



Anchorage Consumer Optimism Index

ANCI

2015 Q3

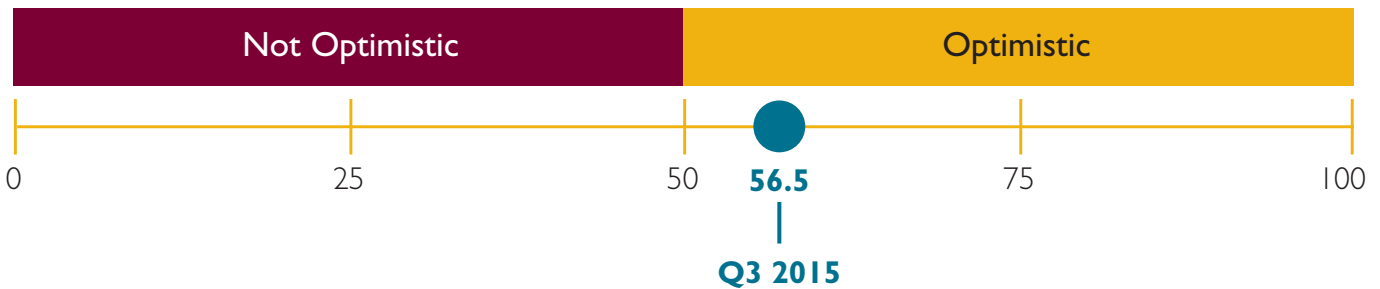
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DESCRIPTION

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

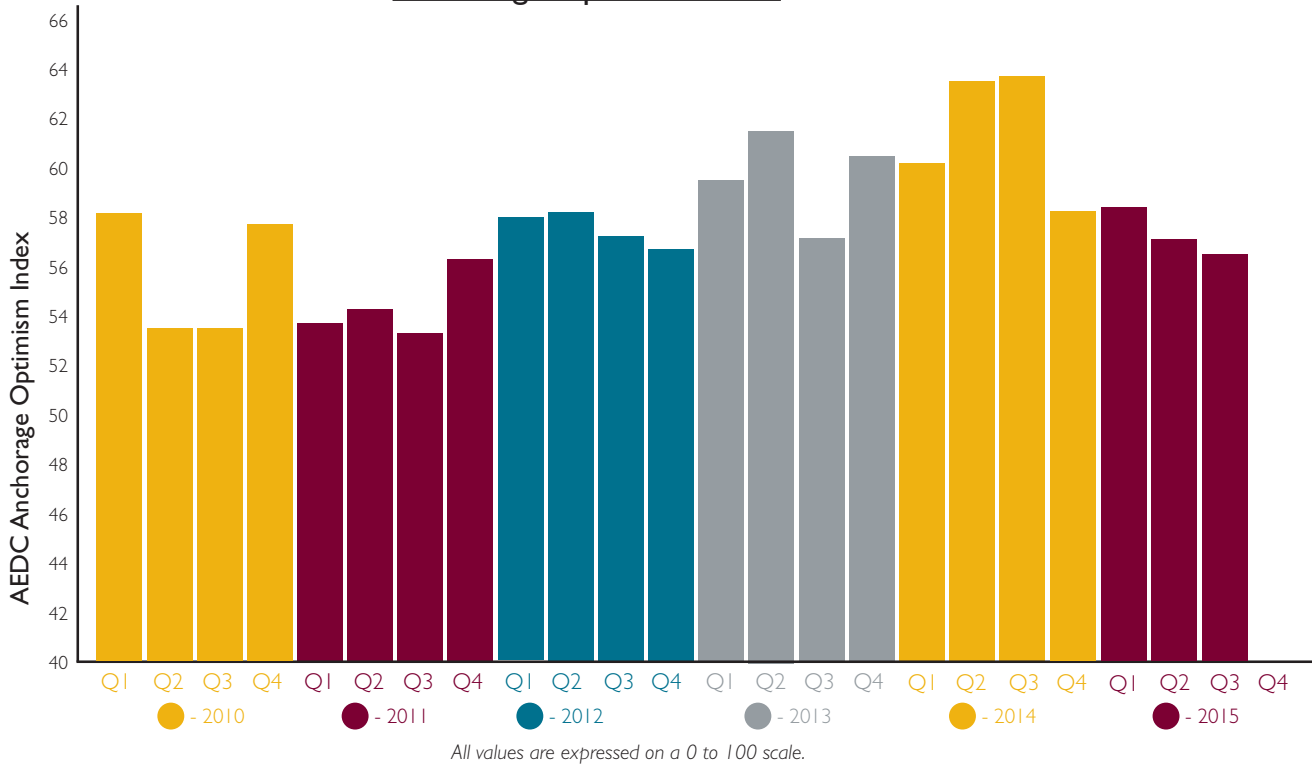
In 2015 Q3, ANCI fell for the second quarter in a row amid concerns about the local and state economies, dropping to 56.5 from the second quarter's reading of 57.0. This is the lowest reading since 2011. The six-month moving average of the index fell, as well, dropping to 56.7 from 57.6. The six-month moving average has now fallen in each of the last four quarters.

While both Anchorage and our broader statewide index dropped, U.S. consumer confidence was mixed. The Conference Board's Consumer Confidence Index® increased by 1.6 points from June to September. However, the University of Michigan's Consumer Sentiment Index dropped sharply by 8.9 points. As we said last quarter, sustained low oil prices and job prospects continue to be positive for much of the United States, but persistent low oil prices are a very real threat to Alaska's and Alaskans' financial health.

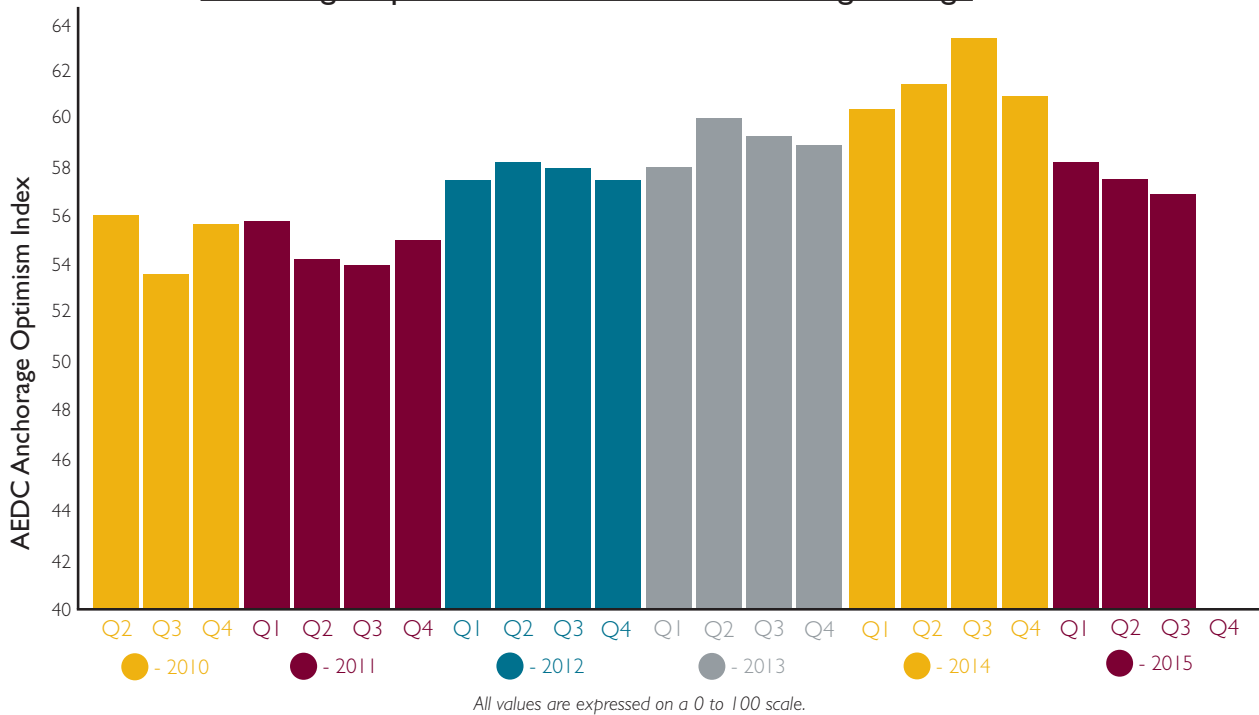


RESULTS CONT.

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 Alaska's and Anchorage's economies, actually increased during the quarter, gaining 2.1 points to 60.5. Anchorage residents expressed greater confidence in their local economy than they did with the statewide economy, which was lower due to sustained low oil prices and the hardships this creates for the state. This component will be important to watch as further cuts and new revenue discussions take place in Juneau which will affect the statewide 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 is the strongest and least volatile component of ANCI. It dropped 0.3 points during the quarter to a reading of 65.4. 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. The largest nominal Permanent Fund Dividend and low gas prices were a boon, but significant state and local fiscal challenges are weighing on residents' minds. If these issues begin to tangibly impact Anchorage resident's pocketbooks, this component will likely continue to fall.

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 saw a 1.9 point drop, the largest of the three components, to 50.0, below the level seen in the fourth quarter of 2011. This component is down 9.6 points from the level seen one year ago. With the announcement by Shell that it has ended its offshore exploration activities and expectations of further significant cuts to state programs, reduction of future Permanent Fund Dividends and new taxes, residents are increasingly concerned about the future. If this figure drops any further, it will be the first time since Q3 of 2011 that any component in the index would fall below 50.

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	55.7	60.8	48.8	53.5	53.5
Q4	59.5	65.2	52.9	57.7	55.6
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	58.4	58.2
Q3	59.4	65.1	52.9	57.6	58
Q4	60.9	61.9	52.7	57	57.3
2013					
Q1	61.7	64.8	54.5	59.9	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

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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