



ALASKA ECONOMIC UPDATE

FOURTH 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 this 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 dropped significantly in the fourth quarter of 2018. The WTI crude oil price ended the fourth quarter at \$49.52 per barrel (/b), while Brent crude oil settled at \$57.36/b. Alaska North Slope (ANS) crude dropped \$18.77 to end the third quarter at \$58.86/b. The Japan LNG import price rose slightly, ending the quarter at \$11.70 per million British thermal units (MMBtu), while the Henry Hub spot price rose to \$4.04/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. Gold, silver, and zinc prices all rose this quarter, while copper prices dropped slightly.



CONSUMER PRICES

Grocery prices were not available this quarter.



FREIGHT & CARGO TRANSPORTATION

Air Cargo throughput at the Anchorage and Fairbanks airports was relatively steady in the fourth quarter, coming in just ahead of the third quarter total. Outgoing maritime cargo totals were up compared to the same period the previous year, as was incoming maritime cargo. The decline in railroad freight volume continued, while the number of railroad passengers declined in the fourth quarter, following annual trends. AICan border crossings were up from the previous year but in line with the five year average.



EMPLOYMENT

The statewide seasonally adjusted unemployment average for the year 2018 was 6.9 percent. However, Alaska's average rate did consistently lower over the course of the year, reaching a fourth quarter average 6.3 percent. Yet, Alaska continues to be the state with the highest unemployment rate in the nation. The national unemployment rate at the end of the fourth quarter is 3.9 percent. Iowa is now the state with the lowest unemployment rate, replacing Hawaii, which now places at second lowest.

ALASKA'S EXPORT & IMPORT VALUES

In 2018 through November, 87 percent of Alaska's international exports were metal ores (36 percent) and fish products (51 percent). Data was only available through November 2018, but during these months the fourth quarter's numbers of non-manufactured products decreased from the summer season production. In October and November, only 7% of exports 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 November is lower in 2018 than the total through Q4 in 2017, and slightly behind the five year average.

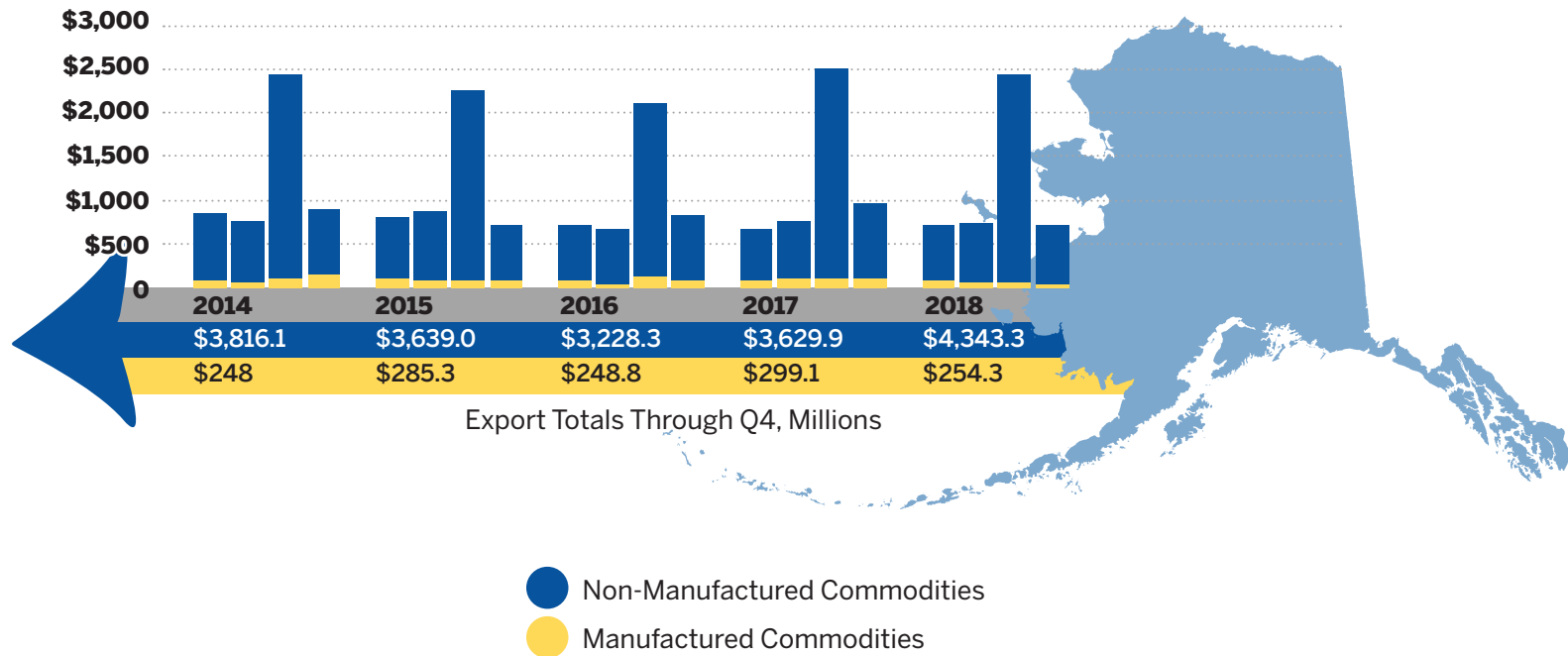
ALASKA'S INTERNATIONAL EXPORT OF GOODS

(Quarterly, Millions of Dollars)

INTERNATIONAL
EXPORTS
AT-A-GLANCE

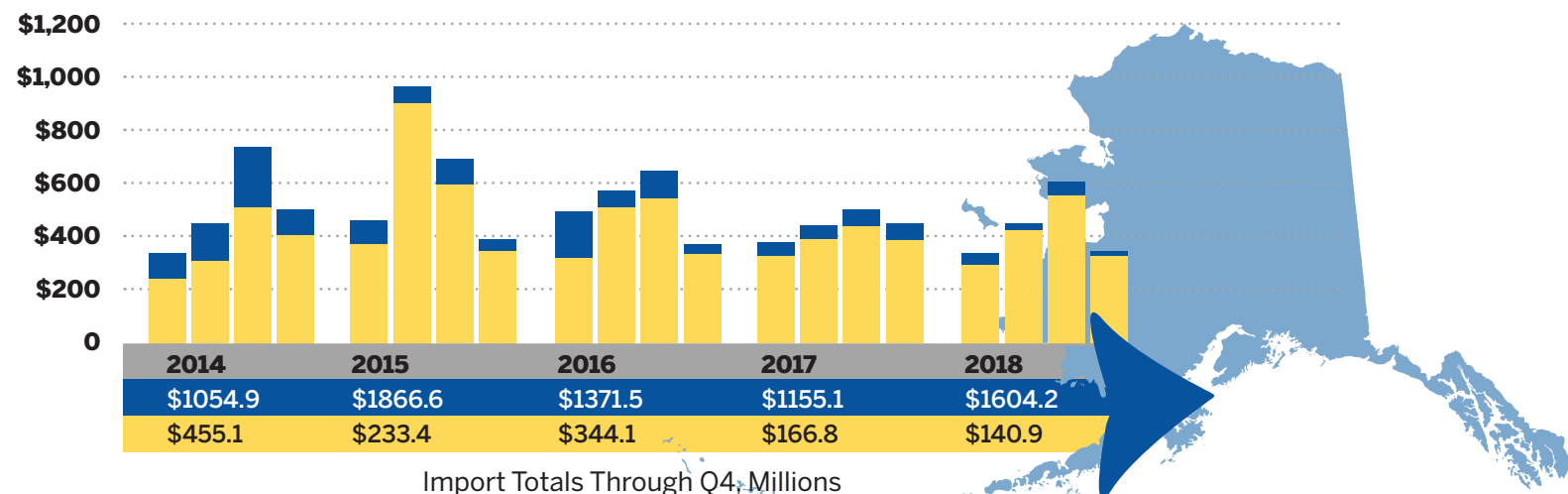
51%
FISH RELATED

7%
MANUFACTURED
GOODS



ALASKA'S INTERNATIONAL IMPORT OF GOODS

(Quarterly, Millions of Dollars)



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 fourth quarter was 149,270 metric tons, the highest fourth quarter output in the last five years. Incoming cargo during the same time period was 442,373 metric tons, above the five year average of 440,978 and the largest fourth quarter volume since 2014.

Outgoing maritime cargo often includes recyclable materials and household goods of people moving out of state. In 2018, Tote Maritime, a cargo company serving Southcentral Alaska, saw a significant increase in the number of families shipping their household goods down south.

MARINE CARGO FAST-FACTS

AirCargo + AICan



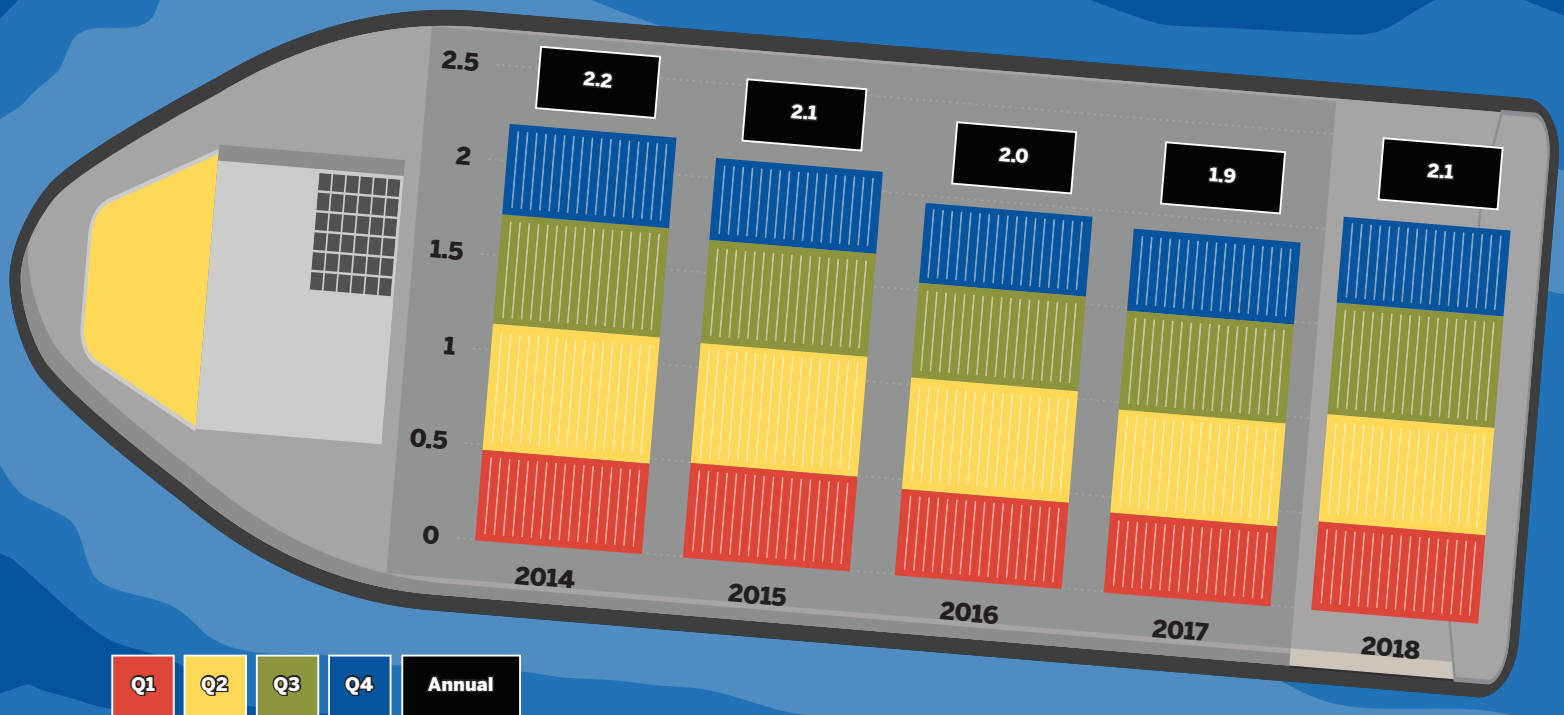
Nearly all cargo comes into the state via maritime shipping with smaller volumes arriving via air cargo and by truck over the Alaska-Canada (AICan) Highway.

FIVE-YEAR TREND
INCOMING
Maritime Cargo:
DECLINING

INCOMING ALASKA MARITIME TONNAGE

Ports of Seattle and Tacoma, Washington

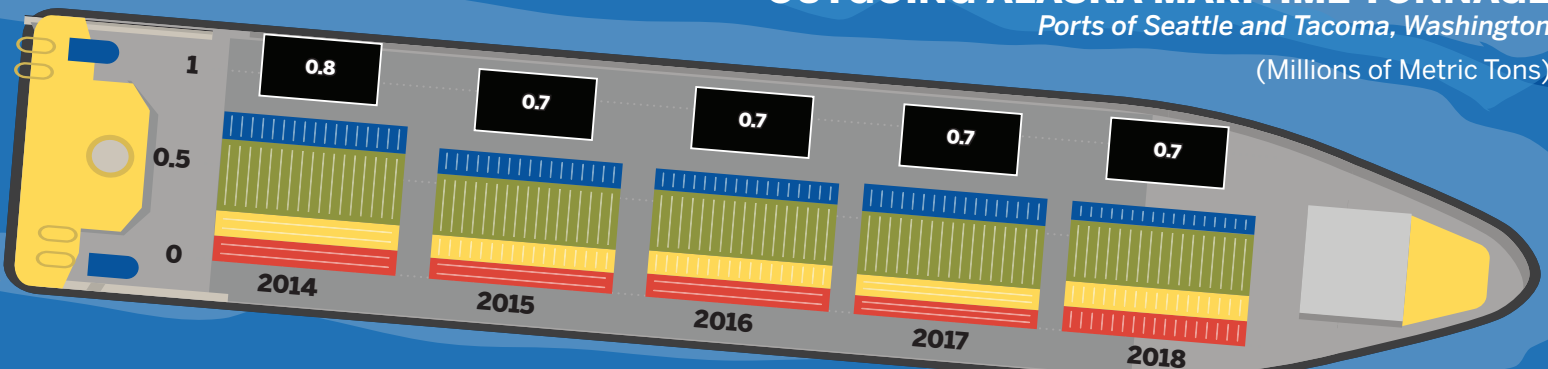
(Millions of Metric Tons)



OUTGOING ALASKA MARITIME TONNAGE

Ports of Seattle and Tacoma, Washington

(Millions of Metric Tons)



Source: Northwest Seaport Alliance

CARGO TRENDS

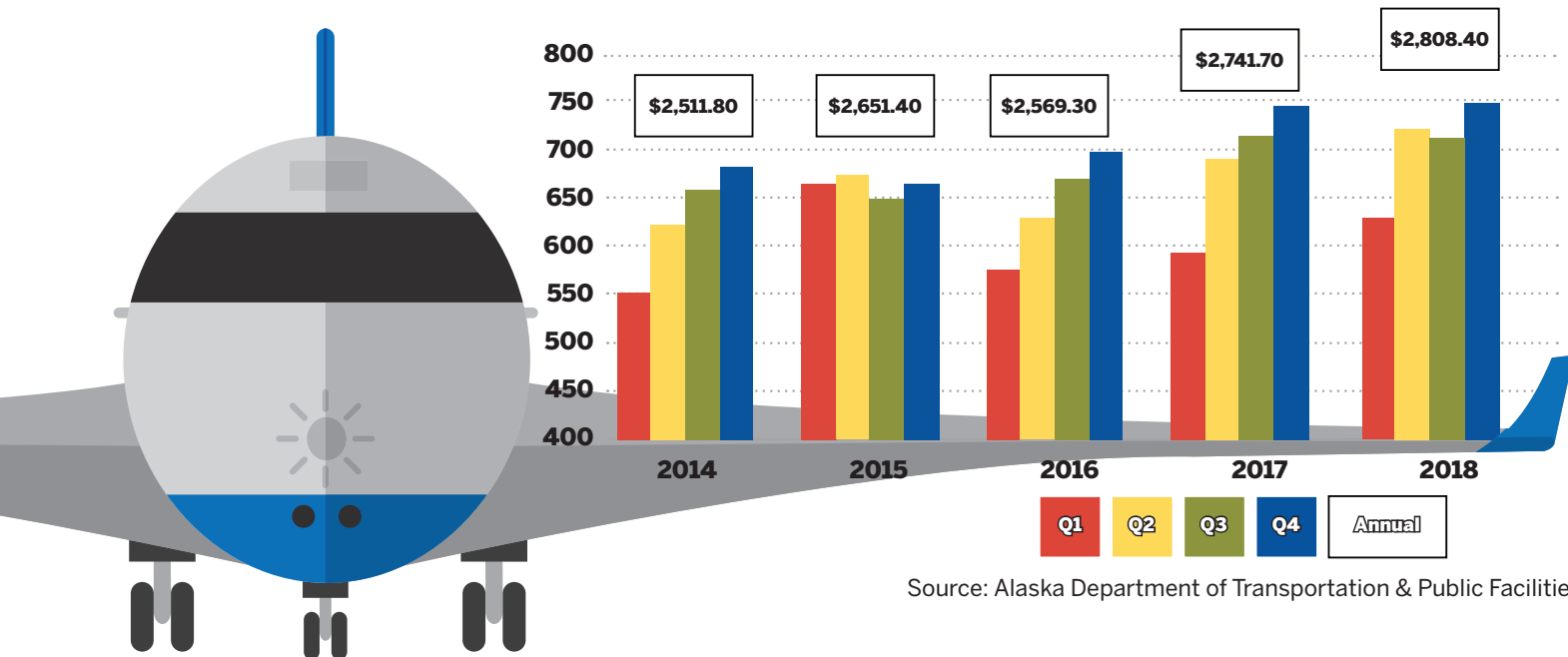
AIR CARGO

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 fourth quarter of 2018 continued a trend of record breaking air cargo throughput. The quarter's total of 747,044 metric tons of cargo beat 2017's fourth quarter total of 744,628 metric tons.

ALASKA AIR CARGO THROUGHPUT

Ted Stevens Anchorage International and Fairbanks International Airports

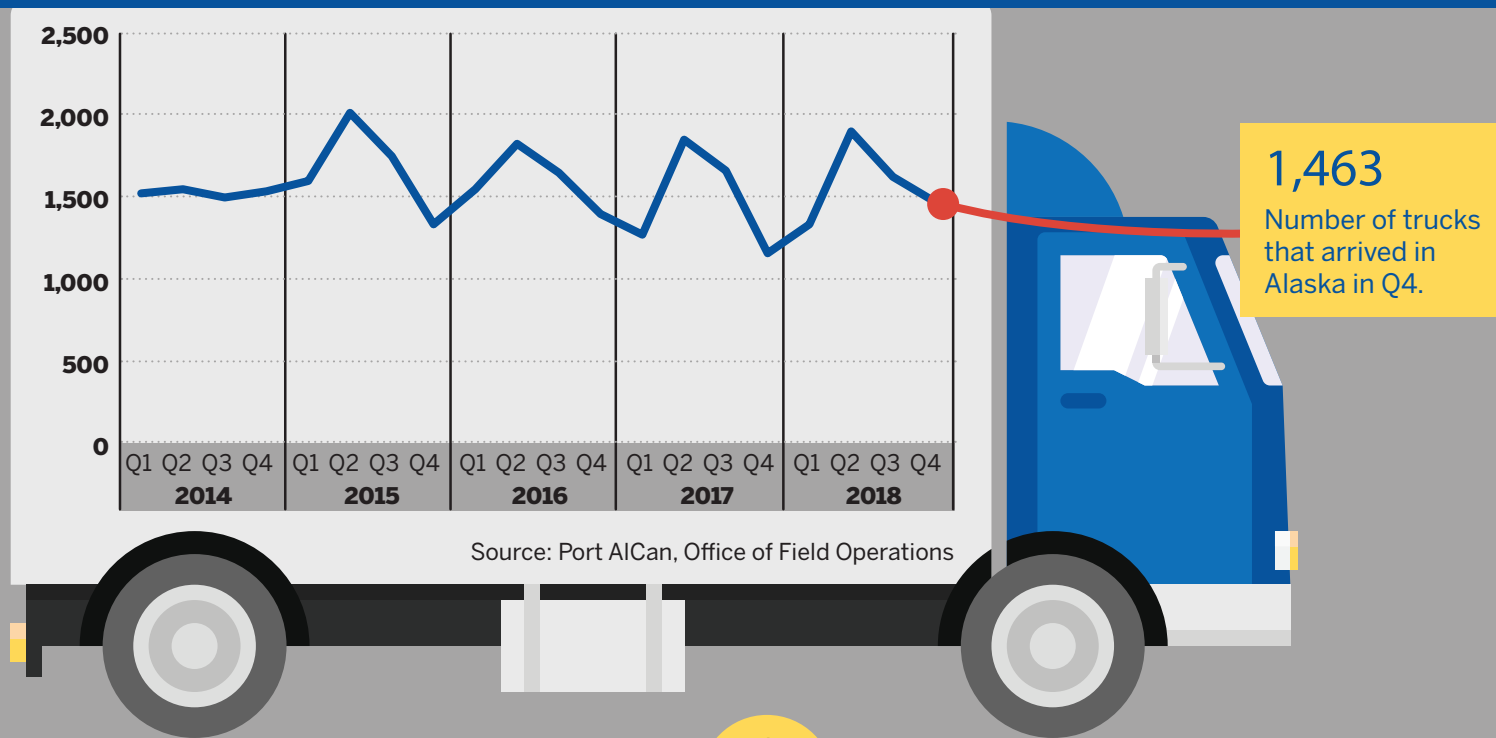
(Thousands of Metric Tons)



Source: Alaska Department of Transportation & Public Facilities

ALCAN BORDER CROSSINGS - COMMERCIAL TRUCKS

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 fourth quarter there were 1,463 trucks arriving in Alaska, slightly above average.



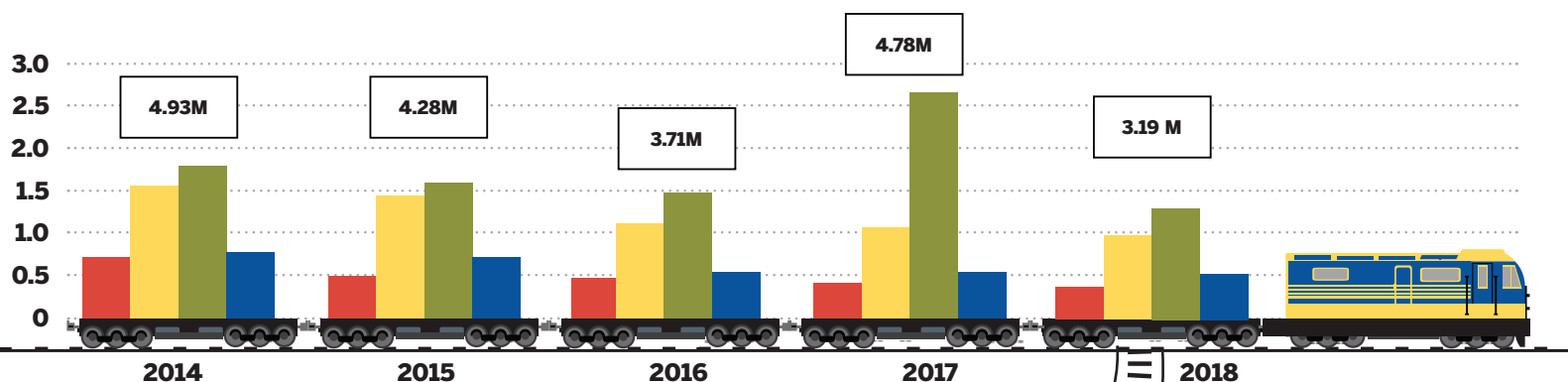
Source: Port AICan, Office of Field Operations

ALASKA RAILROAD FREIGHT

Freight tonnage on the Alaska Railroad continued a downward trend in the fourth quarter of 2018.

ALASKA RAILROAD FREIGHT TONNAGE

(Millions of Tons)



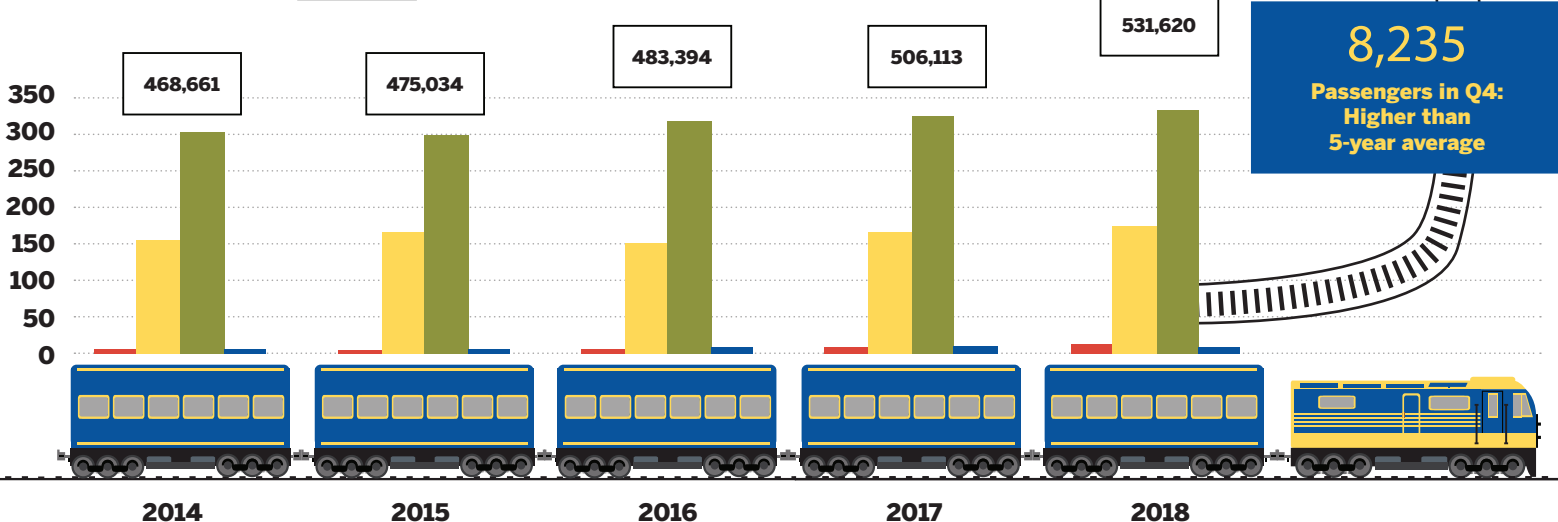
Source: Alaska Railroad Corporation

ALASKA RAILROAD PASSENGERS

Passenger traffic is a bright spot for the railroad, even in the off-season. The number of passengers was 8,235 in the fourth quarter, higher than the five-year average.

ALASKA RAILROAD PASSENGER VOLUME

(Thousands of Passengers)



Source: Alaska Railroad Corporation

OIL

All oil prices tracked in this report dropped significantly this quarter. The West Texas Intermediate (WTI) crude oil price ended the fourth quarter at \$49.52 per barrel (/b) (a drop of \$20.71 from the end of Q3), while Brent crude oil settled at \$57.36/b, dropping \$21.53 since September. Alaska North Slope (ANS) crude dropped \$18.77 to end the third quarter at \$58.86/b.

According to the U.S. Energy Information Administration (EIA) January 2019 Short Term Energy Outlook (STEO), the price decline in late 2018 largely reflected rising oil inventories due to record production from the U.S., Russia, and Saudi Arabia. Prices also fell as a result of uncertainties

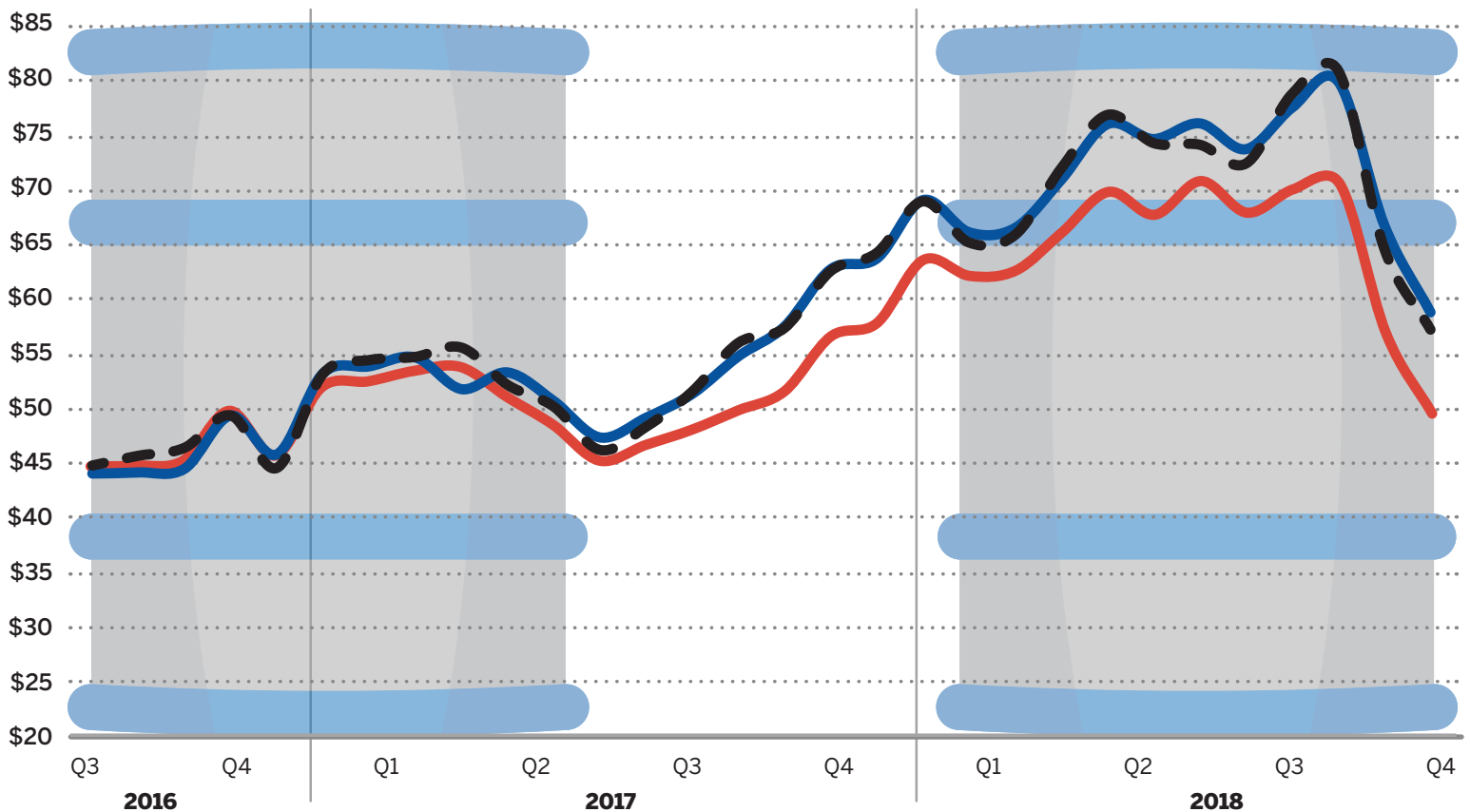
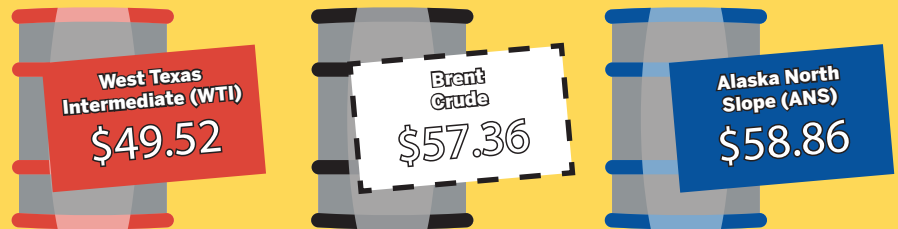
about global economic indicators and future oil demand growth. Although OPEC+ producers announced in early December plans to cut production starting in January 2019, Brent crude oil prices continued to fall after the announcement. The price declines possibly reflected market expectations that announced production decreases would not be enough to offset increasing production levels in North America, along with the potential for weakening global oil demand growth, which could lead to continued growth in global oil inventory levels.

According to the EIA January 2019 STEO, Brent crude is forecast to average \$61/b in 2019, while the WTI crude oil price is forecast to average \$55/b in 2019.

OIL PRICE PER BBL

(Monthly Average USD)

ENDOFOURTHQUARTERPRICESPERBARREL(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 \$11.70 per million British thermal units (MMBtu) in December 2018, up from \$11.30/MMBtu in September 2018. According to the EIA, the Henry Hub spot price increased to \$4.04/MMBtu in December from \$3.00/MMBtu in September 2018.

According to the EIA January 2019 STEO, Henry Hub spot prices averaged \$3.15/MMBtu in 2018, up 16 cents/MMBtu from 2017 levels. EIA forecasts that Henry Hub natural gas spot prices will average \$2.89/MMBtu in 2019. Forecast prices are lower than 2018 levels as expected production

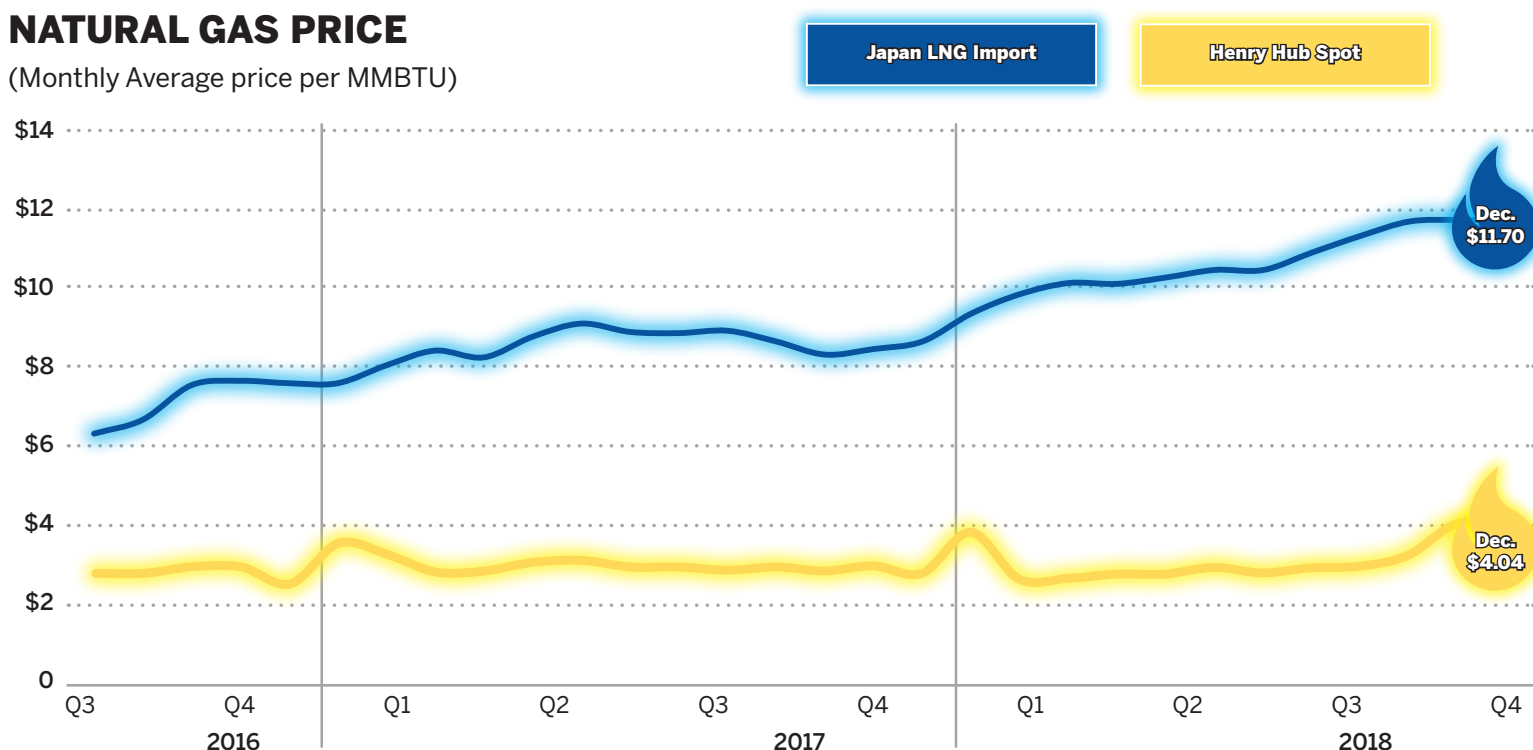
growth keeps pace with demand and export growth and inventories build faster than the five-year average.

The EIA estimates that U.S. natural gas production will average 90.2 billion cubic feet per day (Bcf/d) in 2019, an 8.3 percent increase from 2018 levels. EIA's expected growth in natural gas production is largely in response to improved drilling efficiency and cost reductions, higher associated gas production from oil-directed rigs, and increased pipeline capacity from the Appalachia and Permian production regions. Forecast natural gas production growth is supported by planned expansions in LNG capacity and increased pipeline exports to Mexico.

According to the EIA, the U.S. exported more natural gas than it imported in 2018, with net exports averaging 2.1 Bcf/d. The EIA forecasts that gross U.S. exports will rise by 31.5 percent in 2019.

NATURAL GAS PRICE

(Monthly Average price per MMBTU)



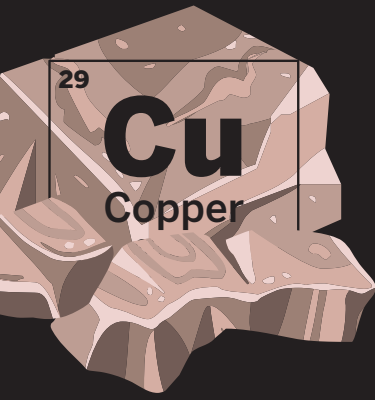
Sources: U.S. Energy Information Administration and YCharts

METALS

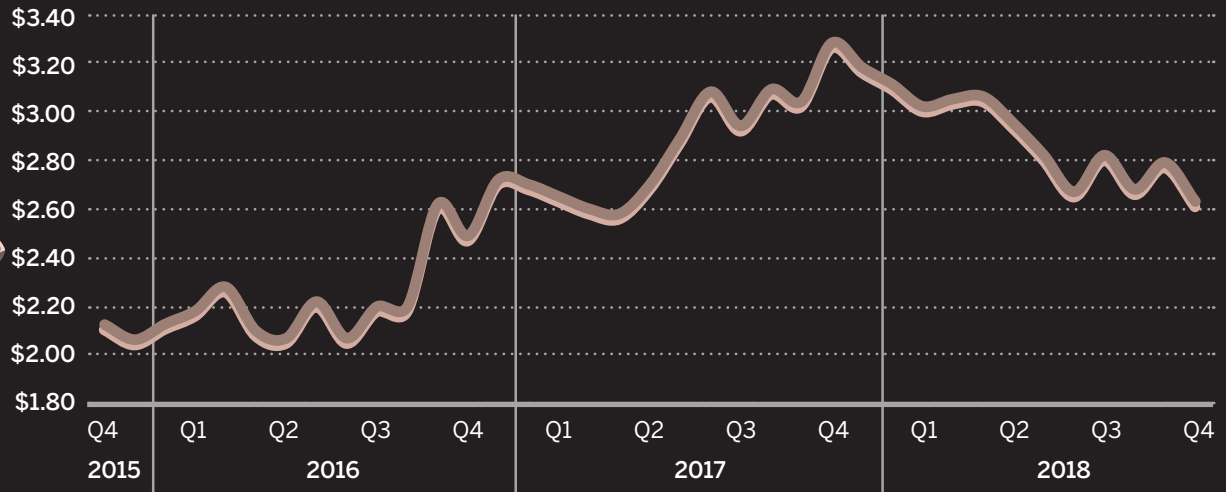
Gold, silver, and zinc prices all rose this quarter, while copper prices dropped slightly. With economic uncertainty and the Federal Reserve's December interest rate hike, expected to be the peak of the current rate hike cycle, analysts believe this is driving investment in metals as a diversifier of portfolios and hedge against systemic risk. China's economic slowdown, as one of the leading consumers of nonferrous metals, and its ongoing trade dispute with the U.S. have added to recent price reductions.

COPPER PRICE

(Monthly Average - Dollars Per Pound)

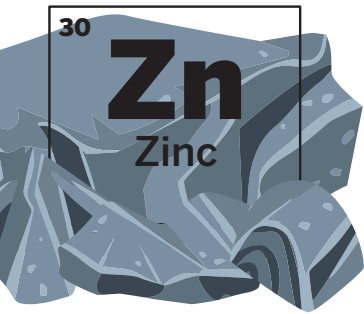


Source:
Investing.com



ZINC PRICE

(Monthly Average -Dollars Per Ton)



Source:
London Metal Exchange

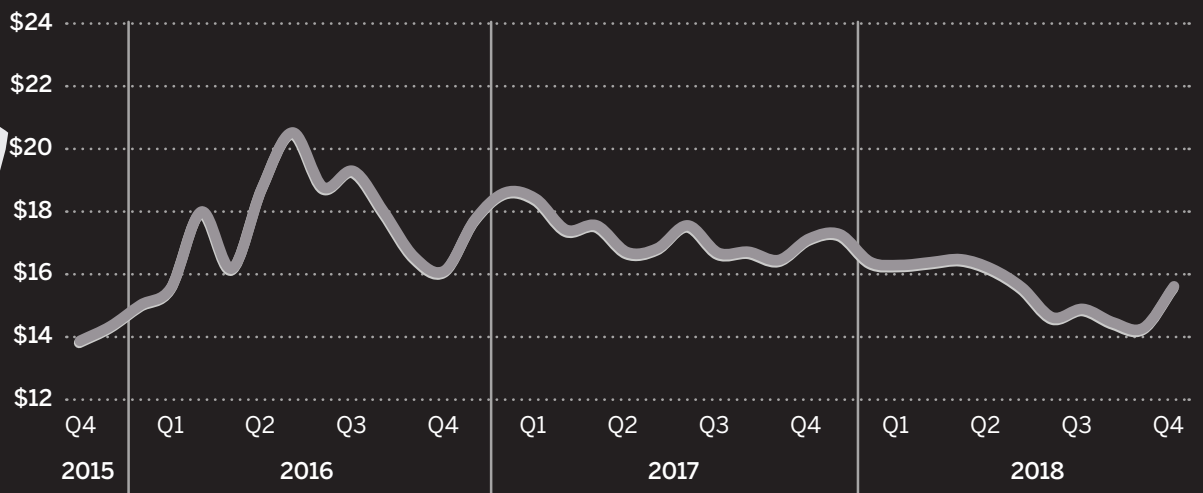


SILVER PRICE

(Monthly Average - Dollars Per Ounce)

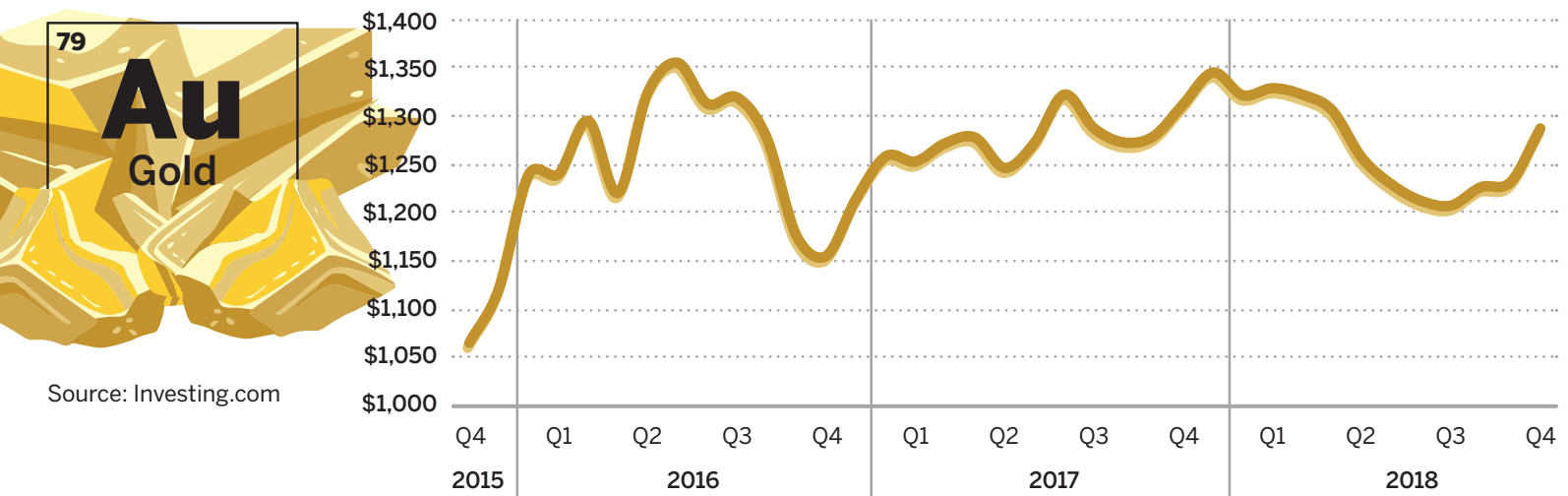


Source: Investing.com



GOLD PRICE

(Monthly Average - Dollars Per Ounce)



COAL

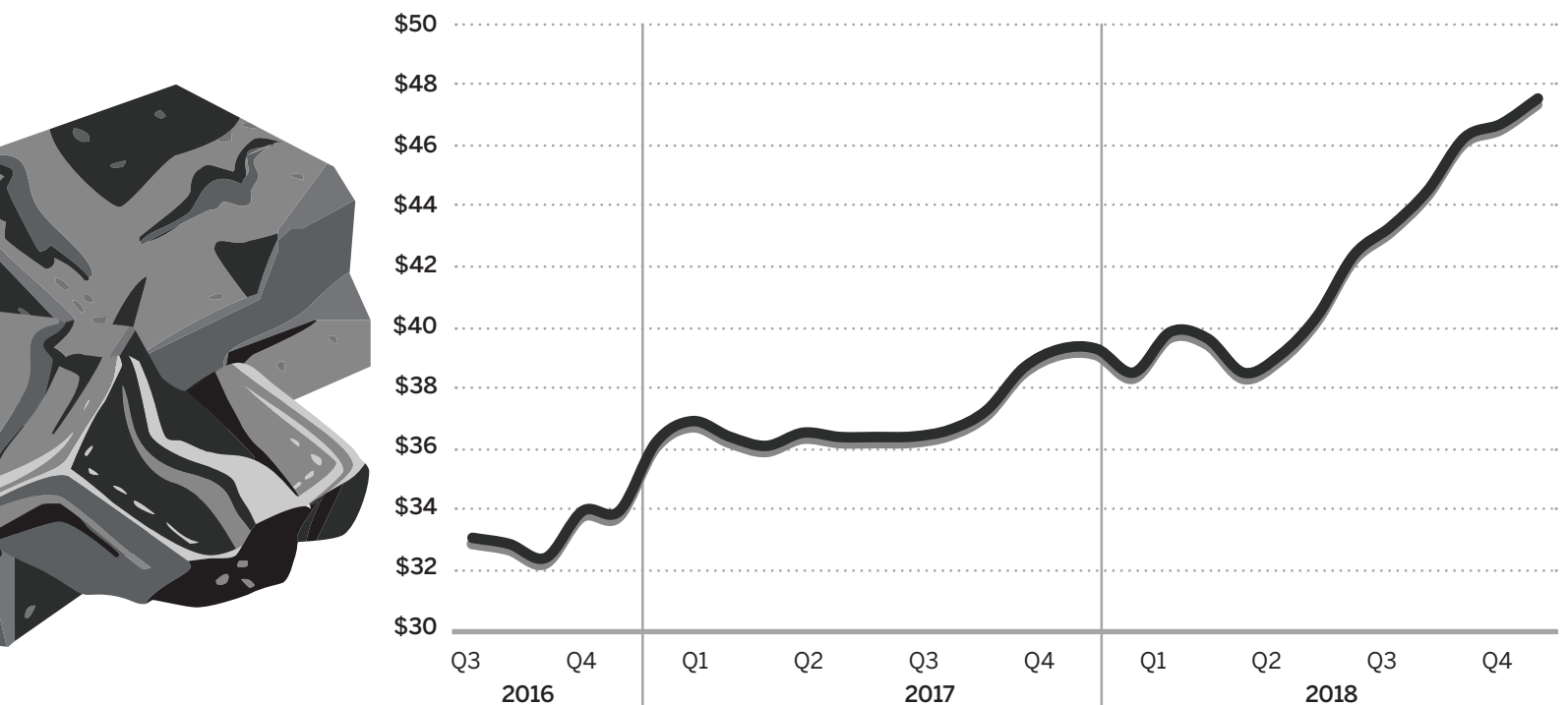
According to Quandl, the average price of U.S. coal continued the rise that began in fall 2016, moving from \$44.28/short ton in September 2018 to an average of \$47.29/short ton in December.

The EIA January 2019 STEO reports that coal production declined by 20 million short tons (MMst) in 2018, despite a 19 MMst increase in U.S. coal exports. In 2019, EIA expects total U.S. coal production to decline by 3 percent because of anticipated declines in both exports and domestic consumption.

The EIA estimates that coal consumption in the electric power sector for 2018 declined by 24 MMst, despite a 4 percent increase in overall electricity generation. EIA expects power sector coal consumption to decline by 52 MMst (8 percent) in 2019. The decrease in power sector consumption reflects increasing shares of electricity generation from both natural gas and renewable energy sources.

COAL PRICE

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



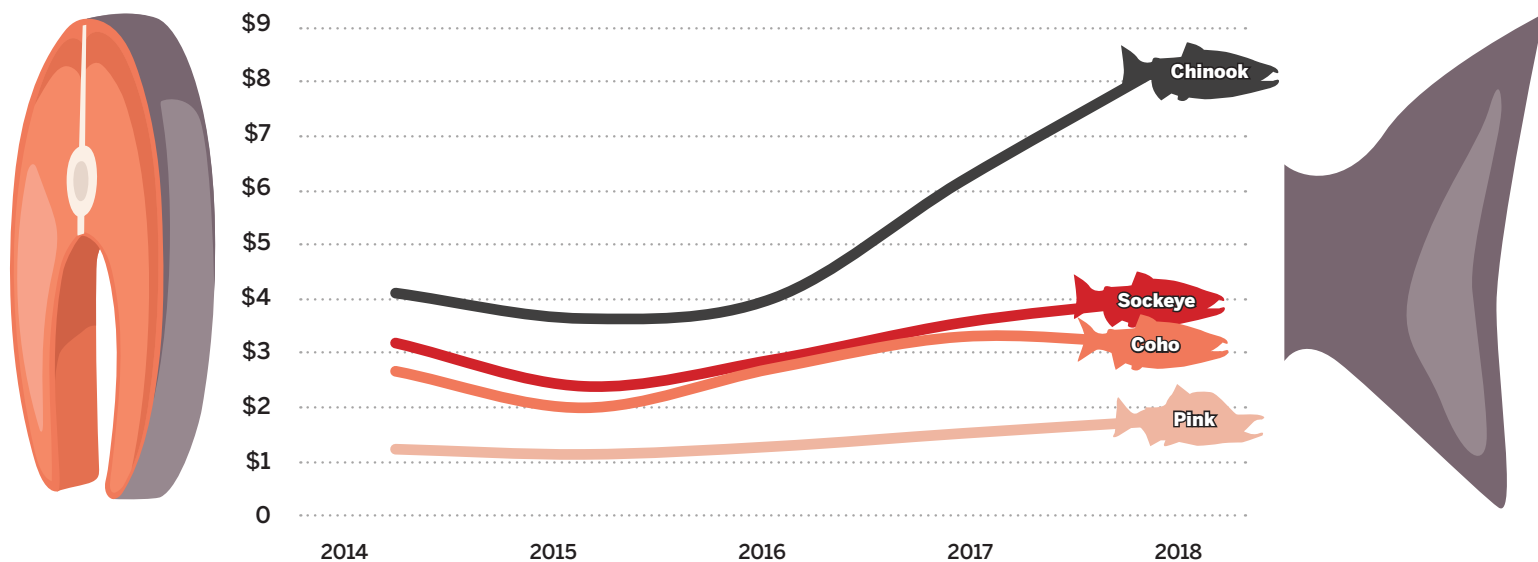
Source: Quandl

SALMON

Salmon price data is released three times per year by the Alaska Tax Division. The most recent data available are for May through August 2018. Prices for frozen headed and gutted Chinook salmon was slightly higher in May through August of 2018 than they were in the same months of 2017 at \$9.30. The price of frozen headed and gutted sockeye was \$4.04 in the second third of 2018, lower than it was during that time in 2017, (\$4.87 per pound). Frozen Coho salmon came in at \$3.72 per pound in 2018. Pink and chum salmon prices per pound were more expensive in 2018, at \$1.76 and \$2.05, compared to \$1.41 and \$1.69 in 2017, respectively.

ALASKA SALMON PRICE

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

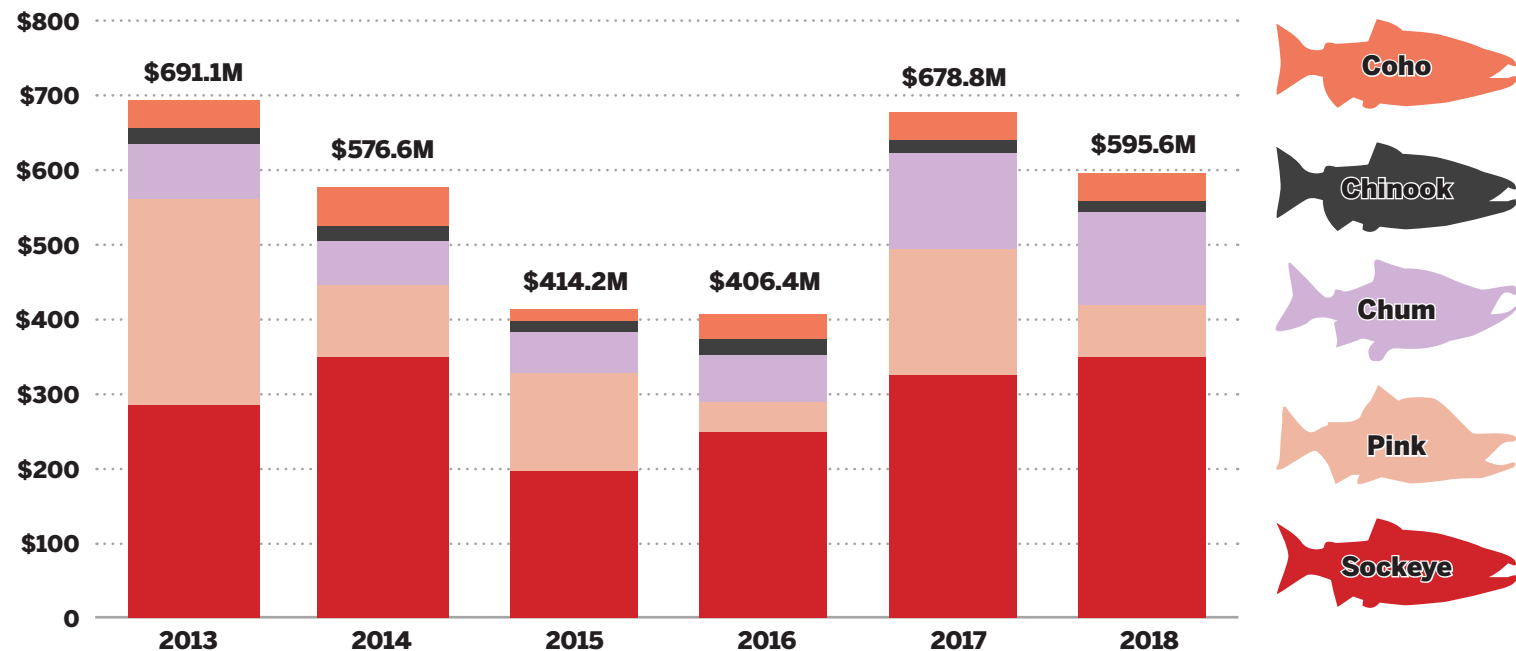


Source: Alaska Department of Revenue, Tax Division

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

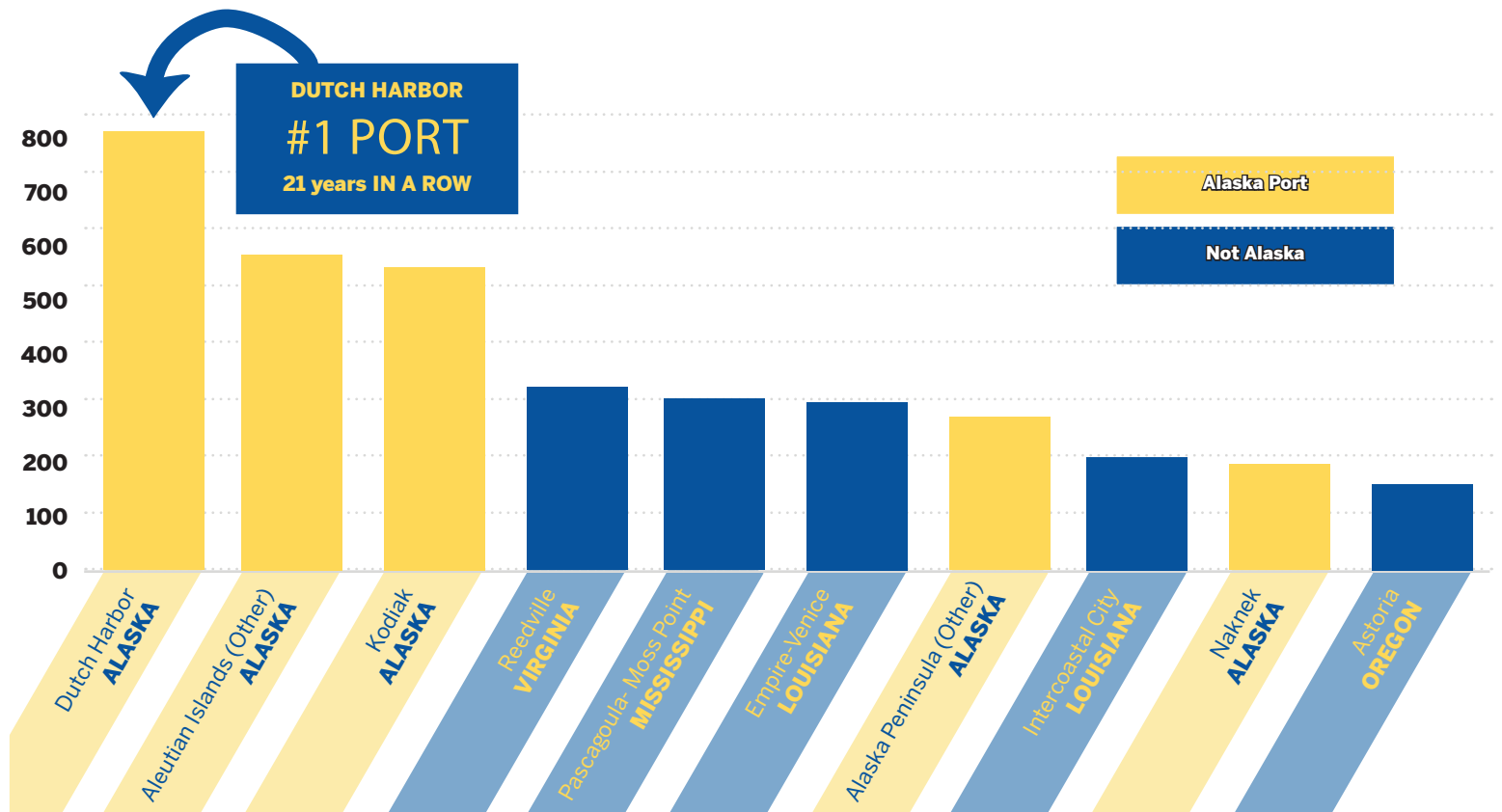
Alaska ports made up half of the top ten U.S. fishing ports for seafood landings in 2017. Data for 2017 was made available for the first time during quarter four. Data for 2018 is not yet available.

Dutch Harbor was the top port for the 21st year in a row, with 769 million pounds landed in 2017, just a little over one million less than in 2016. New Bedford, Massachusetts continues to be 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, which is the largest seafood processing facility in North America. Kodiak retook third place, after falling 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 Sitka, Ketchikan, Petersburg, Seward, Bristol Bay, Cordova, Kenai and Juneau. In 2017, Alaska led all states in seafood volumes, landing just shy of 10 billion pounds of fish and shellfish.



TOP 10 U.S. FISHING PORTS

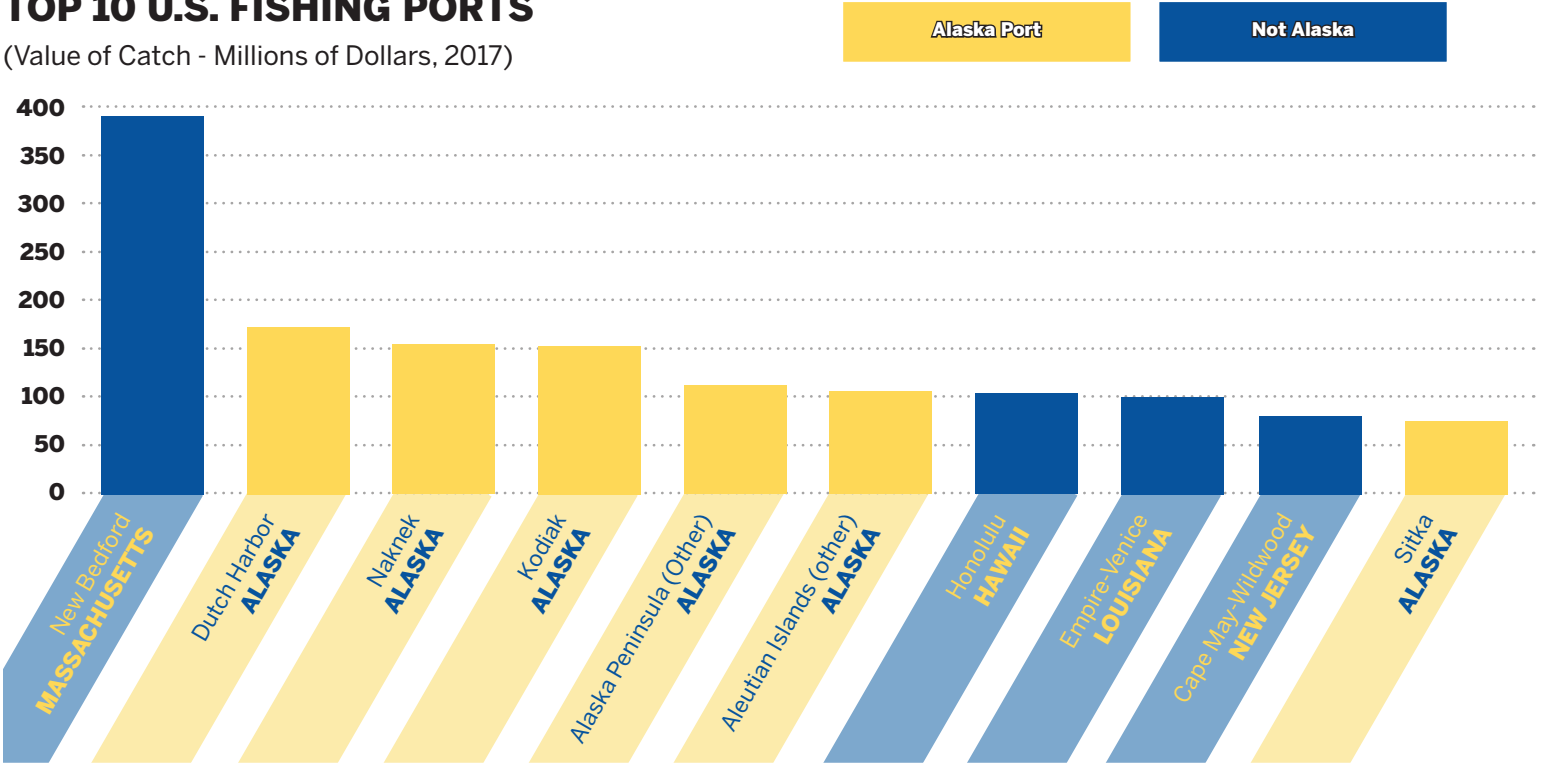
(Volume - Millions of Pounds Landed, 2017)



Source: NOAA Fisheries Office of Science and Technology

TOP 10 U.S. FISHING PORTS

(Value of Catch - Millions of Dollars, 2017)



Source: NOAA Fisheries Office of Science and Technology

GROSS DOMESTIC PRODUCT

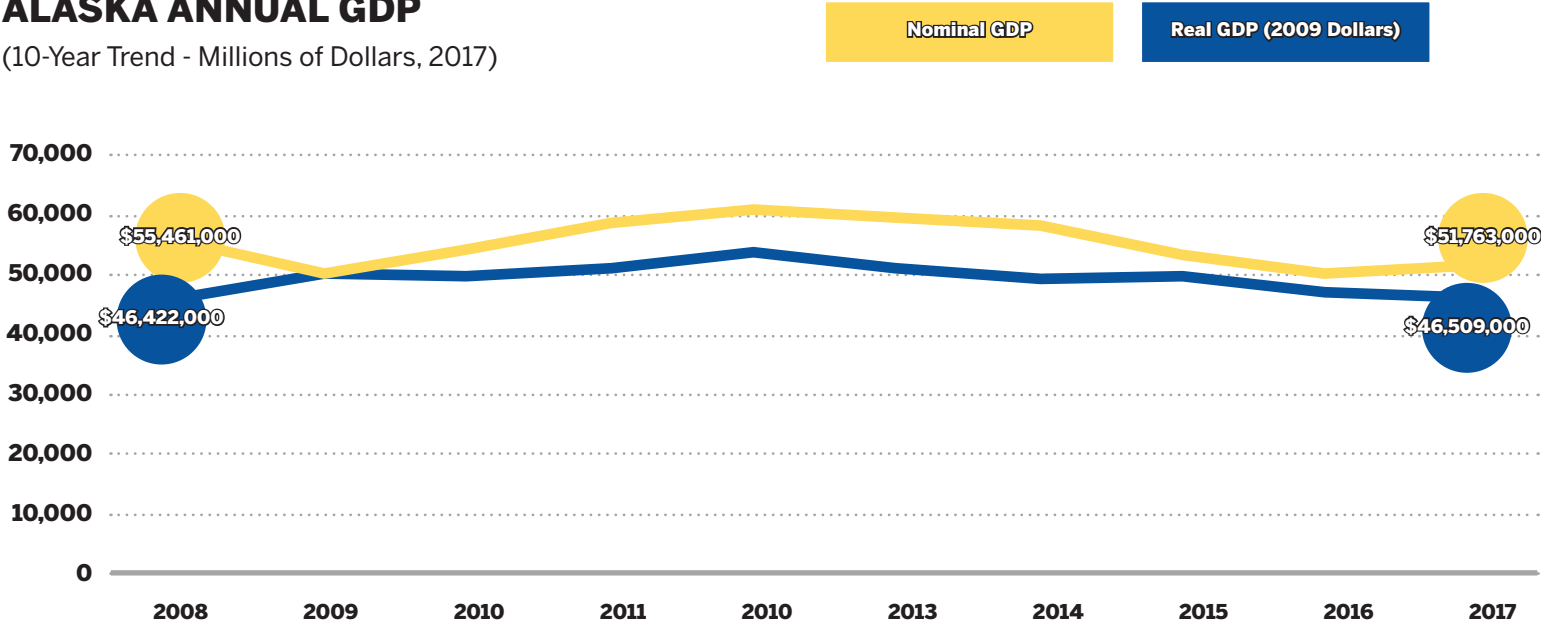
GROSS DOMESTIC PRODUCT

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 third quarter of 2018.

Annual GDP data and state rankings for 2018 will be available in May of 2019. In the third quarter of 2018, GDP growth ranged from 0.0 percent in West Virginia to 5.8 percent in Washington. In 2017 annual data, Alaska ranked 47th in state GDP, dropping from 46th in 2016.

ALASKA ANNUAL GDP

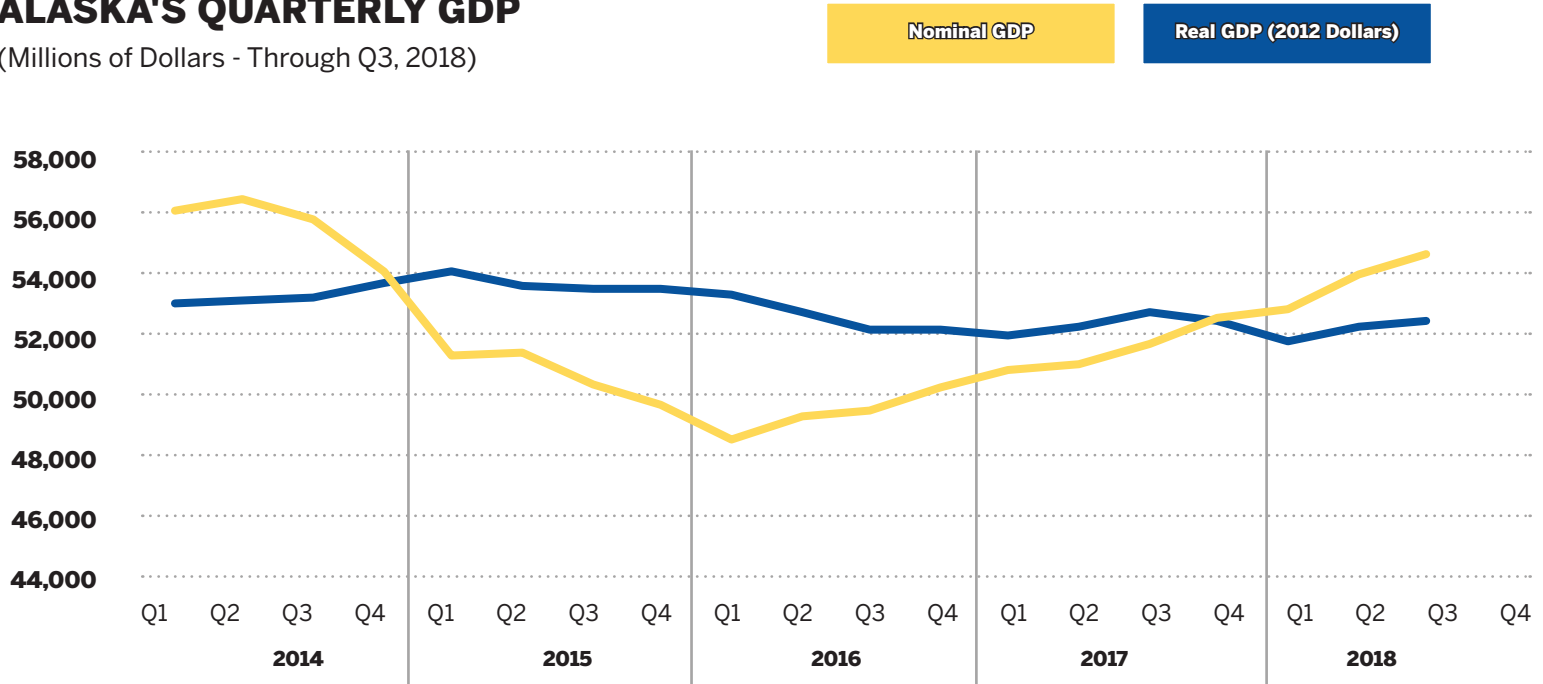
(10-Year Trend - Millions of Dollars, 2017)



Source: U.S. Bureau of Economic Analysis

ALASKA'S QUARTERLY GDP

(Millions of Dollars - Through Q3, 2018)



Source: U.S. Bureau of Economic Analysis

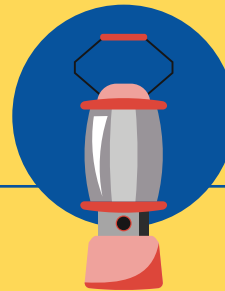
BEST & WORST STATE GDP

(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, 2017.
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 - FOURTH QUARTER 2018

The partial government shutdown that began in December and continued into 2019 affected federal workers in Alaska, who were furloughed or worked without pay. Federal workers make up about 5% of Alaska's workforce.

Alaska's Credit Union 1 announced in November that it would launch a pilot program to begin serving marijuana businesses in the state. Most banks and credit card processors in the U.S. won't service marijuana businesses because of the federal prohibition on marijuana. Prior to this decision, safety concerns about utilizing large amounts of cash on a regular basis were prevalent for marijuana business owners. The credit union stated that their decision comes with no political or moral position on the substance.

NORTHERN REGION

Alaska Marine Lines will be expanding service to the Arctic Region in 2019. New stops will include the North Slope villages of Point Hope, Point Lay, Wainwright, Utquigvik, and Kaktovik. These new ports add to the company's portfolio of 65 other villages along the coast of western Alaska. Alaska Marine Lines currently operates scheduled and charter barge service to and from Alaska and Hawaii. It currently offers twice weekly service to Southeast Alaska and Central Alaska, and seasonal service to Western and Arctic Alaska.

ConocoPhillips began work on a \$1 billion North Slope oil development this winter. Called Greater Mooses Tooth 2, it will be in the federally managed National Petroleum Reserve – Alaska, west of Prudhoe Bay. The project is expected to employ up to 700 workers.

SOUTHWEST REGION

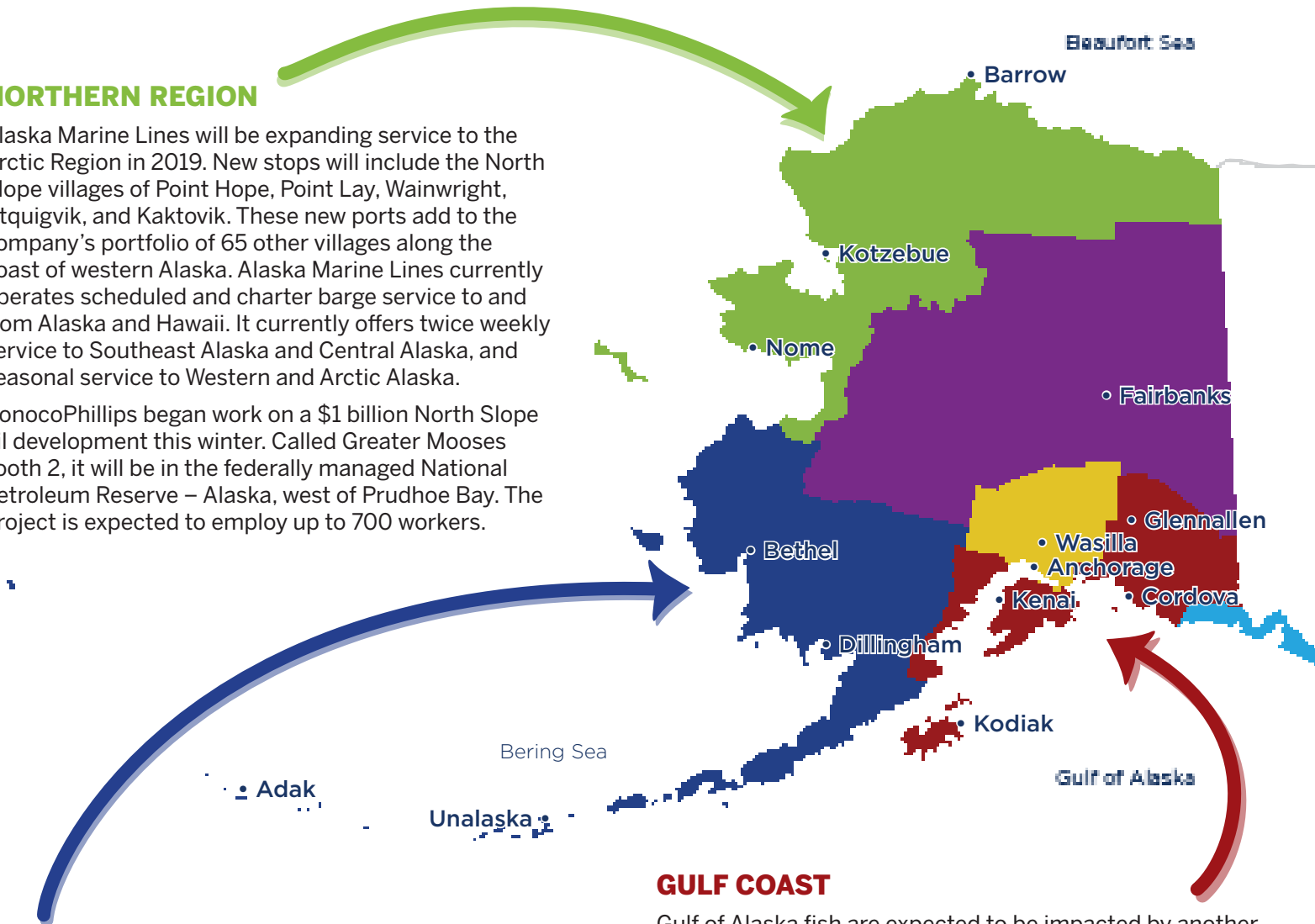
The Alaska Board of Fisheries Bristol Bay Finfish met in Dillingham in December to modify regulations for subsistence, commercial and sport fishing in the region. The board passed proposals to expand subsistence fishing, a decision applauded by the Curyung Tribal Council.

GULF COAST

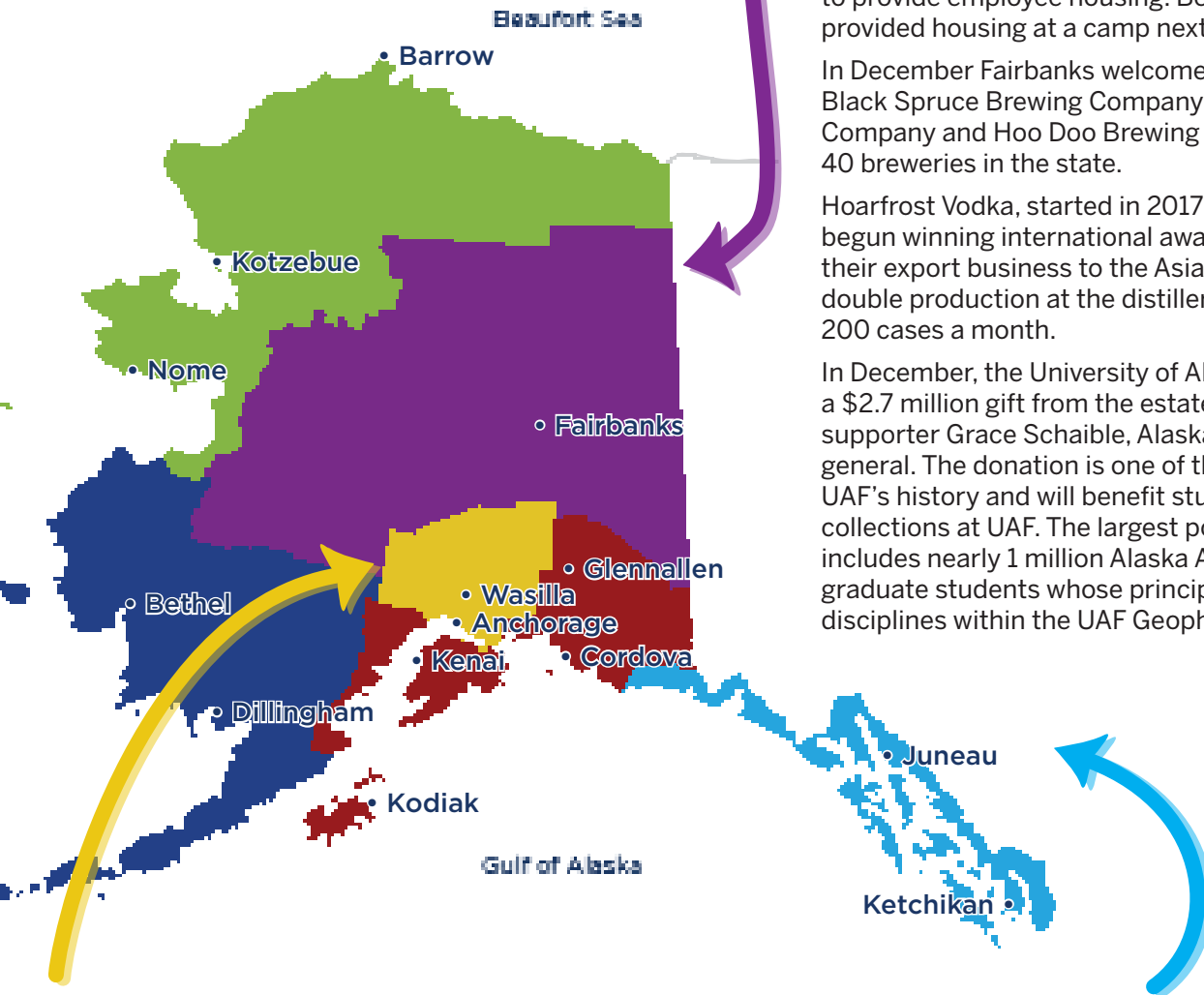
Gulf of Alaska fish are expected to be impacted by another marine heatwave – commonly referred to as The Blob. The North Pacific Fishery Management Council set catch limits for several groundfish species in December, informed by the latest trends.

The federal shutdown particularly affected the community of Kodiak, where roughly a quarter of the island's population is either an employee or dependent family member of the Coast Guard.

Officials from the Alaska Board of Fisheries rejected efforts to limit salmon hatchery production. A proposal by the Kenai River Sport Fishing Association asked the board to rescind an authorized 20 million increase of pink salmon eggs at a Prince William Sound hatchery. The group claims the fish threaten wild sockeye and king salmon bound for their region. The proposal lost by a 6 to 1 vote.



REGIONAL ECONOMIC HIGHLIGHTS



INTERIOR

Usibelli Coal Mine Inc. announced in late October that it purchased Healy's main subdivision, a 464-acre plot of land, from the Alaska Railroad Corp., with the intention of selling the lots to the residents. The land deal required authorization from the Legislature. It had been a goal of the company since 1977, when it began leasing the subdivision to provide employee housing. Before 1977, the company provided housing at a camp next to the mine.

In December Fairbanks welcomed its third beer-maker in Black Spruce Brewing Company, after Silver Gulch Brewing Company and Hoo Doo Brewing Company, joining almost 40 breweries in the state.

Hoarfrost Vodka, started in 2017 by a Fairbanks couple has begun winning international awards, and plans to expand their export business to the Asian market. Their goal is to double production at the distillery in South Fairbanks to 200 cases a month.

In December, the University of Alaska Fairbanks received a \$2.7 million gift from the estate of longtime university supporter Grace Schaible, Alaska's first female attorney general. The donation is one of the largest donations in UAF's history and will benefit students, public radio, and art collections at UAF. The largest portion of the gift, which also includes nearly 1 million Alaska Airlines miles, will support graduate students whose principal course of study is in disciplines within the UAF Geophysical Institute.

ANCHORAGE/MAT-SU

The damage from the 7.0 earthquake on November 30th was pegged at \$76 million, by a two-week preliminary damage assessment across Southcentral Alaska involving state and federal officials. The state used use data from the review to submit a request to the federal government for a major disaster declaration, which was approved. Of 620 homes identified as having significant damage, nine were categorized as destroyed – seven in Anchorage and two in the Mat-Su – and 288 suffered major damage. 6,250 people applied for the state disaster program, as of the end of December.

In November, 49th State Brewing Co. and the co-working space The Boardroom moved into a long-vacant building by the railroad tracks near Ship Creek. The project is part of a broader mixed-use effort between developers and the Alaska Railroad, called The Rail, aimed at drawing more people to the Ship Creek area. The owners of 49th State Brewing Co. bought the building from the Alaska Railroad in August – they had previously made most of in Healy, but found it difficult to meet demand.

SOUTHEAST

In November, the Juneau Economic Development Council announced that they will host an angel investor conference in January – the conference is a multi-month effort that consists of a five-month learning process for a pool of investors. Angel investors are business investors who provide capital in exchange for convertible debt or ownership equity. A report by the Angel Capital Association found that only .6 percent of all angel investors in the country come from Alaska, compared to 17 percent coming from California. The JEDC is working in collaboration with people in Anchorage and Fairbanks to start the conference.

The Alaska Tax Division estimated that cruise ship passengers visiting Alaska paid about \$2.16 million in state fees this year. The state's head tax is distributed among port communities that often use the revenue to fund local services. A federal judge ruled in December that passenger fees should fund infrastructure that directly supports the ships, which could have implications for the municipal revenue of port communities like Juneau and Skagway.

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 6.3 percent at the end of the fourth quarter of 2018, more than 60 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 5.1 percent at the end of the fourth quarter of 2018. The District of Columbia had an unemployment rate of 5.5 percent.

Average non-farm employment in Alaska was 316,500 in the fourth 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 fourth quarter of 2018 saw 29,233 fewer jobs than the third quarter.

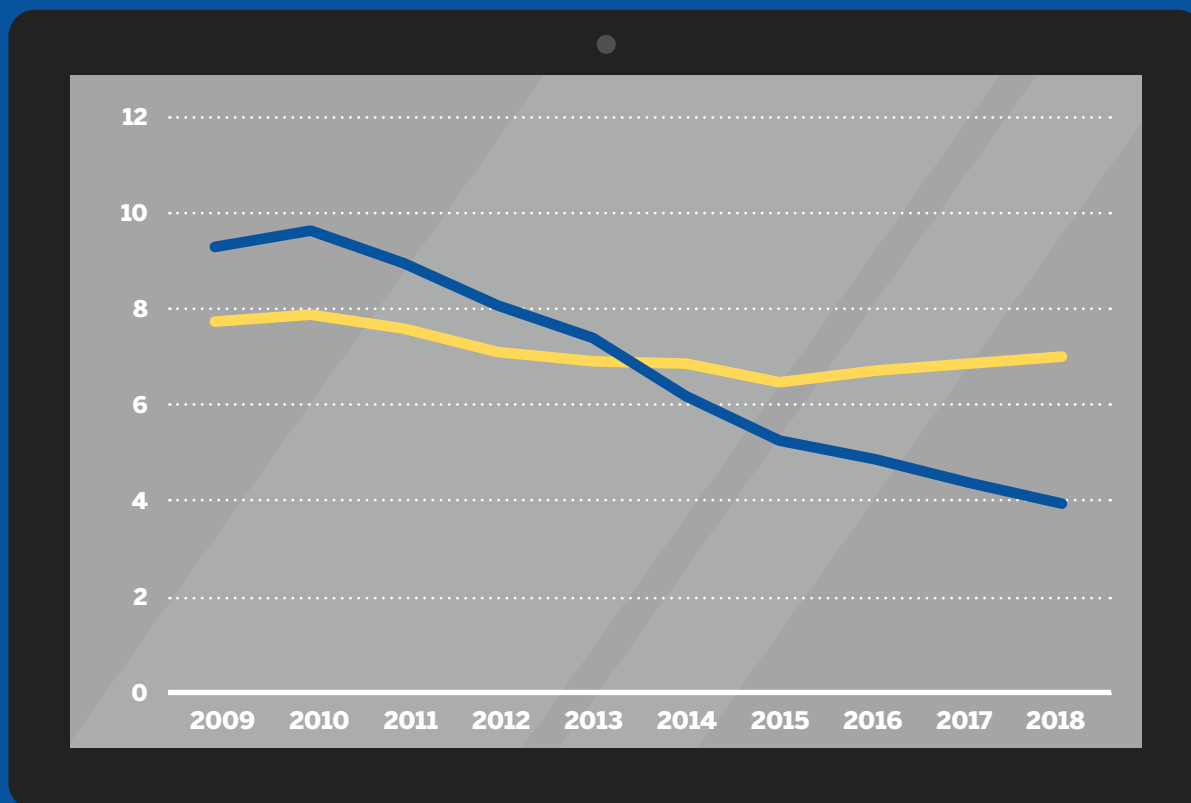
Regionally, unemployment rates vary across the state. In the more populated areas of Juneau, Anchorage, and Fairbanks, unemployment rates are below the statewide average. In rural areas they can be much higher, sometimes up to triple the statewide average.

ANNUAL UNEMPLOYMENT RATES

(Seasonally Adjusted - 2018 Through Q4)

Alaska

United States



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



UNEMPLOYMENT
HIGHEST
IN THE NATION

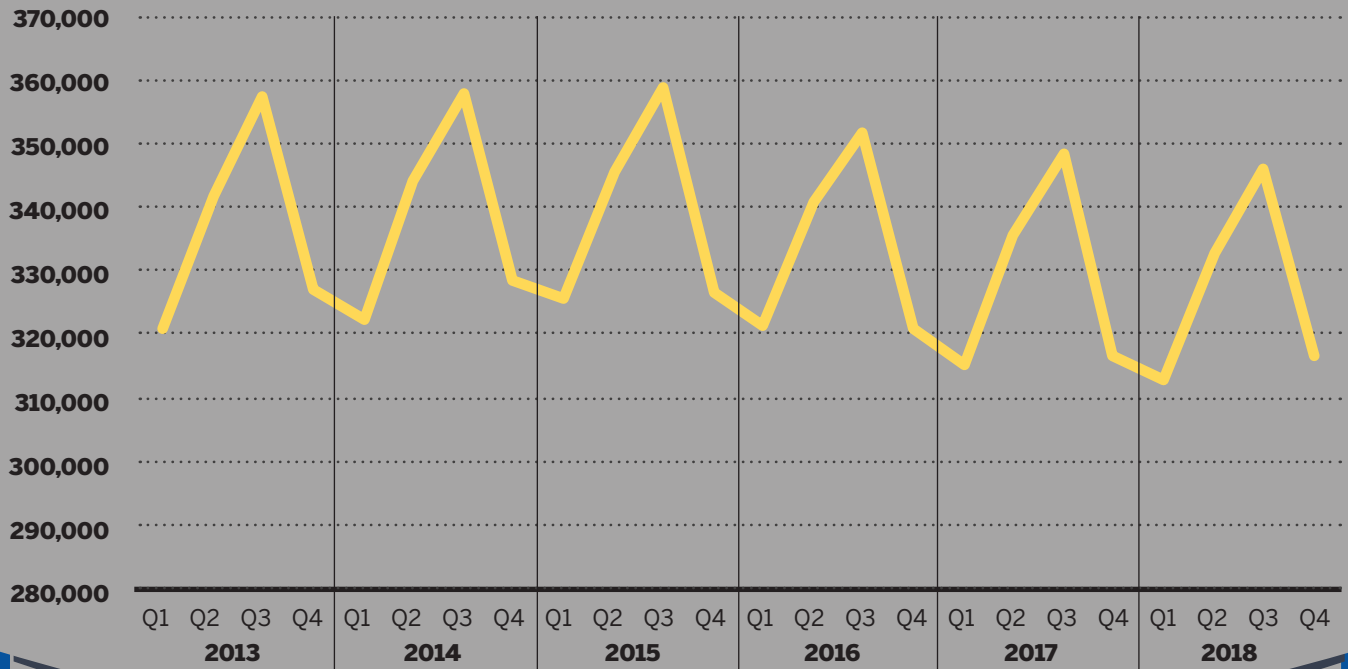
Employed
Alaskans

6.3%
UNEMPLOYED

60%
ABOVE NATIONAL
AVERAGE

MONTHLY EMPLOYMENT

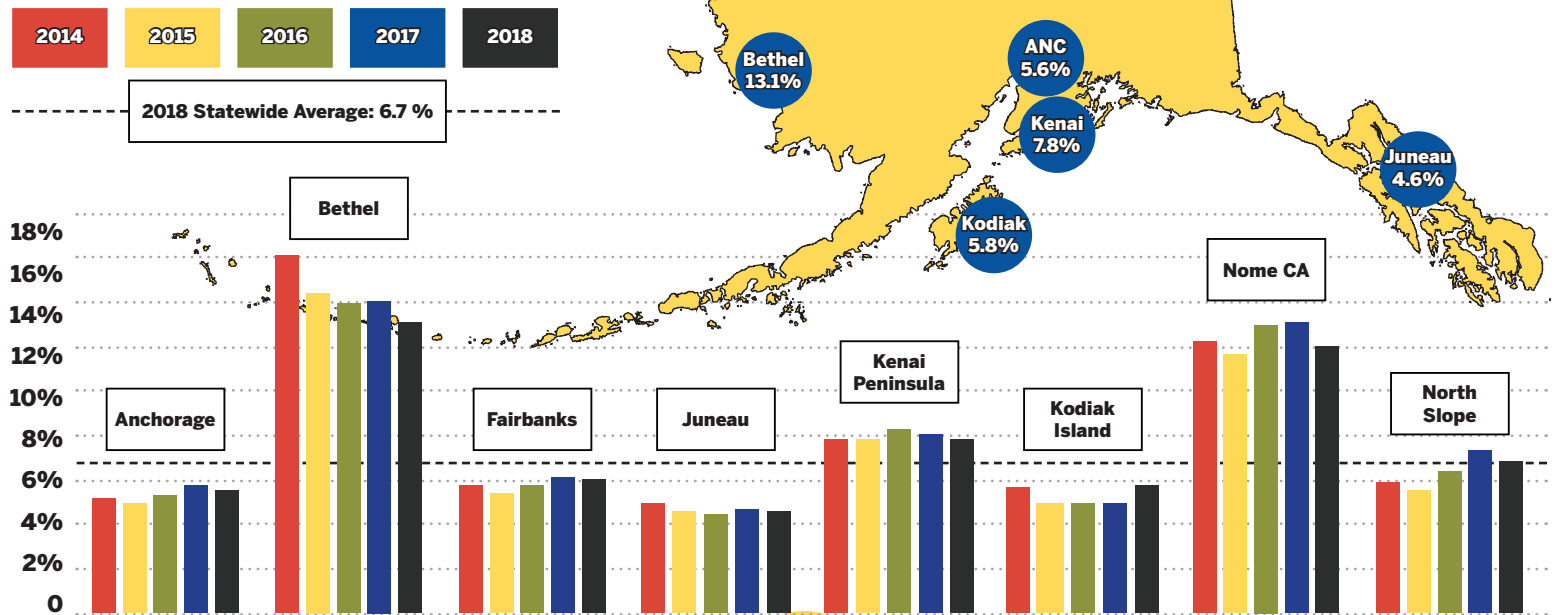
(Not Seasonally Adjusted Average-
2018 Through Q4)



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

REGIONAL EMPLOYMENT RATES

(Not Seasonally Adjusted - 2018)



Source: Alaska Department
of Labor and Workforce
Development

PERSONAL INCOME

A per capita personal income report was not yet available for Alaska's fourth quarter, but was available for 2018 through the third quarter. Based on third quarter data, 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 Q3)

ThirdQuarter, 2018



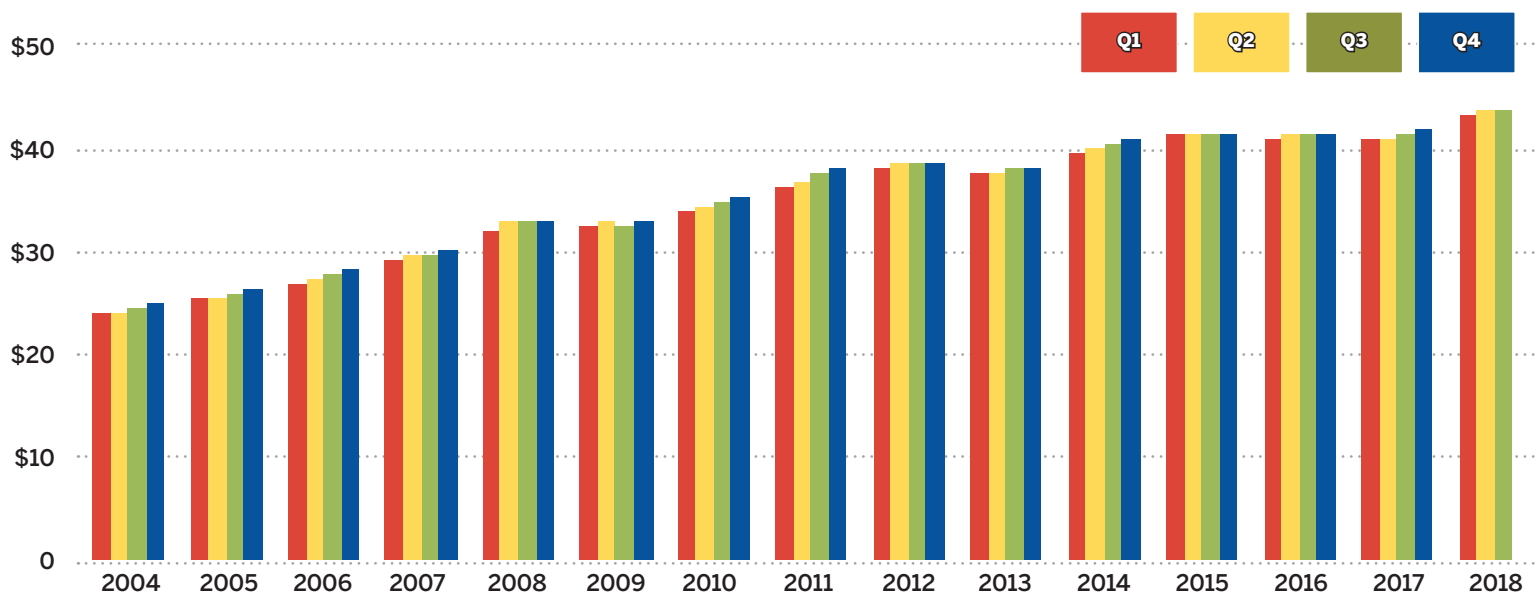
Personal income is trending upward

Source: U.S. Bureau of Economic Analysis

ALASKA - GROSS PERSONAL INCOME

(Quarterly- 20014 - 2018)

The sum of wages and salaries, supplements to wages and salaries, proprietors' income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance plus the adjustment for residence.



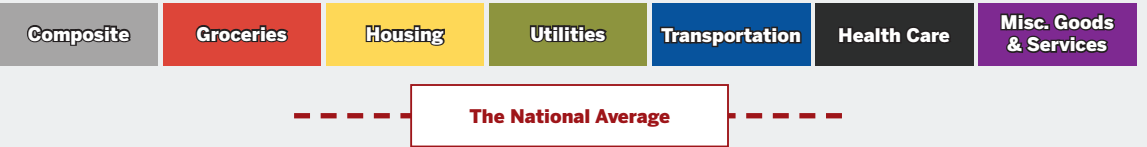
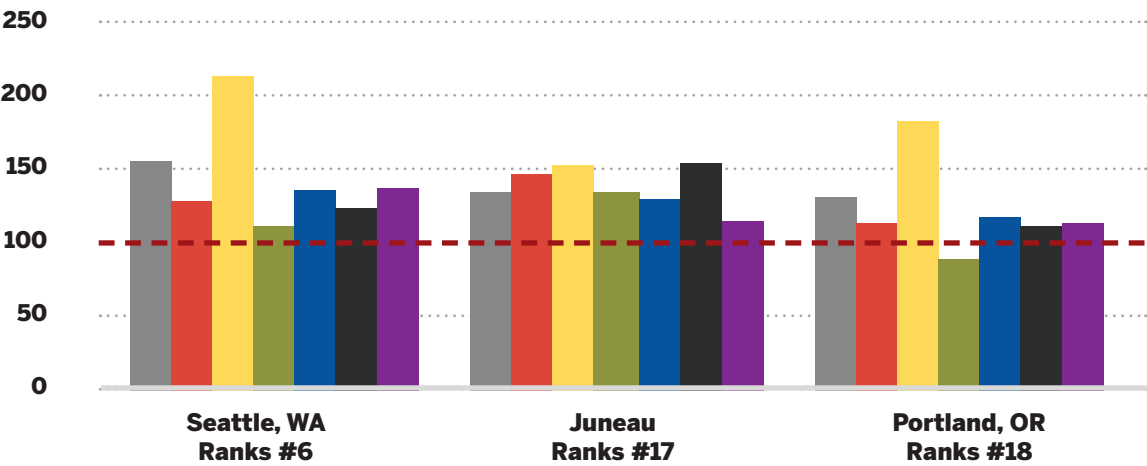
NATIONAL COST OF LIVING INDEX

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.

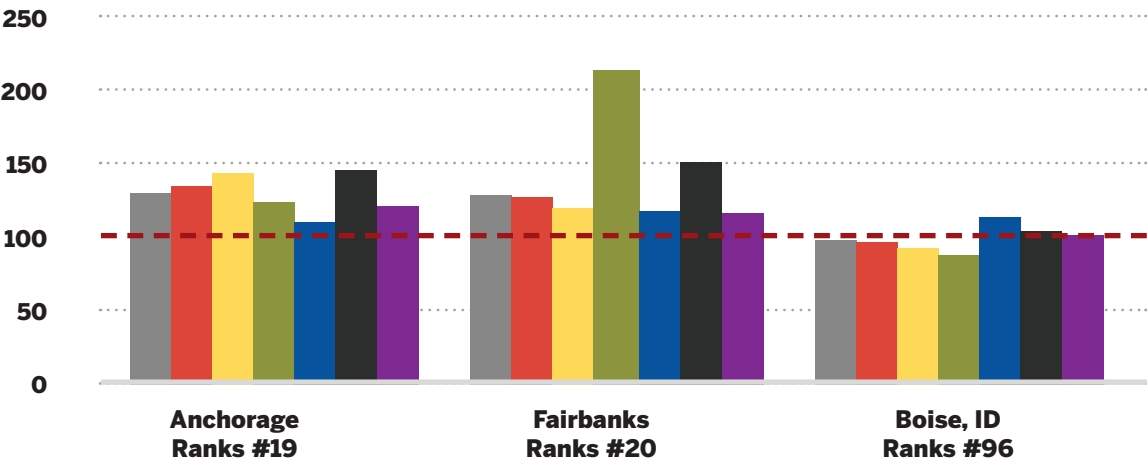
The Alaska cities included in the COLI are Juneau, Fairbanks, and Anchorage. (Kodiak was not included in the second half of the year's surveys.) Of the 268 cities surveyed this quarter, Juneau was again the most expensive Alaska city, ranking 17th. The composite index for Juneau was 134.0, meaning the cost of living in the capital city is 34 percent higher than the national average. Anchorage remained 19th (composite index of 128.9) and Fairbanks 20th (128.3). In the fourth quarter COLI, Seattle was once again the highest Pacific Northwest City in the survey, with a composite index of 154.8, 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 131. Smaller Pacific Northwest cities had much lower costs of living, with Olympia at 54th with an index of 105.7, Boise at 96th with an index of 97.2, and Bozeman, Montana at 57th with an index of 103.9. Neighboring cities of Harlingen and McAllen, Texas once again had the lowest costs of living in the nation.

COST OF LIVING INDEX

(Q4, 2018 - National Average is 100 - 268 Surveyed Cities)



Source: Council for Community & Economic Research



TOP 10

Most Expensive States
(Q4, 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%

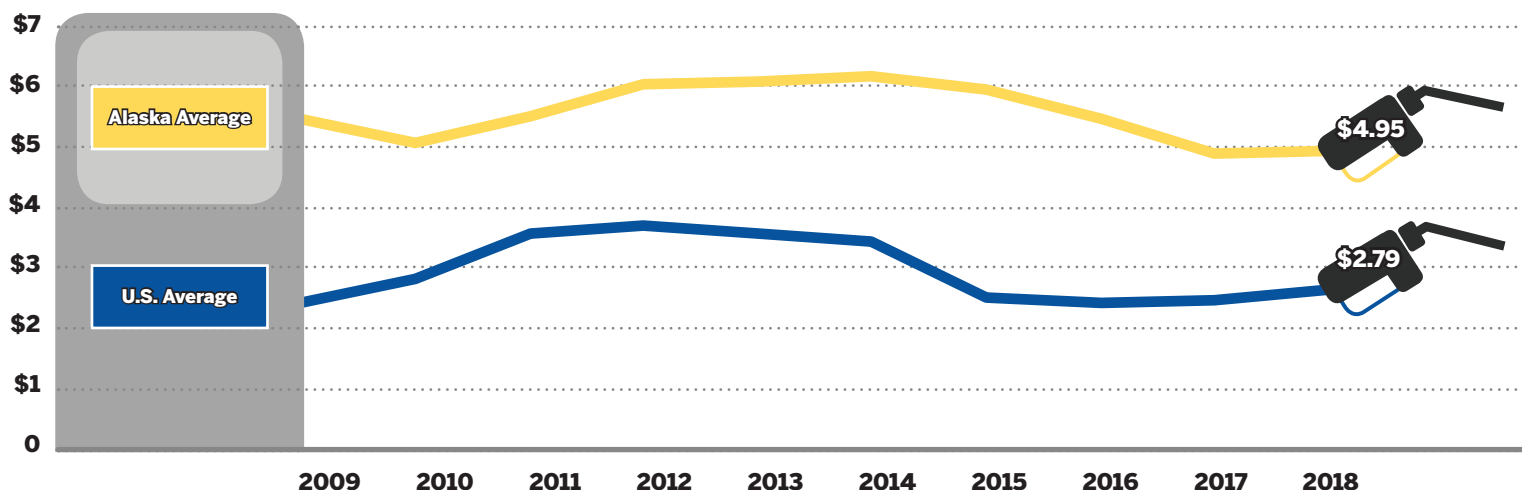
COST OF LIVING: GASOLINE PRICE AVERAGE

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 fourth quarter of 2018, the national average price of gasoline (\$2.79/gallon) was \$2.33/gallon lower than the Alaska average as of January 2018 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

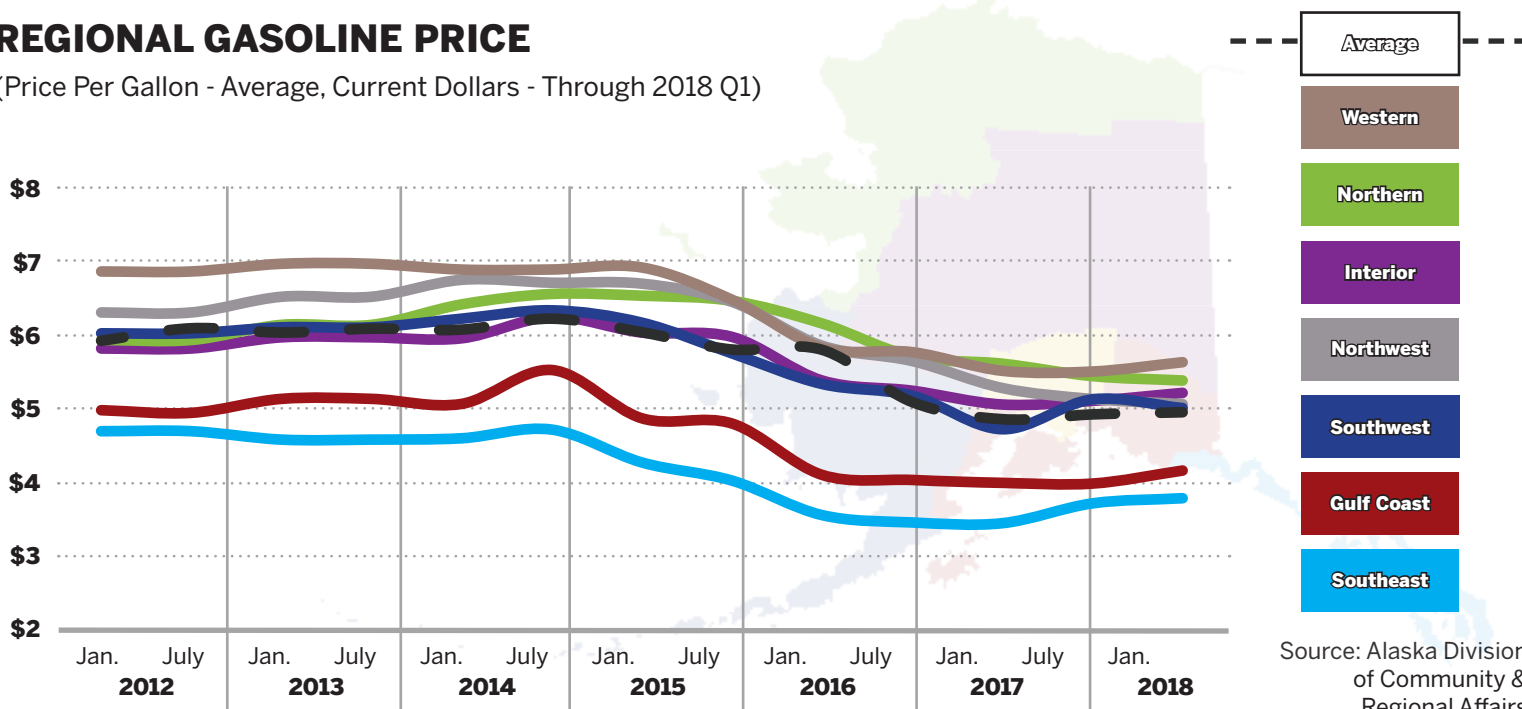
(Price Per Gallon - Average, Current Dollars - Alaska Through 2018 Q1, U.S. Through 2018 Q4)



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)



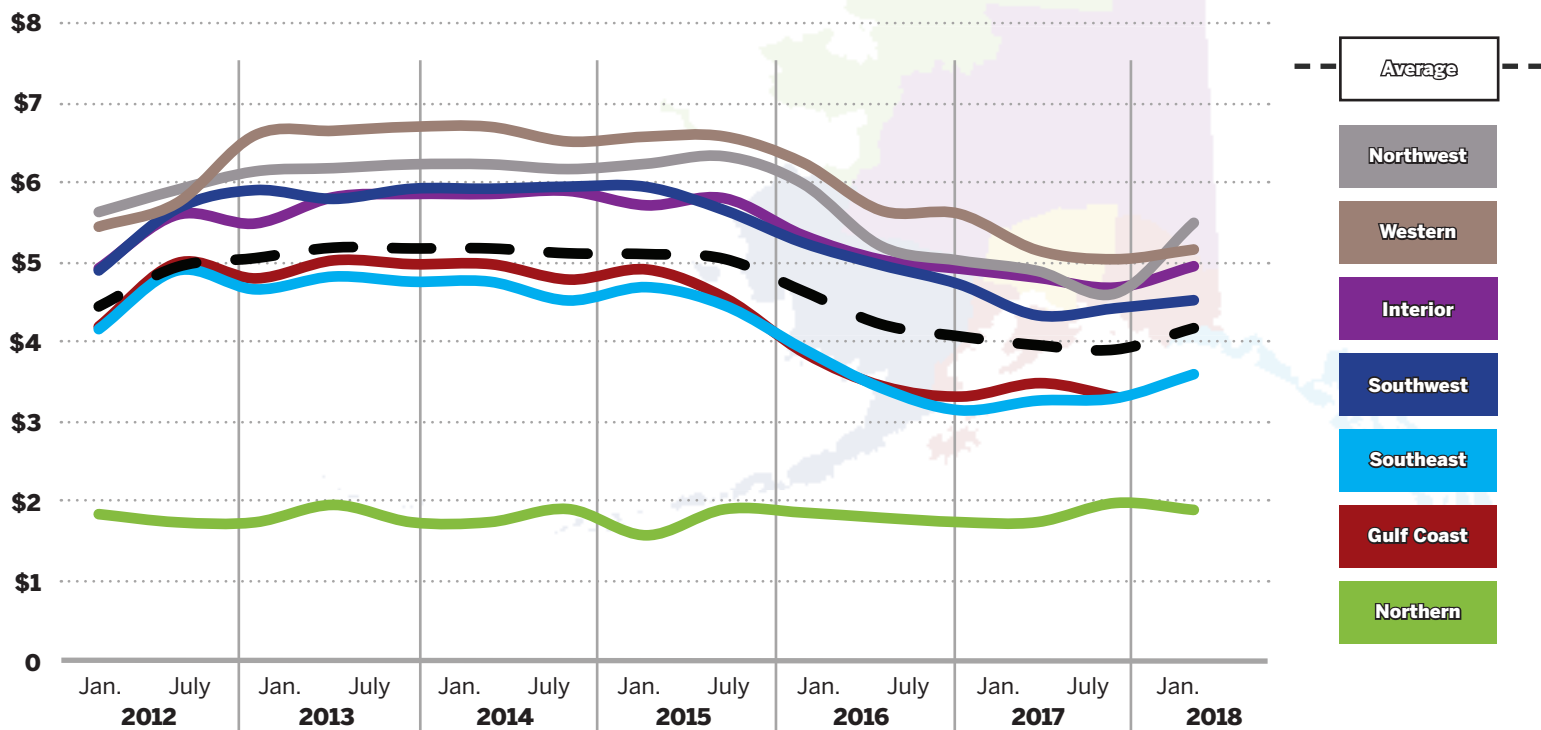
Source: Alaska Division of Community & Regional Affairs

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, with confidence remaining at relatively similar levels during the second half of 2018. 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 in the current and future state of the economy is one signal that the recession might be ending.

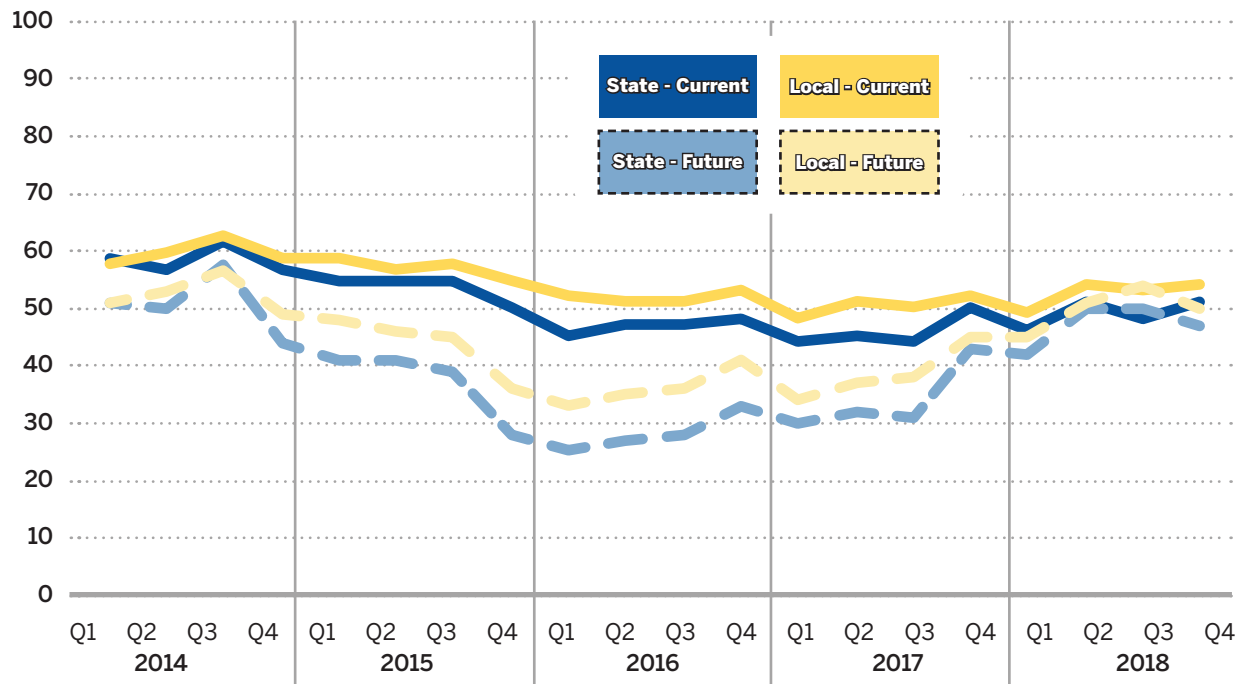
Confidence in the current state and local economies, as well as respondents' personal financial situations, was very similar to the third quarter, leading to an overall ACI composite reading at the

same index as the third quarter.

The latest ACI shows slightly decreased confidence over the previous quarter in the future of local economies and state financial situations, although still at higher indices than the beginning of the year. The reading for individual's personal finances was unchanged. All three components were higher in the third quarter of 2018 than the same quarter last year.

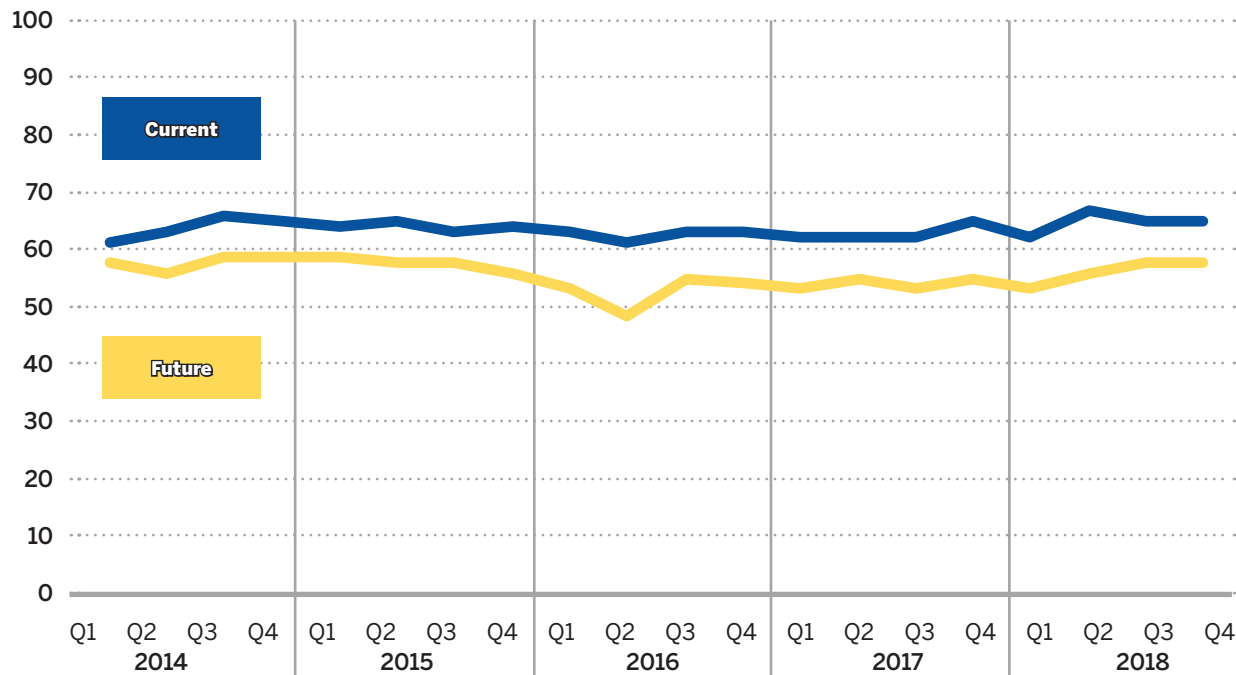
ALASKA CONFIDENCE INDEX - STATE & LOCAL

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



ALASKA CONFIDENCE INDEX - PERSONAL FINANCES

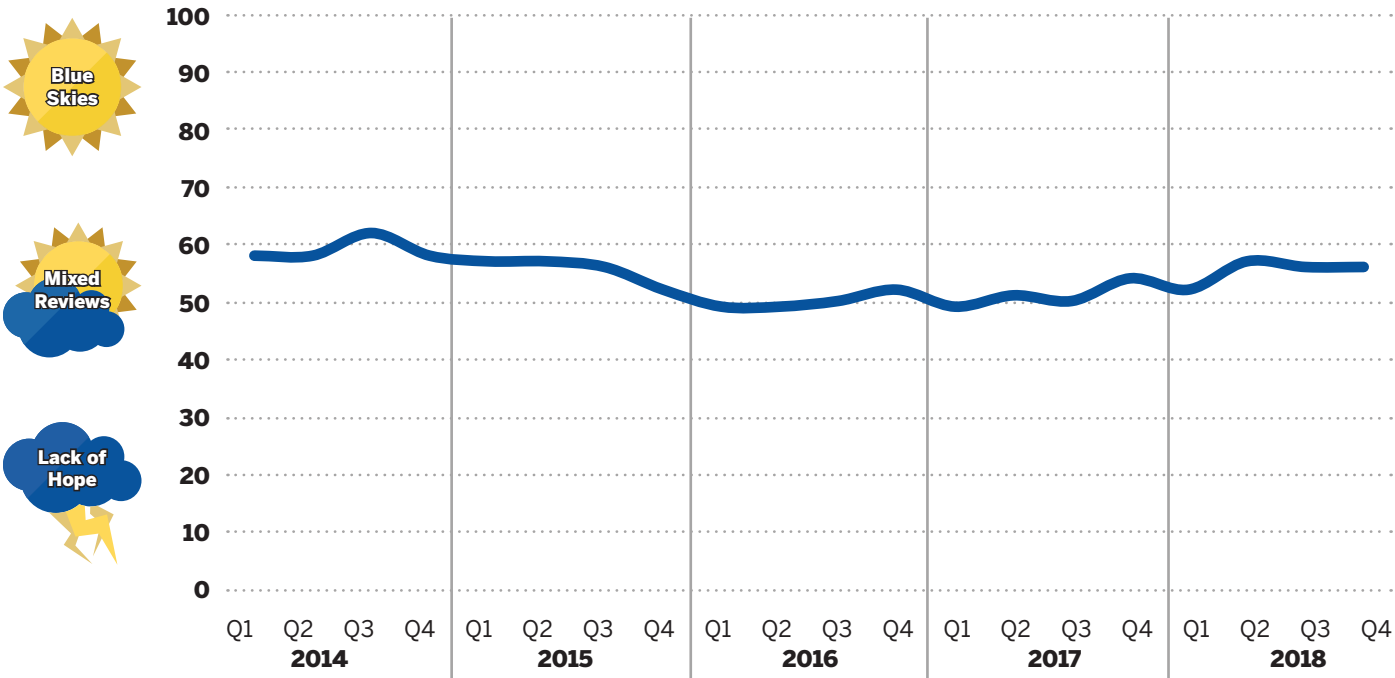
(Personal Finances, Current & Future - Quarterly Figures, Scale of 0-100)



Source:
Northern Economics

ALASKA CONFIDENCE INDEX - OVERALL

(Quarterly Figures, Scale of 0-100)



Source: Northern Economics

