

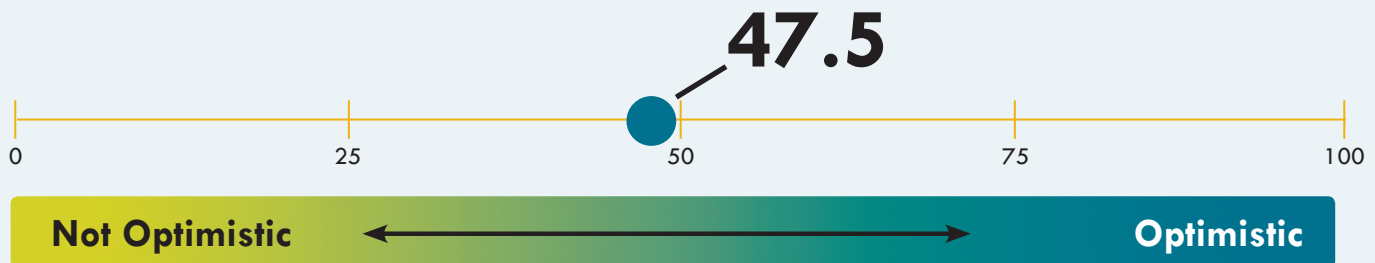
Anchorage Consumer Optimism Index: Q2 2017

Sponsored by: **KeyBank**

Report
compiled by: **Northern
Economics**

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 Q2, ANCI dropped down from the previous quarter and hit a new low, both for the quarter and for the six-month average. The index landed at 47.5, 0.7 points lower than the second quarter of last year and down more than three points from the first quarter of this year. The more stable six-month moving average of the index fell to 49.0, slightly lower than the previous record low reached in the second and third quarters of last year.

During the same time, the U.S. consumer confidence also fell. The Conference Board's Consumer Confidence Index® dropped 6.7 points from March to June, fueled by drop of more than 11 percent in the expectations index. The University of Michigan's Consumer Sentiment Index dropped as well, by 1.8 points, but overall it was more stable than The Conference Board's reading.

This quarter's ANCI results reflect a deepening crisis in confidence among Anchorage consumers that has been growing significantly in recent months. This downward trend has been driven in part by the Alaska Legislature once again failing to agree on a comprehensive solution to the multi-billion dollar budget deficit, in effect kicking the can down the road again. Job losses over the last 18 months in the private sector and a lack of certainty regarding potential new state taxes on industry and individuals, and cuts to state government services going forward continue to cast a shadow over Alaska's near-term future and what the economy may look like when the storm has passed.

Q2 2017
47.5

LOCAL ECONOMY CONFIDENCE - 46.9 OUT OF 100

46.9



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 of the Anchorage economy, reached uncharted territory a second time in a row for that component. It dropped again to a new low level for the life of the index, hitting 46.9 and confirming that the survey data are catching up with economists' warnings that Alaska, and Anchorage, are in a recession.

PERSONAL FINANCIAL CONFIDENCE - 62.0 OUT OF 100

62.0



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 this usual strength, the component dropped sharply this quarter, falling 5.1 points to 62.0, a magnitude of drop not seen since late 2013. Unlike the Local Economy Confidence component, which is in some ways residents' view of the local economy, Personal Financial Confidence measures residents' ability to participate in the local economy directly through their personal finances.

FUTURE EXPECTATIONS - 40.6 OUT OF 100

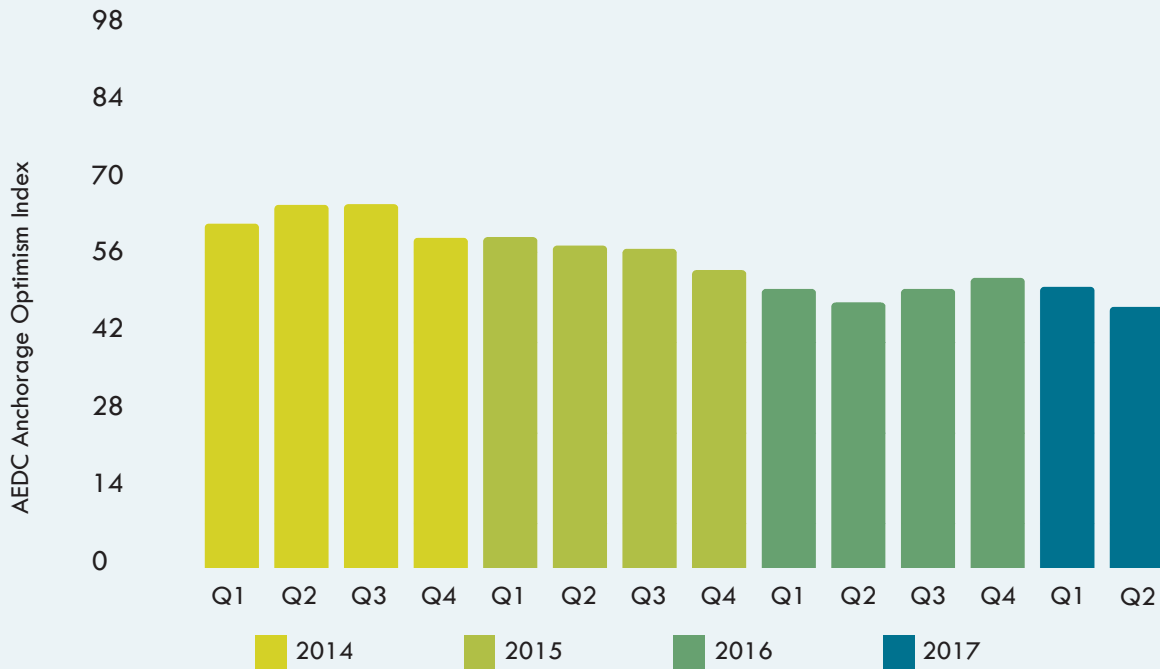
40.6



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

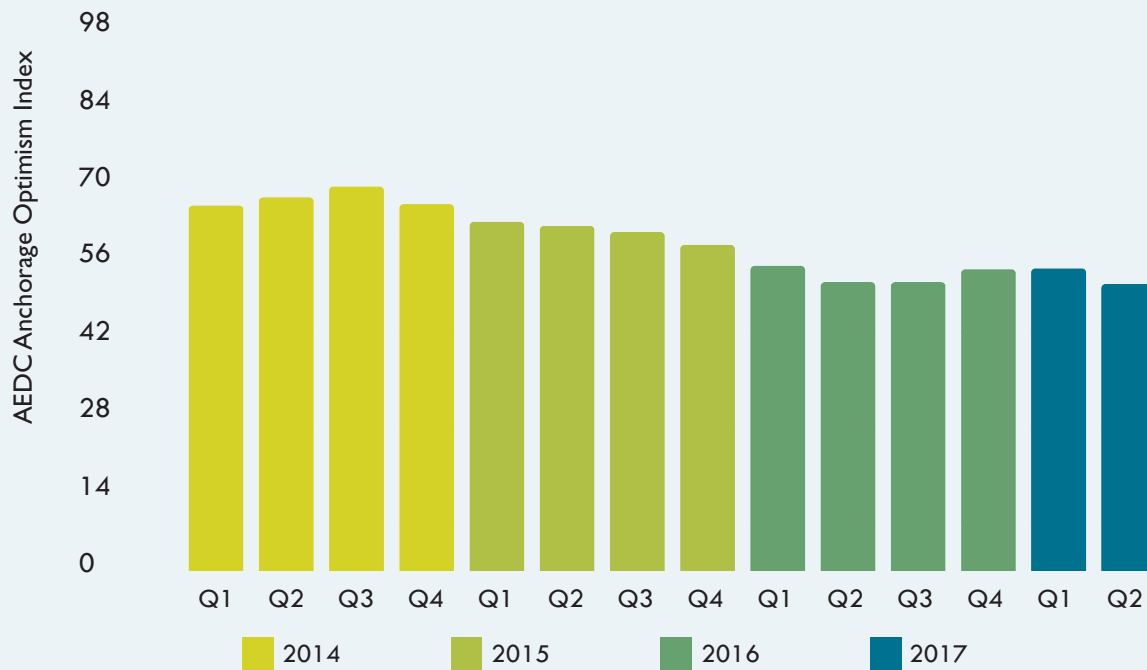
ANCI's Expectations of the Future component lost 2.0 points, continuing the fall since the end of 2016 but still above where the index sat one year ago. This component, at 40.6, still solidly in recessionary territory.

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
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
Q2	46.9	62.0	40.6	47.5	49.0

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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