

The Great Recession and Outlook for Alaska Resource Industries

RESOURCE DEVELOPMENT COUNCIL
Growing Alaska Through Responsible Resource Development



Alaska Resources 2010, RDC
November 19th, 2009

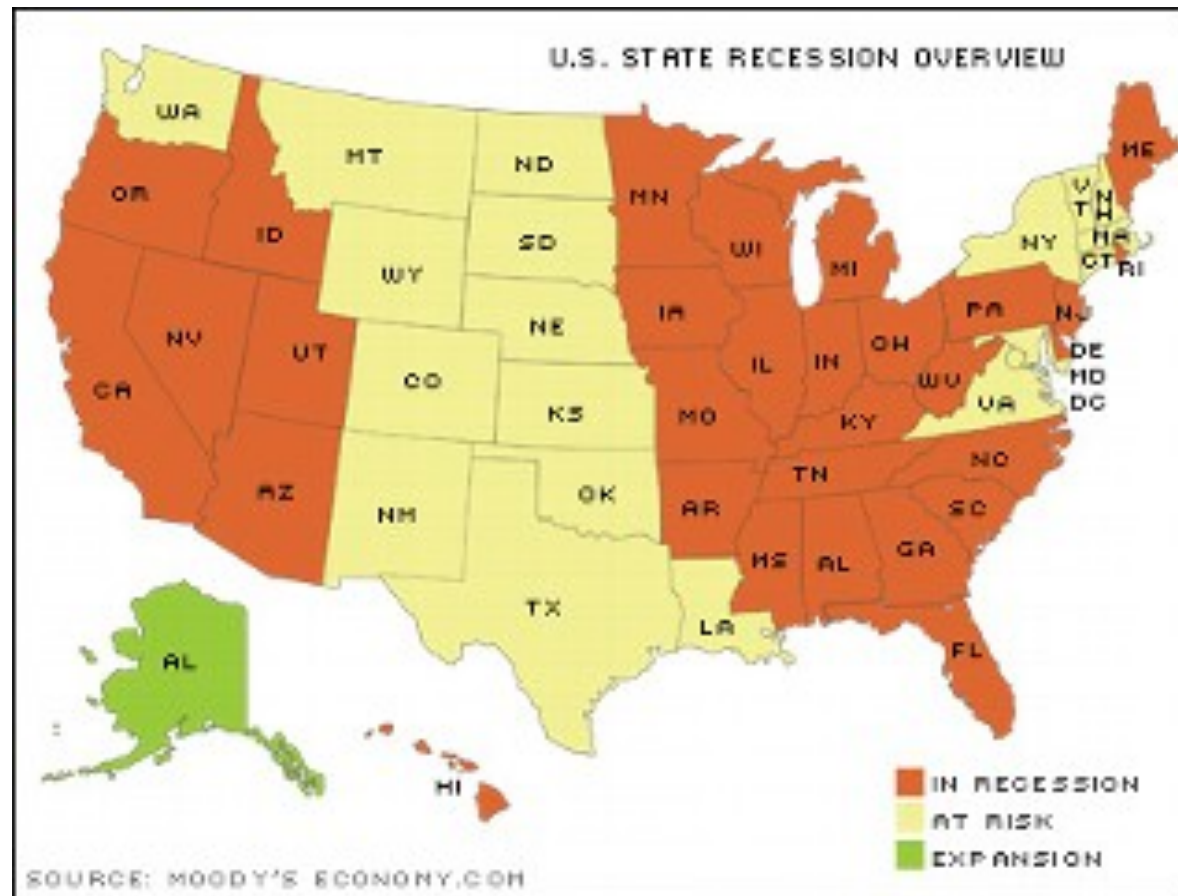


Alaska Department of Labor and Workforce Development,
Research Section, Neal Fried, Economist



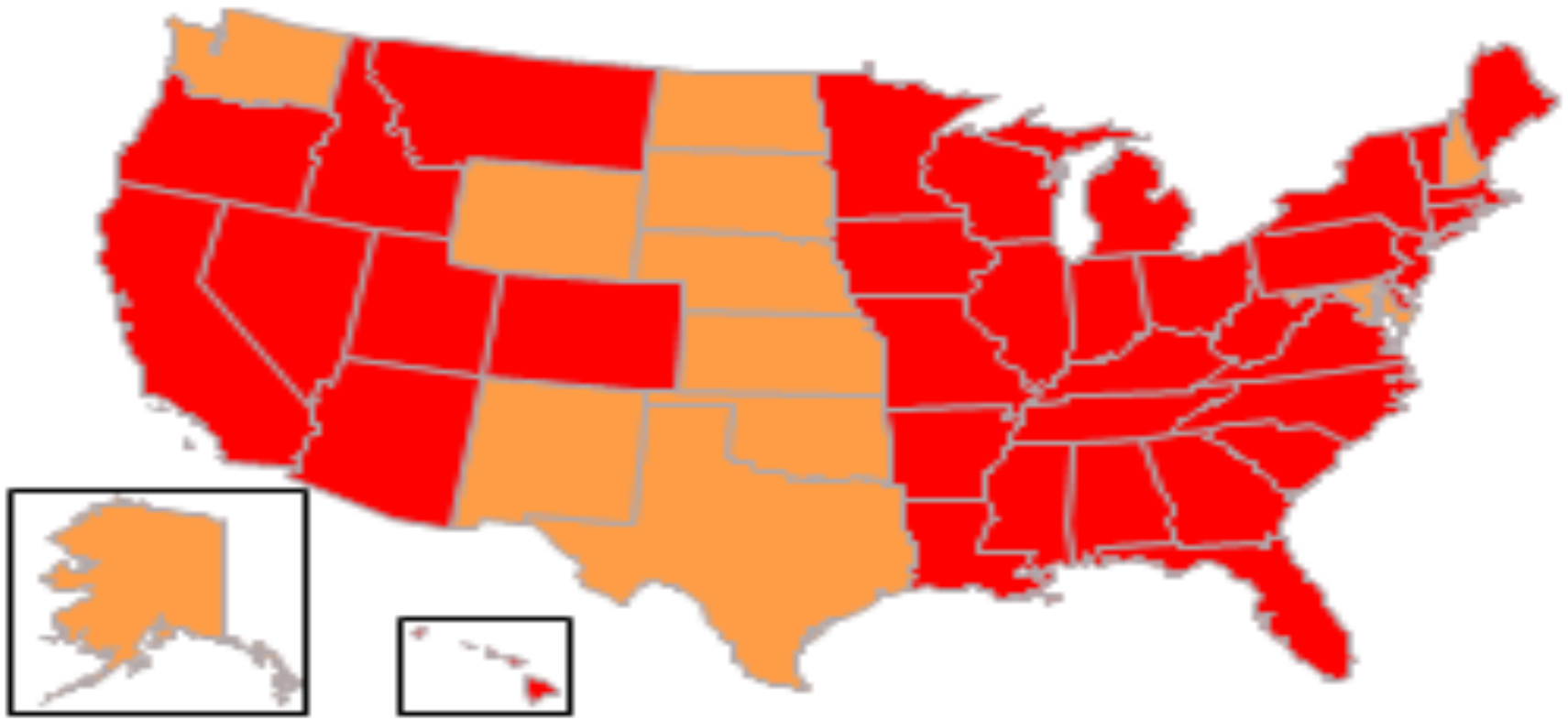
Recession Nation: 49 States at Risk

By SCOTT MAYEROWITZ
ABC NEWS Business Unit
Nov. 3, 2008



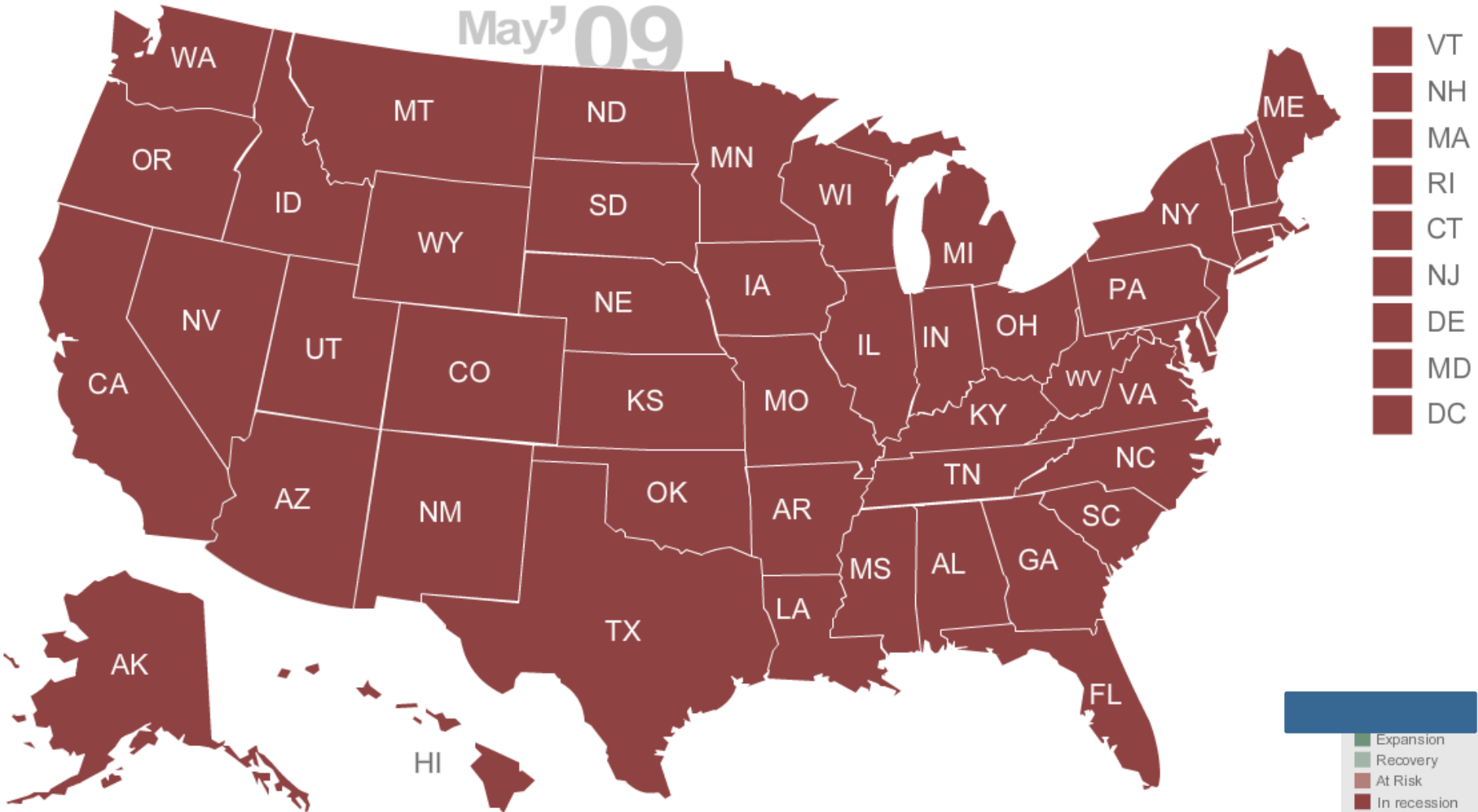
States in Recession

Based on Employment and IP Growth, Nov 2008



- | | | | |
|---|-----------|---|--------------|
|  | Expansion |  | At Risk |
|  | Recovery |  | In Recession |

May '09

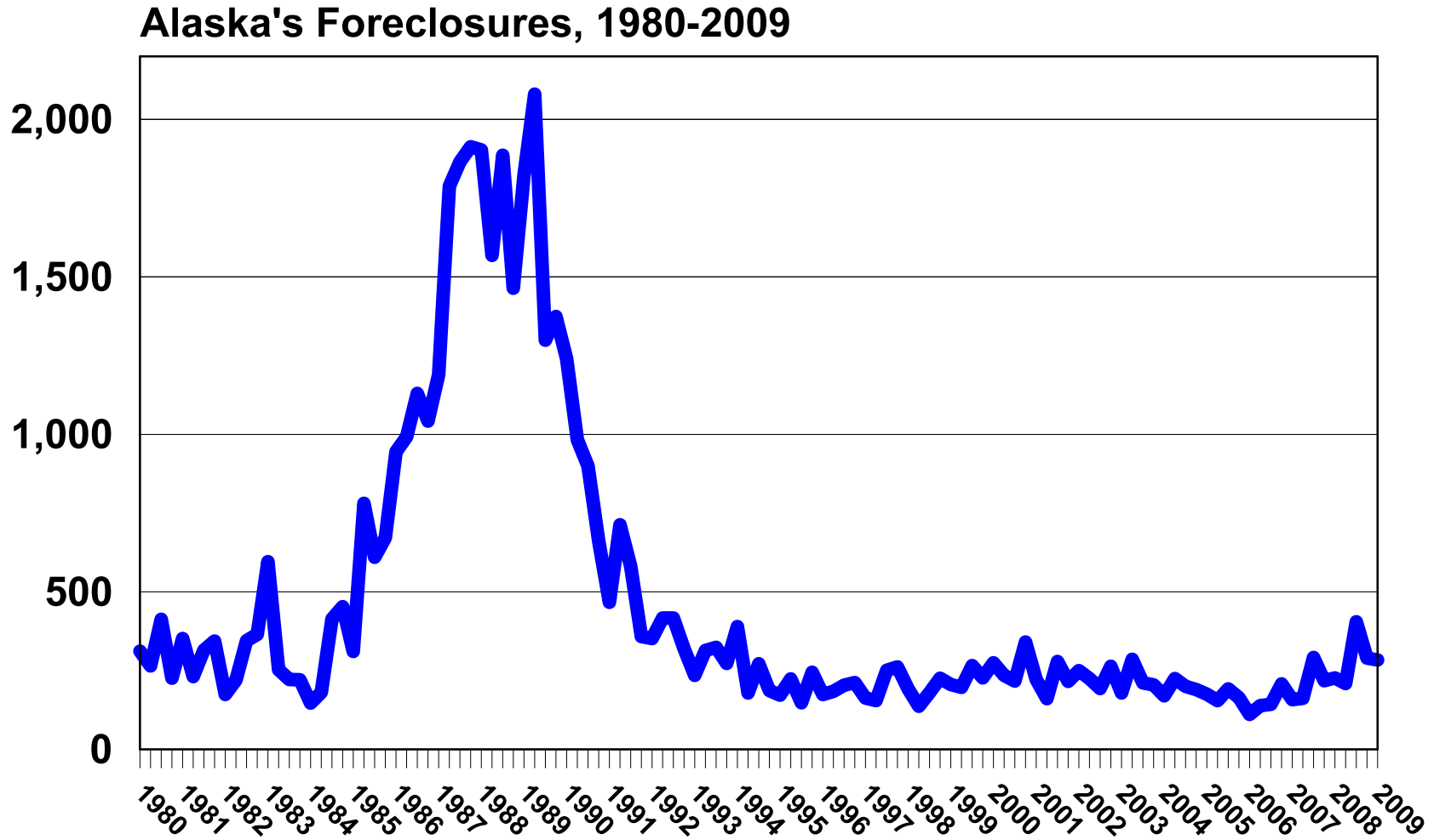


Source: [Moody's Economy.com](http://Moody'sEconomy.com)

What the numbers mean

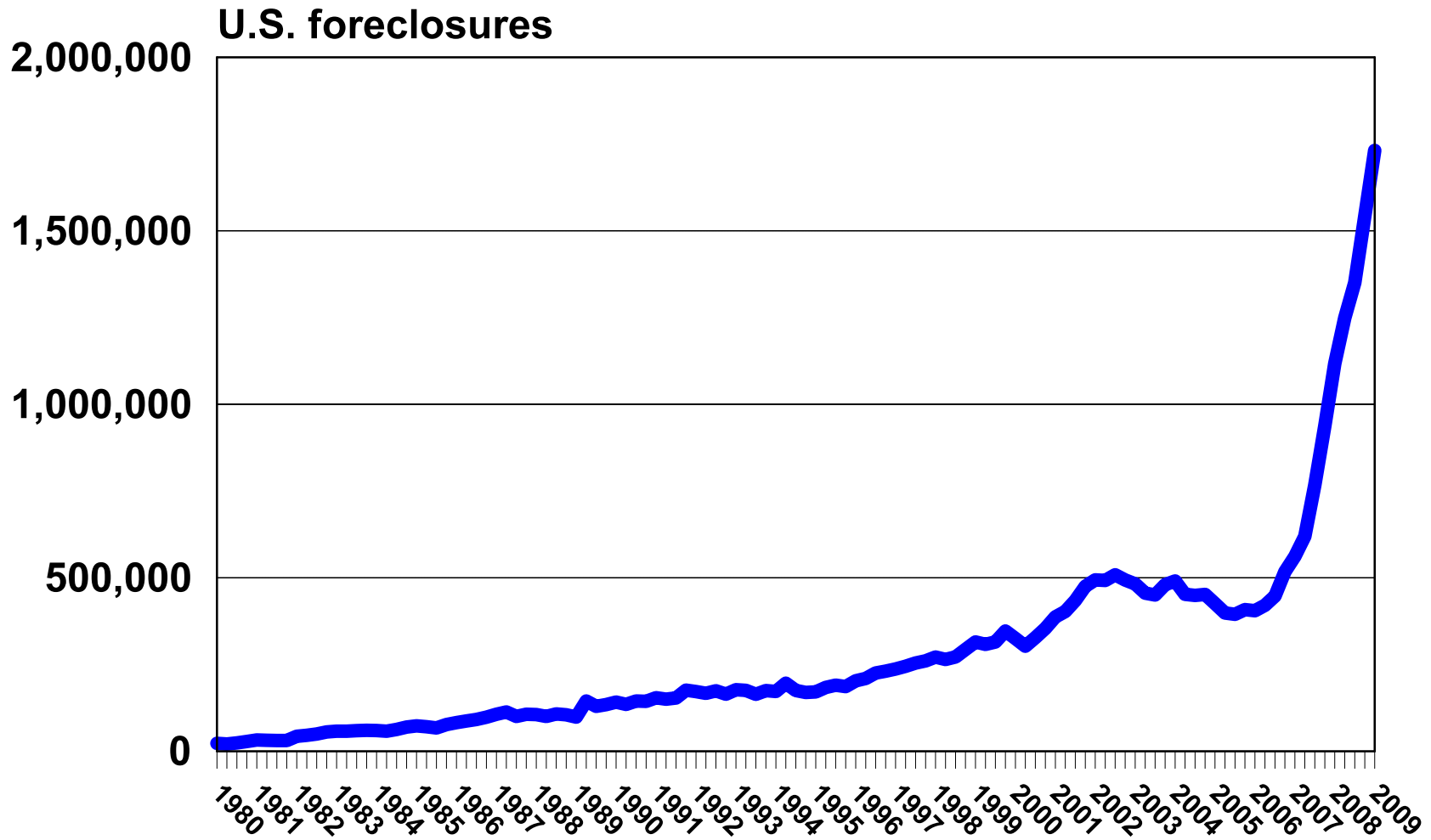
- Expansion
- Recovery
- At Risk
- In recession

Foreclosures, Up A Little But Nothing Like The 80s



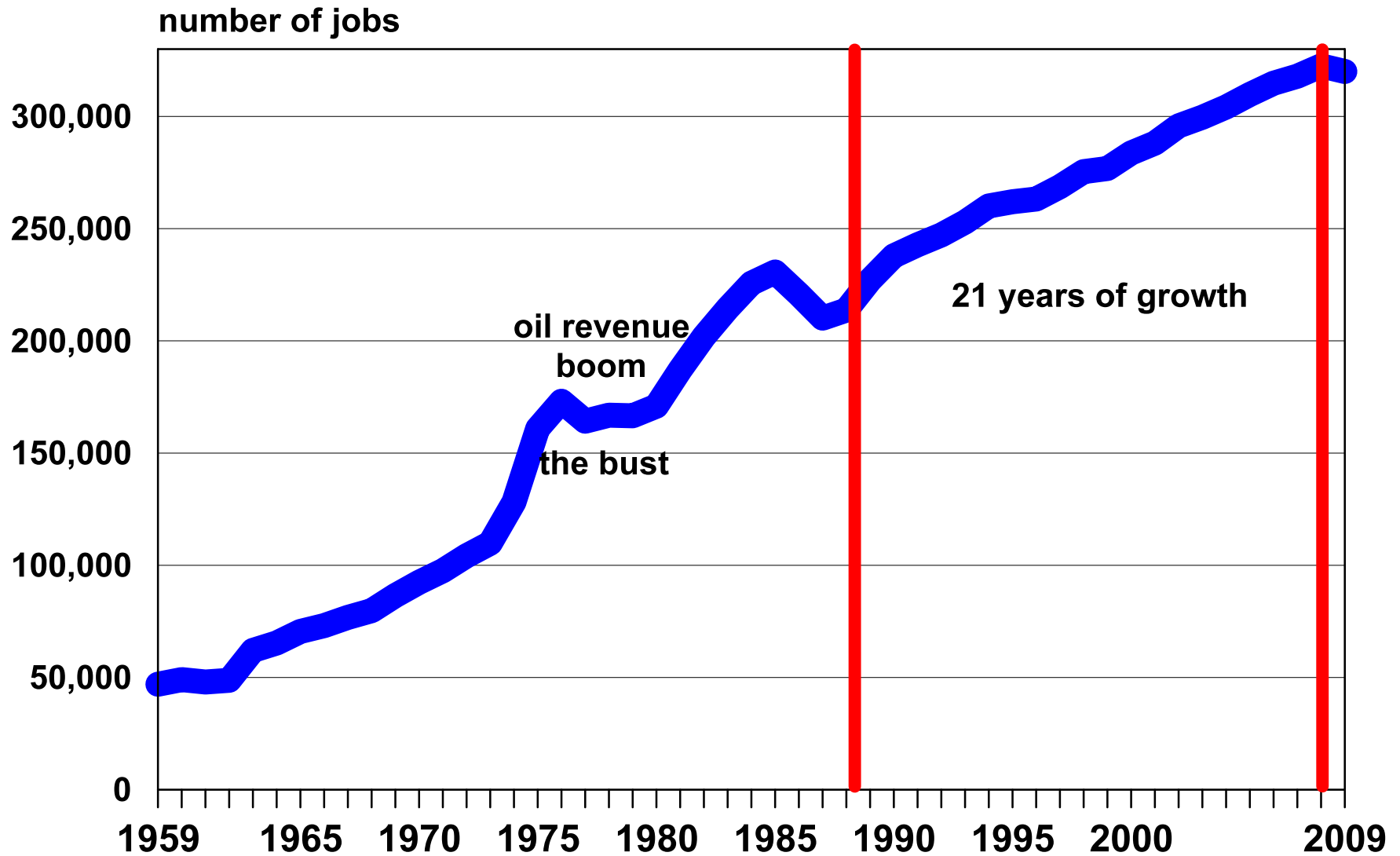
Sources: Alaska Department of Natural Resources and Alaska Department of Labor and Workforce Development, Research and Analysis.

The U.S. Story



Sources: Mortgage Banking Association.

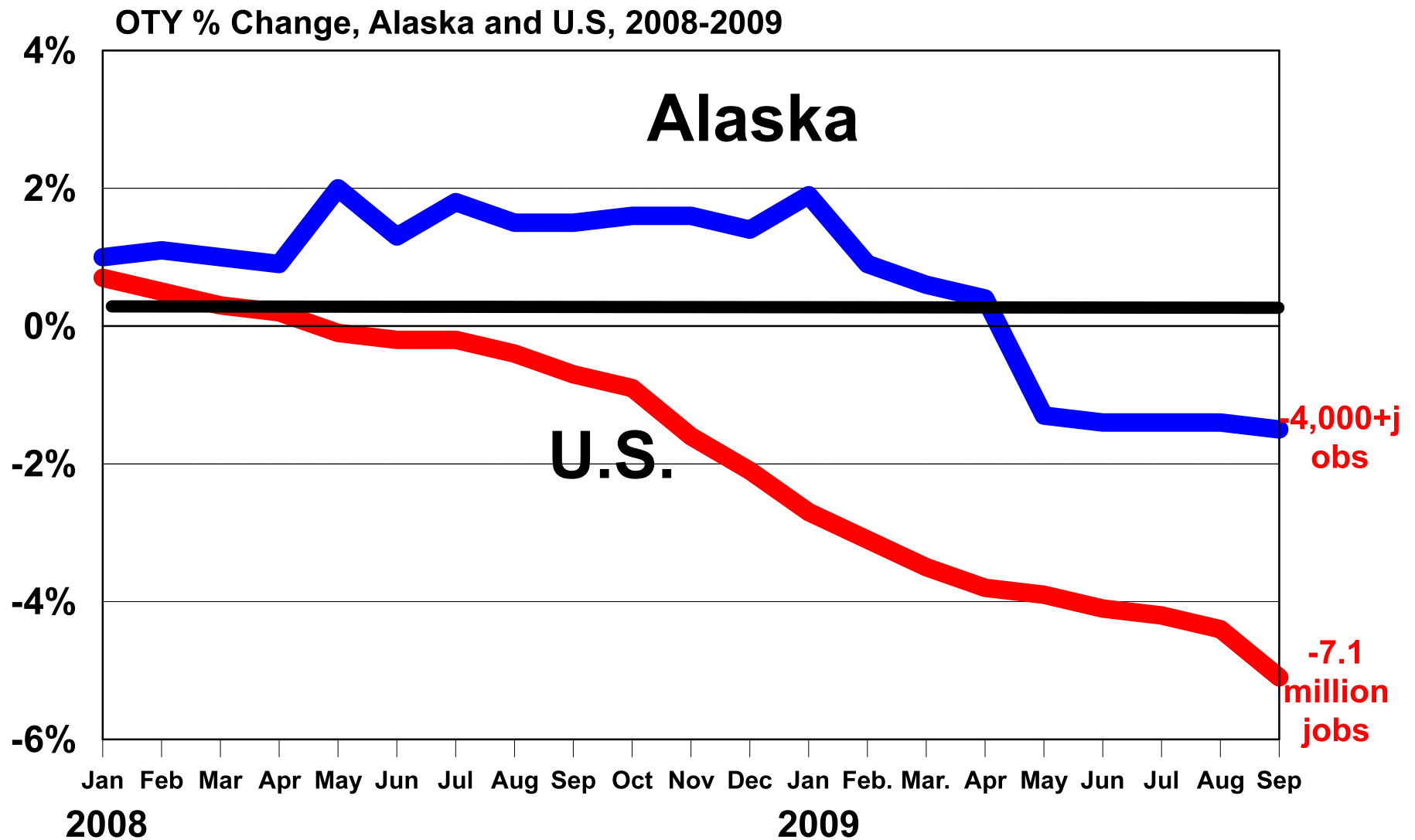
Alaska's 21 Years Of Uninterrupted Growth Is Now Over



I Would Argue Nice Balanced Growth In The 2000thousands



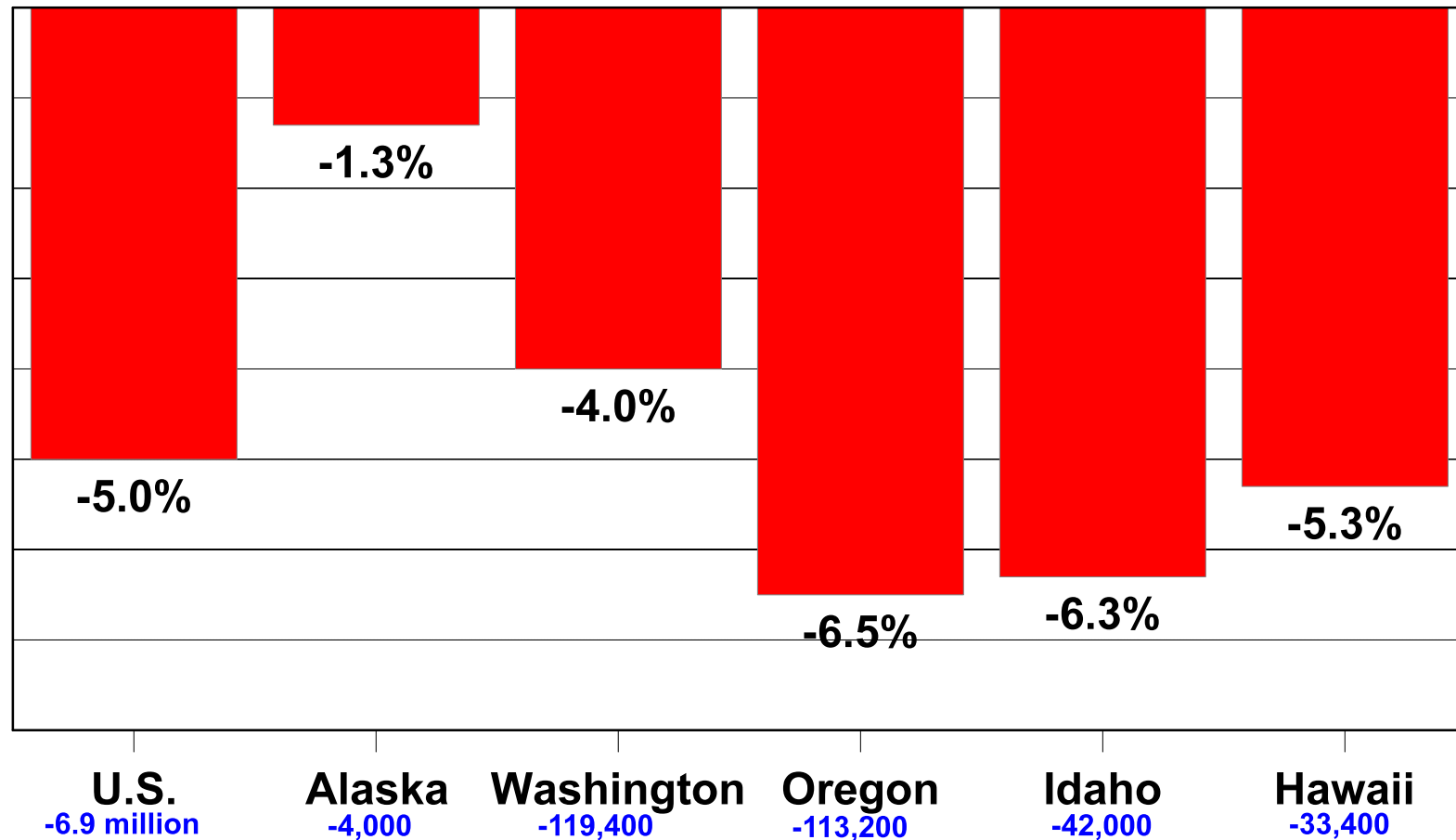
Two Different Employment Pictures



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

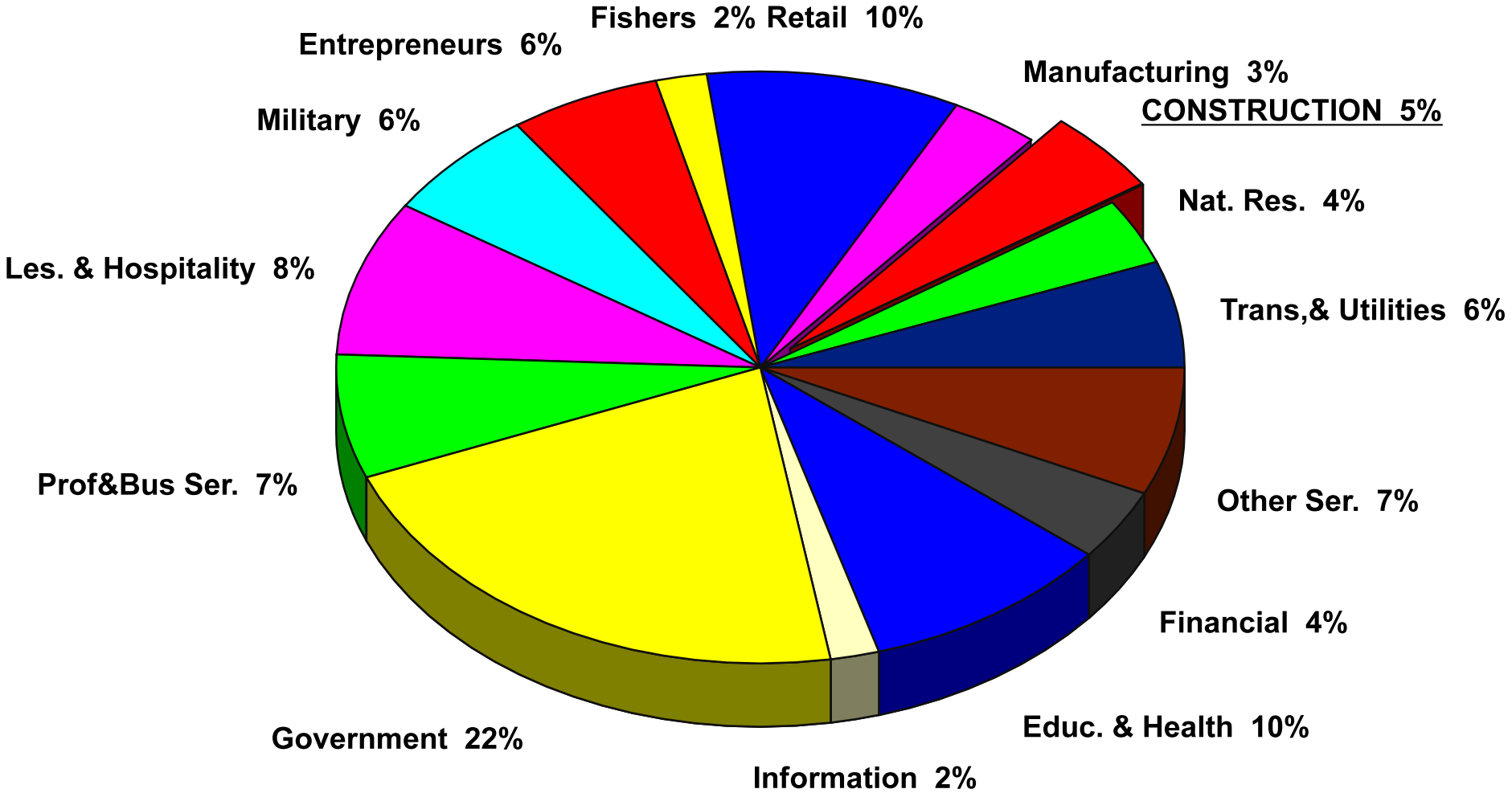
Job Losses Vary--Oregon Hit Very Hard

percent jobs lost thus far in this recession

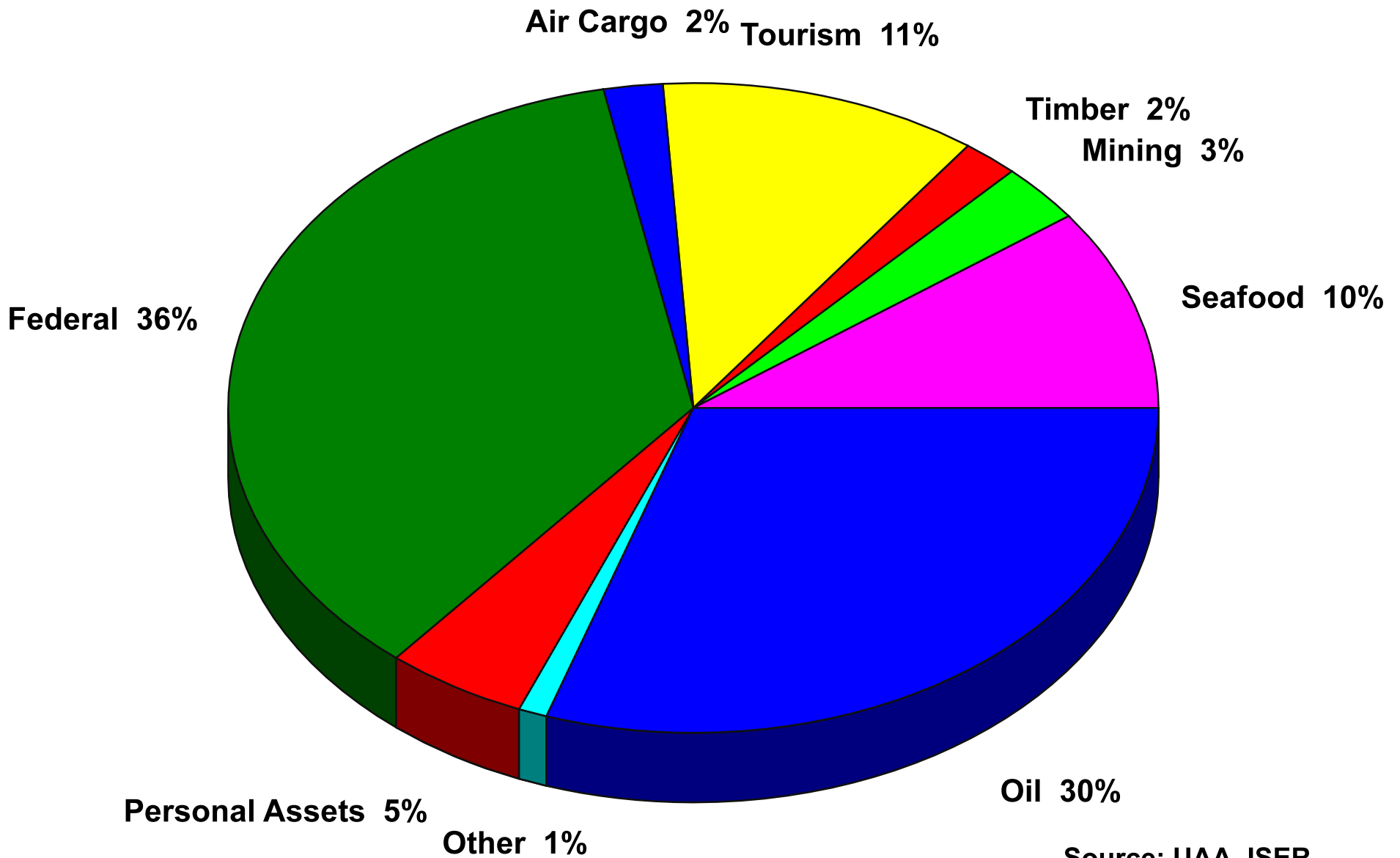


Source: U.S. Department of Labor, Bureau of Labor Statistics.

Where The Jobs Are In Alaska

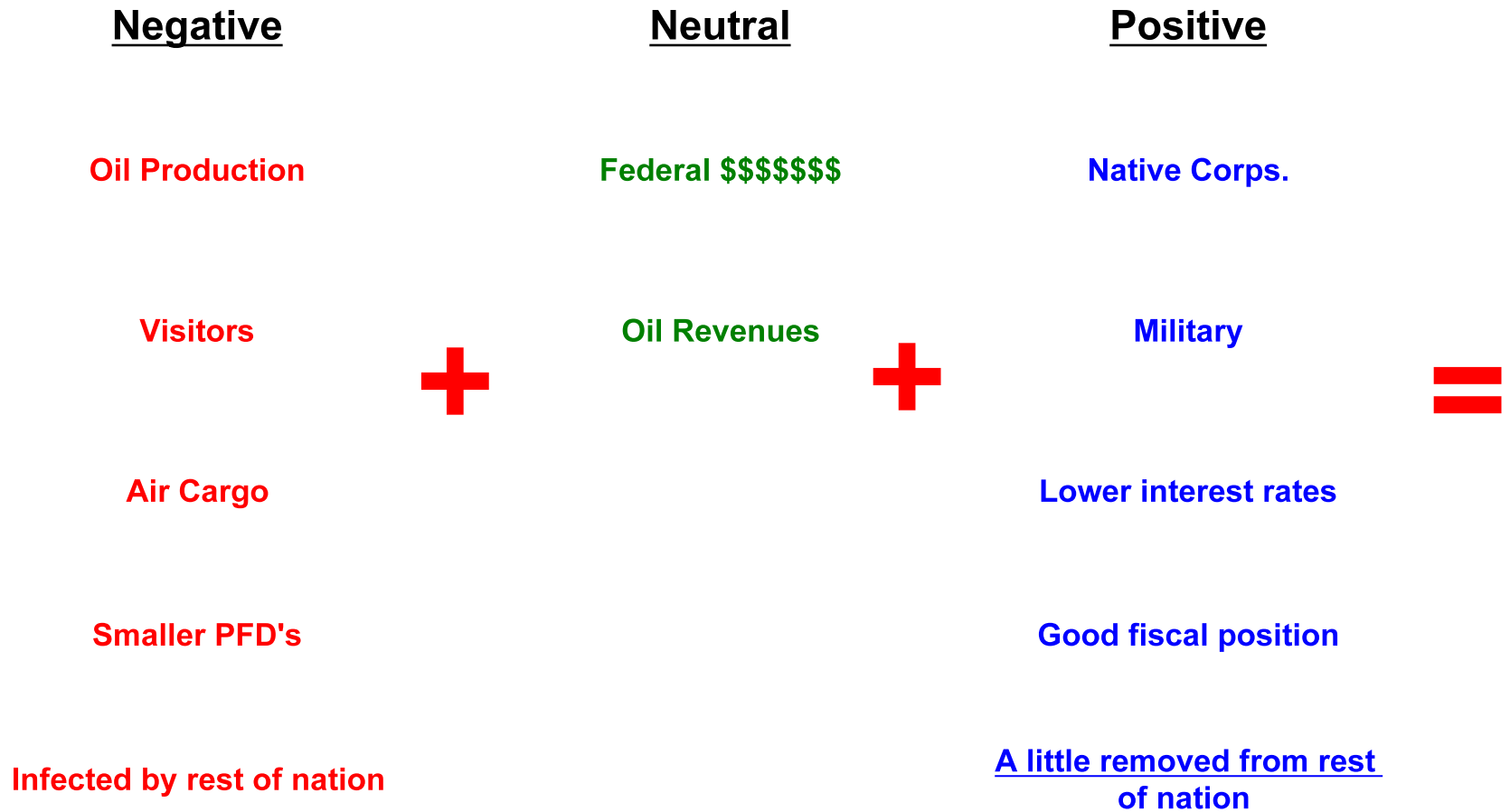


Alaska's Economic Drivers



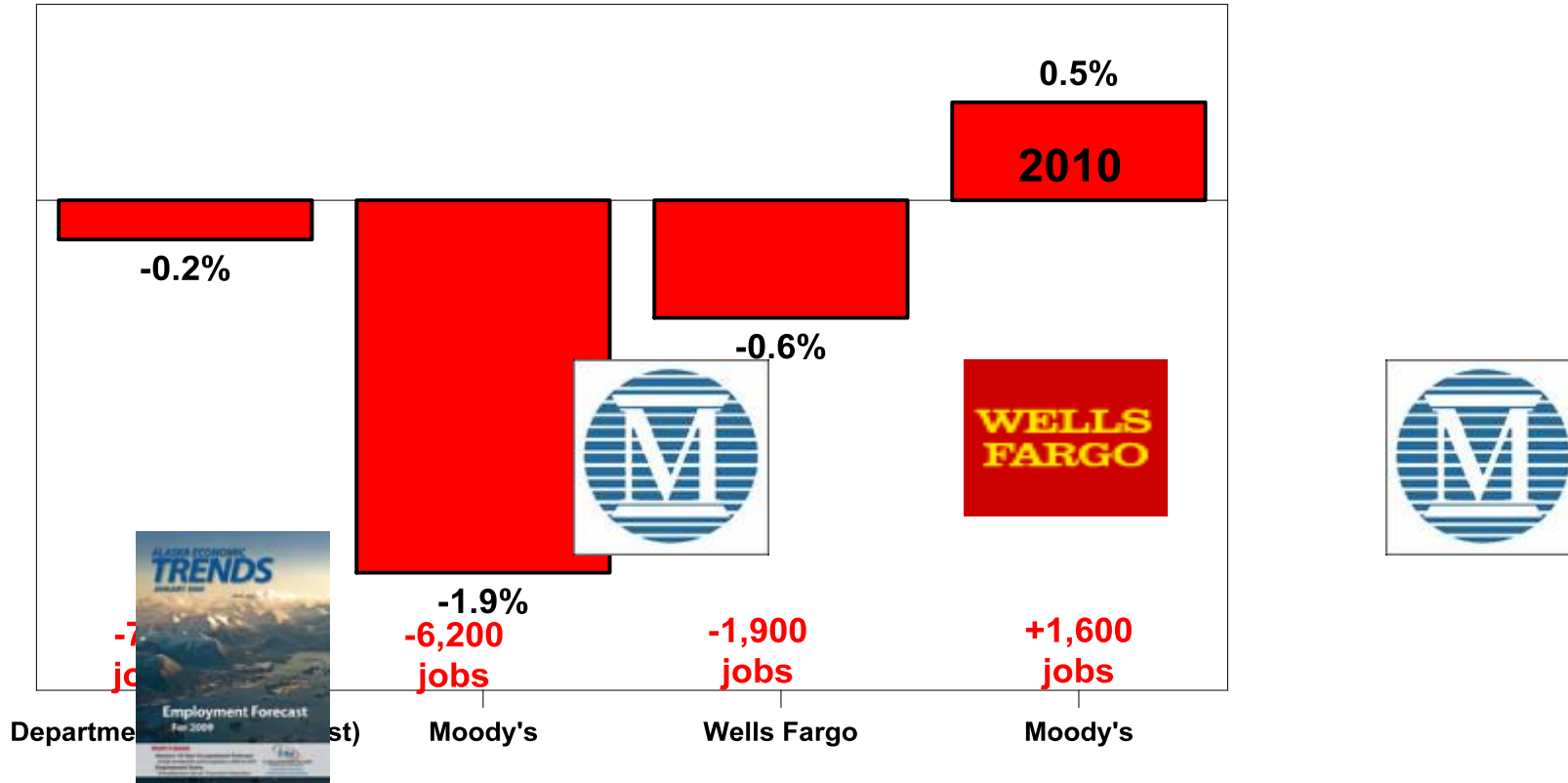
Source: UAA, ISER.

So, What Are Some Of The Economic Forces In Play In 2010

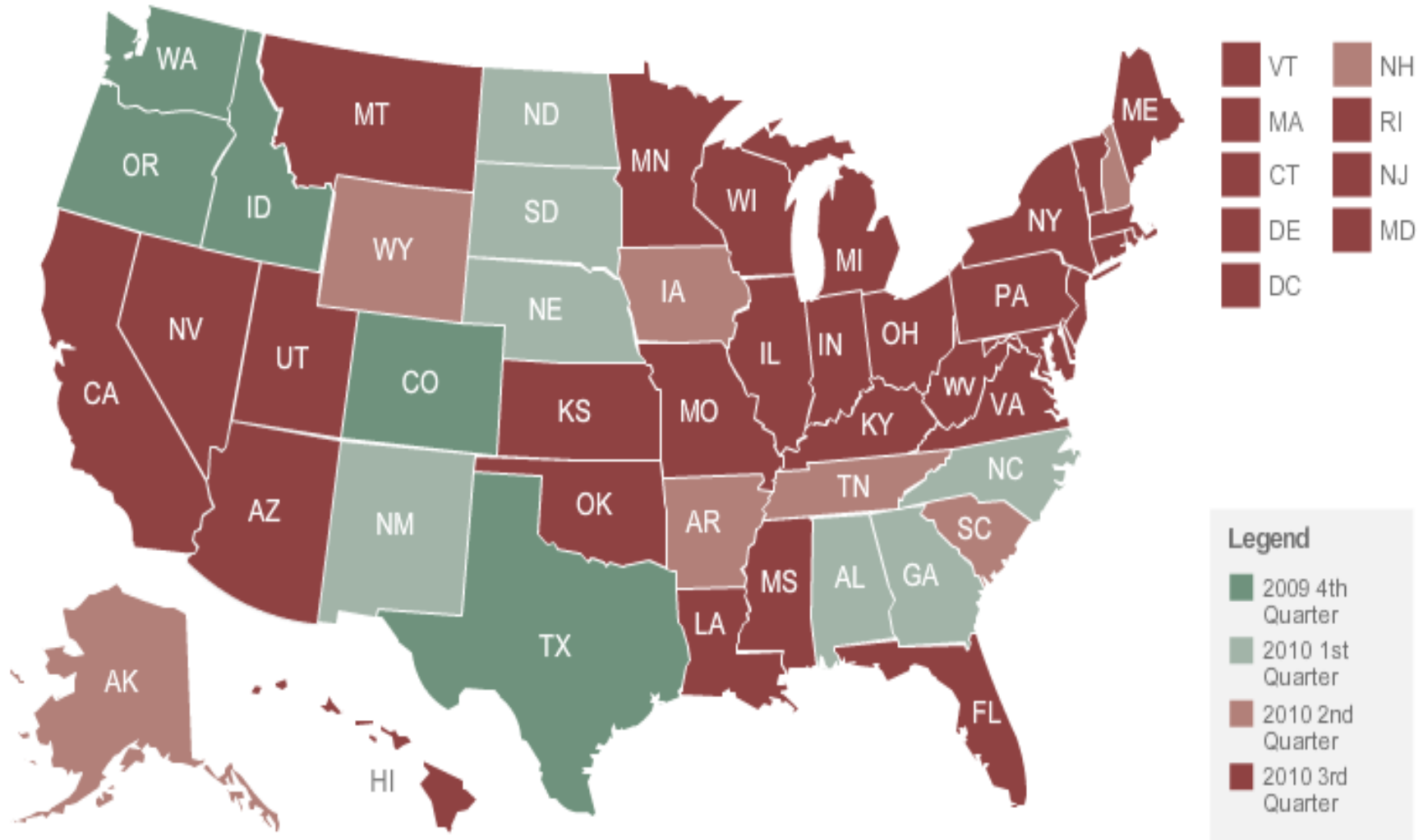


This Year There Are Lots of Forecasts Out There For Alaska-Peek Into 2010

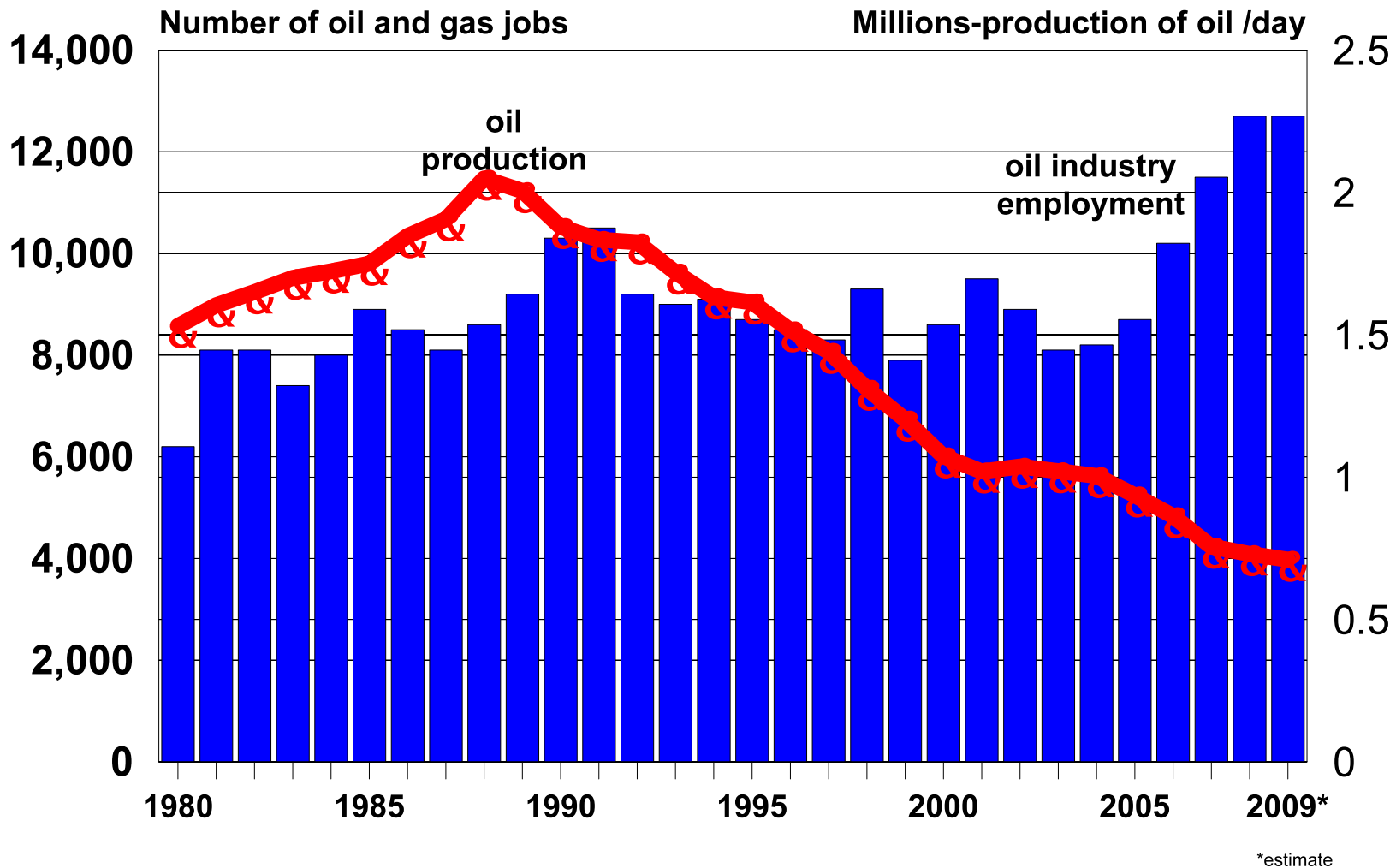
2009 Employment Growth-Alaska



👉 Predicting the end of the recession



Unless Thousands Of Jobs Are Lost--Still A Pretty Picture



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section; Alaska Department of Revenue, Tax Division

Mining Experiencing Some Nice Growth



*preliminary

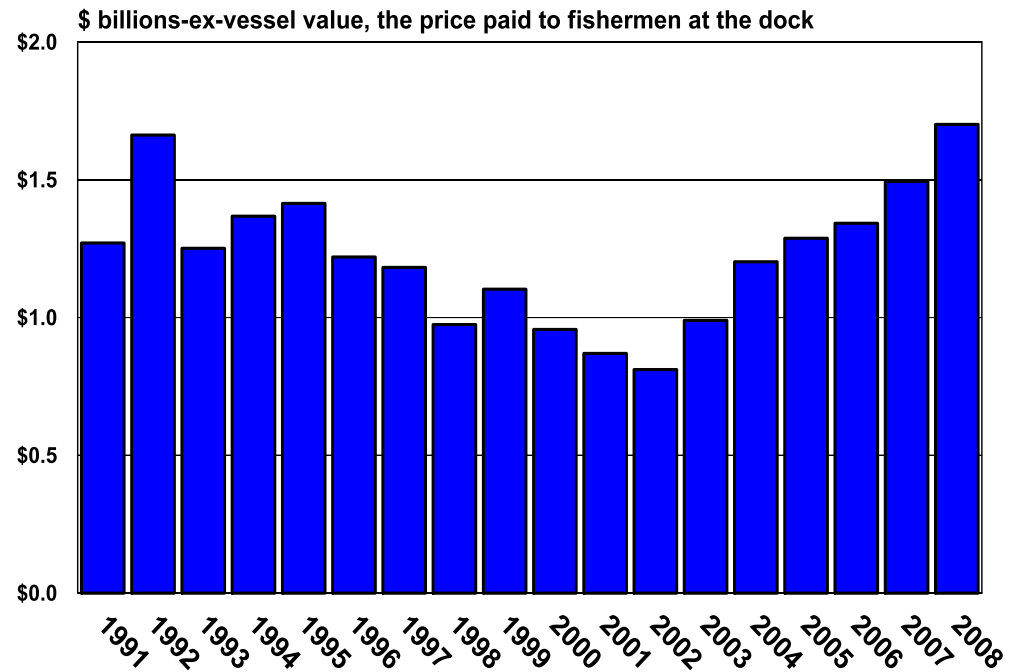
**ALASKA ECONOMIC
TRENDS**
NOVEMBER 2009

**Employment in Alaska's
Seafood Industry**

WHAT'S INSIDE
The Bethel Census Area
Home to the largest rural community in Alaska
Employment Scene
Employment rate at 8.4 percent in September

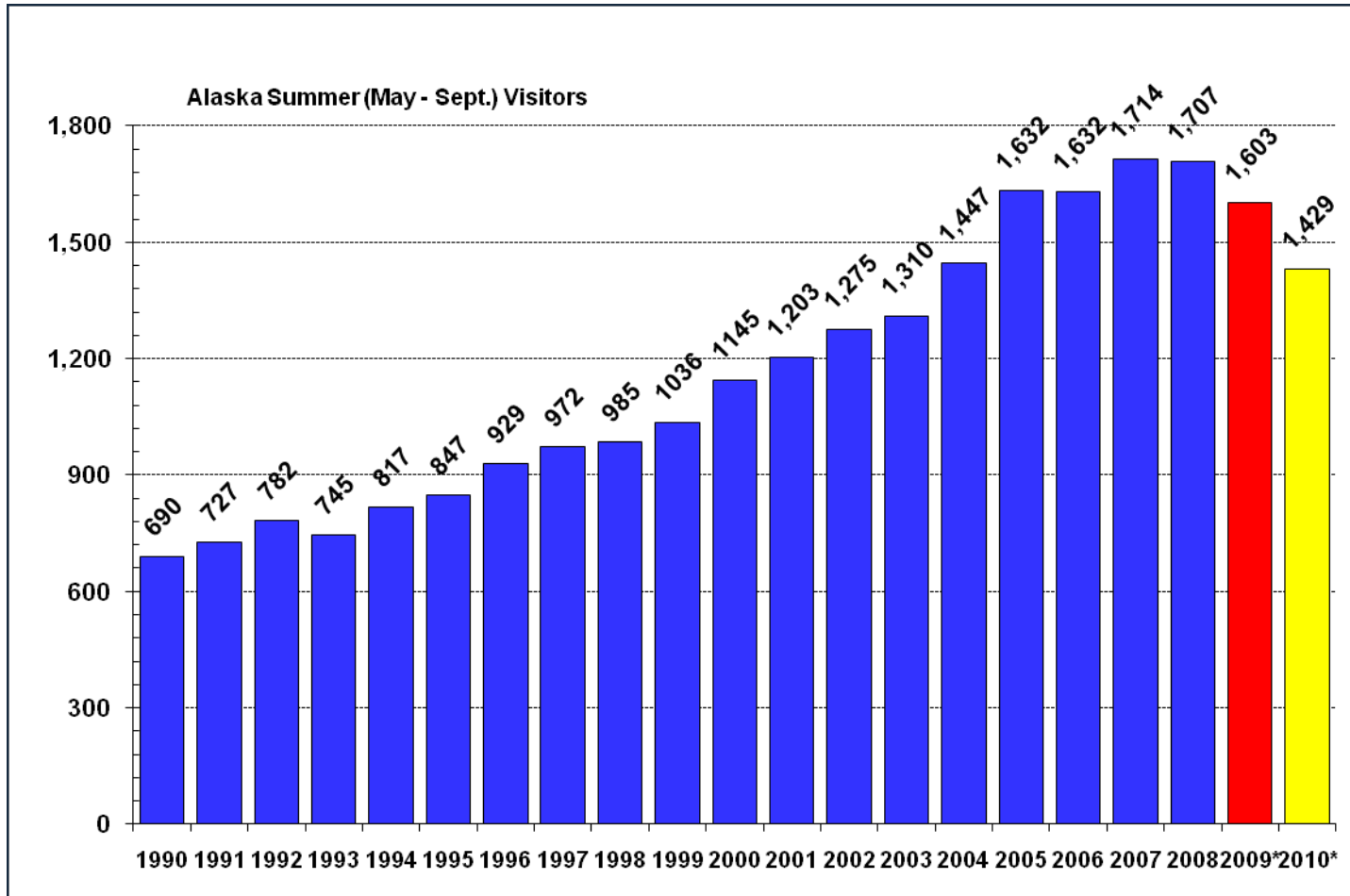
Jobs
ALASKA DEPARTMENT OF LABOR
& WORKFORCE DEVELOPMENT
Sean Parnell, Governor
Commissioner Click Bishop

Alaska's Fishery Harvest Values



Source: National Oceanic and Atmospheric Association, National Marine Fisheries Service

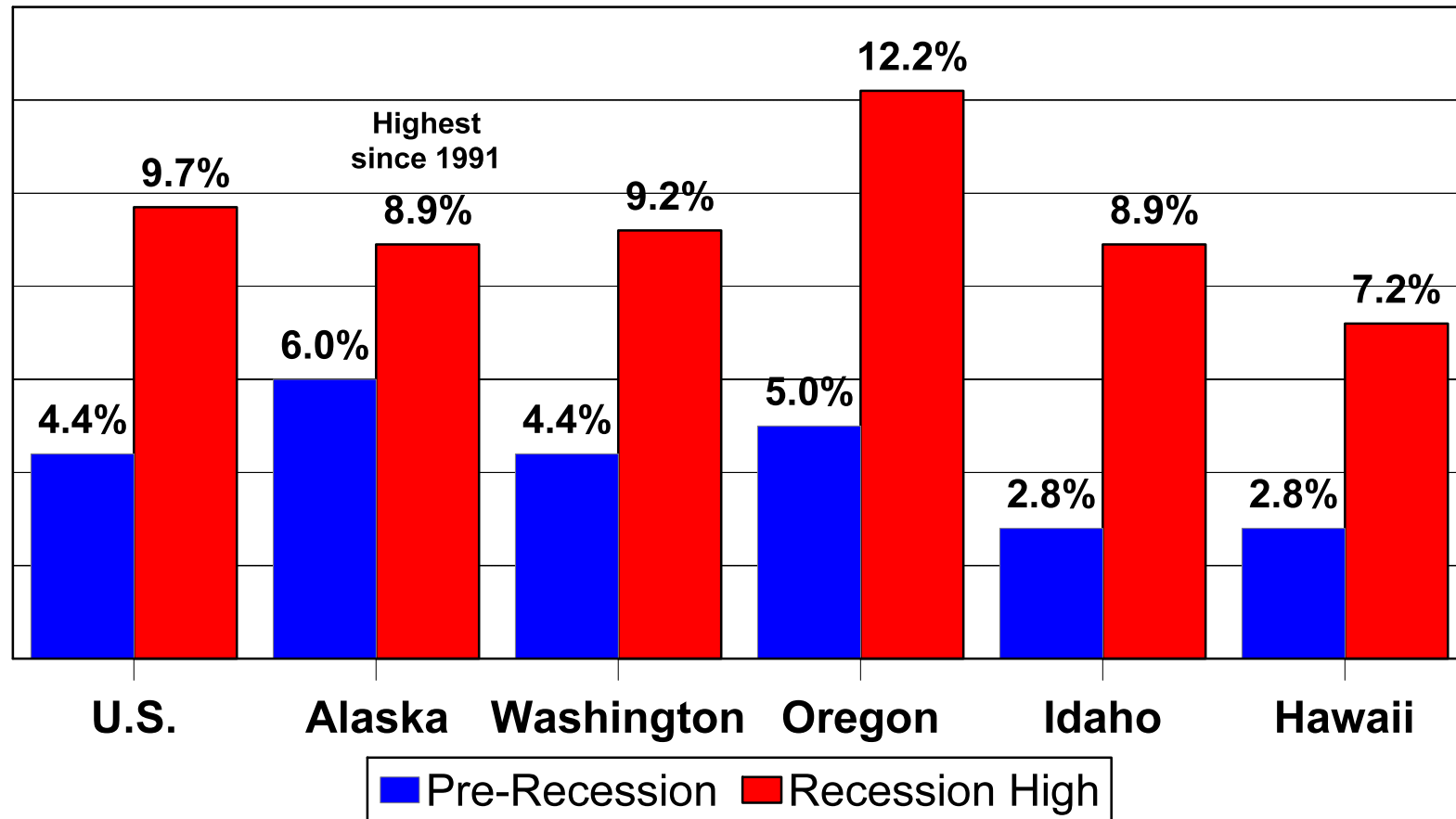
Visitors 1990-2010



Source: ATIA, *Estimate 2009 & 2010

Unemployment Picture Goes Grim Everywhere

unemployment rate

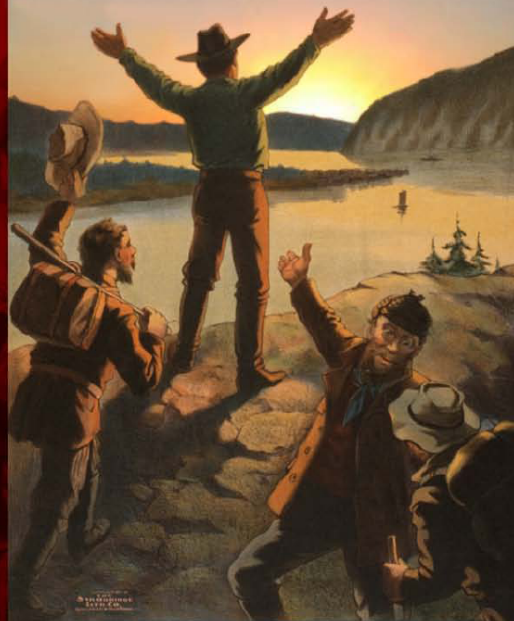


Source: U.S. Department of Labor, Bureau of Labor Statistics.

ALASKA ECONOMIC **TRENDS**

JUNE 2009

The U.S. Economy and Alaska Migration



"THE LAND OF PROMISE."

WHAT'S INSIDE

Yakutat

Fishing then, fishing now

Alaska's Direct Care Jobs

Home health care aide occupations are growing fast



ALASKA DEPARTMENT OF LABOR
& WORKFORCE DEVELOPMENT

Sarah Palin, Governor
Commissioner Click Bishop

- By Les Christie, CNNMoney.com staff writer
- Last Updated: September 25, 2009: 6:21 AM ET

■ **Americans tame their wanderlust**

■ **Census Bureau statistics show that fewer Americans are uprooting. And when they do move, they're favoring D.C., Alaska and Texas.**

- So, where are they moving?
- So, if people aren't heading for the good life in California and Florida, where are they going?
- **D.C., Alaska and Wyoming. (Seriously.)**
- The nation's capital saw 7.6% of its residents arrive in 2008; Alaska attracted 6% more people to the Last Frontier (up a full percent from 2007); and 5.2% more people wanted to be Wyoming cowboys.

BusinessWeek

■ The 10 best places to start

■ Tuesday, June 23, 2009 11:51:30 AM

over

■ No. 1: Anchorage, Alaska

■ Companies planning to hire in next quarter: 28%

Best job prospects: Construction, durable goods manufacturing, nondurable goods manufacturing, wholesale and retail trade, information, financial activities, professional and business services, education and health services, leisure and hospitality, other services, government

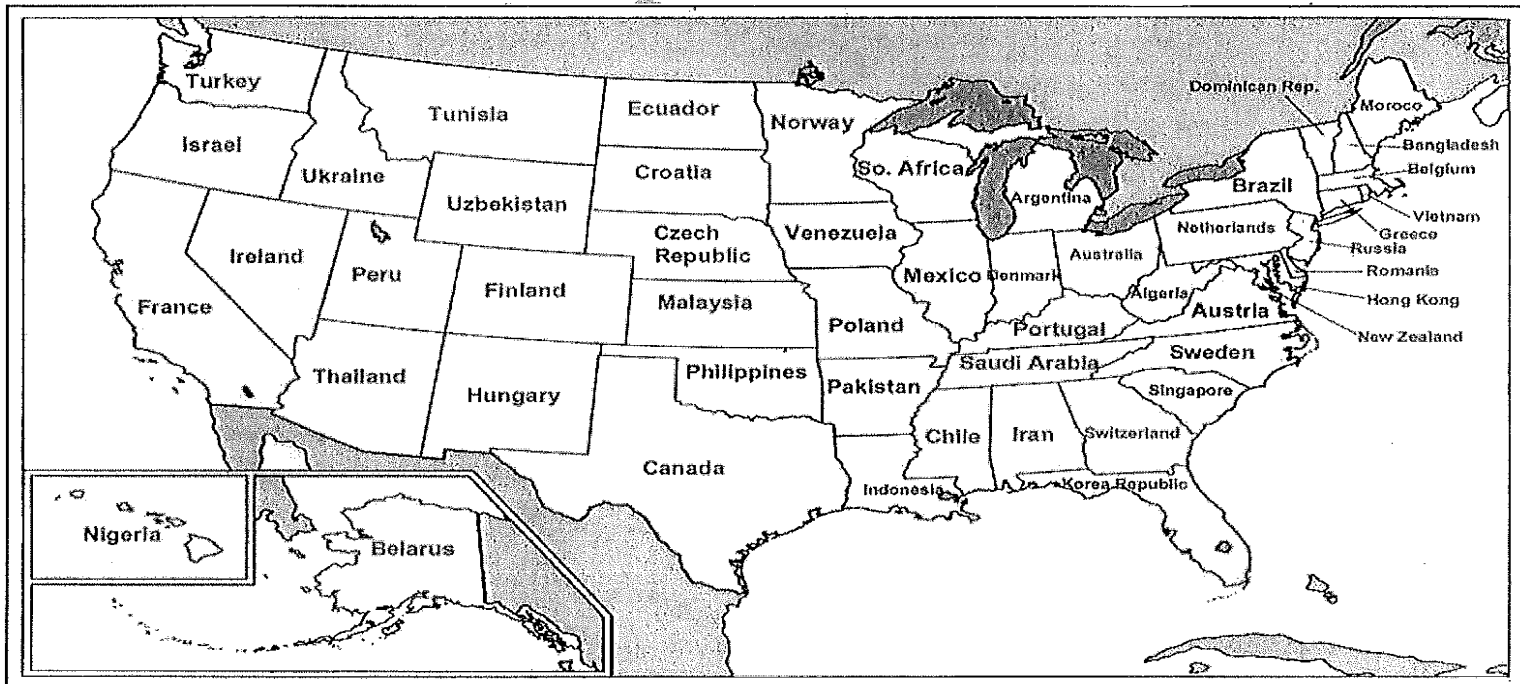
Population: 279,243

Average home price in January: \$313,796

Unemployment rate: 8.1%



Anchorage has been somewhat buffered from the recession, but it has been hit by low oil prices. The local economy benefits from the state's rich oil and natural gas supplies, tourism and the military.



Gross Domestic Product (GDP) is a convenient way of measuring and comparing the size of national economies. Annual GDP represents the market value of all goods and services produced within a country in a year. Put differently:

<http://strangemaps.wordpress.com/2007/06/10/131-us-states-renamed-for-countries-with-similar-gdps/>

5/18/2009

How We Have Changed Since Statehood (1959)

A Few Facts	Then (1959 or 1960)	Now (Usually 2007)
Population (lot more)	224,000	677,000
Median Age (older)	23.7	32.5
Percent over 65 (older)	2.4%	7%
Percent Native American (little change)	18.8%	17.7%
Percent nonwhite (more diverse)	22.8%	32%
Percent foreign born (more diverse)	3.7%	7.2%
Number of males per 100 females (more balance)	132	105
Percent born in AK	32%	38.7%
Percent living elsewhere 5 years-ago (more stable)	47%	19%
Household size	3.5	2.8
Number employed (lot more)	58,200	335,000
Percent in service sector	79%	82%
Median Family Income (\$2007's) (better off)	\$39,043	\$72,865
Female participation in labor force	40%	66%

Source: U.S. Census Bureau and Alaska Department of Labor, R&A.

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Daily News

Warning: PFD could be hazardous to health

Did you know that the arrival of the Alaska Permanent Fund dividend increases the death rate? That's right, the PFD could be implicated in your premature death later this month. The odds that your personal PFD dice roll will come up snake eyes are less than one in 10,000, but new research leaves little doubt that in the month following the direct deposit of Alaskans' PFDs, the number of city-dwelling Alaskans dying will increase by about 13 percent. Applied to the entire state, that's roughly 27 extra deaths. There is little doubt that the PFD is the cause.

No Alaskan discovered this remarkable phenomenon. It was two outsiders: a professor at Notre Dame and a young economist at the University of Maryland. They examined PFD payments from 2000 through 2006. For each year, they created separate weekly counts of deaths in Alaska and the rest of the United States for the weeks that include the dividend payments and for several weeks afterward. After eliminating confounding influences, such as increased Alaska drowning and deaths from aircraft accidents (likely associated with hunting seasons), they found significantly higher Alaska death rates linked to the PFD distribution.

Why does the PFD increase the death rate? One explanation — called the full-wallets theory — is that the cash payments increase drug and alcohol abuse. Studies of deaths among welfare recipients provide some support for this theory.

Had the full-wallets theory proved out, it would have gifted a potent moral argument to the many Alaska politicians and chamber of commerce types who believe dividend money would be better to support government and thereby reduce taxes on businesses and the wealthy. But the researchers found that eliminating drug and alcohol-related deaths from their data produced only a small reduction on the deaths attributable to the PFD.

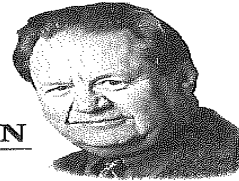
The leading theory, the authors say, is that the dividend increases consumption and economic activity: "While the potential relationship between con-

sumption and mortality is obvious in cases like traffic fatalities — since increased travel increases the likelihood of an accident — other causes of death also have well-documented links to consumption. For example, many triggers for heart attacks and strokes are activity related. ... If an income payment increases economic activity, one may expect a higher incidence of heart attacks to follow."

But this raises a puzzling question. Higher incomes generally mean lower death rates. Adjusting for age, about 3 percent of Americans with annual incomes between \$10,000 and \$11,000 will be dead in five years, while only about 1.25 percent of those with annual incomes of \$80,000 to \$81,000 will die in the same period. How, the economists wonder, could the PFD have such a negative effect on survival when the general health effect of increased income is so positive?

One possible explanation, say the researchers, is that the rise in deaths represents "short-term mortality displacement," where the deaths of the frail are hastened by a few days, a phenomenon they refer to as "harvesting." And some fraction of people facing death may decide to tough it out, staying alive until they get that last PFD.

Whatever one's feelings about the Permanent Fund dividend, it offers us the opportunity of a unique social experiment. Unfortunately, Alaska researchers such as those at the University of Alaska's Institute for Social and Economic Research have left it to Outside scholars to ferret out the subtle impacts of the program. I argued in a 1997 column



GREGG ERICKSON
COMMENT

That's right, the PFD could be implicated in your premature death later this month.

that the dividend acts as a birth incentive. Researchers studying similar subsidies in Canada and elsewhere found such payments significantly increased fertility. I see no reason to expect that Alaska's PFDs don't have the same effect, particularly in rural Alaska and among low-income Alaskans, where fertility rates are already high.

If the PFD causes the average birth rate to increase by 6 percent, a plausible figure, then about 600 of Alaska's 10,000 to 11,000 yearly births are attributable to the dividend. Over the 27 years since the dividend began, that is an extra 16,000 children.

Another poorly understood issue is the effect of the PFD on wages. There are stories of employees in rural Alaska quitting in October when they get their PFD, forcing local businesses to raise wages to attract replacements. Yet other stories suggest Alaska companies recruiting Outside for skilled staff can offer lower salaries because families moving to Alaska can count on the dividend. Would eliminating the PFD force those companies to pay more to attract qualified people? Again, no one in Alaska seems interested. Hopefully, more Outside experts will help us out.

Juneau economic consultant Gregg Erickson is editor-at-large of the Alaska Budget Report.

For a free copy of the research paper, "The Short-Term Mortality Consequences of Income Receipt," by William N. Evans and Timothy J. Moore, e-mail Erickson at gerickso@alaska.com. The paper can also be downloaded for a \$5 fee from the National Bureau of Economic Research at papers.nber.org/papers/w15311.