



Anchorage Consumer Optimism Index

ANCI

2015 Q4

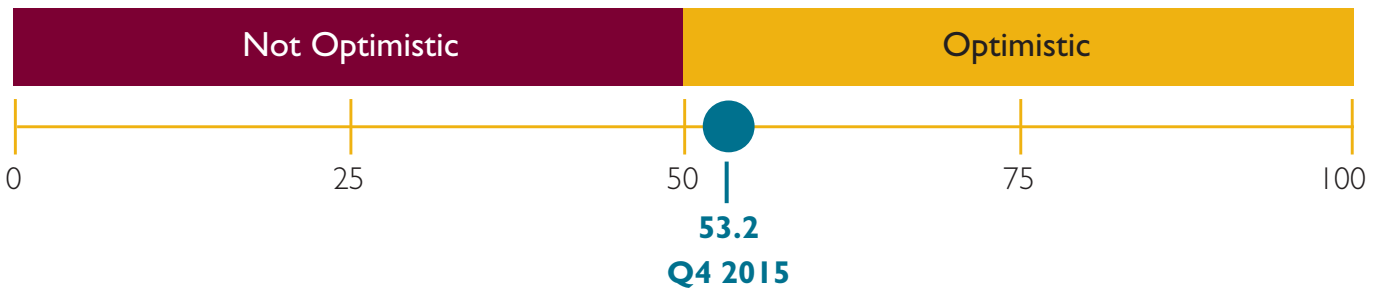
Sponsored by: **KeyBank**



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

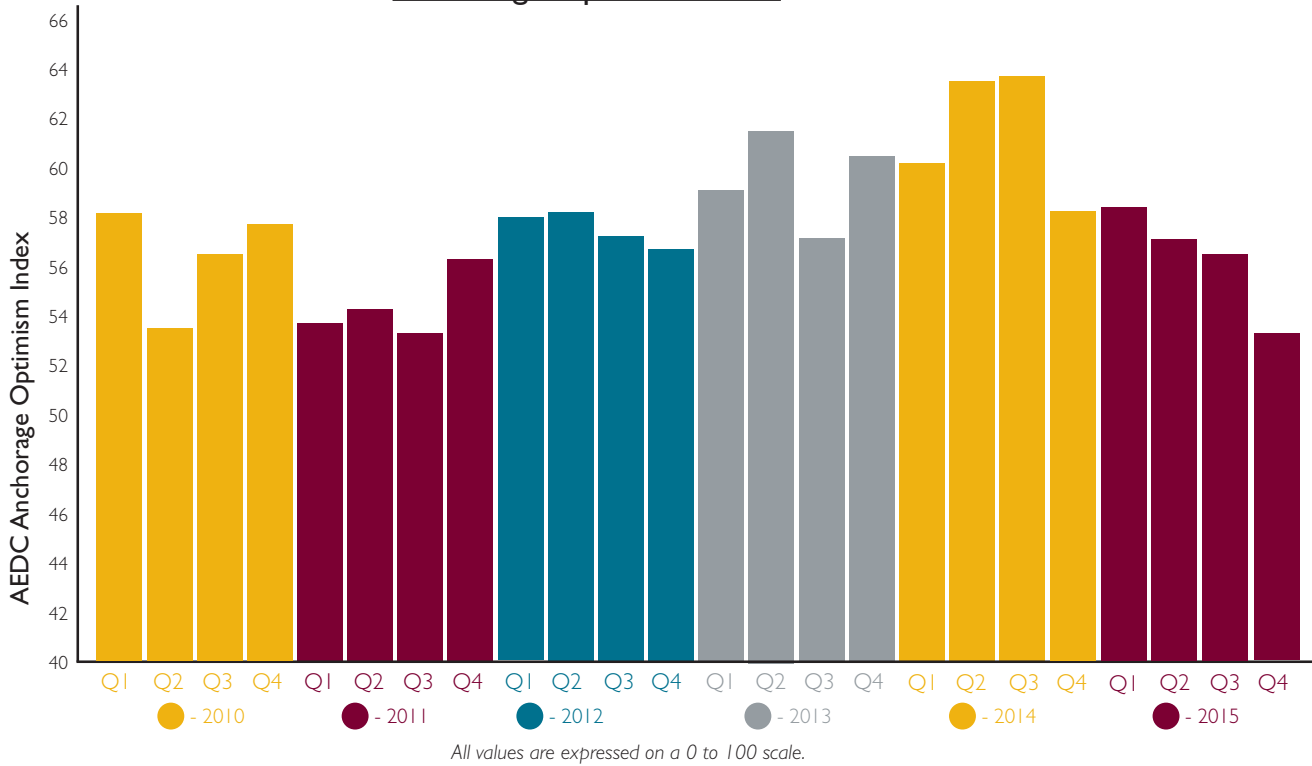
In 2015 Q4, ANCI dropped sharply, continuing a three-quarter trend amid increasing concerns about local and state economies, dropping to 53.2 from the third quarter reading of 56.5. This is the lowest reading in the six-year history of the index and is a drop of 5 points from the fourth quarter of 2014. The six-month moving average of the index fell as well, dropping to 54.8 from 56.7, and down 6 points from the fourth quarter of 2014. The six-month moving average has now fallen in each of the last five quarters.

While both Anchorage and our broader statewide index dropped, U.S. consumer confidence was mixed. The Conference Board's Consumer Confidence Index® dropped by 6.5 points from September to December. However, the University of Michigan's Consumer Sentiment Index rose by 5.4 points. As we have said over multiple quarters, sustained low oil prices and the sharp drop in recent months are casting doubts about the state's economy and the effects that will have on both individuals and municipalities. Persistent low oil prices are a very real threat to Alaska's and Alaskans' financial health.

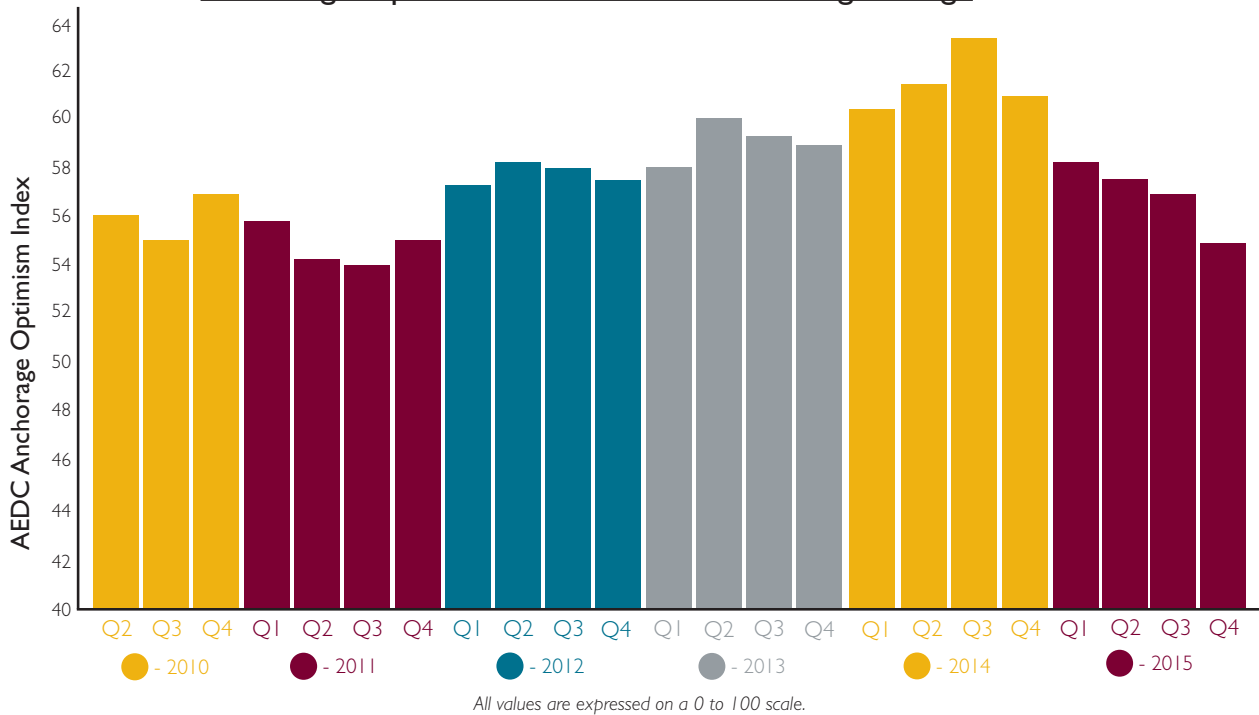
Q4
2015
53.2

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, decreased during the quarter, losing 3.4 points to 57.1. Anchorage residents expressed lessening confidence in the future of their local economy, though still remaining modestly optimistic about the Anchorage economy's future, likely influenced by the continued low 5.0 percent unemployment rate in Anchorage and steady overall job numbers in Q4. This component will be important to watch as the resulting job losses from low oil prices in oil and gas and government begin to take place. Budget debates in Juneau will also have a likely effect on this component in coming months, the degree of which will depend on the scope of budget cuts, proposals for new taxes and any impacts to the Permanent Fund Dividend program.

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 65.1. 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. This component will be important to watch once the Legislature convenes in Juneau to discuss further budget cuts and new revenue options.

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 saw the largest drop of the three subcomponents, falling 4.8 points to a level not seen in the history of this index. This component is down 7.8 points from the level seen one year ago. Expectations of further significant cuts to state programs, reduction of future Permanent Fund Dividends, and new taxes 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

*All values are expressed on a 0 to 100 scale.
Q3 2010 updated to correct data error - January 2016

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