



Anchorage Consumer Confidence Index

ANCI

2012 Q2

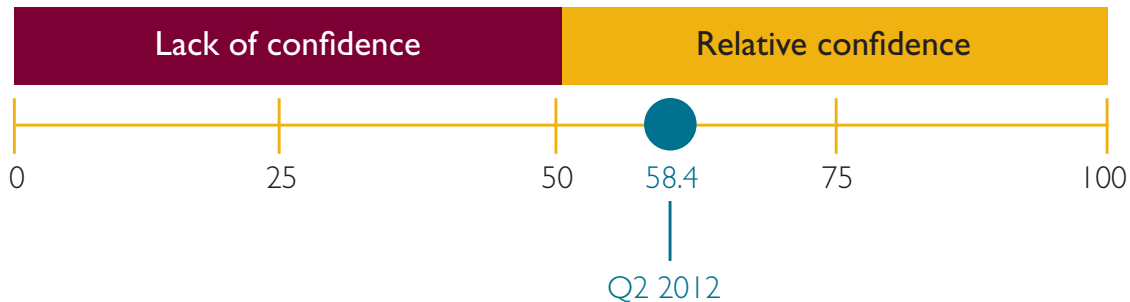
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DESCRIPTION

The ANCI is a measure of **Anchorage households' confidence in the health of the local economy, their personal financial situation, and their expectations for the future.** Northern Economics, Inc. generates the ANCI using data collected by a random quarterly sample of at least **350 households** located in the Municipality of Anchorage. The survey sample includes households with landlines, those with landlines and cell phones, and those households which only use cell phones. The analysis weights all responses for demographic factors such as gender, age, and income to insure the sample's responses are representative of Anchorage's population.

The ANCI 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 farther the ANCI is from the midpoint the stronger the aggregate feeling of confidence or lack thereof.

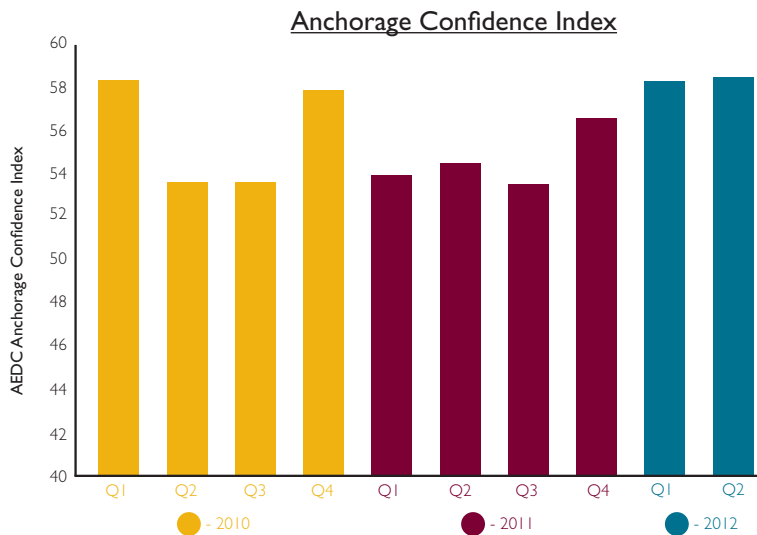


RESULTS

In Q2 2012, the ANCI reached 58.4, which is an all time high for the index. This 0.3 point increase over last quarter continues an upward trend that began in the fall of 2011. The six-month moving average of the index, a less volatile measure of confidence, is also at an all-time high of 58.2. So far for 2012, the index is defying the trend begun in 2010 of peaking in the winter months and dropping during the summer.

RESULTS CONT.

Over the last two years, optimism and a general feeling of well-being around the holidays faded as spring emerged. This pattern is likely related to an overall pattern seen in the U.S. economy where higher economic growth rates and general optimism about the economy heading into the holiday season and winter have been replaced by a volatile stock market, political disputes, and economic headwinds in the spring and summer months. For three years the U.S. economy has shown signs of starting what looks to be a sustainable growth pattern only to experience weakness in the second and third quarters of the year. We see this same U.S. pattern holding this summer, but **the Anchorage index may be breaking free of the overall U.S. trend.**

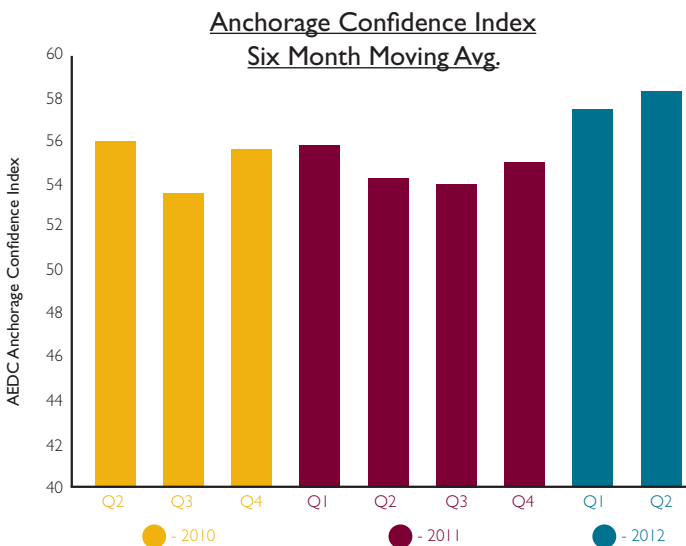


All values are expressed on a 0 to 100 scale.

2012 ANCI

Q1 **58.1**

Q2 **58.4**



All values are expressed on a 0 to 100 scale.

COMPONENTS

The ANCI is comprised of three individual components: *Local Economy Confidence*, *Personal Financial Confidence*, and *Expectations of the Future*.

Local Economy Confidence, the most direct measure of respondents' feelings about the current state Anchorage economy, currently sits at 61.3. This reading is the highest in the survey's 2.5-year history. This component has never measured below 55 in the history of the survey. In short, Anchorageites continue to express explicit confidence in their local community's economy. This component is by far the least volatile of the three included in the survey with 40 to 45 percent less volatility than the other two components.

The **Personal Financial Confidence** component is the strongest component in the ANCI. Unlike the *Local Economy Confidence* component, which is in some ways residents' outside view of the local economy, **Personal Financial Confidence measures residents' ability to participate in the local economy through their personal finances**. This component currently measures 64.2, a level that is down slightly from last quarter but still higher than the same quarter last year. Over the history of the survey, *Personal Financial Confidence* has always been the ANCI's leading component and traditionally averages 5 points higher than *Local Economy Confidence* and nearly 13 points higher than the *Expectations of the Future* component.

The ANCI's **Expectations of the Future** component currently measures 54.0. While this reading is an all-time high, it is also substantially lower than the other components. This component is the most volatile of the three measured by this analysis and the only component which regularly spends time below the 50 point level. We suspect that a number of factors weigh on this measure including challenges to the overall U.S. economy, uncertainty about federal funding, declining oil production, dropping oil prices, a highly volatile stock market, uncertainty about the proposed natural gas pipeline from the North Slope, and continued high prices at the gas pump. These factors are tempering optimism and nurturing uncertainty about the future. While Alaska, and Anchorage in particular, has generally fared well during times of national economic challenges, the continued stresses on the economy and low commodities prices—an important factor not only for the government but for many Anchorage residents' employment and income as well—have cast doubt on future prospects.

AEDC Anchorage Confidence Index

Component	● - 2010				● - 2011				● - 2012	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Local Economy Confidence	59.8	55.7	55.7	59.5	57.2	58.8	58.7	60.1	60.6	61.3
Personal Financial Confidence	67.3	60.8	60.8	65.2	62.9	61.4	61.8	63.7	65.9	64.2
Expectation of the Future	52.9	48.8	48.8	52.9	47.5	48.6	46.6	50.8	52.9	54.0
AEDC ANCI Total Measure	58.2	53.5	53.5	57.7	53.8	54.3	53.4	56.4	58.1	58.4
Six Month Moving Average		55.9	53.5	55.6	55.7	54.1	53.9	54.9	57.2	58.2

All values are expressed on a 0 to 100 scale.