



Anchorage Consumer Optimism Index

ANCI

2016 Q1

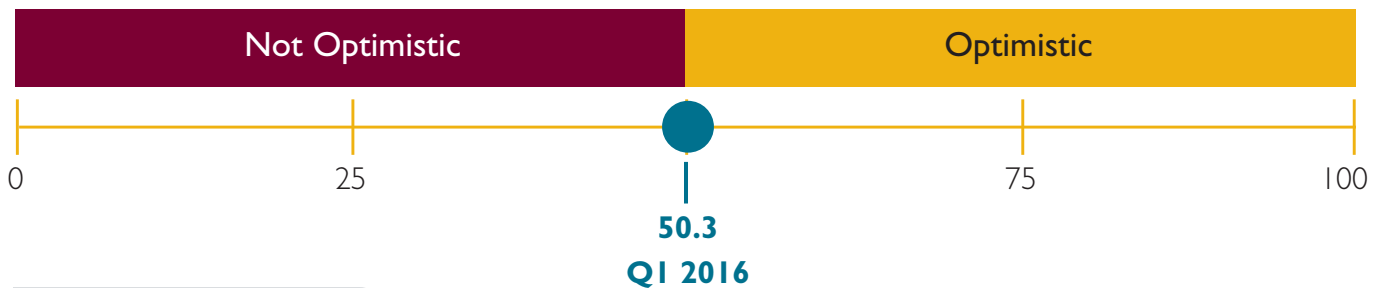
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DESCRIPTION

The ANCI is a measure of **Anchorage households' optimism 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 optimism in the economy, while values below 50 indicate lack of optimism.** The farther the ANCI is from the midpoint, the stronger the aggregate feeling of optimism or lack thereof.



RESULTS

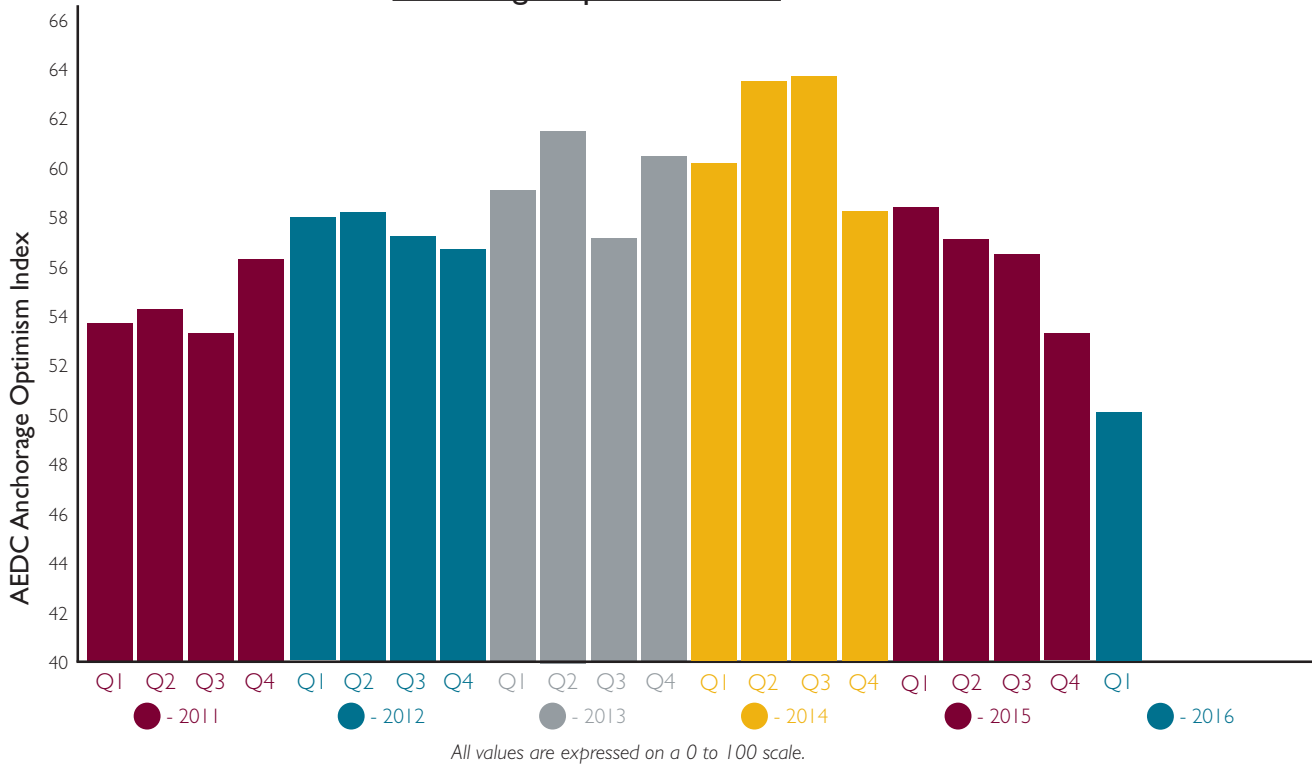
In 2016 Q1, ANCI continued a four-quarter downward trend and experienced a second sharp quarterly drop amid increasing concerns about local and state economies, dropping to 50.3 from the 2015 Q4 reading of 53.2. This is now the lowest reading in the 6-year history of the index and is a stunning drop of 8 points from the first quarter of 2015. The six-month moving average of the index fell, as well, dropping to 51.7 from 54.8, and down 6.5 points from the first quarter of 2015. The six-month moving average has now fallen in each of the last six quarters. Though the Anchorage index is still slightly above 50, the statewide index fell below that important mark. Readings below 50 are a signal of a contractionary or recessionary period.



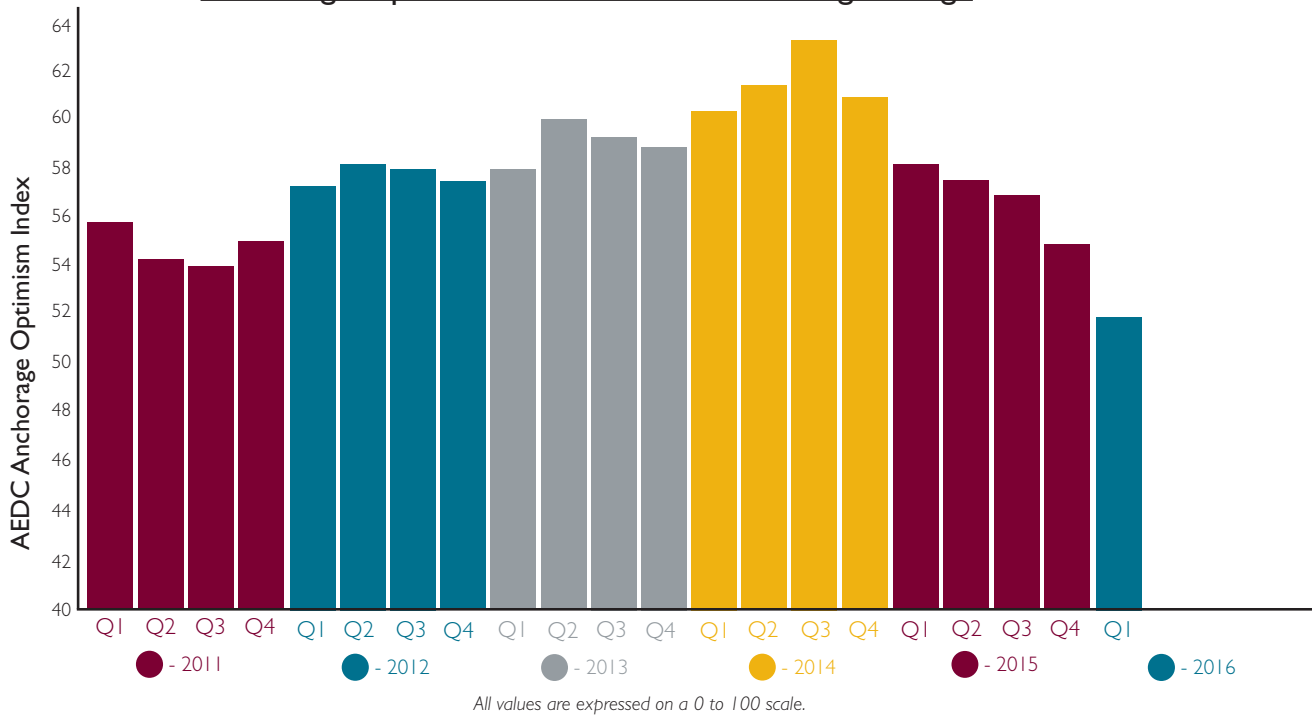
Overall U.S. consumer confidence fell, as well. The Conference Board's Consumer Confidence Index® dropped by 0.3 points from December to March and the University of Michigan's Consumer Sentiment Index dropped by 1.6 points. As we have said over multiple quarters, sustained low oil prices have cast significant doubt on the state's economy and the effects that will have on both individuals and municipalities. Persistent low oil prices and declining production are a very real threat.

RESULTS CONT.

Anchorage Optimism Index



Anchorage Optimism Index Six-Month Moving Average



COMPONENTS

LOCAL ECONOMY CONFIDENCE

Question asked: We'd like you to grade how you feel about how the economy is doing in Alaska, and in your community. On a scale from 1 to 5, how would you rate current economic conditions in your community, where a 5 is very good and a 1 is very bad?

Local Economy Confidence, the most direct measure of respondents' feelings about the current state Anchorage economy, dropped during the quarter, falling 4.3 points to 52.8, the lowest point seen in the history of the component. This represents a 7.7-point drop in this component over two quarters and a 13.1-point drop over six quarters which would have been worse if not for a single increase in mid-2015. Anchorage residents have lost confidence due to continued lack of clear fiscal solutions developing in Juneau during the last quarter, as well as news of Alaska oil and gas company layoffs and cost cutting that is affecting support industry companies. These factors are combining to create significant uncertainty in the minds of local consumers about the continued health of our local economy.

PERSONAL FINANCIAL CONFIDENCE

Question asked: On a scale from 1 to 5, how secure do you feel about your and your family's financial situation, where a 5 is very secure and a 1 is not secure at all? And would you say your and your family's financial situation is getting better, getting worse or staying about the same?

The Personal Financial Confidence component has always been the strongest and least volatile component of ANCI due to personal and family decisions being in the control of respondents. Still, it dropped 1.3 points during the quarter to a reading of 63.8. 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 directly through their personal finances. Significant state and local fiscal challenges are weighing on residents' minds, coupled with statements made in Juneau that could threaten municipal revenue sources and school funding. This component has been important to watch, as the Legislature meets in Juneau and the lack of a fiscal solution and further challenges that have come up are dragging it down.

EXPECTATIONS OF THE FUTURE

Question asked: Do you think the economy in your community right now is getting better, getting worse, or staying about the same?

ANCI's Expectations of the Future component fell 2.9 points to the third new low in a row for the component. This component, at 42.3, is down 9.7 points from the level seen one year ago. Expectations of further significant cuts to state programs and layoffs of state employees, reduction of future Permanent Fund Dividends, potential new taxes and the lack of clarity of how the state government is going to respond to the fiscal crisis it faces are weighing heavily on residents' opinions about the future.

AEDC ANCHORAGE OPTIMISM INDEX

Year	Local Economic Confidence	Personal Financial Confidence	Future Expectations	ANCI	6-Month Average
2010					
Q1	59.8	67.3	52.9	58.2	
Q2	55.7	60.8	48.8	53.5	55.9
Q3	59.1	62.2	52.3	56.5	55.0
Q4	59.5	65.2	52.9	57.7	57.1
2011					
Q1	57.2	62.9	47.5	53.8	55.7
Q2	58.8	61.4	48.6	54.3	54.1
Q3	58.7	61.8	46.6	53.4	53.9
Q4	60.1	63.7	50.8	56.4	54.9
2012					
Q1	60.6	65.9	52.9	58.1	57.2
Q2	61.3	64.2	54.0	58.4	58.2
Q3	59.4	65.1	52.9	57.6	58.0
Q4	60.9	61.9	52.7	57.0	57.3
2013					
Q1	61.7	64.8	54.5	58.9	57.9
Q2	65.3	66.6	56.8	61.4	60.1
Q3	60.3	61.1	53.6	57.1	59.3
Q4	62.9	67.1	56.4	60.7	58.9
2014					
Q1	63.6	66.4	55.8	60.4	60.6
Q2	65.2	67.1	60.4	63.3	61.8
Q3	65.9	68.6	59.6	63.4	63.4
Q4	62.3	64.5	53.0	58.2	60.8
2015					
Q1	62.1	67.1	52.0	58.3	58.2
Q2	58.4	65.7	51.9	57.0	57.6
Q3	60.5	65.4	50.0	56.5	56.7
Q4	57.1	65.1	45.2	53.2	54.8
2016					
Q1	52.8	63.8	42.3	50.3	51.7

All values are expressed on a 0 to 100 scale.

The Anchorage Consumer Optimism Index (ANCI) Survey is compiled by Northern Economics on behalf of Anchorage Economic Development Corp. (AEDC).

If you are interested in learning more about this data or how AEDC can help you develop a report, call the AEDC Research Department at 907.258.3700.

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