



ALASKA ECONOMIC UPDATE

THIRD QUARTER, 2018

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INTRODUCTION

On behalf of the Alaska Industrial Development Export Authority (AIDEA), 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 AIDEA 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

All oil prices tracked in this report rose. Alaska North Slope crude ended Q2 at \$77.63/b, a level not seen in four years. The Japan LNG import price rose slightly, ending the quarter at \$10.88 per million British thermal units (MMBtu), while the Henry Hub spot price rose to \$3.00/MMBtu this quarter. The average price of U.S. coal rose this quarter, continuing the price increase the commodity has been experiencing since fall 2016. All metals prices tracked in this report dropped this quarter.



CONSUMER PRICES

Grocery prices were available for seven communities in the third quarter of 2018 (Anchorage, Juneau, Fairbanks, Kenai, Kodiak, Valdez, and Glenallen). The commodities in the price basket are one gallon of milk, one dozen eggs, a loaf of white bread, and a one gallon of gasoline. The average total for these commodities in the communities surveyed was \$13.77, down \$0.52 from the previous quarter.



FREIGHT & CARGO TRANSPORTATION

Air Cargo throughput at the Anchorage and Fairbanks airports was steady in the third quarter, coming in just behind the second quarter total. Outgoing maritime cargo totals were down compared to the same period the previous year, while incoming maritime cargo was up. The decline in railroad freight volume continued, while the number of railroad passengers climbed in the third quarter. AICan border crossings were in line with the five year average.



EMPLOYMENT

While Alaska's seasonally adjusted unemployment rate lowered to 6.7 percent in the third quarter, Alaska remains the state with the highest unemployment rate in the nation. Approximately 23,300 Alaskans were unemployed as of September. The national unemployment rate at the end of the third quarter is 3.7 percent, a 49-year low. Hawaii remains the state with the lowest unemployment rate.

ALASKA'S EXPORT & IMPORT VALUES

In the third quarter, 94 percent of Alaska's international exports were metal ores (48 percent) and fish products (46 percent). Following trends, the third quarter saw a significant spike in non-manufactured exports with the summer season production of fisheries products and mineral ores. Only three percent of Alaska's exports in the third quarter were manufactured goods.

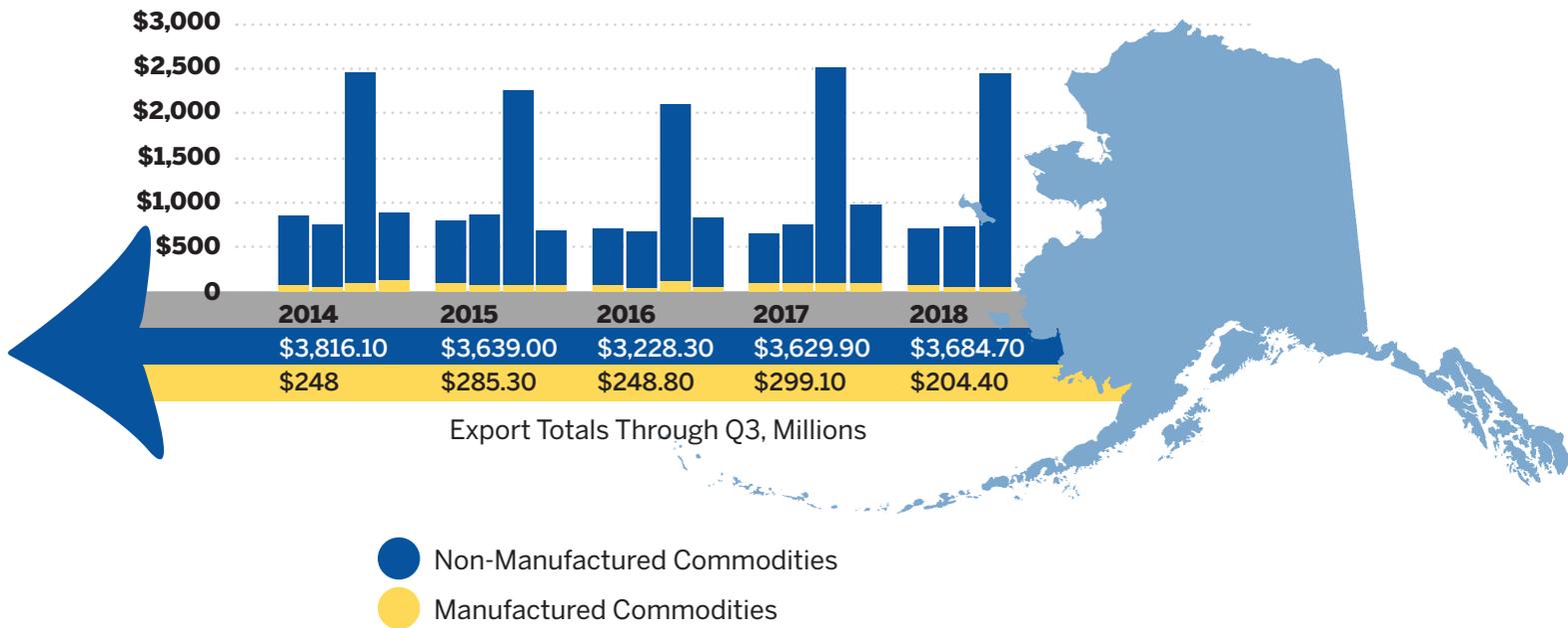
While international imports fluctuate greatly from quarter to quarter, the overall volume of imports has been slowly decreasing. The total amount of international imports through the third quarter is higher in 2018 than it was in 2017, but is still lagging behind the five year average. In the third quarter of 2018, just over half of all of Alaska's international imports were refined fuels.

ALASKA'S INTERNATIONAL EXPORT OF GOODS (Quarterly, Millions of Dollars)

INTERNATIONAL EXPORTS AT-A-GLANCE

46% FISH PRODUCTS

3% MANUFACTURED GOODS

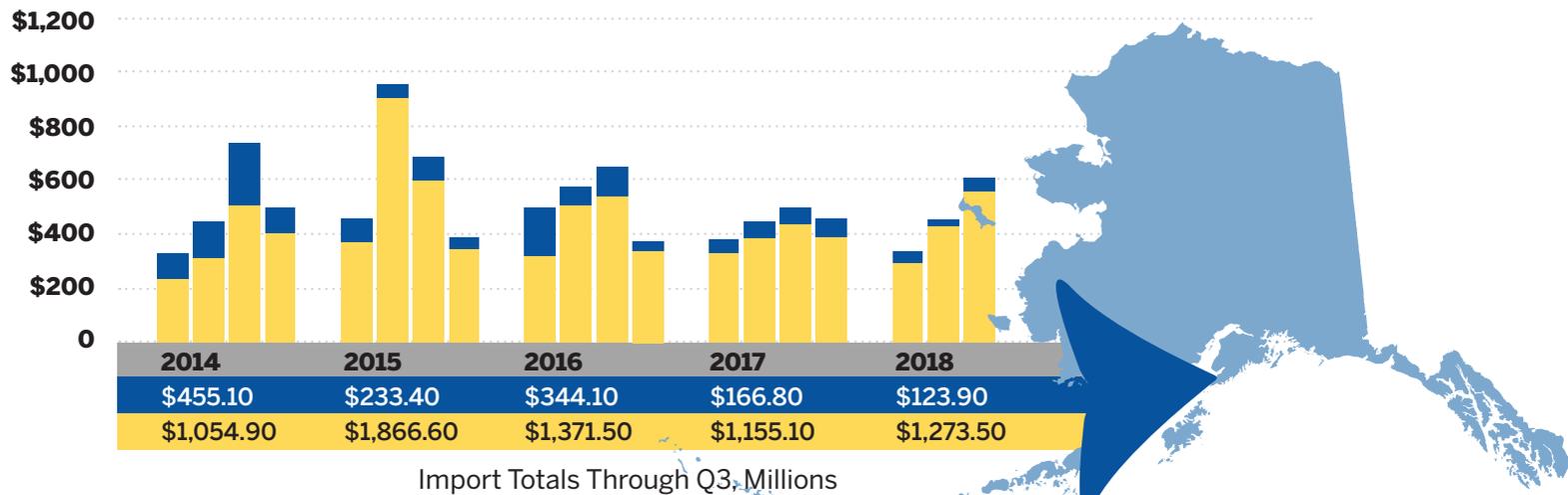


ALASKA'S INTERNATIONAL IMPORT OF GOODS (Quarterly, Millions of Dollars)

INTERNATIONAL IMPORTS AT-A-GLANCE

MORE THAN 50% REFINED FUEL

OVERALL VOLUME IS DECREASING



Source: U.S. Census Bureau

CARGO TRENDS

MARITIME CARGO

Alaska maritime cargo trends can be shown by looking at the outbound and inbound tonnage at the two major ports serving Alaska: Seattle and Tacoma, Washington. Like international imports, incoming maritime cargo has declined in the last five years. Generally the third quarter each year sees the highest volume of maritime cargo. This year, outgoing cargo in the third quarter was just 313,817 metric tons, the lowest amount of outgoing cargo seen during the third quarter since 2013. Incoming cargo during the same time period was 579,498 metric tons, above the five year average of 545,201 and the largest third quarter volume since 2014.

MARINE CARGO FAST-FACTS

Air Cargo + AICan



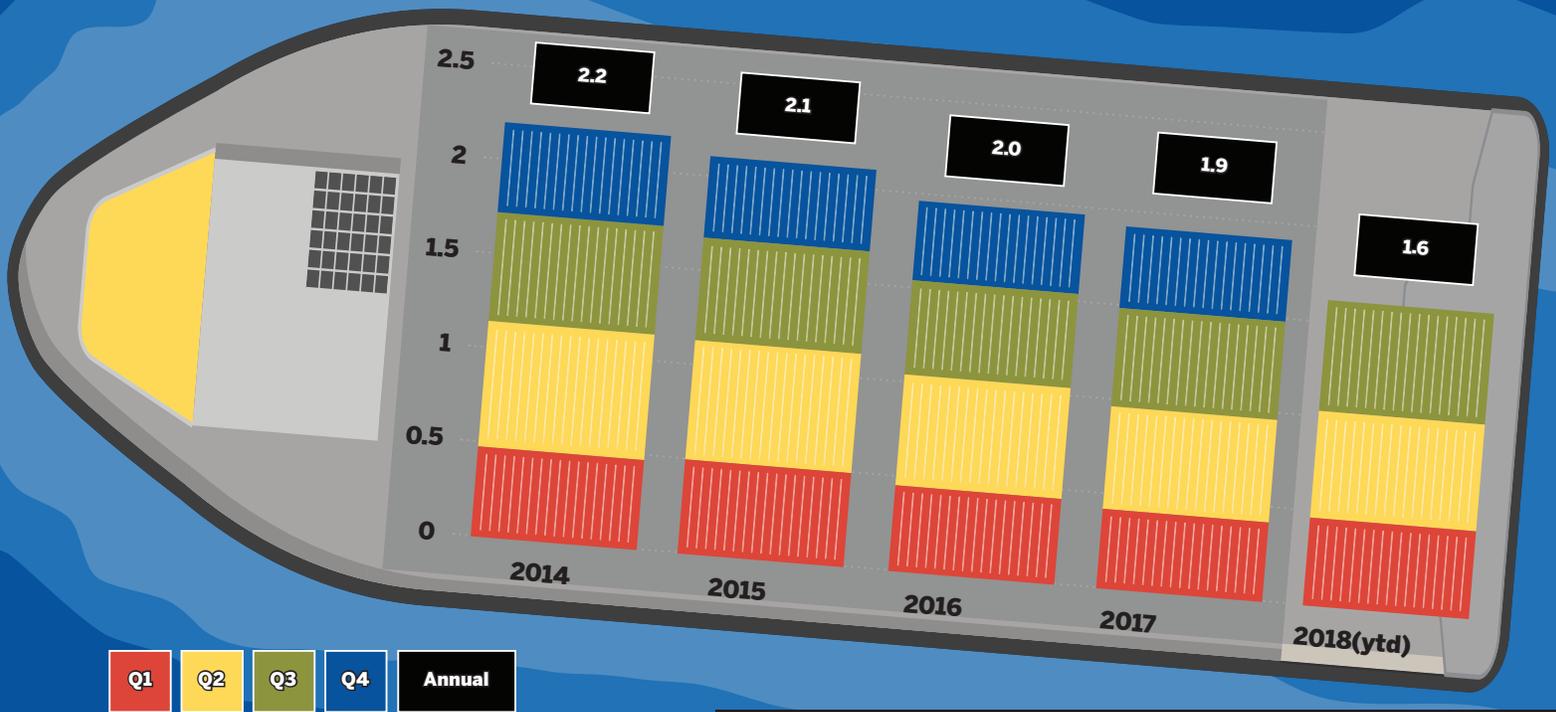
Nearly all cargo comes into the state via maritime shipping with smaller volumes arriving via air cargo and by truck over the Alaska-Canada (AICan) Highway.

FIVE-YEAR TREND
INCOMING Maritime Cargo: DECLINING

INCOMING ALASKA MARITIME TONNAGE

Ports of Seattle and Tacoma, Washington

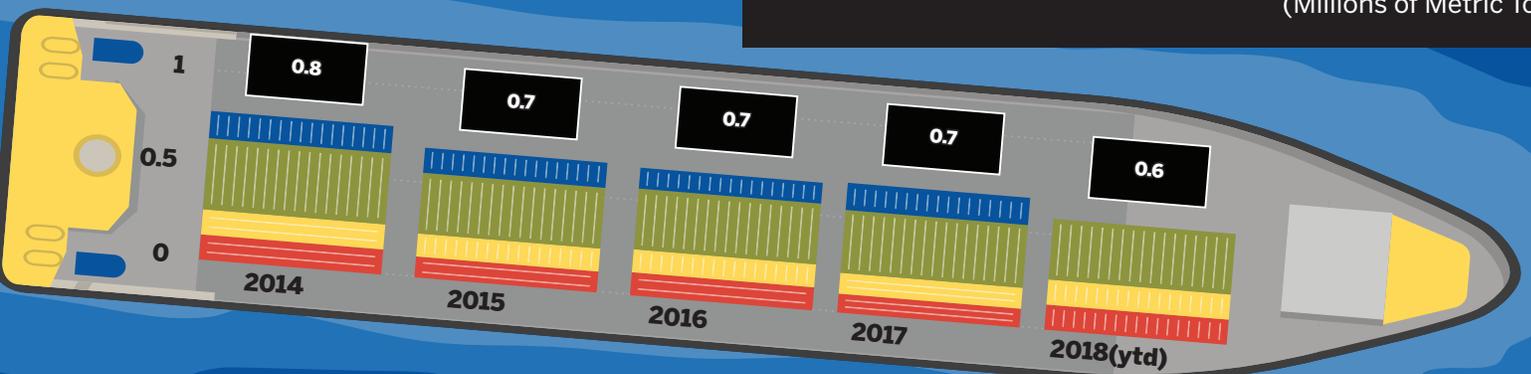
(Millions of Metric Tons)



OUTGOING ALASKA MARITIME TONNAGE

Ports of Seattle and Tacoma, Washington

(Millions of Metric Tons)



Source: Northwest Seaport Alliance

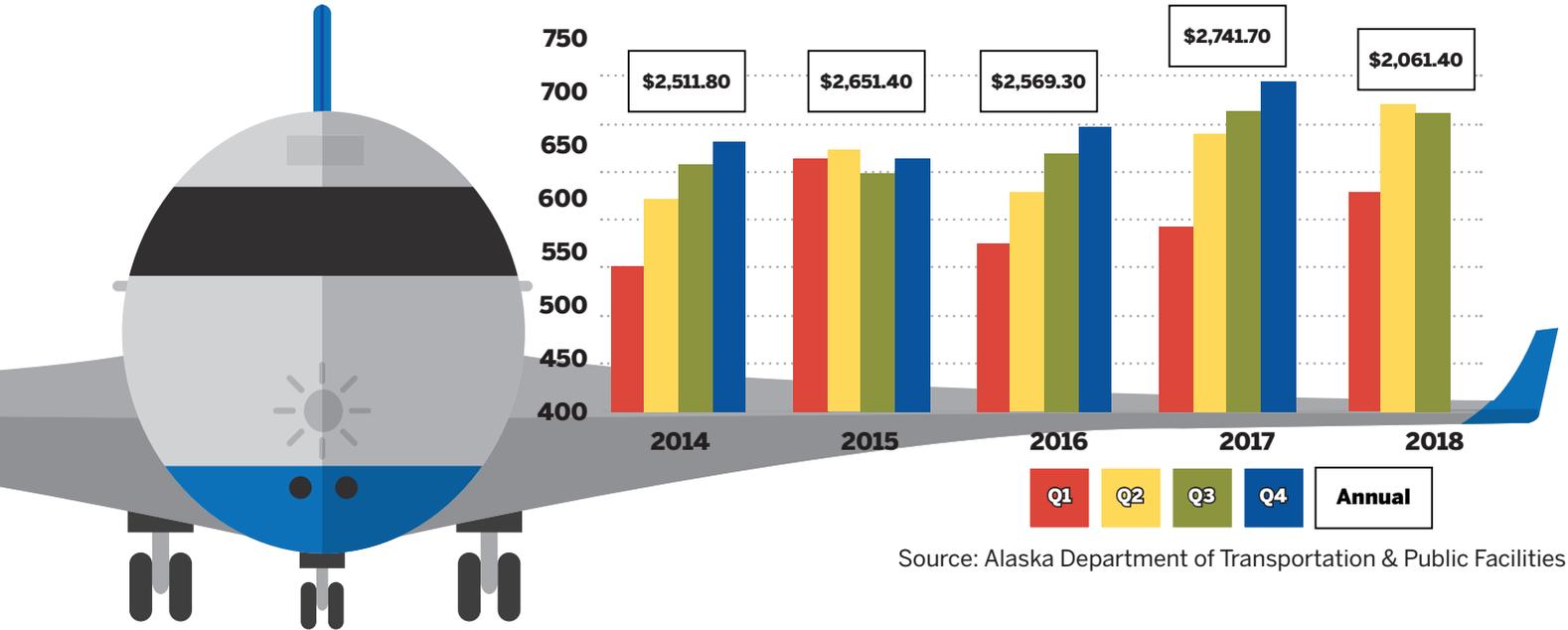
AIR CARGO

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. More than 150 wide-body freighter aircraft pass through Ted Stevens International Airport every day. The third quarter of 2018 was the first quarter in over a year that was not a record breaking quarter for air cargo throughput. The quarter's total of 712,469 metric tons of cargo was just shy of 2017's third quarter total of 720,445 metric tons.

ALASKA AIR CARGO THROUGHPUT

Ted Stevens Anchorage International and Fairbanks International Airports

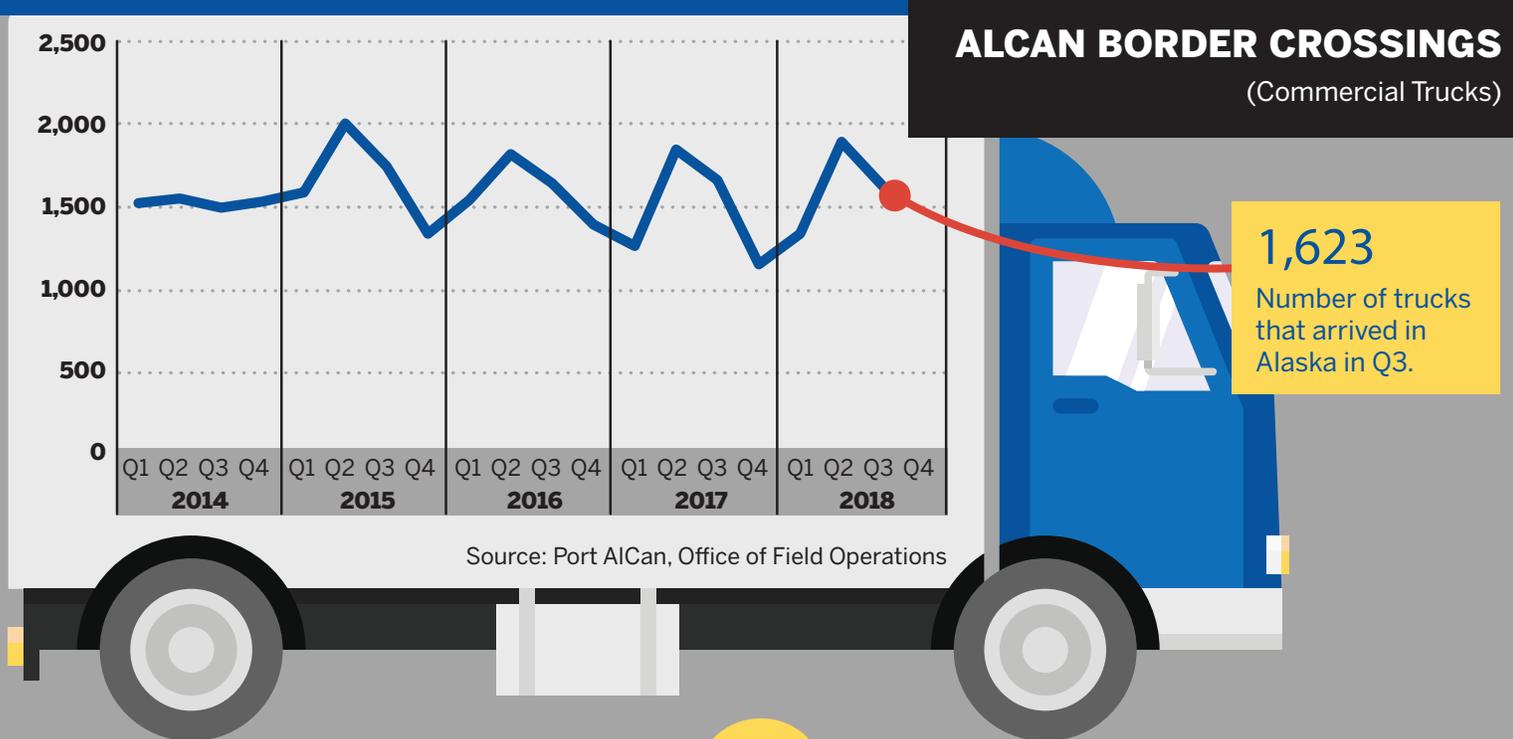
(Thousands of Metric Tons)



Source: Alaska Department of Transportation & Public Facilities

ALCAN BORDER CROSSINGS

Freight vehicles crossing the AICan border provide another measure of Alaska's transportation activity. Truck crossings also follow seasonal patterns. The highest volume of crossings happens in the second quarter and drops off in the third quarter. This year in the third quarter there were 1,623 trucks arriving in Alaska, a number very close to the five year average of 1,635.



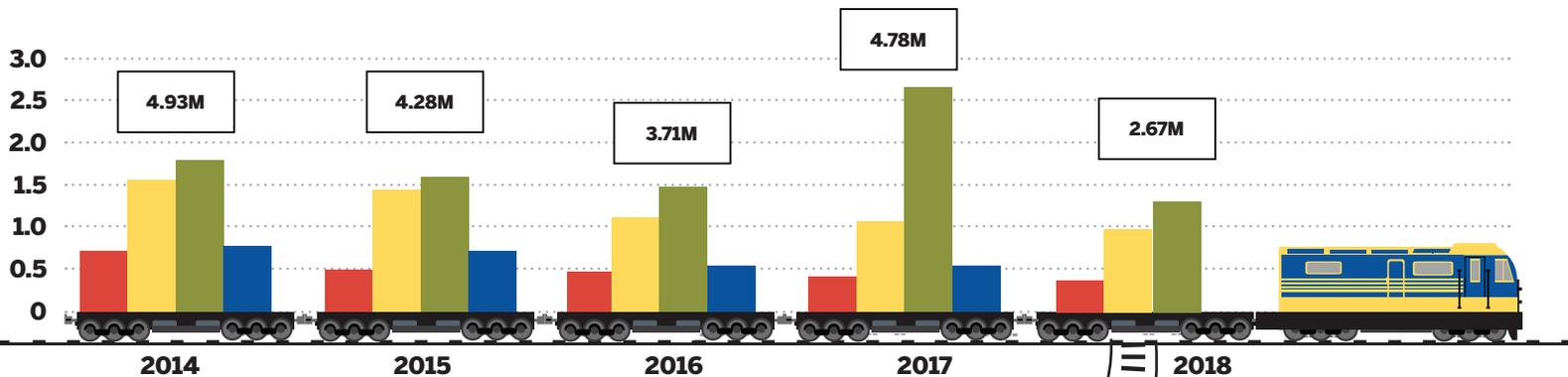
Source: Port AICan, Office of Field Operations

ALASKA RAILROAD FREIGHT

Freight tonnage on the Alaska Railroad continued a downward trend in the third quarter of 2018. The closure of the Flint Hills refinery in 2014 and declining coal exports from the Usibelli mine account for a significant portion of the decline, as well as fewer summer construction projects.

ALASKA RAILROAD FREIGHT TONNAGE

(Millions of Tons)



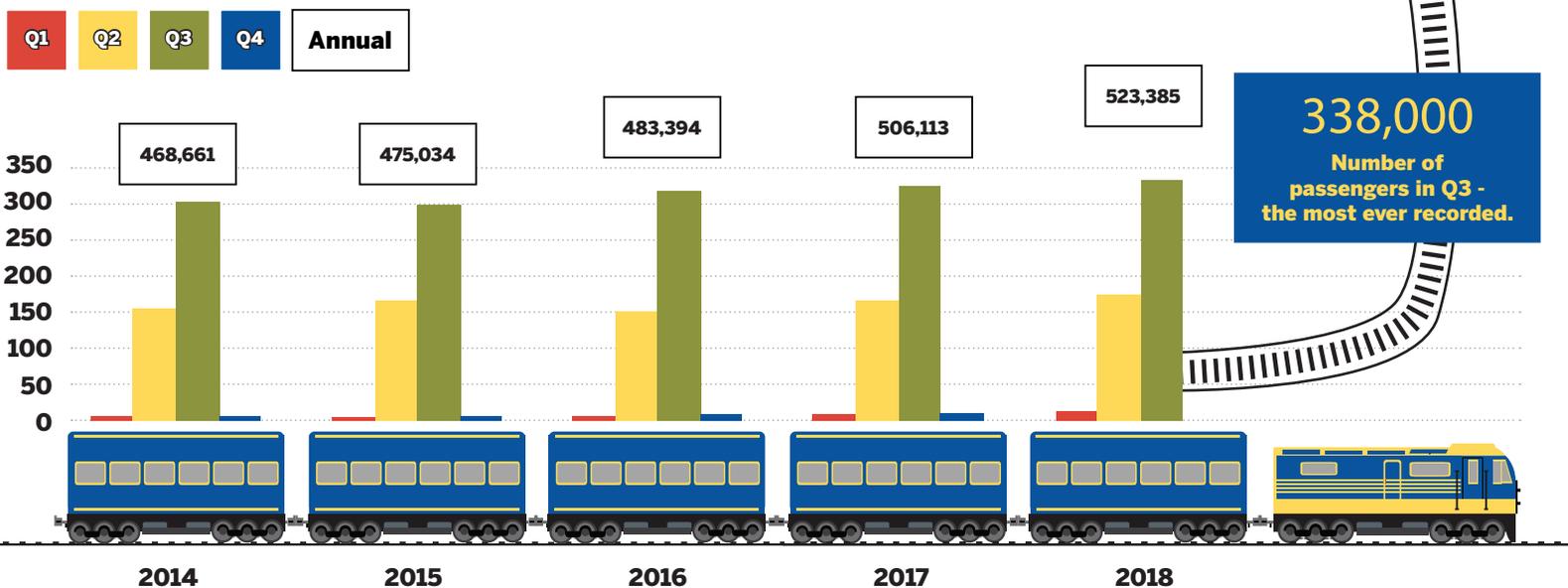
Source: Alaska Railroad Corporation

ALASKA RAILROAD PASSENGERS

Passenger traffic is a bright spot for the railroad. The number of passengers was more than 338,000 in the third quarter, the highest total the railroad has seen.

ALASKA RAILROAD PASSENGER VOLUME

(Thousands of Passengers)



Source: Alaska Railroad Corporation

OIL

All oil prices tracked in this report rose this quarter. The West Texas Intermediate (WTI) crude oil price ended the third quarter at \$70.23 per barrel (/b), while Brent crude oil settled at \$78.89/b. Alaska North Slope (ANS) crude rose to end the third quarter at \$77.63/b.

According to the U.S. Energy Information Administration (EIA), crude oil prices rose in anticipation of potentially steep declines in Iranian crude oil production and exports as a result of the reinstatement of U.S. sanctions on November 4. The EIA estimates that increases in OPEC crude oil production to offset declines in Iran and Venezuela have resulted in declining OPEC

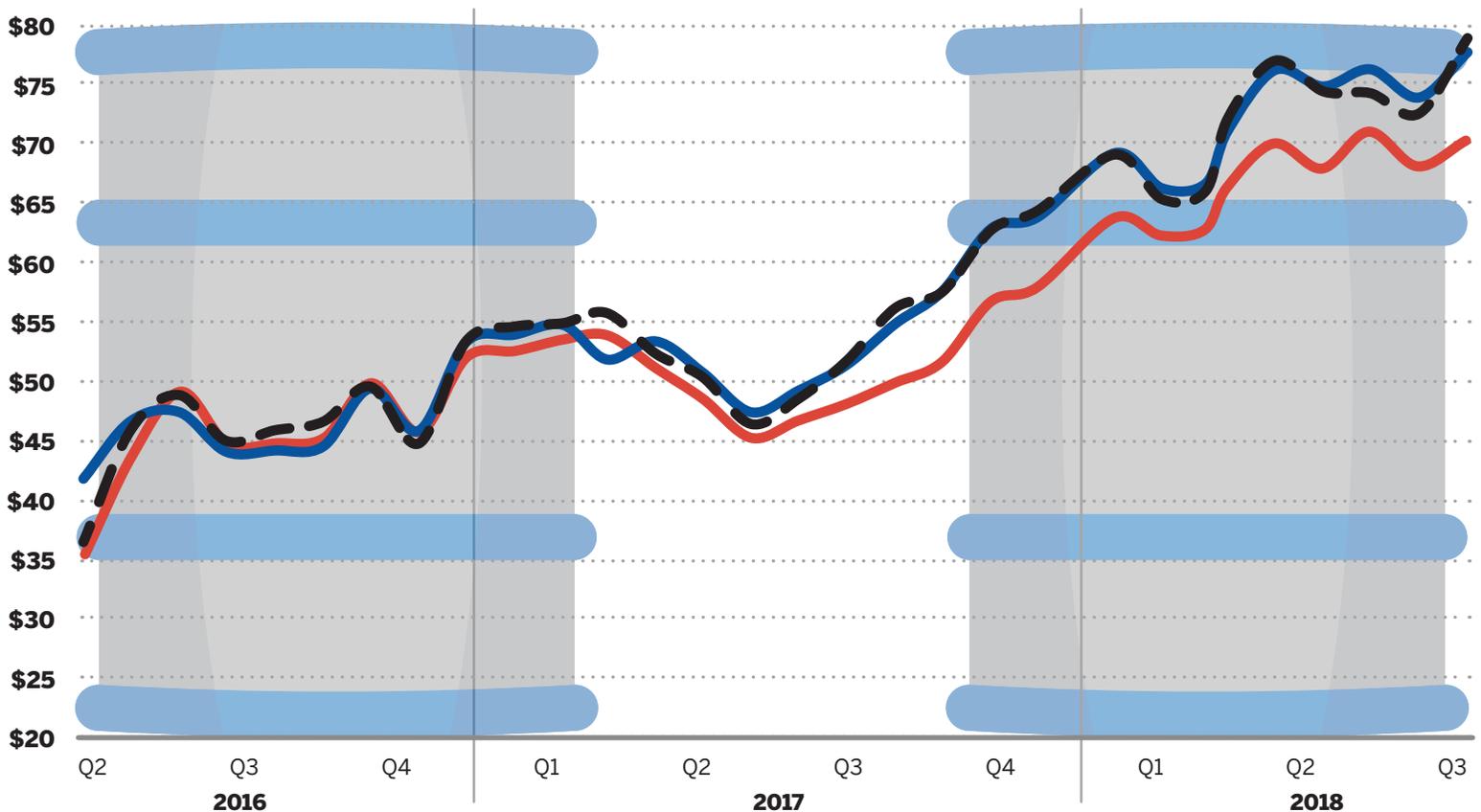
spare crude oil production capacity. With increased uncertainty about the amount that Iranian crude oil production could decline, and how much of the decline can be offset by other suppliers, the EIA now forecasts the Brent crude oil price will average \$81/b in the fourth quarter of 2018, up from a previous forecast of \$76/b. Despite continuing production declines in Iran and Venezuela, EIA forecasts global oil supply and demand to be nearly balanced in 2019 contributing to downward oil price pressures. According to the EIA, by the second half of 2019, when transportation constraints in the Permian region of the U.S. are expected to be alleviated, U.S. crude oil production, and potentially crude oil exports, are expected to increase, which could help keep prices in the mid-\$70/b range.

According to the EIA October 2018 Short-Term Energy Outlook (STEO), the WTI crude oil price will average \$68/b in 2018 and \$69/b in 2019. Brent crude is forecast to average \$74/b in 2018 and \$75/b in 2019.

OIL PRICE PER BBL

(Monthly Average USD)

END OF THIRD QUARTER PRICES PER BARREL (2018)



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

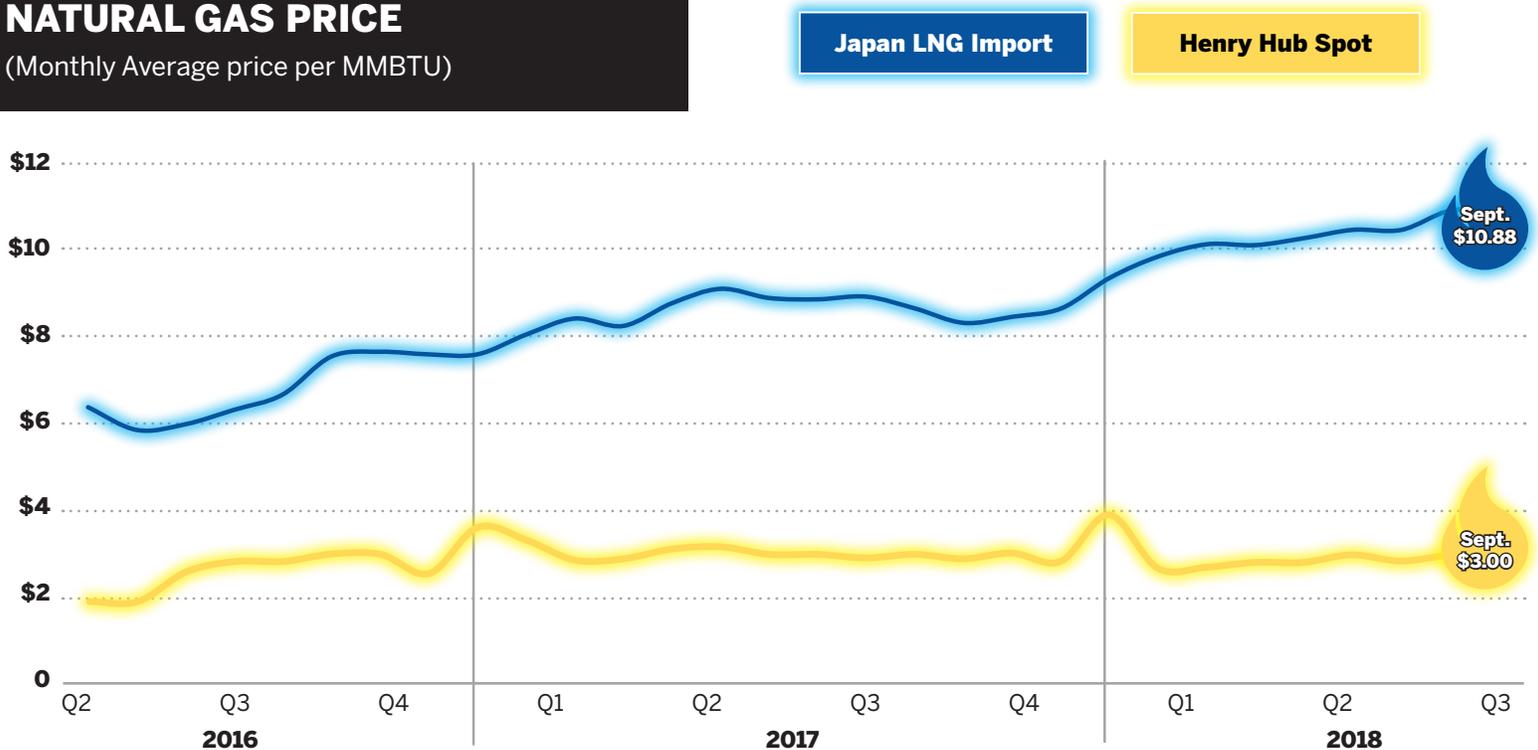
NATURAL GAS

According to YCharts, the Japan liquefied natural gas (LNG) import price increased slightly to \$10.88 per million British thermal units (MMBtu) in September, up from \$10.44/MMBtu in June 2018. According to the EIA, the Henry Hub spot price increased slightly to \$3.00/MMBtu in September from \$2.97/MMBtu in June. Temperatures were higher than normal this quarter across much of the continental U.S., which contributed to high natural gas demand for power generation and limited significant inventory gains.

The EIA estimates that natural gas production reached an estimated 85.1 billion cubic feet per day (Bcf/d) in September, 9.3 Bcf/d higher than levels one year ago, and a record high if confirmed in monthly data. According to the EIA, although production has been rising, there has not been a subsequent reduction in natural gas prices because of lower-than-average inventory levels and increased demand. According to EIA data, from June through September, natural gas used for power generation and for LNG exports reached record high levels.

NATURAL GAS PRICE

(Monthly Average price per MMBTU)



Sources: U.S. Energy Information Administration and YCharts

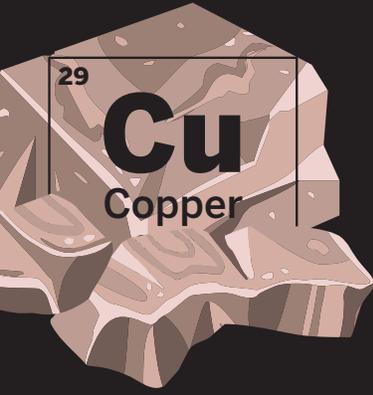
METALS

All metals prices tracked in this report dropped this quarter. Zinc prices continued the fall that began in early 2018 to end the quarter at \$2,432.71/ton in September. Copper, silver, and gold prices were all down moderately. These price drops can be attributed to the wary investment climate over fears of a U.S.-China trade war and the Federal Reserve's September decision to raise interest rates for the third time this year.

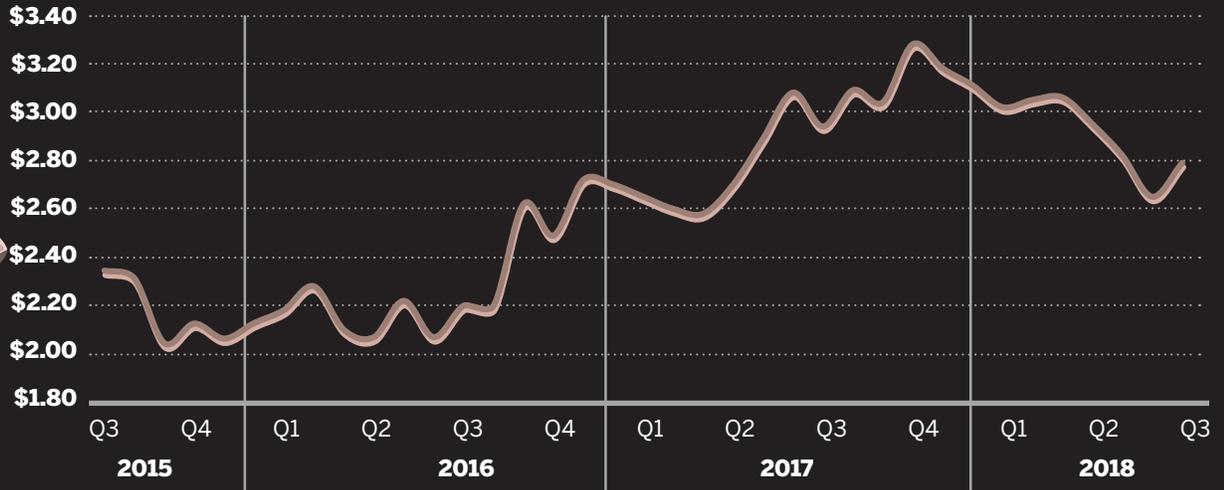


COPPER PRICE

(Monthly Average - Dollars Per Pound)



Source: Investing.com



ZINC PRICE

(Monthly Average - Dollars Per Ton)



Source: London Metal Exchange

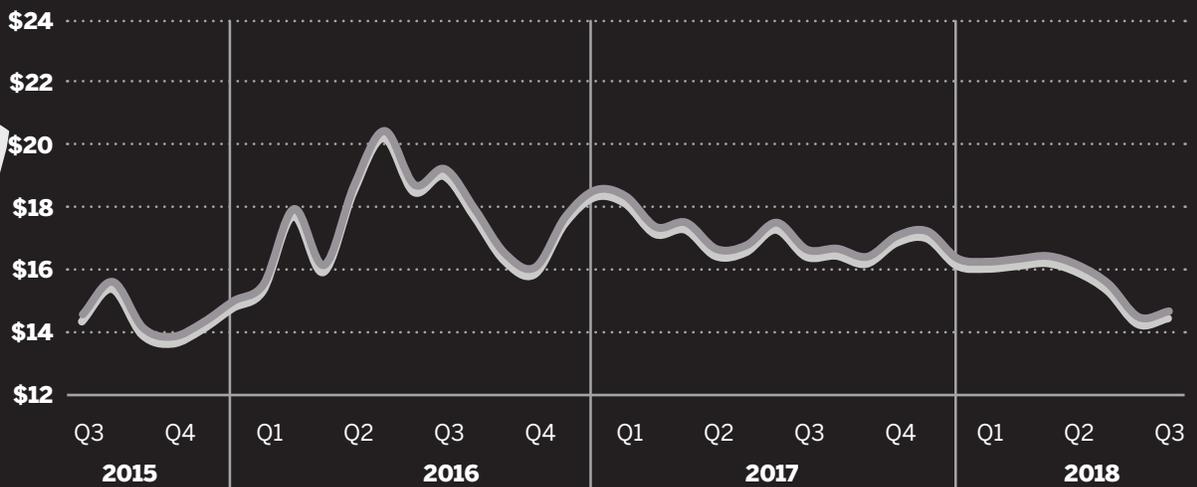


SILVER PRICE

(Monthly Average - Dollars Per Ounce)



Source: Investing.com



GOLD PRICE

(Monthly Average - Dollars Per Ounce)



COAL

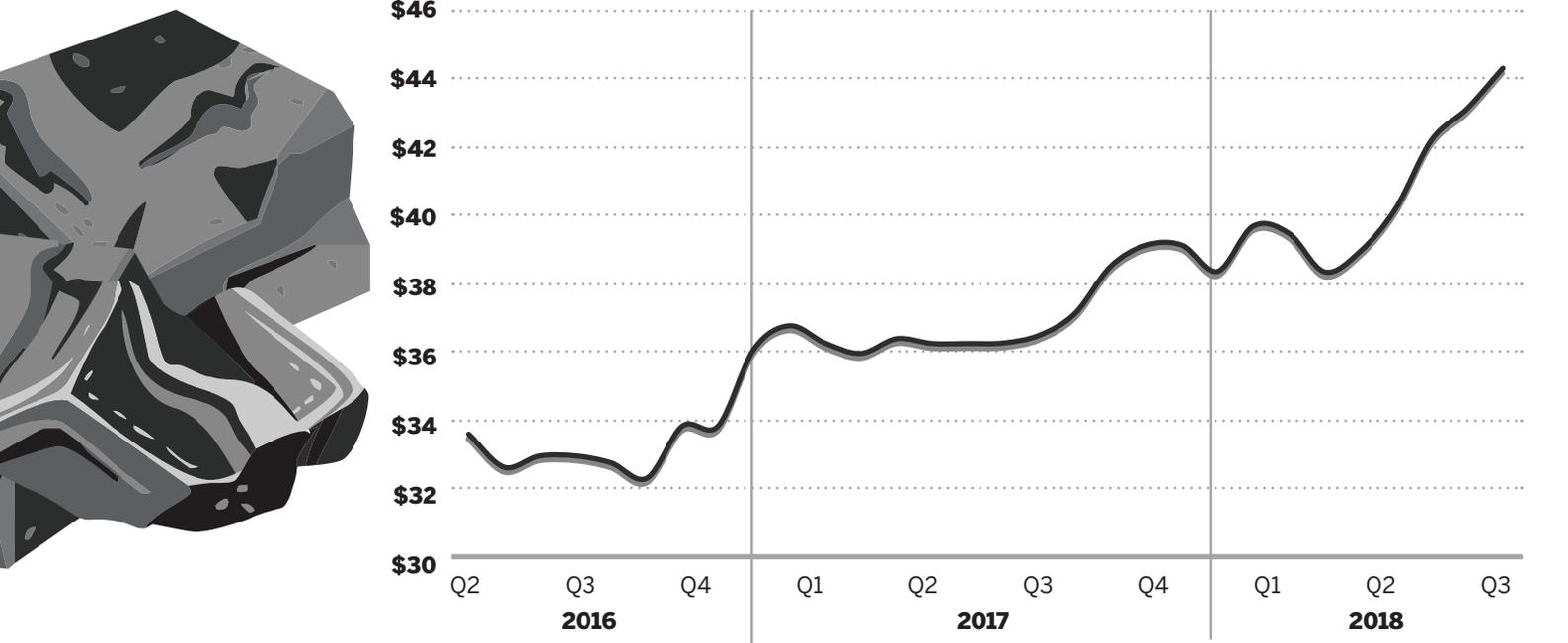
According to Quandl, the average price of U.S. coal continued the rise that began in fall 2016, moving from \$40.18/short ton in June 2018 to \$44.28/short ton in September 2018.

The EIA October 2018 STEO estimates that coal production will decline by two percent in 2018, despite a 12 percent increase in coal exports. The production decrease is largely attributable to a forecast decline of four percent in domestic coal consumption in 2018.

The EIA expects the share of U.S. total utility-scale electricity generation from natural gas-fired power plants to rise from 32 percent in 2017 to 35 percent in 2018. EIA forecasts that electricity generation from coal will average 28 percent in 2018 and 27 percent in 2019, down from 30 percent in 2017.

COAL PRICE

(Monthly Average of Major U.S. Production Basins - Price Per Short Ton)



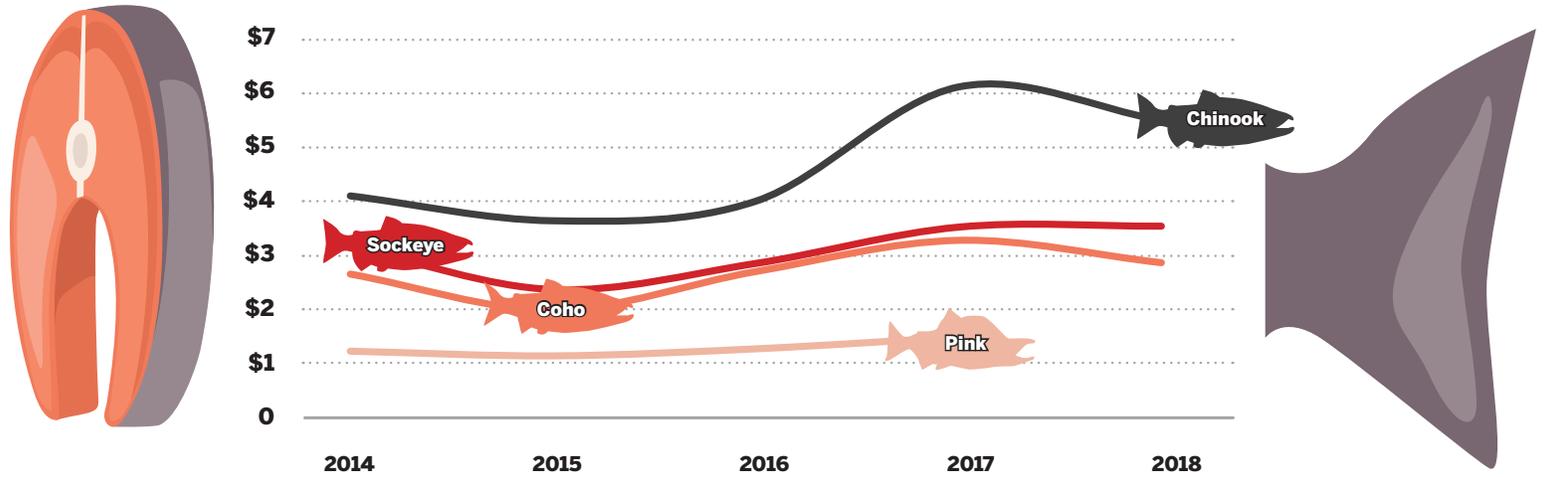
Source: Quandl

SALMON

Salmon price data is released three times per year by the Alaska Tax Division. The most recent data available are for January through April 2018. There is less fishing activity during the early months of the year, and in fact pink salmon prices for this period are not available due to confidentiality constraints based on the low number of processors processing the species. Prices for frozen headed and gutted chinook and coho salmon were slightly lower in the first four months of 2018 than they were in 2017 at \$5.54 per pound and \$2.89 per pound. The price of frozen headed and gutted sockeye was \$0.02 more in the first four months of 2018 than it was in 2017, reaching \$3.57 per pound.

ALASKA SALMON PRICE

(Frozen Headed & Gutted Average Wholesale Value - Prices Per Pound)

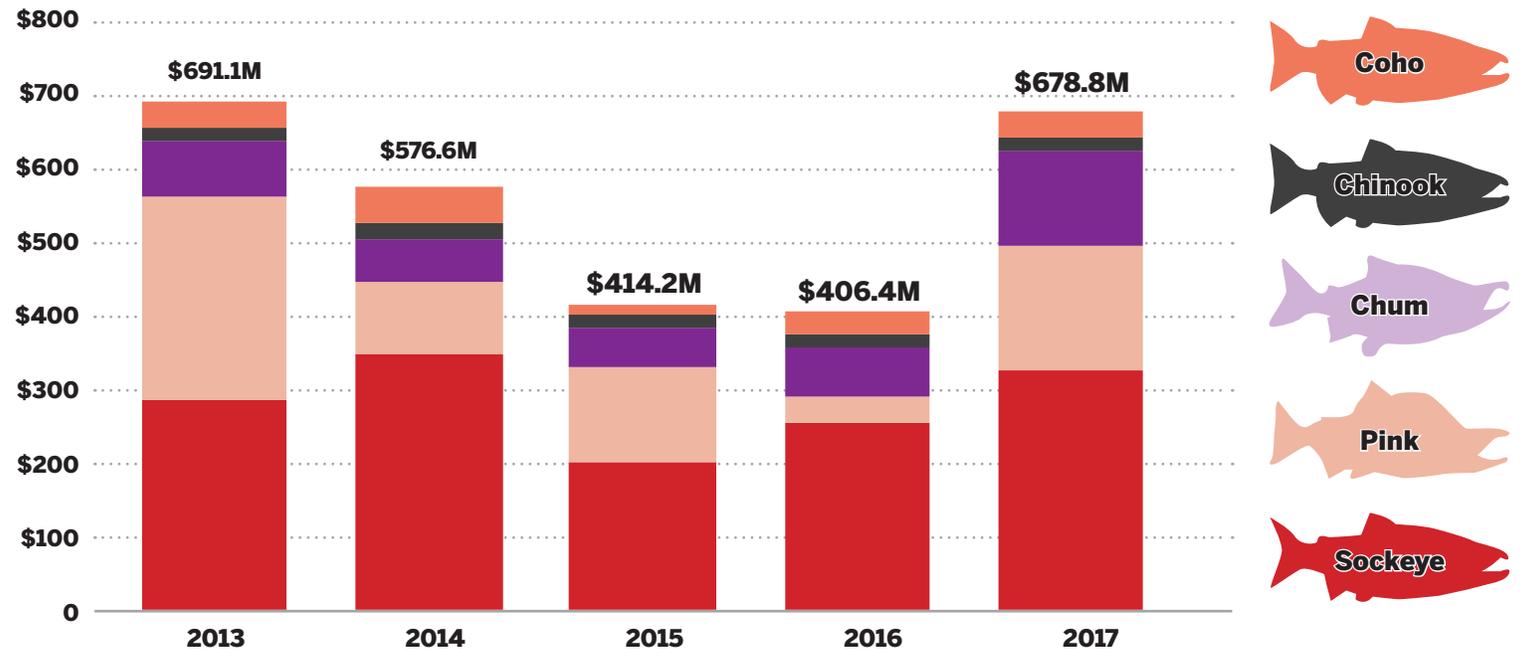


Source: Alaska Department of Revenue, Tax Division

ALASKA SALMON VALUE

Statewide total ex-vessel value - Annually through October only

(Millions of Dollars)



Source: Alaska Department of Fish & Game; annual data available for January-October only

COMMERCIAL FISHING PORTS

Data for 2017 is still not available from NOAA. Data for 2017 will not be available until later in the year. 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.

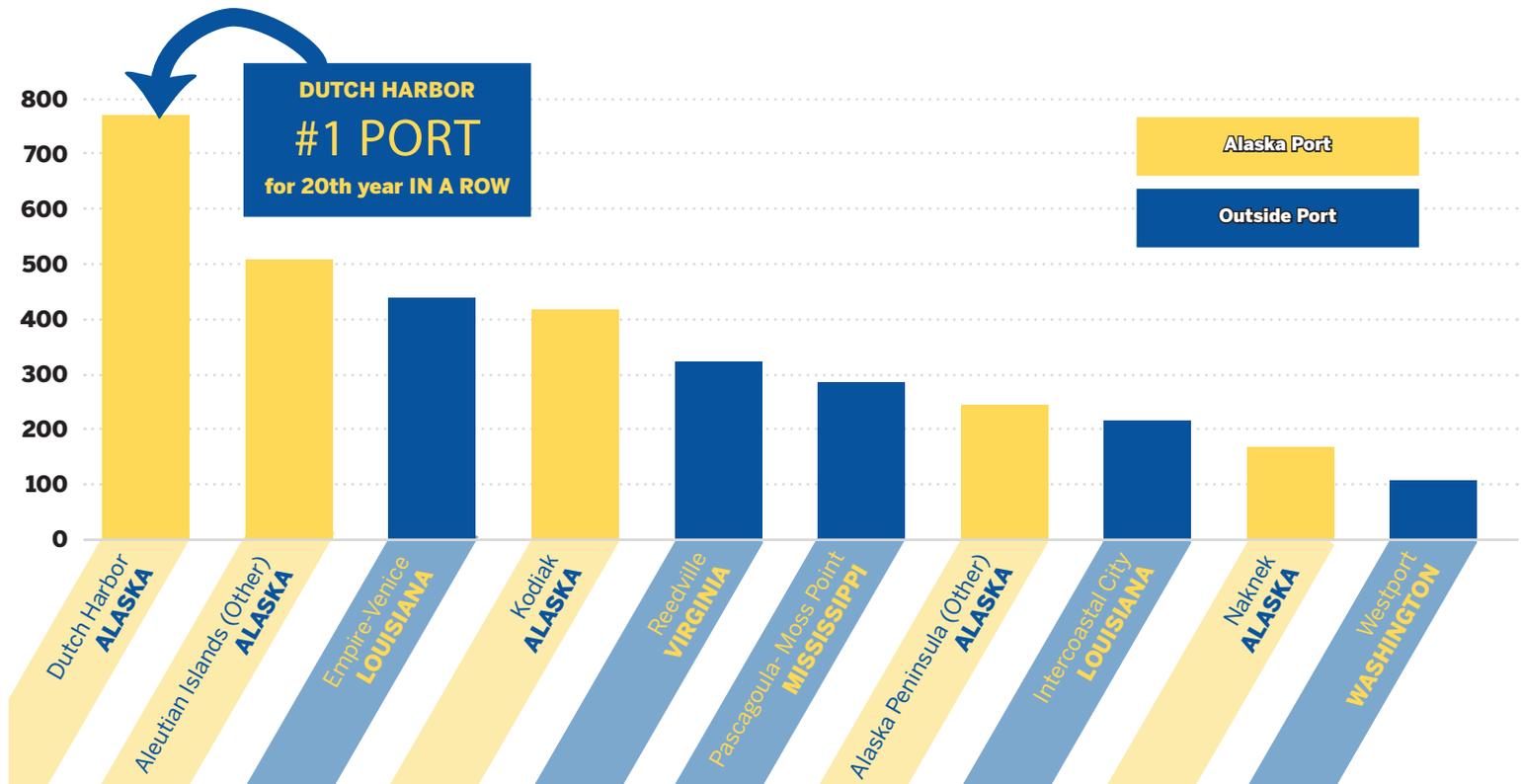


ALASKA LEADS THE NATION
SEAFOOD VOLUME
5.6 BILLION POUNDS

ALASKA LEADS THE NATION
SEAFOOD VALUE
\$1.6 BILLION

TOP 10 U.S. FISHING PORTS

(Volume - Millions of Pounds Landed, 2016)



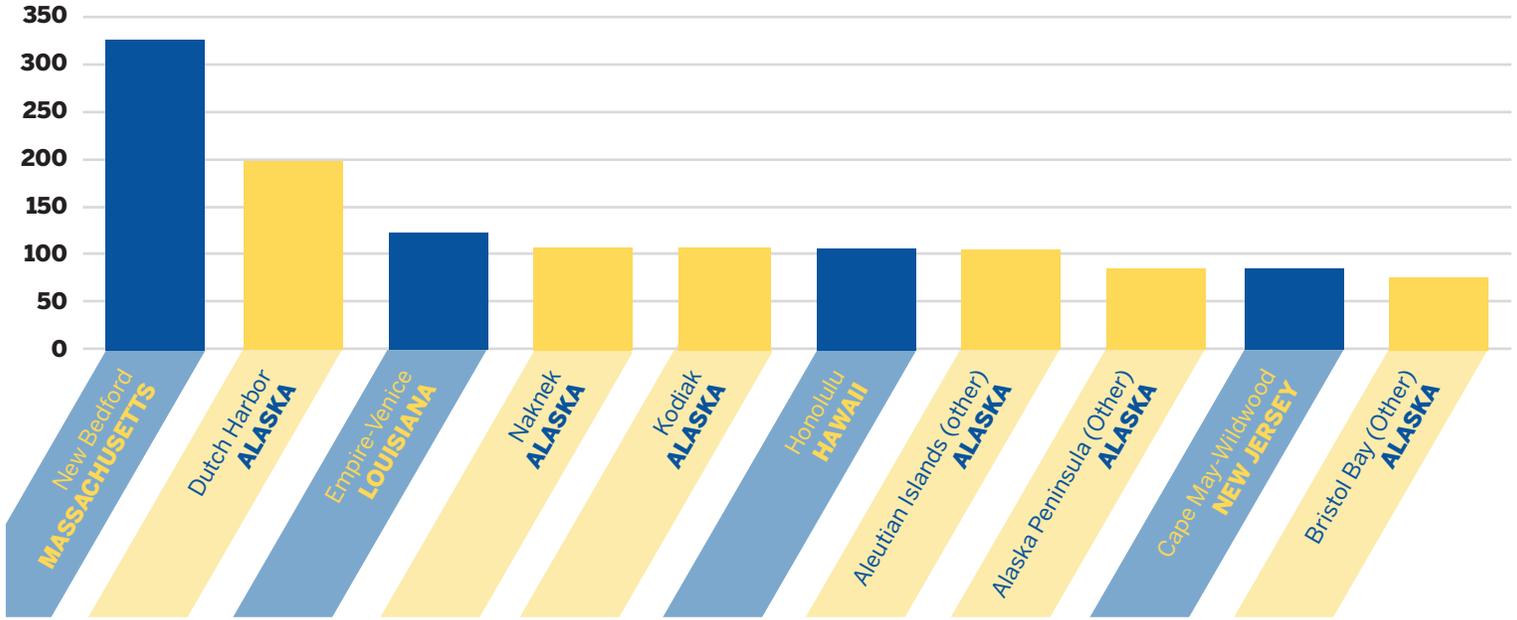
Source: NOAA Fisheries Office of Science and Technology

TOP 10 U.S. FISHING PORTS

(Value of Catch - Millions of Dollars, 2016)

Alaska Port

Outside Port



Source: NOAA Fisheries Office of Science and Technology

GROSS DOMESTIC PRODUCT

GROSS DOMESTIC PRODUCT

Real GDP growth is measured by the U.S. Department of Commerce Bureau of Economic Analysis (BEA) on a quarter-over-quarter basis, is seasonally adjusted, and annualized. Quarterly GDP data is available for the first half of 2018.

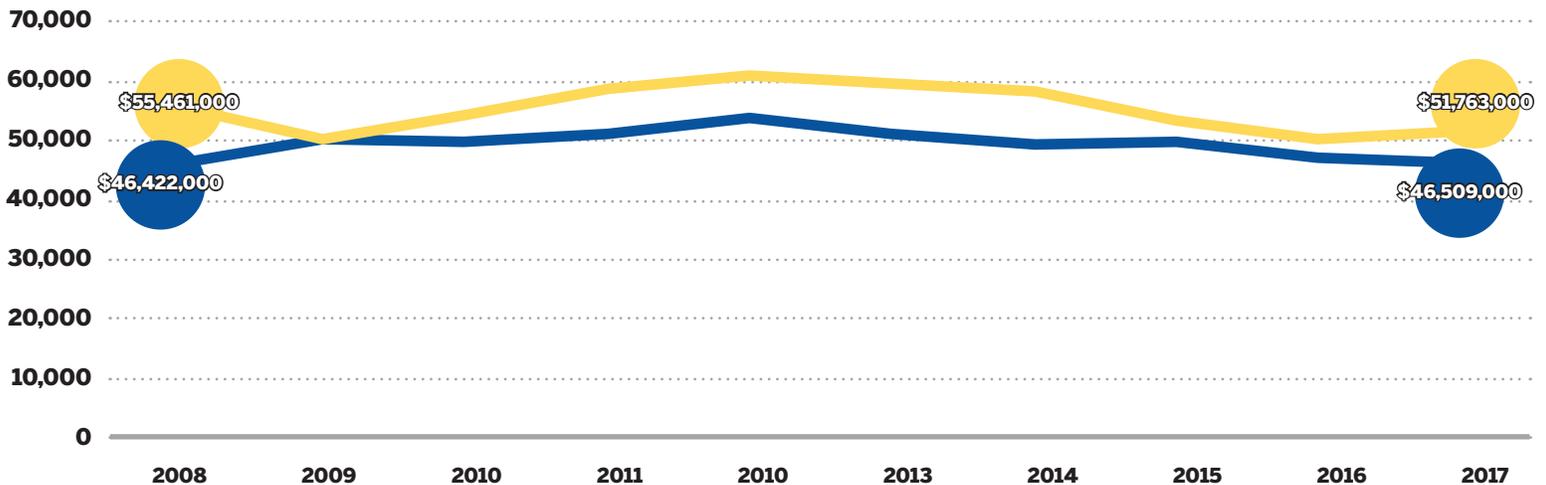
Annual GDP data and state rankings for 2018 will be available in the fourth quarter report. In the fourth quarter of 2017, GDP growth ranged from 1.6 percent in South Dakota to 11.1 percent in Alaska. In 2017 annual data, Alaska ranked 47th in state GDP, dropping from 46th in 2016.

ALASKA ANNUAL GDP

(10-Year Trend - Millions of Dollars, 2017)

Nominal GDP

Real GDP (2009 Dollars)



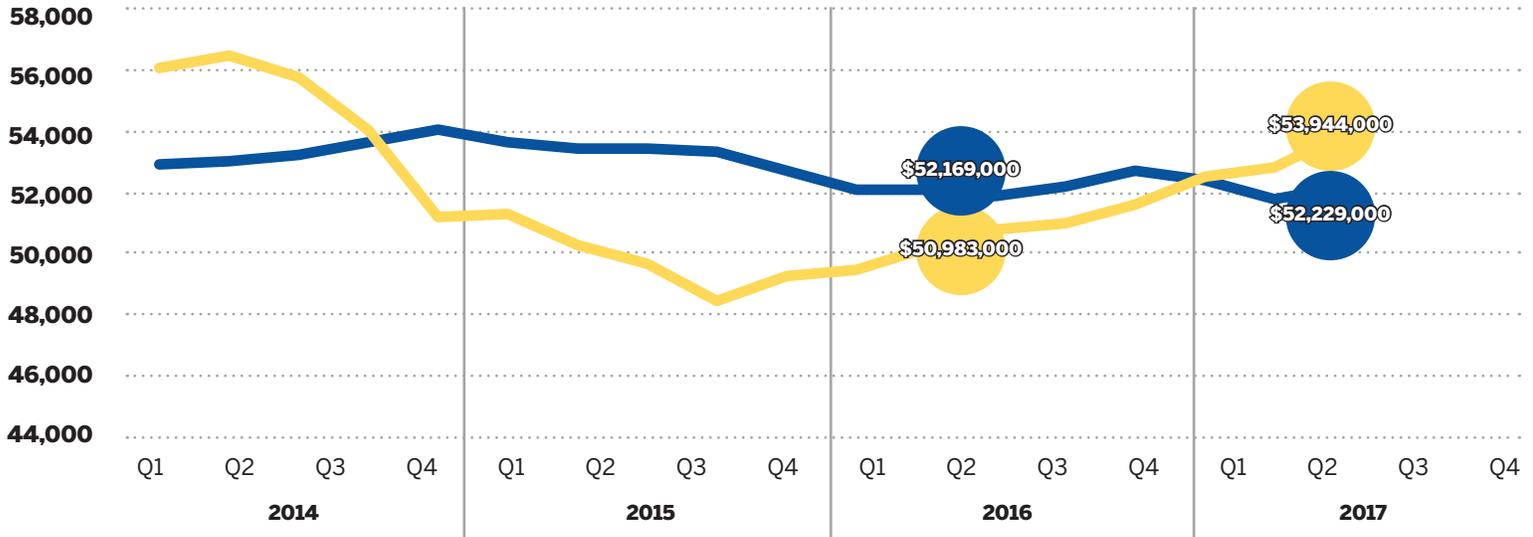
Source: U.S. Bureau of Economic Analysis

ALASKA'S QUARTERLY GDP

(Millions of Dollars - Through Q2, 2018)

Nominal GDP

Real GDP (2012 Dollars)



Source: U.S. Bureau of Economic Analysis

BEST & WORST STATE GDP

(Millions of Current Dollars - Through Q4 2017)



TOP 10 STATES with the best GDP

- 1 CALIFORNIA \$2,370,731
- 2 TEXAS \$1,519,224
- 3 NEW YORK \$1,296,225
- 4 FLORIDA \$834,789
- 5 ILLINOIS \$701,462
- 6 PENNSYLVANIA \$657,237
- 7 OHIO \$563,302
- 8 NEW JERSEY \$507,796
- 9 GEORGIA \$475,718
- 10 NORTH CAROLINA \$459,664



BOTTOM 10 STATES with the worst GDP

- 42 DELAWARE \$62,606
- 43 IDAHO \$62,151
- 44 MAINE \$52,545
- 45 RHODE ISLAND \$50,924
- 46 NORTH DAKOTA \$48,588
- 47 ALASKA \$46,509
Growth of 11.1% in Q4.
Dropped from #46 in 2016.
- 48 MONTANA \$41,705
- 49 SOUTH DAKOTA \$40,725
- 50 WYOMING \$35,925
- 51 VERMONT \$27,712

Source: U.S. Bureau of Economic Analysis

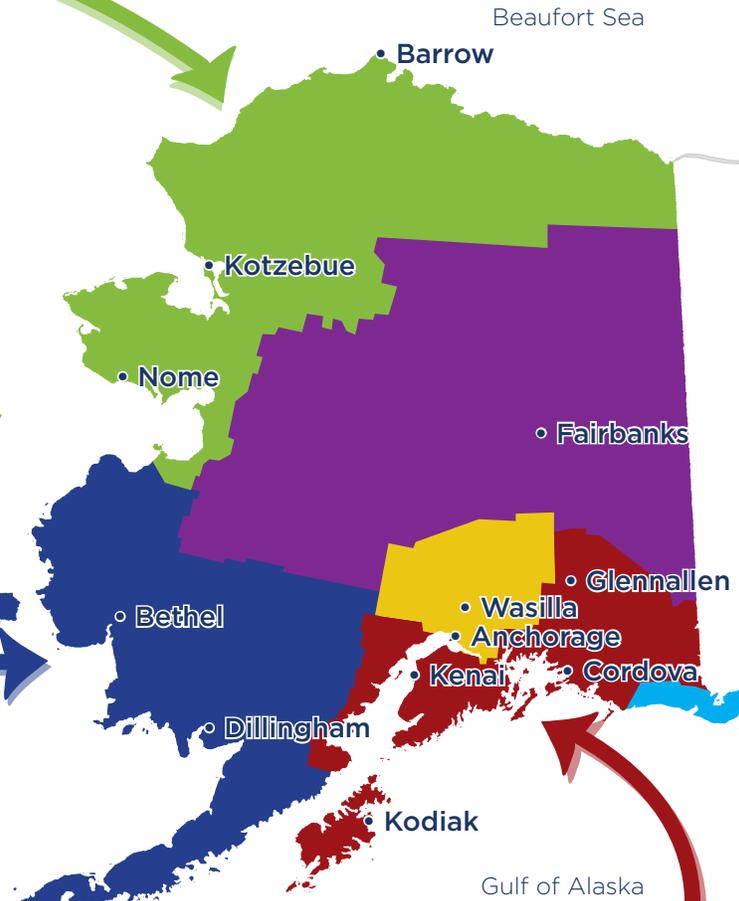
STATEWIDE - THIRD QUARTER 2018

Reauthorization of the federal Magnuson-Stevens Act (MSA) passed the House of Representatives in early July. The reauthorization was sponsored by Rep. Don Young and passed largely on party lines at 222-193. The bill extends the Magnuson-Stevens Act through fiscal year 2022, but makes some changes: The timeframe window for rebuilding fish stocks, which was currently capped at ten years, is now eliminated. It also grants more flexibility to regional fisheries management. The bill had strong support from commercial and recreational fishing interest groups, but opposition from conservation groups, who argued that eliminating the timeframe for rebuilding fish stocks threatens the gains made as a result of the MSA.

NORTHERN REGION

Maersk sent its first cargo vessel across the Arctic in September, taking advantage of new routes opening as Arctic ice recedes due to climate change. The trip was an exploratory trial voyage, meant to assess the feasibility of the new route. While climate change means more open Arctic waters, there will likely not be regular shipping routes any time soon. Weather and ice conditions are still too unpredictable.

The government of the Yukon Territory in Canada awarded a contract to study the impacts of oil development in ANWR on the Porcupine caribou herd. Because the herd roams on both sides of the border, it is the subject of a U.S.-Canada agreement intended to protect the animals and the people who depend on them, primarily the Gwich'in people of Alaska and Canada. Yukon officials argue that although the development will occur within the United States, Canadians have a stake in the outcome.



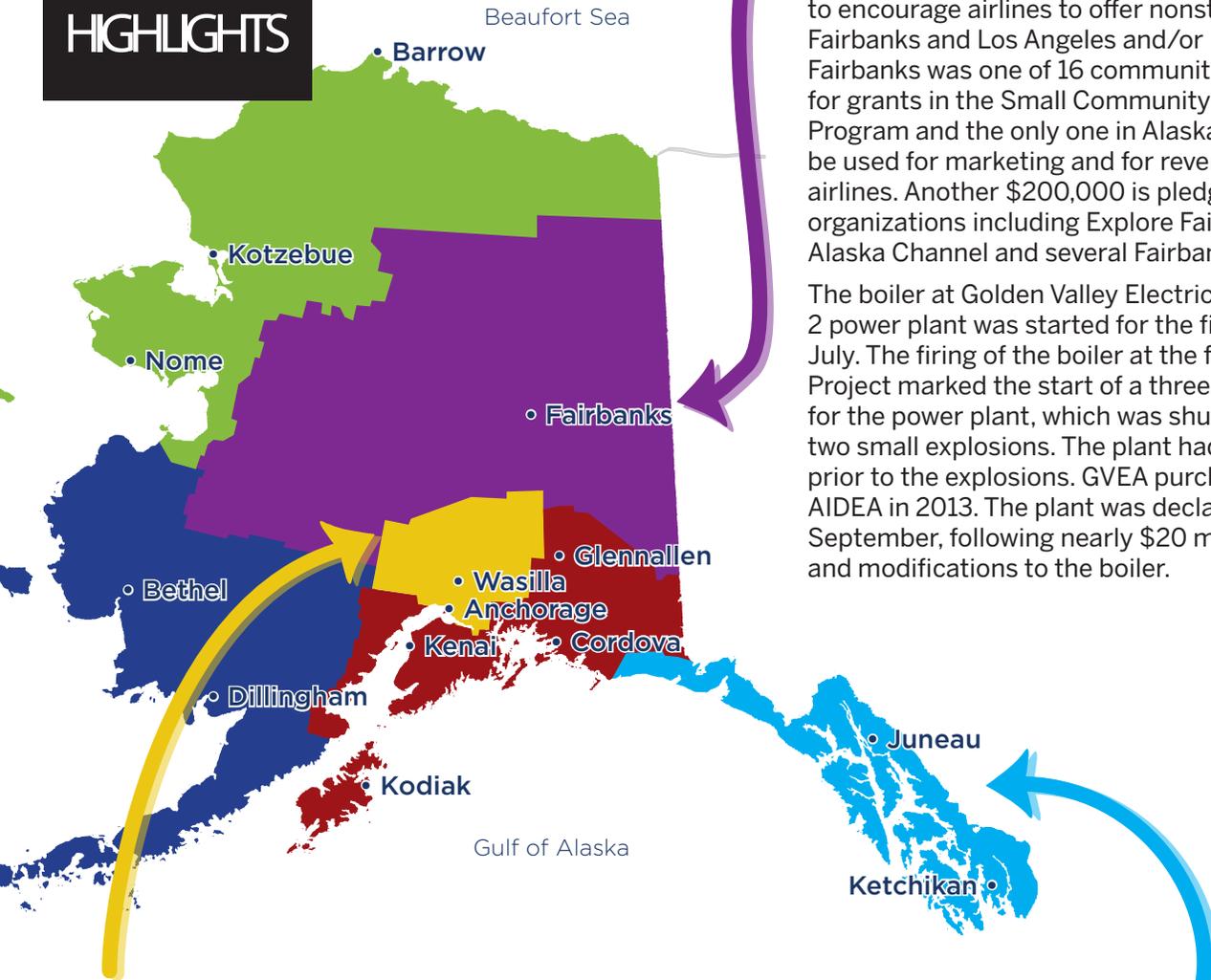
SOUTHWEST REGION

Nick Miller, owner of Anchorage marijuana store ALASKAbuds, signed a lease for a Bethel location in July. The store, which will be Bethel's first marijuana retailer, is set to open in January 2019. The location will be in central Bethel, on Third Avenue. In preparation, Miller spent time talking with Bethel community members and finding a location that meets state and municipal requirements. The shop will likely have six to eight employees when it opens.

GULF COAST

Alyeska Pipeline Services Co., the operator of the Trans-Alaska Pipeline, announced in September that it will reduce its workforce by 10 percent and reorganize operations to operate more efficiently. The company has 1,300 employees and contractors throughout the pipeline system. Roughly 130 positions will be cut. The company president Tom Barrett announced that the cuts will be made at all levels of the organization in Anchorage, Fairbanks, Valdez, and at field locations along the pipeline's route. Reorganization includes plans to create a new maintenance department, enhance engineering and technical oversight, and centralize emergency planning and response involving the pipeline, terminal and the marine escort system, according to Barrett.

REGIONAL ECONOMIC HIGHLIGHTS



INTERIOR

The U.S. Department of Transportation awarded the Fairbanks International Airport a grant of \$750,000 to encourage airlines to offer nonstop flights between Fairbanks and Los Angeles and/or Fairbanks and Phoenix. Fairbanks was one of 16 communities across the U.S. picked for grants in the Small Community Air Service Development Program and the only one in Alaska. The money can be used for marketing and for revenue guarantees to airlines. Another \$200,000 is pledged to the project from organizations including Explore Fairbanks, iHeartMedia, Alaska Channel and several Fairbanks tourism businesses.

The boiler at Golden Valley Electric Association's Healy Unit 2 power plant was started for the first time since 2016 in July. The firing of the boiler at the former Healy Clean Coal Project marked the start of a three-month testing period for the power plant, which was shut down in 2016 following two small explosions. The plant had operated only briefly prior to the explosions. GVEA purchased the plant from AIDEA in 2013. The plant was declared fully operational in September, following nearly \$20 million worth of repairs and modifications to the boiler.

ANCHORAGE/MAT-SU

Ted Stevens Anchorage International Airport is setting passenger records, tracking the increases in cargo traffic. Airport officials announced in August that the airport had seen its best second quarter passenger numbers in five years. The growth is attributed to more cruise passengers visiting the state and new charters from Europe and Asia that bring passengers to Anchorage throughout the year.

REI Co-op announced it will move its Anchorage location from the Northern Lights Center in Spenard to the Midtown Mall, formerly known as the Mall at Sears. The new location will open in early 2019. The new location is just one mile east and was formerly occupied by a Carrs Safeway grocery store. It is the same size as the current location, but will have a more open layout. Other new businesses in the Midtown Mall will include a new Carrs Safeway, a Guitar Center, and a Planet Fitness.

SOUTHEAST

In August, Ocean Beauty Seafoods announced that it will permanently close its cannery in Petersburg. The plant did not can salmon in 2017 or 2018 and the company stated that it has adequate canning capacity at its facilities in Excursion Inlet, Cordova, and Kodiak. The Petersburg plant employed about 200 seasonal workers each summer. The closure leaves Icicle Seafoods as the only cannery in town, although some Ocean Beauty staff will stay on in Petersburg to provide support to the fleet.

Vigor Alaska announced plans to lay off between 50 and 80 workers this fall. Vigor employees were informed of the layoffs in August. The company cites a lack of new construction projects as the reason for the downsizing. About 300 workers and 100 contractors work at the shipyard in Ketchikan. Many of them were working on the two new Alaska Class ferries. The Tazlina was christened at the shipyard in August and work on the Hubbard began winding down in the same month.

TOTAL WORKFORCE AND UNEMPLOYMENT RATE

Alaska continues to have the highest unemployment rate in the country. The seasonally adjusted unemployment rate for the state was 6.7 percent in the third quarter of 2018, more than 75 percent higher than the national rate of 3.9 percent for the same time period. The only other state in the nation with an unemployment rate above 5 percent is West Virginia, which had a seasonally adjusted unemployment rate of 5.3 percent during the third quarter of 2018.

Average non-farm employment in Alaska was 346,100 in the third quarter of 2018. This number is not seasonally adjusted, and the data show the seasonal fluctuations. On average, employment rises for the first three quarters of the year and dips again in the last quarter of the year. The third quarter of 2018 saw 13,533 more jobs than the second quarter.

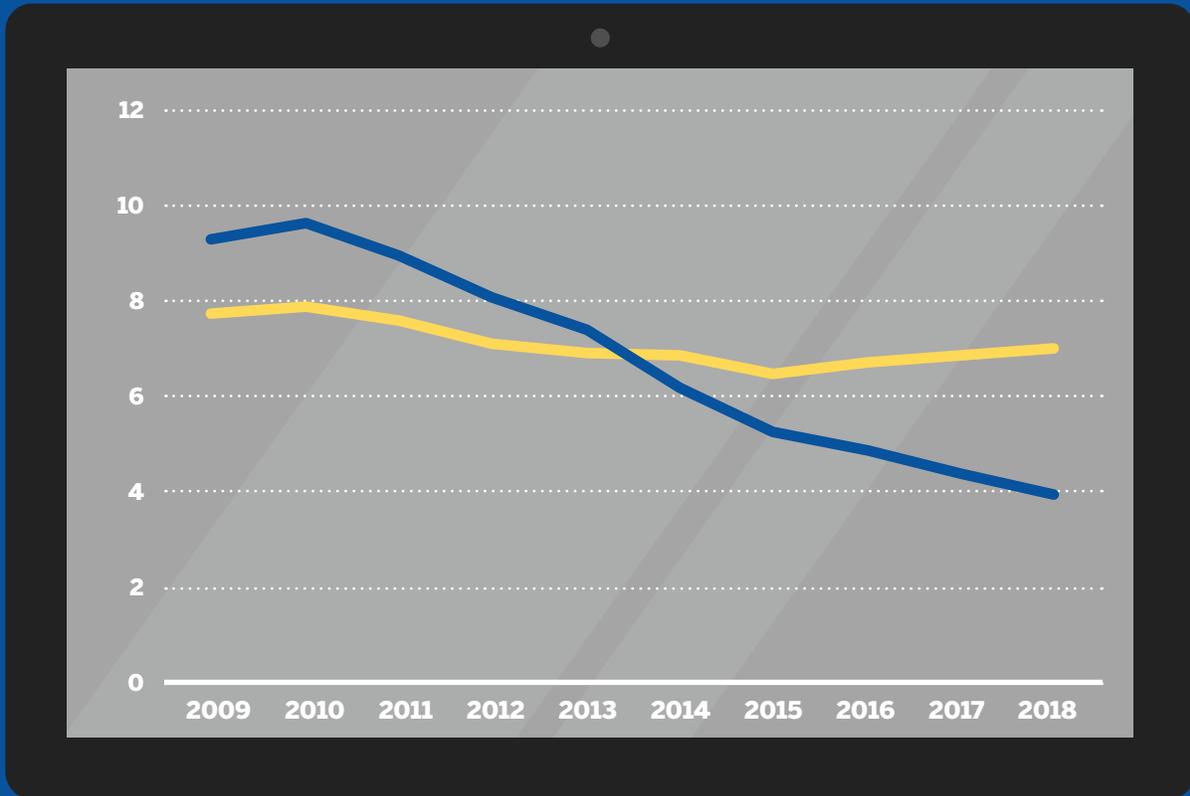
Regionally, unemployment rates vary across the state. In the more populated areas of Juneau, Anchorage, and Fairbanks, unemployment rates are below the statewide average. In rural areas they can be much higher, sometimes up to triple the statewide average.

ANNUAL UNEMPLOYMENT RATES

(Seasonally Adjusted - 2018 Through Q3)

Alaska

United States



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



UNEMPLOYMENT
HIGHEST
IN THE NATION



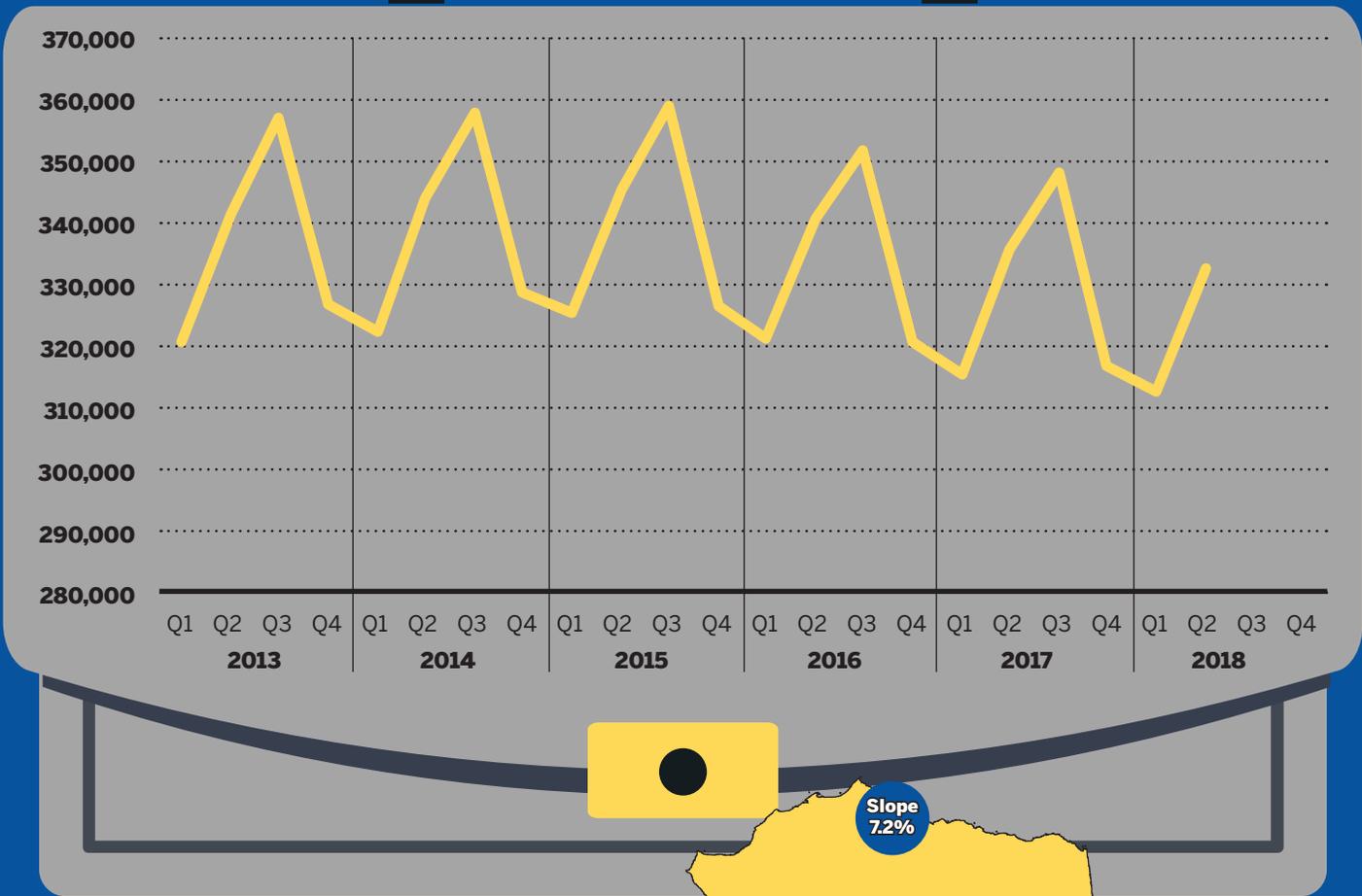
6.7%
UNEMPLOYED

75%
ABOVE NATIONAL
AVERAGE

MONTHLY EMPLOYMENT

(Not Seasonally Adjusted Average- 2018 Through Q2)

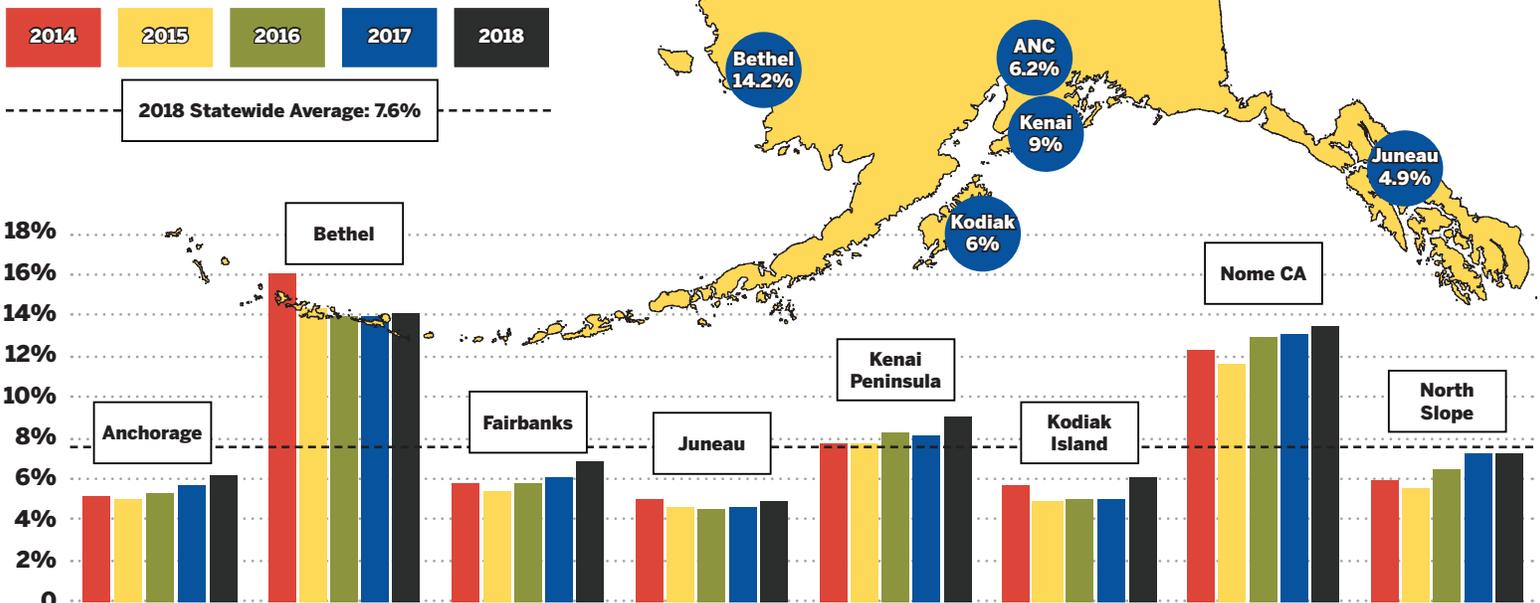
Source: Alaska Department of Labor and Workforce Development and U.S. Bureau of Labor Statistics



REGIONAL EMPLOYMENT RATES

(Not Seasonally Adjusted - 2018 Through Q3)

Source: Alaska Department of Labor and Workforce Development



PERSONAL INCOME

Personal income in Alaska appears to be on an upward trend, after a relatively stable period between 2015 and the first half of 2017. Statewide gross personal income was \$43,454,089 (an annualized figure) in the second quarter of 2018, the most recent quarter for which data are available. This is a per capita income of \$58,854, also an annualized figure. This places Alaska eleventh in the ranking of states by per capita income.

PER CAPITA PERSONAL INCOME

(Quarterly- 2018 Through Q2)



PerCapitaIncomeofAlaskans,AnnualizedFigure

Source: U.S. Bureau of Economic Analysis

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.

The Division of Economic Development 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. Prices were available for eight of the ten historical price basket communities, with only Barrow and Nome missing. For the eight communities surveyed in September 2018, the average price basket was \$13.77. The prices basket average was \$0.52 lower than the previous quarter, which included the same communities.

AVERAGE PRICE BASKET IN ALASKA: **\$13.77**



\$0.52 LESS THAN Q2, 2018



ONE DOZEN EGGS

\$3.20



ONE GALLON OF MILK

\$4.19



ONE LOAF OF BREAD

\$2.76

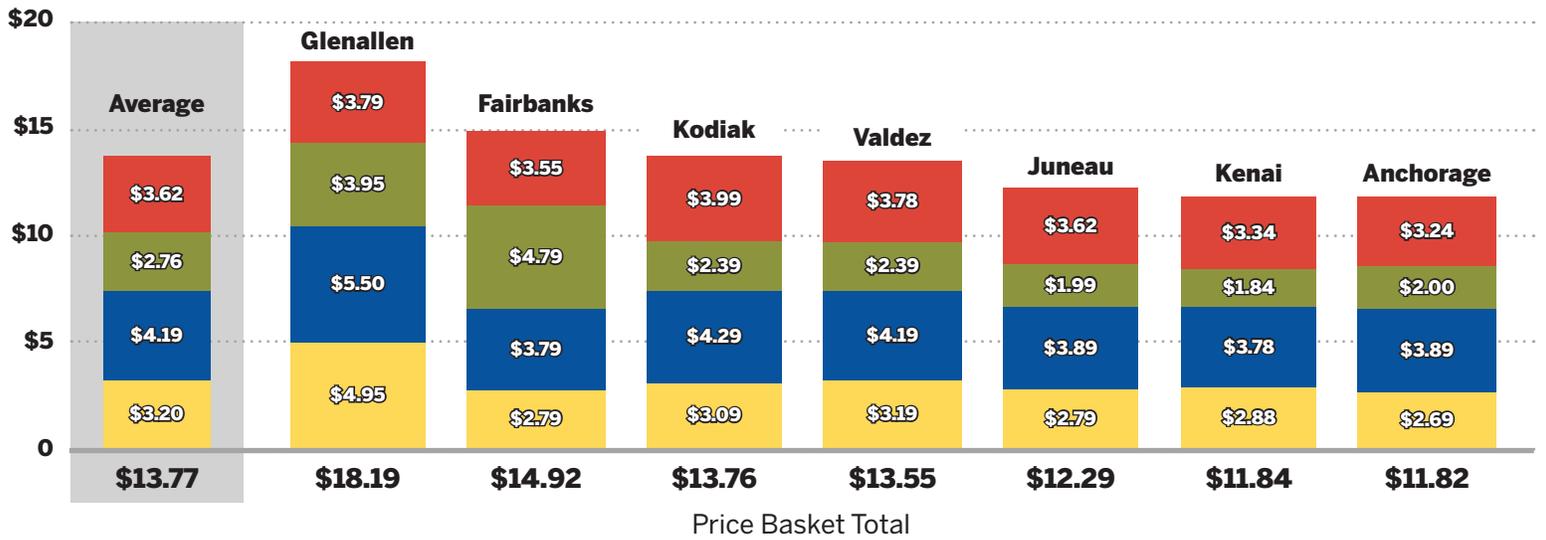


ONE GALLON UNLEADED GASOLINE

\$3.62

COMMUNITY PRICE COMPARISON

(September 2018 - Eggs, Bread, Milk and Gasoline)



Source: DCCED regional partners

NATIONAL COST OF LIVING INDEX

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 in other states. 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.

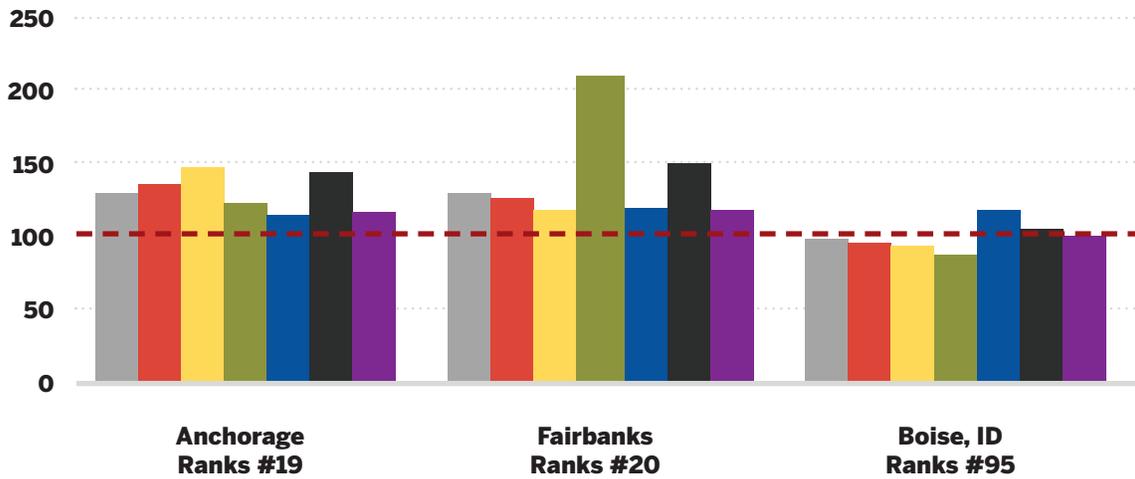
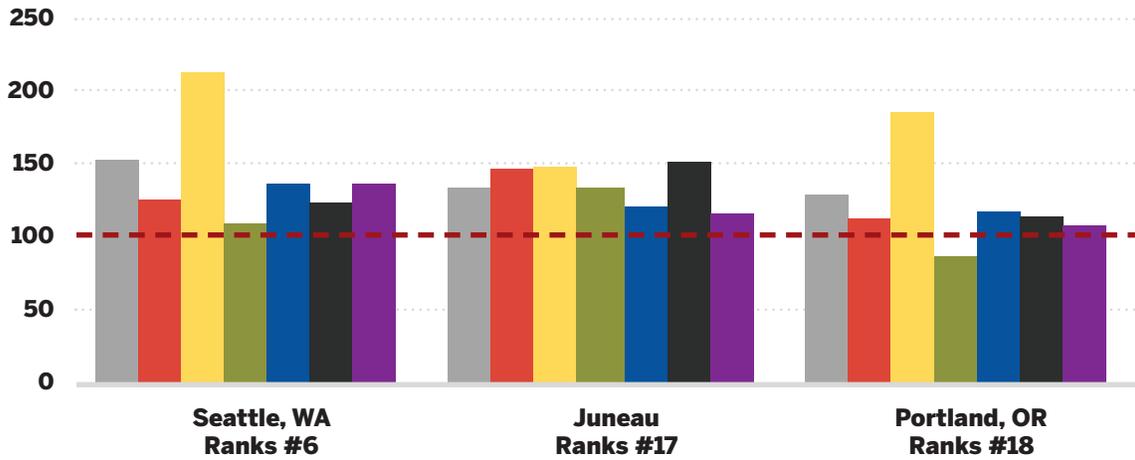
The Alaska cities included in the COLI are Juneau, Fairbanks, and Anchorage. (Kodiak was not included in the third quarter survey.) Of the 268 cities surveyed this quarter, Juneau was again the most expensive Alaska city, ranking 17th. The composite index for Juneau was 133.1, meaning the cost of living in the capital city is 33.1 percent higher than the national average. Anchorage was 19th (composite index of 129.2) and Fairbanks was 20th (129.1). In the second quarter COLI, Seattle was once again the highest Pacific Northwest City in the survey, with a composite index of 153.6, making it the sixth most expensive city in the country. Portland, Oregon was in the middle of the three Alaska cities included, ranking 18th with a composite index of 129.4. Smaller Pacific Northwest cities had much lower costs of living, with Olympia at 52nd with an index of 106.3, Boise at 95th with an index of 97.9, and Bozeman, Montana at 53rd with an index of 105.9. Neighboring cities of Harlingen and McAllen, Texas once again had the lowest costs of living in the nation.

THE JUNEAU COST OF LIVING WAS **33.1%** ABOVE THE NATIONAL AVERAGE IN Q3 OF 2018.

THE ANCHORAGE COST OF LIVING WAS **29.2%** ABOVE THE NATIONAL AVERAGE IN Q3 OF 2018.

COST OF LIVING INDEX

(Q3, 2018 - National Average is 100 - 268 Surveyed Cities)



TOP 10

Most Expensive States (Q3, 2018 - % above avg)

- Hawaii, 88.9%
- District of Columbia, 61%
- California, 37.2%
- New York, 34%
- Connecticut, 33%

ALASKA, 30.5% above national cost of living

- Oregon, 29.4%
- Maryland, 29.3%
- Massachusetts, 29.2%
- New Jersey, 22.3%

BOTTOM 10

Least Expensive States (Q3, 2018 - % below avg)

- Michigan, 9.8%
- Indiana, 10%
- Kansas, 10.1%
- Alabama, 10.4%
- Tennessee, 10.6%
- Wyoming, 10.9
- Missouri, 11.4%
- Arkansas, 11.5%
- Oklahoma, 12.9%
- Mississippi, 13.6%

Source: Council for Community & Economic Research

Prices in Alaska are higher than most other states. According to the COLI, in the third quarter of 2018, Alaska again had the highest health care costs in the nation, the second highest cost of groceries and utilities, and the fourth highest cost for transportation. It is important to note that this is based on data from only three Alaska communities - Anchorage, Fairbanks, and Juneau. Prices in most of rural Alaska are significantly higher which, if included, could increase Alaska's rank.

ALASKA IS...

#1 MOST EXPENSIVE HEALTHCARE COSTS IN THE NATION

#2 MOST EXPENSIVE GROCERIES & UTILITIES IN THE NATION

#4 MOST EXPENSIVE TRANSPORTATION IN THE NATION

COST OF LIVING

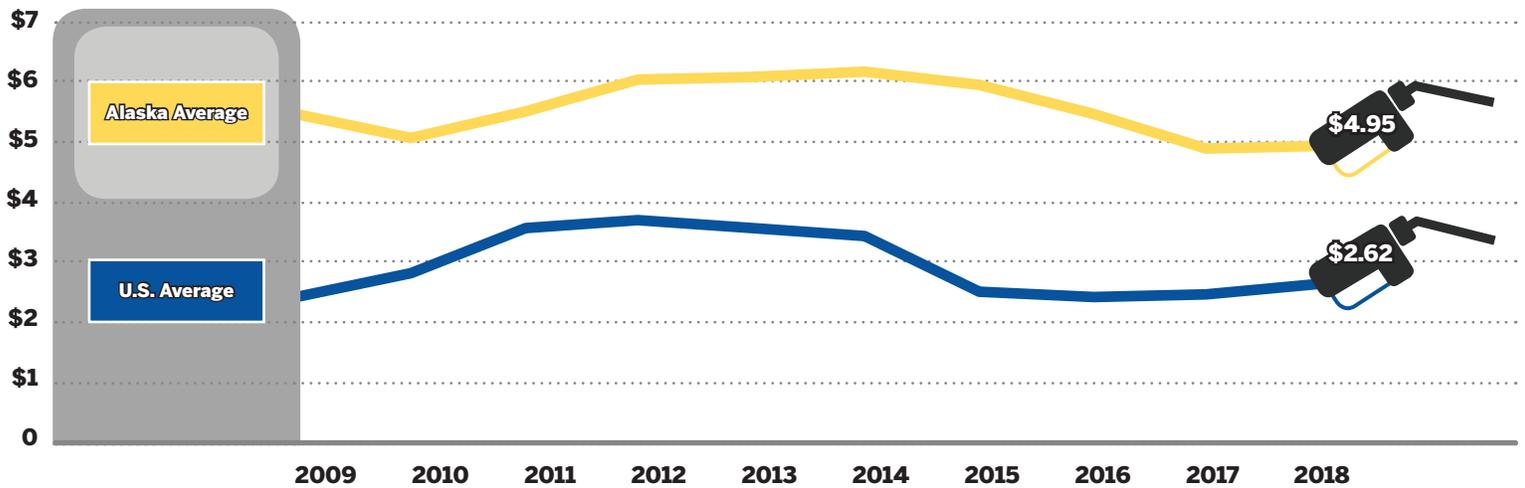
COST OF LIVING: GASOLINE PRICE AVERAGE

The Alaska Division of Community and Regional Affairs (DCRA) conducts a biannual survey of energy (heating fuel and gasoline) prices around the state. Mid-year data for gasoline prices is not yet available. The January 2018 survey compares gasoline prices for seven regions around Alaska. Southeast Alaska has the lowest average gasoline price at \$3.79 per gallon, while the Western region had the highest price at \$5.61 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 2017.

In Alaska, another important gauge of the cost of living is the price of gasoline. The per gallon price of gasoline over time is illustrative of the general trend of prices in Alaska versus the U.S. average. In the first quarter of 2018, the national average price of gasoline (\$2.62/gallon) was \$2.33/gallon lower than the Alaska average of \$4.95/gallon. However, the state average is an average of dozens of communities across the state, some with prices as high as \$10.00/gallon and some as low as \$2.78/gallon.

GASOLINE PRICE

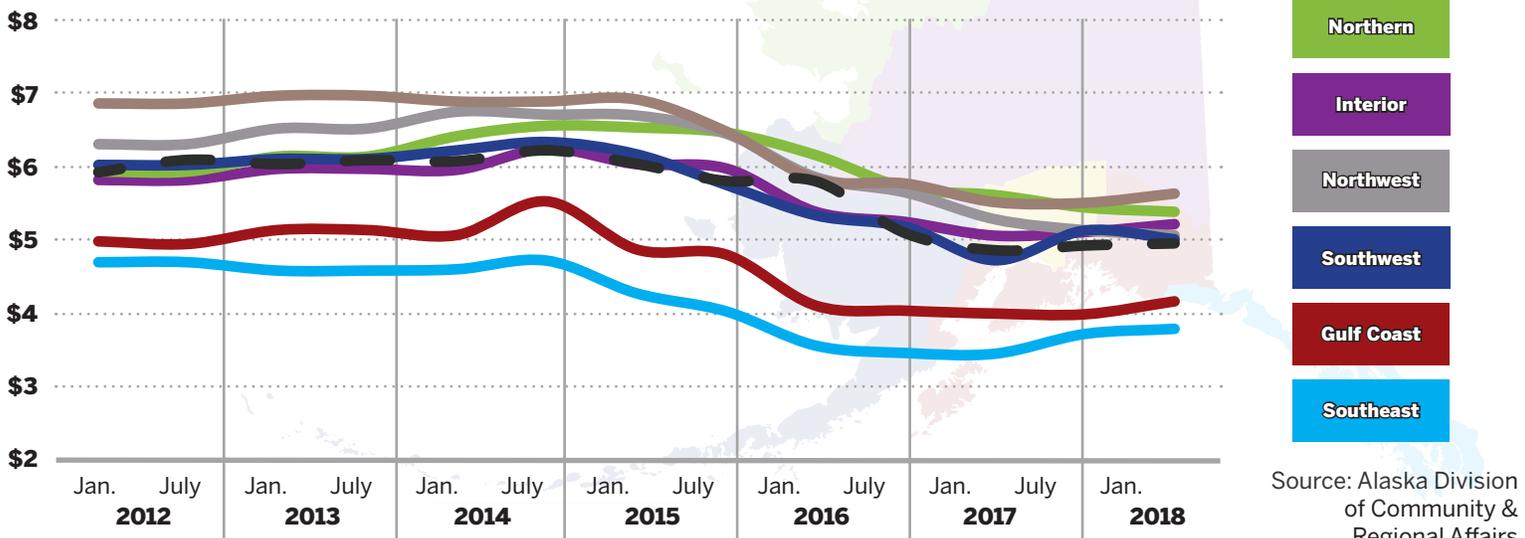
(Price Per Gallon - Average, Current Dollars - Through 2018 Q1)



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

REGIONAL GASOLINE PRICE

(Price Per Gallon - Average, Current Dollars - Through 2018 Q1)



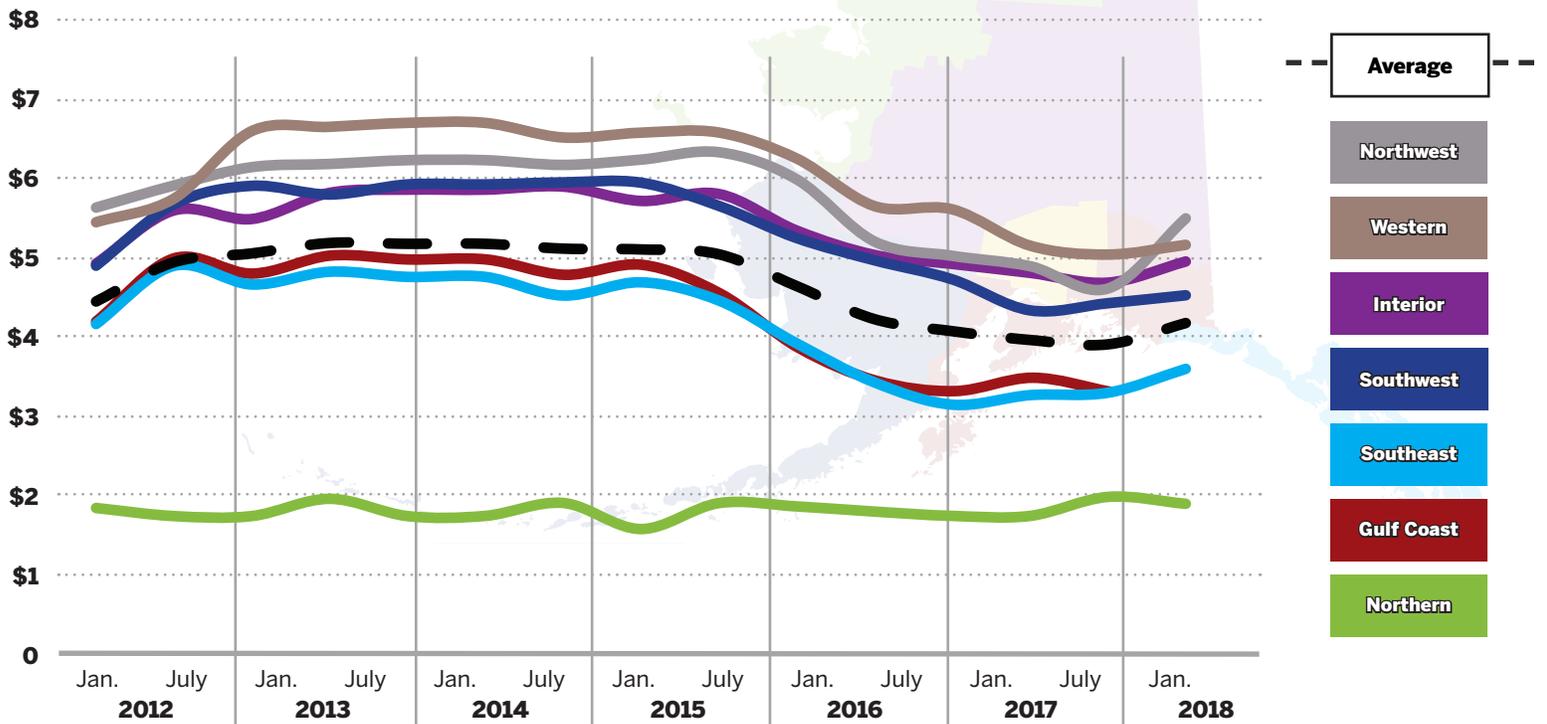
Source: Alaska Division of Community & Regional Affairs

COST OF LIVING: ENERGY

Mid-year data for heating fuel prices is not yet available. DCRA's January 2018 survey showed Alaska communities in the Northern Region had the highest average heating fuel retail price at \$5.52 per gallon, while the Northern Region reported the lowest average retail price at \$1.88 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 fell in 2017 to under \$4.00 per gallon, but the statewide average in January 2018 rose to \$4.18.

REGIONAL HEATING FUEL COST

(Price Per Gallon - Average, Current Dollars - Through 2018 Q1)



Source: Alaska Division of Community & Regional Affairs

CONFIDENCE INDEX

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.

While Alaskans have tepid feelings about the current state of the economy, optimism about the future is growing. The ACI readings have been up and down on a quarter-to-quarter basis this year, but the overall trend has been positive since the first quarter of 2017. While it is still unclear when and how the economy might return to where it was in 2015, rising economic confidence is one signal that the recession might be ending.

However, continued job losses and election uncertainty contributed to a decrease in Alaskans' confidence about current economic conditions. (The third quarter survey was conducted before Governor Walker suspended his reelection campaign.) Confidence in the current state and local

OPTIMISM ABOUT ALASKA'S FUTURE ECONOMY:

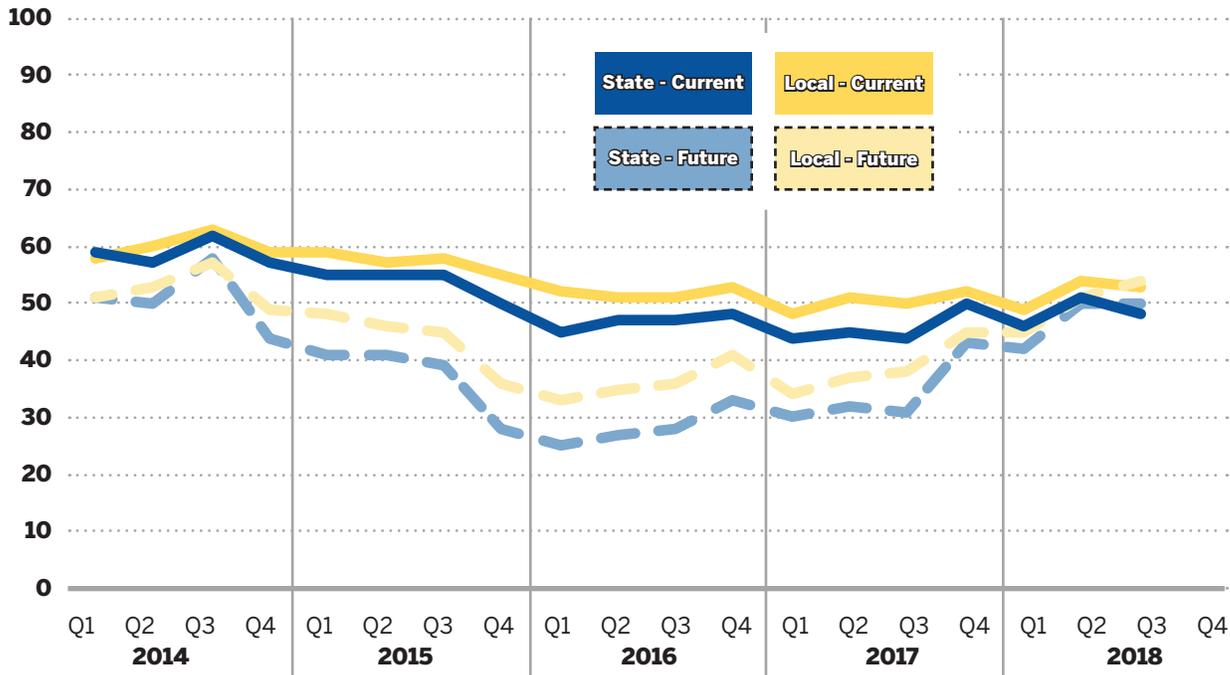
TRENDING POSITIVE

economies, as well as respondents' personal financial situations, was down from the second quarter, leading to an overall ACI reading one point lower than the previous quarter.

The latest ACI shows increased confidence over the previous quarter in the future of local economies and personal financial situations. Strong oil prices and hints at the end of the recession are possible drivers of confidence in the future. The reading for the current state economy was unchanged. All three components were considerably higher in the third quarter of 2018 than the same quarter last year.

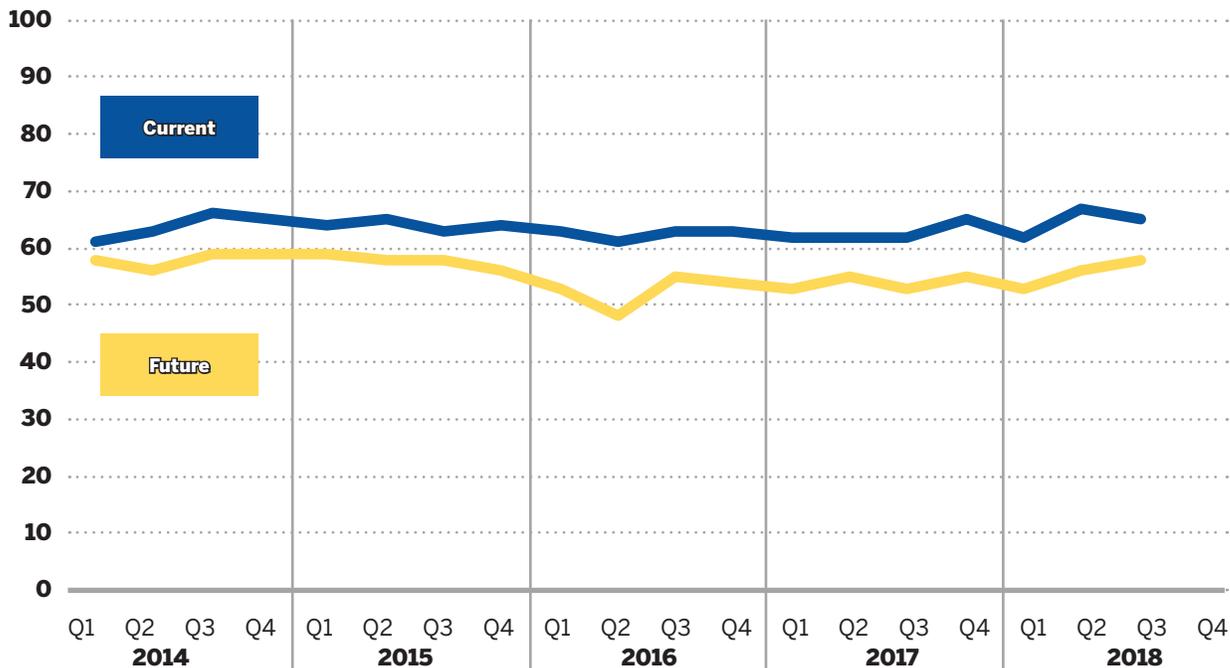
ALASKA CONFIDENCE INDEX - STATE & LOCAL

(State and Local Economies, Current & Future - Quarterly Figures, Scale of 0-100)



ALASKA CONFIDENCE INDEX - PERSONAL FINANCES

(Personal Finances, Current & Future - Quarterly Figures, Scale of 0-100)



OPTIMISM LEVELS

ALASKA'S CURRENT ECONOMY

DECREASING

ALASKA'S FUTURE ECONOMY

POSITIVE

A signal that the recession might be ending.

LOCAL CURRENT ECONOMY

DECREASING

LOCAL FUTURE ECONOMY

DECREASING

PERSONAL FINANCES

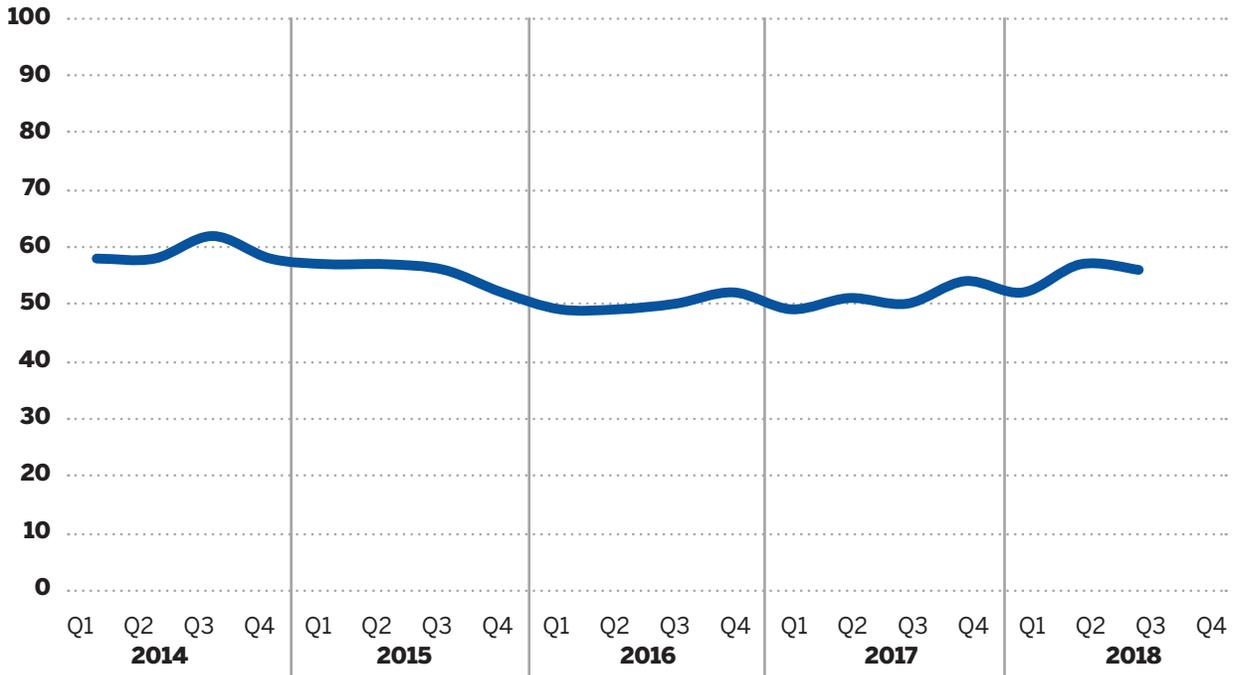
CURRENT

FUTURE

Source: Northern Economics

ALASKA CONFIDENCE INDEX - OVERALL

(Quarterly Figures, Scale of 0-100)



Source: Northern Economics

