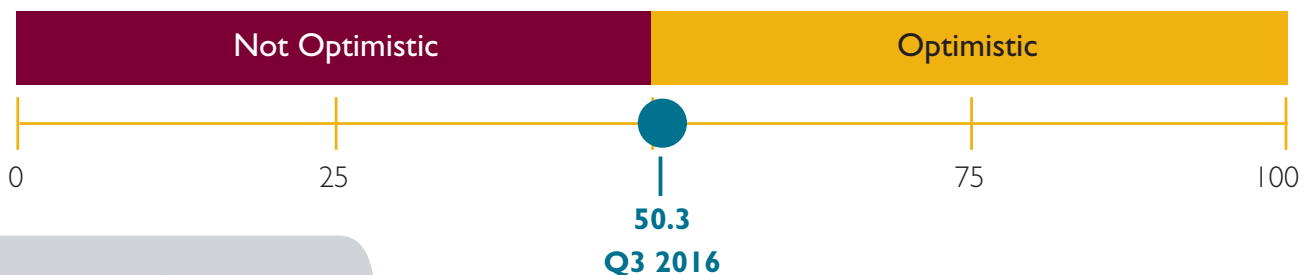


### DESCRIPTION

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

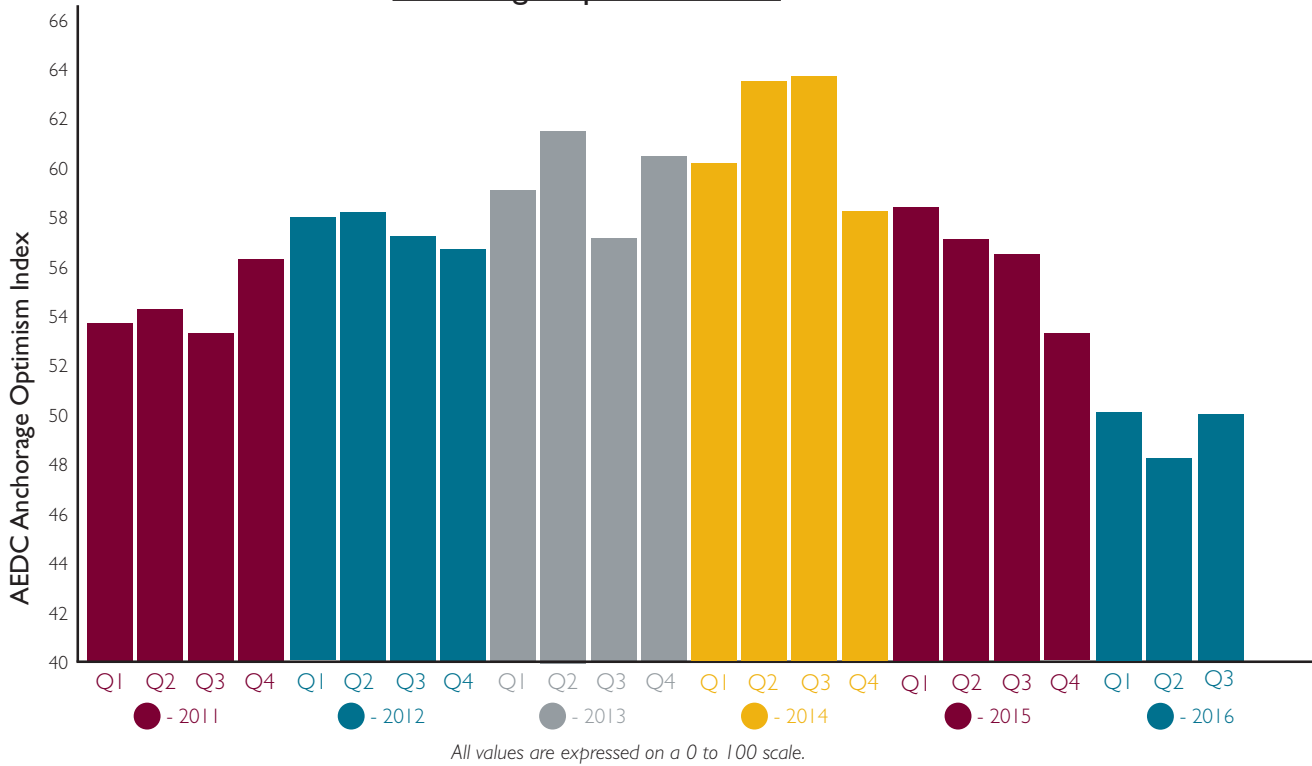
In 2016 Q3, ANCI broke trend and returned to a quarterly indicator of 50.3, matching the first quarter of 2016, though with different readings on the individual components, discussed later. The reading for the quarter was up 2.1 points after the same drop, up from 48.2 in the second quarter. The six-month moving average of the index remained the same, at 49.3, the same as the second quarter, stopping the fall seen in the prior seven quarters. Still, a reading below 50 is a signal of a contractionary or recessionary period and we continue to hover around 50.

During the same time, the U.S. consumer confidence was mixed. The Conference Board's Consumer Confidence Index® rose 6.1 points from June to September, a substantial increase, but the University of Michigan's Consumer Sentiment Index dropped by 2.3 points. As we have said over multiple quarters, sustained low oil prices (improving but well below what we need under our current state funding model) and continued prospects of fiscal pain emanating from the state down to the local level 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, and this next session will likely be more of the same, though possibly tempered by enactment of new, more stable revenue sources. Over the next several quarters we will see if this quarter's higher reading is truly a break in the trend or simply a pause reflecting the end of summer and the fact that the legislature's failure to find a long-term solution has not been in the news ever day as the legislature was out of session.

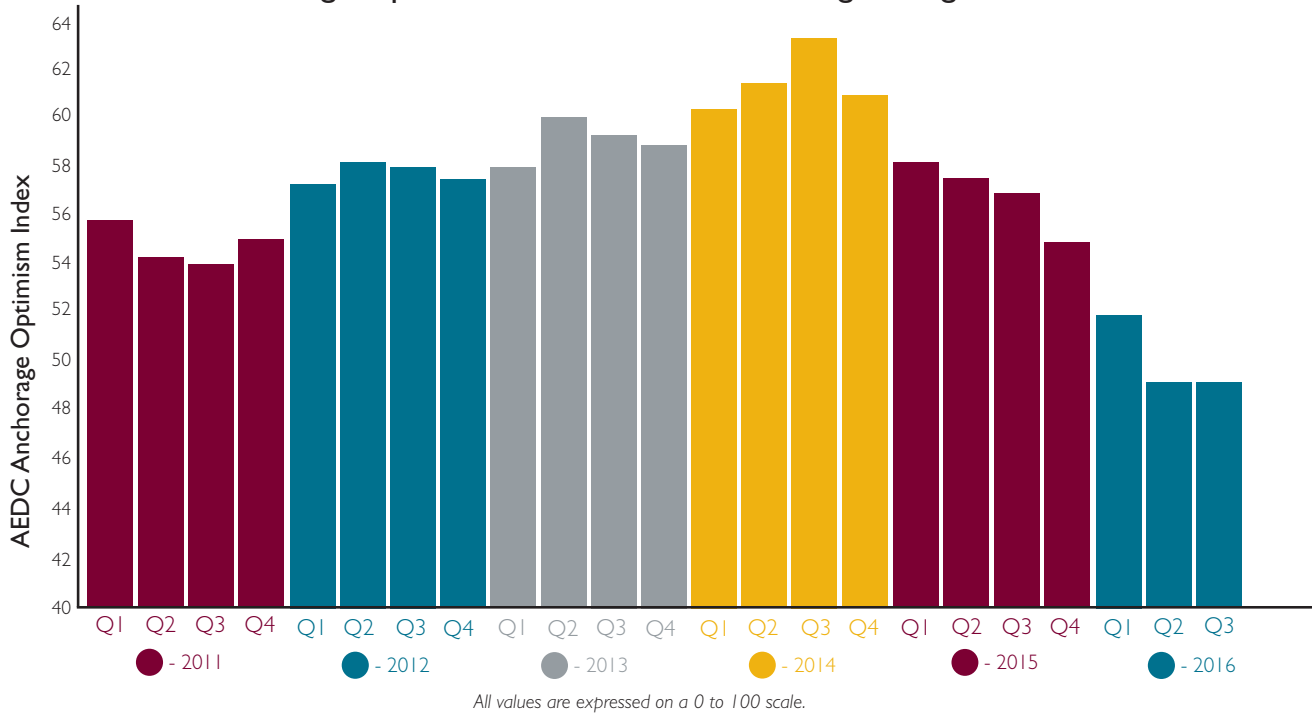


**RESULTS CONT.**

**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, rebounded 1.5 points to 52.3, though was still down 0.5 points from the first quarter. Though slightly more confident, Anchorage residents still have concerns due to continued fiscal challenges in Juneau and industry layoffs.

### 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 decreased this quarter, dropping 3.8 points to a low level not seen since the third quarter of 2013. 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. We think that industry layoffs, state cuts that threaten local municipal revenue sources and school funding, and an uncertain future due to significant state and local fiscal challenges are weighing on residents' minds. Last quarter we reported that it appeared respondents had begun to prepare themselves for the worst; this quarter, it appears that some personal concerns have materialized.

### 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, remarkably, rebounded sharply, regaining 5.4 points. This component, at 43.6, is down 6.4 points over the last year but is at the highest point this year. While the present situation is bad and respondents expect it to get worse, they are slightly less negative than they have been at other times of the year.

## AEDC ANCHORAGE OPTIMISM INDEX

| Year        | Local Economic Confidence | Personal Financial Confidence | Future Expectations | ANCI | 6-Month Average |
|-------------|---------------------------|-------------------------------|---------------------|------|-----------------|
| <b>2010</b> |                           |                               |                     |      |                 |
| 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            |
| <b>2011</b> |                           |                               |                     |      |                 |
| 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            |
| <b>2012</b> |                           |                               |                     |      |                 |
| 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            |
| <b>2013</b> |                           |                               |                     |      |                 |
| 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            |
| <b>2014</b> |                           |                               |                     |      |                 |
| 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            |
| <b>2015</b> |                           |                               |                     |      |                 |
| 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            |
| <b>2016</b> |                           |                               |                     |      |                 |
| Q1          | 52.8                      | 63.8                          | 42.3                | 50.3 | 51.7            |
| Q2          | 50.8                      | 65.7                          | 38.2                | 48.2 | 49.3            |
| Q3          | 52.3                      | 61.9                          | 43.6                | 50.3 | 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.

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