

# Briefings

Northern Economics, Inc.

December 2008 Vol. 10, No. 1

Helping society make better decisions

## Ringing in the New

Economists always like to stay ahead of the curve, so we're getting a jump on the New Year with a few new things of our own. With this newsletter we're unveiling our new logo and newsletter design, as well as announcing our new, totally redesigned website.

The site has new features such as the "News and Current Work" page, which gives synopses of our ongoing projects as well as links to relevant news articles on other sites and links to our blog and previous newsletters. Visit us at [www.northerneconomics.com](http://www.northerneconomics.com), check out our blog, and give us your comments!



Visit our website at [www.northerneconomics.com](http://www.northerneconomics.com)

### A new address for our Bellingham office

Our Bellingham office has moved to a new location, though our phone and fax numbers haven't changed. Our new address:

114 W Magnolia Street, Suite 411  
Bellingham, WA 98225

## RDC Closing Address: Predictions for 2009

Northern Economics' Principal Jonathan King was invited to give the closing presentation for the Resource Development Council's 29<sup>th</sup> Annual Conference. It doesn't take a crystal ball to see that the outlook for 2009 isn't as rosy as we'd like, but the news isn't all bad. A summary of the presentation is on page 2. You can see the complete presentation on the RDC website: <http://www.akrdc.org/membership/events/conference/2008/presentations/>. Scroll to the bottom of the page for links.

### The Best New Additions of the Year!



Abbey Schenken

Congratulations to Bill Schenken of our Bellingham office and his wife Andrea MacLennan on the birth of a beautiful baby

girl, Abigail Violet Schenken on July 16<sup>th</sup>.

And earlier this year (February 18<sup>th</sup>) Principal Jonathan King and his wife Elizabeth welcomed a new addition to their family, Alden McAllister King.

Both little ones are happy and healthy. So are their parents, but not as well rested as before for some reason...



Alden King



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# RDC Presentation: An Outlook for Alaska's Resource Industries In 2009

As the presentation's full, rather daunting title—"Financial Crises and a Global Economic Recession: An Outlook for Alaska's Resource Industries In 2009"—might suggest, the immediate outlook for Alaska's resource sectors, like the rest of the nation's, is definitely diminished for 2009. But the news for Alaska isn't all bad. Here is a summary of the outlook for each RDC sector: Forestry, Fisheries, Tourism, Mining, and Oil & Natural Gas.

## Forestry

Forestry employment and wages in 2009 will hold steady. Throughout Alaska, we are seeing an increasing emphasis on wood as a fuel, and small firewood and hardwood mills holding steady as well.

## Fisheries

The short-term resurgence in the US dollar is making our products comparatively more expensive abroad, and prices are lower overall because of the global recession.

## Tourism

2009 may be hard for the tourism industry. In 2008, border crossings and enplanements were down significantly from 2007 and reflect a trend related to fuel prices. We expect further reductions in 2009. Domestic travelers are looking at their 401(k) balances. For international travelers, with the rise in the U.S. dollar, Alaska in 2009 will not be as inexpensive a destination as it was in 2008. And, of course, the global recession has hit European markets as well. If employment and wages in the visitor industry are flat in 2009 it will be a victory.

## Mining

In 2008, the base metal index is down more than 50 percent, while precious metals are holding up slightly better. We expect base metal prices to remain under pressure in the short-term. Since exploration follows base metal prices, we expect that exploration expenditures will be down in 2009. However, production employment should hold up if the downturn is short-lived.

## Oil and Natural Gas

Oil prices have returned to 2004 prices, while natural gas has returned to '06/'07 lows.

## Oil

The Energy Information Administration (EIA) is predicting prices around \$75 per barrel in 2009, which is the price the State of Alaska needs to break even for the FY2010 budget. We expect reduced exploration worldwide and in Alaska.

## Natural Gas

EIA is predicting average well head prices of \$6.75 per Mcf for natural gas. Big pipe fieldwork will move forward as Denali enters its second full field season, and TC Alaska enters its first full field season. The Alaska Natural Gas Development Authority (ANGDA) is ahead of the big pipe in its process. The work on the EIS for the pipeline to transmit ANS gas to Fairbanks and Southcentral Alaska will start in late December 2008. ANGDA is prepared to meet the Denali and TC timelines for open seasons with its own open season for in-state gas demand, and will host a gas-fed, value-added industry conference on April 27, 2009.

## Silver Lining: the Long Term Story

With all the gloomy news about the current economic outlook, it's important to take a step back and look at the broader, long-range picture. In this bigger picture, Alaska's future looks much brighter.

Alaska is a resource-rich state and when the dust from the current economic storm settles, world commodity demand will return. In the long run, developing economies around the world, including Brazil, Russia, India and China, will continue to drive commodity markets, particularly as their citizens continue to migrate from rural to urban settings and seek a "western" standard of living.

Take, for example, China. China still needs to grow at seven percent per year just to cover rural-to-urban migration. The country has recently embarked on a program to make \$560 billion in infrastructure improvements, and holds \$2 trillion in foreign currency reserves. Less than half-way through the conversion from a rural society to an urban society, China will be a major economic engine in the future, and will have a long-term appetite for much of what Alaska has to offer.

Furthermore, there is still no long-term universal replacement for fossil fuels. As long as that remains the case, Alaska's oil and gas resources will continue to find a market.