

ALASKA ECONOMIC *TRENDS*

JUNE 2022

A photograph of a weathered wooden birdhouse mounted on a vertical wooden post. A bird is captured in flight to the right of the birdhouse. In the background, there is a white tent and a body of water under a blue sky with light clouds.

Housing
market
tightens

ALSO INSIDE

It's been a wild ride
for the oil industry

FROM THE COMMISSIONER

Employers find creative solutions to housing, staff issues

By Dr. Tamika L. Ledbetter, Commissioner

Access to quality housing is key to a healthy and growing economy. Across the state, private and public sector employers are looking for ways to ease Alaska's tight housing markets, with the goals of increasing access to low-income rentals and making it easier for people to buy their first home.

Finding solutions requires understanding the factors shaping Alaska's current home sales market, from prices and interest rates to supplies and labor, which this issue of *Trends* explores in depth.

On a recent trip to Sitka, I had the opportunity to speak with local employers about these housing challenges. Allen Marine, a locally owned tourism and ship manufacturing company, is tackling the issue head-on.

Faced with the ongoing hurdle of recruiting workers to a community with limited housing options, Allen Marine acquired land and began developing its own housing units. The company has also found new ways to increase employee retention. For example, Allen Marine recently decided to fund winter maritime skills training for seasonal employees.

These types of quality investments in workers will pay big dividends and help ensure a steady workforce for successful Alaska businesses, of which



Allen Marine is a great example.

While in Sitka, I also met with Dr. Paul Kraft, director of Sitka's University of Alaska Southeast campus; Joan O'Keefe, director of Southeast Alaska Independent Living; Mt. Edgecumbe High School's Dr. Janelle Vinoss; and Ann Davis of the

Sitka Tribe. Each of these organizations is finding innovative ways to tackle recruitment and training issues while providing unique services to the public.

In my role as commissioner, I aim to develop partnerships that maximize limited resources for Alaskans' benefit. The Department of Labor and Workforce Development collaborates with many successful nonprofits, businesses, and training programs around the state.

As the economy continues to rebound across Alaska, it is exciting and inspiring to see employers finding so many creative ways to solve problems and meet their current and projected workforce needs.

Contact Dr. Tamika L. Ledbetter, Commissioner, at (907) 465-2700 or commissioner.labor@alaska.gov.



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ALASKA ECONOMIC **TRENDS**

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ON THE COVER:

A tree swallow comes in for a landing in the Yukon Delta National Wildlife Refuge, photo by Melissa Gabrielson, U.S. Fish and Wildlife Service, Alaska Region

ALASKA

**DEPARTMENT of LABOR
and WORKFORCE
DEVELOPMENT**

Governor
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Commissioner
Dr. Tamika L. Ledbetter

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GETS TIGHTER**

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Trends is a nonpartisan, data-driven magazine that covers a variety of economic topics in Alaska.

ON THIS SPREAD: The background image for 2022 is a sparkly Alaska shoreline, taken by Flickr user Darren Hsu. License: creativecommons.org/licenses/by-nc-sa/2.0/

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Housing market tightens further

Prices jumped in 2021 with high demand, low interest

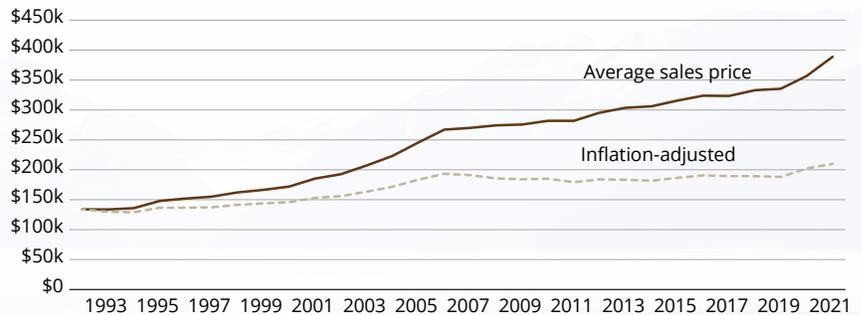
By ROB KREIGER

The low interest rates, tight inventory, and rising sales prices of 2020 continued in 2021, further tightening the Alaska housing market. The burst of refinancing also extended into 2021 but began to cool in the second half of the year as interest rates crept up from their record lows.

Multiple Listing Service data for Alaska's largest housing markets showed higher-than-average numbers of sales closed, increasing prices, fewer days on the market, and sparse active listings last year as demand far exceeded supply.

The number of sales as a percentage of active listings hit record highs in some places in 2021, approaching nearly 500 percent in Anchorage and Juneau during the fourth quarter. Put another way, in those two cities, five houses sold for every house

Rise in Alaska home prices got steeper in 2021

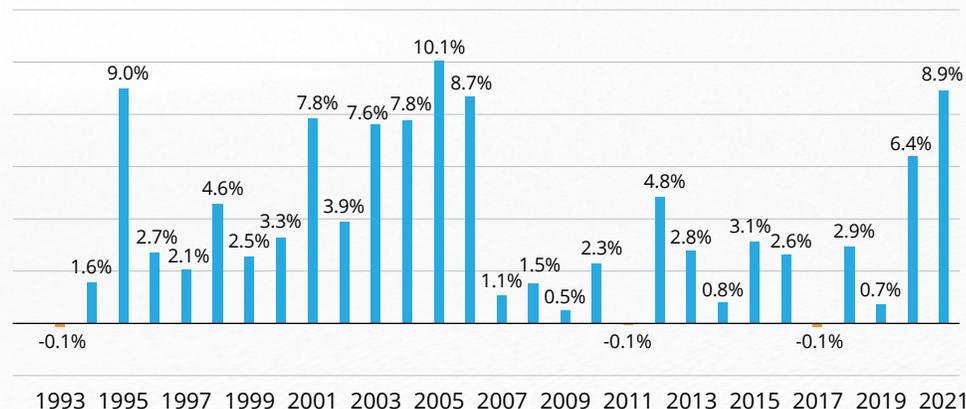


Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and Alaska Housing Finance Corporation

that came on the market as public listings. For perspective, sales in Anchorage and Juneau as a percentage of their active listings have historically averaged around 86 and 107 percent, respectively.

Although rising interest rates are certain and have climbed fast nationally, the effect they'll have on the current market is less clear. Higher rates push some potential buyers out of the market and

Average home sales price jumped nearly 9% in a year



Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and Alaska Housing Finance Corporation

reduce the amounts people are allowed to borrow, which could reduce demand and, consequently, push prices down.

Data for the first quarter of 2022 show a similar picture to 2021, except with interest rates up sharply to 3.34 percent. More recently, national rates averaged over 5.25 percent, the highest they've been since 2009.

Even if rates increase significantly over the next several months, they will remain historically low. This will keep housing relatively affordable in the short term, but how long the market continues its trajectory will depend on how much the rising rates decrease affordability.

Biggest jump in Ketchikan, highest price in Juneau



Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and Alaska Housing Finance Corporation

Sales prices up 8.9 percent from 2020

A limited number of homes for sale and many interested buyers pushed the price of an average single-family home in Alaska up to \$388,648 last year, an 8.9 percent jump from the year before and the third-largest percent increase in almost 30 years. The record is 10.1 percent in 2005.

Bidding wars have exacerbated the rise. MLS data suggest many houses are selling at the asking price or higher.

The listings also show that a slightly larger share of the homes sold in some places were bigger and more expensive than before the pandemic. In Anchorage, for example, 45 percent of total sales in 2020 and 2021 were houses with four or more bedrooms. In the five years leading up to the pandemic, it ranged from 41 to 44 percent.

Sales prices varied widely by area but were up across the board. Juneau's average sales price topped the list at just over \$475,000. Ketchikan was second-highest and recorded the largest over-the-year price jump at nearly 16 percent. Prices rose the least in Kodiak, at a little less than 3 percent. Kodiak's average house price was in the middle of the pack. Fairbanks had the lowest average sales price at \$314,000.

Alaska average interest rate, 1992-2021



Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and Alaska Housing Finance Corporation

Interest rates set a new low in 2021 but are rising

Interest rates for 30-year fixed-rate mortgages averaged 2.93 percent in 2021, down from the previous record of 3.16 percent set in 2020.

Low rates have played a major role in

About the Alaska Affordability Index

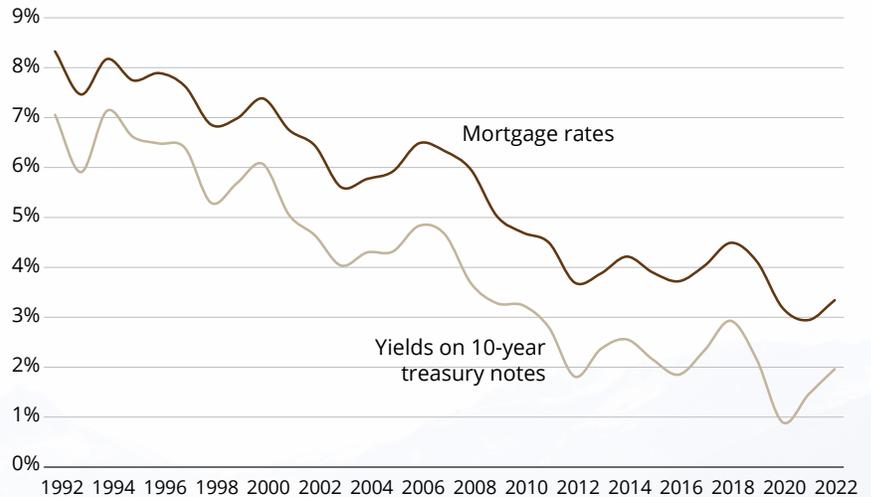
The Alaska Affordability Index represents the number of average wage earners needed to afford an average mortgage in their area. The lower the index value, the more affordable the typical house.

The index value is an area's estimated average monthly payment for a 30-year conventional mortgage with a fixed interest rate on a single-family house, divided by the area's average monthly wage.

The average wage is based on wages employers report to the Alaska Department of Labor and Workforce Development when they submit their unemployment insurance tax reports each quarter.

The estimated average monthly mortgage payment is based on the average sales price and fixed interest rate that mortgage lenders report to the department each quarter in a survey of Alaska's lenders, which we conduct with the Alaska Housing Finance Corporation.

Treasury note yields point to mortgage rate rise



Sources and notes: Federal Reserve Bank of St. Louis, FRED graph observations, market yield on U.S. Treasury securities at 10-year constant maturity, percent, annual, not seasonally adjusted. Interest rate data from Alaska Department of Labor and Workforce Development, Research and Analysis Section and Alaska Housing Finance Corporation, Quarterly Survey of Lending Activity. Data for 2022 are first quarter only.

keeping housing affordable despite rapidly rising prices, but all signs point to higher rates in the coming months.

Yields on 10-year U.S. Treasury Notes are the best indicator of where mortgage rates are headed. Historically, the interest rate data from our Quarterly Survey of Lending Activity have averaged 1.6 percentage points higher than yields.

Yields have been volatile in 2022 but have already hit their highest levels since the pandemic began. Yields exceeded 2.4 percent in the first quarter of this year and topped 3.0 percent in recent weeks, which could put mortgage interest rates well above 4.5 percent in the coming months if historical trends hold.

While 2021's average interest rate hit a record low, rates began rising

Low interest rates have kept Alaska housing affordable in recent years



Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and Alaska Housing Finance Corporation

How a rising interest rate would affect home affordability



Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and Alaska Housing Finance Corporation

later in the year. By the last quarter, rates approached 3.0 percent. (The year started at 2.8 percent.)

Affordability held in 2021 despite rising home prices

For this article, affordability is a buyer's ability to pay the monthly principal and interest on an average-priced home based on the average interest rate and an area's average monthly wage. (See the sidebar on the previous page for more on how we calculate the index.)

As mentioned earlier, low rates kept housing affordable and monthly payments manageable in 2021 despite record-high prices. The Alaska Affordability Index averaged 1.14, up slightly from the all-time low of 1.11 in 2020. An index value of 1.0 means affording the average mortgage would require just one typical earner. Increases in the index mean housing is becoming less affordable, and vice versa.

It's important to know that average wage growth during the pandemic might make housing appear more affordable than it is. Alaska's average monthly wage grew 7.2 percent between 2019 and 2020, and all areas we measure recorded an increase.

Because Alaska lost so many jobs over that time, the total wages paid in most places fell — but the average wage rose partly because so many jobs

Earners needed to afford average home by surveyed area, 2019-2021

Area	2019	2020	2021
Bethel	1.70	1.55	1.65
Ketchikan	1.56	1.38	1.43
Juneau	1.60	1.45	1.41
Matanuska-Susitna Borough	1.44	1.28	1.36
Kodiak	1.60	1.41	1.34
Anchorage	1.35	1.21	1.21
Statewide	1.24	1.11	1.14
Kenai	1.15	1.02	1.07
Mat-Su home, Anc worker	1.07	0.96	1.02
Rest of Alaska	0.97	0.94	1.02
Fairbanks	1.11	0.99	1.00

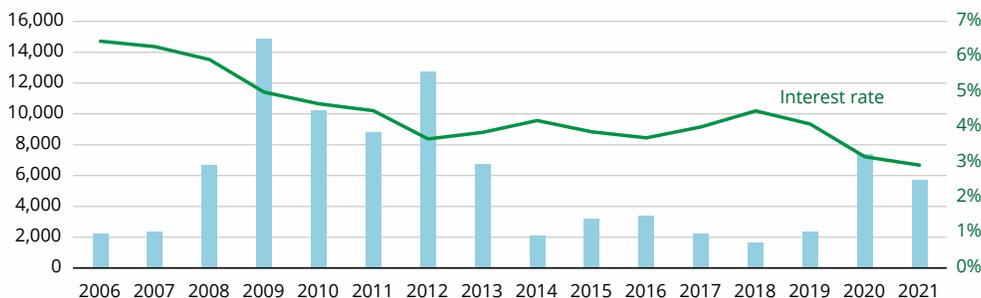
Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and Alaska Housing Finance Corporation

in lower-paying industries, such as food service and accommodation, disappeared. Those who remained in the workforce tended to have higher-paying jobs in less-affected industries.

Average wages rising while total wages and jobs decline is an unusual situation and an example of how the pandemic moved economic indicators in previously unseen ways. Another example is the unusually large pandemic relief payments that more than offset lost wages overall.

Even with higher average wages, interest rates are still driving affordability. To illustrate how rate

Alaska refinancing starts to cool off after 2020 jump



Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and Alaska Housing Finance Corporation

increases could reduce affordability in the coming months, we applied different interest rate values in increments of 25 basis points to the index while holding everything else constant, as shown in the graph on the previous page. Starting at an interest rate of 3 percent, the index value was 1.14, which was the 2021 average.

At an interest rate of 5.25 percent, which is a realistic near-term possibility, the index climbs to 1.5, meaning it will take one person's average earnings plus half of another's to afford a typical home — a big change.

With these rate scenarios, parts of the state that are already less affordable could see their markets change rapidly. The point at which buyers are priced out and things slow down isn't clear, but price increases on the level we saw in 2020 and 2021 will not be sustainable as rates continue to rise.

Affordability varied significantly by area, but all surveyed areas have become more affordable since COVID-19 hit.

Bethel has been the least affordable over time because its sales prices are high while wages are comparatively low. Even Bethel became more affordable recently; its index dropped from 1.7 earners needed before the pandemic to 1.55 and 1.65 in the two years that followed.

Homes in Juneau were more affordable than in Bethel and Ketchikan despite their high prices because Juneau's average wages are higher.

One of Alaska's most affordable housing scenarios is Anchorage workers buying Mat-Su homes. Anchorage wages were 32 percent higher than Mat-Su in 2021 while Mat-Su's average home price was 18 percent lower.

Refinancing activity cools off

History shows that quick interest rate drops spur a rush of refinancing. As the graph above shows, when interest rates fell in the second quarter of 2020, refinancing tripled, then remained elevated through mid-2021.

As rates began to level off in the second half of the year, refinancing slowed. Refinancing will likely return to prepandemic levels as rates continue to rise over the next several months.

Foreclosures remain low

In the second quarter of 2020, foreclosures dropped to their lowest level on record as owner protections kept many people in their homes during the pandemic.

Even though some protections expired in 2021, such as the moratorium on federally backed foreclosures, many options remain for people struggling to make monthly payments. As a result, foreclosures stayed low in 2021 and even declined a bit further from 2020.

While concern grew during the pandemic that a wave of foreclosures would follow the expiration of owner protections, frenzied home-buying appears to be keeping foreclosures down. With such a limited supply of houses for sale, homeowners facing foreclosure can often sell their homes before the process begins and even make a profit. For that reason, foreclosures will likely remain below average until demand subsides.

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The oil industry's recent wild ride

How prices, jobs, and wages fared over the last 2 years

By SARA TEEL

Unpredictability has been the norm for the oil industry in Alaska since the first barrel flowed down the Trans-Alaska Pipeline in 1977. But the last seven years — and especially the last two — have been a wild ride for jobs and prices.

When oil prices plunged in late 2014, triggering a statewide recession, Alaska's industry shed a record 4,800 oil jobs over the next three years. Pandemic-era losses haven't hit that level, but the storm isn't over.

The price of Alaskan oil fell to a record low of \$16.55 per barrel in April 2020 after the pandemic began, then skyrocketed over the \$100 mark in less than two years.

Oil and gas employment plummeted 30 percent between April and November and its recovery has been far more gradual at about 12 percent over the next year. Automation continues to reduce the need for workers, so when prices rise, even maintaining current production levels doesn't require as many people. (See the secondary article on the next page for more on production.)

North Slope crude price shoots up



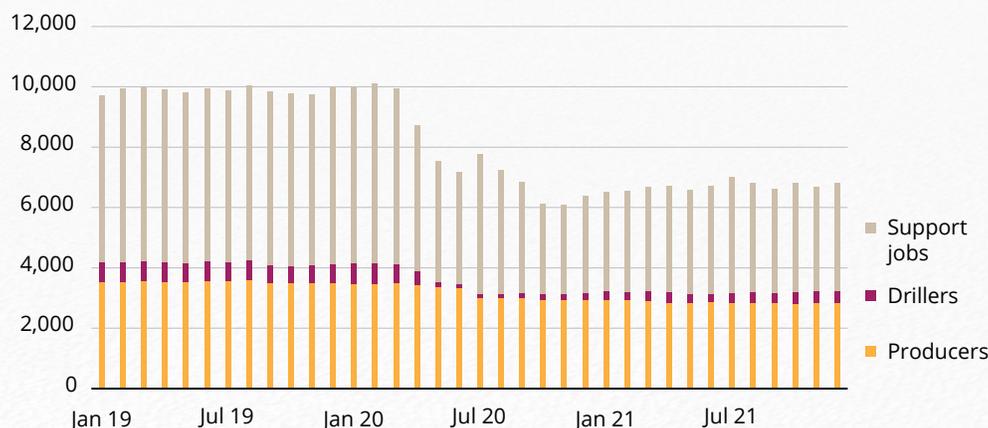
Source: Alaska Department of Revenue

A closer look at the oil price rollercoaster and job counts

In 2017, prices began to rebound from the 2015 lows. The industry increased activity, especially on the North Slope, and oil employment ticked back up. By 2019, the price reached around \$65 per barrel and the number of industry jobs broke the 10,000 mark again for the first time in two years.

Text continues on page 12

Oil and gas job count dropped in early 2020, stayed down



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Oil production: History and how Alaska stacks up now

How Alaska got into the game

Alaska began producing commercial crude oil in 1959 when the Richfield Oil Corporation struck oil on the Kenai Peninsula. While the state's oil potential was clear at the time, it wasn't until the 1970s that Alaska made its mark.

The giant Prudhoe Bay field was discovered in 1968, four years after the first North Slope lease sale. Still one of the largest oil fields in North America, Prudhoe's estimated original oil in place was 25 billion barrels, with a possible recovery of about 40 percent. (With decades of technological advancements, anticipated recovery is now around 60 percent.)

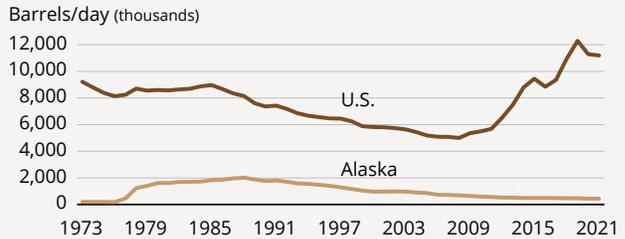
But there was no reliable way to transport the crude to market, and that led to the proposal of the Trans-Alaska Pipeline System before the year's end. Today, 95 to 98 percent of Alaska's yearly crude originates on the North Slope.

A huge jump in production and revenue, then the equation changed

In 1973, Alaska produced just 2.2 percent of the United States' oil. Five years and an 800-mile pipeline later, it jumped to 14.1 percent.

The first full year of production was 1978, with 165

Alaska's share of U.S. oil declines



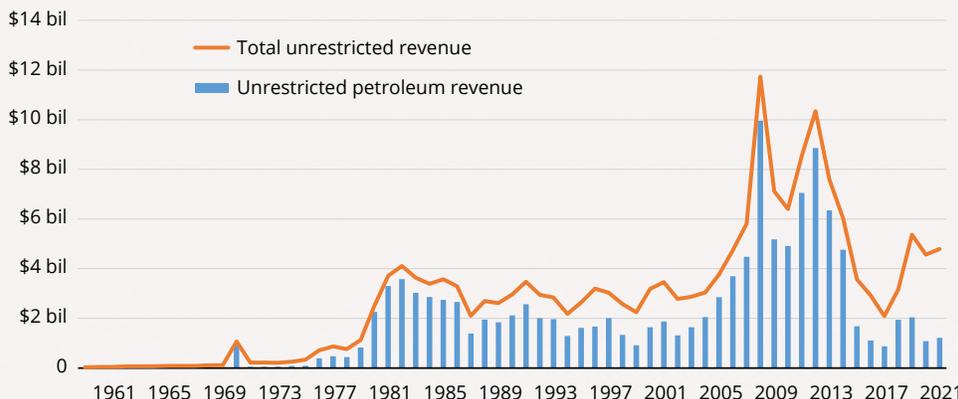
Source: U.S. Energy Information Administration

percent higher output than the year before and a hefty increase in petroleum revenue for the state. Within two years, petroleum revenue jumped from \$441.5 million to \$2.3 billion (in 2021 dollars: \$1.5 billion to \$6.3 billion).

By the early 1980s, petroleum revenue accounted for 80 to 90 percent of the state's unrestricted revenue. It was well over 50 percent in most of the years thereafter, depending on oil prices, until a legislative change in 2018.

That year, the state created a new revenue stream from the Alaska Permanent Fund's investment earnings using a percent-of-market-value draw. In that first year, an additional \$2.7 billion in general fund revenue became available. POMV markedly reduces the state's dependence on petroleum revenue, as the chart below shows.

Petroleum now a smaller share of total Alaska revenue



Note: Starting in 2019, the State of Alaska began to draw from the Permanent Fund earnings account using a percent-of-market-value approach, which decreased the share of revenue that comes directly from petroleum.

Source: Alaska Legislative Finance

Oil production by country, 2020

Area	Produced, mb/d*	Percent of world
1 United States	18,609	19.8%
2 Saudi Arabia	10,846	11.6%
3 Russia	10,496	11.2%
4 Canada	5,235	5.6%
5 China	4,863	5.2%
6 Iraq	4,152	4.4%
7 United Arab Emirates	3,780	4.0%
8 Brazil	3,769	4.0%
9 Iran	2,990	3.2%
10 Kuwait	2,735	2.9%
World	93,826	100%

*Petroleum and other liquids produced, in millions of barrels per day

Source: U.S. Energy Information Administration

How Alaska compares to other states

Alaska hit peak production in 1988 and became the top oil-producing state. Alaska crude represented 24.8 percent of all U.S. crude production, at 2 million barrels a day. Texas' production was a close second at 24.7 percent.

As Prudhoe Bay transitioned from a newly tapped greenfield to a mature brownfield (a field that has reached its peak production or has begun its decline), volume produced and its percentage of U.S. production fell. Production declines have been partially offset by new satellite fields such as Alpine and the use of secondary and enhanced oil recovery techniques.

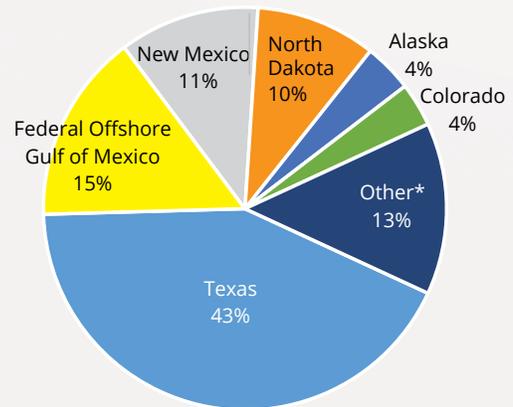
In 2021, Alaska produced about 437,000 barrels of oil per day, accounting for 3.9 percent of the U.S. total. Ninety-eight percent came from the North Slope.

Alaska now ranks fifth among producing states or regions, below Texas, the Federal Offshore Gulf of Mexico, New Mexico, and North Dakota.

Shale was the other factor in Alaska's shrinking piece of the production pie

The natural production decline isn't the only reason Alaska's share of U.S. production has fallen. Technological advancements in the oil and gas industry spurred the shale boom in the Lower 48. These

State shares of oil production, 2021



*Oklahoma 3%, California 3%, Wyoming 2%, all other 5%

Source: U.S. Energy Information Administration

advancements work better for some reservoirs than others.

The dual use of horizontal drilling and hydraulic fracturing (fracking) first benefitted U.S. natural gas production and made the U.S. one of the largest natural gas producers in the world, but crude wasn't far behind. (Note: To date, fracking has not been as common in Alaska as in the Lower 48.)

U.S. oil production had fallen every year from 1985 to 2008, leading many to speculate that it had peaked, but oil shale producers were soon able to access previously unattainable deposits of oil and gas. From 2008 to 2021, U.S. oil production increased 124 percent.

Meanwhile, the U.S. continues to grow global production share and is No. 1

According to the U.S. Energy Information Administration, in 2013 the United States once again became the leading global producer of petroleum and other liquids (for example, biodiesel, ethanol, other hydrocarbons, and liquids produced from coal, gas, and oil shale) at 13.6 percent of the world's total.

The U.S. share climbed steadily, to almost 20 percent in 2021. Saudi Arabia was second at 11.3 percent. Russia was third at 11.2 percent, but Russia's production will likely fall with the war in Ukraine and economic sanctions.

As the winter season wound down in early 2020, oil prices were expected to remain stable enough to spur investments and more jobs. Several large projects, namely Pikka and Willow, approached development. (See the end of this article for more on these two projects.)

Then, COVID-19 disruptions tanked oil prices again. Additionally, a price war between Russia and Saudi Arabia boosted global production as the two petrostates fought for market share in Asia. Contracts in the oil futures market expired in a way that caused a glut in crude oil supply. When stay-at-home mandates and other restrictions came worldwide that spring to slow the pandemic, demand collapsed and prices followed suit.

Oil production can't taper off so quickly, which put immense pressure on prices and storage capacity and resulted in daily spot prices in the unprecedented negative range for several days in 2020. A negative oil price means that due to oversupply, a seller must pay someone to take the oil, at least on paper. From February to April, Alaska North Slope crude's value fell 69.6 percent.

Demand for everything rebounded in 2021 as some pandemic measures eased up and vaccines rolled out. Pent-up demand pushed oil prices back up as people resumed working and going to school in person and made travel plans. Production cuts by OPEC countries also boosted prices.

Demand, supply chain constraints, inflation, and labor shortages all factor into the current jump in oil prices, compounded by the geopolitical uncertainty from the war in Ukraine. From April 2020 to April 2022, the price of Alaska North Slope crude increased from \$16.55 to \$109.41 per barrel — a whopping 561 percent.

In the past, the oil industry responded to higher prices by drilling more wells to increase production and revenue, but their risk tolerance has changed.

What Alaska's oil industry jobs paid in 2019 and 2021

	2019	2021	Change
All oil and gas jobs	\$150,259	\$180,475	20.1%
Producing	\$232,546	\$261,758	12.6%
Drilling	\$112,690	\$124,522	10.5%
Support	\$103,564	\$119,458	15.3%

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Where N. Slope workers lived in 2020

Residence	Workers on North Slope	Percent of Slope workers
Matanuska-Susitna Borough	1,560	37.7%
Anchorage, Municipality	1,261	30.4%
Kenai Peninsula Borough	978	23.6%
Fairbanks North Star Borough	202	4.9%
Yukon-Koyukuk Census Area	33	0.8%
Copper River Census Area	16	0.4%
Southeast Fairbanks Census Area	15	0.4%
Dillingham Census Area	14	0.3%
Lake and Peninsula Borough	10	0.2%
North Slope Borough	9	0.2%
Kodiak Island Borough	7	0.2%
Juneau, City and Borough	7	0.2%
Other	31	0.7%

Notes: Alaska residents only, as determined by Permanent Fund Dividend applications, who work in the North Slope Borough in oil and gas extraction and oilfield services. 64.6 percent of oil workers are residents.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Publicly traded oil companies face shareholder pressure to reduce capital expenditures and tighten up their balance sheets after several years of disappointing market returns. According to S&P Global, 2022 oil industry capital expenditures will top 2021 by 10 to 20 percent — far less than the 50 percent we'd normally see with recent high prices — although U.S. production is still likely to grow modestly.

Activity in Alaska's oil patch has been muted, though, and higher prices haven't spawned rapid job growth. Projects here often require long lead times and high up-front costs. Price volatility creates extra risk.

After Alaska's oil and gas employment hit its pandemic bottom in November 2020 at 6,074 jobs, it ticked up to 6,805 by December 2021, an increase of 12 percent. Oil prices, on the other hand, soared 77 percent over the same period.

The types of oil industry jobs and how they fared during COVID-19

For this article, oil industry jobs are those producing oil and gas or serving the industry directly. These jobs fall into three categories: producers, drillers, and oilfield support services.

In 2019, the oil and gas industry represented 3.0 percent of Alaska's jobs. After oil prices plunged in April 2020 and the economy contracted, that dipped

to 2.6 percent by year's end and averaged 2.2 percent in 2021. While oil jobs are a small share of total employment, they punch over their weight in wages, paying about two-and-a-half times the statewide average.

Like tourism, the oil industry lost more jobs than average during the pandemic. In 2019, Alaska averaged 9,885 jobs in oil and gas, which fell 32 percent by 2021, to 6,711. For comparison, Alaska lost 8 percent of its total employment in 2020, then added 2 percent the following year.

Oilfield support services, the largest slice of the industry, lost the most. These companies perform work such as fracking or workovers (maintenance or remedial treatment for existing wells) on a contract basis. Support services tend to rise and fall with oil prices.

In 2019, support services made up 58 percent of the oil industry's jobs. The 1,400 jobs lost in 2020, a 24.7 percent cut, was followed by another loss in 2021 of almost 800 jobs (-18.4 percent).

The number of producing jobs fell 9.2 percent in 2020 (-325) and another 10.7 percent in 2021 (-343). Drilling employment dropped 50 percent in 2020, although drillers make up just 6 percent of the oil industry in Alaska. In 2021, drilling was the only part of the industry to add jobs (23).

The pandemic pushed oil industry wages even higher

Oil and gas is known for paying the state's highest wages, at an average of \$150,289 in 2019. After employment fell 32 percent when the pandemic hit, the average annual wage rose to \$180,475 in 2021. (For comparison, the average Alaska job paid \$57,035 in 2019 and \$62,123 in 2021.)

Wage inflation and the types of jobs that were lost contributed to the higher average wage. Most of the lost jobs were from oilfield support services, which pays less than producing and drilling, and the loss of lower-paying jobs pushed up the industry average.

Oilfield support services' wages rose from \$103,564 in 2019 to \$119,458 in 2021. Drilling wages rose from \$112,690 to \$124,522, and producing wages increased from \$232,546 to \$261,758, which in this category included bonuses.

The year ahead for oil and gas is murky, with many factors in play

The uncertainties and obstacles of the last few years extend into this year's outlook. As mentioned earlier, companies face shareholder pressure to cut capital expenditures, and at the same time, some investors won't fund projects in environmentally sensitive areas such as the Arctic.

The price of oil must be relatively stable before the industry will invest in higher-cost, long-term projects. Prices are determined globally, though, and often hinge on investor and trader expectations.

At the same time, the war in Ukraine and the pending European Union ban on Russian crude are cutting the supply of crude oil and natural gas on the global market. New COVID-19 variants are an ongoing possibility, too, that could quickly alter people's choices and dampen demand.

Another question mark is China, a heavy user of crude and a major global manufacturer of goods. China's zero-tolerance approach to COVID has demanded factory and citywide shutdowns, leading to sudden drops in oil consumption and supply chain bottlenecks.

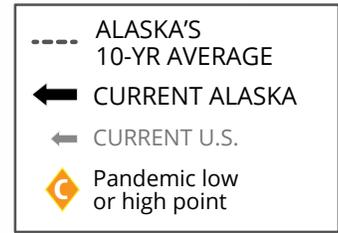
Alaska still has the Pikka and Willow projects on the near horizon, although steel piping for casing and other oilfield supplies as well as workers are becoming harder to find.

The North Slope's Pikka, discovered in 2013, is one of the largest conventional oil discoveries in the U.S. in the last 30 years. The Papua New Guinea-based company Oil Search acquired Pikka in 2018, and the state plans to issue its final investment decision in 2022. If it goes forward, drilling will begin in 2023.

Willow, first acquired by ConocoPhillips in 1999, saw its first Slope exploration wells drilled in 2016. ConocoPhillips anticipates 160,000 barrels of oil a day at Willow's peak, totaling 450-800 million barrels of recoverable oil at an estimated cost of \$8 billion. The permitting process began in 2018, although two court cases in 2021 delayed development. The U.S. Bureau of Land Management is conducting a supplemental environmental impact statement, and while construction could begin during the 2022-23 season, it will depend on a new record of decision.

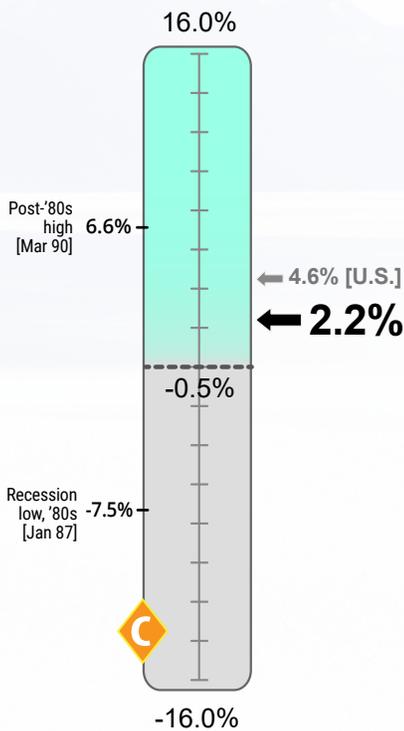
Sara Teel is an economist in Juneau. Reach her at (907) 465-6027 or sara.teel@alaska.gov.

Gauging The Economy



Job Growth

April 2022
Over-the-year percent change

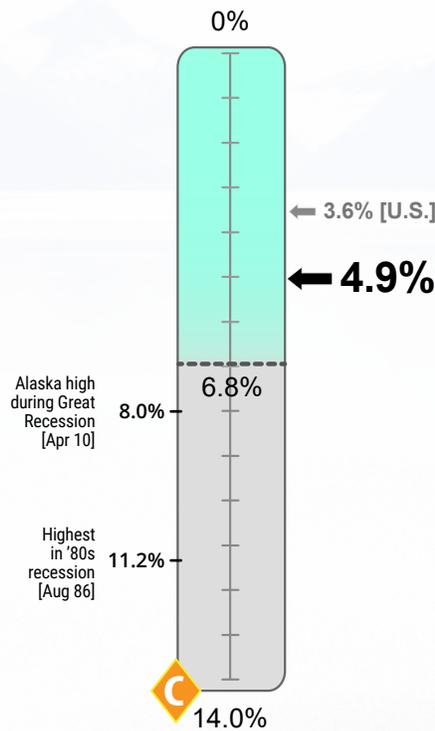


The spread of COVID-19 caused rapid job loss in early 2020. Although employment is up significantly from 2020, it is still 3.7 percent below April 2019.

U.S. employment, which was up 4.6 percent from April 2021, has now recovered to its April 2019 level.

Unemployment Rate

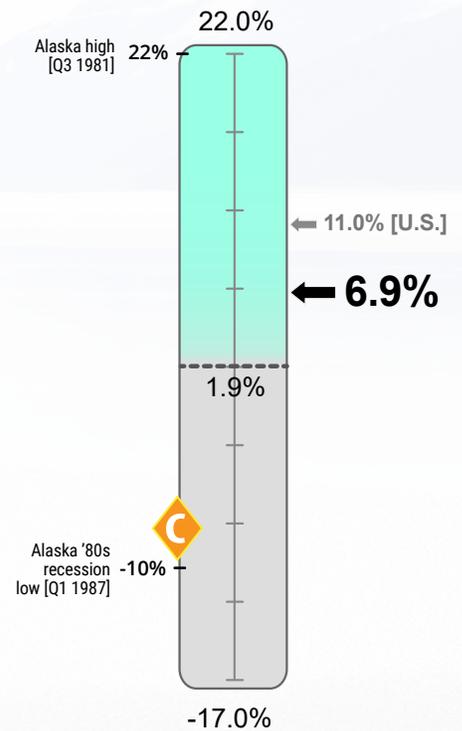
April 2022
Seasonally adjusted



Alaska's unemployment rate is near historic lows, though relatively high among states. Unemployment rates have been less reliable as a general economic measure during the pandemic and its aftermath for several reasons, including data collection difficulties.

Wage Growth

4th Quarter 2021
Over-the-year percent change



After being down during the second and third quarters of 2020, total wages paid by Alaska employers climbed above year-ago levels in the fourth quarter of 2020, where they have remained since.

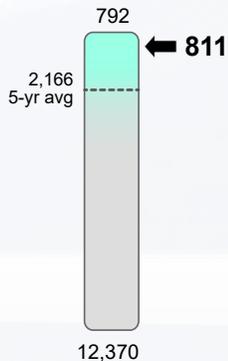
Wages were up 6.9 percent from year-ago levels in the fourth quarter of 2021 and 10.4 percent above fourth quarter 2019.

Gauging The Economy

----- ALASKA'S
10-YR AVERAGE
← CURRENT ALASKA

Initial Claims

Unemployment, week ending May 7, 2022*

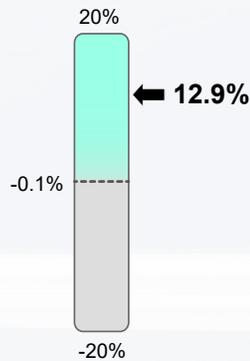


Unemployment claims jumped in the spring of 2020 with the pandemic as many businesses shut down or limited services. Pandemic-driven claims loads have fallen, and new claims for benefits are now well below their long-term average.

*Four-week moving average ending with specified week

GDP Growth

4th Quarter 2021
Over-the-year percent change*

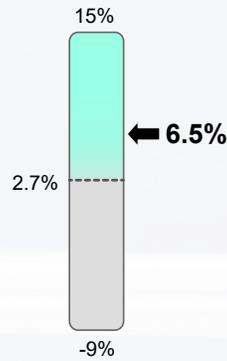


Gross domestic product is the value of the goods and services a state produces. Alaska's GDP fell hard in early 2020 but recovered most of those losses in 2021.

*In current dollars

Personal Income Growth

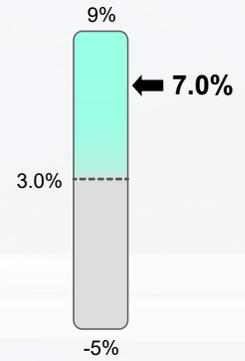
4th Quarter 2021
Over-the-year percent change



Personal income includes wages as well as investment, interest, and rent income and transfer payments from government.

Change in Home Prices

Single-family, percent change from prior year, Q3 2021*

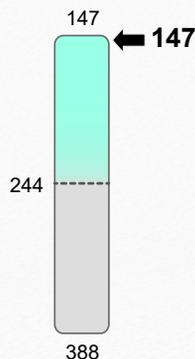


Home prices shown include only those for which a commercial loan was used. This indicator tends to be volatile from quarter to quarter.

*Four-quarter moving average ending with specified quarter

Foreclosures

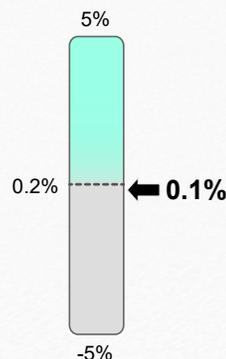
1st Quarter 2020



Foreclosure moratoriums have kept these numbers low during the pandemic.

Population Growth

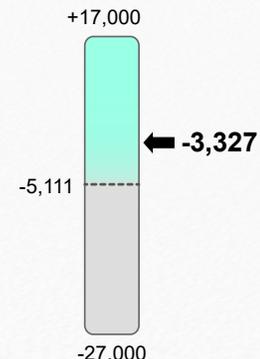
2020 to 2021



After four years of decline, Alaska's population grew slightly in 2021.

Net Migration

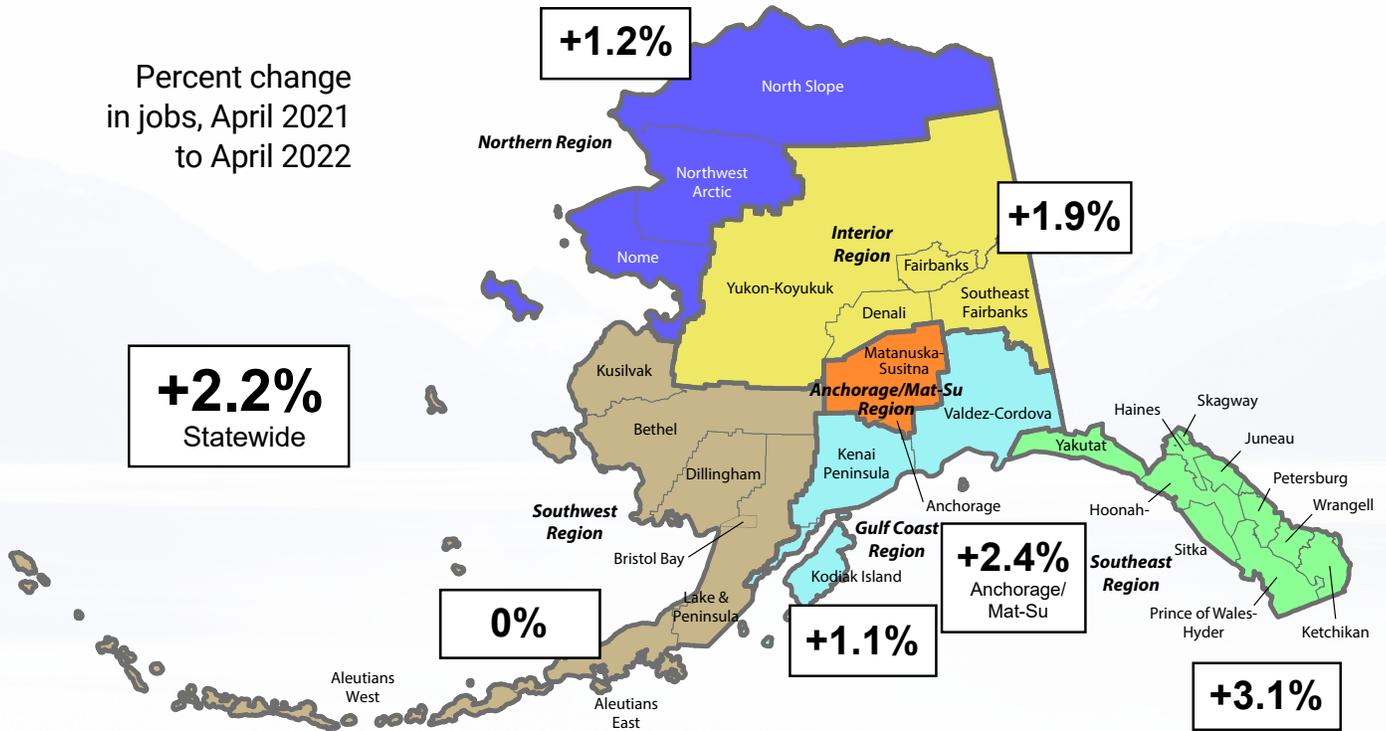
2020 to 2021



The state had net migration losses for the ninth consecutive year in 2021, although the loss was smaller than in recent years. Net migration is the number who moved to Alaska minus the number who left.

Employment by Region

Percent change in jobs, April 2021 to April 2022



Seasonally adjusted

	Prelim.		Revised
	4/22	3/22	4/21
United States	3.6	3.6	6.0
Alaska	4.9	4.9	7.0

Not seasonally adjusted

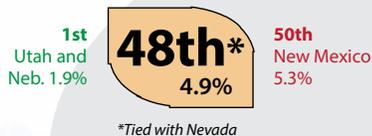
	Prelim.		Revised
	4/22	3/22	4/21
United States	3.3	3.8	5.7
Alaska	4.8	5.0	7.5

Regional, not seasonally adjusted

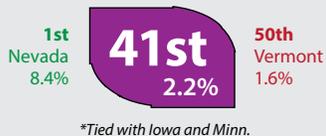
	Prelim.			Revised				Prelim.			Revised		
	4/22	3/22	4/21	4/22	3/22	4/21		4/22	3/22	4/21	4/22	3/22	4/21
Interior Region	4.6	4.8	6.4	Southwest Region	8.0	8.0	10.6	Southeast Region	4.3	4.8	7.3		
Denali Borough	11.4	14.4	15.9	Aleutians East Borough	1.4	1.7	2.1	Haines Borough	8.5	11.1	14.3		
Fairbanks N Star Borough	4.1	4.2	5.9	Aleutians West Census Area	2.5	1.9	2.5	Hoonah-Angoon Census Area	7.6	10.2	13.2		
Southeast Fairbanks Census Area	6.2	6.8	7.4	Bethel Census Area	11.8	11.4	15.1	Juneau, City and Borough	3.0	3.3	5.7		
Yukon-Koyukuk Census Area	10.7	11.0	12.7	Bristol Bay Borough	4.1	10.0	6.8	Ketchikan Gateway Borough	5.2	5.6	9.0		
Northern Region	8.8	8.7	10.6	Dillingham Census Area	6.9	7.4	10.1	Petersburg Borough	6.1	6.4	7.9		
Nome Census Area	9.7	9.8	11.4	Kusilvak Census Area	16.0	16.5	21.6	Prince of Wales-Hyder Census Area	6.4	6.9	9.1		
North Slope Borough	5.5	5.4	6.7	Lake and Peninsula Borough	8.4	9.6	11.3	Sitka, City and Borough	3.0	3.4	4.9		
Northwest Arctic Borough	10.9	10.7	13.4	Gulf Coast Region	5.8	6.2	8.5	Skagway Municipality	9.9	13.6	18.3		
Anchorage/Mat-Su Region	4.3	4.5	7.2	Kenai Peninsula Borough	5.8	6.3	8.8	Wrangell, City and Borough	5.6	6.0	8.2		
Anchorage, Municipality	4.0	4.0	6.9	Kodiak Island Borough	4.4	4.4	6.5	Yakutat, City and Borough	5.2	6.8	8.2		
Mat-Su Borough	5.5	6.0	8.0	Chugach Census Area	4.8	5.7	8.7						
				Copper River Census Area	12.6	14.6	10.8						

How Alaska Ranks

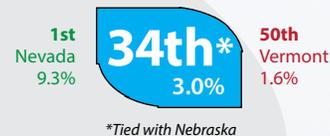
Unemployment Rate¹



Job Growth²



Job Growth, Private²



Job Growth, Government²



Job Growth, Leisure and Hospitality²



Note: Government employment includes federal, state, and local government plus public schools and universities.

¹April seasonally adjusted unemployment rates

²April employment, over-the-year percent change

Sources: U.S. Bureau of Labor Statistics; and Alaska Department of Labor and Workforce Development, Research and Analysis Section

Other Economic Indicators

	Current		Year ago	Change
Urban Alaska Consumer Price Index (CPI-U, base yr 1982=100)	241.698	2nd half 2021	227.258	+6.4%
Commodity prices				
Crude oil, Alaska North Slope, * per barrel	\$107.20	Apr 2022	\$64.59	+65.08%
Natural gas, Henry Hub, per thousand cubic feet (mcf)	\$6.51	Apr 2022	\$2.68	+142.91%
Gold, per oz. COMEX	\$1,848.40	5/23/2022	\$1,886.70	-2.03%
Silver, per oz. COMEX	\$21.67	5/23/2022	\$28.06	-22.77%
Copper, per lb. COMEX	\$4.28	5/23/2022	\$4.13	-5.52%
Zinc, per lb.	\$1.70	5/23/2022	\$1.39	+22.30%
Lead, per lb.	\$0.99	5/23/2022	\$0.99	0%
Bankruptcies				
Business	29	Q1 2022	63	-53.97%
Personal	0	Q1 2022	5	-100%
Personal	29	Q1 2022	58	-50.00%
Unemployment insurance claims				
Initial filings	4,299	Apr 2022	15,756	-72.72%
Continued filings	21,977	Apr 2022	56,046	-60.79%
Claimant count	6,331	Apr 2022	13,833	-54.23%

*Department of Revenue estimate

Sources for this page and the preceding three pages include Alaska Department of Labor and Workforce Development, Research and Analysis Section; U.S. Bureau of Labor Statistics; U.S. Bureau of Economic Analysis; U.S. Energy Information Administration; Kitco; U.S. Census Bureau; COMEX; NASDAQ; Alaska Department of Revenue; and U.S. Courts, 9th Circuit

SAFETY MINUTE

Vehicle accidents are the biggest risk to oil workers

Vehicle crashes are the leading cause of worker deaths in the oil and gas extraction industry, representing about four in every 10 fatalities. Workers and equipment must be transported to and from well sites, which are often remote and require traveling long distances in cars, pickups, crew vans, and buses.

The following mitigation suggestions address hazards that make transporting personnel riskier.

The lack of pre-trip planning can leave hazards unidentified.

- Plan trips using risk assessment and transport-related job safety analysis.
- Use a journey management program. Companies can manage journeys better when they question the travel requirement and select the safest routes, driving conditions, drivers, and vehicles.

Distracted driving involves anything that attracts the driver's attention, no matter how briefly.

- Do not allow texting or phone conversations while driving.
- Use an in-vehicle monitoring system to scrutinize driving habits.
- Implement vehicle safety programs and employee training.

Driving while sick or fatigued can result in a loss of attention or control or cause drivers to fall asleep at the wheel.

- Manage fatigue by understanding circadian rhythms and recognizing and treating sleep disorders.
- Limit working hours and respect the Department of Transportation and Public Facilities' hours of service rules.
- Stress the importance of STOP WORK authority when a worker is too sick or tired to drive.

Bad weather (snow, ice, heavy rain, fog) and **poor road conditions** (potholes, poorly maintained unsurfaced roads, unexpected obstacles) raise driving risk.

- Implement journey management and trip planning programs.
- Educate drivers on the specific road types and weather they might encounter.
- Check weather forecasts for the planned travel and limit driving during poor weather, using STOP WORK authority if necessary.
- Identify rest areas in case of bad weather.

Improper vehicle maintenance can contribute to mechanical failure and loss of control while driving.

- Establish a preventative maintenance program for all vehicles and require drivers to inspect all commercial and noncommercial vehicles before use.
- Consider using a vehicle maintenance tracking program.

Night driving limits visibility and can compromise depth perception, color recognition, and peripheral vision. The glare from oncoming headlights can also temporarily blind a driver.

- Use a journey management program to limit night driving.
- Maintain vehicles to ensure lights function properly.
- Train employees to drive defensively and slow down to avoid over-driving the headlights' reach.

Collisions with wildlife can damage vehicles or cause severe accidents if drivers lose control or leave the road to avoid animals.

- Use journey management to avoid times of day when wildlife is most active.
- Provide driver training and emphasize remaining extra alert in places where wildlife roams.
- Fit vehicles with brush guard bumpers and deer whistles.

Loose objects in a vehicle will become high-speed projectiles in an accident.

- Ensure loads are secured before any trip, using cargo straps or tie-downs to secure heavy objects in the trunk of a car or truck bed.
- Avoid having objects loose in the cab that could interfere with driving or control.

Road rage can quickly escalate and cause an accident or physical altercation.

- Provide defensive driver training and report aggressive drivers.
- Ensure drivers know how to avoid exacerbating or escalating a confrontation.

This Safety Minute was written by Mitch Wallace, safety consultant for the Alaska Occupational Safety and Health Consultation and Training Section of the Department of Labor and Workforce Development. For more information on keeping your employees safe, please visit labor.alaska.gov/lss/oshhome.htm.



ALASKA DEPARTMENT OF LABOR & WORKFORCE DEVELOPMENT

11 a.m.-3 p.m. Thursday,
June 30, 2022
675 7th Ave., Station B

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