



Anchorage Consumer Optimism Index

ANCI

2012 Q4

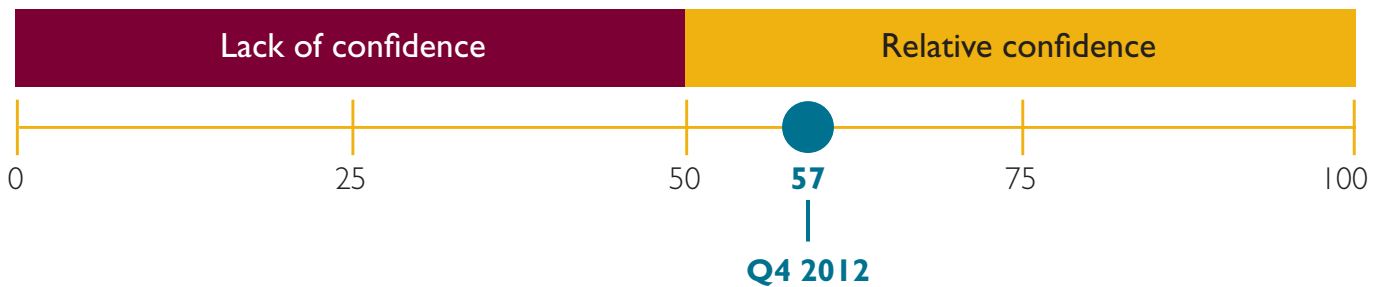
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DESCRIPTION

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.

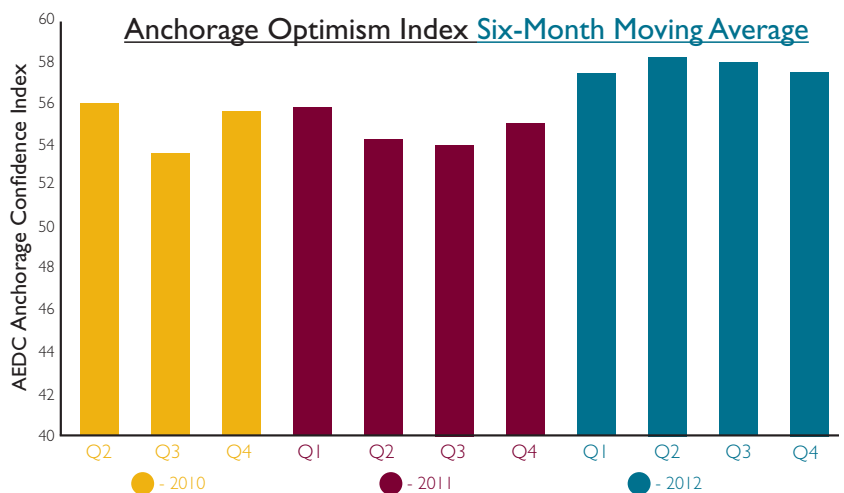
The ANCI is expressed using a value of 0 to 100. **Values above 50 represent relative confidence in the economy, while values below 50 indicate lack of confidence.** The farther the ANCI is from the midpoint the stronger the aggregate feeling of confidence or lack thereof.



RESULTS

From Q3 to Q4 2012, the ANCI fell very slightly to 57 from 57.6. While this reading is the lowest recorded in 2012, the overall index is still well above any 2011 reading.

The more stable six-month moving average of the index dropped 0.7 points to 57.3; a reading which is the THIRD HIGHEST in the history of the index.

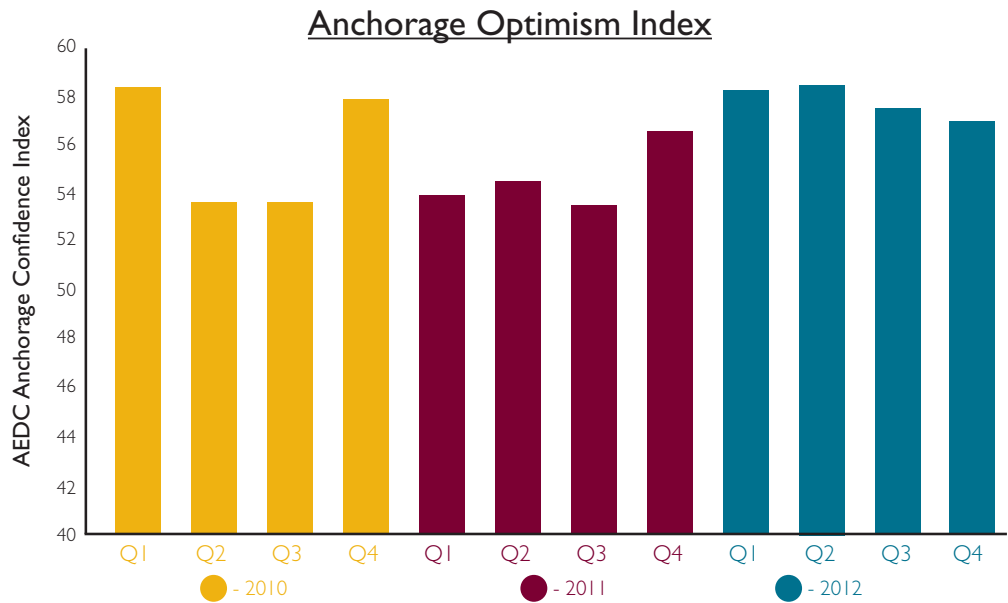


The fourth quarter reading of the ANCI failed to follow the U.S. Index of Consumer Sentiment reading which reached a 7-year high.

All values are expressed on a 0 to 100 scale.

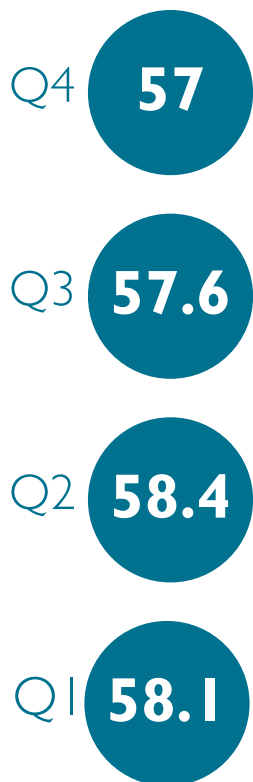


RESULTS CONT.



All values are expressed on a 0 to 100 scale.

2012 ANCI



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 60.9**. This reading is the second highest seen this year, and 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 low score reflects what we now know was a weak holiday season for national retailers."

The *Personal Financial Confidence* component is the strongest component in the ANCI. It dropped from the last quarter from 65.2 to 61.9, a level not seen since mid-2011. In contrast, Northern Economics' statewide index saw an increase in Q4 2012, bringing it to the highest level for the year. 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 low score reflects what we now know was a weak holiday season for national retailers. Results from a survey done by Northern Economics indicated that respondents anticipated spending less overall in December 2012 than in 2011.

The ANCI's *Expectations of the Future* component **currently measures 52.7**. While this number is down from Q3 it is still one of the higher readings in the three-year history of the survey. We continue to 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, fluctuating oil prices and uncertainty about the local natural gas situation.

Expectations of the Future: Factors weighing on this measure include:

- challenges to overall U.S. economy
- declining oil production
- uncertainty about federal funding
- fluctuating oil prices
- uncertainty about local natural gas

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

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	Q4
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	60.9
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	61.9
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	52.7
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	57.0
Six Month Moving Average		55.9	53.5	55.6	55.7	54.1	53.9	54.9	57.2	58.2	58.0	57.3

All values are expressed on a 0 to 100 scale.

● - 2010

● - 2011

● - 2012