



Anchorage Consumer Optimism Index

ANCI

2016 Q2

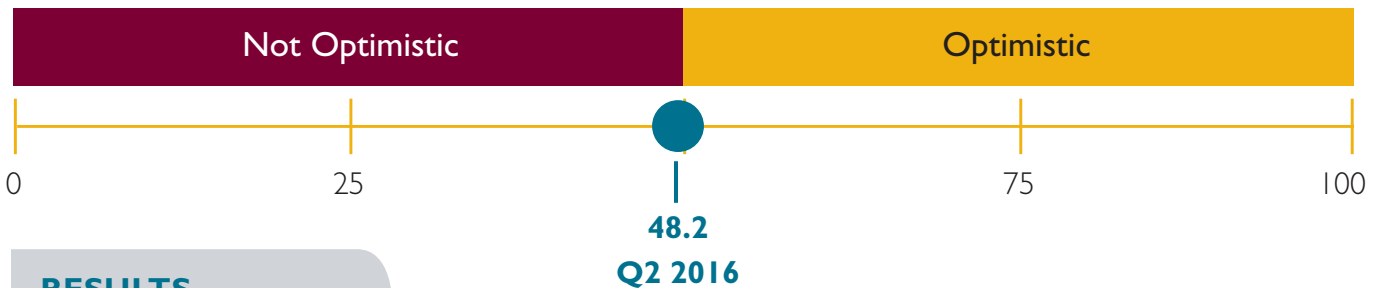
Sponsored by: **KeyBank**



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

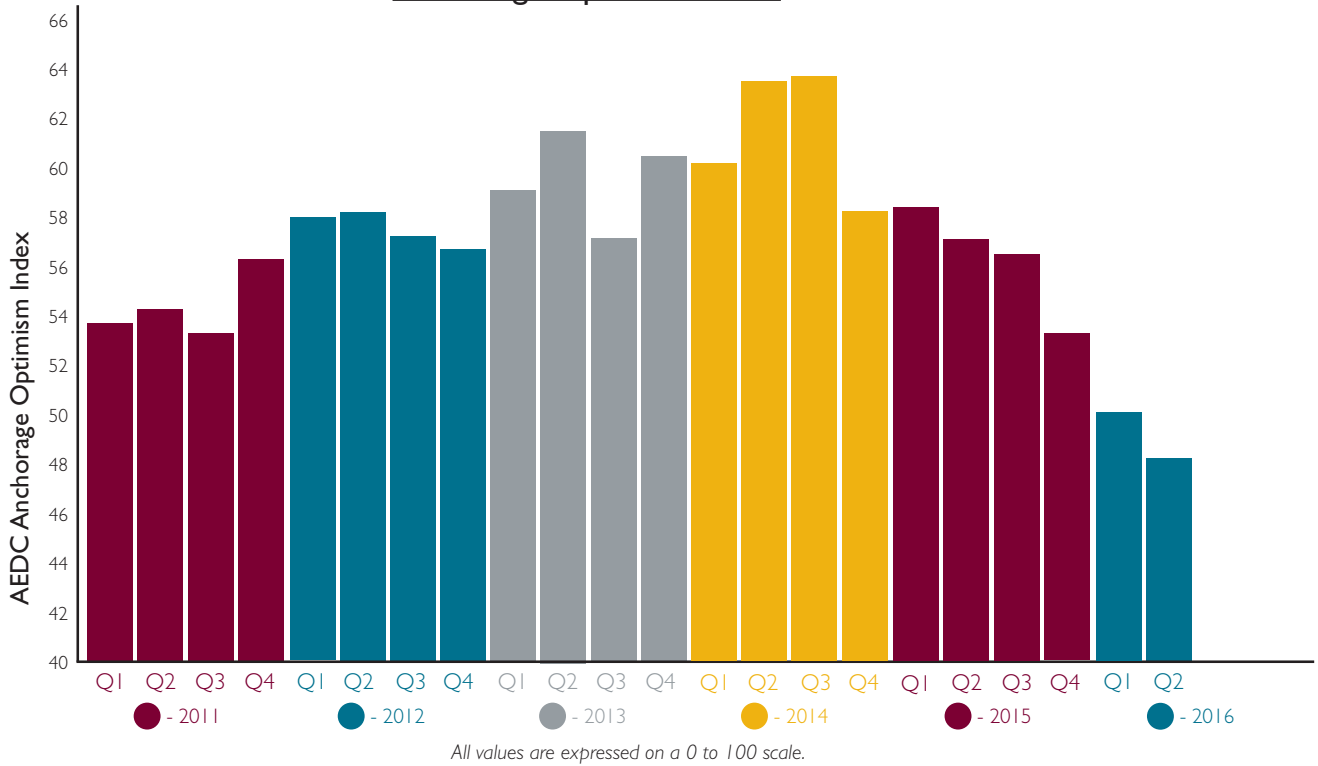
In 2016 Q2, ANCI continued a five-quarter downward trend and experienced a third sharp quarterly drop amid concerns about local and state economies and major budget cuts, dropping for the first time below 50. The reading for the quarter dropped 2 points to 48.2 from 50.3 in 2016 Q1. This reading is the lowest in the 6-year history of the index and is a stunning drop of 8.8 points from the second quarter of 2015, the second year-over-year drop of 8 or more points. The six-month moving average of the index fell to below 50, dropping to 49.3 from 51.7, and down a staggering 8.3 points from the second quarter of 2015. The six-month moving average has now fallen in each of the last seven quarters. Also of note is that this is the first quarter in which the Anchorage index has dipped below the statewide index, at 48.2 compared to the state's 49.3. Readings below 50 are a signal of a contractionary or recessionary period.



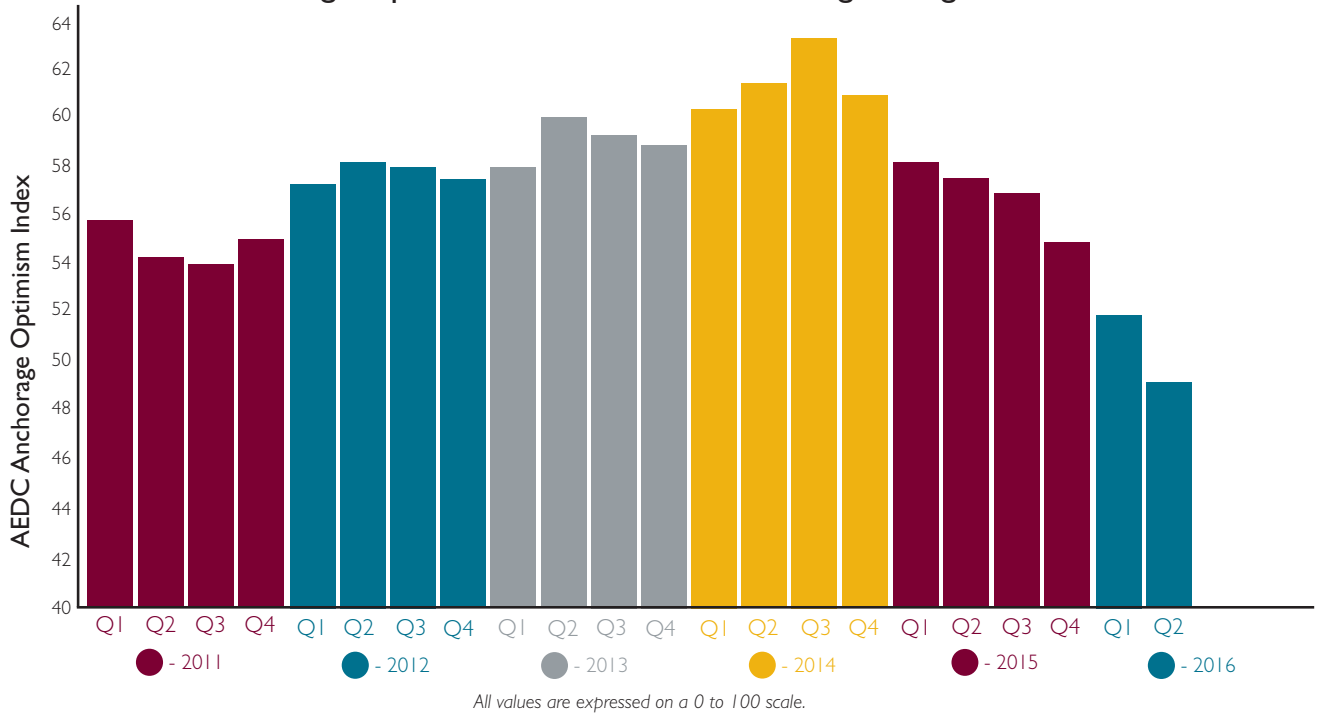
Overall U.S. consumer confidence, on the other hand, rose over the last quarter. The Conference Board's Consumer Confidence Index® rose 1.8 points from March to June and the University of Michigan's Consumer Sentiment Index rose by 2.5 points. As we have said over multiple quarters, sustained low oil prices, even though they have rebounded from the lowest prices seen recently, and a lack of progress by the state's legislature have cast significant doubt on the state's economy and the effects that will have on both individuals and municipalities. Employment is down in more than half of the state's economic sectors with losses in the oil and gas, construction and state government sectors leading the way. The state's budget has been cut, which affects both the state and local fiscal situation.

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 2 points to 50.8, another new low for the component and a drop of 15.1 points since the peak in the third quarter of 2014. Anchorage residents have lost confidence due to layoffs and continued fiscal challenges seen in Juneau.

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. Remarkably, it was the one component of the index that increased, gaining 1.9 points to the level seen one year ago. 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. It appears that despite budget cuts and layoffs, the forewarning of challenges has allowed respondents to prepare themselves for the worst.

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 4.1 points to the fourth new low in a row for the component. This component, at 38.2, is down 13.7 points over the last year. While the present situation is bad, respondents expect it to get worse.

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
Q2	50.8	65.7	38.2	48.2	49.3

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.

AEDC, 510 L Street, Suite 603, Anchorage, AK 99501