2022.

Prices declined after OPEC's June meeting. Certain member states saw a slight relaxation of production quotas extended until October. Following this period, major producers such as Saudi Arabia are expected to ramp up production. OPEC's historical dominance in the global oil market has been under scrutiny since the United States emerged as the world's leading oil producer. ▶

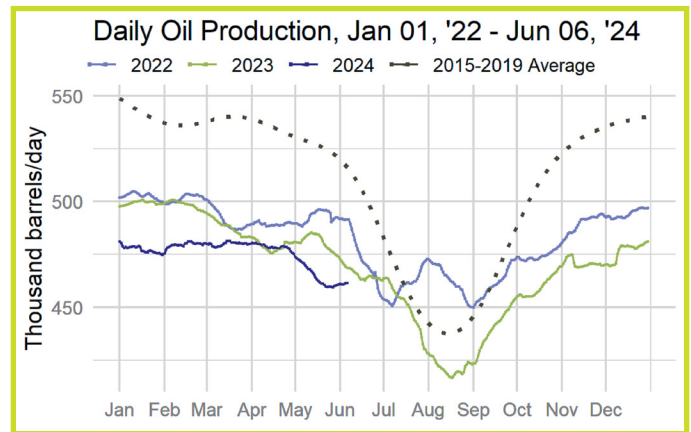
Data from the Alaska Department of Revenue



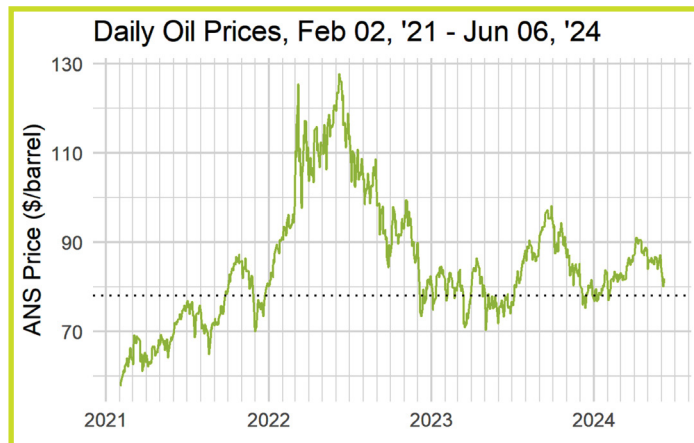
### Alaska oil production

Daily oil production in Alaska was 466,000 barrels on June 6. In May, daily production averaged 460,616 barrels, compared to 475,000 in May 2023 and 493,000 in May 2022.

Several key oil development projects are presently underway on the North Slope. Santos has completed its first full winter construction season for the Pikka project and remains on schedule to produce oil in the first half of 2026. ConocoPhillips has also made substantial progress during its construction season for the Willow project, focusing on developing access infrastructure and pads. ▼



Data from the Alaska Department of Revenue

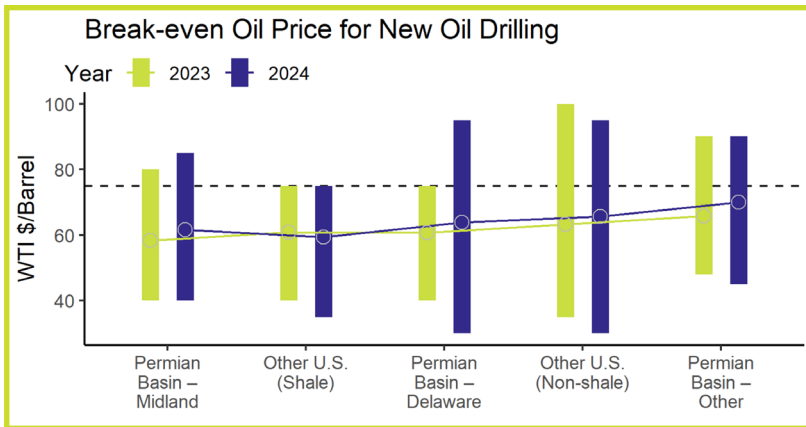


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## U.S. oil patches remain profitable to drill

The points in the graph are the average response by price. The vertical bars represent a range of price estimates provided by oil production survey respondents. The dotted line corresponds to the current West Texas Intermediate (WTI) price of about \$75 per barrel. The current break-even WTI oil price for new drilled is estimated to average \$64 per barrel, representing a \$2 increase from 2023 estimates. Reported drilling costs varied significantly by price and even more across survey respondents. While the estimated break-even price for non-Permian shale oil decreased, all other producing areas experienced growth. Alaska's fields, categorized under "Other U.S. (non-shale)," saw average break-even price estimates increase by \$2.44 per barrel year-over-year. At current WTI prices, some drilling projects are currently unprofitable. ▼



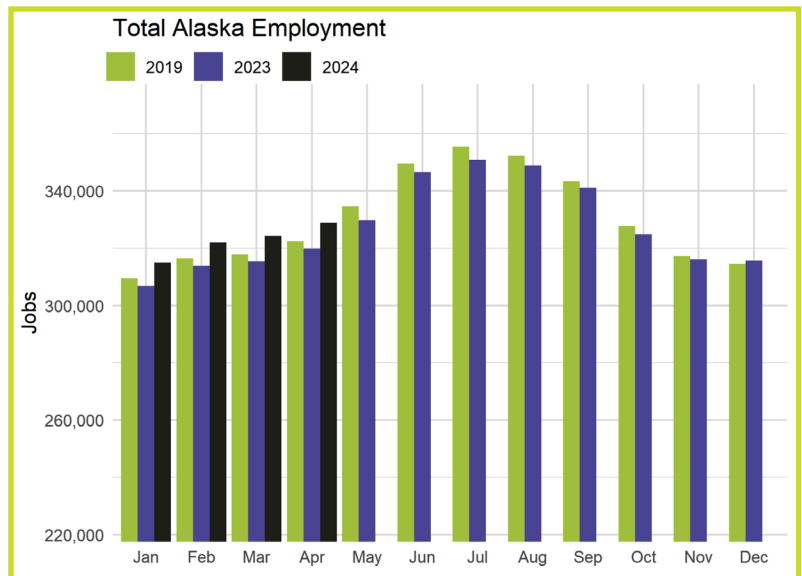
Data from the Federal Reserve Bank of Dallas



## Alaska sees highest April employment in 5 years

The latest April employment data indicates Alaska experienced an increase of 4,500 jobs in April, 9,000 jobs added since 2023, and an increase of 6,400 jobs compared to April 2019, surpassing pre-pandemic levels. The largest gains over March have been in Leisure and Hospitality, with 1,600 additional jobs, followed by Trade, Transportation and Utilities, which saw an increase of 1,500 jobs, and Construction, which added 900 jobs. ►

Data from the Alaska Department of Labor and Workforce Development





## Excess pandemic savings exhausted

During the pandemic, household spending experienced a decline, while state and federal programs provided significant financial support to families. This combination led to a substantial increase in consumer savings. The variance between the amount households would typically save and the additional funds saved during this period surged to more than \$2.1 trillion as of August 2021. As the pandemic and federal support diminished, consumers resumed spending, using their incomes and accumulated savings. Consequently, this spending has contributed to inflationary pressure in the economy.

The most recent data from the San Francisco Federal Reserve Bank suggests that excess savings was depleted in May and now stands at a deficit of \$170 billion. A return to pre-pandemic savings trends provide the Federal Reserve with another important signal as they contemplate a rate cut in 2024. ▼

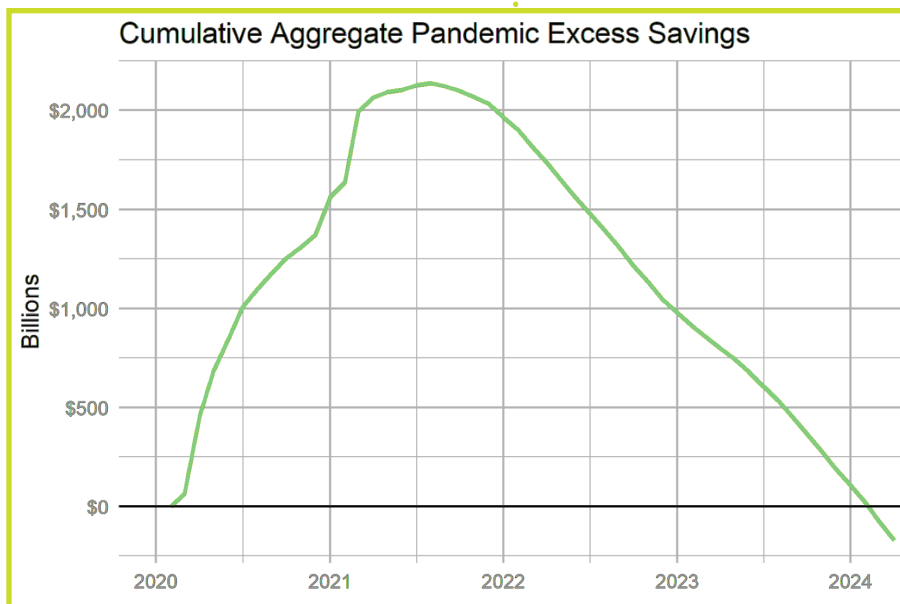


## National labor market easing

The COVID economy and recovery period have brought to light an important trend: The relative ease of finding jobs for workers and the challenge employers face in hiring. Economists refer to this phenomenon as a “tight” labor market, which they measure by assessing the ratio of job openings to unemployed workers. Before the pandemic, there were approximately 1.2 job openings for every unemployed worker. This ratio peaked in March 2022 at two job openings for every unemployed worker. The latest data from April indicates that this measure of labor market tightness has reverted to pre-pandemic levels. This shift will likely alleviate pressure on employers, serving as a crucial indicator for the Federal Reserve as it determines the appropriate timing for initiating rate cuts. ▼



Data from the U.S. Bureau of Labor Statistics



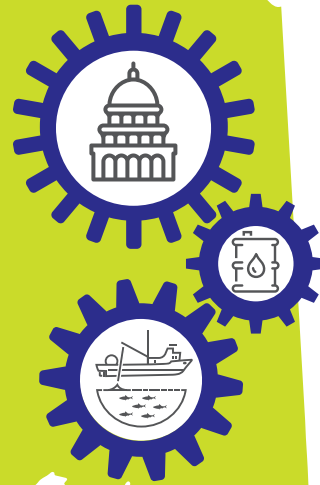
Data from the Federal Reserve Bank of San Francisco

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## Did you know...

Alaska saw its  
highest April employment  
in five years?

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



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