

# How National and Local Events Are Shaping the Alaskan Economy

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A Joint Presentation of

Alaska Permanent Capital Management and  
Northern Economics, Inc

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September 22, 2010



# Our Road Map

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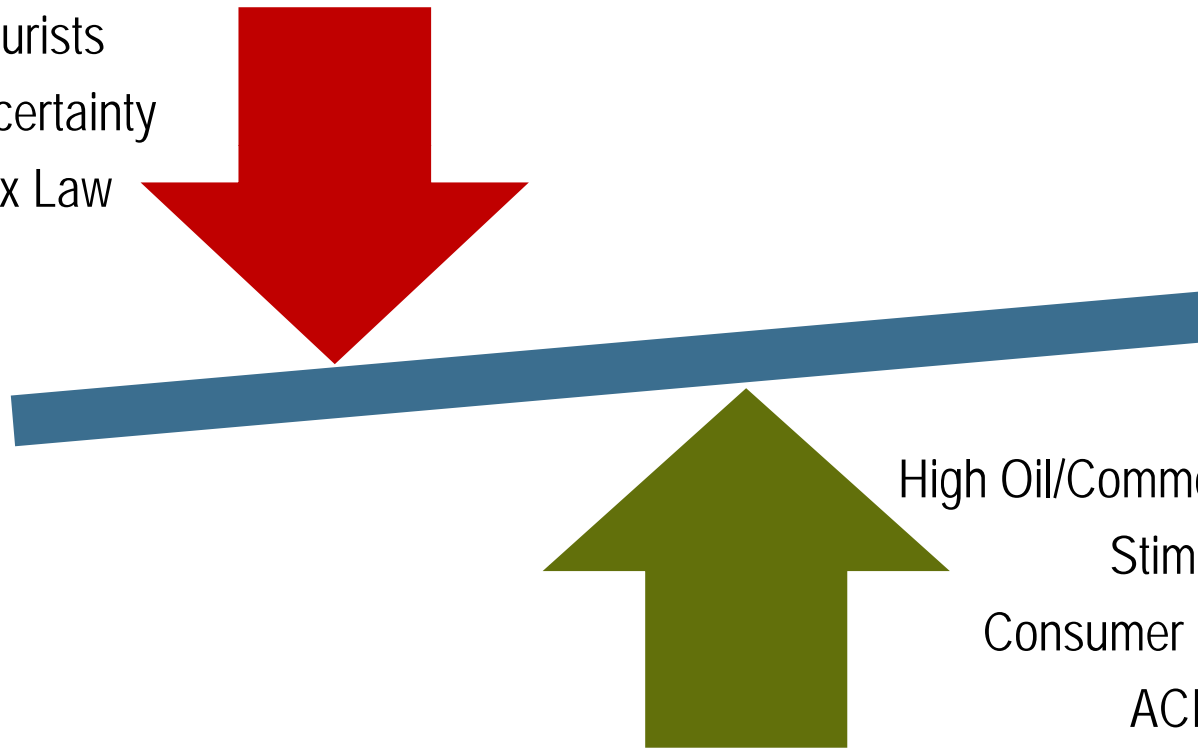


- Predicted Themes for 2010
- Alaska's Economic Performance in 2010
- Near Term Expectations
- Critical Future Issues

# Predicted Economic Themes for 2010

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High Energy Prices  
Fewer Tourists  
AGIA Uncertainty  
ACES Tax Law

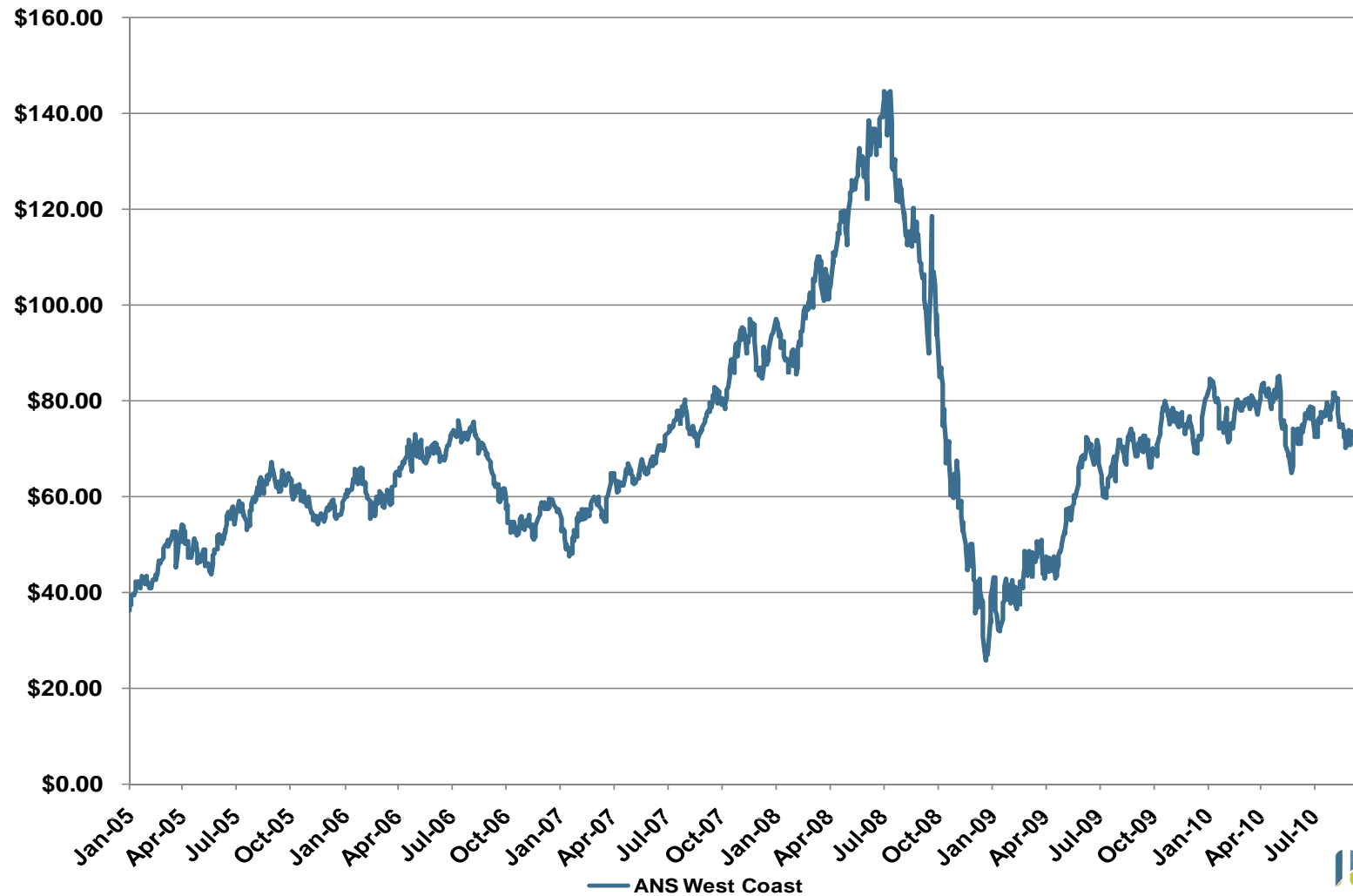


# What Were Our Predictions for 2010?

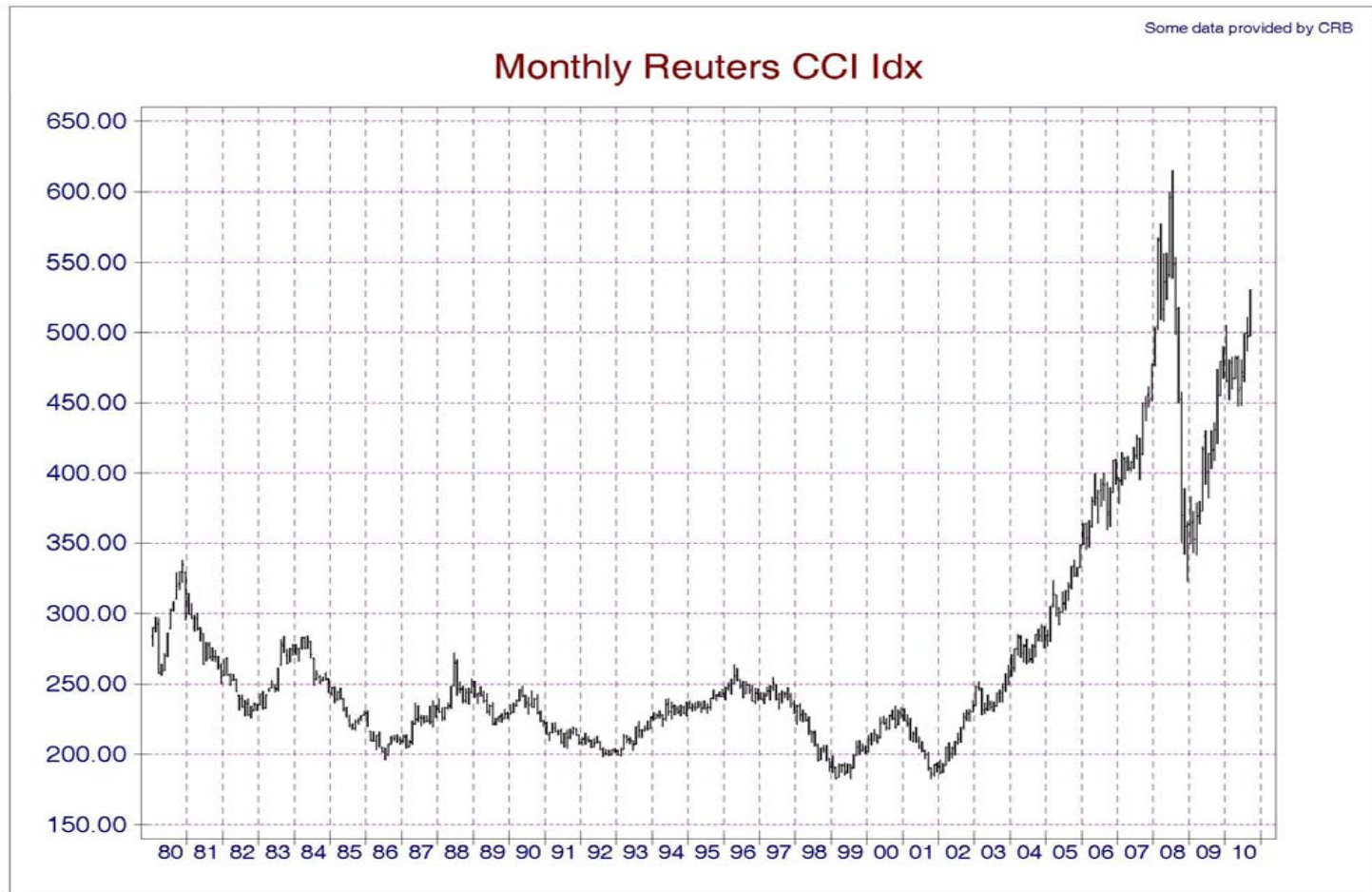
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- Alaska's economy should begin to recover late in the 2<sup>nd</sup> quarter, or in the 3<sup>rd</sup> quarter at the latest.
- By the end of 2010 jobs will increase by 1,800, or 0.4%, but Q1 2010 comparisons will be ugly.
- GSP will increase \$2.6 billion, or 6.1%, to \$46 Billion; primarily due to higher average crude oil prices.
- Even with the beginning of a recovery, total employment in the state will be lower at the end of 2010 than it was in 2008 before the recession began

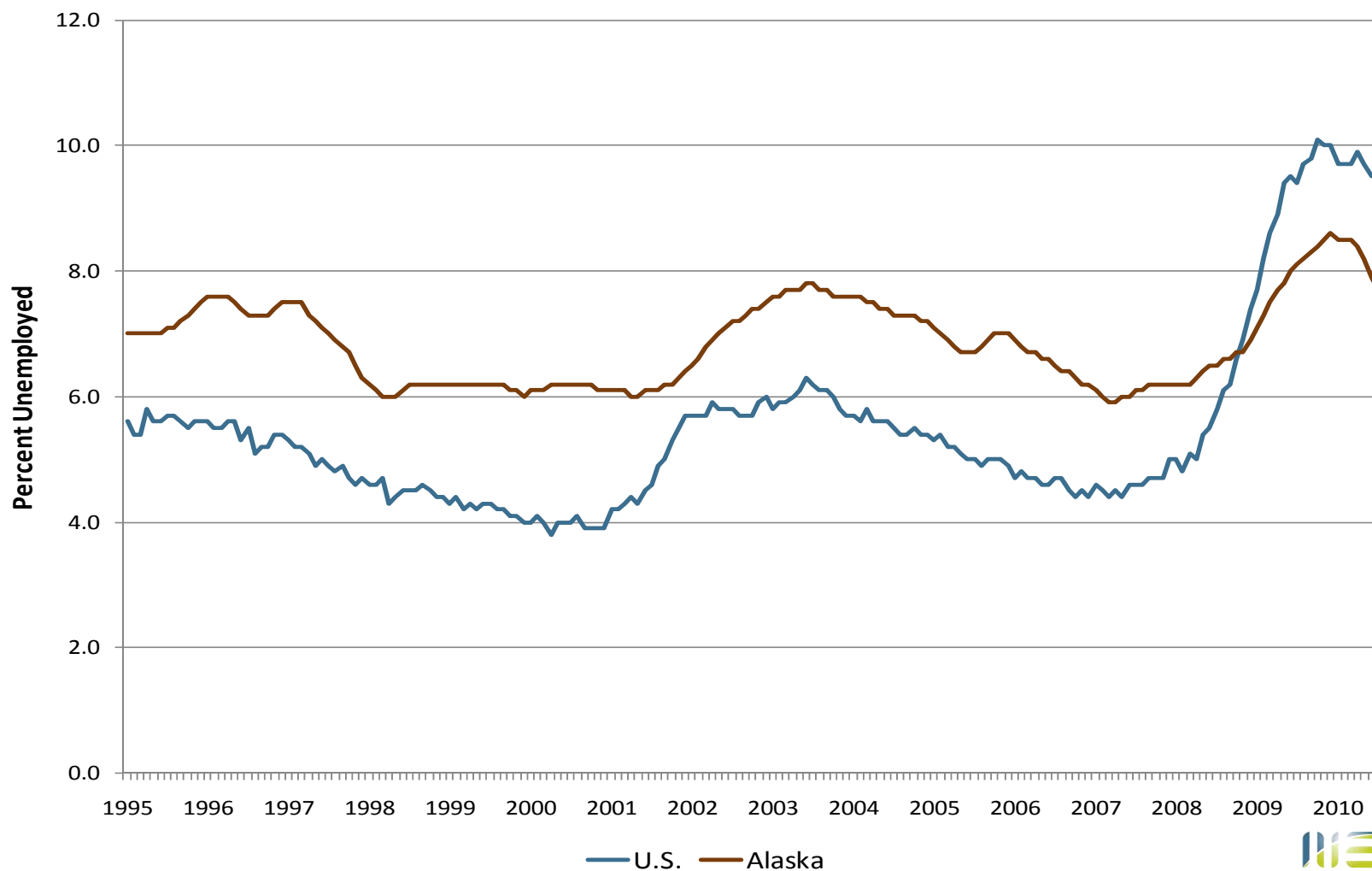
# ANS Oil Prices- Holding, But Not Up Much from 09



# Other Commodities Rebounded Sharply



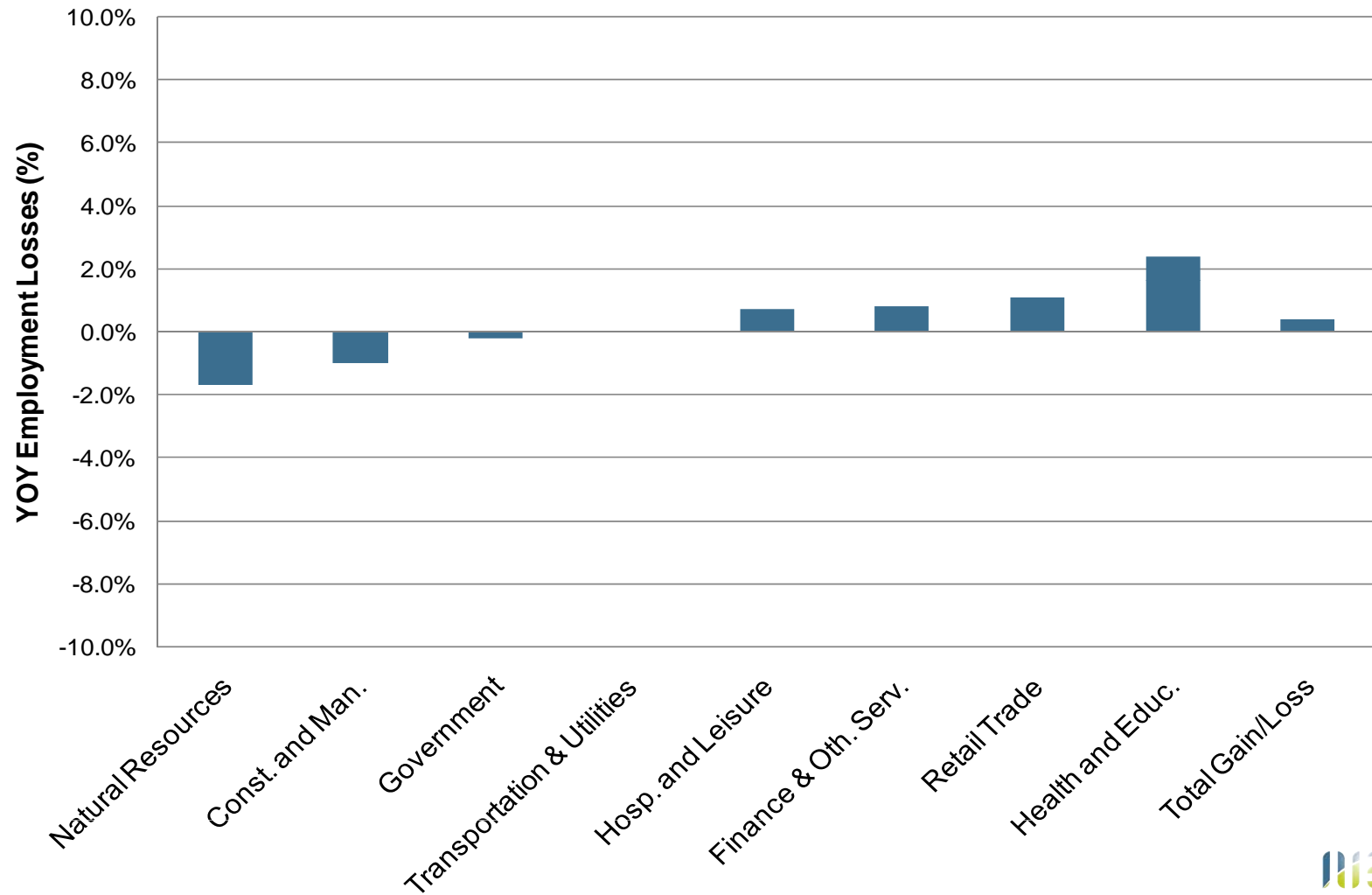
# U.S. and Alaska Unemployment Rate



## We Predicted An Uneven Swing Towards Recovery

Industry	Change in Jobs	
	Number	Percent
Natural Resources	-500	-1.7%
Construction and Manufacturing	-400	-1.0%
Government	-200	-0.2%
Transportation and Utilities	0	0.0%
Hospitality and Leisure	300	0.7%
Finance and Other Services	800	0.8%
Trade	600	1.1%
Health and Education	1,200	2.4%
<b>Total Change</b>	<b>1,800</b>	<b>0.4%</b>

# Health and Education Would Lead the Way....

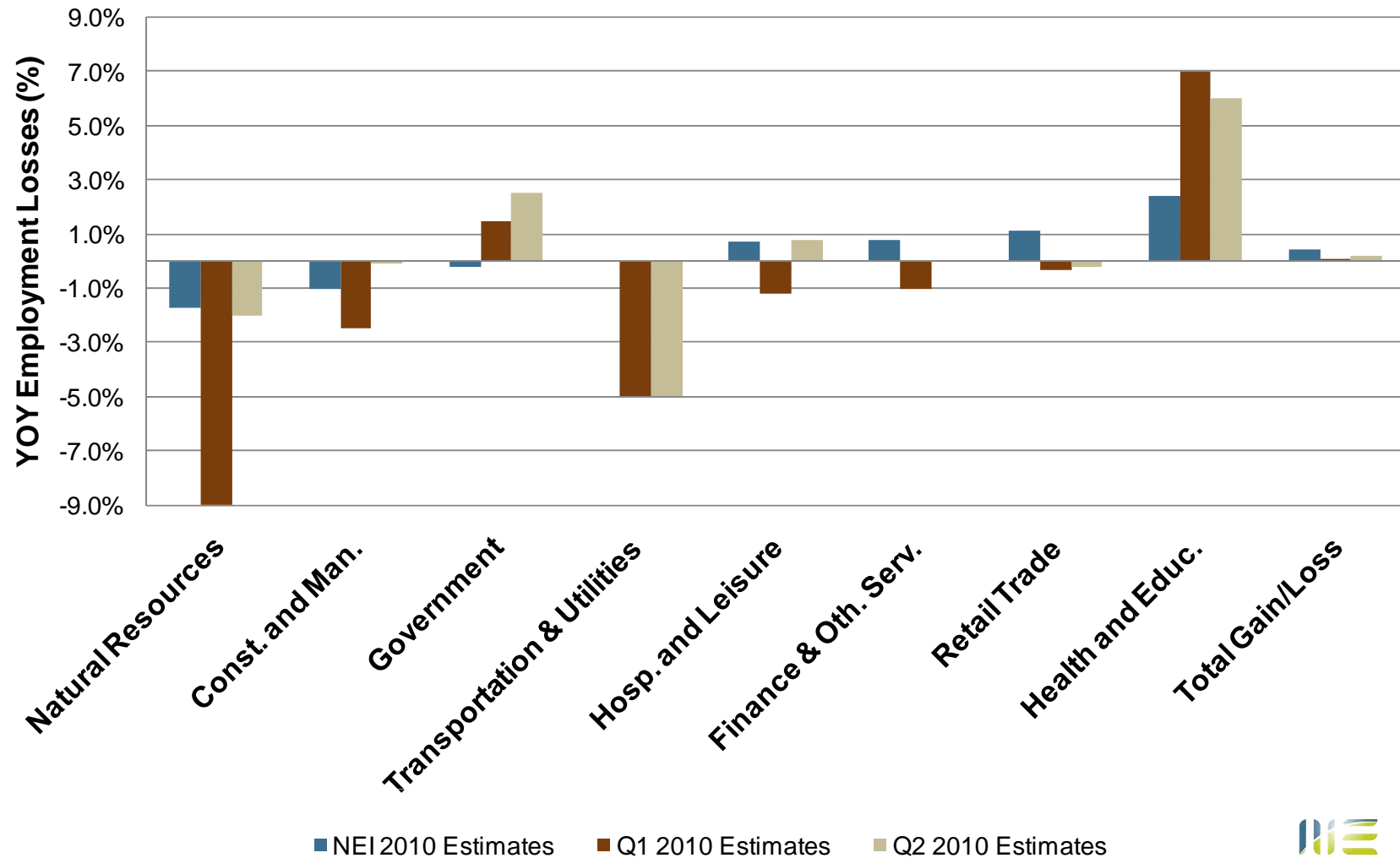


Source: NEI Estimates 2010.

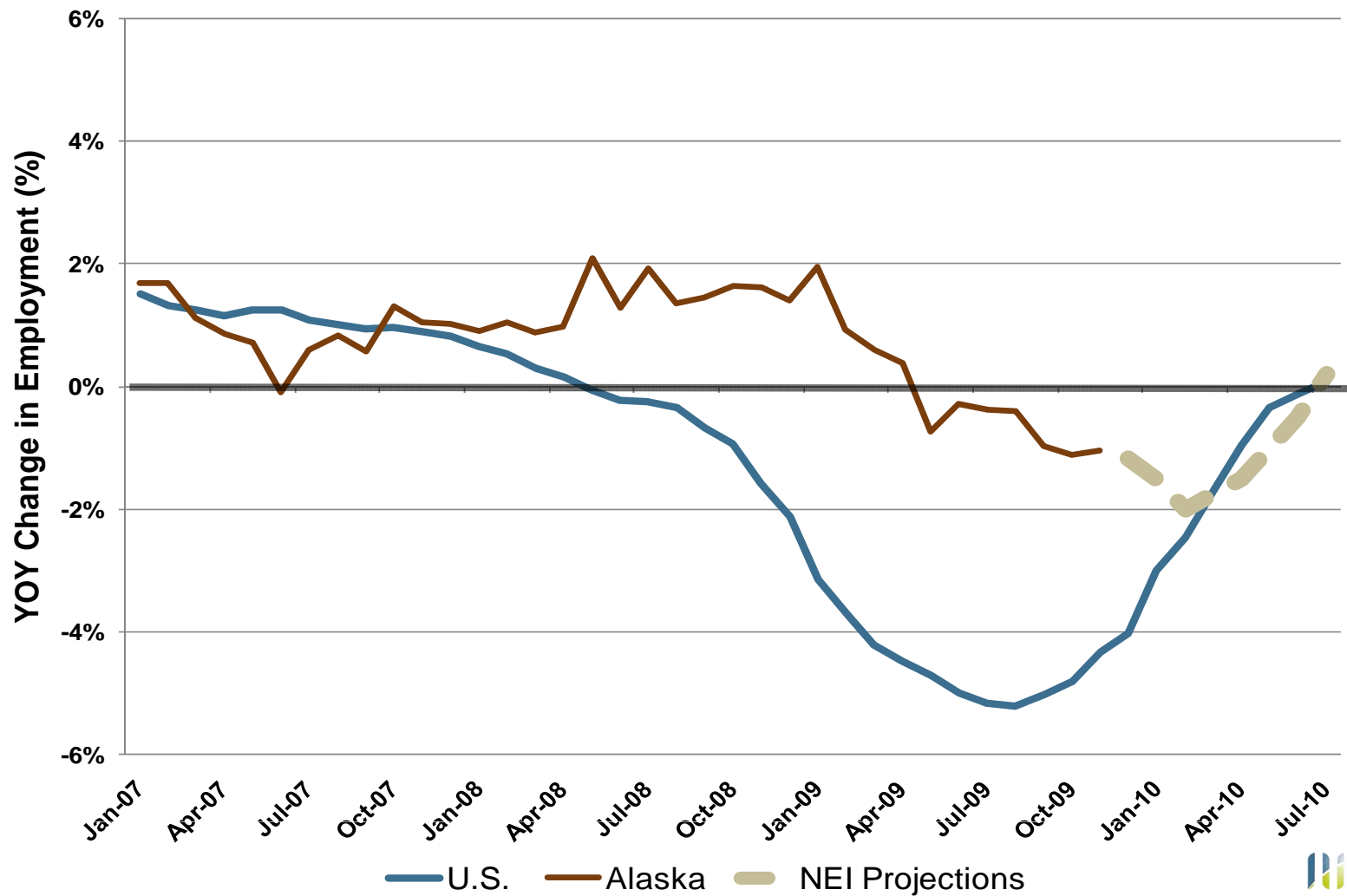
## 2010 Jobs : An Uneven Swing Towards Recovery

Industry	Change in Jobs		
	NEI 2010 Est	Q1 2010 Est	Q2 2010 Est
Natural Resources	-1.7%	-9.0%	-2.0%
Construction and Manufacturing	-1.0%	-2.5%	-0.1%
Government	-0.2%	1.5%	2.5%
Transportation and Utilities	0.0%	-5.0%	-5.0%
Hospitality and Leisure	0.7%	-1.2%	0.8%
Finance and Other Services	0.8%	-1.0%	0.0%
Trade	1.1%	-0.3%	-0.2%
Health and Education	2.4%	7.0%	6.0%
<b>Total Change</b>	<b>0.4%</b>	<b>0.1%</b>	<b>0.2%</b>

# 2010 Jobs: An Uneven Swing Towards Recovery



# Current (US) & Projected (AK) 2010 Trends



# Alaska Confidence Review

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- Quarterly Survey of 750 Alaskans
  - Anchorage Oversample
  - Cell Phone Subset
- Q1- Economy in Neutral with Slightly Improving Conditions
- Q2- Economy in Neutral with Slightly Worsening Conditions

# Near-Term Themes for 2011

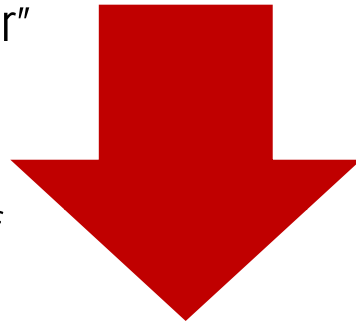
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Consumer Confidence

"Uncertainty in the Air"

Fed. Budgetary Pressures

Continued erosion of Congressional seniority?



2010 Capital Budget  
High Commodity Prices  
Consumer Confidence  
Favorable Exchange Rates

# Plotting a Long-Term Course in Uncertain Waters

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## ■ Certainly Uncertain

- Regulatory Environment
- ANS Gas Pipeline
- Aging Labor Force
- Rural/Urban Economics

## ■ Developing Strengths

- Maturation of ANCSA  
Firms and the UA System

# Regulatory Uncertainty

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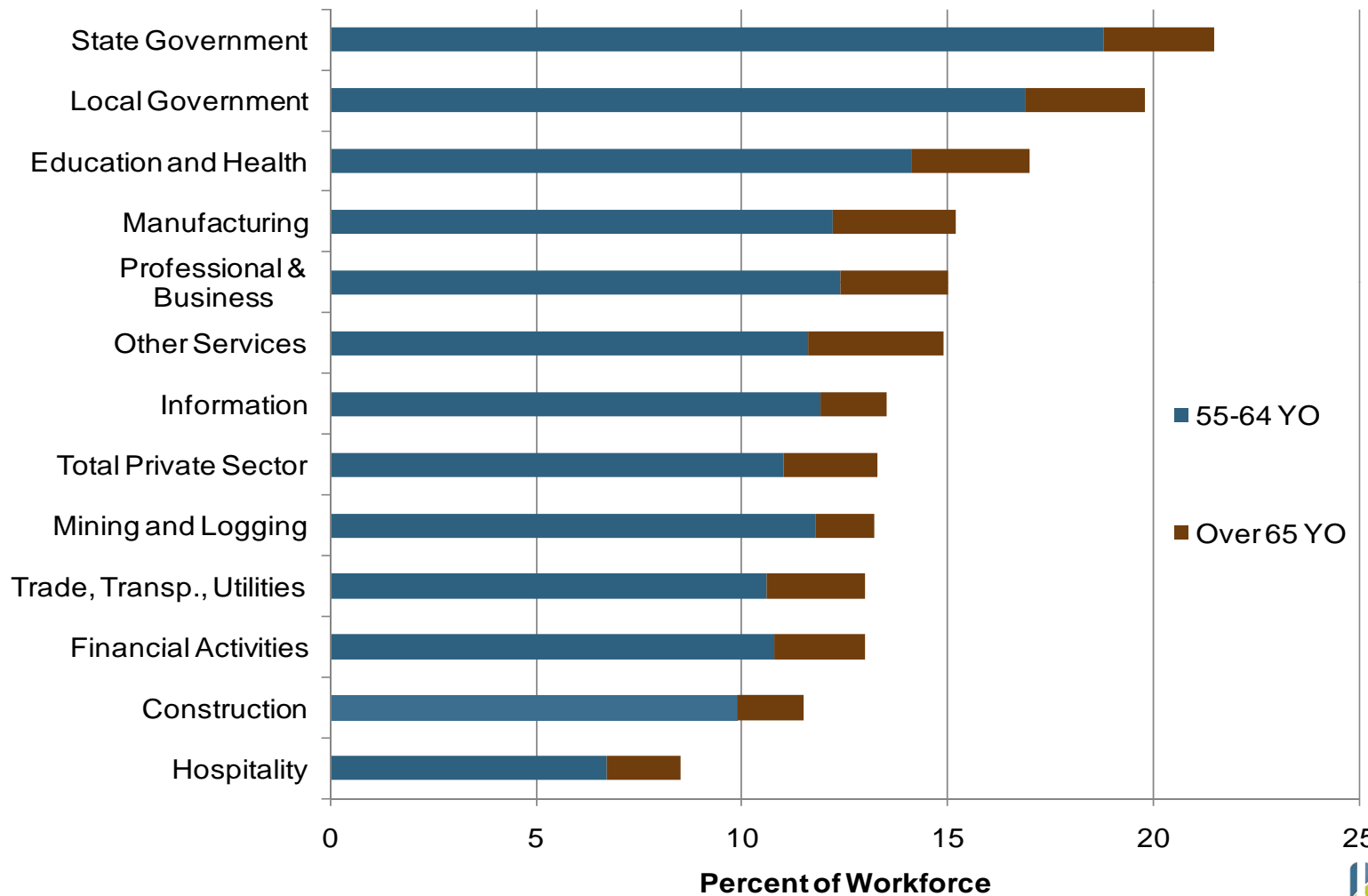
- What will be the effect of the Macondo well disaster on Alaska?
- At a minimum, higher costs for OCS activities
- Potential for no OCS activities until spill cleanup in ice demonstrated
- Seasonal restrictions?

# ANS Natural Gas Pipeline

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- Completion of Open Season
  - Early next year?
  - Merging of APP and Denali?
  
- Fiscal certainty and gas taxes still need to be resolved
  
- The gas pipeline or OCS development will be required to keep TAPS operating in the longer term; exploration for gas will result in additional oil discoveries

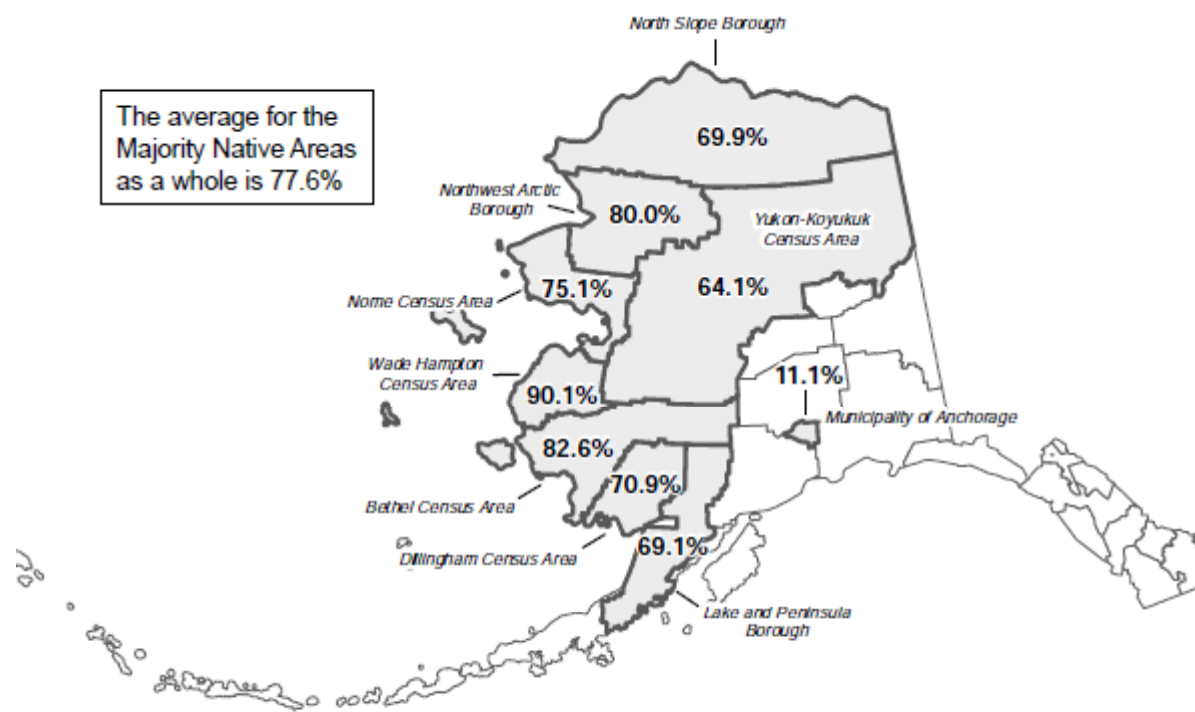
# AK's Aging Labor Force- Replacing the Boomers



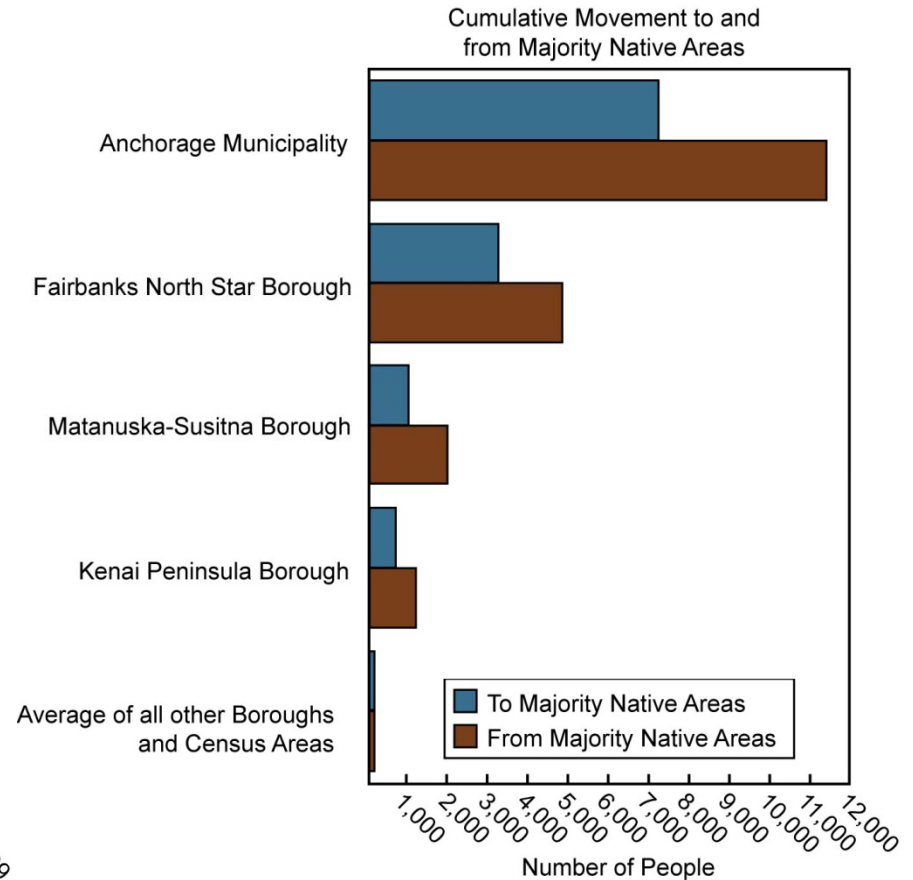
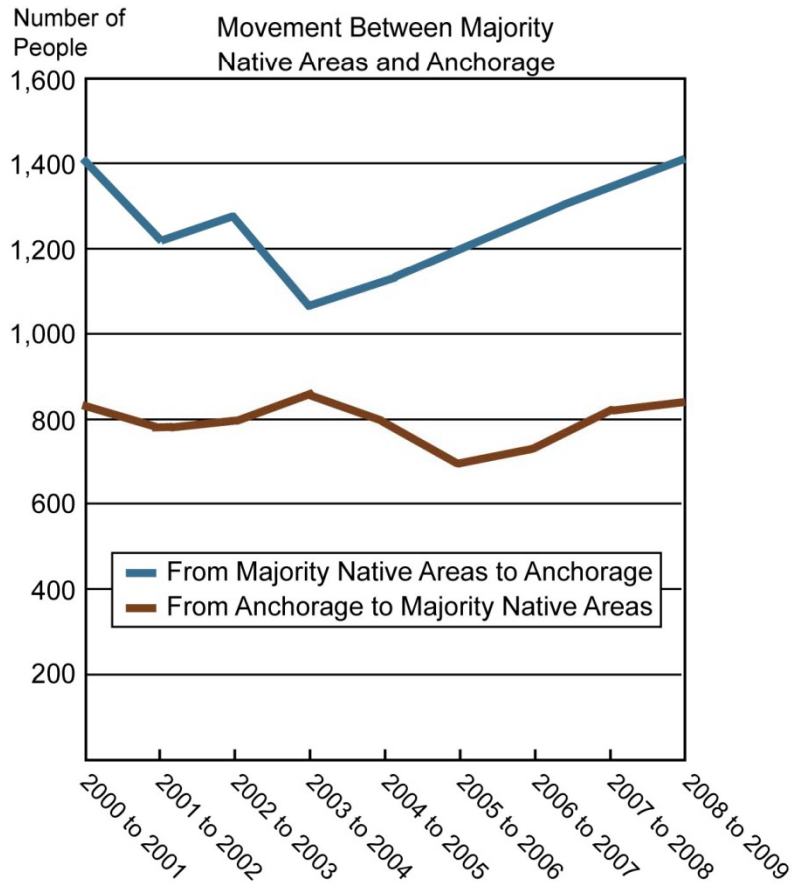
# A Tale of Two States.....

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- The Majority Native areas (shaded) exhibit higher costs of livings and higher rates of unemployment than non-Majority areas (unshaded).
- Migration from Majority Native Area (shaded) is lowering population in that area by an average of 1 percent per annum and increasing growth rates in urban areas.



# So, How Do We Create Sustainable Communities?



# Maturing In-State Entities

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## ■ UA System

- Investing in skills sets Alaska needs — ANSEP, Health Sciences, Life Sciences.

## ■ ANCSA Firms/CDQ Groups

- Growing and maturing economic force.

# Where Goeth Alaska?

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- Life is always uncertain in a resource-based economy.
  - Is now a more uncertain time than in 80s or in 1998?
- Non-resource sectors have matured over the last decade and will continue to do so, but won't replace key basic industries.

