

Economic Outlook for the State of Alaska

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Welcome and Introductions

- REMI models
- Big Picture: REMI Regional Growth Matrix
- Economic outlook
 - Short-term forecast
 - Long-term forecast
- Model demonstration

Model



Regional Economic Models, Inc. (REMI) was founded in 1980 on a transformative idea: *government decision-makers should test the economic effects of their policies before they're implemented.* We are the nation's leader in dynamic local, state and national policy modeling. Our clients use REMI models to perform rigorous economic analysis that critically influences local, state and national policies.

OUR CLIENTS:

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University of Michigan • Tennessee Valley Authority • National Education Association
South Coast Air Quality Management District • Florida Legislature
North Carolina Department of Commerce • Wyoming Department of Administration & Information
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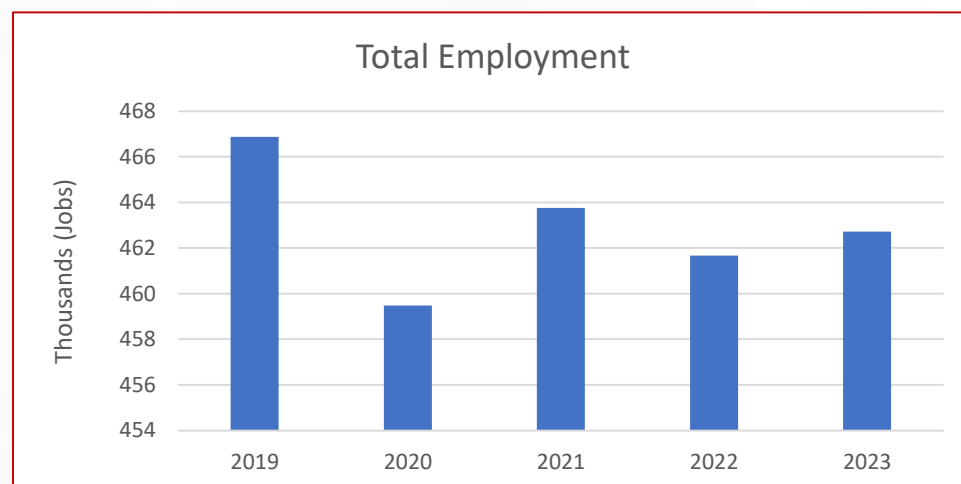
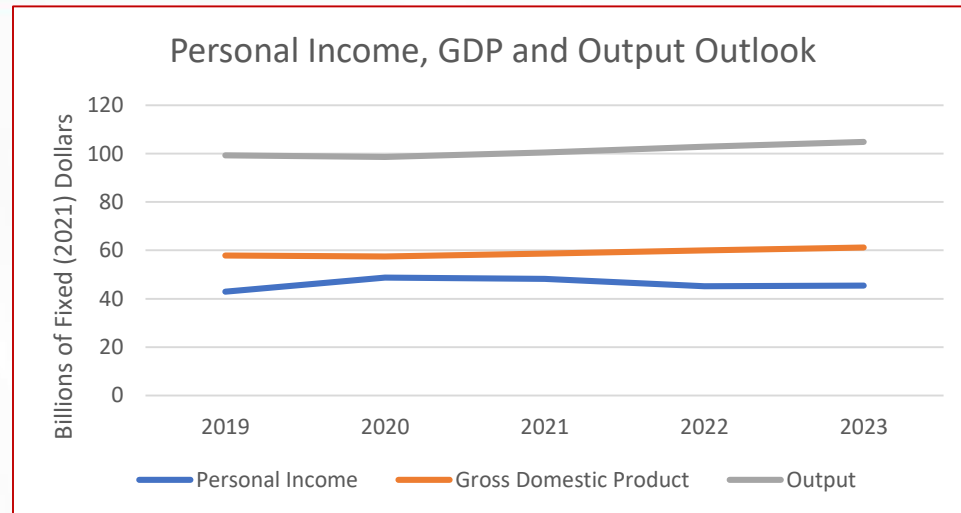
Alaska State Economy

- By far the largest U.S. state by area and the seventh largest subnational division in the world
- Alaska's per capita income is among the highest, while it has one of the smallest state economies in the country
- Diversified economy dominated by fishing, natural gas, and oil
- Growing service and tourism sector.
 - Tourists have contributed to the economy by supporting local lodging.

Short-Term Outlook: Alaska



- Years 2019-2023
- Growth 2020-2021
 - Personal income: -1.1%
 - GDP: 1.9%
 - Output: 1.9%
 - Employment: +4 thousands
- Uncertainty



REMI Regional Growth Matrix: Economic & Demographic Factors



Economic Factors

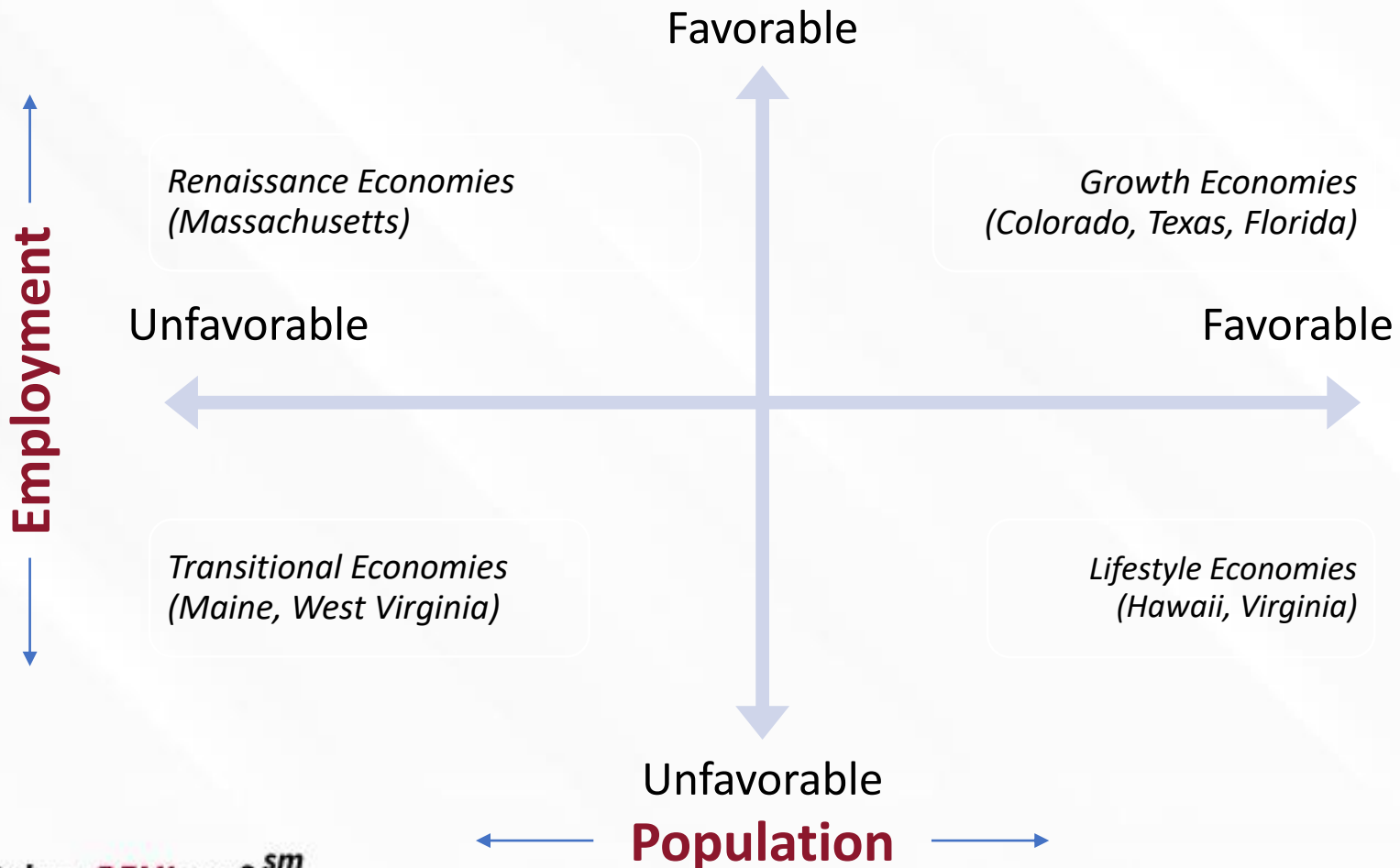
	Industry Growth	Industry Clusters	Pay	Productivity	Business Cost
Favorable	Growing	Strong	High-paid industries	High	Low
Unfavorable	Declining	Weak	Low-paid industries	Low	High

Demographic Factors

	Population Age	Retirees	Immigration	Amenities	Housing Cost
Favorable	Younger	Gains retirees	Immigration gateway	High	Low
Unfavorable	Older	Loses retirees	Low internat'l immigration	Low	High

what does **REMI** say? sm

Regional Growth Matrix



Growth Matrix

Difference in Growth from US Average (2021-2022)



Data Sources

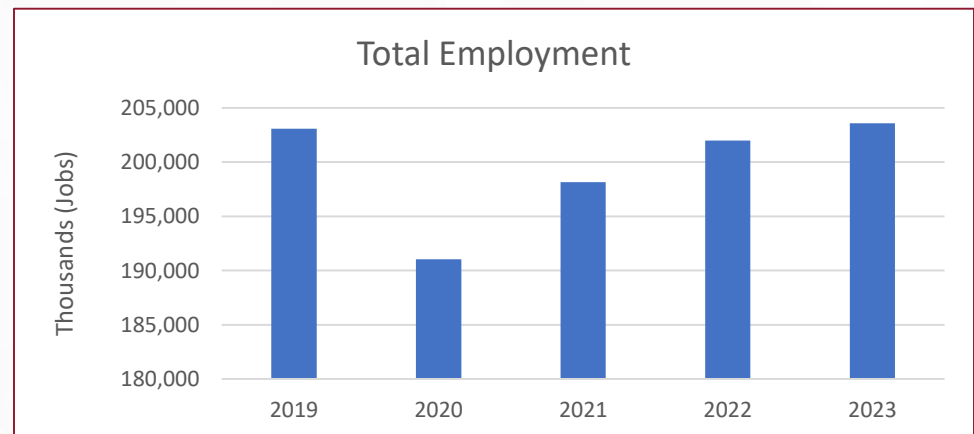
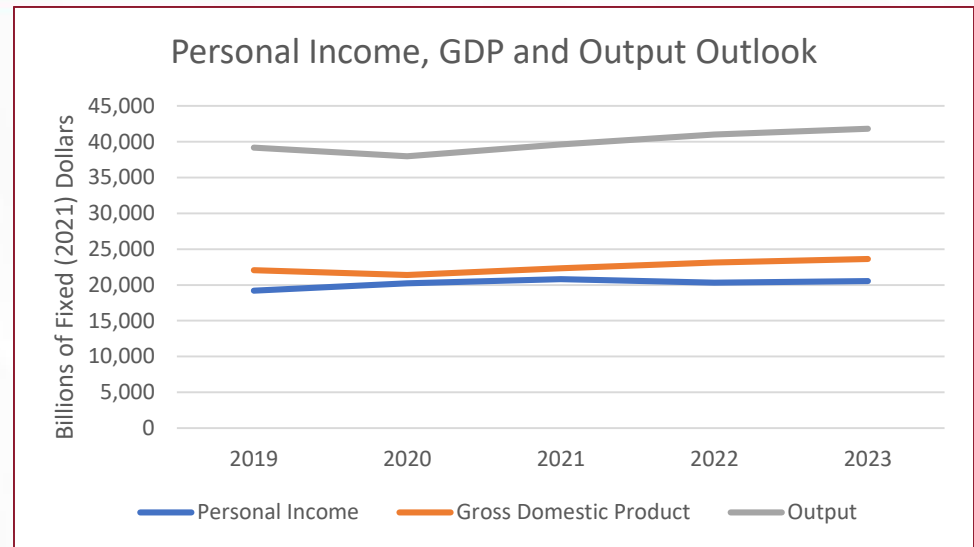
- Baseline (Standard National Control)
 - BLS Forecast Data
- Economic Forecast Update March 2021
 - 2019-2020 historical data from BEA
 - The U.S. Economic Outlook for 2020-2022 from the University of Michigan's Research Seminar in Quantitative Economics (RSQE)
 - An update to the Economics Outlook from CBO
 - Includes \$1.6 trillion stimulus, additional vaccination, and additional consumer spending¹

National Outlook

Short-Term Outlook: the U.S.



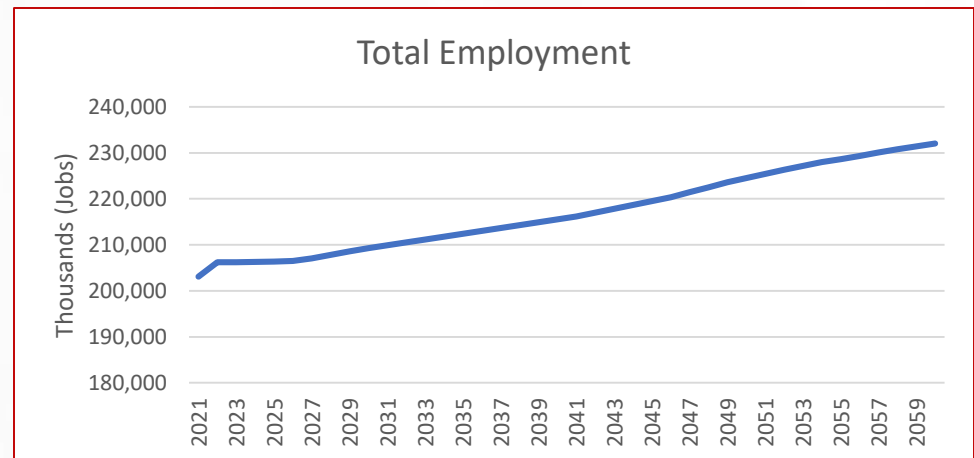
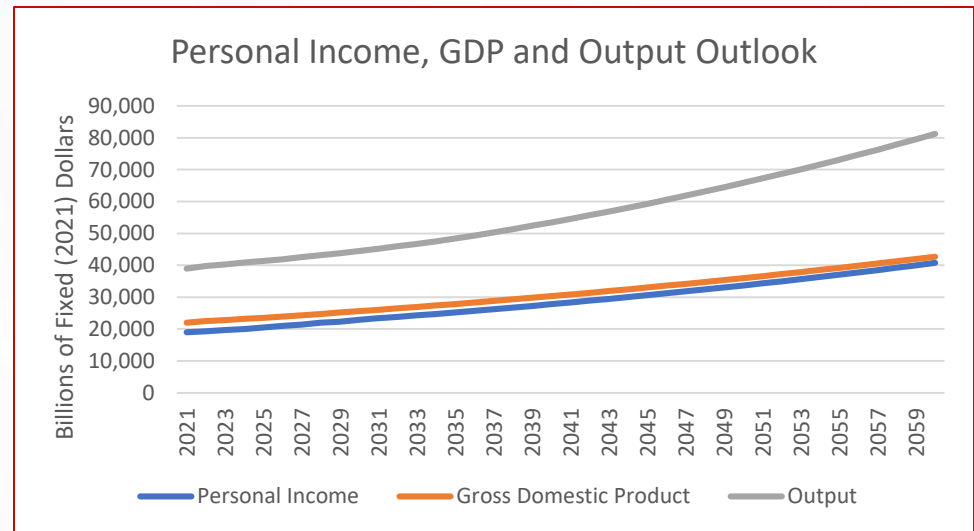
- Years 2019-2023
- Growth 2020-2021
 - Personal income (nominal dollars): 2.9%
 - GDP: 4.4%
 - Output: 4.4%
 - Employment: +7,099 thousand jobs



Long-Term Outlook: The U.S.



- Years 2021-2060
- Average growth / year
 - Personal income: 1.9%
 - GDP: 1.8%
 - Output: 1.9%
- Total employment:
+741 thousand jobs

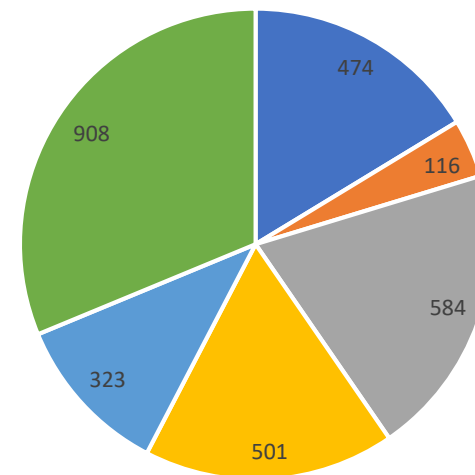


Regional Outlook: Alaska

Short-Term Outlook: Employment by Industry

- Industries with largest employment growth rates in 2021
- 2020 - 2021: 1,998 jobs increasing in the top 5 fast growing industries

Job Increase in The Fastest Growing Industries
in 2021

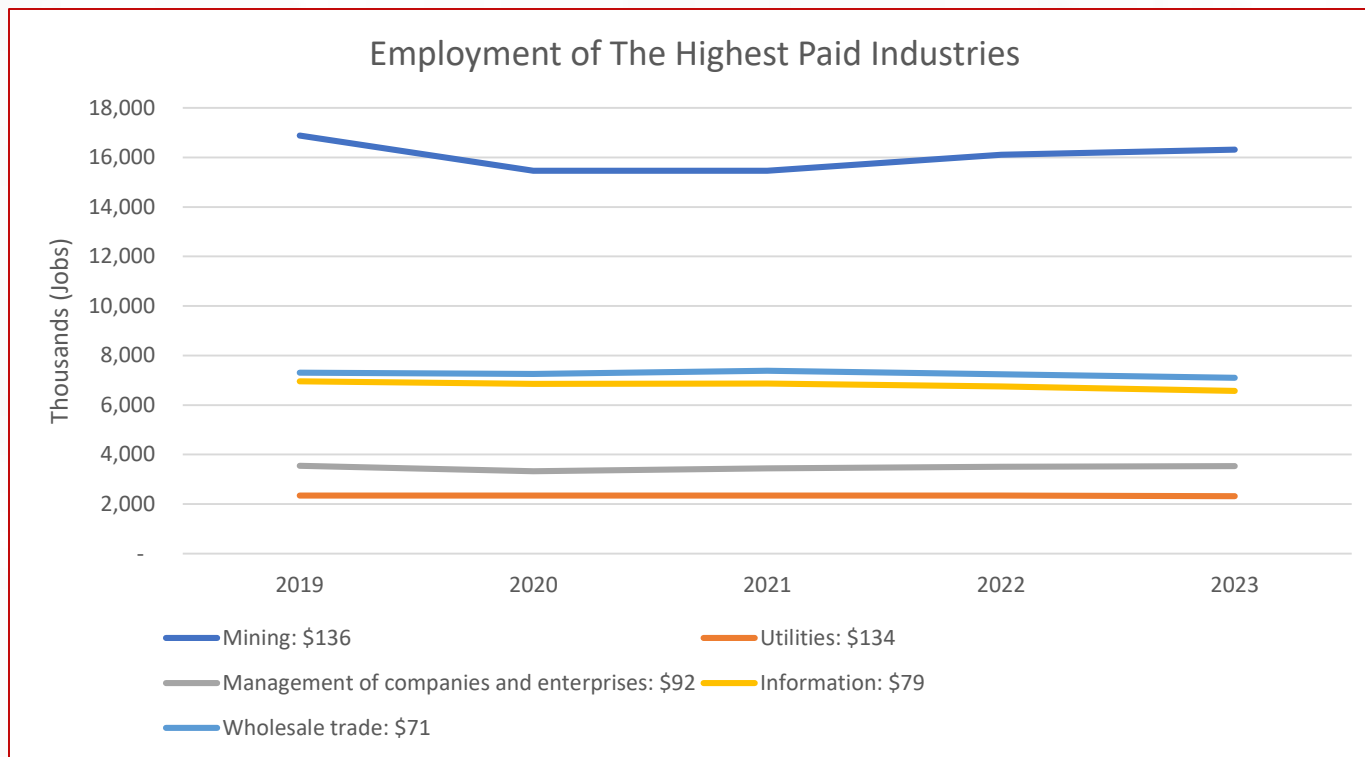


- Forestry, fishing, and hunting: 5.12%
- Management of companies and enterprises: 3.49%
- Transportation and warehousing: 2.54%
- Professional, scientific, and technical services: 2.13%
- Administrative, support, waste management, and remediation services: 1.92%
- All other industries

Short-Term Outlook: Employment by Industry



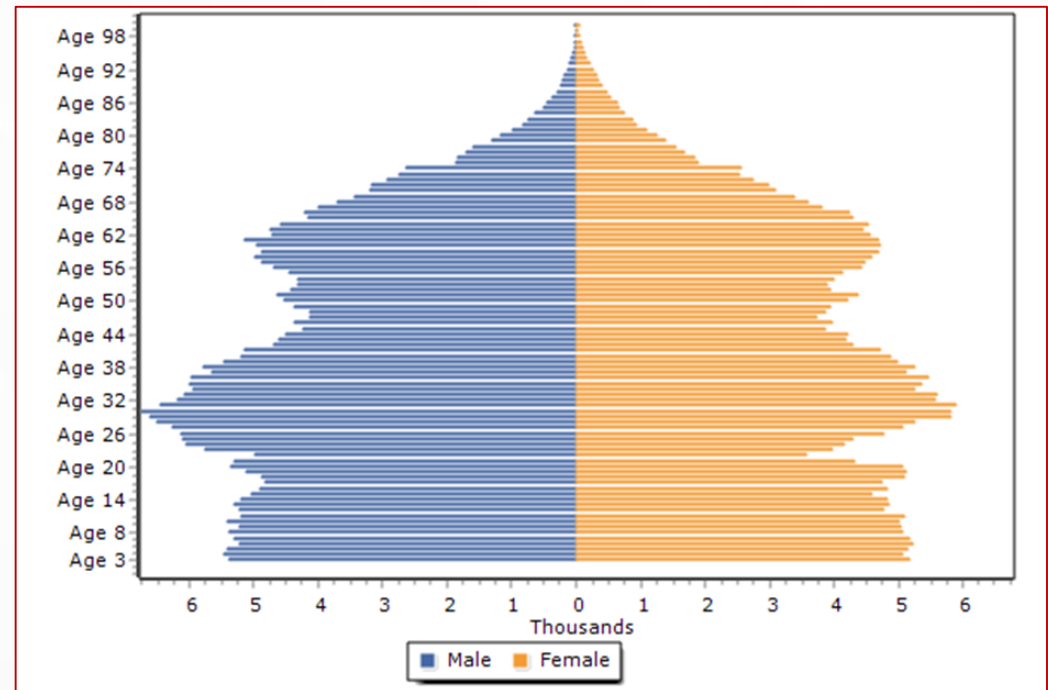
- Industries with highest average annual compensation rates in 2021



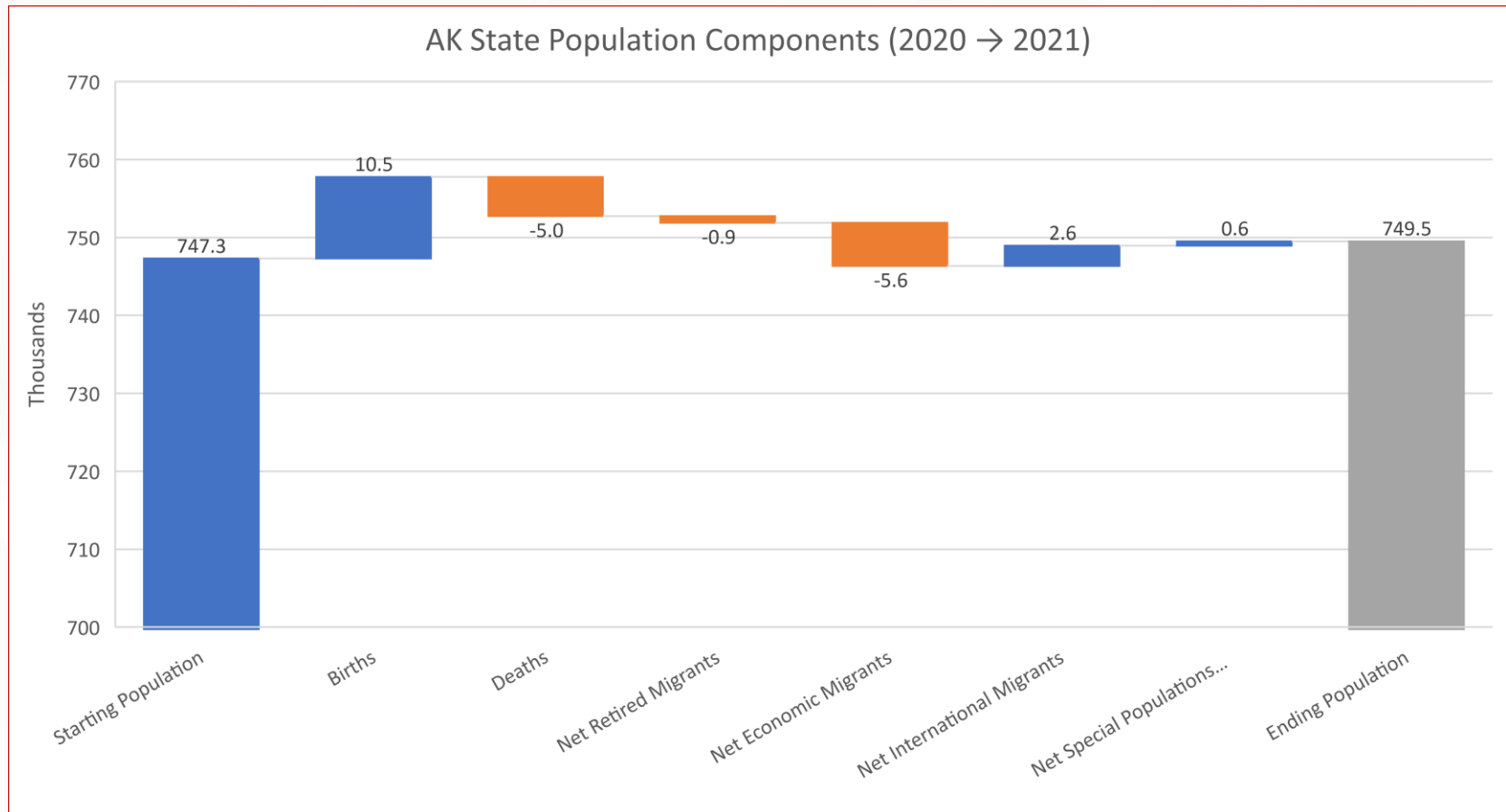
Short-Term Outlook: Population Pyramid (2021)



- Year 2021
- Expanding / Near stationary
 - Third highest birth rate in the US

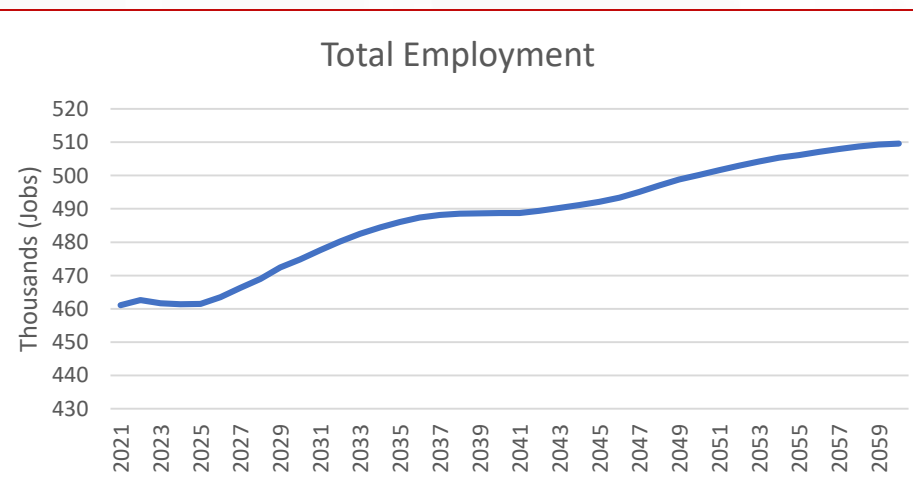
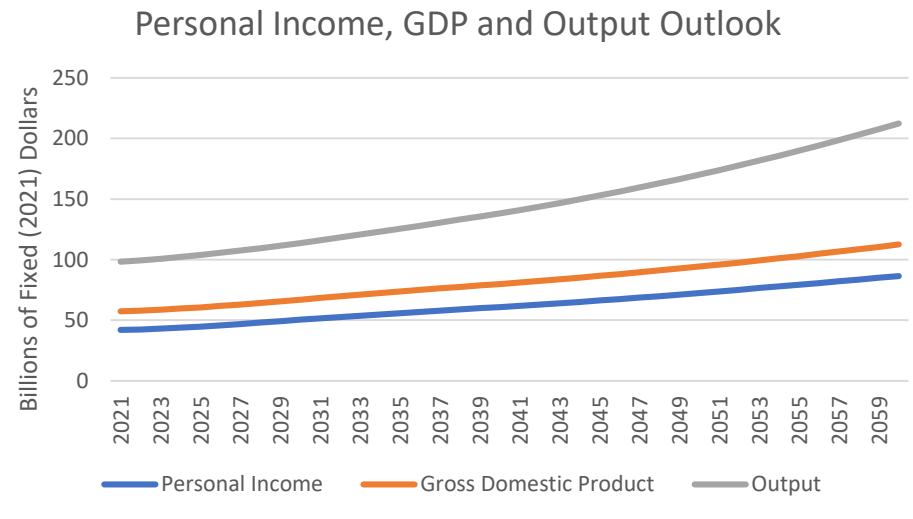


Short-Term Outlook: Population Components



Long-Term Outlook: Alaska

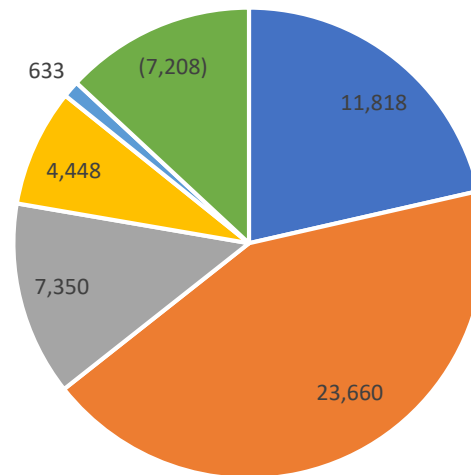
- Years 2021-2060
- Average growth / year
 - Personal income: 1.7%
 - GDP: 1.8%
 - Output: 2.0%
 - Total employment: +1 thousand jobs



Long-Term Outlook: Employment by Industry

- Industries with fastest employment increasing
- 2020 - 2060: 1.7 million jobs increasing in the top 5 fast growing industries

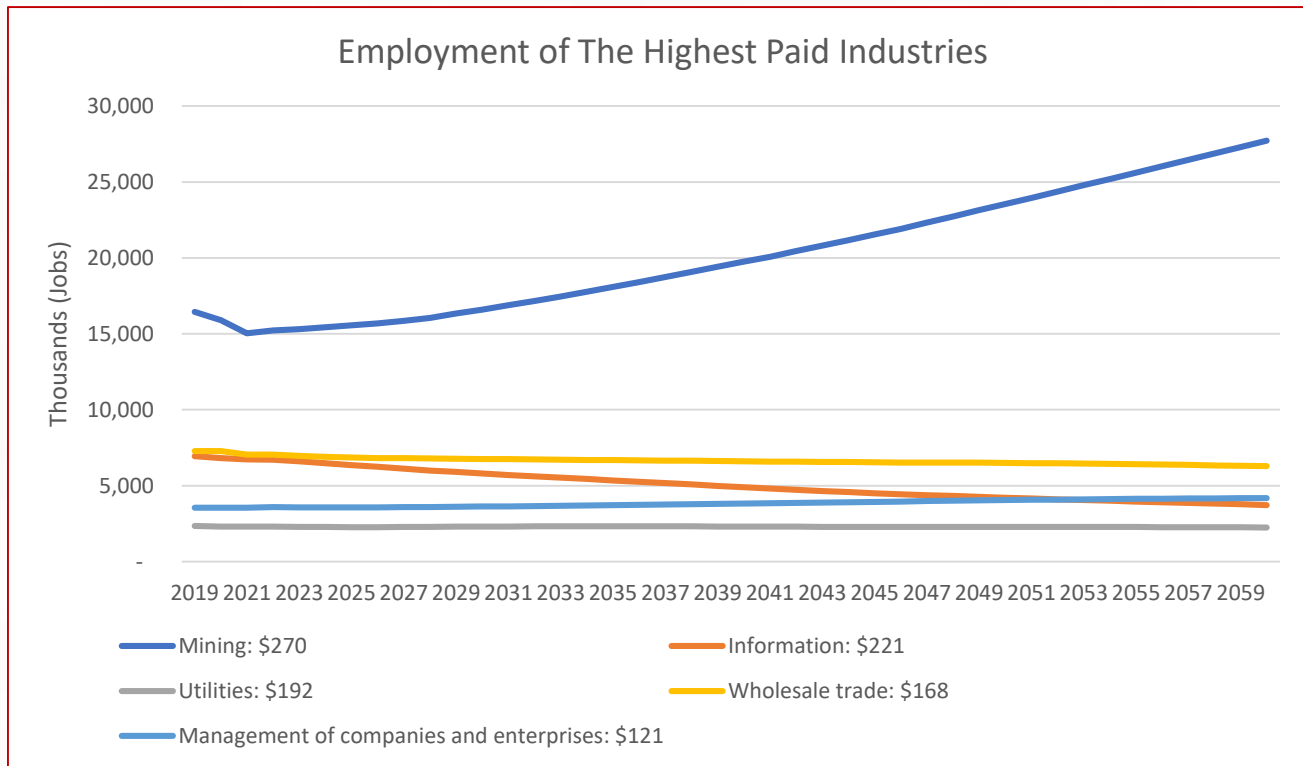
Job Increase in The Fastest Growing Industries
(2020 → 2060)



- Mining: 1.40%
- Health care and social assistance: 0.93%
- Professional, scientific, and technical services: 0.67%
- Administrative, support, waste management, and remediation services: 0.57%
- Management of companies and enterprises: 0.41%
- All other industries

Long-Term Outlook: Employment by Industry

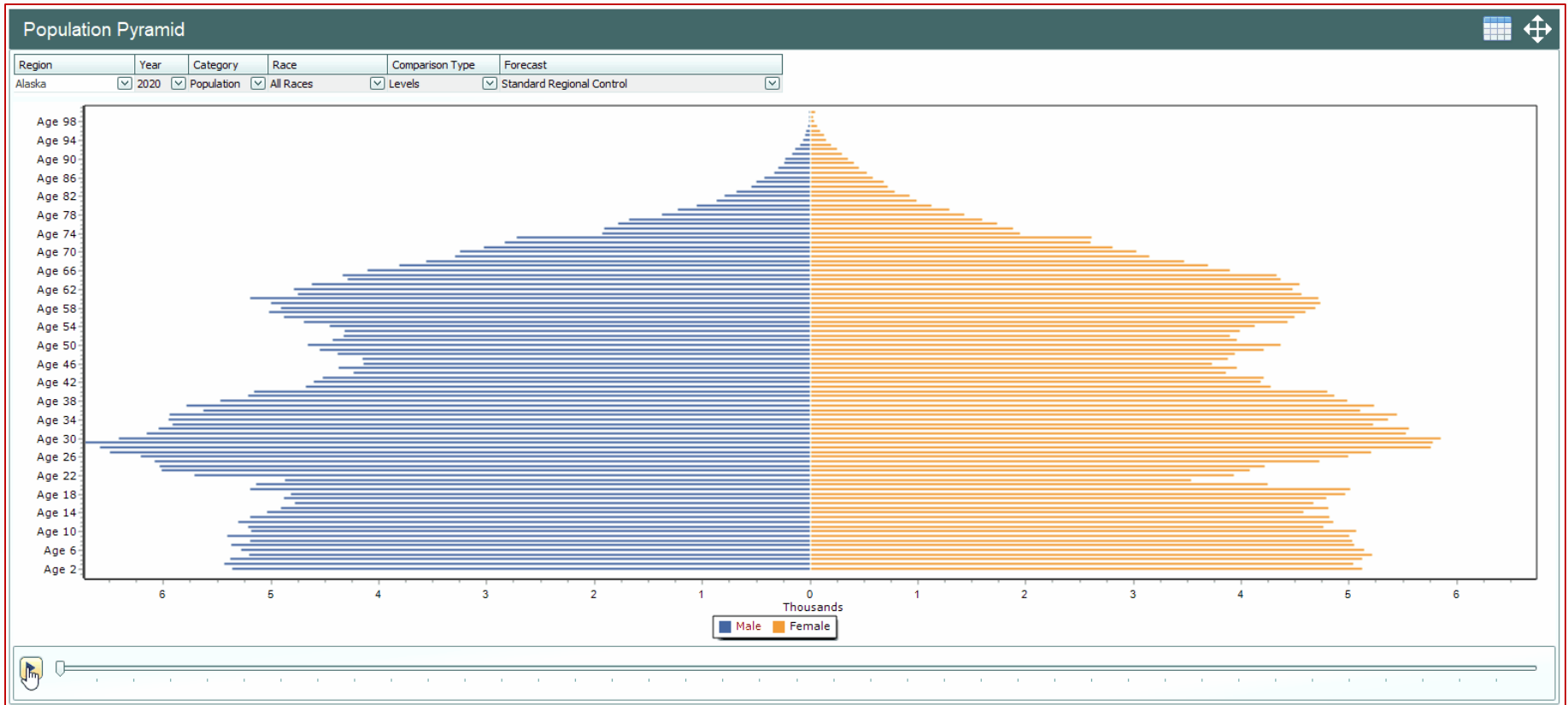
- Employment of industries with highest average annual compensation rates in 2060



Long-Term Outlook: Population Pyramid



- Year 2060

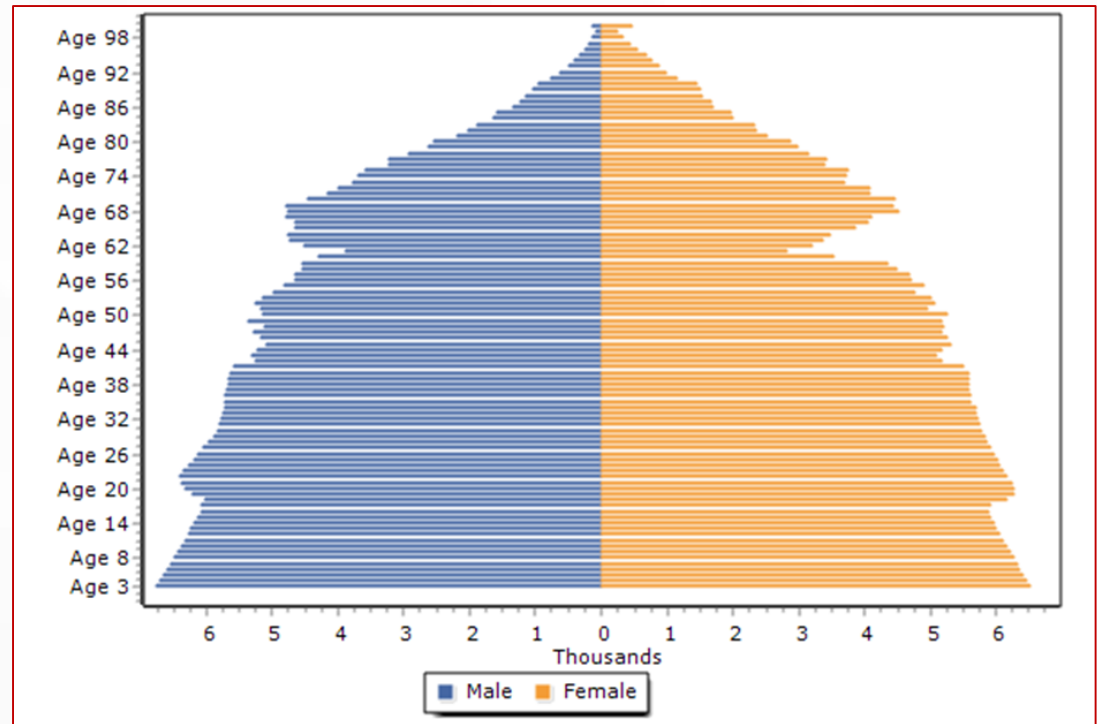


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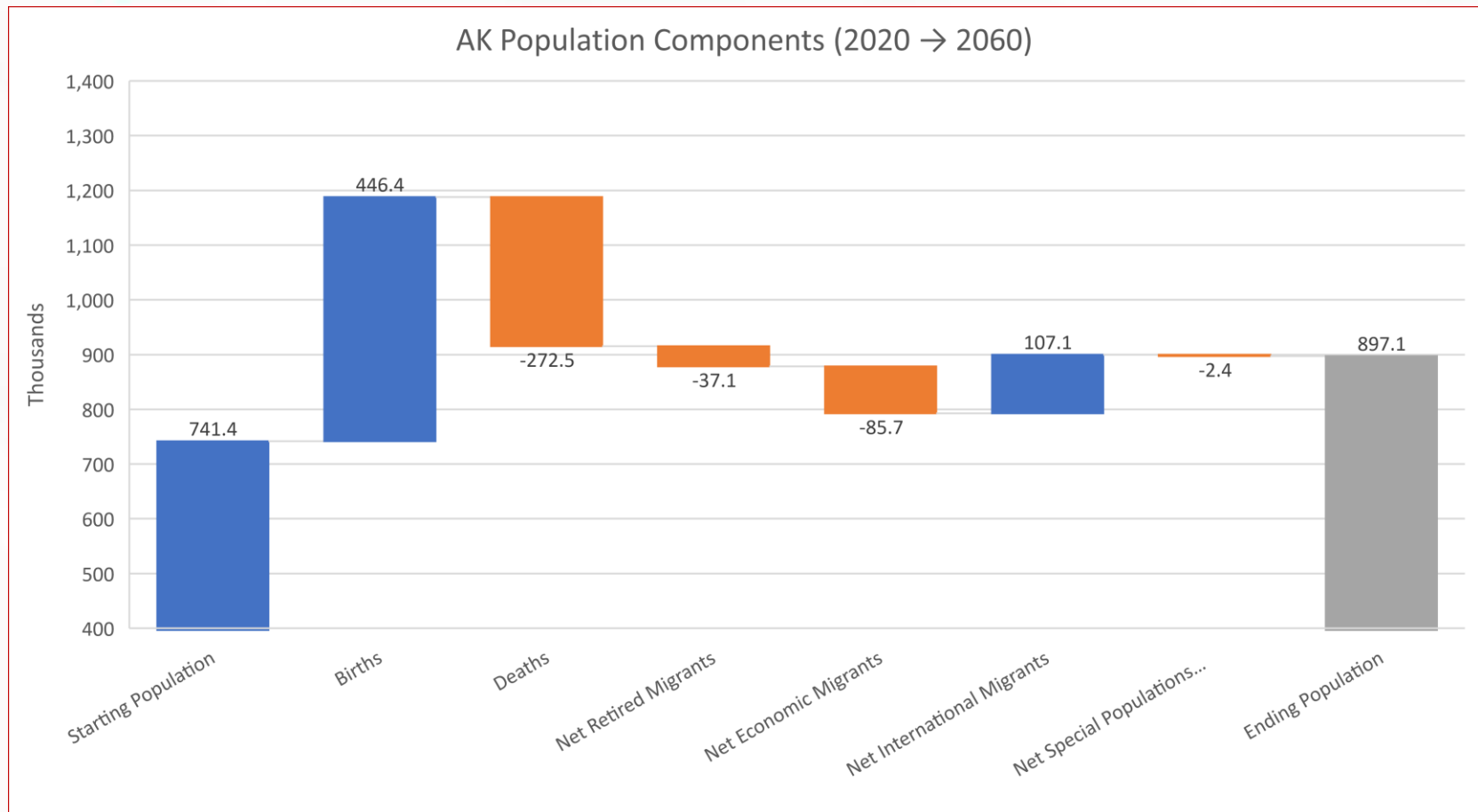
Long-Term Outlook: Population Pyramid



- Year 2021
- Expansive population pyramid



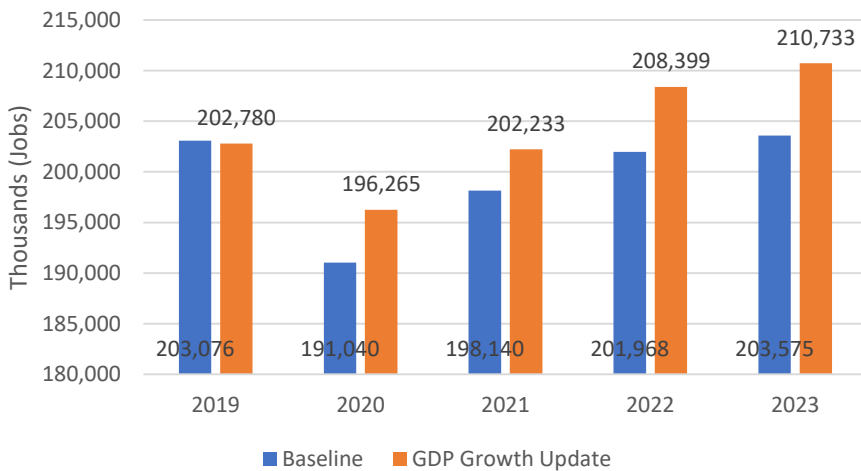
Population Components



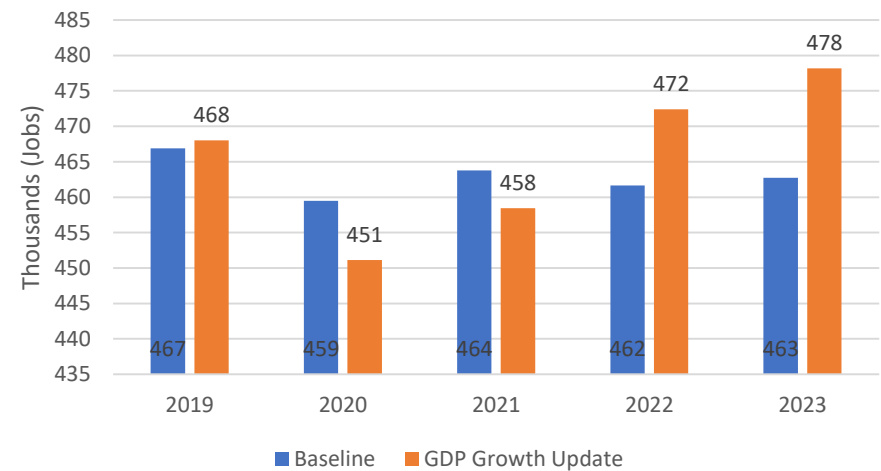
Optimistic Outlook

- Year 2019-2023

Total Employment of the US



Total Employment of Alaska



Policy Simulation: Tourism

The Scenario

- No more cruises in Alaska
 - Passenger Vessel Services Act
 - Canada's cruise ship ban
 - Very few American-owned cruise lines
- March 5th: Senator Lisa Murkowski proposes Alaska Tourism Recovery Act

Methodology

- \$300 million in direct spending by cruise lines in 2018
 - Here, allocated by national I/O table
- Cruise passengers make up about half of the \$2.2 billion in tourism spending
 - We can use the tourism spending variable
- To be conservative, we'll only assume half of pre-COVID levels
 - The act wouldn't be passed for some time
 - Income effects and caution still play a role even if cruises resume

Conclusion

- Points to consider
 - Effects over time
 - Different types of tourism?
- Economic forecasts can be difficult
 - The outbreak of COVID-19
 - The election of a new president
 - General uncertainty about the economy
- REMI can help
 - Forecasts: Macro modeling used to clarify, calculate, and communicate
 - Simulations: What-if scenarios
 - Dynamic results

Citations

1. Ehrlich, Gabriel M. "The U.S. Economic Outlook for 2021-2022 -- Executive Summary: February 2021." *College of Literature, Science, and the Arts, University of Michigan*, Research Seminar of Quantitative Economics, University of Michigan, 19 Feb. 2021, lsa.umich.edu/content/dam/econ-assets/Econdocs/RSQE%20PDFs/Exec_Sum_Feb_2021.pdf.
2. Barbour, Tracy. "Alaska's Shipshape(d) Economy." *Alaska Business Magazine*, 8 Apr. 2019, www.akbizmag.com/industry/tourism/alaskas-shipshaped-economy/.
3. Hines, Morgan. "Alaska Officials Propose 'Alaska Tourism Recovery Act' to Aid Cruise, Tourism Industry amid Canada's COVID Concerns." *USA Today*, Gannett Satellite Information Network, 5 Mar. 2021, www.usatoday.com/story/travel/cruises/2021/03/05/alaska-proposes-rules-allow-cruises-skip-stops-canada-covid/4602987001/.

Q & A

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