



Anchorage Consumer Optimism Index

ANCI

2012 Q3

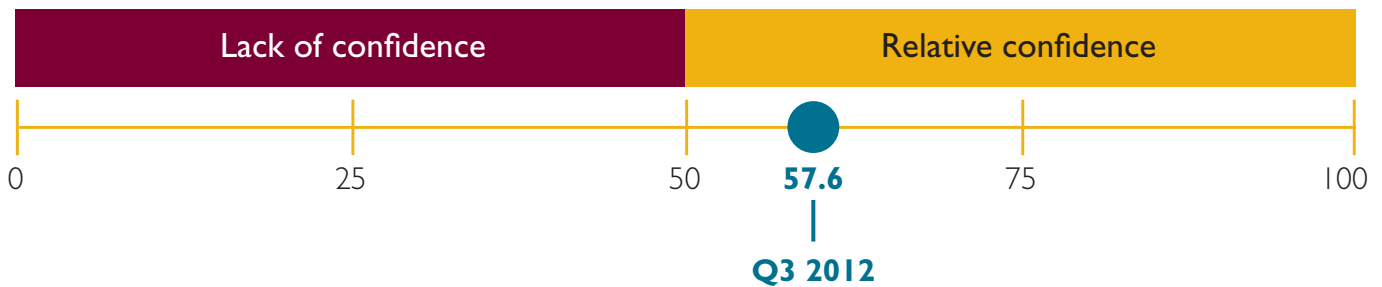
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DESCRIPTION

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 weighs 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 Q3 2012, the ANCI fell very slightly to 57.6 from 58.4. While this reading is the lowest recorded in 2012, **the overall index is still well above any 2011 reading** and most of 2010.

Compared with the previous two year's third quarters, the individual component numbers and the ANCI are at an all-time high. The more stable six-month moving average of the index dropped 0.2 points to 58.0; a reading which is the second highest in the history of the index.

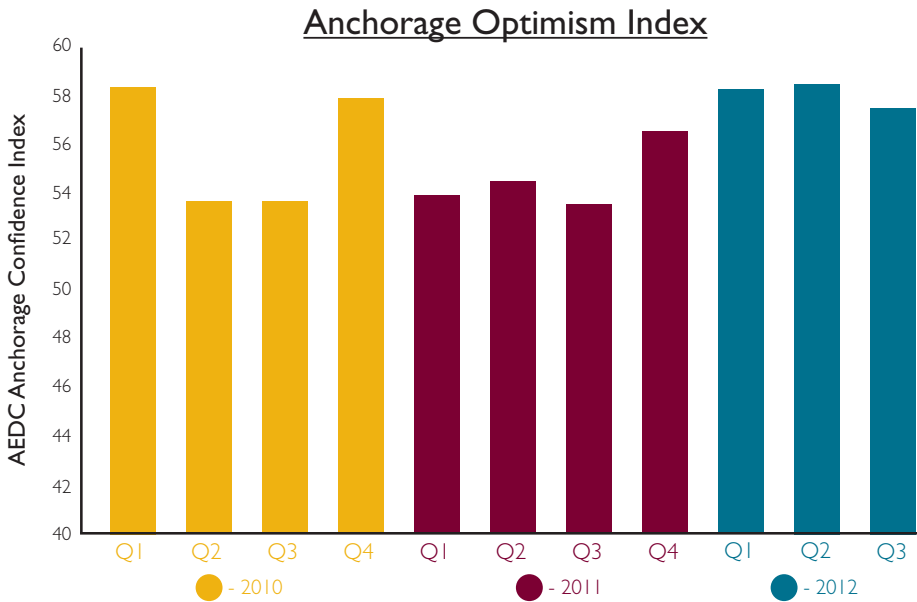
Over the last two years, optimism and a general feeling of well-being around the holidays has faded as spring emerged. This pattern is likely related to an overall pattern seen in the U.S. economy where higher economic growth rates and general optimism about the economy heading into the holiday season and winter have been replaced by a volatile stock market, political disputes, and economic headwinds in the spring and summer months.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 saw this same U.S. pattern holding this summer, but the Anchorage index may be breaking free of the overall U.S. trend.

Q3 Comparison

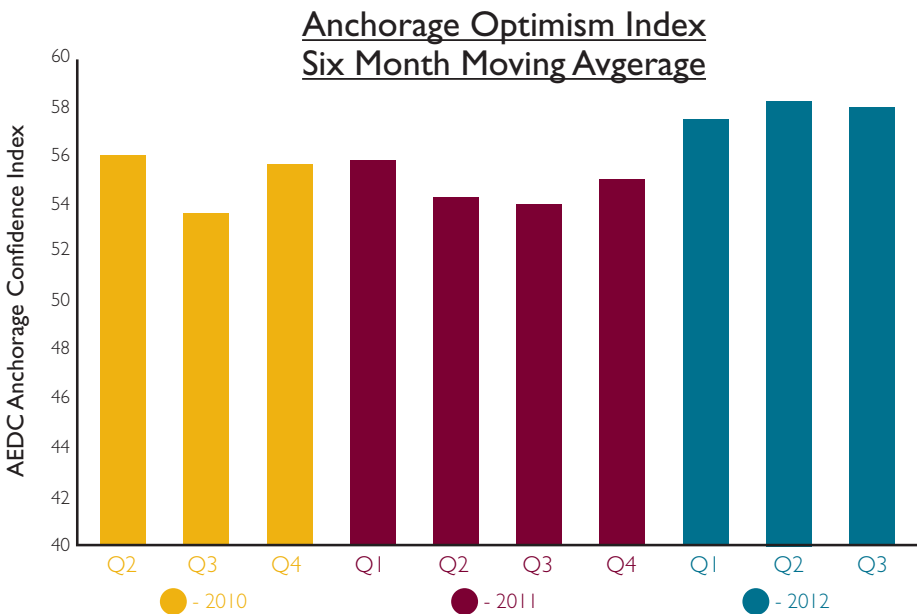


RESULTS CONT.

U.S. Consumer confidence gained significantly in September (during this survey's administration) **and again in October (reaching a 7-year high)**. While the ANCI is largely stable it remains to be seen if the fourth quarter reading will follow the U.S reading higher. Historically the ANCI Q4 measurements tend to improve on the previous quarter's readings.



All values are expressed on a 0 to 100 scale.



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2012 ANCI

Q3 **57.6**

Q2 **58.4**

Q1 **58.1**

COMPONENTS

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

Local Economy Confidence, the most direct measure of respondents' feelings about the current state Anchorage economy.

"Anchorage residents continue to express explicit confidence in their local community's economy."

Local Economy Confidence, the most direct measure of respondents' feelings about the current state Anchorage economy, **currently sits at 59.4**. This reading is the lowest seen this year, but still above 2011 levels. This component has never measured below 55 in the history of the survey.

In short, Anchorage residents 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.

Personal Financial Confidence component is the strongest component in the ANCI:

"...the strength in this component bodes well for retailers this holiday season and the season should be as strong as or stronger than last year."

The *Personal Financial Confidence* component is the strongest component in the ANCI and has rebounded from the previous quarter's drop, **improving from 64.2 to 65.2**.

Northern Economics' statewide index saw a similar increase in Q3 2012. 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. We believe that the strength in this component bodes well for retailers this holiday season and the season should be as strong as or stronger than last year.

The ANCI's *Expectations of the Future* component **currently measures 52.9**. While this number is down from Q2 it is equal to the Q1 reading and greater than or equal to all of the readings in 2010 and 2011.

Expectations of the Future: The number of factors weighing on this measure include:

- ongoing presidential campaign
- challenges to overall U.S. economy
- uncertainty about federal funding
- declining oil production
- fluctuating oil prices
- highly volatile stock market
- uncertainty about proposed natural gas pipeline from North Slope
- increase in prices at the gas pump

These factors are tempering optimism and nurturing uncertainty about the future.

We continue to suspect that a number of factors weigh on this measure including the ongoing presidential campaign, challenges to the overall U.S. economy, uncertainty about federal funding, declining oil production, fluctuating oil prices, a highly volatile stock market, uncertainty about the proposed natural gas pipeline from the North Slope, and an increase in 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 Optimism Index

Component	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Local Economy Confidence	59.8	55.7	55.7	59.5	57.2	58.8	58.7	60.1	60.6	61.3	59.4
Personal Financial Confidence	67.3	60.8	60.8	65.2	62.9	61.4	61.8	63.7	65.9	64.2	65.1
Expectation of the Future	52.9	48.8	48.8	52.9	47.5	48.6	46.6	50.8	52.9	54.0	52.9
AEDC ANCI Total Measure	58.2	53.5	53.5	57.7	53.8	54.3	53.4	56.4	58.1	58.4	57.6
Six Month Moving Average		55.9	53.5	55.6	55.7	54.1	53.9	54.9	57.2	58.2	58.0

All values are expressed on a 0 to 100 scale.

● - 2010

● - 2011

● - 2012