

# HOW WE SPEND OUR MONEY

**Data on Alaskans' personal consumption available for the first time**

By **NEAL FRIED**

**P**ersonal consumption spending by state was released for the first time last year, and it showed Alaskans consumed \$34 billion in goods and services in 2014. These statistics are important nationally because personal consumption expenditures represent about two-thirds of U.S. economic activity. It's a closely watched economic indicator with the power to move the stock market and affect economic policy.

Personal consumption is often considered the nation's broadest measure of how consumers feel about the economy — the prevailing wisdom is that if we're spending more, things must be good, and vice versa. Although what we can conclude from the state data alone is limited (see the sidebar for more information), it can help paint a more comprehensive picture of the state's economy when combined with other economic indicators, such as employment and income.

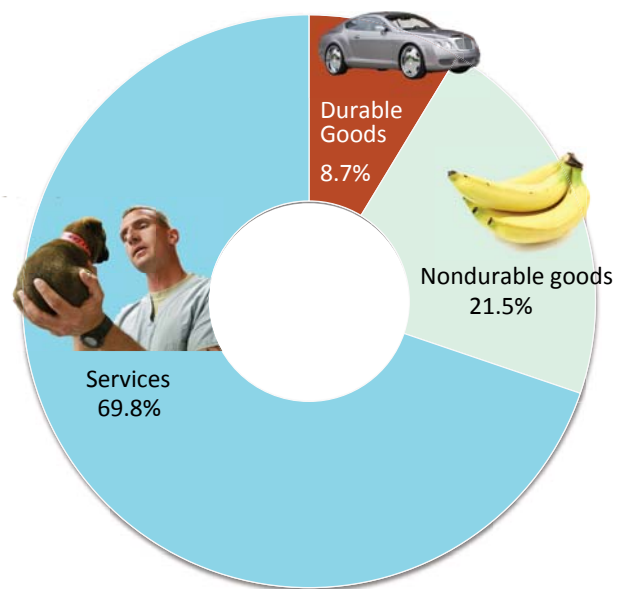
## Where we spent this \$34 billion

This \$34 billion went mainly toward services, at 70 percent. (See Exhibit 1.) Services include not just what we spend in obvious places such as the barbershop or mechanic's garage, but what's spent on our behalf. The biggest piece is in health care, which includes what employers, Medicare, and Medicaid contribute.

The other 30 percent is for "stuff," which is broken down into durables and nondurables. Durable goods

## 1 We Mainly Buy Services

ALASKA PERSONAL CONSUMPTION, 2014



Source: U.S. Bureau of Economic Analysis

include items that last at least three years, such as cars, furniture, and many appliances. Nondurables include not just food but clothing, gasoline, and medication — things that typically come to mind when we think of consumables.

Alaska consumers don't spend much differently from

## A new statistic for Alaska

The U.S. Bureau of Economic Analysis, which releases the monthly national personal consumption expenditure data, released the first statistics for individual states in 2015. Unlike the national data, BEA calculated the state figures on an annual basis and released them two years after the fact.

This first release was for 1997 through 2014, making it more of a “rearview mirror” economic indicator than a hint at future trends. The categories are also broad and lack detail. Finally, most of the data come not from consumers but other sources such as the more business-oriented economic census conducted by the U.S. Census Bureau.

Despite these shortcomings, Alaska’s personal consumption expenditure data can be useful for looking at the big economic picture when combined with other state indicators. It can also help explain some of the differences and similarities between Alaskan consumer behavior and the rest of the nation and, because the data go back to 1997, provide historical economic insight.

the rest of the nation, which may seem surprising, as we’re often outliers in other economic indicators. (See Exhibit 2.) One exception is health care, where we spend 20 percent of our consumer dollars versus 16 percent nationwide.

Alaska’s health care costs are higher than anywhere else in the country, at an average of \$9,303 per person in 2014. In contrast, the national average was \$6,128. Alaskans also spent more on food, both at the grocer and at restaurants, as a share of total consumption as well as per capita.

## 2 How Per Capita Spending Compares ALASKA AND THE U.S., 2014

	Alaska	Percent Share	U.S.	Percent Share
<b>Personal consumption expenditures</b>	<b>\$46,229</b>	<b>100%</b>	<b>\$37,196</b>	<b>100%</b>
<b>GOODS</b>	<b>\$14,008</b>	<b>30%</b>	<b>\$12,365</b>	<b>33%</b>
<b>Durable goods</b>	<b>\$4,031</b>	<b>9%</b>	<b>\$4,015</b>	<b>11%</b>
Motor vehicles and parts	\$1,113	2%	\$1,381	4%
Furnishings and durable household equipment	\$1,000	2%	\$903	2%
Recreational goods and vehicles	\$1,464	3%	\$1,112	3%
Other durable goods	\$455	1%	\$619	2%
<b>Nondurable goods</b>	<b>\$9,977</b>	<b>22%</b>	<b>\$8,350</b>	<b>22%</b>
Food and beverages purchased for off-premises consumption	\$3,924	8%	\$2,780	7%
Clothing and footwear	\$964	2%	\$1,157	3%
Gasoline and other energy goods	\$1,451	3%	\$1,258	3%
Other nondurable goods	\$3,638	8%	\$3,155	8%
<b>SERVICES</b>	<b>\$32,221</b>	<b>70%</b>	<b>\$24,831</b>	<b>67%</b>
Household consumption expenditures (for services)	\$30,272	65%	\$23,820	64%
Housing and utilities	\$7,591	16%	\$6,720	18%
Health care	\$9,303	20%	\$6,128	16%
Transportation services	\$1,100	2%	\$1,112	3%
Recreation services	\$1,416	3%	\$1,429	4%
Food services and accommodations	\$3,274	7%	\$2,355	6%
Financial services and insurance	\$3,363	7%	\$2,768	7%
Other services	\$4,226	9%	\$3,309	9%

Source: U.S. Bureau of Economic Analysis

In most of the larger categories, such as housing and transportation, Alaskans’ consumption patterns mimicked the rest of the country. A small surprise was that “outdoorsy” Alaskans actually spent slightly less for recreational services and the same percentage on recreational goods and vehicles.

### Per capita, Alaska spending is high

Overall, our per capita consumption expenditure was high, ranking us fourth among states at \$46,229. (See Exhibit 3.)

Big spending is partly due to how expensive things are in Alaska, but it’s also because we tend to have more to spend. Alaska ranked

## 3 Alaska Ranks 4th Nationwide

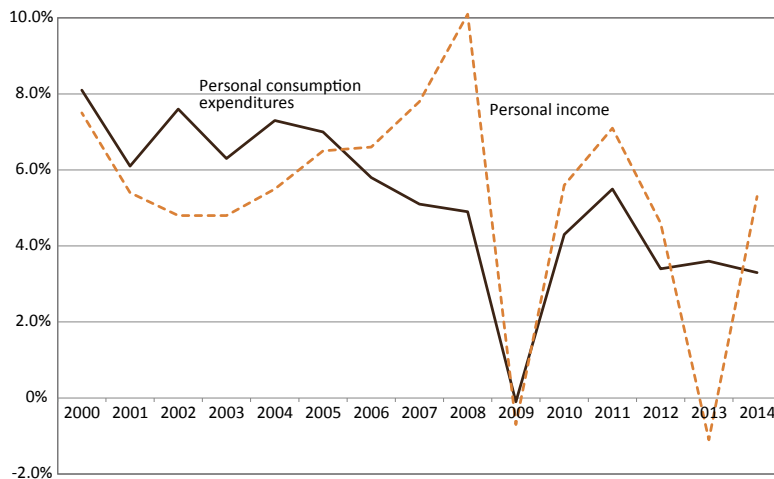
### PERSONAL CONSUMPTION EXPENDITURES, 2014

1	Massachusetts	\$48,020
2	North Dakota	\$47,739
3	New Hampshire	\$46,633
<b>4</b>	<b>Alaska</b>	<b>\$46,229</b>
5	Connecticut	\$45,844
6	New Jersey	\$45,496
7	Vermont	\$44,768
8	New York	\$43,727
9	Delaware	\$41,701
10	Maryland	\$41,460
	United States	\$37,196

Source: U.S. Bureau of Economic Analysis

## 4 Consumption Tracks With Income

### ALASKA, ANNUAL PERCENT CHANGE, 2000 TO 2014



Source: U.S. Bureau of Economic Analysis

sixth among states for personal income and first for gross domestic product per capita in 2015.

Gross domestic product can be a good gauge of economic well-being because it measures, to some degree, the productivity of a workforce. However, only part of the GDP accrues to Alaska residents. A large slice goes to the federal government, multinational companies, and individuals and businesses outside the state. Personal income, however, is closely related to personal consumption. It accrues only to Alaskans, and as Exhibit 4 shows, how much we receive in income affects how much we buy.

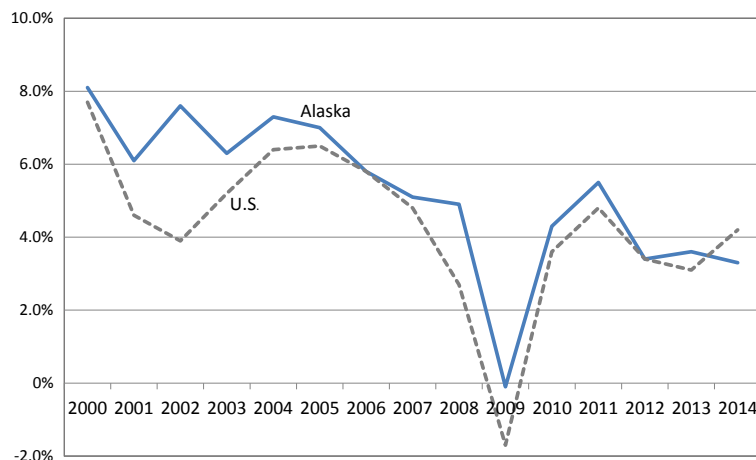
## Alaska's spending grew faster

Since 2000, Alaska's personal consumption expenditures grew faster than the nation's every year except 2014, at an annual average of 5 percent versus 4 percent. (See Exhibit 5.) During this 15-year period, the nation fell into two recessions, including the "Great Recession" of the late 2000s when Alaska's downturn was comparatively mild. Rates fell for both Alaska and the U.S. in 2009, but Alaska's dipped 0.1 percent while the nation's expenditures dropped by 1.7 percent.

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## 5 Consumption Trends for Alaska, U.S.

### ANNUAL PERCENT CHANGE, 2000 TO 2014



Source: U.S. Bureau of Economic Analysis