

Anchorage Consumer Optimism Index: Q1 2017

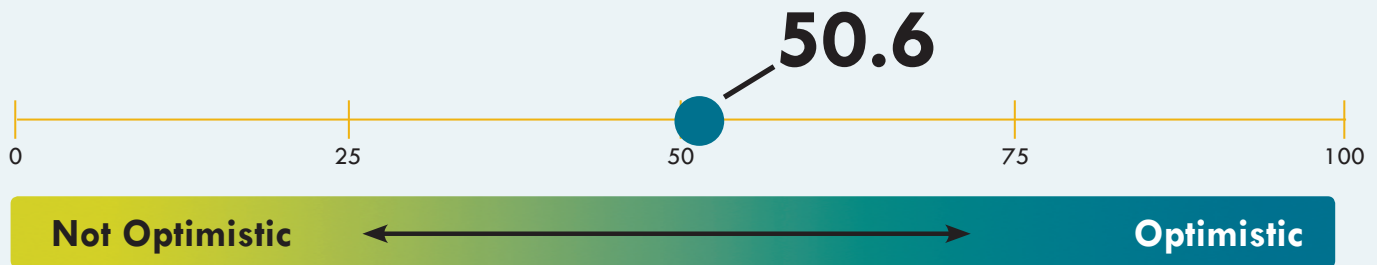
Sponsored by: **KeyBank**

Report
compiled by:



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 2017 Q1, ANCI dropped down from the previous quarter but was still slightly higher, at 50.6, than it had been for the first three quarters of 2016. The more stable six-month moving average of the index rose to 51.3, slightly above the crucial reading of 50 that signals a contractionary or recessionary period. Had it not been for the 3.9-point increase in personal financial confidence component of the index, the drops in local economic confidence and expectations for the future would have put the index in recessionary territory this quarter.

During the same time, the U.S. consumer confidence was strong. The Conference Board's Consumer Confidence Index® rose 11.9 points from December to March, a substantial increase, though the University of Michigan's Consumer Sentiment Index dropped 1.3 points amid mixed opinions with an increase in current conditions but a decrease in future expectations.

Election uncertainty has been replaced with turmoil in Washington D.C., with the headline repeal of the Affordable Care Act being dropped at the eleventh hour. In Alaska, fiscal concerns remain without concrete progress toward resolution, and the local cuts to state funding and job losses in the private sector cast a shadow over Alaska's near-term future and what the economy may look like when the storm has passed. Despite the uncertainty in Juneau, what is known is that there will be less money in residents' pockets in the future—through reduced Permanent Fund Dividends and increased taxes and fees—or lower state savings and a reduced ability to respond to the fiscal crisis in the future.



LOCAL ECONOMIC CONFIDENCE - 50 OUT OF 100

50.0



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?

The Local Economy Confidence, the most direct measure of respondents' feelings about the current state Anchorage economy, reached uncharted territory for that component. It dropped to its lowest level seen in the life of the index, hitting 50.0 and suggestion that the survey data may be catching up with economists' warnings that Alaska, and Anchorage, are in a recession.

PERSONAL FINANCIAL CONFIDENCE - 67.1 OUT OF 100

67.1



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. Despite growing acceptance of the recession's arrival in Anchorage, personal financial confidence increased 3.9 points to 67.1, finishing at a high level of personal confidence that had not been seen since 2015 Q1. 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. Residents' responses to the growing recession risk appears to have led to meaningful change and increased confidence that they can weather the storm.

FUTURE EXPECTATIONS - 42.6 OUT OF 100

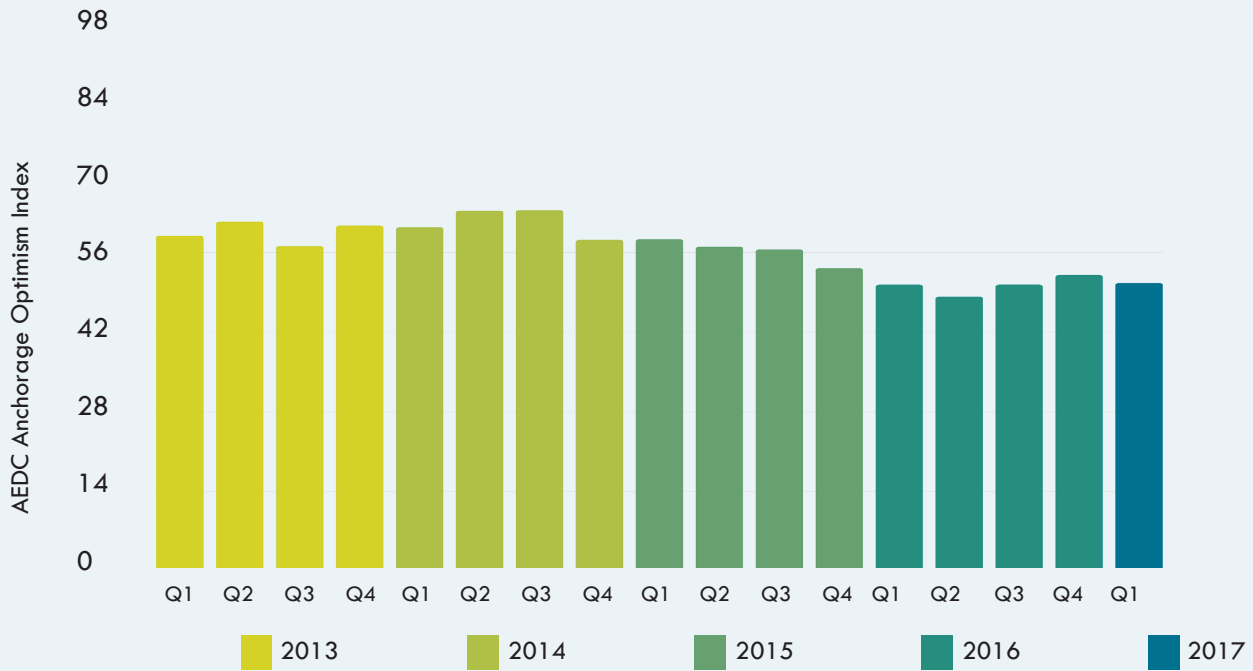
42.6



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

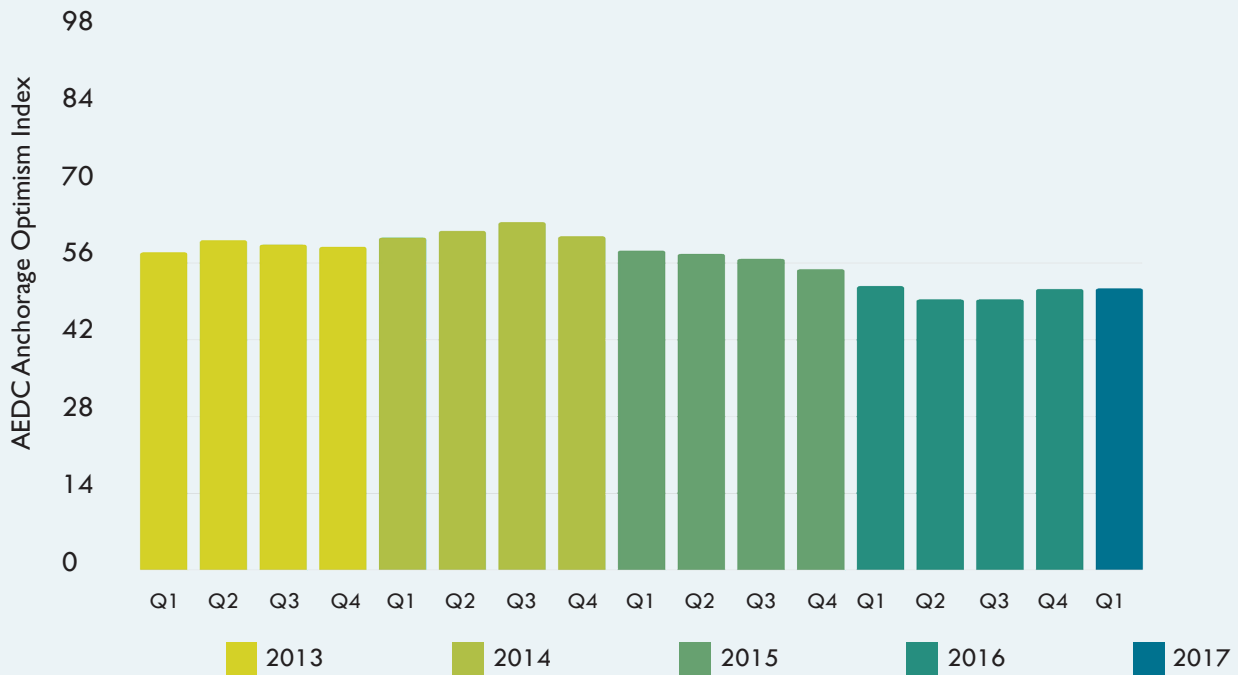
ANCI's Expectations of the Future component lost 2.6 points, more than it had gained in the prior quarter. This component, at 42.6, fell a little deeper into recessionary territory, though it is higher than it had been at its lows in the first and second quarters of 2016.

Anchorage Optimism Index



All values are expressed on a 0 to 100 scale.

Anchorage Optimism Index Six-Month Moving Average



All values are expressed on a 0 to 100 scale.

AEDC ANCHORAGE OPTIMISM INDEX

Year	Local Economic Confidence	Personal Financial Confidence	Future Expectations	ANCI	6-Month Average
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
Q3	52.3	61.9	43.6	50.3	49.3
Q4	54.4	63.2	45.2	52.0	51.2
2017					
Q1	50.0	67.1	42.6	50.6	51.3

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