

# 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,

In April, Alaska saw a slight decrease in the percentage of electricity generated from natural gas. This change was due to a decline in gas resources and a deliberate decision by state lawmakers to take advantage of federal incentives for clean energy. As a result, there has been an increased use of renewable energy sources, particularly hydroelectric power, which accounts for 25% of the state's electricity generation. This shift also contributed to a 2.2% increase in price inflation in Alaska since February.

In May, Alaska reached an eight-year high in employment as the state's economy entered its summer peak.

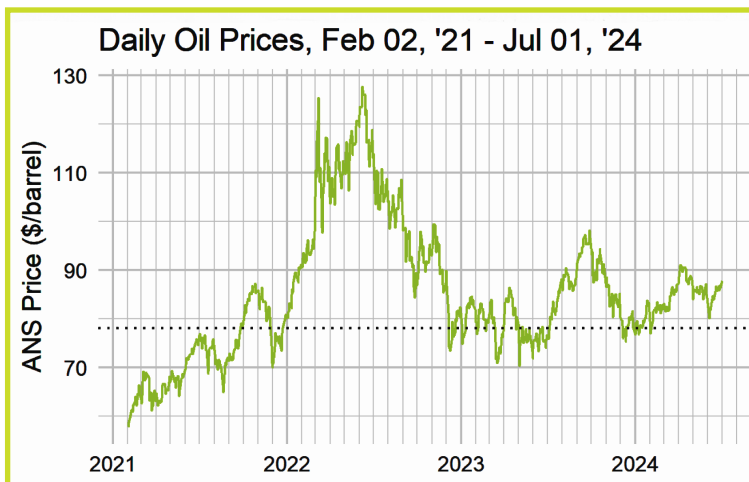


### Alaska oil prices

The horizontal line at \$78 per barrel represents the price required for a balanced budget in Alaska.

Alaska's benchmark oil price, ANS West Coast, was \$87.84 on July 1. In June, daily prices averaged \$84.36 per barrel, compared to \$75.81 in June 2023 and \$120.27 in June 2022.

With a positive economic outlook, increased air travel boosting jet fuel demand, and war in the Middle East, oil industry executives polled in the latest Dallas Federal Reserve Energy Survey anticipate oil prices to range between \$80 and \$85 per barrel during the next two years. ▶

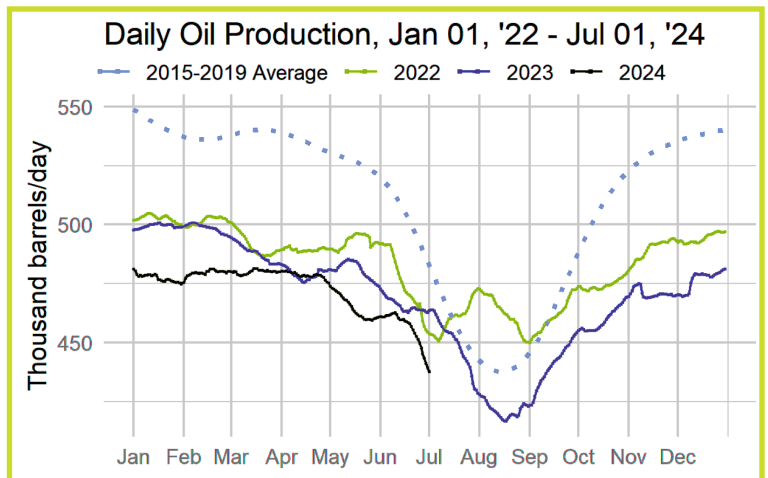


Data from the Alaska Department of Revenue



### Alaska year-to-date oil production 2.6MM barrels short of 2023

Daily oil production in Alaska was 423,000 barrels on July 1. In June, daily production averaged 439,255 barrels, compared to 463,000 in June 2023 and 455,000 in June 2022. Alaska's year-to-date oil production stands at 85 million barrels, a decrease of 2.6 million barrels compared to 2023. ▼



Data from the Alaska Department of Revenue

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## Alaska's May employment

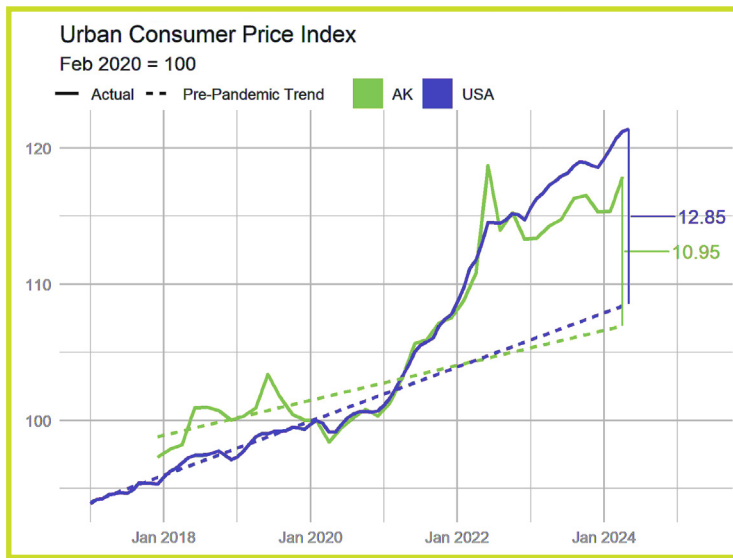
In May, Alaska experienced significant job growth, adding 10,100 jobs to the economy compared to April, and 9,300 jobs compared to 2023. The most notable gains were in seasonal industries such as leisure and hospitality (4,800 jobs), trade, transportation and utilities (3,300 jobs), and construction (1,900 jobs). Employment levels have surpassed pre-pandemic figures, reaching the highest point since 2016. ▶



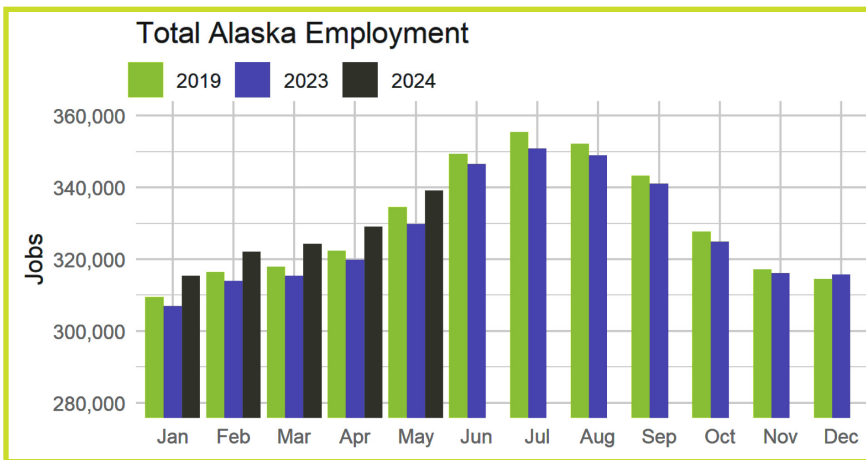
## Inflation breakdown

The slope of the dotted trend lines represents the anticipated trend of inflation before the pandemic. The difference between the actual consumer price index (CPI) and the CPI trend reflects the portion of inflation attributed to the pandemic, including fiscal stimulus and supply disruptions.

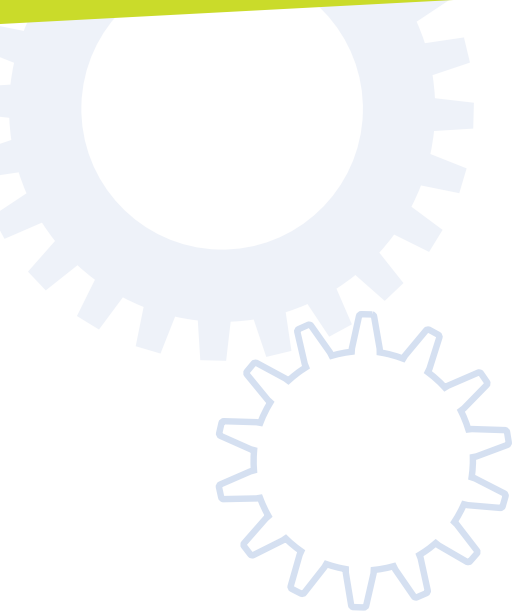
As of April, monthly inflation reports for Alaska show the CPI for urban Alaska increased by 2.2% from February and 3.2% from April 2023. Nationally, prices have risen by 1% between February and April, and by 3.4% compared to April 2023. Between May and June, Alaska food prices have risen by 1%, energy prices increased by 10.3% and prices for all other components of the consumer basket were up by 1.7%. Since the beginning of the pandemic, prices have increased by approximately 10.95% in Alaska and 12.85% in the U.S. compared to pre-pandemic levels. ▼



Data from the U.S. Bureau of Labor Statistics



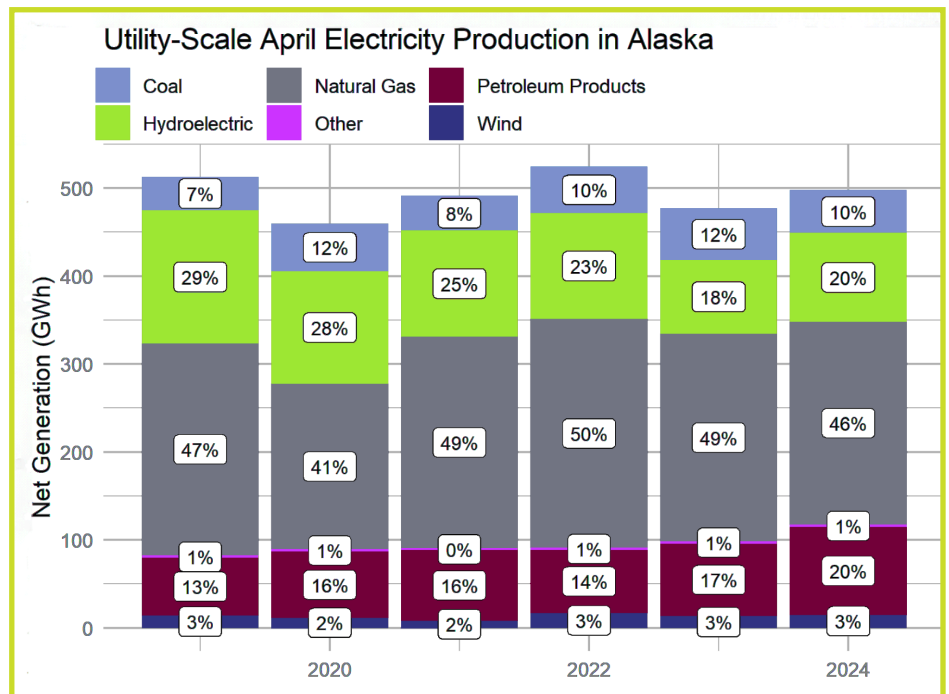
Data from the Alaska Department of Labor and Workforce Development



## A picture of energy production in Alaska

The graph shows electric power plants in Alaska with a generating capacity of at least 1 megawatt (MWh). The vertical axis is measured as gigawatt hours (GWh).

Alaska's electricity production has remained relatively stable, with a minor dip in 2020, before rebounding to near 2019 levels in 2021. Natural gas has consistently accounted for the largest share of electricity generation, between 41% and 50%. There has been a modest increase in petroleum-based generation and a slight decrease in hydroelectric power. Coal and wind production have remained low. ▼



Data from the Energy Information Administration



## Alaska renewable energy

Renewable energy accounts for a quarter of Alaska's total electricity generation, with hydroelectric power contributing 90% of that amount. In 2022, five hydroelectric plants each produced more than 100 GWh of electricity. The largest, Bradley Lake near Homer, generated 377 GWh. Major hydroelectric plants include Snettisham Dam in Juneau, Eklutna in Anchorage, Terror Lake in Kodiak, and Tye Lake in Wrangle/Petersburg. Many rural communities in Alaska are investing in solar installations to reduce reliance on diesel. In 2023, the Railbelt region supplied 4 GWh of power to the grid through net metering, a billing mechanism that credits solar energy system owners for the electricity they add to the grid. Solar energy projects have been implemented in Fairbanks (563 KWh) and Willow (1 MWh).

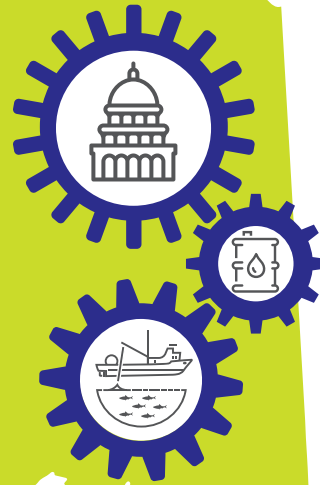


Data from the U.S. Energy Information Administration, the Renewable Energy Alaska Project, and the Alaska Center for Energy and Power. Photo courtesy of Unsplash ▶

## Did you know...

many rural communities in Alaska are investing in solar installations to reduce their reliance on diesel?

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



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