



ALASKA

NORTH TO OPPORTUNITY

ALASKA'S QUARTERLY ECONOMIC REPORT

THIRD QUARTER, 2017

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State of Alaska

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INTRODUCTION

The State of Alaska Department of Commerce, Community and Economic Development's Division of Economic Development (DED) compiles this quarterly report to assist in the assessment of Alaska's economic health and business climate.

Legacy economic trends like energy prices and overall cost of living are examined alongside emerging rural and urban trends, allowing for a comprehensive assessment of Alaska's regional economic landscape. The data used in the Quarterly Economic Report is statistical information from state, federal, and private sector resources combined with anecdotal information collected from regional economic development and community organizations throughout the state. The combination of this data allows for a unique, realistic look at the economic drivers of Alaska's economy from a statewide and regional perspective.

KEY FINDINGS

Commodity Prices: Key commodity prices, including oil, coal, gold, silver, copper, and zinc all rose in the third quarter of 2017 compared to the second quarter. Natural gas remained relatively flat, as did silver. Many minerals prices had a spike in August, but reduced slightly in September, while still above July prices. Salmon prices were up across species and the increase, coupled with a strong harvest, made for one of the best fishing seasons in recent years.

Consumer Prices: According to a quarterly community price comparison that DED compiles, average prices for four consumer goods (bread, milk, eggs, and gasoline) in the nine communities surveyed fell slightly between the second and third quarters of 2017. For the third quarter, the statewide monthly average for the community price comparison was \$12.23.

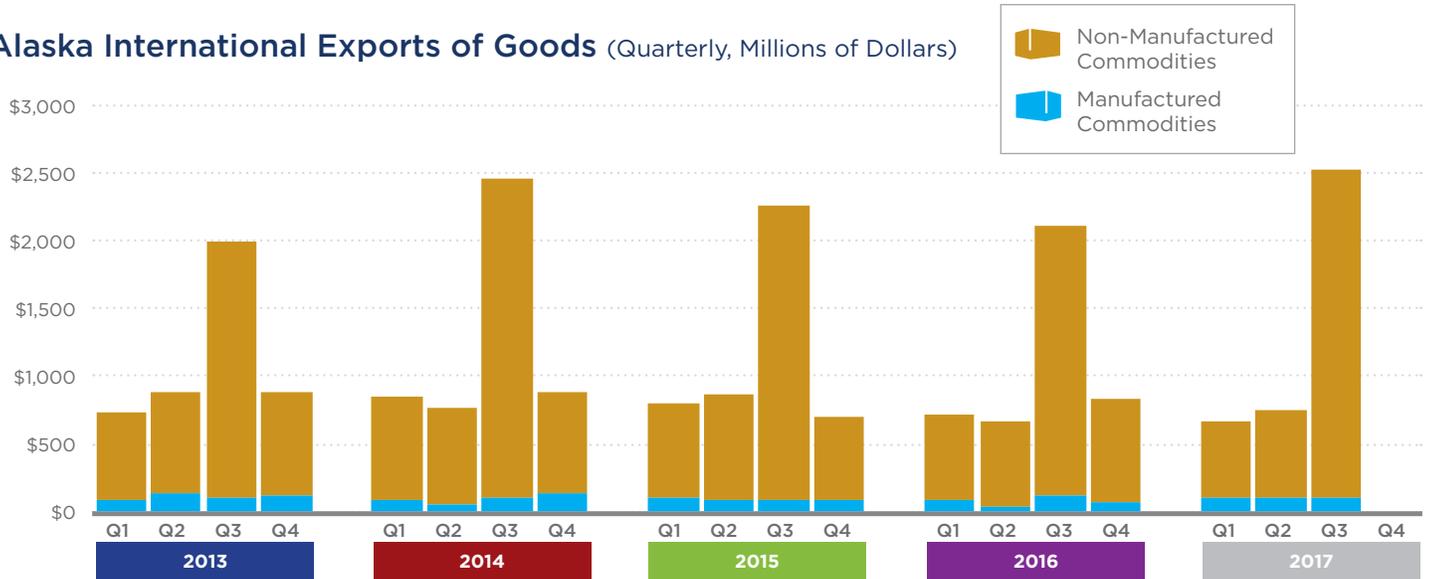
Employment: Alaska's seasonally adjusted unemployment rate continues to creep upwards, reaching 7.1 percent in the third quarter. The state unemployment rate also continues to diverge from the national rate. In September, Alaska had the highest unemployment rate in the country, at 7.2 percent. The average number of Alaskans employed each month has increased each quarter in 2017, reaching 331,433 in the third quarter.

Freight and Cargo Transportation: Freight moving through Alaska follows seasonal patterns and on average is highest in the summer months. Maritime cargo followed that trend in the third quarter of 2017. Railroad freight increased in Q3, due to highway construction projects. Air cargo data for the third quarter was not available.

EXPORT AND IMPORT VALUES

Alaska's international exports follow seasonal trends, due to seasonality in production of seafood products and metal ores. This year is no exception, with exports in the third quarter totaling more than double what was exported in the first half of the year. Seafood and zinc made up the bulk of the over \$2.5 billion of exports this quarter. The strong year for salmon, in both price and amount harvested, led this year's third quarter to be the highest in the past five years.

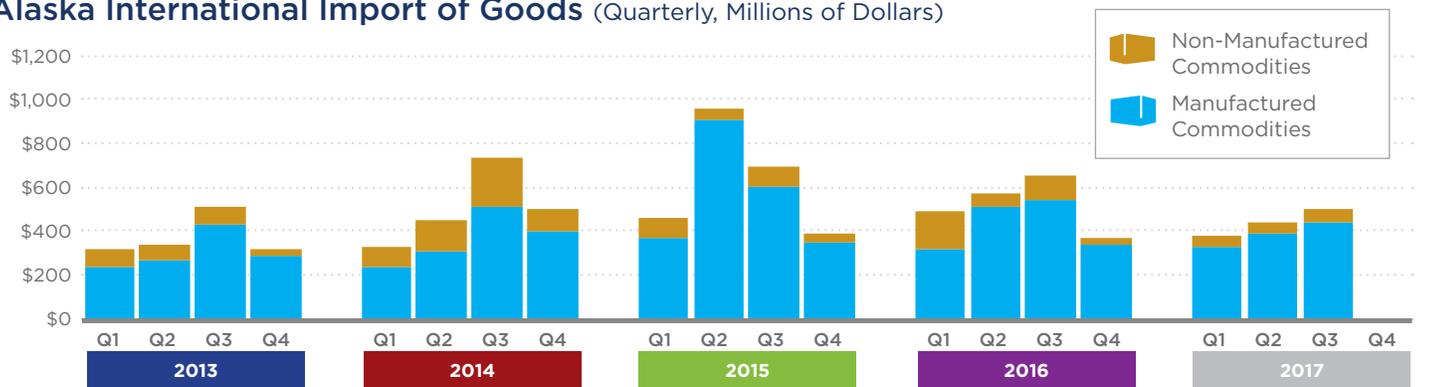
Alaska International Exports of Goods (Quarterly, Millions of Dollars)



Source: U.S. Census Bureau

International imports to Alaska do not follow the same seasonal patterns, but are always driven by refined fuels. In the third quarter of 2017, refined fuels accounted for just over half of all imports. Other large categories of imports in the third quarter were machinery and industrial equipment. Copper ore, imported from Canada and shipped out from the Skagway Ore Terminal, also shows up in Alaska's import figures as one of the largest commodities. Manufactured commodities made up 88 percent of imports to the state.

Alaska International Import of Goods (Quarterly, Millions of Dollars)



Source: U.S. Census Bureau

CARGO TRAFFIC

Nearly all cargo comes into the state via maritime shipping with smaller volumes arriving via air cargo and by truck over the Alaska-Canada (AlCan) Highway.

Maritime Cargo

Alaska maritime cargo trends can be shown by looking at the outbound and inbound tonnage at the major ports serving Alaska: Seattle and Tacoma. Overall, both outgoing and incoming maritime cargo from the ports of Seattle and Tacoma have been on a downward trend over the past five years, in part due to fewer construction projects happening in the state. Outgoing maritime cargo is always the highest in the third quarter, because of the summer fishing seasons. This year's outgoing tonnage was the highest third quarter since 2014.

Alaska Tonnage (Ports of Seattle and Tacoma)

(Millions of metric tons)



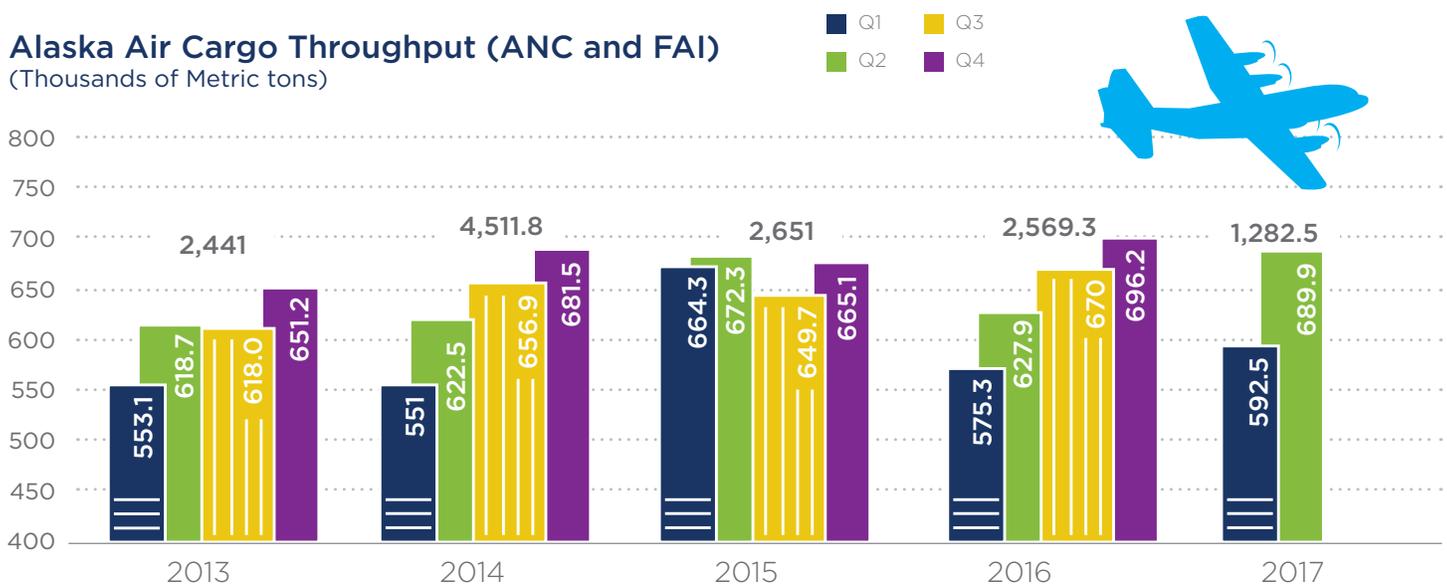
Source: Northwest Seaport Alliance

Alaska Air Cargo Throughput

Alaska's airports are a major component of the state's transportation system; air cargo throughput in Anchorage and Fairbanks are an effective measure of that activity. Like maritime cargo, air cargo averages follow seasonal trends with throughput falling in the winter months and picking up again through the rest of the year. The second quarter of 2017 was second only to the fourth quarter of 2016 in air cargo throughput in Anchorage and Fairbanks. Data for the third quarter of 2017 is not yet available.

Alaska Air Cargo Throughput (ANC and FAI)

(Thousands of Metric tons)



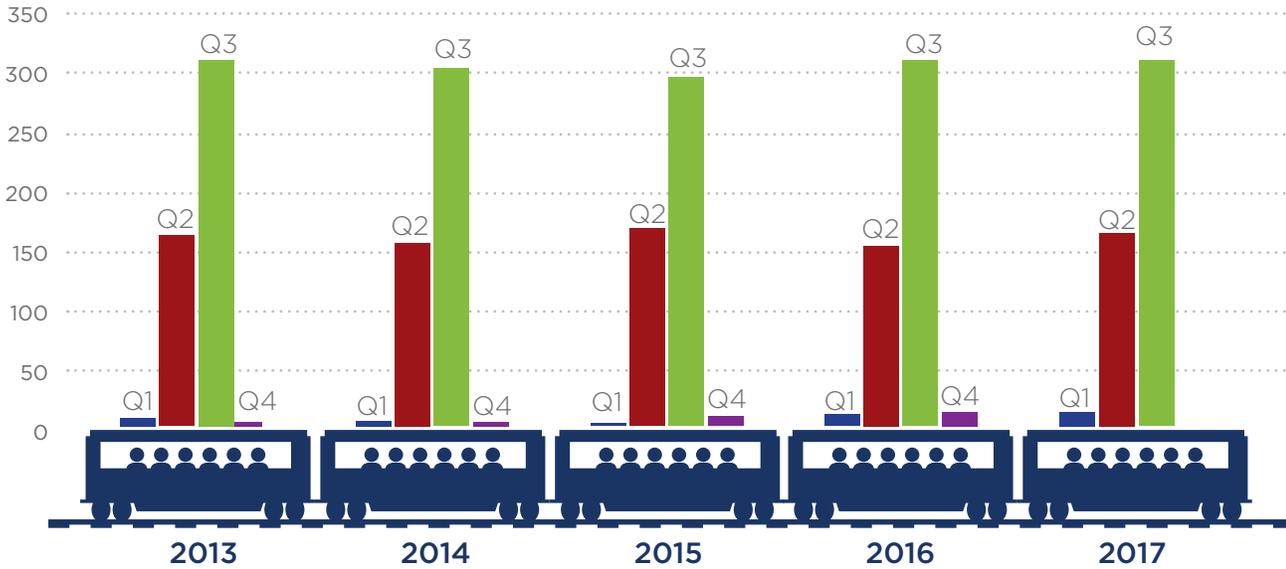
Source: Alaska Department of Transportation & Public Facilities

ALASKA RAILROAD STATISTICS

The Alaska Railroad’s passenger numbers show a distinct seasonal variation where the majority of railroad passengers travel during the peak summer visitor season that spans quarters two and three. In the third quarter of 2017, the Alaska Railroad saw a large increase in freight tonnage, reversing a five-year downward trend. The majority of the increase was related to transporting gravel for the Dowling to Dimond and O’Malley Road projects on the Seward Highway. Summer passenger volume was also the largest for the Alaska Railroad in the last five years.

Alaska Railroad Passenger Volume

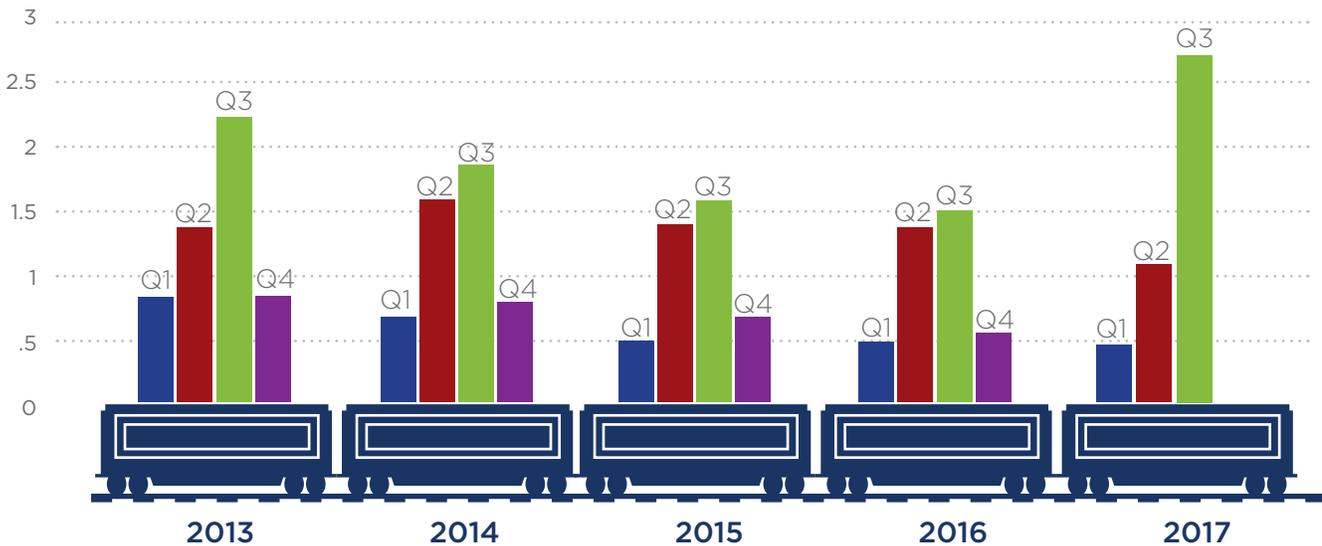
(Thousands of passengers)



Source: Alaska Railroad Corporation

Alaska Railroad Freight Tonnage

(Millions of tons)



Source: Alaska Railroad Corporation

ALCAN BORDER CROSSINGS - FREIGHT VEHICLES

Freight vehicles crossing the AICan border provide another measure of Alaska's transportation activity. Truck crossings in Q3 were in line with the five-year average.

Truck Crossings

(Number of Vehicles)



Source: Port of AICan, Office of Field Operations

COMMODITY PRICES

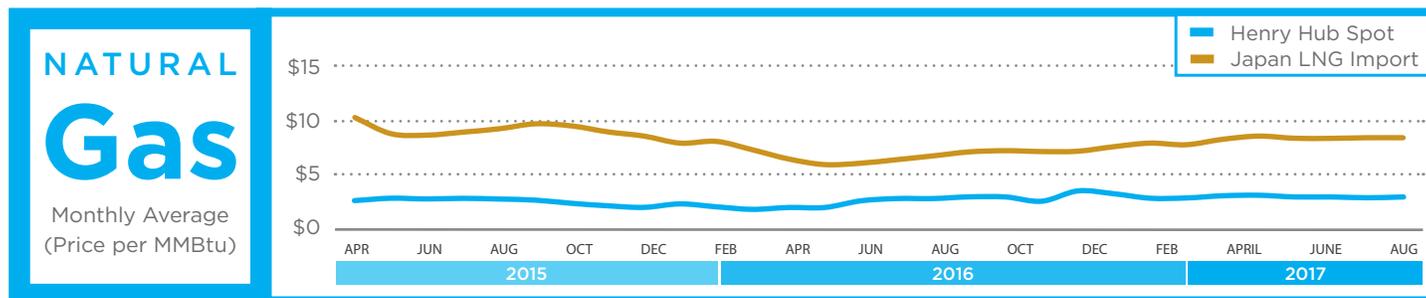
Natural Gas Price

Natural gas prices were relatively flat this quarter. According to the EIA's October 2017 STEO, the Henry Hub natural gas spot price was \$2.98/million British thermal units (MMBtu) in September – the same as the June price, yet up eight cents from the August level. According to YCharts, the Japan liquefied natural gas (LNG) import price was \$8.35/MMBtu in September, up slightly from \$8.30/MMBtu in June.

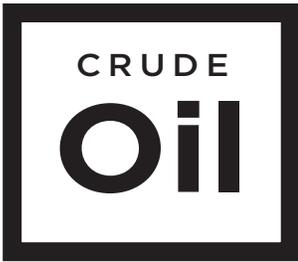
Natural gas futures prices declined in early September, largely because of reduced demand related to Hurricane Irma in Florida, since most electricity generation in the state is gas-fired. Injections of natural gas into underground storage exceeded market expectations and historical averages for the first three weeks of September, which further contributed to lower prices.

As rising natural gas production keeps pace with increasing consumption and demand for exports – particularly for LNG – EIA projects a balanced market for the last quarter of 2017 through 2018. EIA forecasts a year-over-year increase in dry natural gas production of 4.9 billion cubic feet per day (Bcf/d) in 2018 to a record of 78.5 Bcf/d.

Expected growth in natural gas exports and domestic natural gas consumption in 2018 contribute to the EIA forecast Henry Hub natural gas spot price rising from an average of \$3.03/MMBtu in 2017 to \$3.19/MMBtu in 2018.



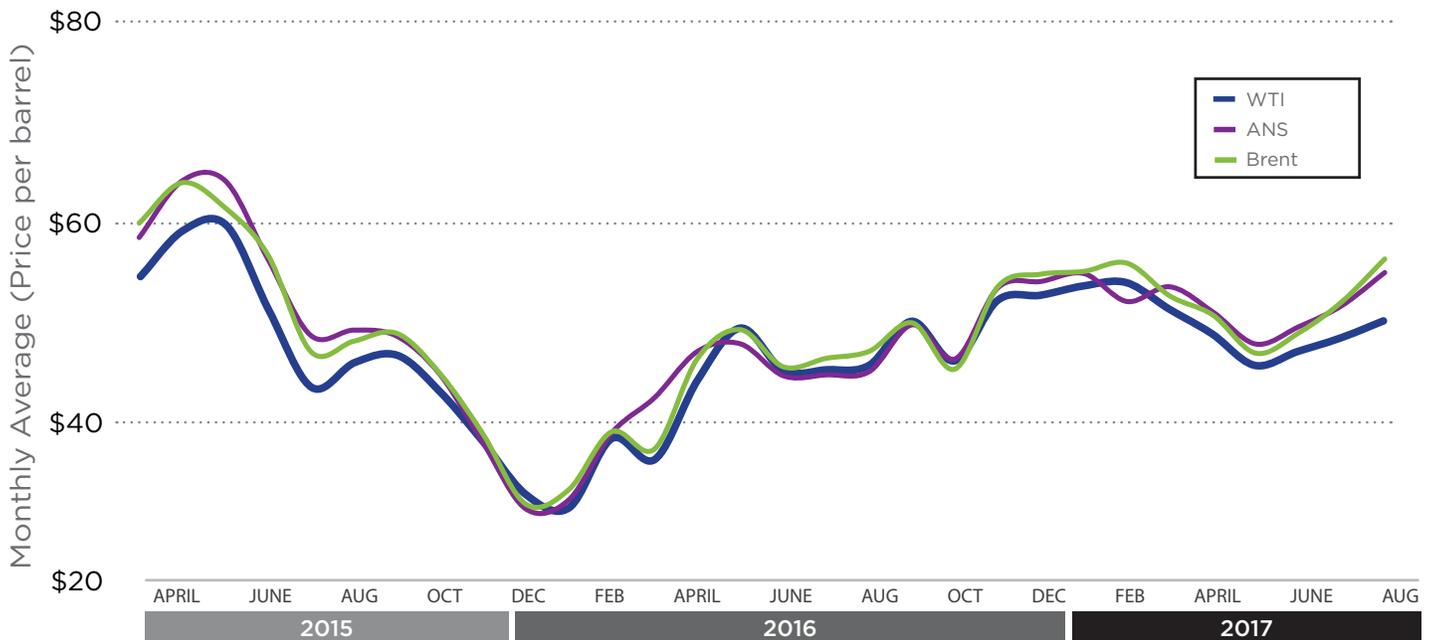
Sources: U.S. Energy Information Administration and World Bank



Oil Price

All oil prices tracked in this report increased in the third quarter. According to the U.S. Energy Information Administration (EIA) October 2017 Short-Term Energy Outlook (STEO), North Sea Brent crude oil spot prices averaged \$56 per barrel (b) in September, an increase of \$4/b from the average in August. EIA forecasts Brent spot prices to average \$52/b in 2017 and \$54/b in 2018. West Texas Intermediate (WTI) average crude oil prices are forecast to be \$3.50/b lower than Brent prices in 2018. According to the State of Alaska Department of Revenue, the Alaska North Slope oil price increased \$9.78/b from the average June price, settling at a monthly average of \$56.15/b in September. According to the EIA, these higher crude oil prices reflect declining global oil inventories, increasing expectations for global economic and oil demand growth, and geopolitical events.

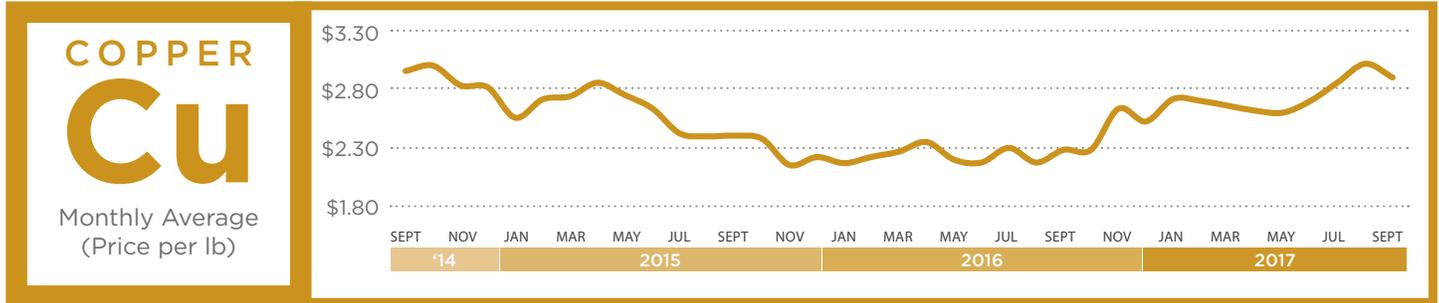
EIA estimates that global oil inventories fell by 0.5 million barrels per day (b/d) in the third quarter of 2017. Falling production from the Organization of the Petroleum Exporting Countries (OPEC) has contributed to global oil inventory withdrawals this year. EIA estimates that OPEC crude oil production averaged 32.9 million b/d in the third quarter of 2017, down from an average of 33.4 million b/d in November 2016.



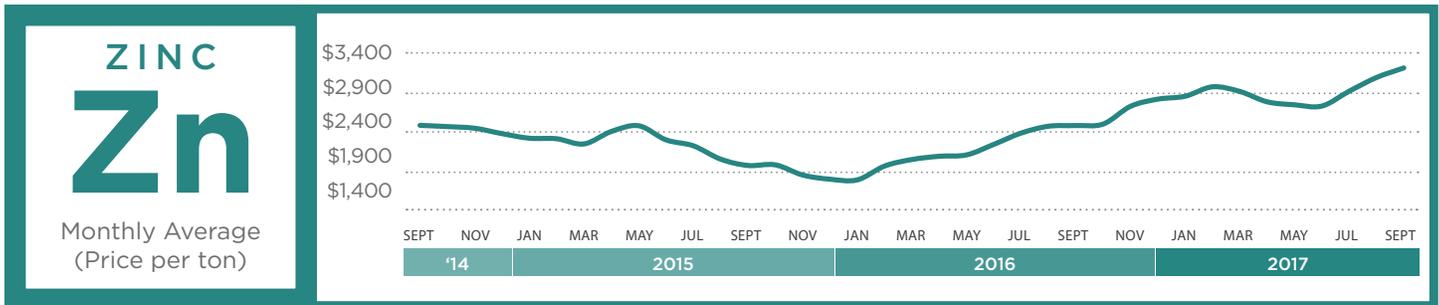
Sources: U.S. Energy Information Administration and State of Alaska Department of Revenue Tax Division

Metals

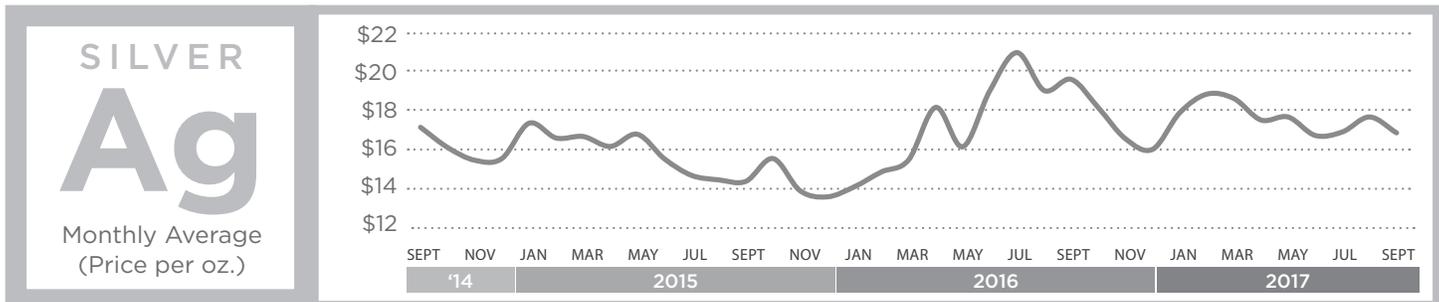
Tight supplies lifted prices for industrial metals in the third quarter. Gold, copper, and zinc prices rose in the third quarter of 2017, while silver prices were relatively flat. After dipping down in the second quarter, zinc prices shot up to a remarkable \$3,119.18/ton in September. Copper prices hit a three-year high this quarter as its ongoing supply deficit for the past seven years is expected to persist through 2018. Demand for zinc and copper is expected to be higher than supply.



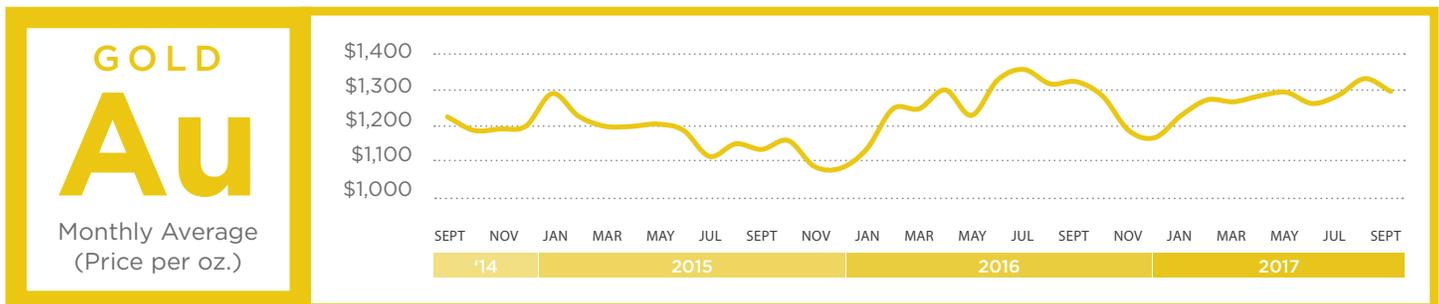
Source: London Metal Exchange



Source: London Metal Exchange



Source: Investing.com

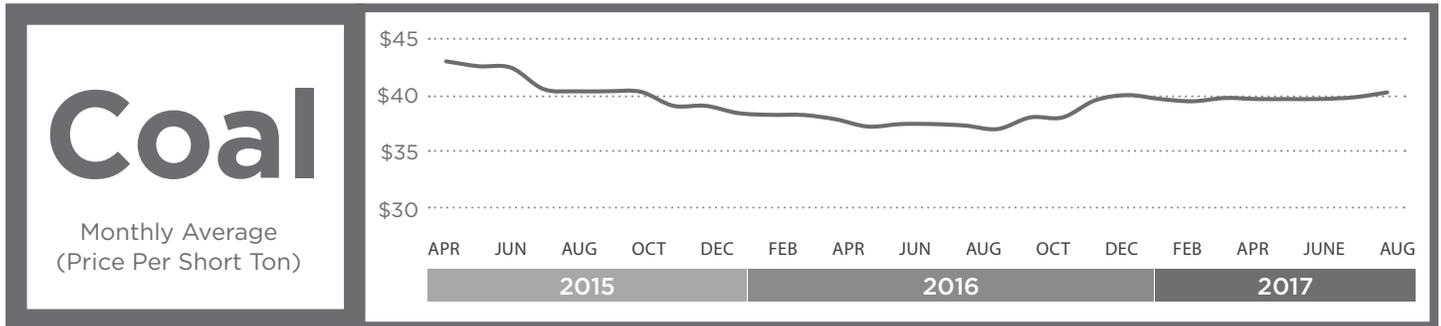


Source: Investing.com

Coal Price

The price of coal rose modestly during the third quarter. According to the October EIA STEO, the average September U.S. coal price was \$37.09 per short ton, up from \$36.21/short ton in June. EIA expects the share of U.S. total utility-scale electricity generation from natural gas to fall from 34 percent in 2016 to 31 percent in 2017 as a result of higher natural gas prices and increased electricity generation from renewables and coal.

According to the EIA, U.S. coal production for September 2017 was an estimated 66 million short tons (MMst), up 1 MMst (1 percent) from September 2016. Coal production is expected to increase by 8 percent in 2017 and by less than 1 percent in 2018. EIA expects growth in coal exports to slow, with exports for all of 2017 forecast at 75MMst, 15 MMst higher than the 2016 level.

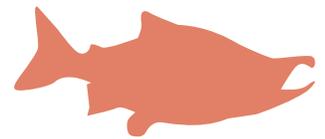


Source: U.S. Energy Information Administration

Alaska Salmon

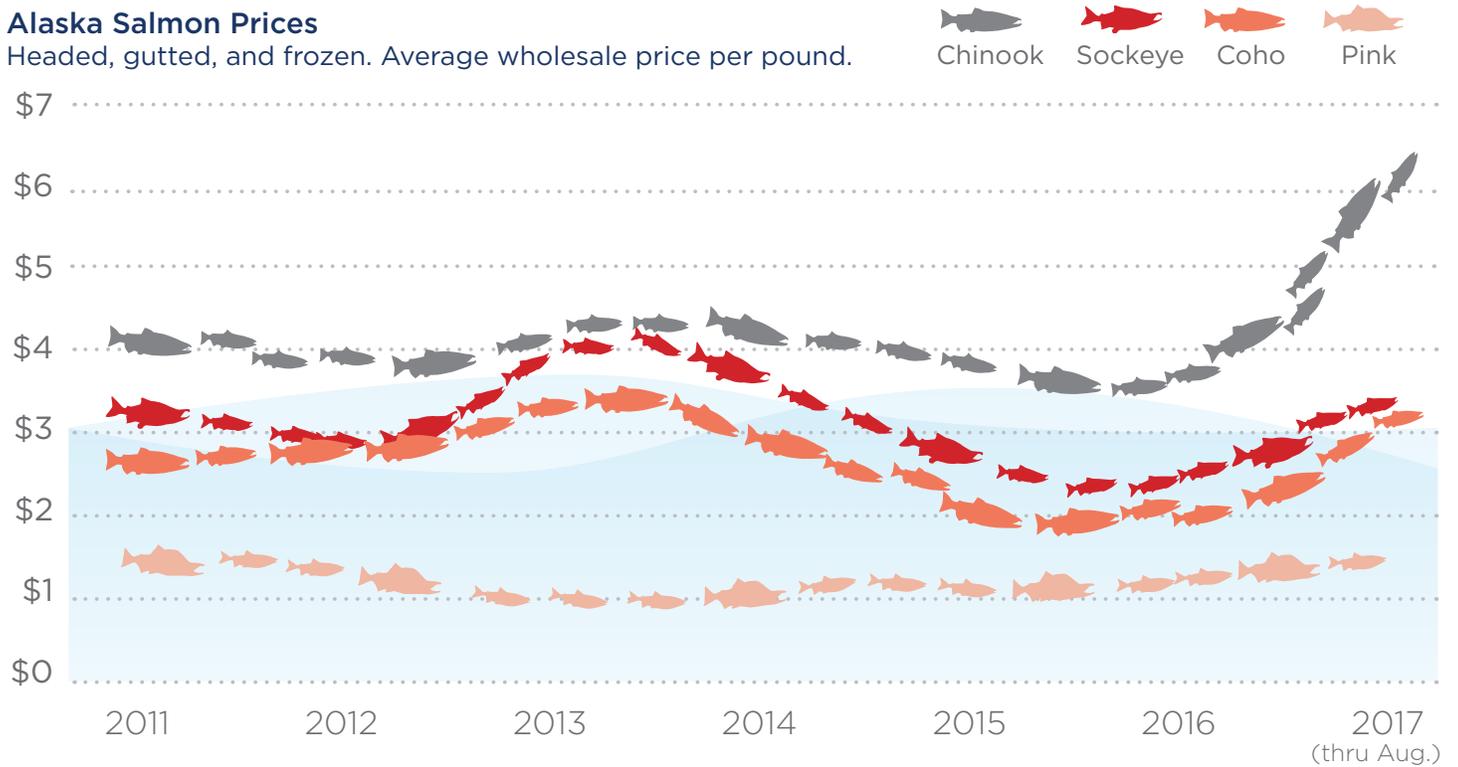
“It was a damn good fishing year,” according to Alaska Department of Labor and Workforce Development economist Neal Fried. Most commercial fisheries have ended for the year and preliminary statistics from the Alaska Department of Fish and Game show that this season was the third most valuable and third largest since 1975. The ex-vessel value for all species of salmon was approximately \$679 million, a 67 percent increase over last year’s value.

The increase in value was due in part to a large harvest, but mostly to higher prices. Demand for Alaska salmon in Asia is increasing, in part due to a drop in the value of the U.S. dollar. In addition, domestic demand is increasing because of the industry diversifying its products and markets and marketing efforts to help wild Alaska salmon compete in the marketplace with farmed fish and other proteins. See graphs on next page.



Alaska Salmon Prices

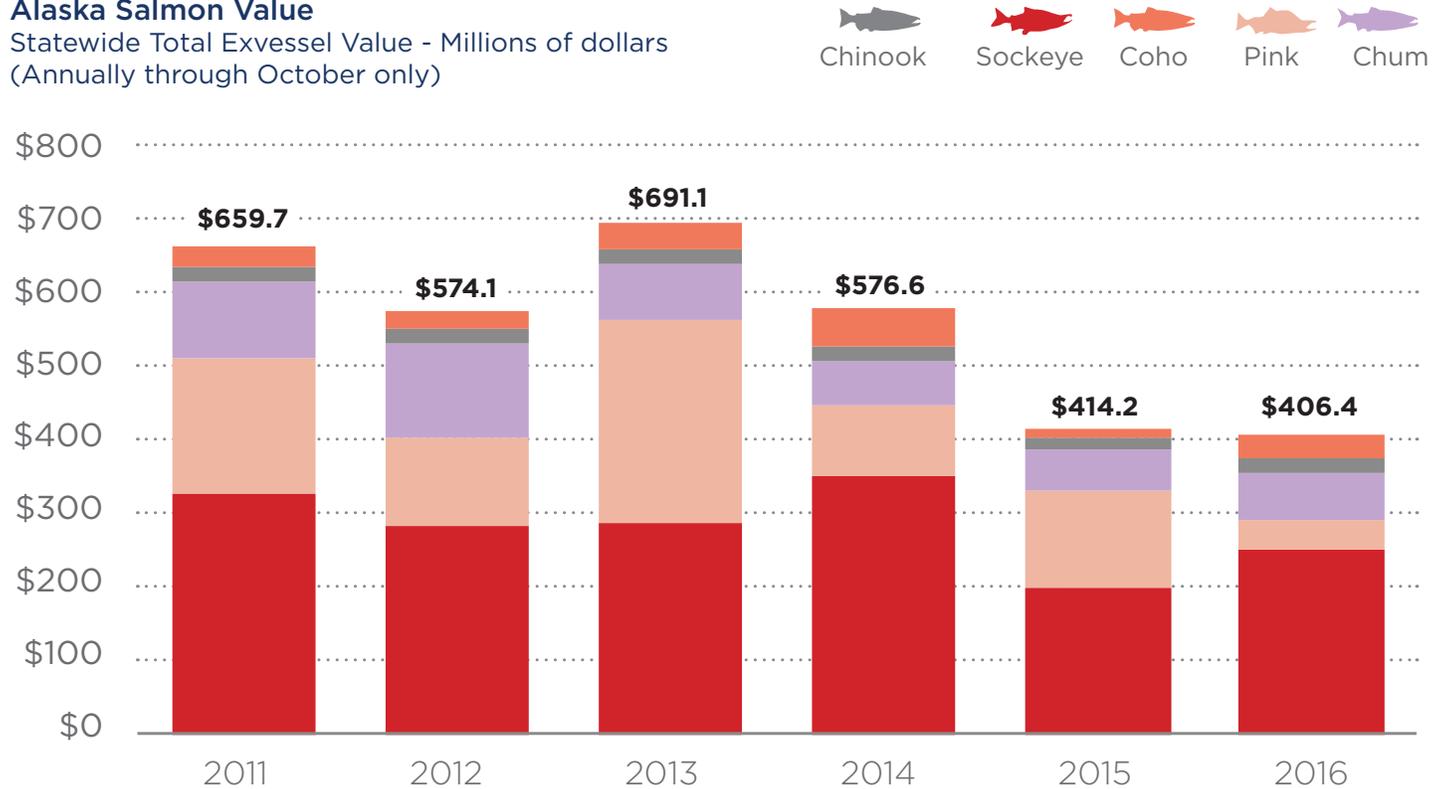
Headed, gutted, and frozen. Average wholesale price per pound.



Source: Alaska Department of Revenue, Tax Division

Alaska Salmon Value

Statewide Total Exvessel Value - Millions of dollars
(Annually through October only)



Source: Alaska Department of Fish and Game;

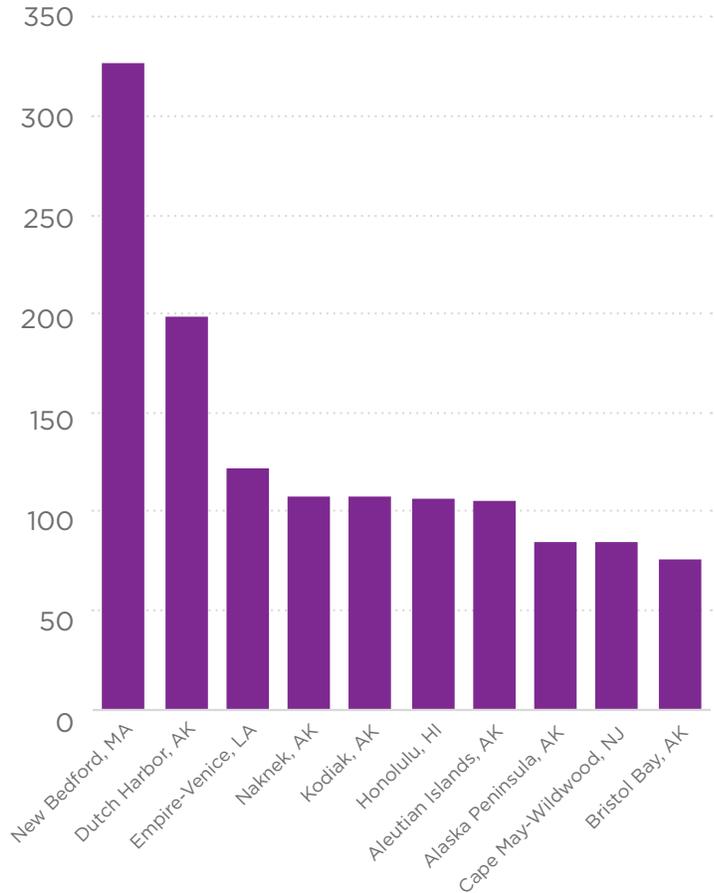
Annual data available for January - October only; 2017 data not yet available

Commercial Fishing Statistics

Alaska ports made up half of the top ten U.S. fishing ports for seafood landings in 2016. Dutch Harbor was the top port for the 20th year in a row, with 770 million pounds landed in 2016. New Bedford, Massachusetts was the top port by value, due to the highly valued sea scallop fishery. Other Alaska ports making the top 10 list for landings are the Aleutian Islands at No. 2, thanks to the Trident plant at Akutan, the largest seafood processing facility in the U.S. Kodiak dropped a spot to fourth place, followed by the Alaska Peninsula at No. 7 and Naknek at No. 9. Other Alaska ports making the top 50 ports for seafood landings and values are Ketchikan, Sitka, Bristol Bay, Petersburg, Seward, Cordova, Kenai and Juneau. Alaska led all states in seafood volumes at 5.6 billion pounds and values at \$1.6 billion.

Top Ten U.S. Fishery Ports by Value of Catch

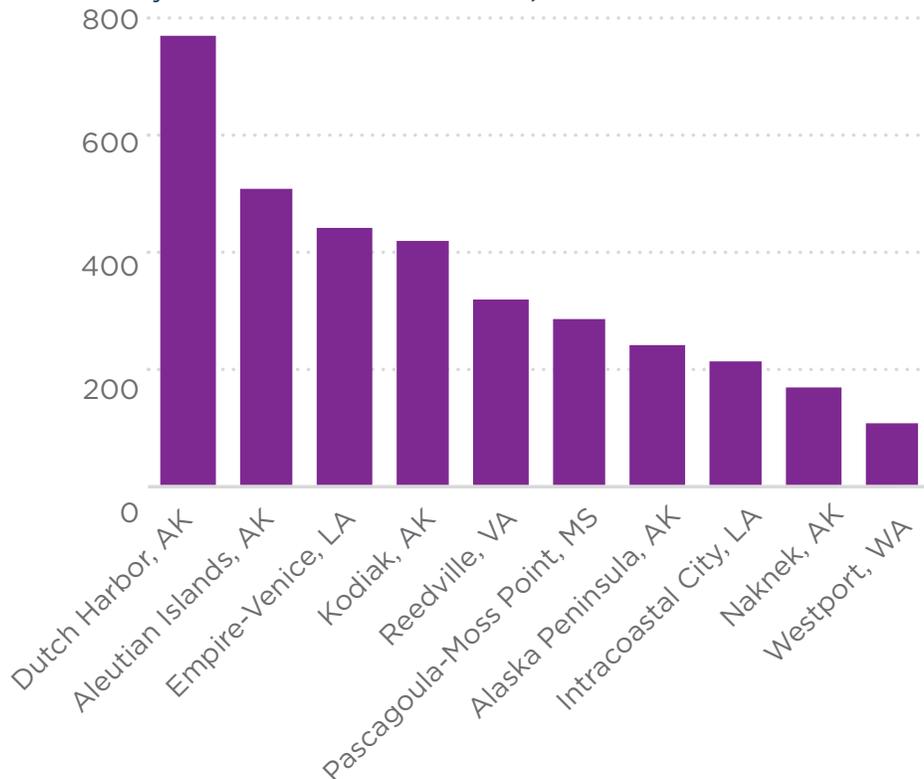
(2016 Value — Millions of Dollars)



Source: NOAA Fisheries Office of Science and Technology

Top Ten U.S. Fishery Ports by Quantity

(2016 Quantity — Millions of Pounds Landed)



Source: NOAA Fisheries Office of Science and Technology

GROSS DOMESTIC PRODUCT

According to the U.S. Department of Commerce Bureau of Economic Analysis (BEA), real gross domestic product (GDP) increased in every state and the District of Columbia in the fourth quarter of 2016 (the most recent data available). Real GDP by state growth ranged from 3.4 percent in Texas to 0.1 percent in Kansas. In 2016 annual data, Alaska ranked 46th in state GDP, declining by 5 percent from 2015 to 2016, despite an increase in 2016 third to fourth quarter state GDP by 0.5 percent. According to BEA, mining was the largest contributor to the decline from 2015 to 2016.

TOP 10 STATES

California	\$2,602,672
Texas	\$1,616,801
New York	\$1,487,998
Florida	\$926,817
Illinois	\$791,608
Pennsylvania	\$724,936
Ohio	\$625,715
New Jersey	\$581,122
Georgia	\$525,360
North Carolina	\$517,904

(Millions of dollars)

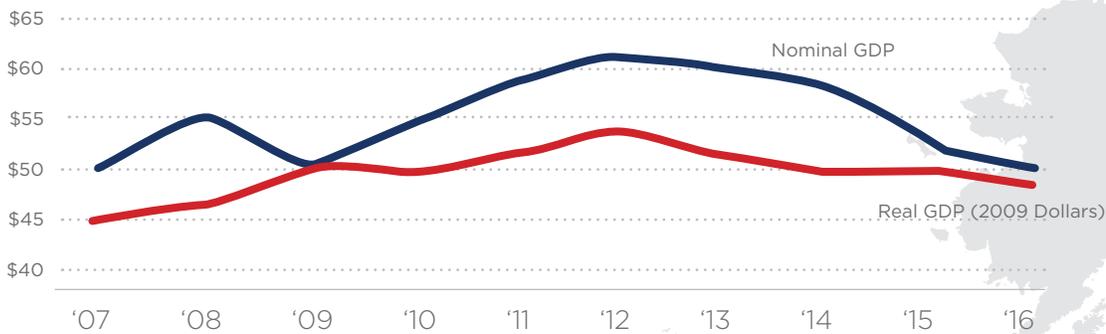
BOTTOM 10 STATES

Delaware	\$70,387
Idaho	\$67,275
Maine	\$59,275
Rhode Island	\$57,433
North Dakota	\$52,089
Alaska	\$50,713
South Dakota	\$48,139
Montana	\$45,994
Wyoming	\$37,858
Vermont	\$31,092

(Millions of dollars)

Source: U.S. Bureau of Economic Analysis

Alaska GDP: 10-year Trend* (Billions of dollars)



Source: U.S. Bureau of Economic Analysis
2017 data not yet available.

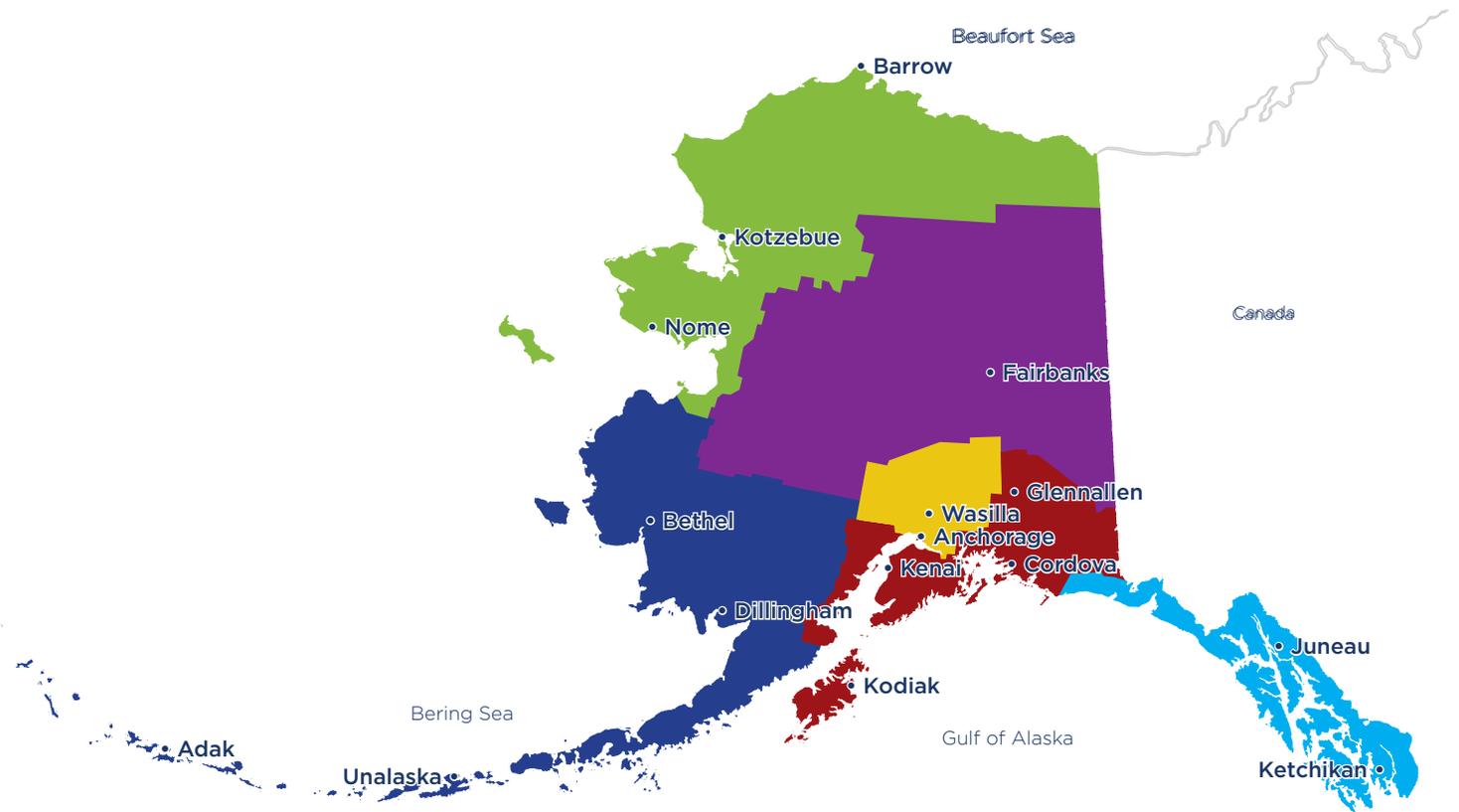
REGIONAL ECONOMIC HIGHLIGHTS FOR THIRD QUARTER, 2017

Note: Starting this quarter, regional economic highlights will be based on the Alaska Department of Labor and Workforce Development’s economic regions instead of ARDOR service areas. This change will mean coverage for economic news from the whole state.

Statewide:

Auto loan delinquency rates have risen in Alaska since the recession began two years ago, according to the Equifax credit-reporting agency. While overall auto loan delinquency rates in Alaska are below the national average, the average rate of severe delinquencies among deep subprime borrowers in Alaska rose to 7 percent in June, up from 4 percent in June 2015. Delinquency rates among subprime and prime borrowers have also ticked up, albeit to a lesser degree, since the start of the recession.

The Alcohol and Marijuana Control Office (AMCO) will allow the state’s distilleries to continue serving cocktails – but only if the ingredients used in the cocktails are made in-house. State law says that distilleries operating tasting rooms can serve up to three ounces of “the distillery’s product.” Distilleries had been serving cocktails in their tasting rooms, but after receiving a complaint this summer, AMCO clarified that store-bought mixers would no longer be allowed.





Northern:

Cargo traffic through the Northern Sea Route (NSR) will likely rise in coming years, driven by new exports of Russian oil and gas and increased interest from China. The four-month summer shipping season on the NSR lasts from late June until early November and more than 550 vessels were granted permits to operate on the route in 2017. During the first half of August up to a 100 vessels were active along the route each day. Much of the traffic has been from ships bringing materials to new Russian oil and gas developments, rather than international transit.

The northernmost Subway restaurant in the country opened in August in Utqiagvik, formerly known as Barrow. The restaurant, the first fast-food chain in the city, will face some unique challenges. Fresh produce will be delivered by bypass mail and prices will be about \$5 more expensive than those in the Lower 48 to account for the higher shipping and payroll costs.



Interior:

A new app-based service launched this quarter gives Fairbanks-area customers access to food delivery from a variety of local restaurants. AK Speed Eats partners with local restaurants who don't already have delivery services to provide drivers. Owner Taylor Gathman says he wants to expand service to North Pole and eventually across the state.



Anchorage/Mat-Su:

The Mat-Su Borough Assembly indefinitely postponed an ordinance to place a two-percent sales tax before borough voters. The borough's school board requested the sales tax proposal because of uncertainty about state funding and flat funding from the borough. Critics said labeling the tax as a measure to fund education doesn't fall in line with what the state requires of area-wide taxes and that future assemblies could choose to change spending priorities.

The Municipality of Anchorage and the Alaska Railroad Corporation reached a deal in August regarding annual federal transportation funds. A disagreement over how to split the funds had left more than \$23 million dollars with the federal government. The agreement results in the Alaska Railroad Corporation receiving the majority of the funds, while they agree to sell the city a parcel of land next to the Port of Anchorage.



Gulf Coast:



In August, the Alaska Energy Authority's Board of Directors approved a \$46.6 million expansion of the state's largest hydroelectric facility, located at Bradley Lake, 30 miles northeast of Homer. The state-owned facility currently serves almost 70 percent of Alaska's population. The expansion project will boost production by 10 percent and will help maintain water levels during the summer months. The board is still seeking funding for the project.

Southeast:



Hecla Mining Company, owner of the Greens Creek mine on Admiralty Island, donated \$300,000 to the University of Alaska Southeast in August. The donation will provide scholarships to the university's Pathways to Mining Careers program, which trains students in the latest mining technologies. A Hecla spokesperson highlighted the company's interest in strengthening local vocational training programs because local workers are easier to retain.

A net pen failure at a salmon farm in Washington state allowed over 305,000 Atlantic salmon to escape in mid-August. In response, the Washington Department of Fish and Wildlife urged the public to catch as many of the fish as possible, with no limit on size or number. Washington Governor Jay Inslee also issued a moratorium on any new or pending permits for fish farming in the state. Industry experts in Alaska said there was some concern that the escaped salmon could compete with wild Alaska salmon for food or spread disease, but previous escapes have not resulted in Atlantic salmon establishing in Alaska waters.

Southwest:



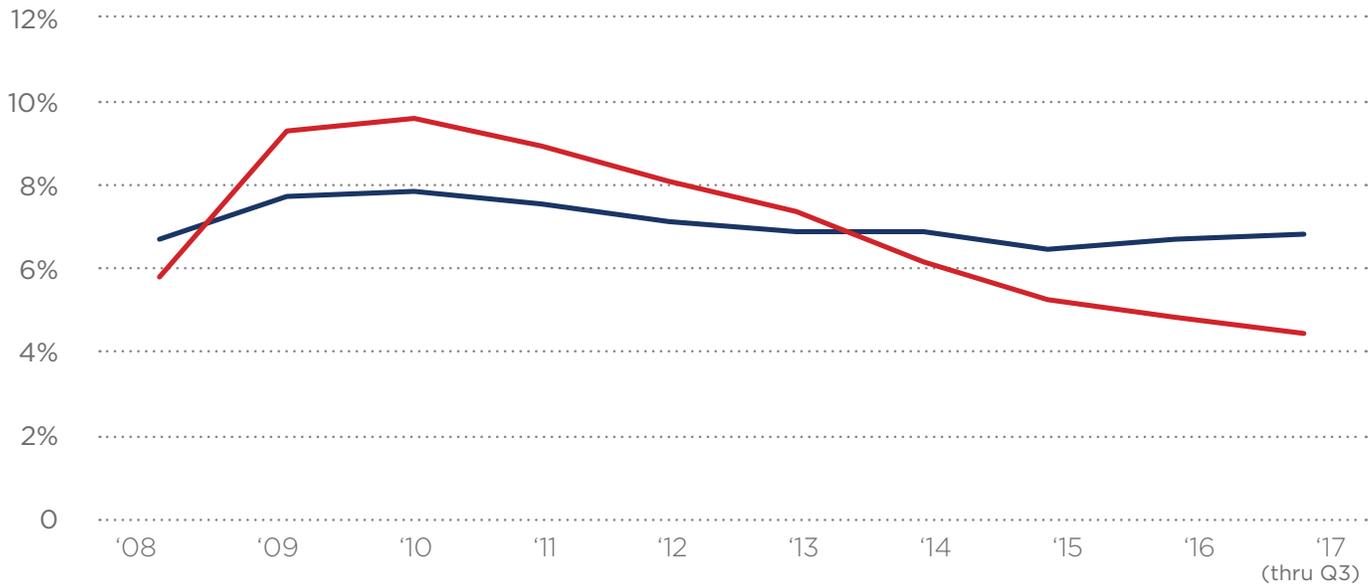
Fire destroyed a Peter Pan Seafoods plant in Port Moller in August. The 100-year-old plant was the company's "most remote facility" and had the capacity to process 250,000 pounds of salmon daily. Peter Pan was buying fish from and supporting a fleet of 105 drift gillnetters and 30 setnetters when the fire put an abrupt end to their season. The company has not yet said if they will rebuild the plant.

In late August, the Federal Aviation Administration denied the Alaska Village Electric Cooperative's (AVEC) plans to build a wind turbine near Bethel. The plan was denied due to "navigational air space conditions." The 900 kilowatt turbine would have produced about 6 percent of the annual electricity demand for Bethel, Napakiak, and Oscarville. That demand will increase when the Yukon-Kuskokwim Health Corporation expansion project is completed. AVEC says the process of searching for a new site will likely take months.

TOTAL WORKFORCE AND UNEMPLOYMENT RATE

Alaska's unemployment rate continues to climb and diverge even more from the falling national unemployment rate. The seasonally adjusted unemployment rate was 7.1 percent in the third quarter of 2017. The seasonally adjusted national rate for the third quarter of 2017 was 4.3 percent. On average, there were 331,433 jobs in Alaska each month in the third quarter of 2017.

Alaska and U.S. Unemployment (Unemployment rates - Seasonally adjusted)



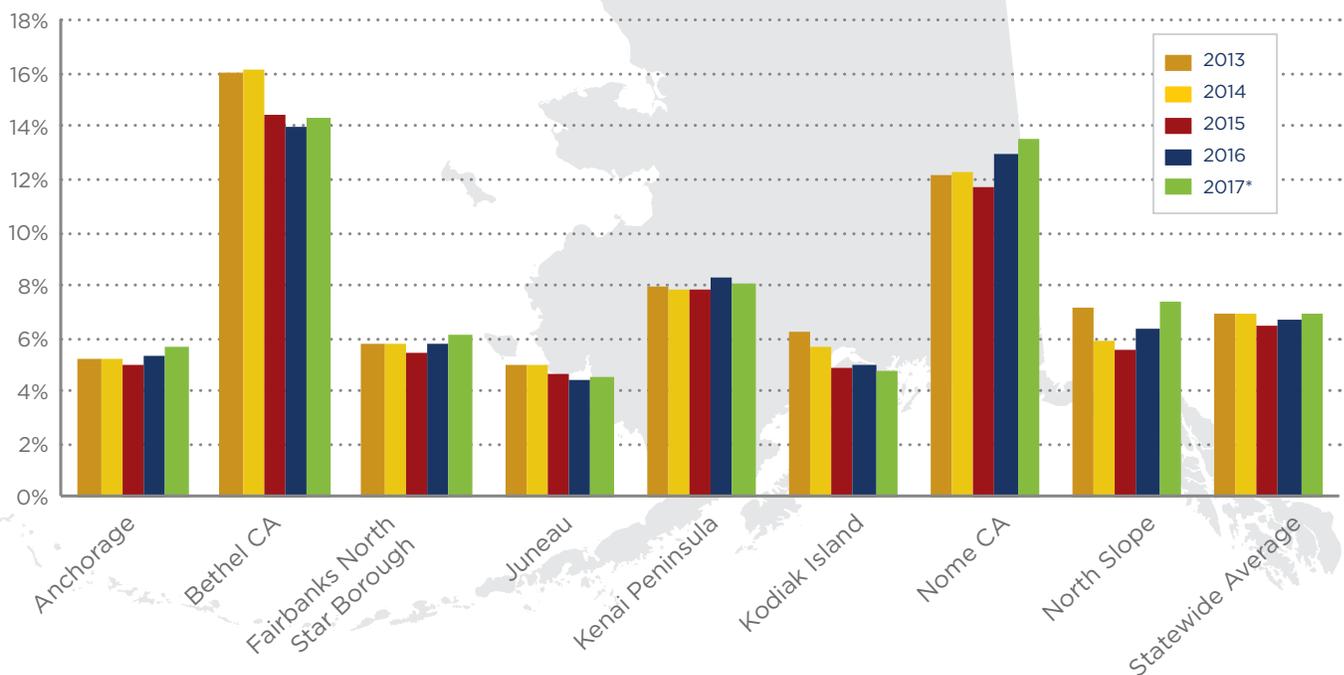
Source: Alaska Department of Labor and Workforce Development and U.S. Bureau of Labor Statistics

Regionally, unemployment rates vary across the state. In the more populated areas of Juneau, Anchorage, and Fairbanks, unemployment rates are below the statewide average. In rural areas they can be much higher, sometimes up to triple the statewide average.

Selected Unemployment Rates

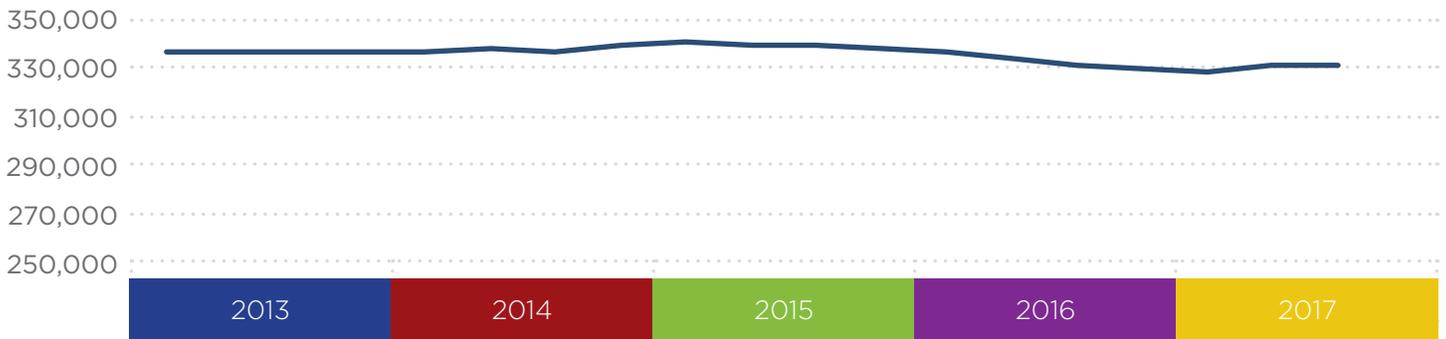
Not seasonally adjusted

Source: Alaska Department of Labor. *2017 Data through Q3 only*



Average Monthly Employment

(Not seasonally adjusted)



Source: Alaska Department of Labor and Workforce Development and U.S. Bureau of Labor Statistics

COST OF LIVING IN ALASKA

A cost of living index measures the relative cost of living over time across geographical regions by taking into account differences in the price of goods and services needed to maintain a basic standard of living; such as the cost of food, housing, energy and basic goods.

DED works with partners throughout the state to produce a quarterly survey of prices for four staples in several communities: 1 dozen eggs, 1 gallon of milk, 1 loaf of white bread and 1 gallon of unleaded gasoline. The average price for this basket of goods across the nine communities surveyed was \$12.23. (Data for Utqiagvik/Barrow was not available this quarter). This is the lowest average for these nine communities this year.

Food prices have also been falling nationally. The food consumer price index has fallen for 19 months straight. According to data from the Bureau of Labor Statistics, the last time the country went through such a long deflationary stretch in groceries was in the mid-1950s.

Alaska Community Price Comparison

(September 2017)

	1 DOZ. EGGS	1 GALLON MILK	1 BREAD LOAF	1 GALLON GAS	Total
Anchorage	\$1.99	\$3.79	\$2.49	\$2.84	\$11.11
Juneau	\$1.29	\$3.75	\$2.19	\$3.55	\$10.78
Fairbanks	\$1.99	\$4.38	\$2.99	\$3.04	\$12.40
Kenai	\$1.97	\$3.78	\$2.28	\$3.01	\$10.25
Kodiak	\$2.19	\$4.09	\$2.39	\$3.39	\$12.06
Nome	\$3.79	\$6.29	\$4.49	\$4.38	\$18.95
Bethel	\$4.49	\$7.99	\$2.59	\$4.69	\$19.76
Valdez	\$1.99	\$3.99	\$2.39	\$3.40	\$11.77
Glenallen	\$4.50	\$4.95	\$3.95	\$3.37	\$16.77
Average	\$2.69	\$4.78	\$2.86	\$3.52	\$12.23

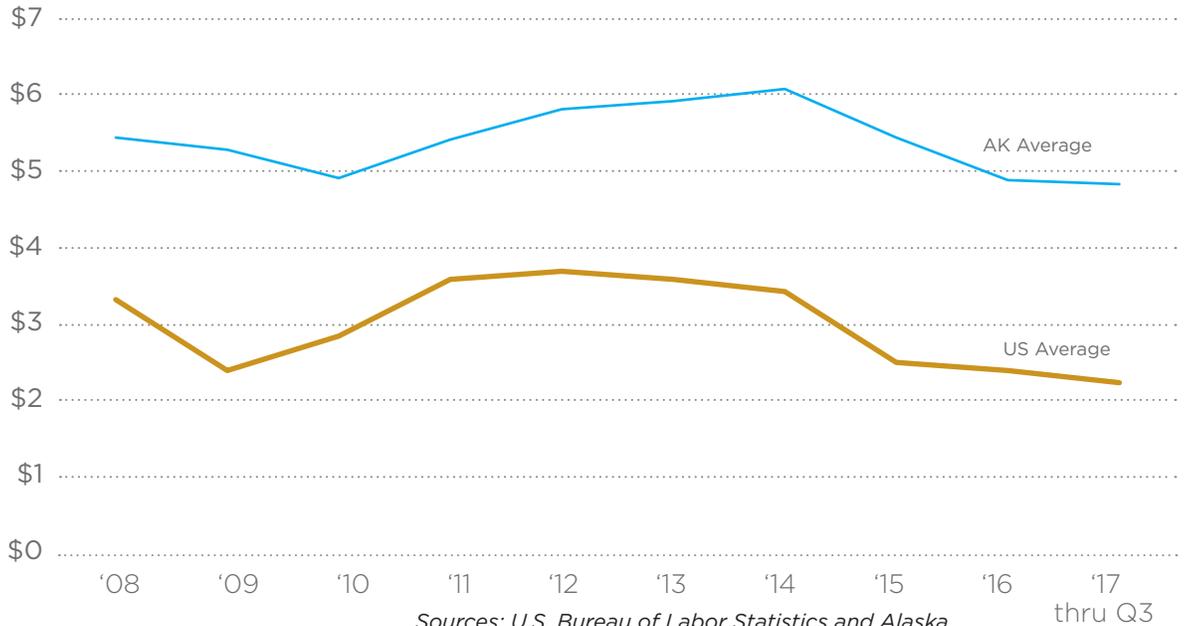
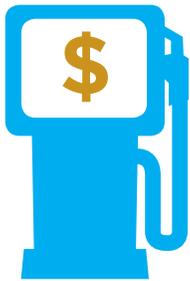
Source: ARDORs and community partners

Gasoline Prices

In Alaska, another important gauge of the cost of living is the price of fuel. The per gallon price of gasoline over time is illustrative of the general trend of prices in Alaska versus the U.S. average.

Gasoline Price Average

(Current dollars - price per barrel)

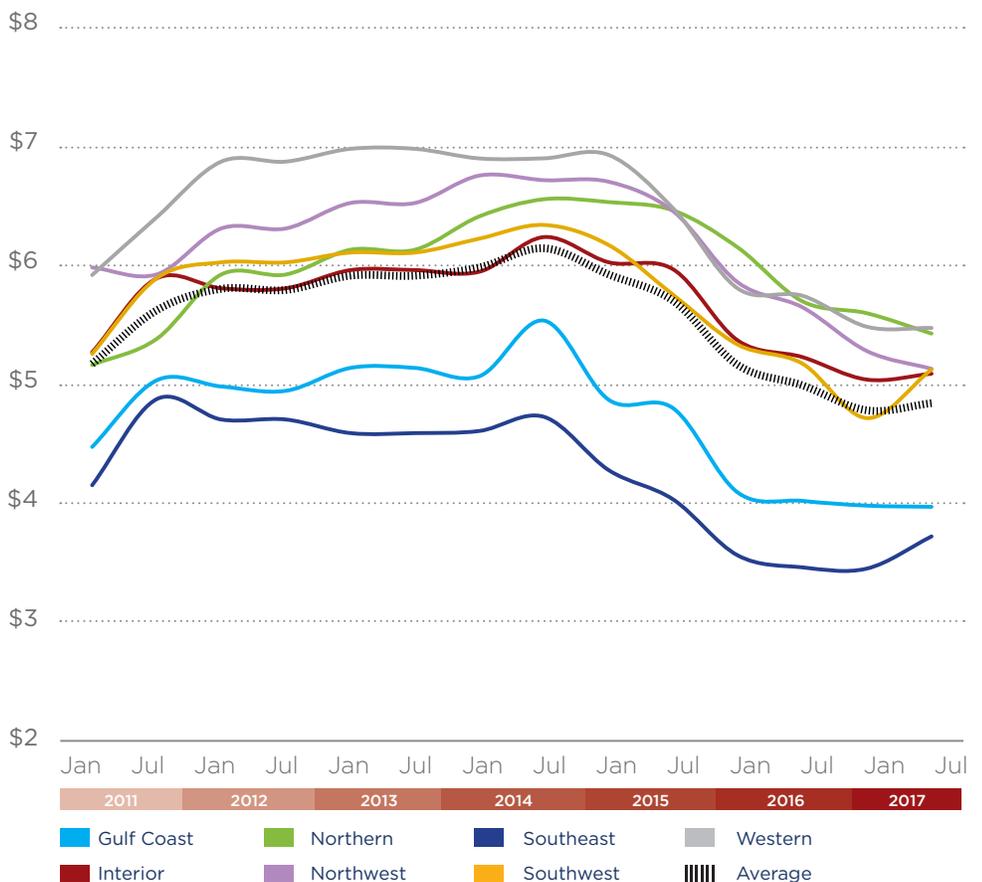


Sources: U.S. Bureau of Labor Statistics and Alaska Division of Community & Regional Affairs

The Alaska Division of Community and Regional Affairs (DCRA) conducts a biannual survey of energy (heating fuel and gasoline) prices around the state. The latest survey, published in July 2017, compares gasoline prices for seven regions around Alaska. Southeast Alaska has the lowest average gasoline price at \$3.72 per gallon, while the Western region had the highest price at \$5.48 per gallon. The statewide average increased from \$4.79 in January to \$4.85 in July, driven by a \$.27 increase in the Southeast region and \$.41 increase in the Southwest region. The Gulf Coast, Northern, Northwest, and Western regions all saw gasoline prices fall between January and July of this year.

Alaska Gasoline Price by Region

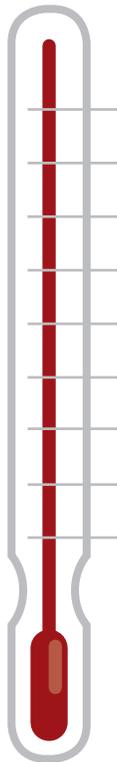
(Current dollars - price per gallon)



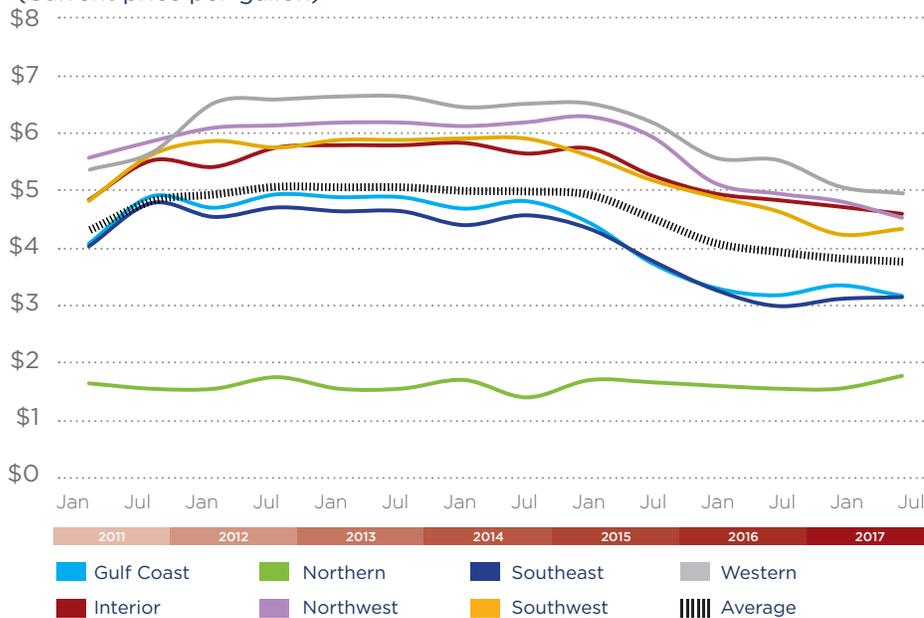
Source: Alaska Division of Community and Regional Affairs

Energy

DCRA's July 2017 survey showed Alaska communities in the Western Region continued to have the highest average heating fuel retail price at \$5.06 per gallon, while the Northern Region reported the lowest average retail price at \$1.96 per gallon (Note: The North Slope Borough subsidizes residential heating fuel costs in five of its seven communities, reducing their average prices substantially). Excluding the Northern Region, the Southeast Alaska Region tends to experience the lowest heating fuel prices. Average heating fuel costs have fallen over the last two years. The 2017 statewide average (average of January and July prices) of \$3.94 per gallon was \$.22 lower than the 2016 average of \$4.16.



Average Alaskan Heating Fuel Cost (Current price per-gallon)



Source: Alaska Division of Community and Regional Affairs

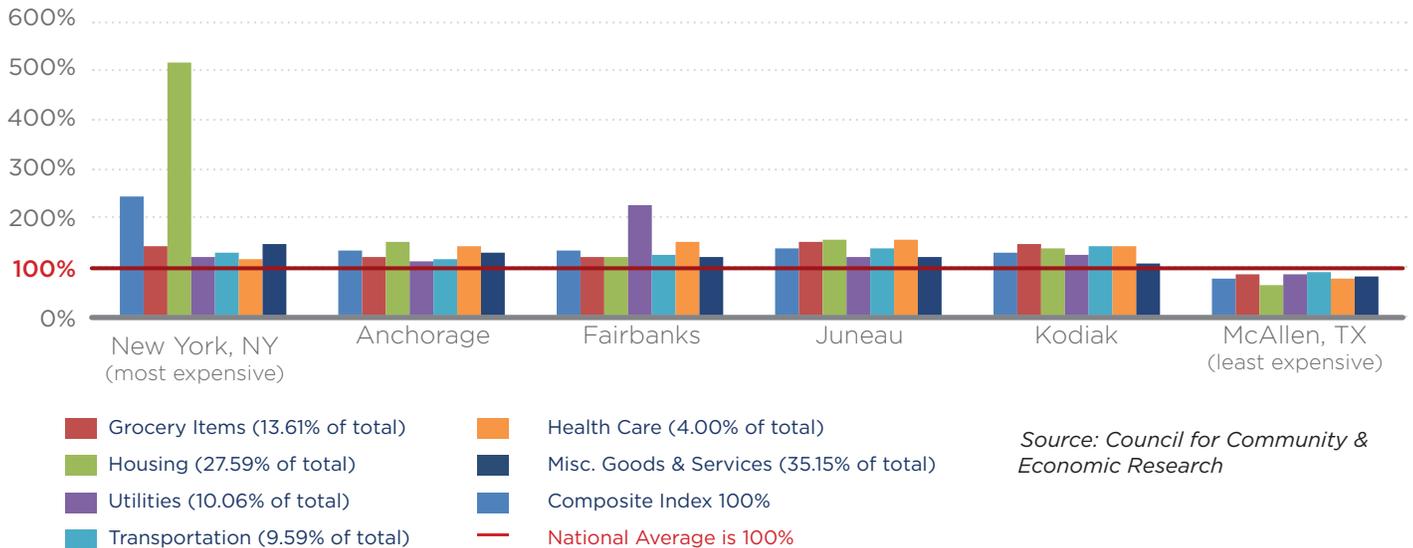
The cost of living in Alaska communities can be compared to show how expensive it is to live and work in Alaska communities versus communities outside of the state. The Council for Community and Economic Research publishes a quarterly and annual Cost of Living Index (COLI), which provides a measure to compare cost of living differences among urban areas nationwide (communities in all 50 U.S. states, the District of Columbia, and Puerto Rico). The COLI provides a useful way to compare the cost of living differences between urban and rural areas weighted by different categories of consumer expenditures for upper middle class households.

In the 2017 third quarter report, among the 267 U.S. cities participating, McAllen, Texas continued its streak with the lowest average index of 76.7 percent (national average for all areas surveyed is 100), and Manhattan, New York continued to have the highest average COLI at 242.9 percent of the national average.

Alaska communities participating in the COLI are Anchorage, Fairbanks, Juneau and Kodiak, which were all in the top 20 most expensive communities in the country in the third quarter of 2017. Anchorage came in at 131.7 percent (ranked 19/267), Kodiak's index was 127.5 percent (ranked 20/267), Fairbanks at 132.1 percent (ranked 18/267), and Juneau had the highest cost of living of Alaska communities surveyed at 136.1 percent of the national average (ranked 17/267). Utility prices in Fairbanks were the highest of all the communities surveyed nationwide.

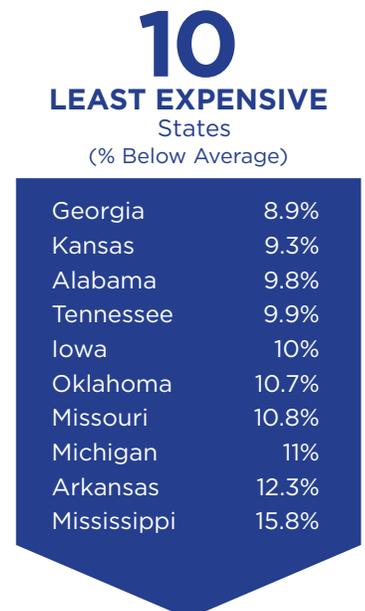
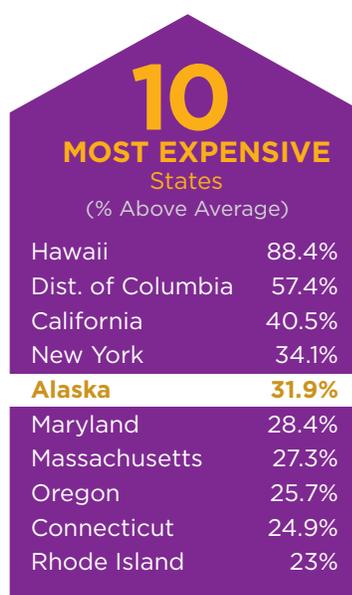
2017 Third Quarter Cost of Living Index

(National average = 100% | weight in index)



Top 10 Most and Least Expensive States, Third Quarter of 2017

Prices in Alaska tend to be higher than most other states. In the third quarter of 2017, Alaska had the second highest prices in the nation for groceries and transportation, the third highest for utilities, and the highest healthcare costs. It is important to note that this is based on data from only four Alaska communities - Anchorage, Fairbanks, Juneau and Kodiak. Prices in most of rural Alaska are significantly higher which, if included, would increase Alaska's rank.



Source: Council for Community & Economic Research

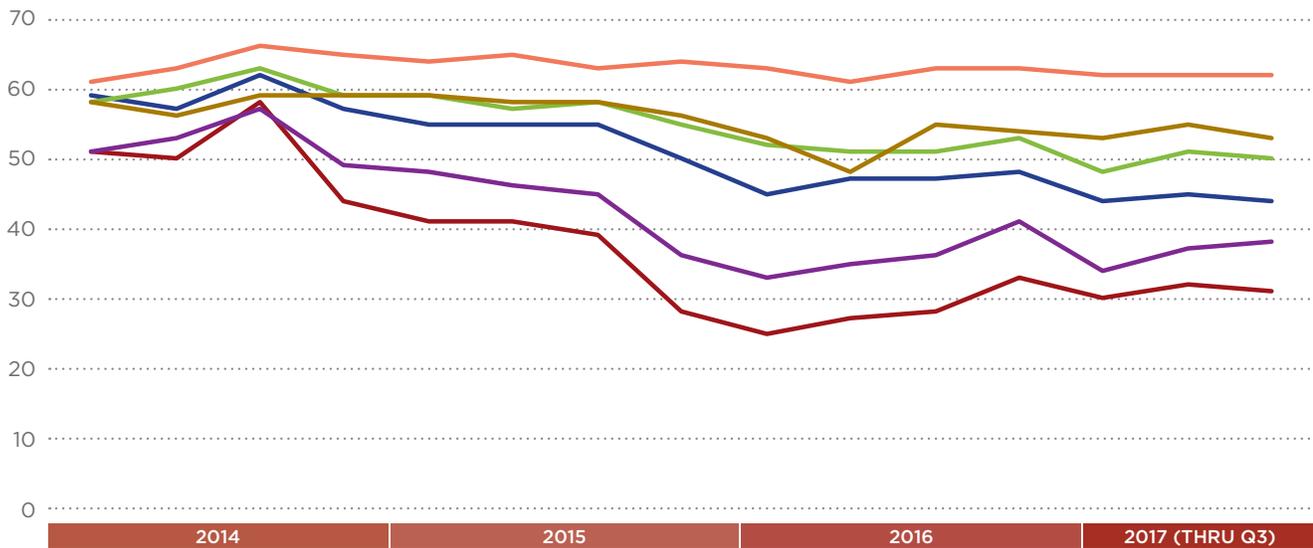
ALASKA CONFIDENCE INDEX

The Alaska Confidence Index (ACI) is a measure of Alaska households' confidence in the health of the state and local economies, their personal financial situation, and their expectations for the future. ACI is expressed using a value of 0 to 100. Values above 50 represent relative confidence in the economy, while values below 50 indicate lack of confidence. The ACI is comprised of six individual components: current assessment of, and future expectations for, the state economy confidence, local economy confidence, and personal financial confidence.

The majority of Alaskans have a middle-of-the-road outlook on the state's economy, according to the most recent ACI. In the third quarter of 2017, the ACI dropped one point to 50, returning to the neutral reading around which it has bounced for the last two years. While Alaskans lack confidence in the broader state economy, they have positive outlooks on their own personal financial situations and a neutral view of their local economies.

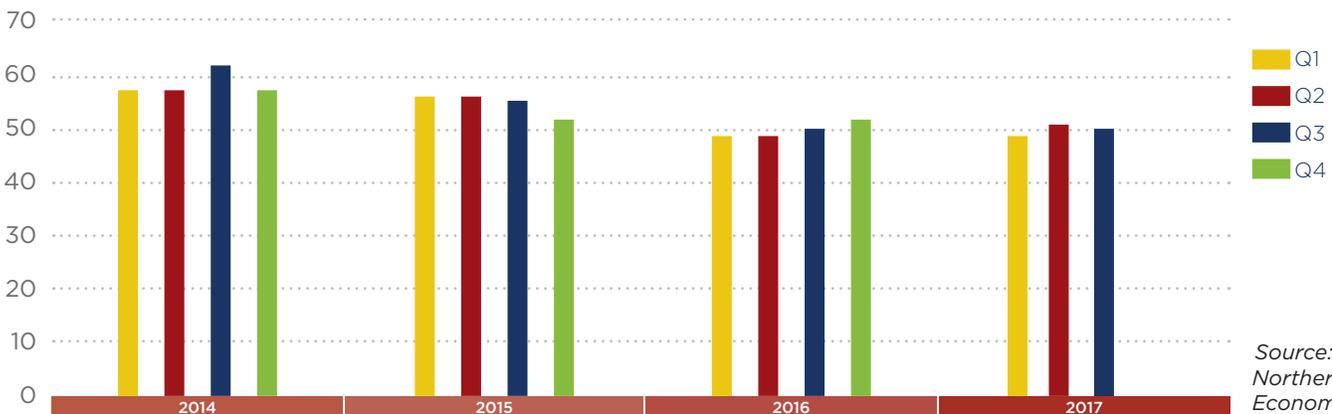
On a year-over-year basis, the composite index stands at the same level as the third quarter of 2016. The outlooks on the future of the state and local economies are higher than they were one year ago, although personal financial confidence is down slightly.

Alaska Confidence Index (Confidence rating on scale of 0-100)



Source: Northern Economics

Alaska Confidence Index Composite



Source:
Northern
Economics

ALASKA'S QUARTERLY ECONOMIC REPORT
THIRD QUARTER, 2017

