

ALASKA ECONOMIC TRENDS

JULY 2014



The Cost of Living in Alaska

ALSO IN THIS ISSUE

The value of Alaska's goods and services in 2013

ALASKA ECONOMIC TRENDS



ALASKA DEPARTMENT OF LABOR
& WORKFORCE DEVELOPMENT

Sean Parnell, Governor
Dianne Blumer, Commissioner

July 2014
Volume 34
Number 7
ISSN 0160-3345

Dan Robinson
Chief, Research and Analysis

Sara Whitney
Editor

Sam Dapcevich
Cover Artist

To contact *Trends* authors or request a free electronic or print subscription, e-mail trends@alaska.gov or call (907) 465-4500. *Trends* is on the Web at labor.alaska.gov/trends.

Alaska Economic Trends is funded by the Employment Security Division of the Alaska Department of Labor and Workforce Development.

Alaska Economic Trends is printed and distributed by Assets, Inc., a vocational training and employment program, at a cost of \$1.11 per copy.

Material in this publication is public information, and with appropriate credit may be reproduced without permission.

On the cover: Shipping goods to Hooper Bay. Photo courtesy of Flickr user Travis S.

Flickr license: creativecommons.org/licenses/by-nc/2.0/legalcode

The Cost of Living in Alaska	4
A look at prices around the state over the past year	
Value of Alaska's Goods and Services	12
The latest release of gross domestic product by state	

Correction

In the June 2014 print edition, Exhibit 5 on page 12 and a related sentence on page 13 have incorrect average housing cost-to-income ratios. The online edition has been corrected.

July Authors



Neal Fried, a Department of Labor economist in Anchorage, specializes in the Anchorage/Mat-Su region's employment, wages, and the cost of living. To reach him, call (907) 269-4861 or e-mail him at Neal.Fried@alaska.gov.



Caroline Schultz, a Department of Labor economist in Juneau, specializes in state-wide employment and wages. To reach her, call (907) 465-6027 or e-mail her at Caroline.Schultz@alaska.gov.

Workforce preparation will help Alaskans pay their bills



**By Dianne Blumer,
Commissioner**



Follow the Alaska Department of Labor and Workforce Development on Facebook (facebook.com/alaskalabor) and Twitter (twitter.com/alaskalabor) for the latest news about jobs, workplace safety, and workforce development.

This month's *Trends* focuses on the cost of living in Alaska. We Alaskans are accustomed to the reality that it's more expensive to live in Alaska than in the Lower 48. One source puts Alaska fourth in the United States for cost of living, and another names Anchorage as the 167th most expensive city in the world to live.

Anchorage's 3.1 percent inflation in 2013 was very near the 10-year average of 2.7 percent.

During the past six years, the cost drivers have changed a bit. Housing, always the biggest part of most families' living expenses, went down elsewhere in the U.S. under the pressure of the recession that began in 2008. Alaska's home prices did not take much of a hit, which meant the cost of housing rose almost 10 percent over the last five years, about double the national rate.

Health care costs have also accelerated, increasing by 38 percent in Anchorage since 2005 compared to 24 percent nationwide.

Utilities are another big component, about a third higher in most Alaska cities than in the rest of the country. Fairbanks in particular has the second-highest utility costs among all American cities in the index.

Because most of the cost-of-living sources only look at the larger cities in our state – Anchorage, Juneau, Kodiak, and Fairbanks – they often miss the considerably higher costs our remote communities pay for essentials like heating, food, and gasoline, which can cost up to \$10 a gallon. All these factors determine what Alaska families need to pay the bills.

They need good jobs.

This is a time of year for transition as many young Alaskans graduate and begin new jobs and education and training opportunities. Representatives of the Alaska Department of Labor and Workforce Development have been honored to attend ceremonies of

celebration across the state.

For example, in Delta Junction, 12 Alaskans are on their way to new career opportunities through Partners for Progress in Delta's 9th Annual Entry Level Heavy Equipment Operator and Mechanic Academy.

The academy develops work-ready skills, allows students to earn certifications in First Aid and MSHA 20, and trains in construction skills and forklift operation.

Providing jobs for Alaskans now and in the future, Gov. Sean Parnell signed SB 138 into law in early May. The bill paves a clear path forward on an 800-mile Alaska LNG Project from the North Slope. In addition to jobs, the project also means more affordable energy for Alaskans.

In addition, the More Alaska Production Act is creating a renaissance in Alaska's oil and gas industry. Two-thirds of Alaska's capital budget and 90 percent of the state's general funds are generated from oil revenue. A recent study by the McDowell Group reported that the petroleum industry supports one-third of all Alaska jobs.

Youth Development Grants

One of our focuses in the Department of Labor is breaking down barriers to employment. We recently announced nearly \$1.4 million in grants to better prepare young Alaskans ages 14 to 21 for the workforce.

The federally funded Workforce Investment Act–Youth program grants are awarded to Alaska schools and nonprofits that serve in-school and out-of-school youth experiencing unemployment and facing obstacles to re-employment and high school completion.

The competitive grants to organizations across Alaska will be used for summer employment opportunities, tutoring, mentoring, internships, and work search and workplace success skills. For a list of the grantees, visit labor.alaska.gov/news/2014/news14-29.pdf.

The Cost of Living in Alaska



A look at prices around the state over the past year

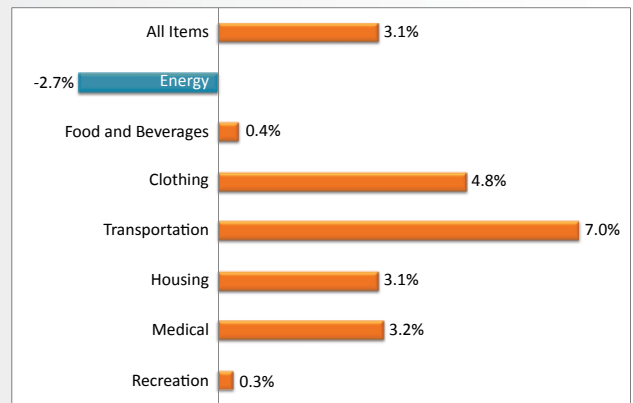
Consumer prices rose 3.1 percent in Anchorage in 2013 — more than the 2.2 percent increase the year before but close to the city’s 10-year average of 2.7 percent.

The big surprise for 2013 was that energy prices went down in Anchorage after playing a major role in the rise over recent years. Instead, the biggest increases were in transportation, medical care, clothing, and housing costs. (See Exhibits 1 and 2.)

The consumer price index, meant to show how costs change over time in a single place, comes out each year for 27 U.S. cities, including Anchorage. (See the sidebar on page 5 for an explanation of the different ways to measure and compare living costs.)

The Anchorage CPI is often considered Alaska’s

1 Prices Went Up, Except Energy Anchorage CPI, 2012 to 2013



Source: U.S. Department of Labor, Bureau of Labor Statistics

de facto measure of inflation. Its major drawback when used as a statewide measure is that Anchorage’s costs aren’t always representative of the rest of the state.

Calculating index changes

Movements of the indexes from one period to another are usually expressed as percent changes rather than index points, because index points are affected by the level of the index in relation to its base period. The following example illustrates the computation of index points and percent changes.

Index Point Change

Anchorage CPI, 2013.....212.4
Less CPI for previous period, Anchorage 2012.....205.9
Equals index point change.....6.5

Percent Change

Index point difference.....6.5
Divided by the previous index.....205.9
Equals.....0.031

Results multiplied by 100.....0.031 x 100
Equals percent change, Anchorage CPI 2013.....3.1%

How much would \$1,000 in 2000 buy in 2013?

The Anchorage CPI can answer the often-asked question, “How can I take a dollar amount from some earlier year and make it current with today’s dollar value?” Use the simple equation below.

2013 Anchorage CPI (most recent, Exhibit 4).....212.4
Divided by 2000 Anchorage CPI (also in Exhibit 4).....150.9
Equals.....1.41
Then multiply 1.41 (\$1,000 in the year 2000 dollars) = \$1,410
in current or 2013 dollars.

See labor.alaska.gov/research/cpi/inflationcalc.htm for an inflation calculator. The calculator can also deflate dollars to an earlier year’s value.

According to a global cost-of-living index of 1,766 cities produced by *expatistan.com*, Anchorage was the 167th most expensive city in the world, sandwiched between Düsseldorf, Germany, and Malmo, Sweden. Paris was 33 percent more expensive than Anchorage.

Housing is the heavyweight

The price direction of most goods and services is roughly the same everywhere and subject to national and global market conditions, but housing can be an exception.

Housing represents the largest “weight” in the consumer price index, meaning that’s where the average consumer spends the largest share of his or her consumption dollar. (See Exhibit 3.)

As a result, housing has a powerful influence on the overall index. It also gives an index its local flavor because an area’s market determines home prices.

The Anchorage and national housing markets diverged over the past five years as the recession of the late 2000s took a much larger toll on the U.S. market. As a result, the housing component of Anchorage’s CPI increased by 9.4 percent over the past four years versus 4.7 percent for the nation. As the national housing market continues to recover, though, this trend is likely to change.

Medical care up 3.2 percent

Although medical care’s weight isn’t large enough to influence the overall index much, its long-term cost increase eclipses all others. (See Exhibit 4.) Since 2005, medical care costs in Anchorage have grown by 38 percent versus 24 percent for the overall index.

Two ways to measure cost of living

1. In a specific place over time (inflation)

Anchorage is one of 27 cities — and the smallest — where the U.S. Bureau of Labor Statistics tracks changes in consumer prices. Because it’s the only CPI in Alaska, it’s often treated as the de facto statewide measure of inflation. Although there’s a CPI for the U.S. and for a number of communities around the country, these indexes cannot be used to compare costs between locations.

BLS goes to great lengths and expense to produce the CPI through elaborate surveys of consumer spending habits. These surveys look at a “market basket” of items, and BLS gives them location-specific weights. The market basket, used in most cost-of-living indexes, is a sample of goods and services believed to best represent how average consumers in that location spend their money. The market basket typically includes housing, food, transportation, medical care, and entertainment.

The inflation rate is used to adjust the value of the dollar over time. Workers, unions, employers, and many others also pay attention to the CPI because bargaining agreements and other wage rate negotiations often incorporate an adjustment for inflation. The CPI also plays a role in long-term real estate rental contracts, child support payments, and budgeting.

Most Alaskans are affected when the Permanent Fund Corporation uses the CPI to inflation-proof the fund, and nearly all senior citizens are affected when Social Security payments are adjusted each year using the CPI.

2. Differences between places

The other way to assess the cost of living is to look at cost differences between places. For example, according to the Council for Community and Economic Research, it costs 25 percent more to live in Fairbanks than Tacoma, Wash. A variety of studies and data sources compare the costs of living among Alaska communities and other places around the country. These data are used to calculate geographic pay differentials, relocation decisions, and sometimes allocation of funds.

These studies generally assume a certain consumption pattern and investigate how much more, or less, it would cost to buy the same goods and services in different areas. Some of these data are more comprehensive than others, and because there can be several sources for the same areas, it’s important to weigh the strengths and weaknesses of the data sets, which each section of this article discusses for each source. Some may better suit a particular need, or in some cases it may work best to cobble together several sources.

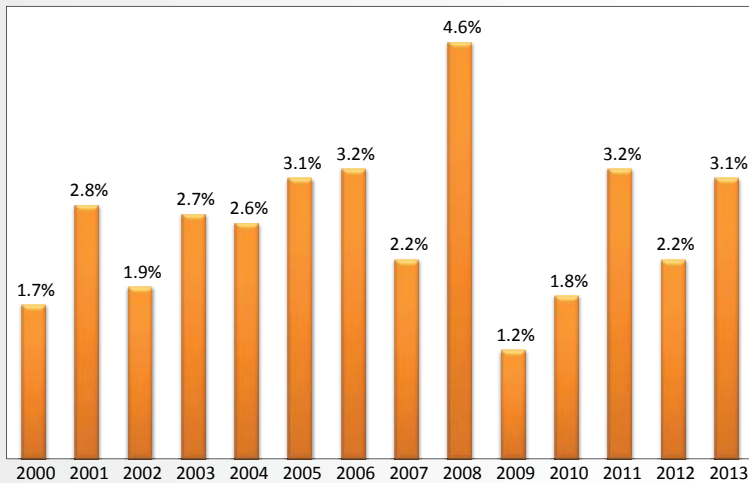
Looking at ‘the average consumer’

All cost-of-living measures have their shortcomings. No two consumers spend their money alike, nor does any index accurately capture all the differences. For example, the average household in Nome may spend money differently from the average household in Sitka, and they may differ even more dramatically from a family in Los Angeles. An index may or may not take these differences into account, depending on how sophisticated it is.

Another challenge for these types of studies is that consumer spending habits are continuously in flux. Technology advances, tastes change, and people react differently to changes in prices.

2 Inflation in Anchorage

Change in CPI, 2000 to 2013



Source: U.S. Department of Labor, Bureau of Labor Statistics

Alaska cities are all above the U.S. average

Unlike the consumer price index, which is based solely on Anchorage and measures price changes over time, the Council for Community and Economic Research’s cost-of-living survey compares costs for 300 U.S. cities including four in Alaska.

This survey, published quarterly and annually, is a widely cited source of cost-of-living differences between cities and includes 59 specific items. (See exhibits 5 through 7.)

Each component is weighted to represent the consumption pattern of a professional or executive household in the top income quintile. For example, the housing component carries a weight of 26 percent, considerably lower than the CPI, which represents the consumption pattern of all consumers in the cities studied.

This survey has two drawbacks — it doesn’t factor in taxes, for which Alaska has a clear advantage, and it doesn’t account for differing consumption patterns around the country.

The costs of living in Anchorage, Juneau, Fairbanks, and Kodiak were well above the 300-city average. Anchorage weighed in at 127.0, or 27 percent above the national average. Fairbanks

registered 136.4, Juneau was 130.9, and Kodiak measured 133.1. Alaska’s communities weren’t the highest in the country, though — nine places had index values higher than anywhere in Alaska.

Expenditures in all categories, not just housing, were higher in the Alaska cities and topped the national averages. Medical costs were considerably higher in Alaska and so were utilities, with the exception of Anchorage because of its reliance on less expensive natural gas.

Fairbanks registered the second-highest utility costs of all surveyed cities at 241.6 — only Hilo, Hawaii was higher at 249.9.

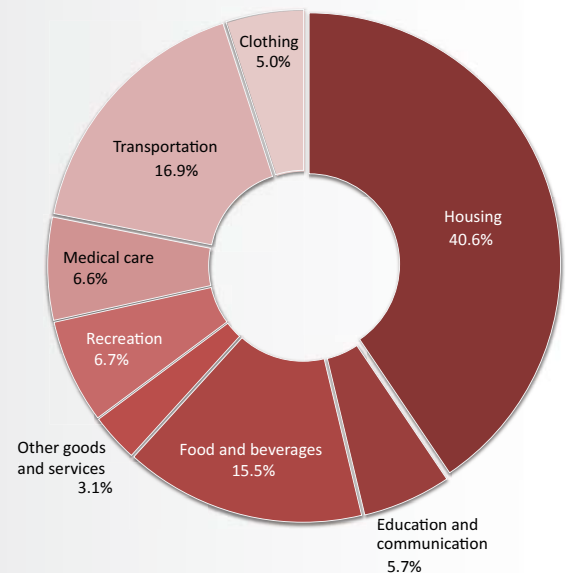
Other common purchases tended to cost more in Alaska, too. (See exhibits 6 and 7.) Based on the above survey, the “Quarter Pounder Index” ranked three of Alaska’s cities in the top five for the price of the iconic sandwich.

Alaska ranked 4th among states

The previously mentioned survey has a number of spinoffs, including a cost-of-living series the Missouri Economic Research and Information Center publishes yearly to rank the most expensive states.

3 Where the Money Goes

Anchorage CPI, December 2013



Source: U.S. Department of Labor, Bureau of Labor Statistics

4

Costs in Anchorage and U.S. City Average

Consumer Price Index, select expenses, 2000 to 2013 annual averages

ALL ITEMS					ALL ITEMS MINUS HOUSING				
Year	Anchorage average	% chg from previous yr	U.S. average	% chg from previous yr	Year	Anchorage average	% chg from previous yr	U.S. average	% chg from previous yr
2000	150.9	1.7%	172.2	3.4%	2000	156.1	1.7%	165.7	3.4%
2001	155.2	2.8%	177.1	2.8%	2001	160.6	2.9%	169.7	2.4%
2002	158.2	1.9%	179.9	1.6%	2002	162.2	1.0%	170.8	0.6%
2003	162.5	2.7%	184.0	2.3%	2003	166.5	2.7%	174.6	2.2%
2004	166.7	2.6%	188.9	2.7%	2004	171.7	3.1%	179.3	2.7%
2005	171.8	3.1%	195.3	3.4%	2005	177.5	3.4%	186.1	3.8%
2006	177.3	3.2%	201.6	3.2%	2006	182.9	3.0%	191.9	3.1%
2007	181.2	2.2%	207.3	2.8%	2007	187.7	2.6%	196.6	2.5%
2008	189.5	4.6%	215.3	3.8%	2008	198.0	5.5%	205.5	4.5%
2009	191.7	1.2%	214.5	-0.4%	2009	199.2	0.6%	203.3	-1.0%
2010	195.1	1.8%	218.1	1.6%	2010	202.2	1.5%	208.6	2.6%
2011	201.4	3.2%	224.9	3.2%	2011	209.2	3.4%	217.0	4.0%
2012	205.9	2.2%	229.6	2.1%	2012	212.8	1.7%	221.4	2.0%
2013	212.4	3.1%	233.0	1.5%	2013	219.2	3.0%	223.8	1.1%

HOUSING					TRANSPORTATION				
Year	Anchorage average	% chg from previous yr	U.S. average	% chg from previous yr	Year	Anchorage average	% chg from previous yr	U.S. average	% chg from previous yr
2000	134.2	1.1%	169.6	3.5%	2000	150.5	4.7%	153.3	6.2%
2001	139.0	3.6%	176.4	4.0%	2001	153.0	1.7%	154.3	0.7%
2002	143.5	3.2%	180.3	2.2%	2002	151.5	-1.0%	152.9	-1.0%
2003	146.8	2.3%	184.8	2.5%	2003	158.3	4.5%	157.6	3.1%
2004	149.1	1.6%	189.5	2.5%	2004	162.7	2.8%	163.1	3.5%
2005	153.1	2.7%	195.7	3.3%	2005	171.7	5.5%	173.9	6.6%
2006	159.2	4.0%	203.2	3.8%	2006	178.6	4.0%	180.9	4.0%
2007	163.5	2.7%	209.6	3.1%	2007	180.7	1.2%	184.7	2.1%
2008	167.6	2.5%	216.3	2.2%	2008	199.7	10.5%	195.5	5.9%
2009	173.7	3.7%	217.1	0.4%	2009	190.2	-4.8%	179.3	-8.3%
2010	175.2	0.9%	216.3	-0.4%	2010	198.6	4.4%	193.4	7.9%
2011	180.4	2.9%	219.1	1.3%	2011	207.9	4.7%	212.4	9.8%
2012	185.2	2.7%	222.7	1.6%	2012	212.1	2.0%	217.3	2.3%
2013	190.1	3.1%	227.4	2.1%	2013	227.0	7.0%	217.4	—

FOOD AND BEVERAGES					MEDICAL CARE*				
Year	Anchorage average	% chg from previous yr	U.S. average	% chg from previous yr	Year	Anchorage average	% chg from previous yr	U.S. average	% chg from previous yr
2000	151.7	2.2%	168.4	2.3%	2000	272.1	4.3%	260.8	4.1%
2001	156.4	3.1%	173.6	3.1%	2001	282.9	4.0%	272.8	4.6%
2002	157.9	1.0%	176.8	1.8%	2002	—	—	285.6	4.7%
2003	161.8	2.5%	180.5	2.1%	2003	—	—	297.1	4.0%
2004	168.9	4.4%	186.6	3.4%	2004	—	—	310.1	4.4%
2005	173.1	2.5%	191.2	2.5%	2005	344.2	—	323.2	4.2%
2006	176.2	1.8%	195.7	2.4%	2006	356.1	3.5%	336.2	4.0%
2007	184.2	4.6%	203.3	3.9%	2007	367	3.0%	351.1	4.4%
2008	192.3	4.4%	214.2	5.4%	2008	380.6	3.7%	364.1	3.7%
2009	191.8	-0.2%	218.2	1.9%	2009	397.0	4.3%	375.6	3.2%
2010	191.4	-0.2%	220.0	0.8%	2010	419.7	5.7%	388.4	3.4%
2011	198.3	3.6%	227.9	3.6%	2011	442.0	5.3%	400.3	3.0%
2012	203.1	2.4%	233.8	2.6%	2012	461.3	4.3%	414.9	3.6%
2013	203.9	0.4%	237.0	1.4%	2013	476.1	3.2%	425.1	2.5%

CLOTHING					ENERGY				
Year	Anchorage average	% chg from previous yr	U.S. average	% chg from previous yr	Year	Anchorage average	% chg from previous yr	U.S. average	% chg from previous yr
2000	124.5	-1.0%	129.6	-1.3%	2000	131.0	12.7%	124.6	16.9%
2001	131.1	5.3%	127.3	-1.8%	2001	143.2	9.3%	129.3	3.8%
2002	126.7	-3.4%	124.0	-2.6%	2002	140.1	-2.2%	121.7	-5.9%
2003	123.2	-2.8%	120.9	-2.5%	2003	149.9	7.0%	136.5	12.2%
2004	123.9	0.6%	120.4	-0.4%	2004	164.4	9.7%	151.4	10.9%
2005	121.3	-2.1%	119.5	-0.1%	2005	185.4	12.8%	177.1	17.0%
2006	126.9	4.6%	119.5	0	2006	211.2	13.9%	196.9	11.2%
2007	123.4	-2.8%	119.0	-0.4%	2007	232.2	9.9%	207.7	5.5%
2008	130.9	6.1%	118.9	-0.1%	2008	272.9	17.5%	236.7	13.9%
2009	135.6	3.6%	120.1	1.0%	2009	251.5	-7.8%	193.1	-18.4%
2010	139.7	3.0%	119.5	-0.5%	2010	260.3	3.5%	211.4	9.5%
2011	142.8	2.2%	122.1	2.2%	2011	288.5	10.8%	243.9	15.4%
2012	149.0	4.3%	126.3	3.4%	2012	291.5	1.1%	246.1	0.9%
2013	156.1	4.8%	127.4	0.9%	2013	283.5	-2.7%	244.4	-0.7%

*No index was created for Anchorage medical care costs between 2002 and 2004.

Source: U.S. Department of Labor, Bureau of Labor Statistics

5 Alaska Cities Expensive for Professional Households

Select U.S. cities, first quarter 2014

Region and city	Total index	Groceries	Housing	Utilities	Transportation	Health care	Misc.
Alaska							
Anchorage	127.0	123.5	155.5	95.0	105.0	138.7	122.2
Fairbanks	136.4	122.0	136.3	241.6	111.5	149.7	118.0
Juneau	130.9	128.6	157.1	149.5	112.4	150.4	109.8
Kodiak	133.1	139.6	138.9	160.6	131.1	140.5	117.1
West							
Portland, OR	121.7	116.4	155.6	93.0	108.1	112.9	112.3
Honolulu, HI	175.1	157.7	274.4	205.7	124.0	111.9	123.5
San Francisco, CA	163.9	126.0	300.1	102.3	109.5	117.2	118.2
Los Angeles/Long Beach, CA	131.4	103.3	200.8	114.2	108.0	111.2	105.2
Las Vegas, NV	104.6	108.4	107.3	91.7	100.6	102.1	106.8
Reno, NV	95.8	101.6	87.0	80.6	105.8	92.5	101.6
Seattle, WA	118.2	107.9	141.6	99.6	117.9	111.8	110.6
Spokane, WA	95.7	93.5	89.2	80.2	96.7	110.1	104.0
Tacoma, WA	106.3	106.2	97.2	102.1	104.8	108.8	114.8
Boise, ID	95.3	94.4	87.0	93.7	104.1	95.9	99.3
Bozeman, MT	101.1	103.8	111.7	90.4	96.0	107.7	95.7
Southwest/Mountain							
Salt Lake, UT	94.8	94.9	92.3	91.7	105.3	94.6	93.8
Phoenix, AZ	95.5	99.8	92.0	98.6	101.2	105.9	91.8
Denver, CO	106.6	100.3	121.2	98.1	99.8	105.6	102.8
Dallas, TX	95.7	101.5	73.2	101.5	99.1	100.5	107.2
Houston, TX	98.2	84.4	110.0	91.6	91.6	91.2	100.2
Midwest							
Cleveland, OH	99.1	102.8	94.1	105.6	99.0	105.2	98.8
Chicago, IL	117.5	106.9	134.9	96.7	129.8	99.4	112.4
Minneapolis, MN	108.2	104.5	115.0	96.5	108.4	98.3	109.3
Southeast							
Fort Lauderdale, FL	113.5	107.7	144.7	98.5	112.4	96.8	98.6
Miami, FL	110.5	106.5	125.9	98.5	112.6	104.3	103.8
Birmingham, AL	92.5	100.4	73.9	101.6	93.8	85.5	101.8
Atlanta, GA	97.6	103.6	92.5	93.0	100.3	96.3	99.7
Atlantic/New England							
New York City/Manhattan, NY	220.3	145.9	443.8	140.7	127.5	110.0	150.2
Boston, Mass.	135.6	118.2	168.4	133.8	108.9	118.0	130.2
Philadelphia, PA	118.8	115.1	133.7	125.4	108.1	95.0	114.3

Source: The Council for Community and Economic Research

The survey, which doesn't take city sizes into account, put Alaska in fourth place in 2013 with an index value of 131.4. (See Exhibit 8.) This ranking is based on Anchorage, Juneau, Kodiak, and Fairbanks, which represent about 60 percent of Alaska's population.

The military's cost index

The studies and surveys discussed in the rest of this article focus on cost differences within the state.

The military's OCONUS index — produced by the Department of Defense for all of its "overseas" locations including Alaska, Afghanistan, and Hawaii — compares costs in 24 Alaska communities. (See Exhibit 9.)

The military pays allowances to service members stationed in high-cost areas, adjusting according to spendable income only — that is, it excludes housing expenses, taxes, savings, and life insurance. The military handles housing separately through its housing allowance program.

This index's results generally line up with other cost-of-living sources in this article. OCONUS found the highest prices in Barrow, Bethel, Nome, and Wainwright and the lowest in Wasilla, Anchorage, Fairbanks, Clear, and College. The last two places are both near Fairbanks.

Most comprehensive study is dated, but useful

In 2009, the state released the Alaska Geographic Differential Study, which was primarily created to adjust salary levels for state workers by area and remains the most comprehensive intrastate study. It's also the only analysis that covers rural Alaska.

Unlike other surveys, this one created market baskets and weights for each community, making it useful for looking at the overall difference in cost of living between places as well as comparing items within specific categories.

The differential study determined Kotzebue was the most expensive community and identified the Aleutians as the most costly region.

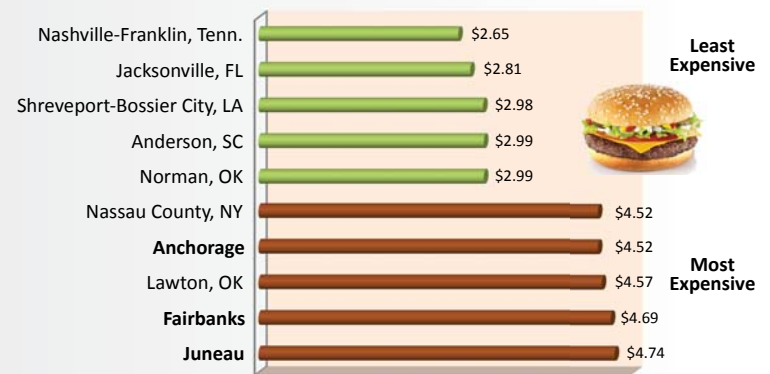
The entire report is available at doa.alaska.gov/dop/gds/home.html.

Grocery costs around the state

Four times a year, the University of Alaska Fairbanks' Cooperative Extension Service conducts surveys for the cost of food at home for a week in approximately 20 Alaska communities and Portland, Ore., to show how these towns' food costs compare to Anchorage. (See Exhibit 10.)

Although local buying habits vary, this study assumes an identical market basket in all communities. The basket is designed to represent minimum levels of nutrition at the lowest possible cost for a

6 How Much for a Quarter Pounder? Juneau's burger costs the most, 2013



Source: The Council for Community and Economic Research, "Quarter Pounder Index"

7 What Common Items Cost in Various Cities Alaska vs. U.S. averages, 2013

	Ground beef, lb	6-pack Heineken	Half-gallon whole milk	Dozen eggs	Bananas, pound	Med pizza, cheese	Frozen meal
Anchorage	\$4.09	\$10.26	\$2.43	\$2.43	\$0.82	\$10.00	\$2.97
Fairbanks	\$4.35	\$10.88	\$2.43	\$2.43	\$0.83	\$12.33	\$3.47
Juneau	\$4.00	\$9.78	\$2.64	\$2.64	\$0.85	\$13.44	\$3.31
Kodiak	\$4.67	\$10.49	\$2.69	\$2.69	\$1.14	\$12.64	\$4.35

Average of U.S. Cities	\$3.50	\$8.51	\$2.34	\$1.81	\$0.59	\$9.02	\$2.58
High U.S. City	\$4.67	\$13.32	\$3.56	\$3.73	\$1.21	\$13.44	\$5.00
Low U.S. City	\$2.30	\$6.79	\$1.44	\$1.19	\$0.44	\$7.37	\$1.83

	2-bdrm apartment	Doctor visit	Mens haircut	Annual vet exam	Gasoline, gallon	Movie at theater
Anchorage	\$1,277	\$164.15	\$17.67	\$58.27	\$3.75	\$10.68
Fairbanks	\$1,192	\$168.67	\$13.24	\$47.04	\$4.01	\$11.33
Juneau	\$1,407	\$164.67	\$18.00	\$65.65	\$4.07	\$10.50
Kodiak	\$1,461	\$159.22	\$26.67	\$71.00	\$4.34	\$6.00
Average of U.S. Cities	\$893	\$101.16	\$13.95	\$46.74	\$3.44	\$9.42
High U.S. City	\$3,783	\$182.71	\$26.67	\$96.91	\$4.34	\$13.79
Low U.S. City	\$458	\$61.67	\$7.17	\$26.67	\$3.08	\$5.25

Note: These costs are for the average of the lowest prices available.
Source: The Council for Community and Economic Research

8 10 Costliest States in 2013 U.S. average = 100

State	Index	State	Index
1 Hawaii	156.9	6 California	128.1
2 New York	136.4	7 Rhode Island	125.7
3 Connecticut	132.6	8 Massachusetts	122.1
4 Alaska	131.4	9 New Hampshire	120.7
5 New Jersey	130.0	10 Vermont	120.5

Source: Missouri Economic Research and Information Center

9 Military Index Alaska, 2014

Location	Index
Anchorage	130
Barrow	158
Bethel	158
Clear AFS	134
College	134
Cordova	136
Delta Junction	136
Fairbanks	134
Homer	140
Juneau	134
Kenai (includes Soldotna)	140
Ketchikan	142
King Salmon (incl Bristol Bay)	140
Kodiak	136
Nome	158
Petersburg	142
Seward	130
Sitka	144
Spuce Cape	138
Tok	132
Unalaska	138
Valdez	136
Wainwright	158
Wasilla	128
Other	158

Source: U.S. Department of Defense, effective date January 2014

family of four.

In recent years, the study began to factor in the costs of ordering groceries through the mail from urban merchants, which is a common rural practice. It also covers the prices of other basics such as utilities and fuel.

All of the Alaska communities' food costs were higher than Anchorage, but Bethel's groceries cost the most by far. Relative to Anchorage, a family in Bethel would have to spend more than double on a week's worth of food, and Bethel's other covered costs were correspondingly high. The second-highest food costs were in Cordova at 151 percent of Anchorage.

\$10 fuel oil in Arctic Village

The Alaska Department of Commerce, Community, and Economic Development conducts a semi-annual survey of fuel prices in 100 Alaska communities. For most of the communities, fuel prices didn't change much between 2013 and 2014.

The towns with the highest fuel prices were wholly dependent on air transportation for their supplies, followed by communities that depend on seasonal barge delivery. (See Exhibit 11.)

Gasoline prices ranged from \$3.69 a gallon in Fairbanks to \$10 in Arctic Village. Arctic Village also had the most

10 The Prices of Food and Other Essentials By area, June 2013

Community	Food at home for a week*	Percent of Anchorage	Electricity 1,000 kwh	Heating oil (#1)/gallon	Unleaded gas/gallon	Propane per gallon	Lumber 2"X4"X8'
Anchorage	\$164.56	100%	\$140.84	\$3.50	\$3.90	\$3.73	\$3.53
Bethel	\$336.85	205%	\$404.63	\$7.12	\$7.13	\$10.16	\$7.01
Cordova	\$248.65	151%	\$277.85	\$4.45	\$5.03	\$4.40	\$5.89
Fairbanks	\$167.29	102%	\$323.31	\$4.55	\$4.59	\$5.64	\$7.01
Haines	\$223.54	136%	\$225.51	\$4.36	\$4.59	\$3.99	\$4.39
Homer	\$191.86	117%	\$202.87	\$3.61	\$4.23	\$4.12	\$3.86
Kenai-Soldotna	\$168.59	102%	\$200.04	\$3.27	\$4.13	\$4.15	\$3.73
Ketchikan	\$177.91	108%	\$124.70	\$4.04	\$4.13	\$3.68	\$4.10
Palmer-Wasilla	\$173.61	105%	N/A	N/A	N/A	N/A	N/A
Portland, OR	\$130.27	79%	\$119.00	\$3.88	\$3.65	\$2.83	\$2.57
Sitka	\$201.04	122%	\$100.70	\$3.94	\$4.48	\$3.35	\$4.19
Tok	\$230.22	140%	\$336.73	\$4.43	\$4.23	\$3.47	\$4.45
Unalaska/Dutch Harbor	\$223.83	136%	N/A	N/A	N/A	N/A	N/A
Valdez	\$215.77	131%	\$184.00	\$4.20	\$4.47	\$3.87	\$4.70

*Weekly cost for a family of four with children ages 6 to 11. Note: Not all covered communities were available.

Source: University of Alaska Fairbanks, Cooperative Extension Service

11 High Rural Fuel Prices

January 2014

Community ¹	Heat. fuel #1, residential	Gasoline, regular	Method of transportation
Anvik	\$6.00	\$6.50	Barge
Arctic Village	\$10.00	\$10.00	Air
Atkasuk ²	\$1.40	\$4.10	Barge/Air
Barrow ³	–	\$7.00	Barge
Chenega Bay	\$7.22	\$7.60	Barge
Cordova	\$4.34	\$4.80	Barge
Delta Junction	\$4.08	\$3.81	Truck
Dillingham	\$5.97	\$7.09	Barge
Emmonak	\$6.20	\$6.59	Barge
Fairbanks	\$4.09	\$3.69	Refinery/Truck
Glennallen	\$3.80	\$4.25	Truck
Gambell	\$6.25	\$6.75	Barge
Homer	\$3.82	\$3.92	Barge/Truck
Hoonah	\$4.28	\$4.54	Barge
Hooper Bay	\$6.90	\$6.55	Barge
Hughes	\$9.00	\$8.25	Air
Huslia	\$7.00	\$6.00	Barge
Juneau	\$4.31	\$4.09	Barge
Kodiak	\$4.00	\$4.17	Barge
Kotzebue	\$6.15	\$7.99	Barge
Nelson Lagoon	\$6.25	\$6.40	Barge
Nenana	\$4.62	\$4.09	Truck
Nondalton	\$6.28	\$6.28	Air
Pelican	\$5.14	\$5.01	Barge
Petersburg	\$4.02	\$4.32	Barge
Port Lions	\$4.95	\$4.85	Barge
Russian Mission	\$5.80	\$6.45	Barge
Unalaska	\$4.44	\$5.11	Barge
Valdez	\$4.20	\$4.19	Refinery/Barge

¹This is a partial list of the 100 communities surveyed.

²The North Slope Borough subsidizes heating fuel.

³Barrow uses natural gas as a source of heat.

Source: Department of Commerce, Community, And Economic Development, Current Community Conditions: Fuel Prices Across Alaska, January 2014 Update

expensive heating fuel at \$10 a gallon. The lowest was Glennallen at \$3.80.

With few exceptions, smaller and more remote communities had significantly higher fuel prices than the more urban areas.

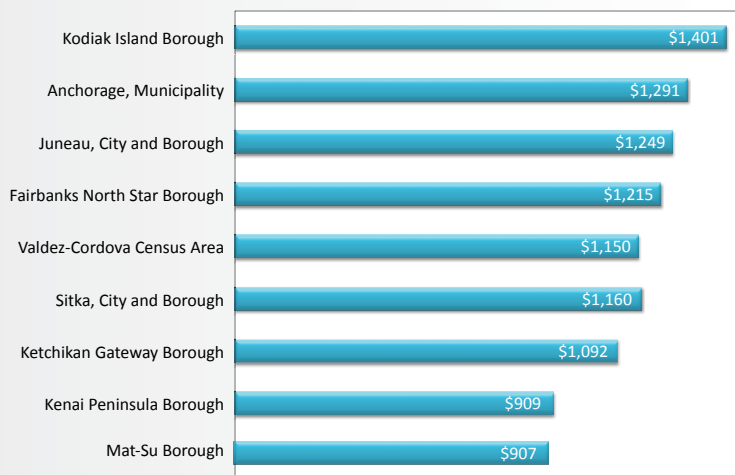
Housing costs and affordability

Because housing makes up such a large slice of a household's expenditures, it's often a good proxy for an area's cost of living. The Alaska Housing Finance Corporation contracts with the Alaska Department of Labor and Workforce Development to collect housing data for eight boroughs and other areas around the state each year.

Exhibits 12 and 13 show average rental costs and

12 Rent for a Two-Bedroom Apartment

Alaska, 2013



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

housing prices for 2013, and as in the past, Juneau topped both lists.

Prices don't tell the entire story, though. The housing affordability index, calculated for 10 areas in the state, takes into account not just housing prices but also the ability to pay. It measures the number of monthly paychecks, based on an area's average earnings, necessary to buy the average home or pay the typical rent. (See Exhibit 14.)

Combining these two factors produces some noteworthy differences. For example, though the

Continued on page 15

13 Single-Family Homes

Average price by area, 2013

Juneau, City and Borough	\$349,238
Anchorage, Municipality	\$347,552
Ketchikan Gateway Borough	\$320,180
Statewide	\$303,626
Kodiak Island Borough	\$303,082
Matanuska-Susitna Borough	\$256,510
Fairbanks North Star Borough	\$247,816
Bethel Census Area	\$245,279
Kenai Peninsula Borough	\$238,103

Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and Alaska Housing Finance Corporation

Value of Alaska's Goods and Services

The latest release of gross domestic product by state

The value of all goods and services produced within Alaska was estimated at \$59.4 billion in 2013. The Bureau of Economic Analysis releases this figure, known as gross domestic product, each year for all states as well as the nation.

Alaska's GDP shrunk by \$1.3 billion¹ from 2012 to 2013, which was a decline of 2.5 percent. The loss was almost entirely due to a \$1.2 billion decline in the mining sector — mostly oil and gas — a result of lower oil production and slightly lower commodity prices.

Other industries had smaller ups and downs of no more than \$250 million in either direction. Excluding the losses in mining, the private sector increased its economic output slightly in 2013, but government losses offset that gain.

An example is mining, which generated 29 percent of Alaska's GDP in 2013 at a value of more than \$17 billion. Only Wyoming's mining industry produced a larger slice of its GDP, at 37 percent. Alaska's mining industry was sixth-largest in terms of GDP following Texas, Oklahoma, Louisiana, California, and Colorado.

Though mining is Alaska's leading generator of economic activity through its oil and gas production, mining jobs made up just 5 percent of total employment in 2013. (See Exhibit 1.)

Conversely, retail jobs were 11 percent of Alaska employment in 2013 but accounted for just 4 percent of state GDP. This doesn't mean industries like retail aren't important to Alaska's economy, but they aren't as likely to be a core economic driver.

GDP reflects mining's central role

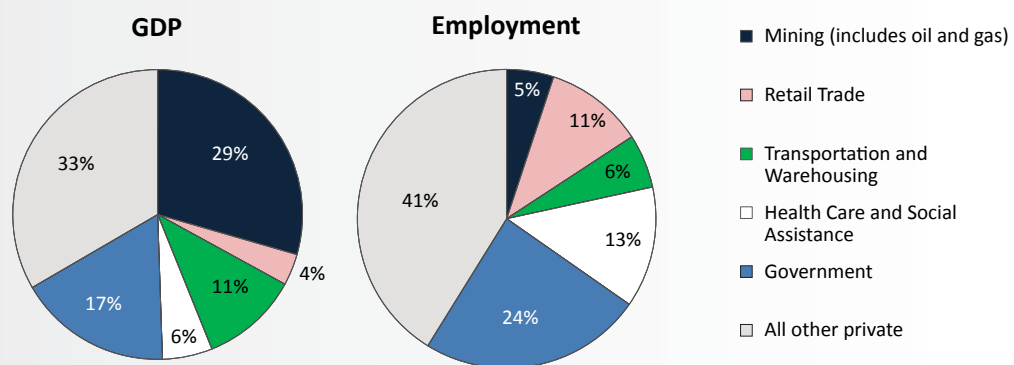
State GDP can be more telling than employment levels in gauging industry contributions to the

¹Adjusted for inflation

Oil and gas, then government

Although detailed industry-level data aren't yet available for 2013, in past years, the oil and gas industry typically constituted around 80 percent

1 GDP, Employment Levels Emphasize Different Industries Alaska, 2013



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

of mining in Alaska and around a quarter of state GDP. In 2012, the most recent year for which detailed sub-industry data are available, Alaska's oil and gas industry's state GDP contribution was the largest among states.

Government was the second-largest contributor to state GDP in 2013 at 17 percent, with an estimated worth of more than \$10 billion. (See Exhibit 2.) Transportation and warehousing was the third-largest, mainly because of the Trans-Alaska Oil Pipeline.

Only Alaska and Washington, D.C. had a real (inflation-adjusted) decline in GDP in 2013. Alaska's reliance on the oil and gas industry is generally advantageous, as was demonstrated by the buffer it provided during the recent national recession. However, this dependence makes Alaska's GDP highly sensitive to changes in the oil industry's economic output. (See Exhibit 3.)

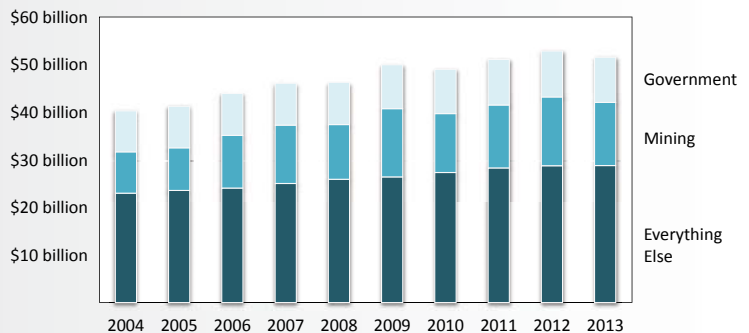
Alaska's second largest contributor, government, declined in 39 states plus Washington, D.C. and was the main reason D.C.'s GDP fell.

Government's contribution to Alaska's GDP fell 2 percent in 2013, reversing an eight-year trend of moderate growth. Cuts to local and federal government payrolls, as well as some military cuts, were likely the main factors in 2013's loss.

Changes from year to year

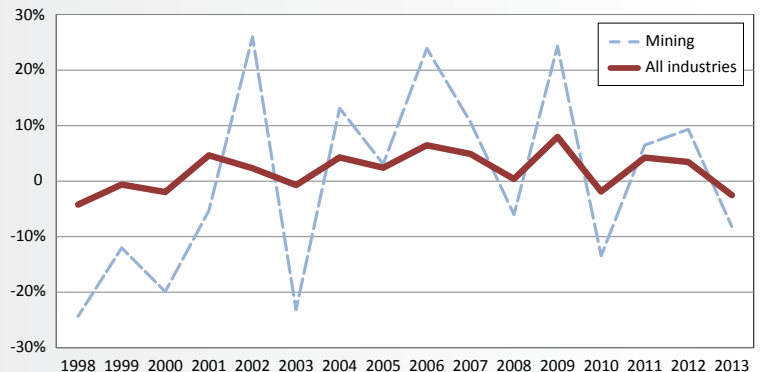
Year-over-year changes in Alaska's GDP don't correlate with changes in employment. (See Exhibit 4.) For example, 2009 was the only year of job losses in the past 26 years, yet it was a strong year for GDP growth. GDP fell in 2003, 2010 and 2013, and employment grew in all of those years. Employment levels are much more resilient to change compared to GDP, particularly changes in the production value of oil and gas.

2 What Makes Up Alaska's GDP 2004 to 2013



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

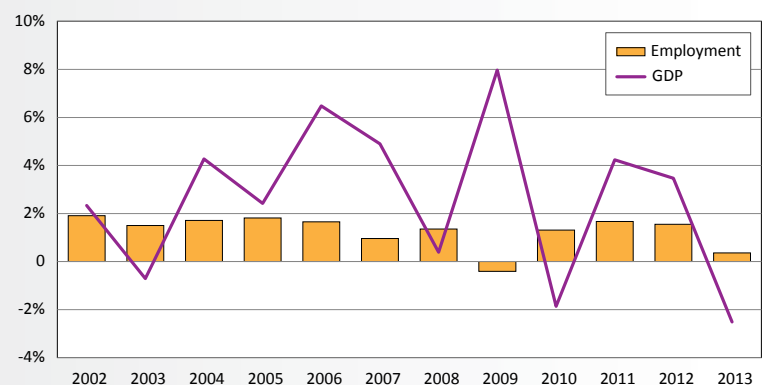
3 Mining Volatility Drives GDP Change Alaska, 1998 to 2013



Note: These values have been adjusted for inflation.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

4 Employment, GDP Don't Move Together Alaska, 2002 to 2013

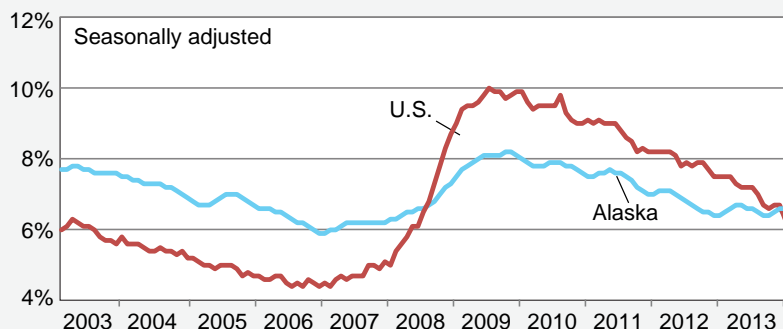


Note: These values have been adjusted for inflation.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Employment Scene

1 Unemployment Rates January 2003 to May 2014

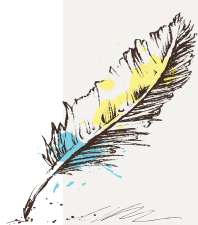


Sources: Alaska Department of Labor and Workforce Development, Research and Analysis; and U.S. Bureau of Labor Statistics

2 Unemployment Rates Boroughs and census areas

	Prelim. 5/14	Revised 4/14	Revised 5/13
SEASONALLY ADJUSTED			
United States	6.3	6.3	7.5
Alaska Statewide	6.4	6.4	6.5
NOT SEASONALLY ADJUSTED			
United States	6.1	5.9	7.3
Alaska Statewide	6.1	6.4	6.3
Anchorage/Mat-Su Region	5.2	5.4	5.4
Municipality of Anchorage	4.9	4.9	5.0
Matanuska-Susitna Borough	6.4	7.2	6.8
Gulf Coast Region	6.3	7.3	6.8
Kenai Peninsula Borough	6.5	7.5	6.9
Kodiak Island Borough	4.9	4.8	5.2
Valdez-Cordova Census Area	7.0	9.1	8.1
Interior Region	6.1	6.5	6.4
Denali Borough	4.7	14.8	6.0
Fairbanks North Star Borough	5.3	5.4	5.6
Southeast Fairbanks Census Area	10.4	11.4	10.2
Yukon-Koyukuk Census Area	14.4	15.5	14.4
Northern Region	9.5	9.3	9.7
Nome Census Area	11.6	11.7	12.2
North Slope Borough	4.5	3.9	5.0
Northwest Arctic Borough	15.4	16.1	14.7
Southeast Region	5.6	6.5	5.6
Haines Borough	7.3	9.2	6.5
Hoonah-Angoon Census Area	10.1	19.5	11.2
Juneau, City and Borough	4.1	4.5	4.1
Ketchikan Gateway Borough	5.5	6.7	5.6
Petersburg Census Area	8.6	9.8	7.9
Prince of Wales-Hyder Census Area	13.1	13.3	12.5
Sitka, City and Borough	4.6	4.8	4.8
Skagway, Municipality	3.3	12.9	2.6
Wrangell, City and Borough	6.9	7.3	6.6
Yakutat, City and Borough	8.6	8.9	7.7
Southwest Region	13.8	13.2	14.9
Aleutians East Borough	12.4	6.3	19.1
Aleutians West Census Area	12.3	6.0	15.9
Bethel Census Area	15.3	15.9	15.9
Bristol Bay Borough	2.8	7.3	2.9
Dillingham Census Area	9.2	10.0	9.3
Lake and Peninsula Borough	6.8	9.9	6.9
Wade Hampton Census Area	23.3	23.4	23.1

Sources: Alaska Department of Labor and Workforce Development, Research and Analysis; and U.S. Bureau of Labor Statistics



This month in Trends history

A newly constructed **sawmill is now in operation in Metlakatla**. The mill, which is owned by the Alaska Prince Timber Company, will provide full-time, year-round employment for 12 plus a peak employment of 60 when operating to full capacity, according to information published by the Southeast

JULY 1969

Alaska Empire. As an additional benefit of the sawmill's operation, it is anticipated that more oceangoing ships will call at Metlakatla, resulting in longshoremen jobs for residents.

Fluor Ocean Services Inc. has been awarded a contract by Trans-Alaska Pipeline System for engineering and design of the marine portion of a **tanker terminal at Valdez for the projected Trans-Alaska Pipeline**. Fluor is scheduled to begin the engineering design in its Houston office with subsequent field supervision coordinated by the firm's Anchorage branch. When it is completed in 1971, the terminal is expected to be capable of handling deep draft vessels in excess of 100,000 tons. Preliminary work in the form of subsurface exploration to provide necessary design data is being done by Alaska Geological Consultants of Anchorage.

The Department of Labor and Workforce Development has published *Alaska Economic Trends* as far back as 1961 and other labor market summaries since the late 1940s. Historical *Trends* articles are available at labor.alaska.gov/trends as far back as 1978, and complete issues are available from 1994.

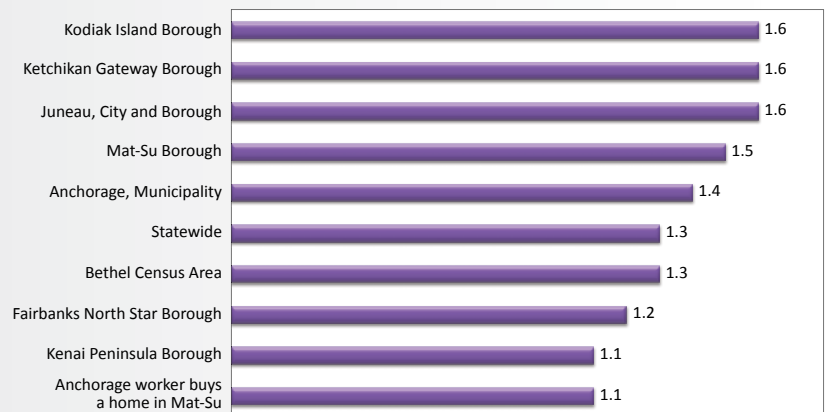
THE COST OF LIVING

Continued from page 11

Matanuska-Susitna Borough's average home costs \$91,000 less than it would in Anchorage, the affordability of a home in Anchorage purchased by an Anchorage worker is about the same as a Mat-Su worker buying a Mat-Su home. This is because average earnings in Mat-Su are relatively low.

It's considerably more affordable for someone who works in Anchorage, where average earnings are higher, to buy a home in Mat-Su. This is why many Mat-Su residents commute to Anchorage or to the North Slope, where earnings are also high.

14 Paychecks Needed to Buy a House Alaska, second half 2013



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Employer Resources

Strategies for recruiting and retaining valuable veterans

Many U.S. companies have already pledged to hire 100,000 veterans over the next few years — some make the pledge because it's good for business and others because they believe it's the right thing to do. The fact is that hiring veterans *is* good for business. In addition to job-specific technical military training, many veterans have other skills that benefit the civilian labor market in a variety of industries.

All branches of the military emphasize character development, which often produces employees who are reliable, trustworthy, and have a strong work ethic. Veterans also tend to be loyal, which leads to lower turnover rates.

Many veterans have already been tried and tested in highly stressful situations. They've proven their ability to learn new skills quickly, work as part of diverse teams, and triumph over adversity. Perhaps most importantly, many veterans are proven and experienced leaders. They lead from the front and by example, even in high stress and rapidly changing environments.

Most employers realize that veterans can be tremendous assets, but many don't have effective veteran recruitment and retention strategies. Consider the following strategies to recruit more veterans:

- Add a veteran section to your company's Web page.

For an example, see Cardinal Health's veteran page at www.cardinal.com/us/en/Careers/Veterans.

- Develop marketing materials that clearly communicate your company values veterans.
- Attend veteran-specific job fairs, such as the one held in Anchorage each November.
- Seek to understand the military culture and how various military jobs translate into the civilian workforce. One great resource is www.mynextmove.org/vets/.

To retain valuable veterans, incorporate them into the culture of your company:

- Staff veterans together so they can share their experiences and have a sense of camaraderie.
- Clearly communicate norms, roles, performance expectations, policies, and expected timelines for promotion.
- Reiterate your commitment to veterans and the value they bring to your company.

You can find qualified veterans through any of the Alaska Job Center offices statewide. Contact your local job center or call (888) 830-4473 for additional information or to locate qualified applicants.

Employer Resources is written by the Employment Security Division of the Alaska Department of Labor and Workforce Development.