

Economic Trends, Challenges, and Opportunities

A presentation by Mike Fisher

September 27, 2022



Agenda

- Big Picture
- Local Challenges
- Local Opportunities
- Open Floor: Q&A and Strategies

Inflation

Inflation: how it's measured

■ Common Measures:

○ CPI:

- Measures price changes in goods and services purchased out of pocket by urban consumers
- Use to adjust income and expenditure streams for changes in the cost of living

○ PPI:

- Measures the average change over time in selling prices received by domestic producers of goods and services
- Used to deflate revenue streams in order to measure real growth in output

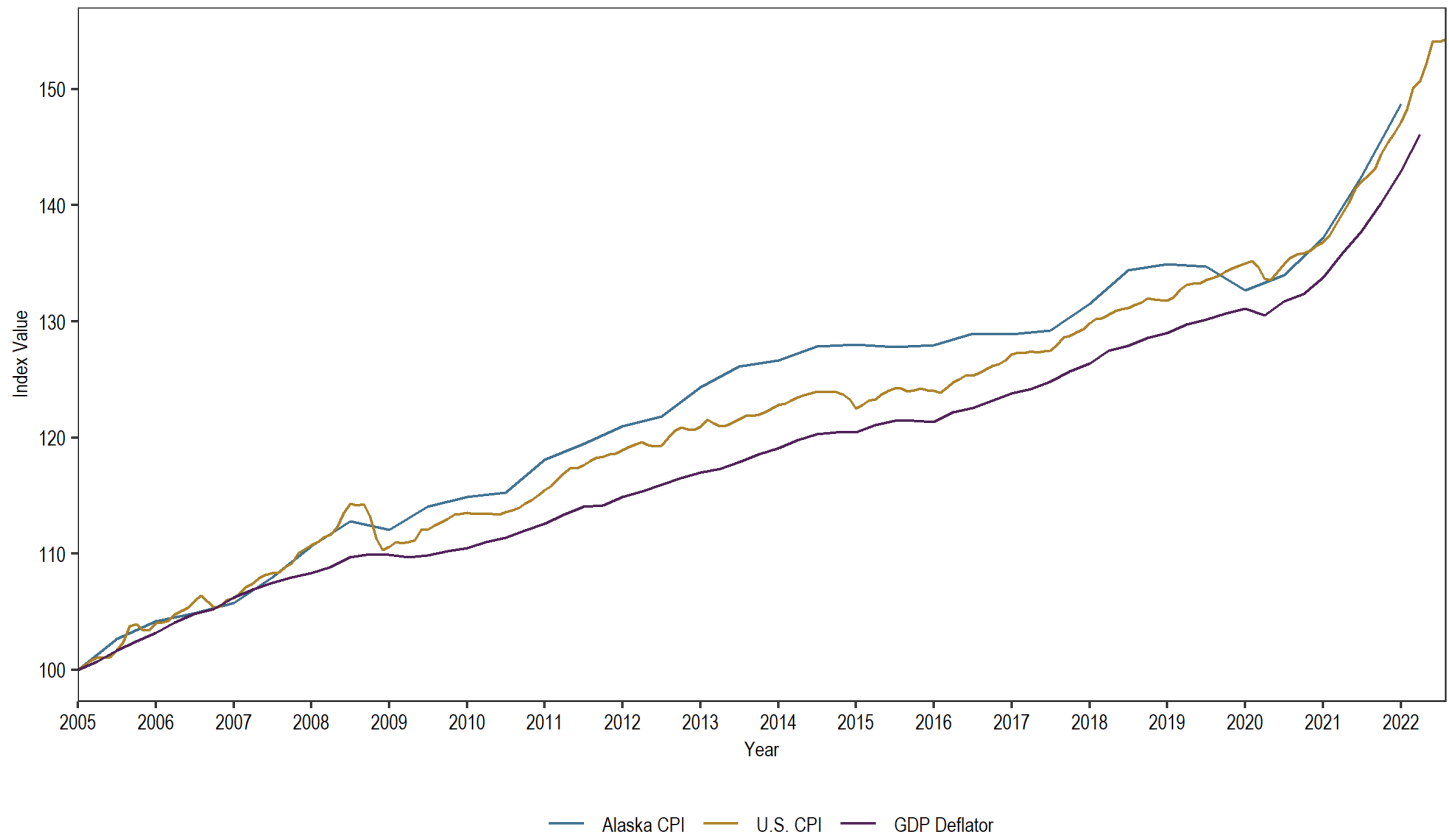
○ GDP Deflator:

- Measures price changes in goods and services purchased by consumers, businesses, government, and foreigners
- Used as another measure of inflation

More information:

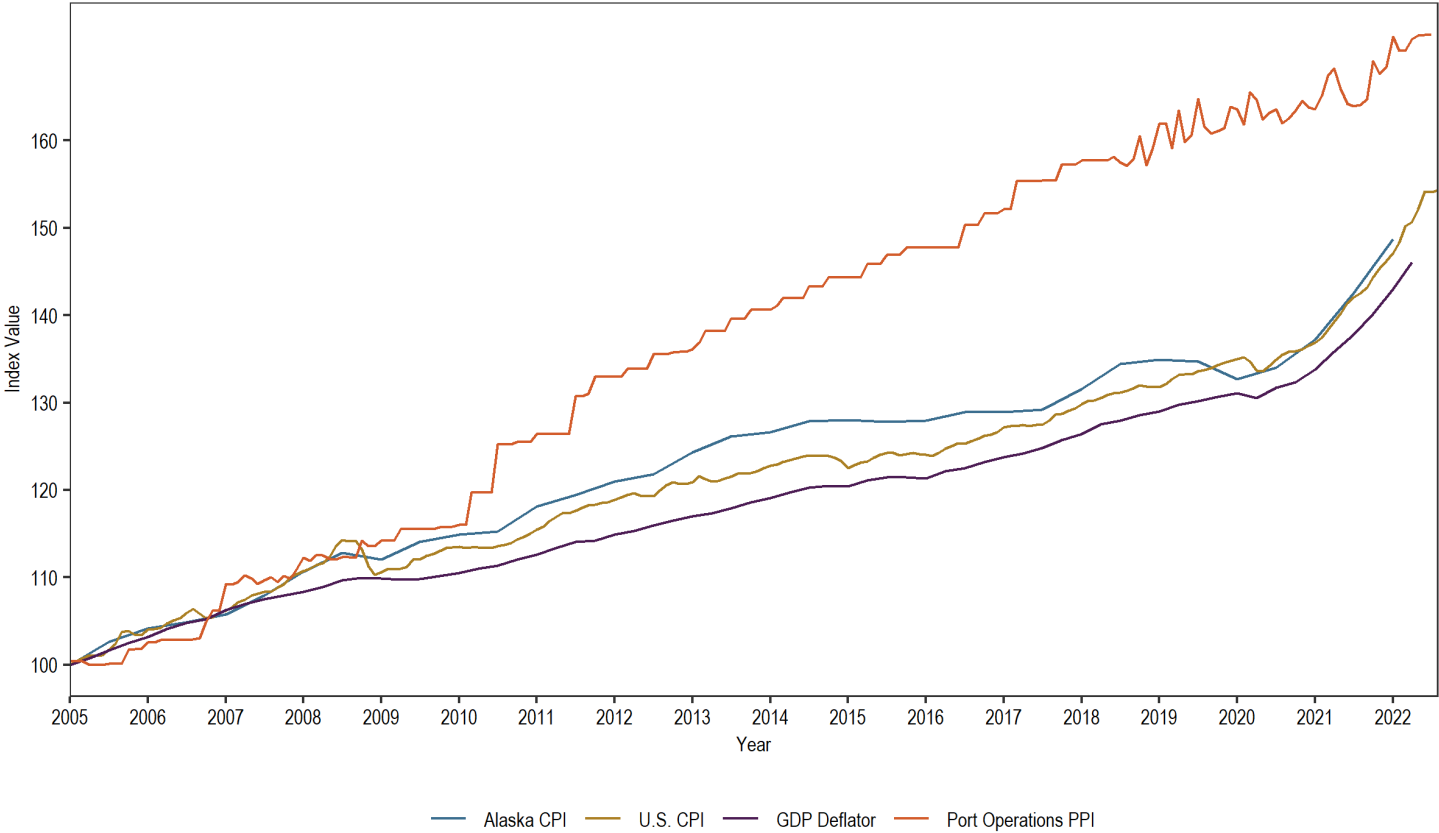
- <https://www.bls.gov/ppi/methodology-reports/comparing-the-producer-price-index-for-personal-consumption-with-the-us-all-items-cpi-for-all-urban-consumers.htm>
- <https://www.bls.gov/opub/mlr/2016/article/comparing-the-cpi-with-the-gdp-price-index-and-gdp-implicit-price-deflator.htm>
- <https://www.bls.gov/ppi/overview.htm>

The Alaska CPI, US CPI, and GDP Deflator have tracked well over time



Note: Indices normalized to January 1, 2005, for comparison.

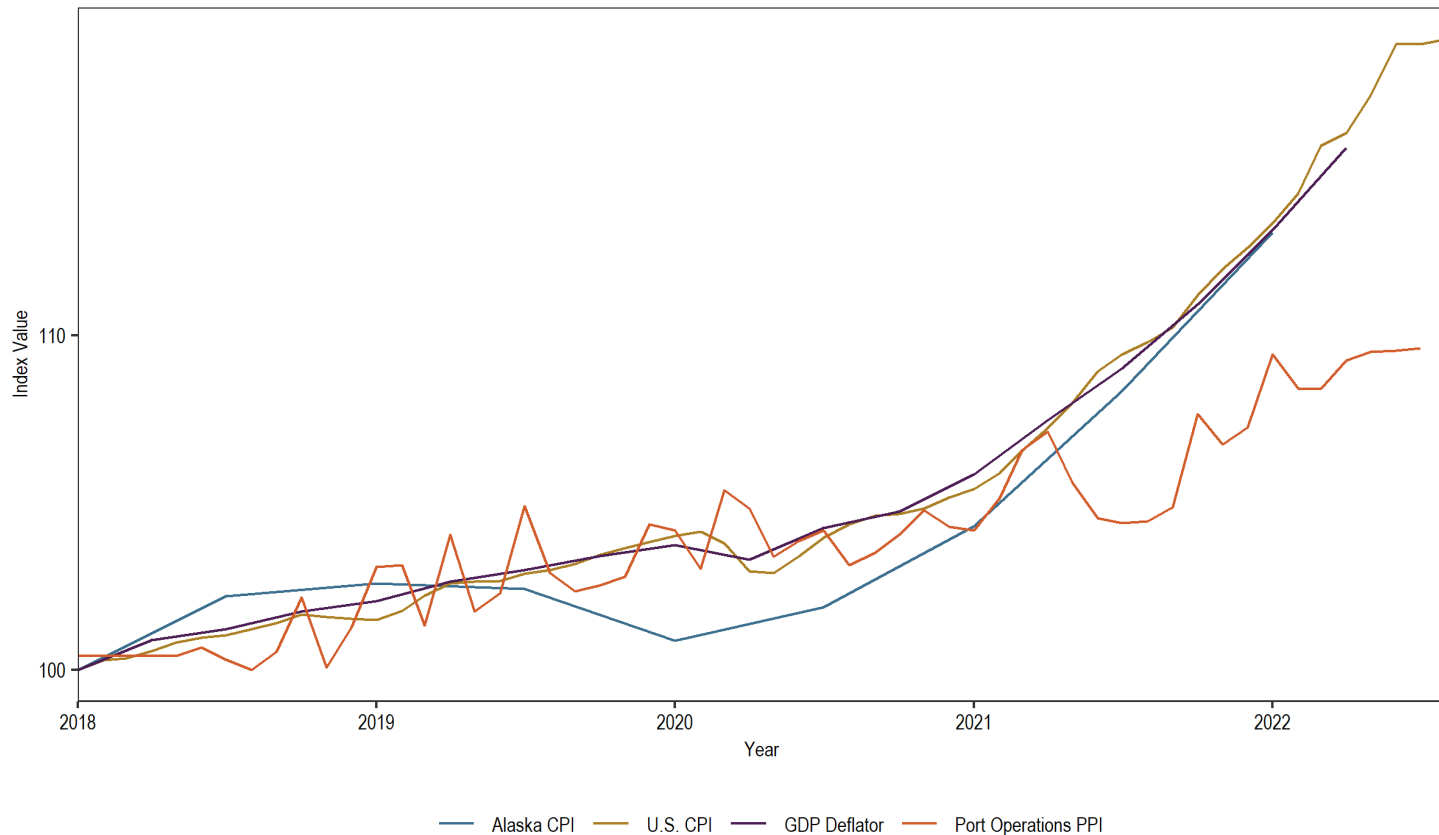
PPI for Port Operations accelerated in early 2010s



Note: Indices normalized to January 1, 2005, for comparison.



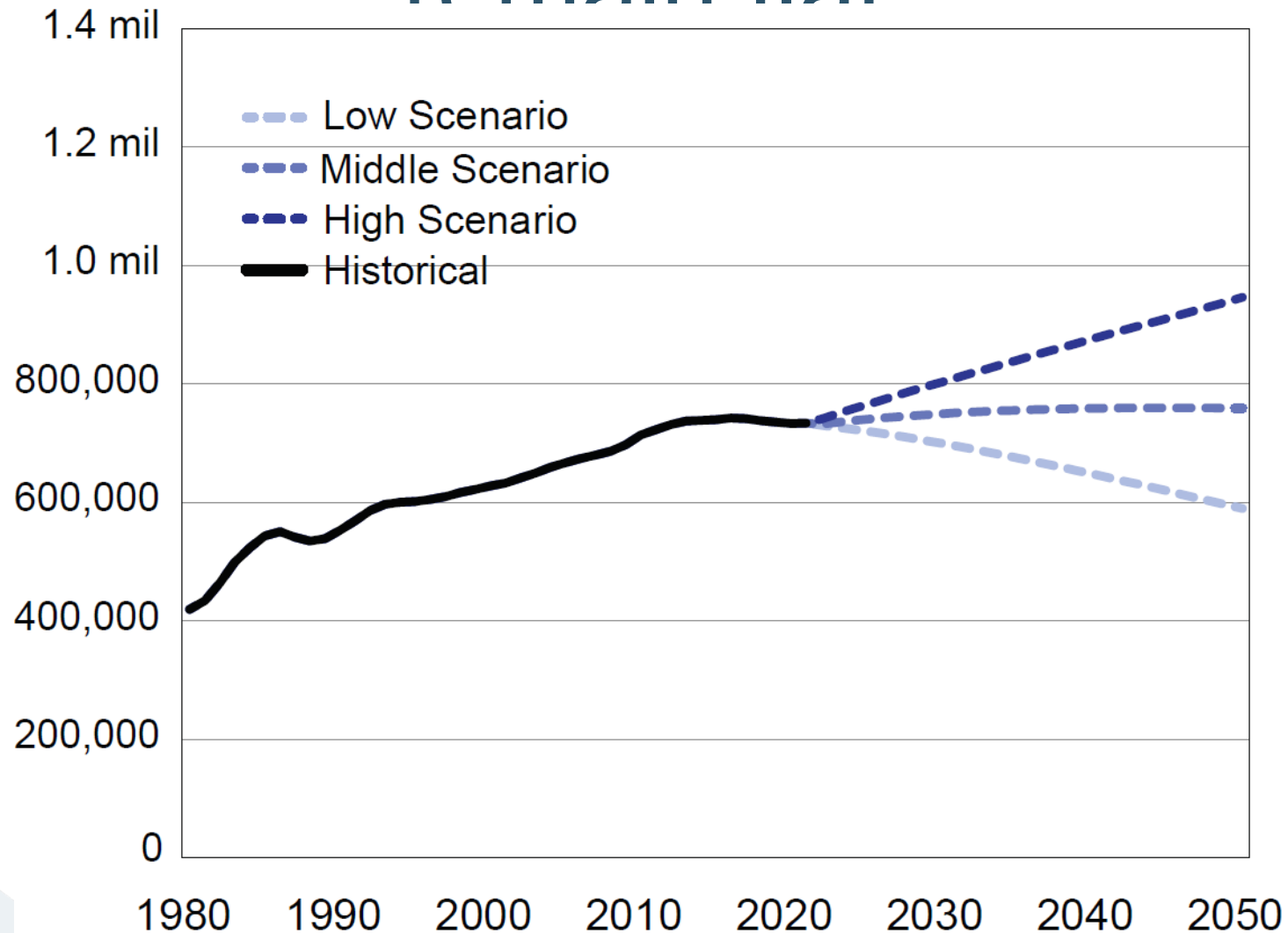
Alaska has been in an inflationary environment since 2020



Note: Indices normalized to January 1, 2005, for comparison.

Population

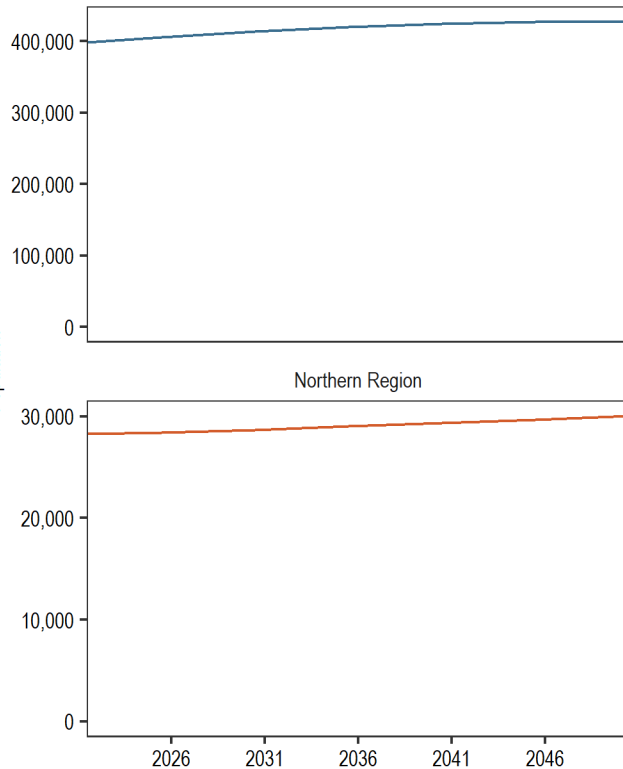
Alaska's population is expected to remain flat



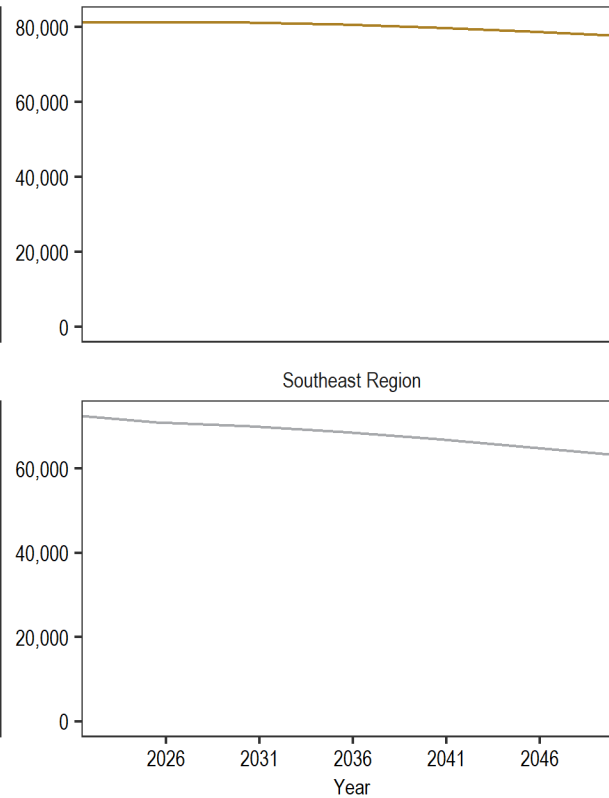
Source: Copied from Alaska Department of Labor and Workforce Development, Research and Analysis Section. 2022. Alaska Population Projections, 2021 to 2050. <https://live.laborstats.alaska.gov/pop/projections/pub/popproj.pdf>. Accessed August 18, 2022.

Coastal populations in Southeast and Gulf Coast Regions are expected to shrink

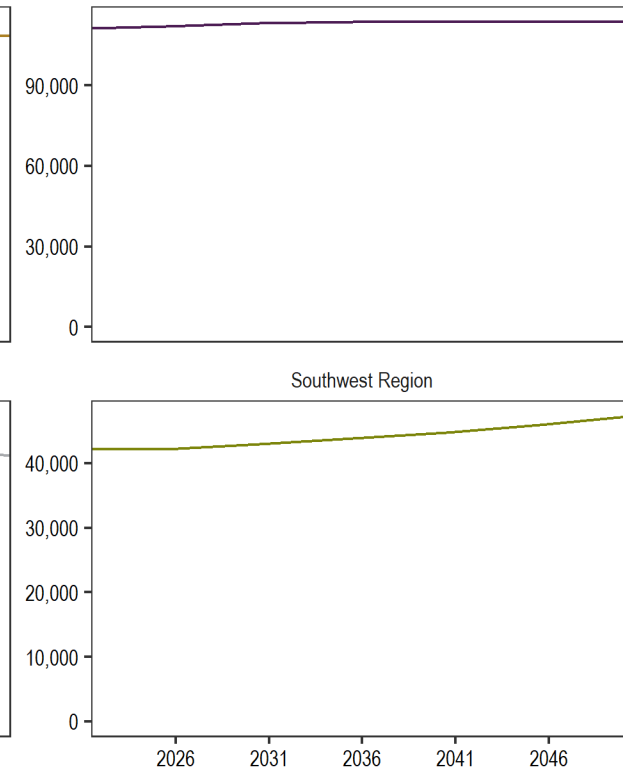
Anchorage / Mat-Su Region



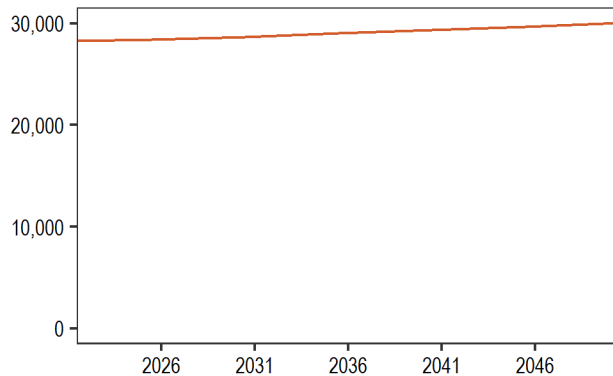
Gulf Coast Region



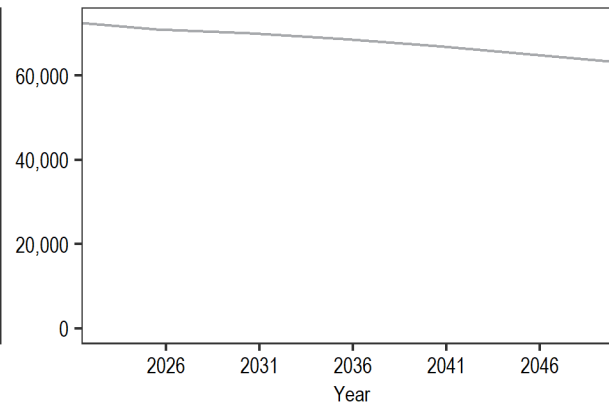
Interior Region



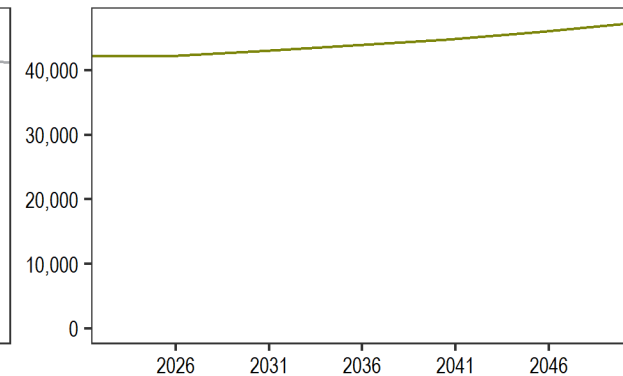
Northern Region



Southeast Region



Southwest Region

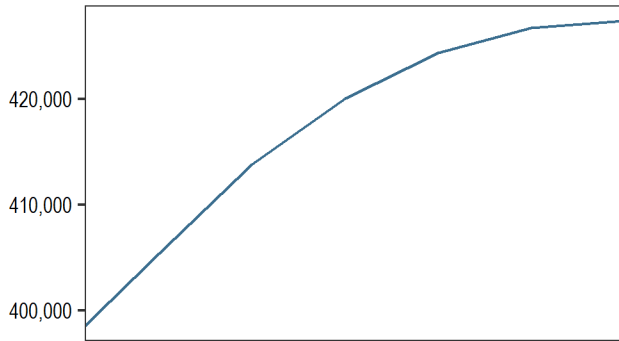


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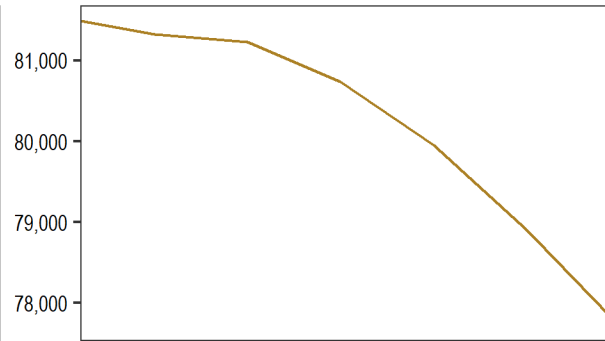
- Alaska Department of Labor and Workforce Development, Research and Analysis Section. 2022. Alaska Population Projections, 2021 to 2050. <https://live.laborstats.alaska.gov/pop/projections/pub/popproj.pdf>. Accessed August 18, 2022.

Coastal populations in Southeast and Gulf Coast Regions are expected to shrink

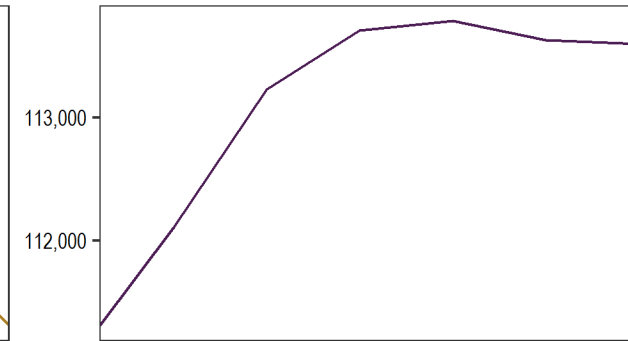
Anchorage / Mat-Su Region



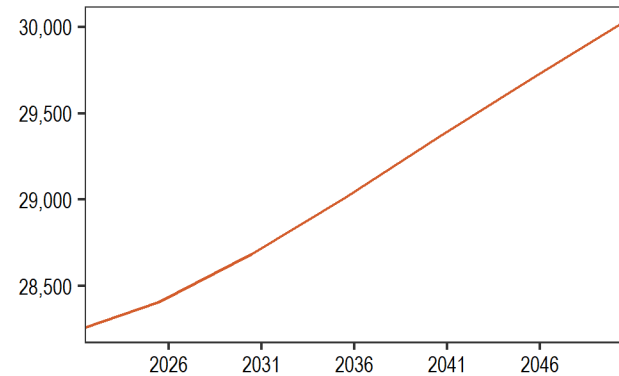
Gulf Coast Region



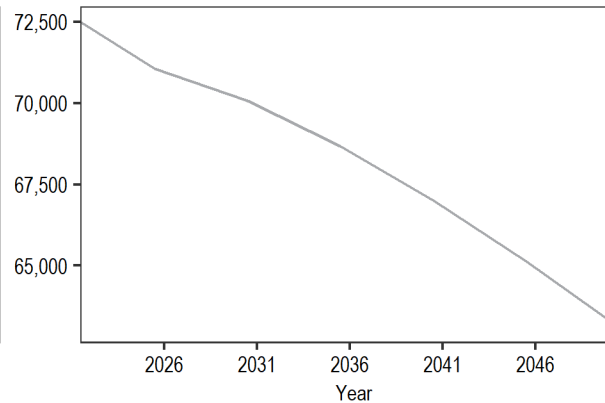
Interior Region



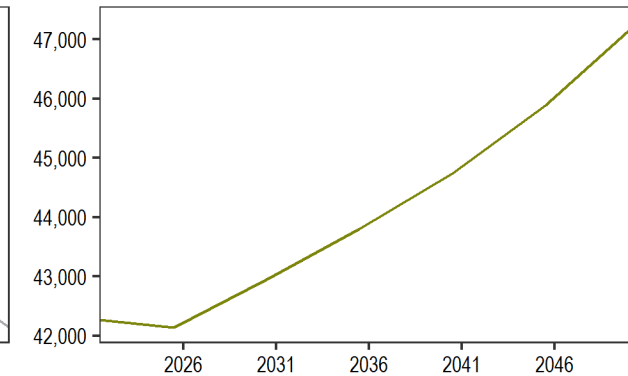
Northern Region



Southeast Region



Southwest Region



Source:

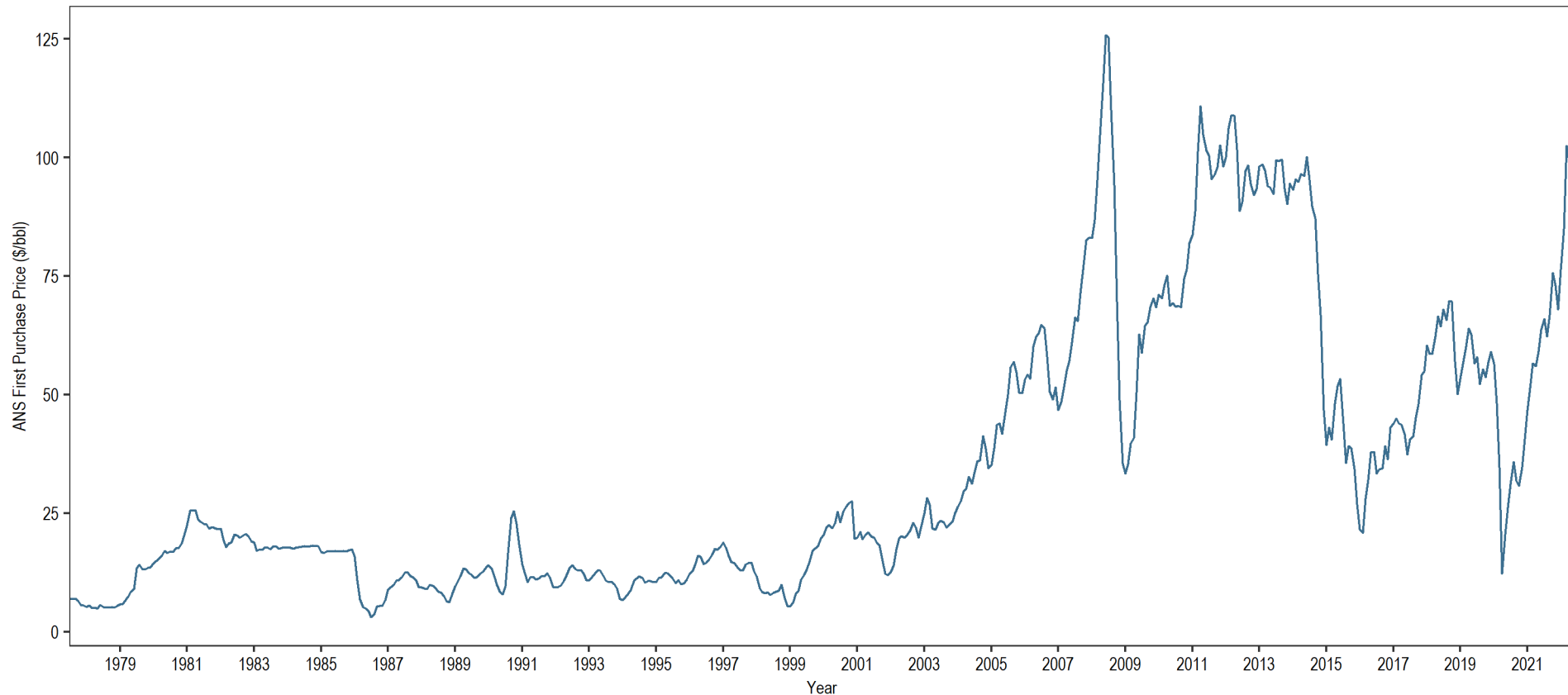
- Alaska Department of Labor and Workforce Development, Research and Analysis Section. 2022. Alaska Population Projections, 2021 to 2050. <https://live.laborstats.alaska.gov/pop/projections/pub/popproj.pdf>. Accessed August 18, 2022.

Gross Domestic Product (GDP)

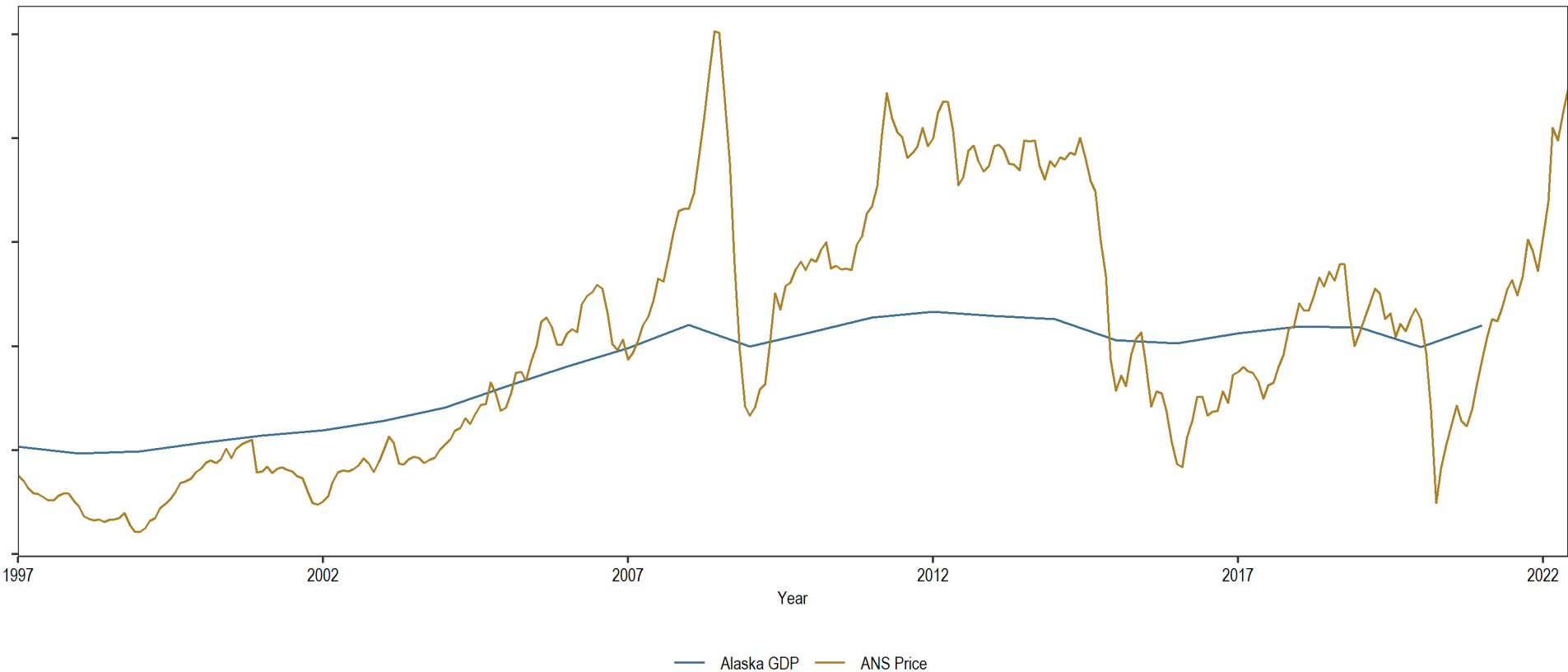
Alaska's GDP has been flat since 2008



ANS crude prices have been on a wild ride

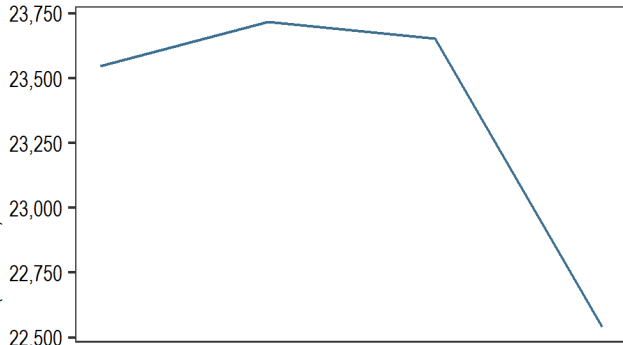


Oil influences GDP, though it is not the only factor

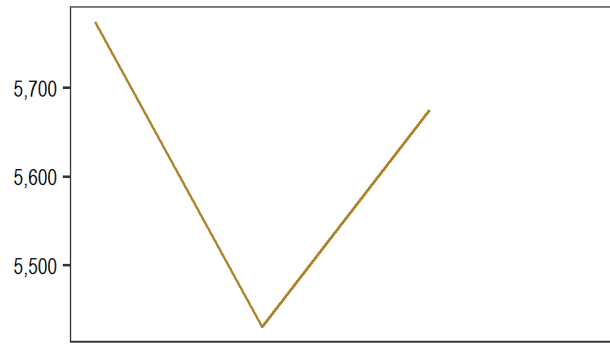


Here's a look at regional GDP for 2017–2020

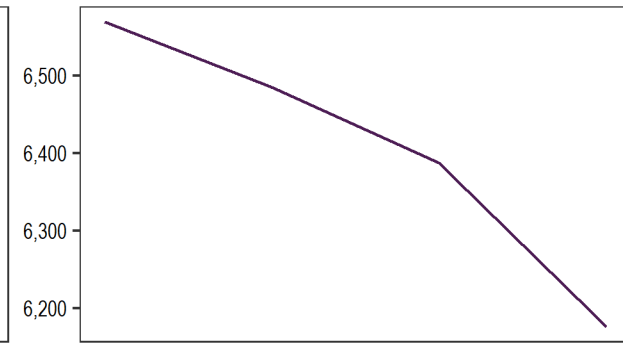
Anchorage/Mat-Su Region



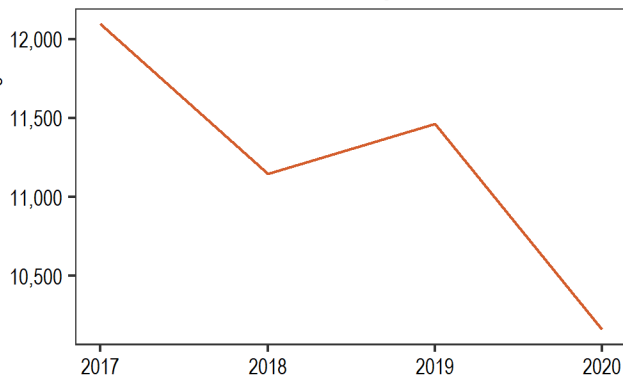
Gulf Coast Region



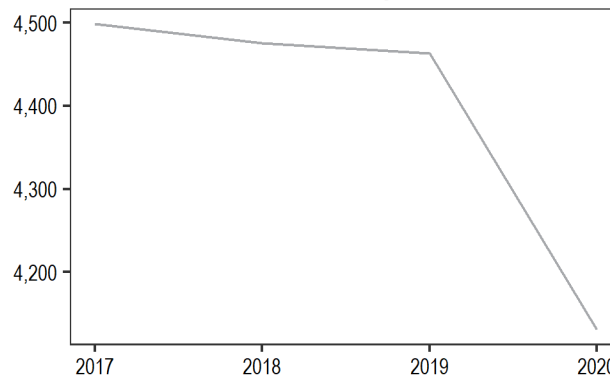
Interior Region



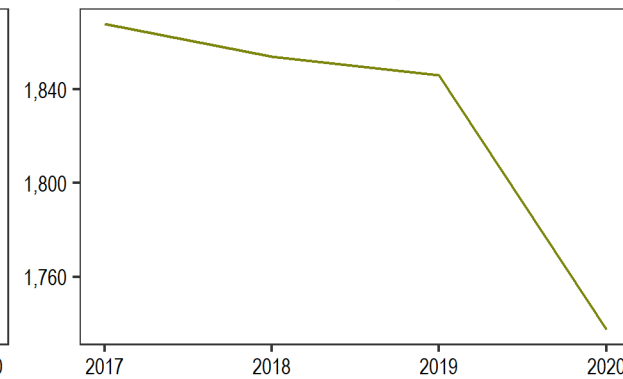
Northern Region



Southeast Region



Southwest Region



Sources: Bureau of Economic Analysis. 2022. GDP by County, Metro, and Other Areas.

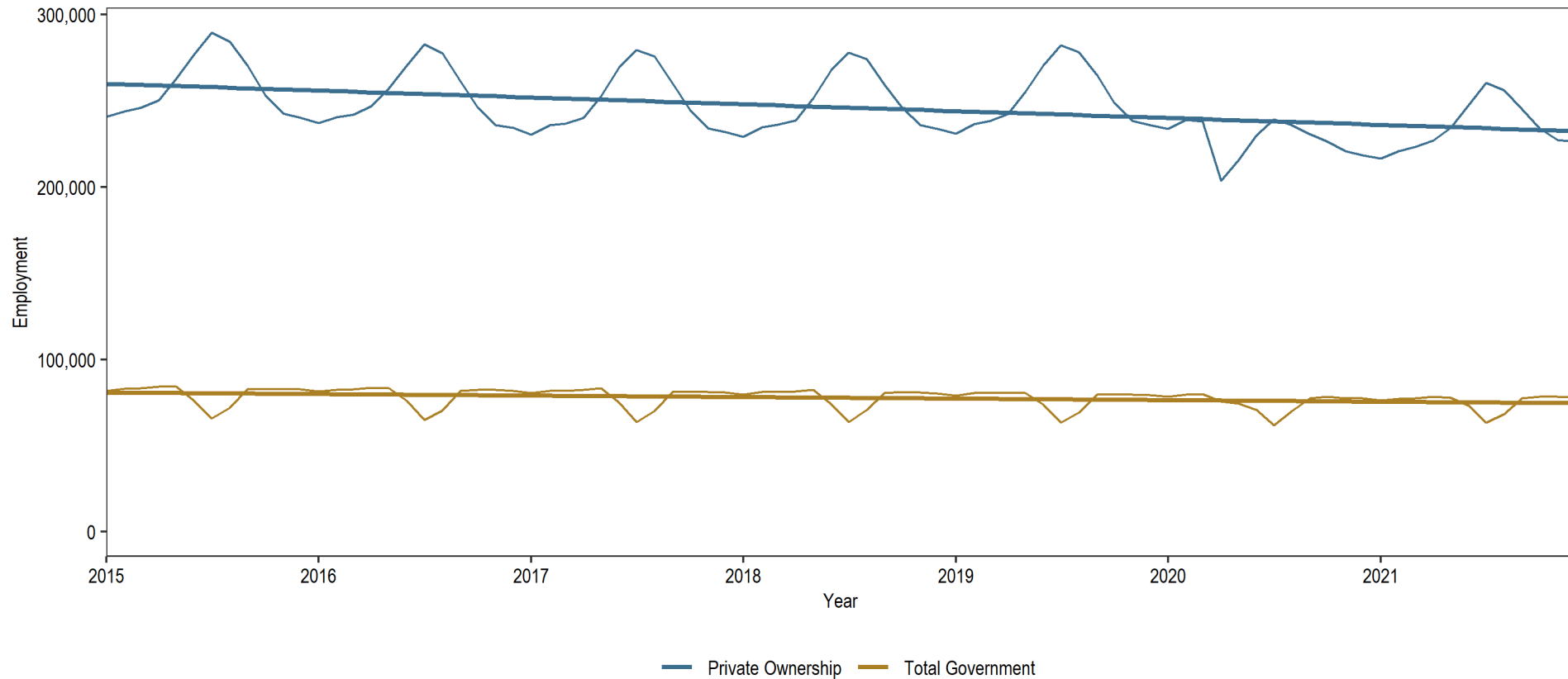
<https://www.bea.gov/sites/default/files/2021-12/lagdp1221.xlsx>. Accessed September 19, 2022.

Note: 2020 data not available for Valdez-Cordova Census Area or the new Chugach and Copper River Census Areas.

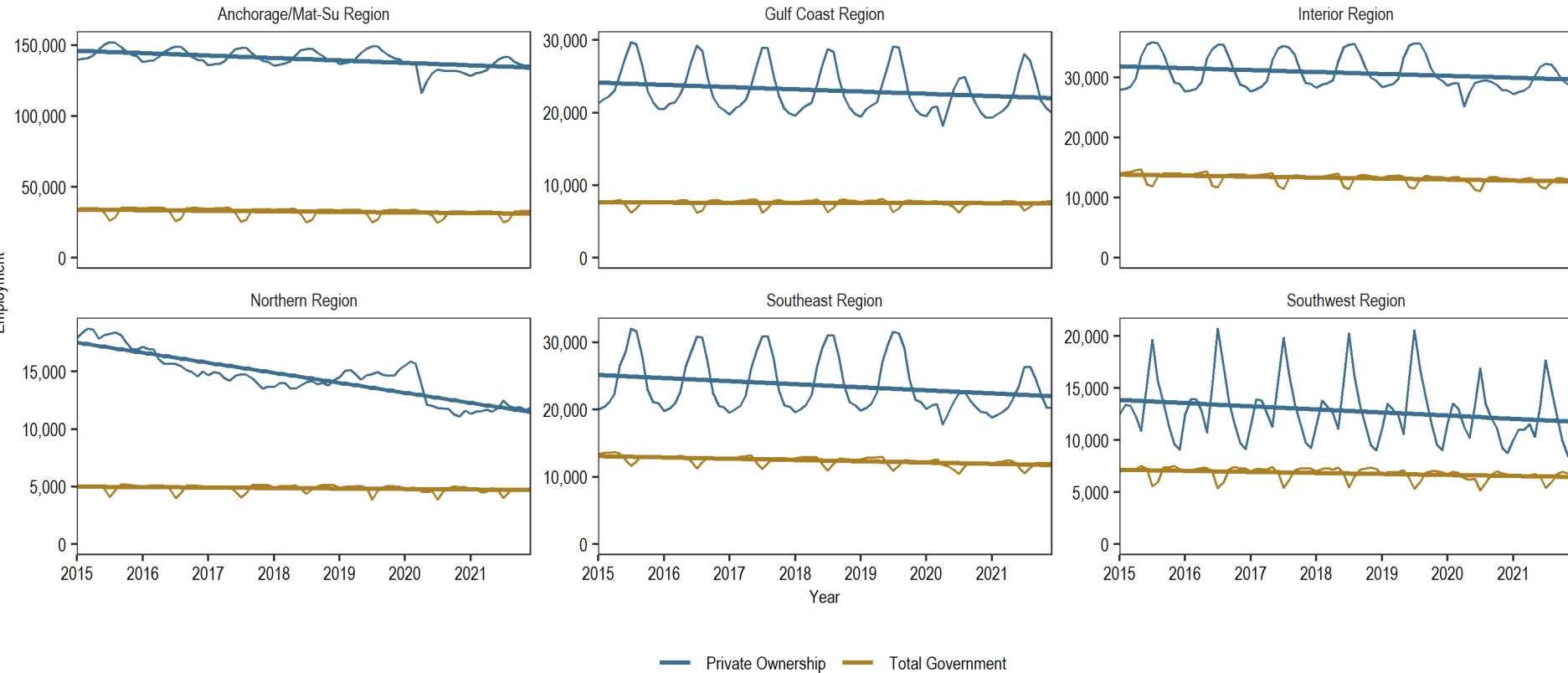


Employment

Private employment is seasonal but has been on a downward slope



Some regions have been hit harder than others

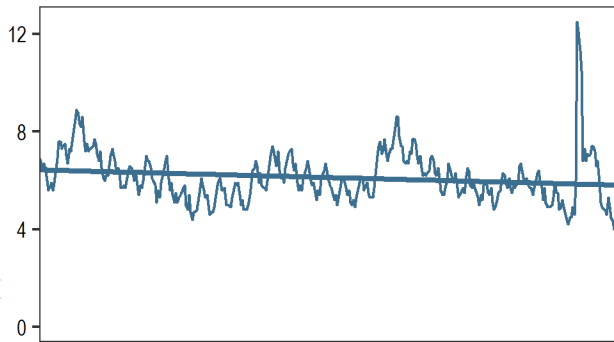


Sources: Alaska Department of Labor & Workforce Development, Research and Analysis Section. 2022. Current Quarterly Census of Employment and Wages (QCEW) data. <https://live.laborstats.alaska.gov/qcew/index.html>. Accessed September 20, 2022.

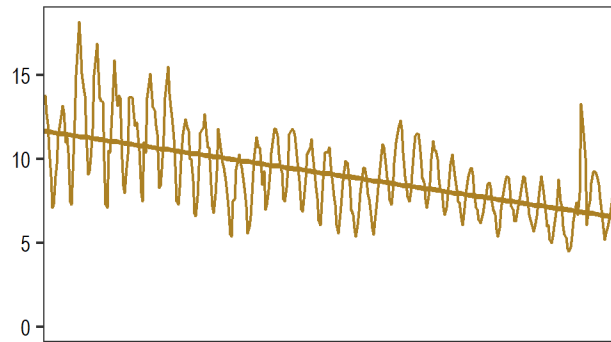
Note: Unknown location data have been removed.

The unemployment rate has been flat or down in most regions, especially since 2010

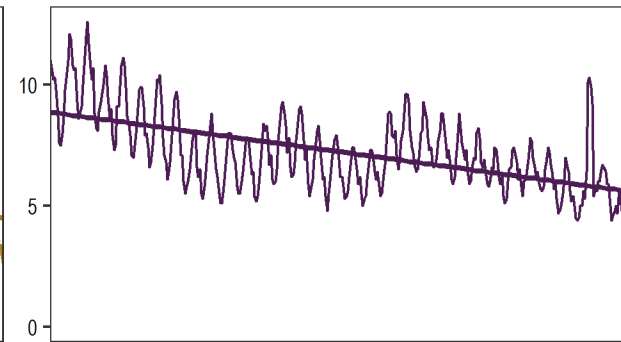
Anchorage/Mat-Su Region



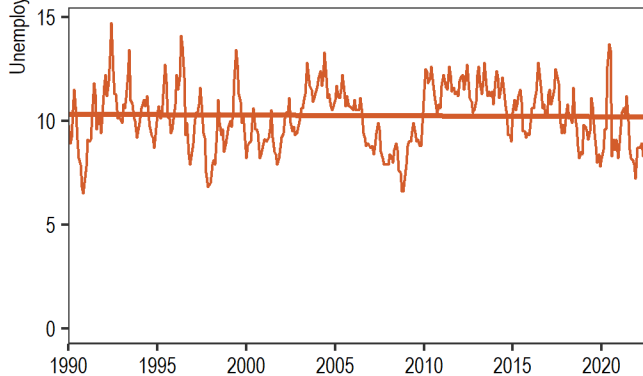
Gulf Coast Region



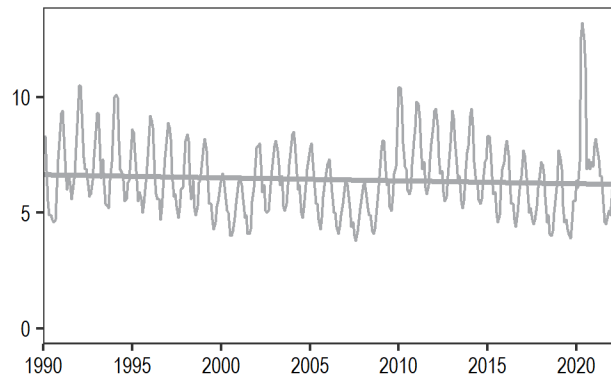
Interior Region



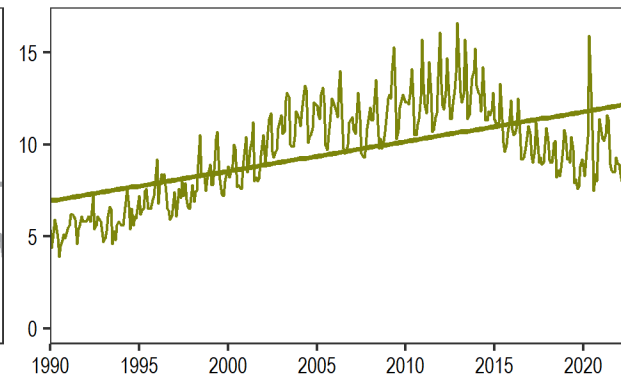
Northern Region



Southeast Region

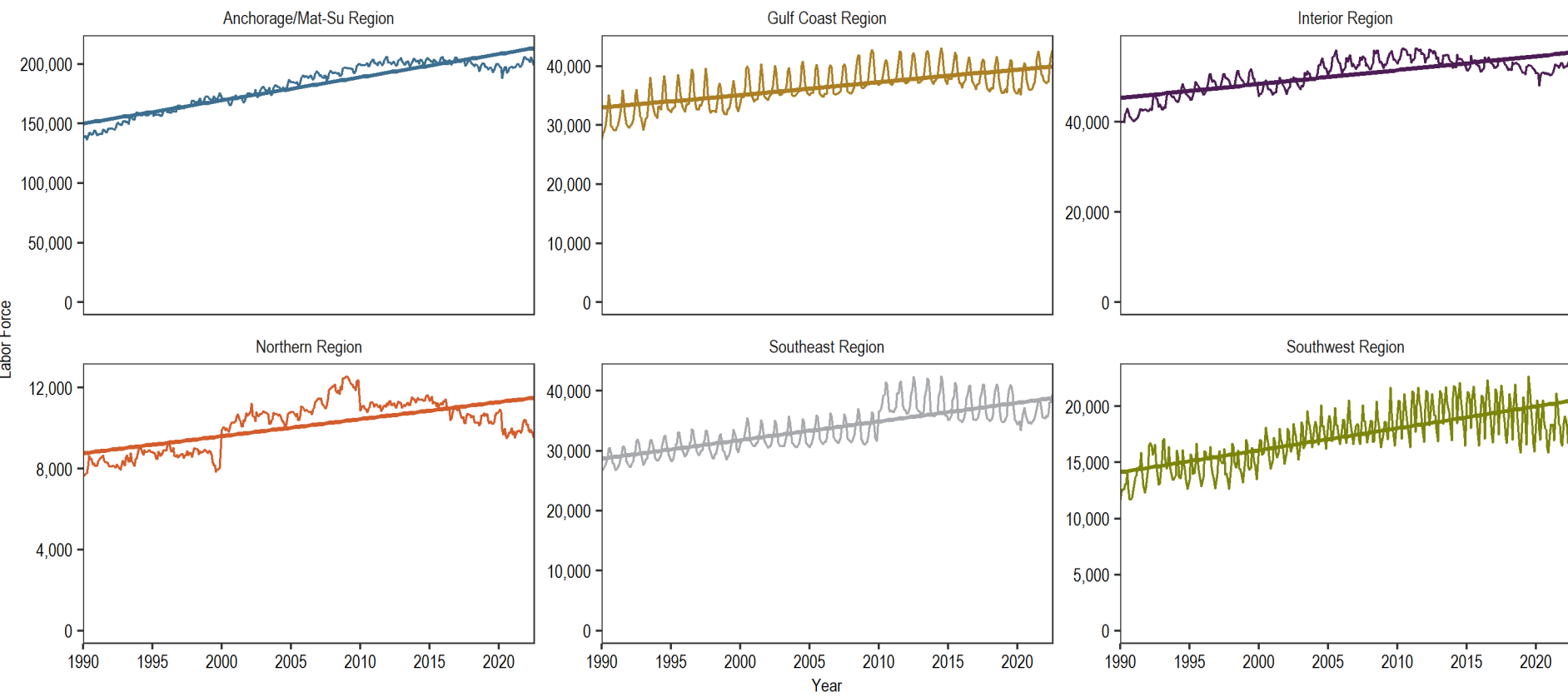


Southwest Region



Labor Force

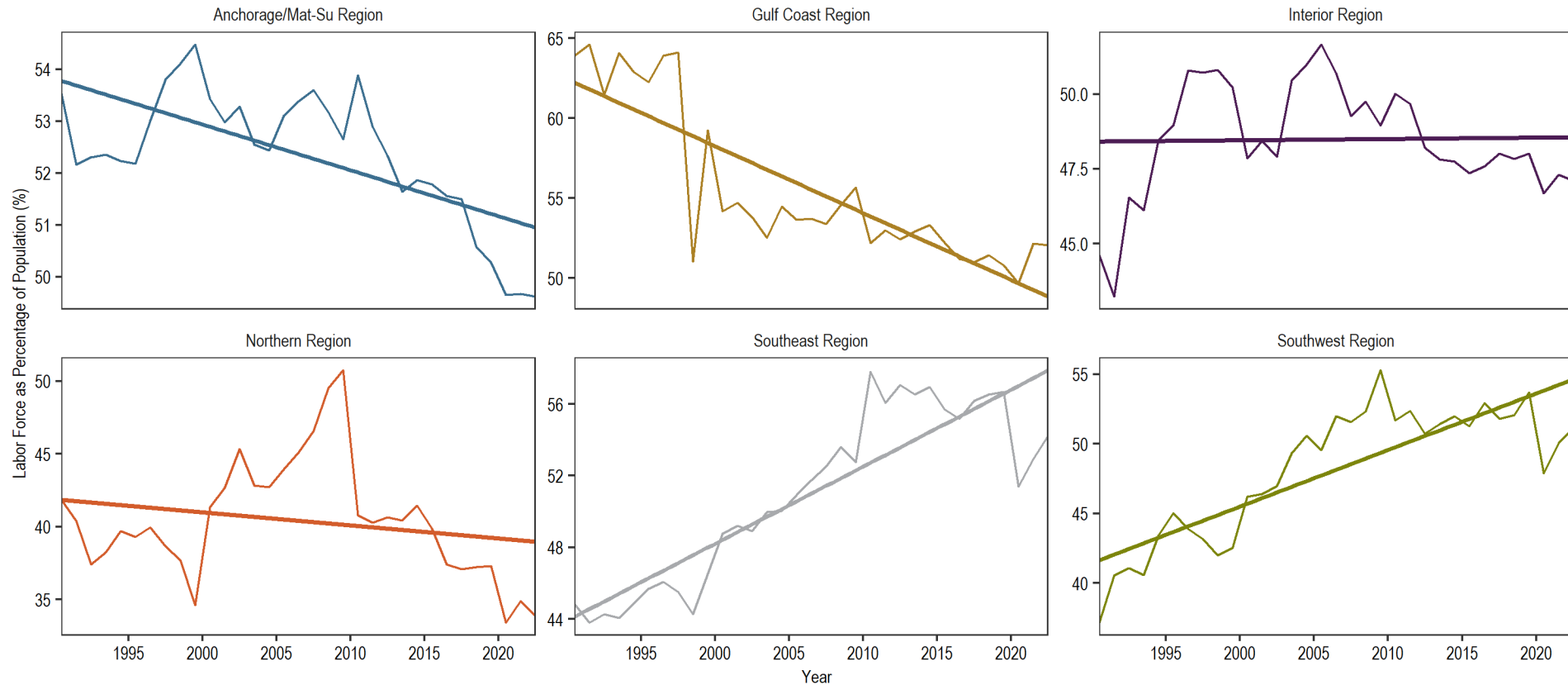
Our labor force (those working or looking for work) has grown historically but is flat or down in most regions in recent years



Sources: Alaska Department of Labor & Workforce Development, Research and Analysis Section. 2022. Alaska unemployment rates, not seasonally adjusted. <https://live.laborstats.alaska.gov/labforce/csv/AKlaborforce.csv>. Accessed September 20, 2022.



The labor force participation rate has grown in some regions but shrunk in others



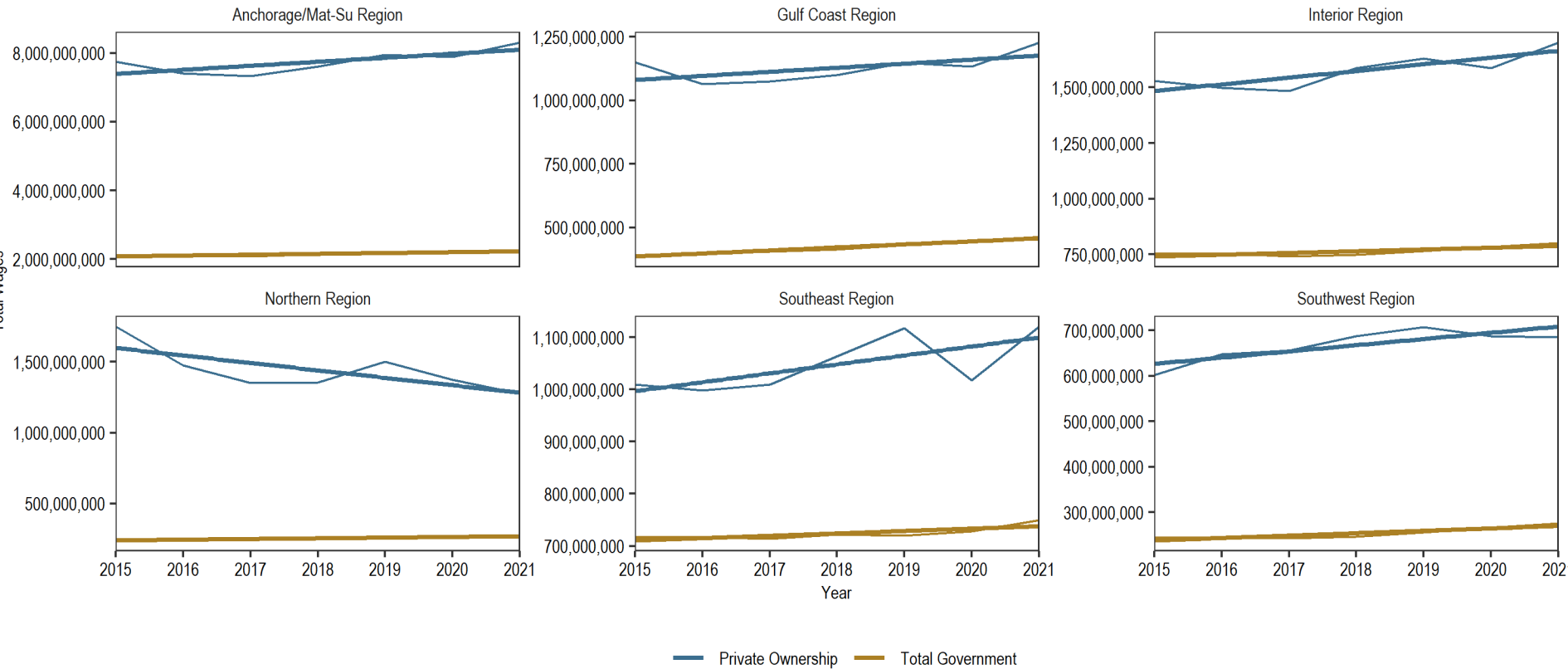
Sources:

- Alaska Department of Labor & Workforce Development, Research and Analysis Section. 2022. Alaska unemployment rates, not seasonally adjusted. <https://live.laborstats.alaska.gov/labforce/csv/AKlaborforce.csv>. Accessed September 20, 2022.
- Northern Economics' population database

Note: Results are approximate, since population figures do not account for institutionalized population.

Wages

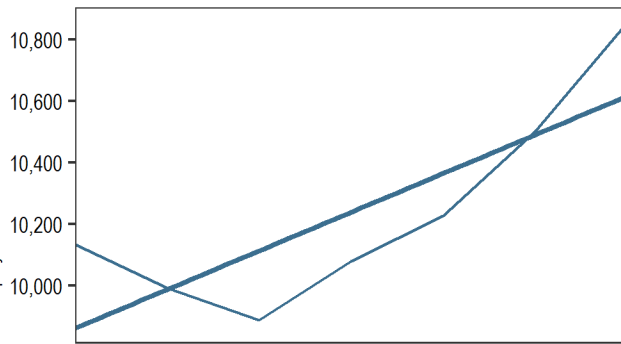
Most regions have seen increasing total wages in both the public and private sectors



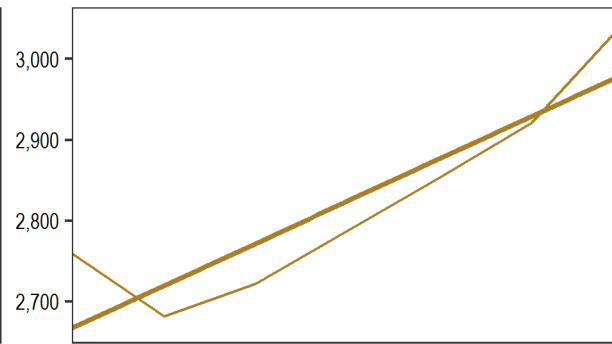
Number of Private Businesses

Most regions have seen an increase in the number of private sector employers

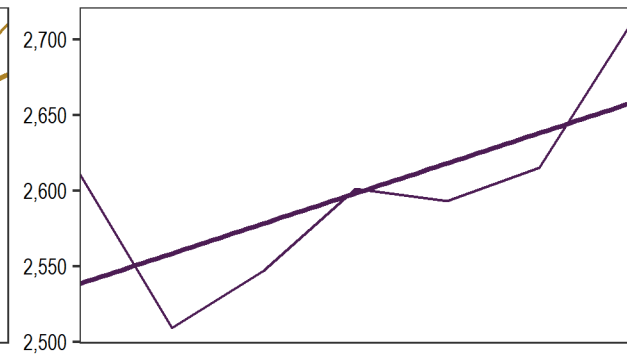
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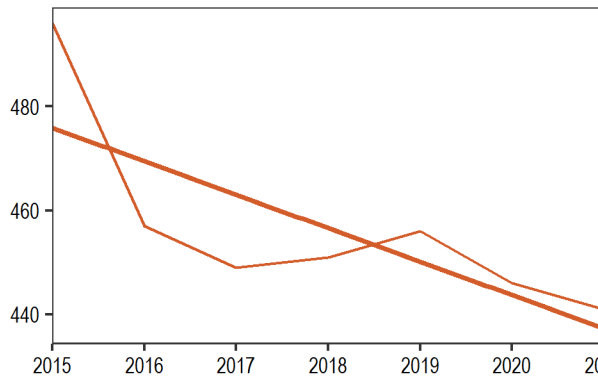
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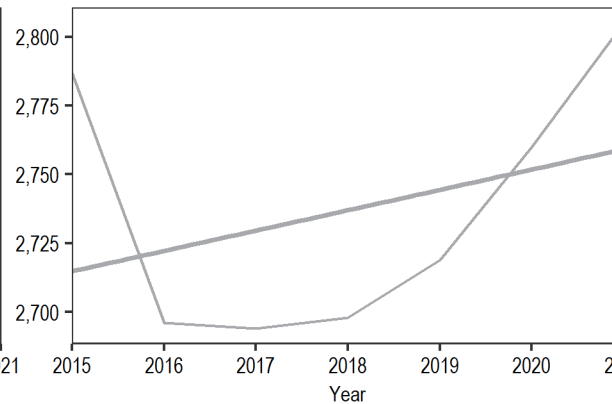
Interior Region



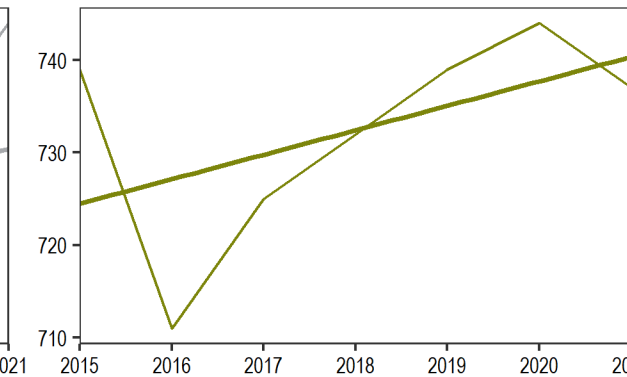
Northern Region



Southeast Region



Southwest Region



Local Perspectives

Local Challenges

- Costs
- Labor force
- Demand
- Community

Costs

- **General O&M costs**
 - Hourly wages up in order to entice workers to come work
 - Bonuses to entice workers to stay
 - Overtime pay up to deal with short-staffed departments
 - Costs of supplies up due to general and industry-specific inflation
- **Capital costs**
 - Project costs growing rapidly beyond the budget
 - How to get the money to pay for projects—or even matches—when reserves have been depleted by the past two years

Labor Force

- **Availability of workers**
 - Ratio of applicants to open positions
 - Ability to even find workers
 - Waiving qualifications / satisficing
- **Pay rates**
 - As mentioned before, higher wages to attract talent and more overtime to deal with shortages

Demand

- Increased—or decreased—demand without time to adapt to it
 - Changes in user mix
 - Changes in needs (power, waste, etc.)
 - Changes in use patterns (length of stay, etc.)

Community

- Business closures or reductions of service
 - Restaurants / in-person venues
 - Other small businesses
- Remote workers
- Demand for commercial real estate

Local Opportunities

- Renewed emphasis on—and necessity to —“buy local”
- Ability to utilize remote workers
- Vastly improved technology for remote work and communication
- Enact fees sales taxes for specific uses?
- Appeal to post-COVID interests for tourism

Thank You!

- Thank you to the port and harbor staff who had conversations with me about their experiences this year!

Open Floor: Q&A and Strategies



Thank you!



Mike Fisher
Vice President
Northern Economics, Inc.

hael.fisher@norecon.com

