

# Alaska's Economic Performance in National Context

By the University of Alaska Center for Economic Development, November 2022

Alaska has underperformed relative to the national economy for several years. From 2015 to 2018, the state experienced 36 consecutive months of declining employment as the U.S. economy (and most states) saw steady expansion. The main culprit for Alaska's lagging performance during these years was the low price of oil. A period of oil prices in excess of \$100 per barrel came to an end in 2014, leading to falling employment in multiple sectors tied to the industry. When employment stopped declining in 2018, growth failed to materialize; seasonally adjusted employment was essentially unchanged from late 2018 to early 2020. Then the COVID-19 pandemic struck.

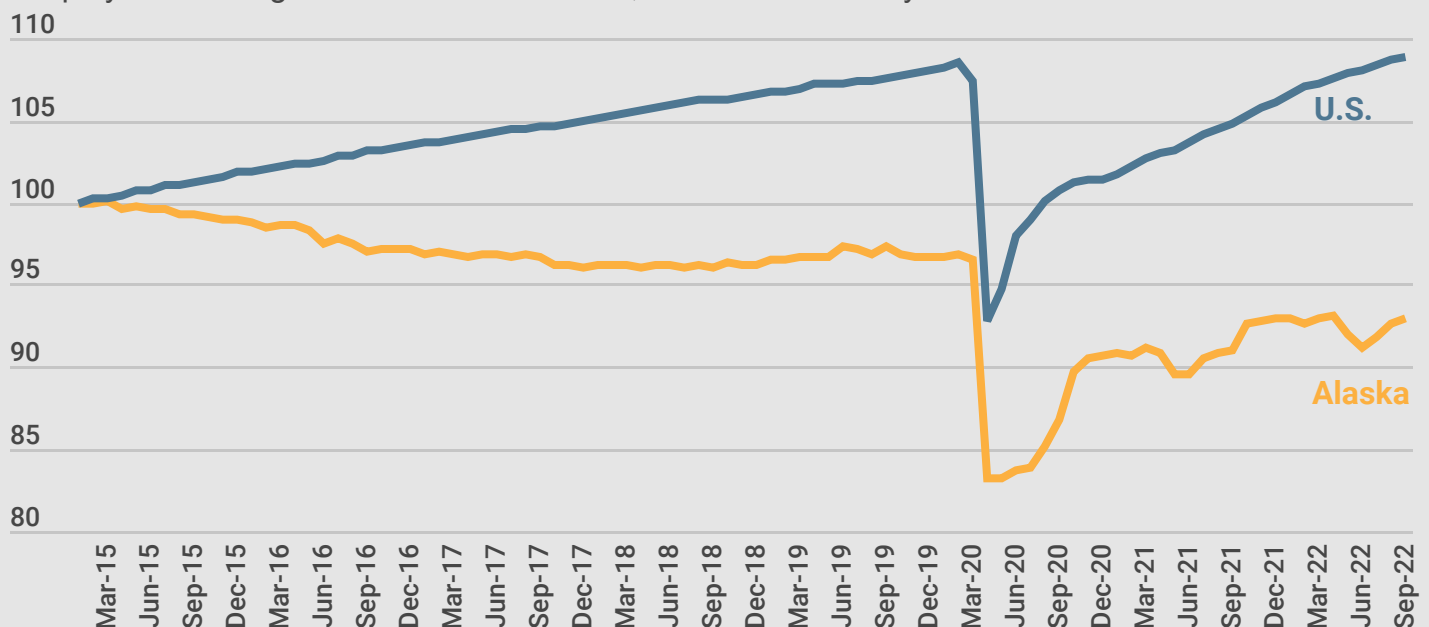
Alaska saw a sharp decline in employment similar to the rest of the U.S. in March and April 2020. However, the state's recovery has been notably slower than for the national economy.

While U.S. employment reached pre-pandemic levels in the summer of 2022, Alaska employment remains well below.

The sections that follow compare Alaska's economic performance from 2015 to 2021 to the other 49 states as well as the District of Columbia. The primary indicators for this analysis are employment growth, unemployment rates, gross domestic product (GDP) and net migration. We show that on all four measures, Alaska ranks at or near the bottom for all states. We then examine state performance from early 2020 to 2022 to document the pandemic-affected period and recovery, in terms of employment growth and GDP. This time period also indicates poor relative performance for Alaska, raising concerns about the state's future growth prospects.

## Employment growth: paths diverge

Employment change in the U.S. and Alaska, indexed to January 2015



Source: BEA

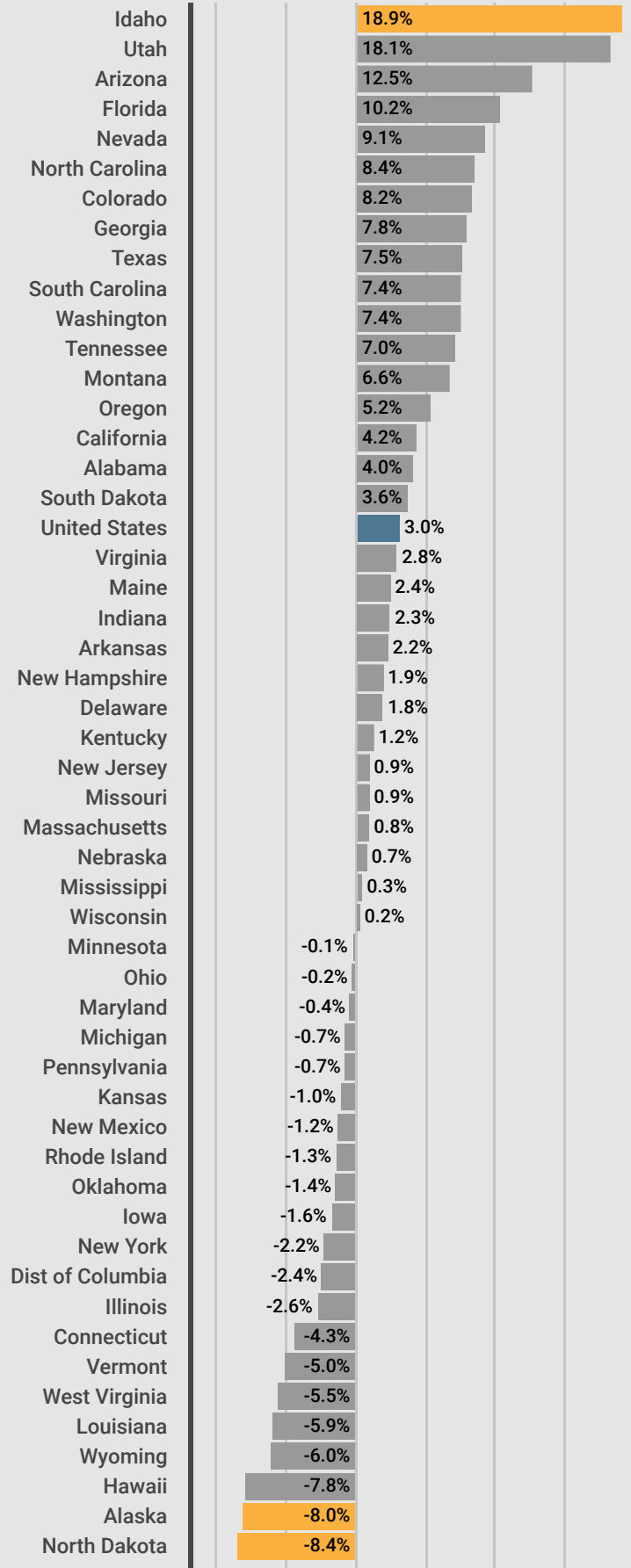
# Employment Growth

Job creation is one of the most intuitive and basic expectations of a healthy economy. The U.S. Bureau of Labor Statistics (BLS) tracks and publishes monthly data on employment and wages in partnership with states. In Alaska, the Department of Labor and Workforce Development (DOL&WD) collects employment and wage data from employers who participate in the unemployment insurance system, under an agreement with BLS. Employment data are released monthly and give a timely picture of economic health, though initial releases are preliminary and subject to revision.

**While the rest of the country experienced employment growth, Alaska employment dropped 8% from 2015 to 2021.**

The U.S. economy enjoyed a decade of steady employment expansion from 2010 to 2020, interrupted by the COVID-19 pandemic. This same decade saw Alaska reach its all-time employment peak in 2015 followed by five years of declining or stagnant employment. For the 2015-2021 time period, Alaska shed 8% of its annual average employment, compared to a gain of 3% nationally. Only North Dakota saw a larger drop in employment with a loss of 8.4%.

## Employment Growth from 2015 to 2021



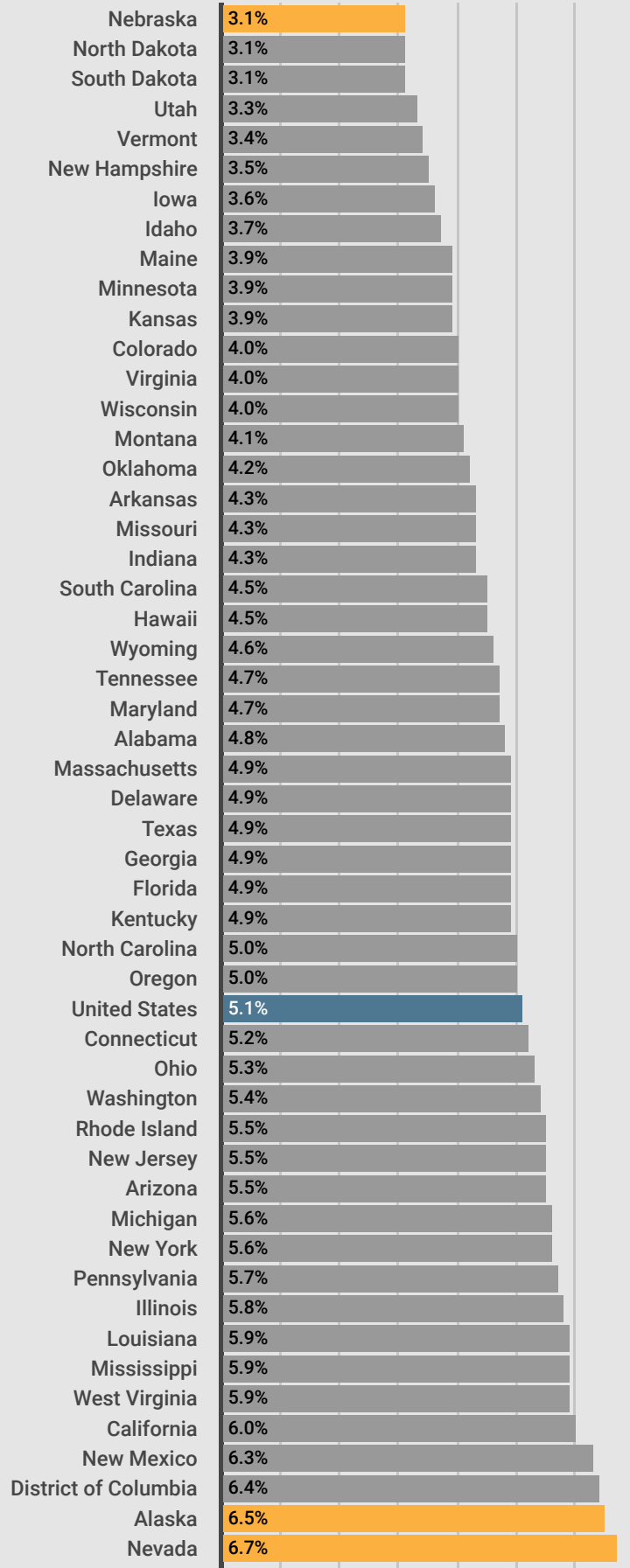
# Unemployment

The unemployment rate is the share of individuals aged 16 and older who are available to work and seeking employment, but do not have a job. It is a frequently-cited indicator of labor market tightness and economic distress. It is possible for a regional economy to show positive employment and GDP growth but still have a relatively high unemployment rate. The reverse can also be true.

Up until the pandemic, the U.S. economy enjoyed a period of historically low unemployment, falling to an annual rate of 3.7% in 2019—a multi-decade low for the country. Alaska, meanwhile, had the highest average rate of any state (or DC) in 2017, 2018, and 2019. Several states suffered worse unemployment in 2020 and 2021, but Alaska’s rates stayed above the national level. Across the 2015 to 2021 time period, Alaska had the second highest average unemployment rate at 6.5%, against 5.1% for the U.S. as a whole. Only Nevada fared worse at 7.2%.

While Alaska’s unemployment rate during this time period was high compared to other states, it was not especially high in historic terms. Monthly unemployment stayed below 7% until the pandemic-induced job losses of 2020. By contrast, the 2008-2010 “Great Recession” saw monthly rates as high as 8.4% in the state, which was still lower than the national rate at the time.

## Average Unemployment Rate, 2015-2021



# GDP Growth

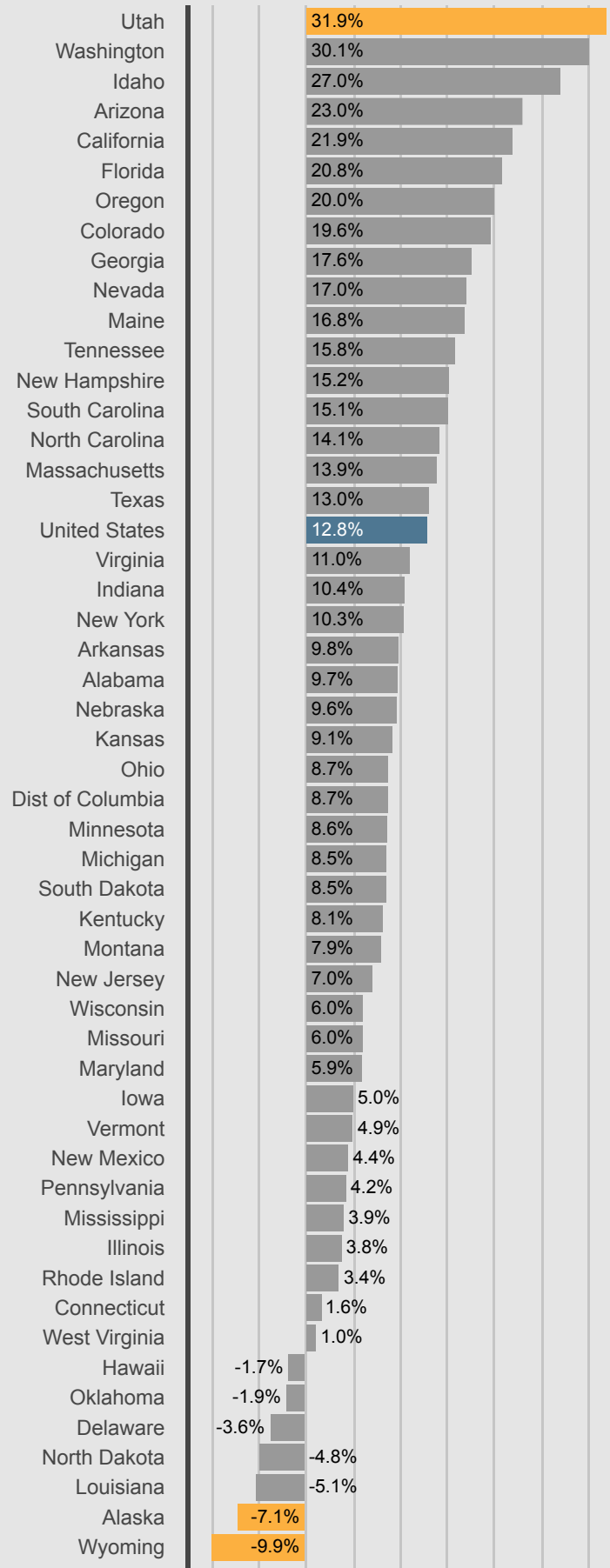
Gross Domestic Product (GDP) is the total value of all goods and services produced in a country, state, or other geography for a given time period. Economists often use GDP growth as the “headline” measure of economic performance, especially for national economies. The U.S. Bureau of Economic Analysis (BEA) publishes official GDP estimates for the U.S. economy as well as each state. These are released quarterly, and subject to revision as more complete data becomes available.

Alaska’s GDP for 2021 was \$57.3 billion, the smallest of all states except Wyoming and Vermont—these are also the only two states with smaller populations than Alaska.

**From 2015 to 2021 state GDP shrank by 7.1%, the second largest decline of all 50 states plus the District of Columbia.**

Real (inflation-adjusted) GDP for Alaska has declined since its peak in 2012. From 2015 to 2021 state GDP shrank by 7.1%, the second largest decline of all 50 states plus the District of Columbia. Wyoming, with a decline of 9.9%, is the only state with a larger decline. Over the same time, U.S. GDP grew by 12.8%.

## Real GDP growth from 2015 to 2021



Source: BEA

# Net Migration

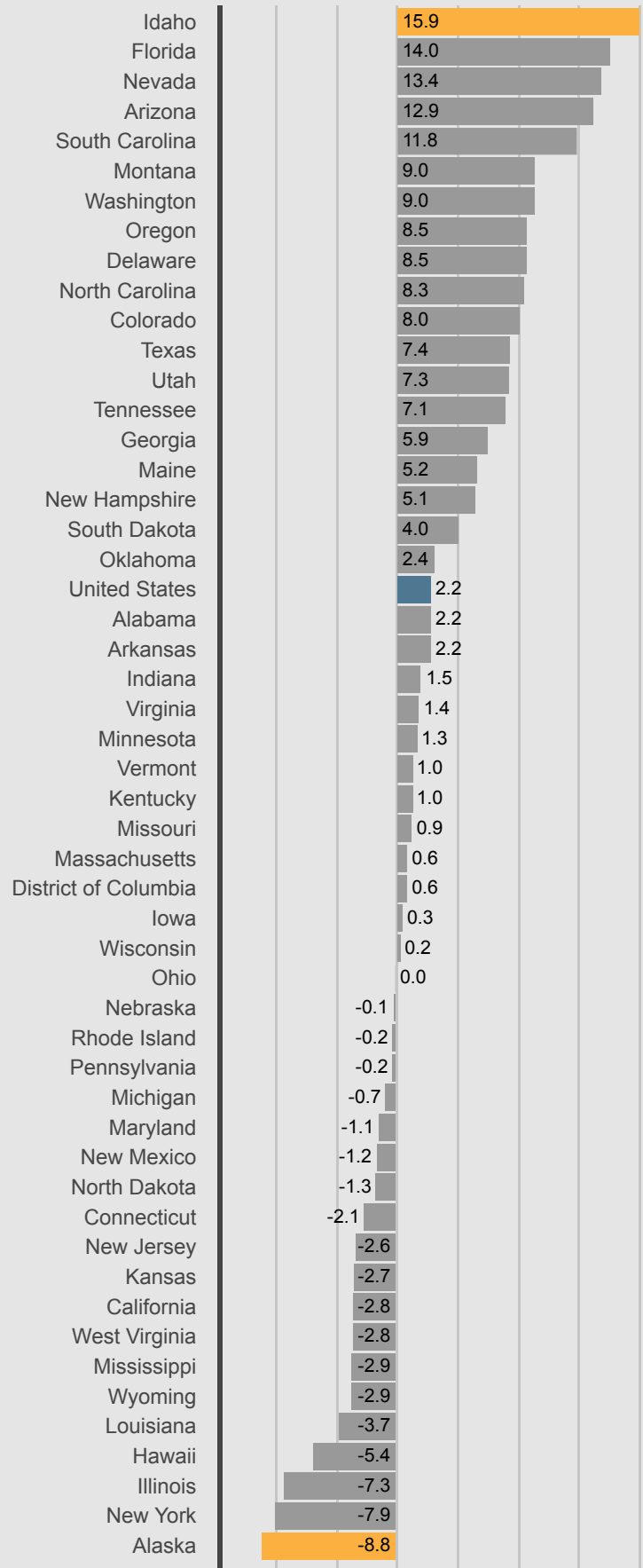
Closely related to declining employment is Alaska’s recent net outmigration streak. Each year from 2012 to 2021, more people have moved away from the state than to it. Net migration can be a useful indicator of economic health at the state or local level for a given timespan. Expanding economies usually attract residents, while contracting economies often lose people. Other factors like living costs, quality of life, housing availability, and education also influence the movement of people. The net migration rate can thus be used as a rough gauge of the desirability of a place for a point in time.

**Alaska’s average annual net migration rate between 2015 and 2021 is the lowest of any state.**

Alaska’s average annual net migration rate between 2015 and 2021 is the lowest of any state, with a loss of 8.8 (-8.8) residents per 1,000. Other low-ranking states include New York (-7.9), Illinois (-7.3) and Hawaii (5.4).

Over the same timespan, the U.S. gained an average of 2.2 residents per 1,000 each year due to migration. Idaho saw the highest net migration rate at 15.9, followed by Florida (14) and Nevada (13.4).

## Average Net Migration Per 1,000 Residents, 2015-2021



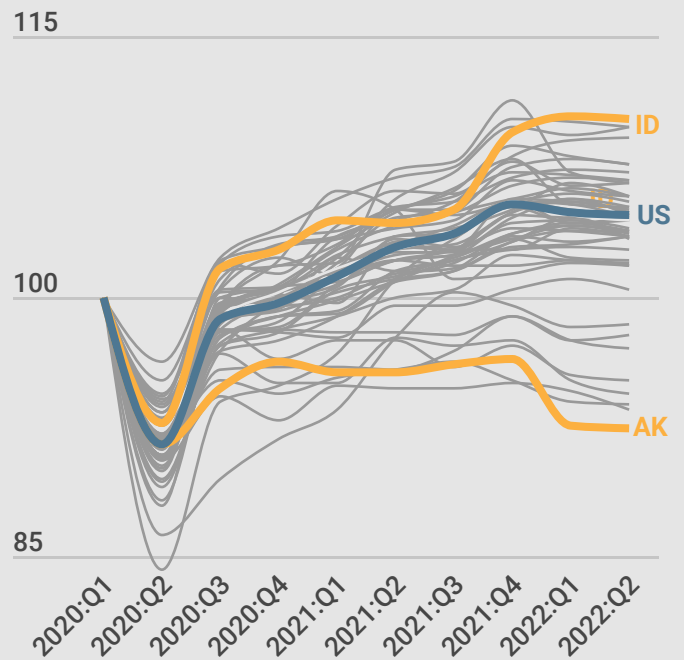
# Pandemic Recovery

Both nationally and at the state level, GDP fell sharply in the second quarter of 2020 as a result of the COVID-19 pandemic. Real (inflation adjusted) GDP growth from Q1 2020 to Q2 2022 can be used as a gauge of recovery to pre-pandemic levels. In Q2 2022, Alaska's real GDP was 7.7% below Q1 2020, the lowest of all 50 states and DC. U.S. GDP was 4.8% higher over the same period.

As with GDP, the employment situation in the U.S. was marked by a sharp fall in the spring of 2020, with states seeing varying degrees of employment recovery up to the present in late 2022. From February 2020 to August 2022, U.S. employment grew by 0.2% on a seasonally adjusted basis, essentially recovering all jobs lost as a result of the pandemic. Alaska's employment was still 3.9% below February 2020, with only Vermont, DC, and Hawaii ranking lower.

One surprising aspect of the pandemic recovery has been low unemployment rates throughout the U.S. In September 2022, Alaska's unemployment rate was only 4.4%—a very low rate by historical standards, but still the fourth highest of all states and DC.

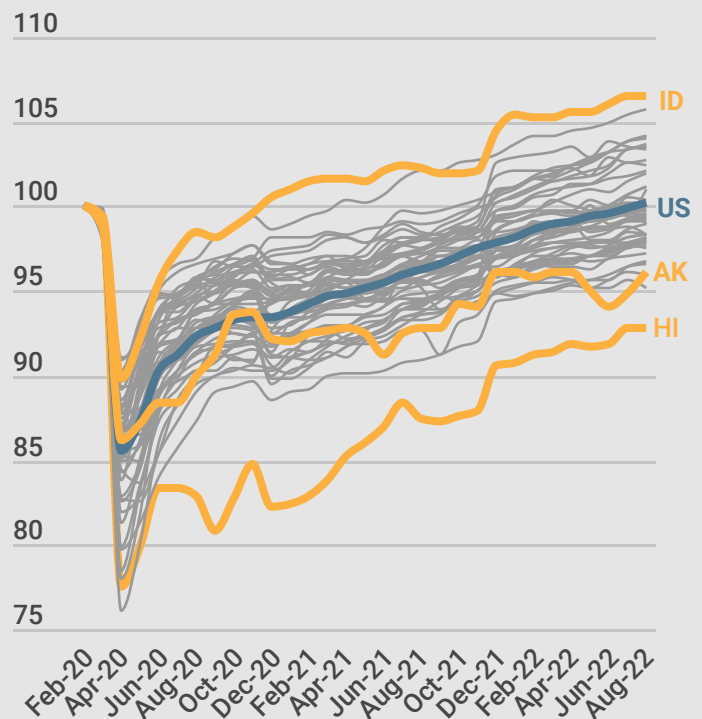
## GDP growth during COVID-19



Index of real GDP growth, Q2 2020=100

Source: US Census Bureau Population Estimates

## Employment recovery during COVID-19



Index of employment change, Feb 2020=100

Source: BLS, seasonally adjusted

# Conclusions

By all measures presented here—employment growth, unemployment, GDP, and net migration—Alaska’s economy appears stuck in a rut relative to the rest of the U.S. This underperformance places Alaska at or near the bottom of all states and DC for the period from 2015 to 2021, as well as the pandemic-affected period from 2020 to the present. This marks seven years of weak or negative growth as measured by GDP and employment, and the highest rate of net outmigration of any state or DC. In 2022, Alaska finds itself making only slow progress back to 2019 employment levels, which were themselves below 2015 levels.

Addressing the underlying causes of Alaska’s failure to grow, and potential solutions to it, is beyond the scope of this brief report. Any potential policy solutions to improve Alaska’s competitiveness, however, should be grounded in a full consideration of Alaska’s recent economic performance, which shows no obvious signs of improvement as these words are written in October 2022.

## 2015-2021 Economic Performance

Measure	United States	Alaska	Alaska Ranking
GDP Growth	12.8%	-7.1%	50/51
Employment Growth	3%	-8.4%	50/51
Net Migration (ann. average)	2.2 per 1,000	-8.8 per 1,000	51/51
Unemployment (ann. average)	5.1%	6.5%	50/51

## 2020-2022 Pandemic Recovery

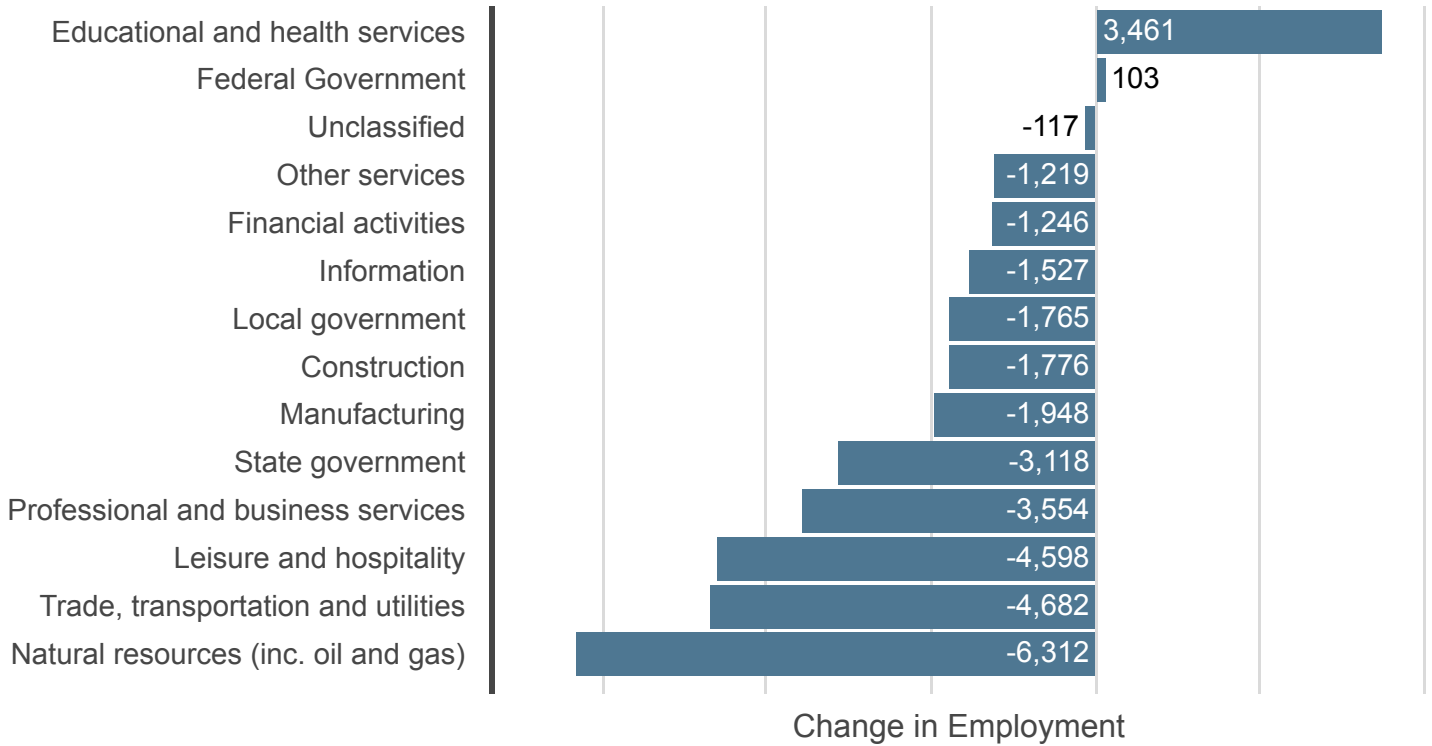
Measure	United States	Alaska	Alaska Ranking
GDP Growth (Q1 2020 to Q2 2022)	4.8%	-7.7%	51/51
Employment Growth (Feb. 2020 to Aug. 2022)	0.2%	-3.9%	48/51
Unemployment Rate (Sept 2022)	3.5%	4.4%	48/51

Ranking includes all 50 states plus the District of Columbia  
Sources: BEA, BLS, Census Bureau.



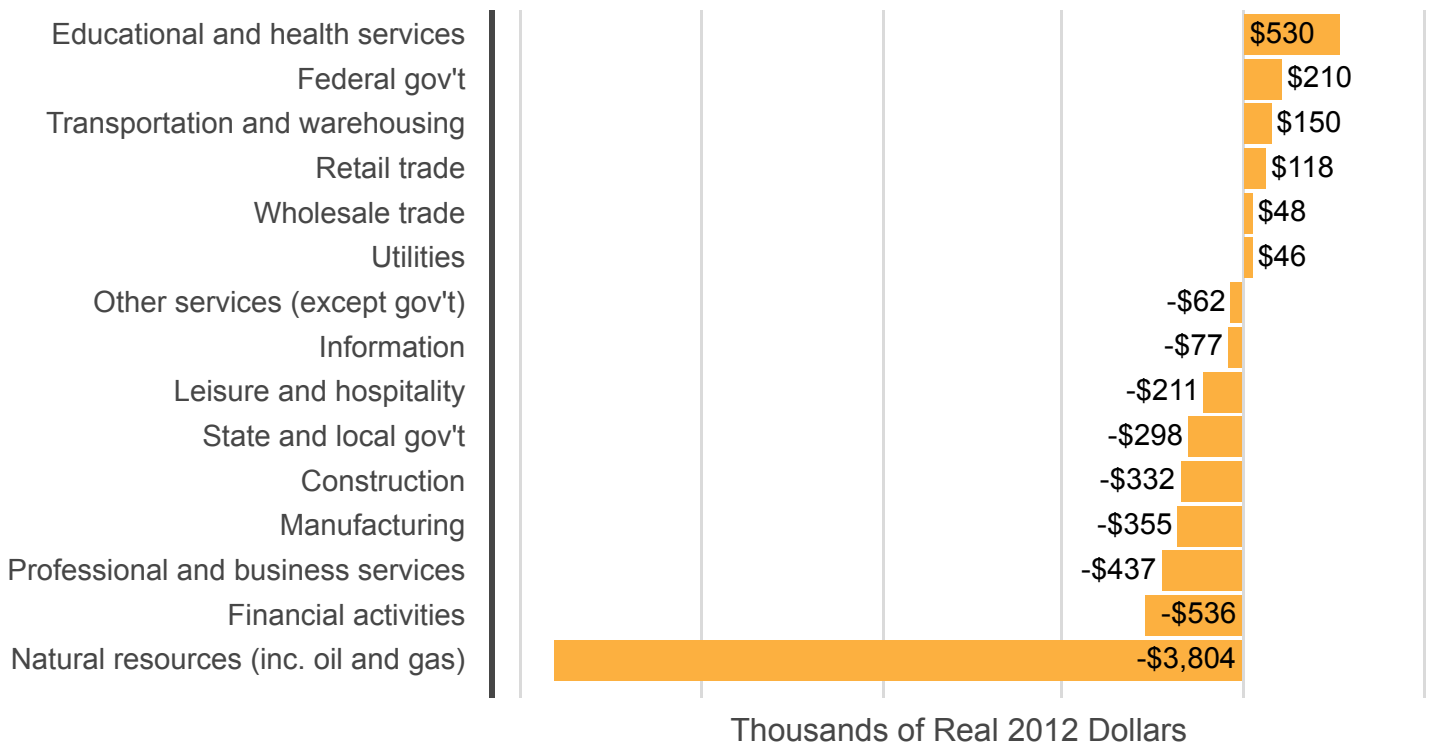
# Appendix

## Change in Employment by sector for Alaska, 2015-2021



Source: Alaska Department of Labor and Workforce Development

## Change in GDP by sector for Alaska, 2015-2021

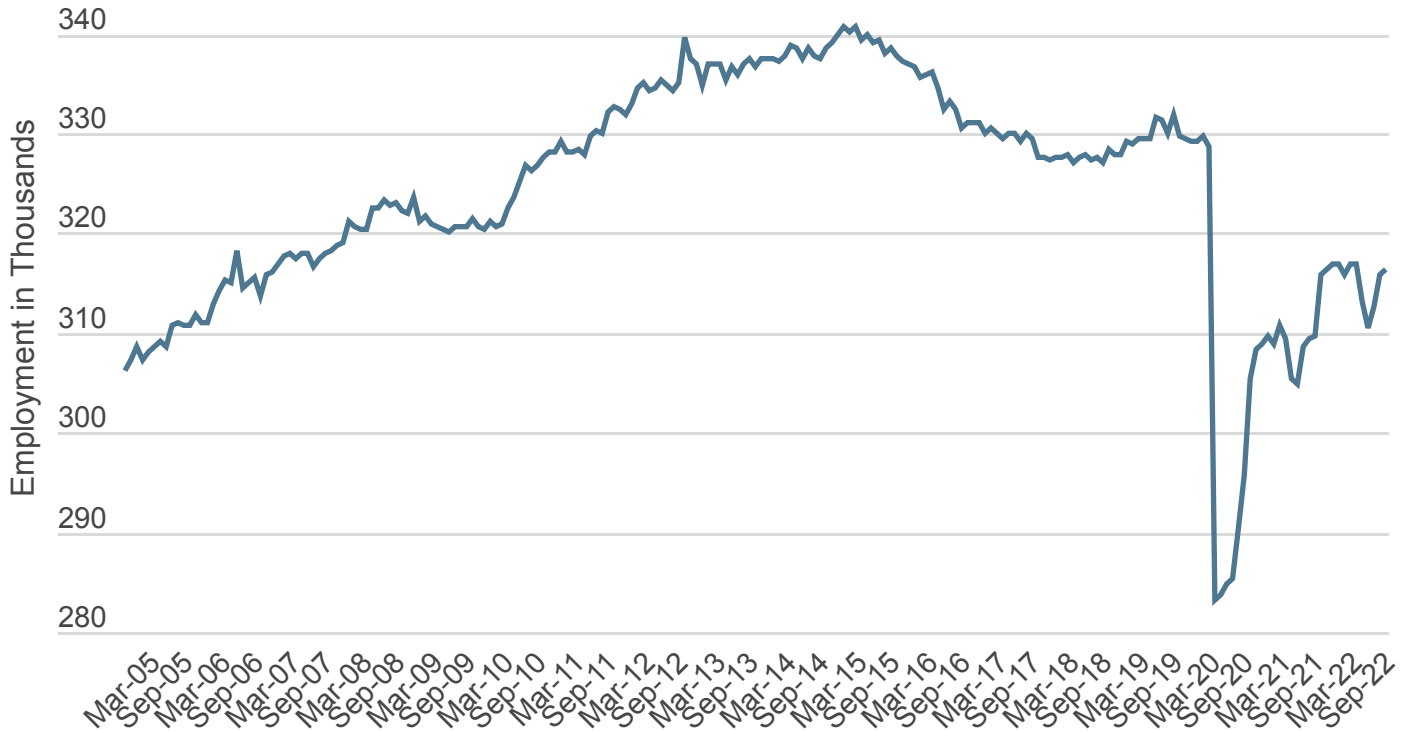


Source: BEA



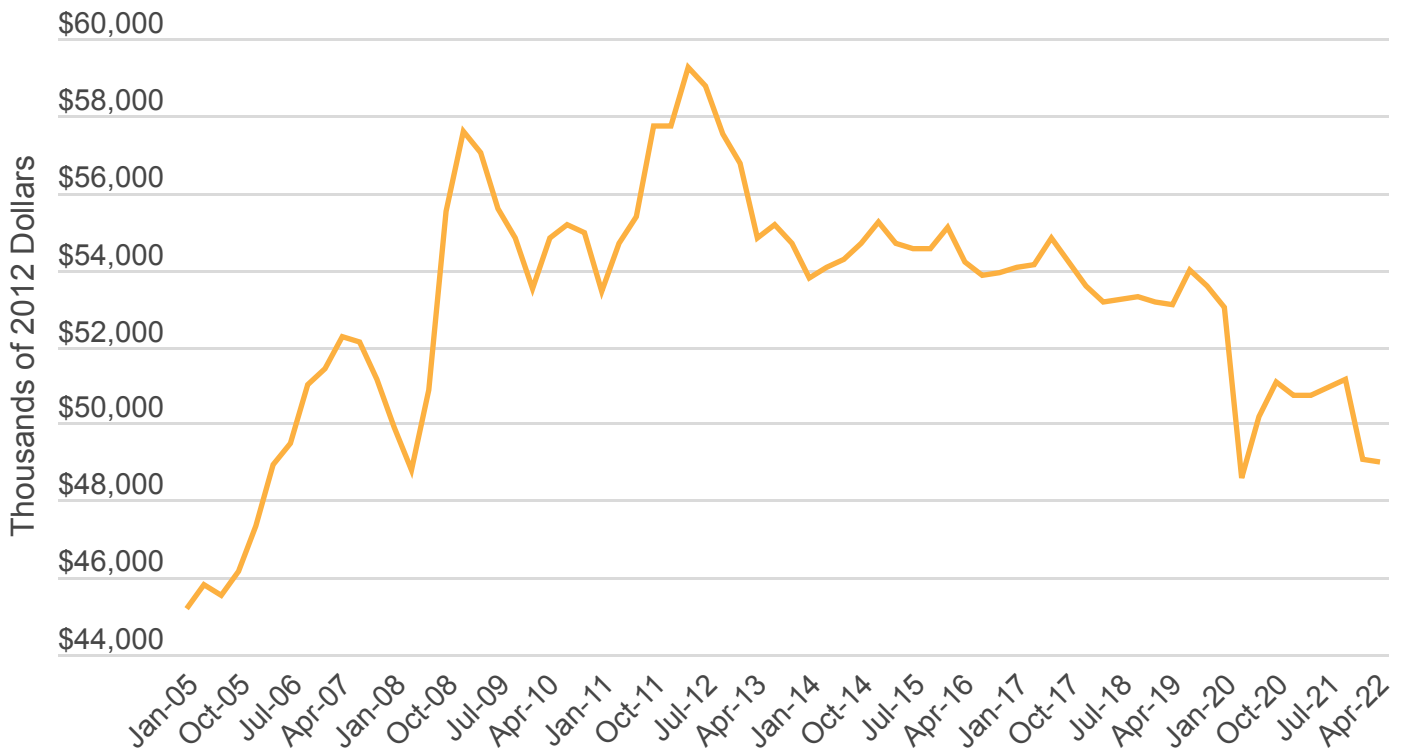
# Appendix

## Monthly employment for Alaska, 2005-2022



Seasonally adjusted. Source: BLS

## Real GDP for Alaska, 2005-2022



Source: BEA

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