



AEDC
Anchorage Economic
Development Corporation

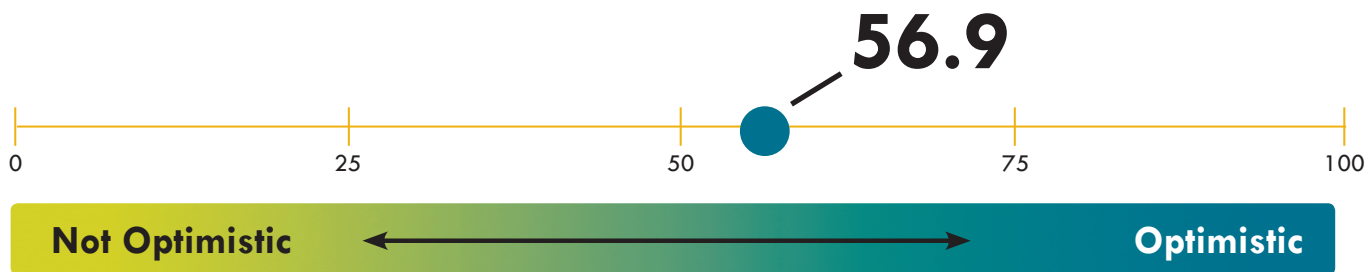
Anchorage Consumer Optimism Index: Q4 2018

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 2018 Q4, ANCI dropped, landing slightly below the index reading from 2018 Q2. The index was 56.9, down 2.4 points from last quarter but still up 2.6 points from a year ago. The index remains well above the 50 level, an important level signifying the boundary between optimism and pessimism. The more stable six-month moving average of the index dropped slightly to 58.1, just under the reading from 2015 Q1.

During the same time, U.S. consumer confidence also decreased. The Conference Board's Consumer Confidence Index® fell 7.2 points from September to December, while the University of Michigan's Consumer Sentiment Index fell 1.8 points. The Consumer Confidence Index™ showed a small increase in the present situation but a large drop (11.9 percent) in consumers' expectations for the future. The Consumer Sentiment Index also showed a small increase in current economic conditions but a 3.9 percent drop in expectations.

Fiscal concerns remain at the state level. The incoming administration has proposed a combination of state job cuts and promised budget cuts, paired with promised increases to some portions of the budget (fighting crime and paying out a bonus Permanent Fund Dividend). Previously strong oil prices declined sharply in the 4th quarter. While there are signs Alaska is near the end of the recession (but not necessarily much of a recovery), lower oil prices have tempered optimism. And there are the effects of the November 30 earthquake that continue to shake consumer confidence. The result of these factors is an index reading that is down modestly from last quarter but still high relative to the last few years.

Q4 2018
56.9

LOCAL ECONOMY CONFIDENCE - 54.0 OUT OF 100

54.0



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?

ANCI is composed of three individual components: Local Economy Confidence, Personal Financial Confidence, and Expectations for the Future. Local Economy Confidence, the most direct measure of respondents' feelings about the current state of the Anchorage economy, rose slightly further into optimistic territory, ending at 54.0.

PERSONAL FINANCIAL CONFIDENCE - 66.2 OUT OF 100

66.2



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. The component fell to 66.2, a decline of 1.8 points but still relatively high. 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 - 53.7 OUT OF 100

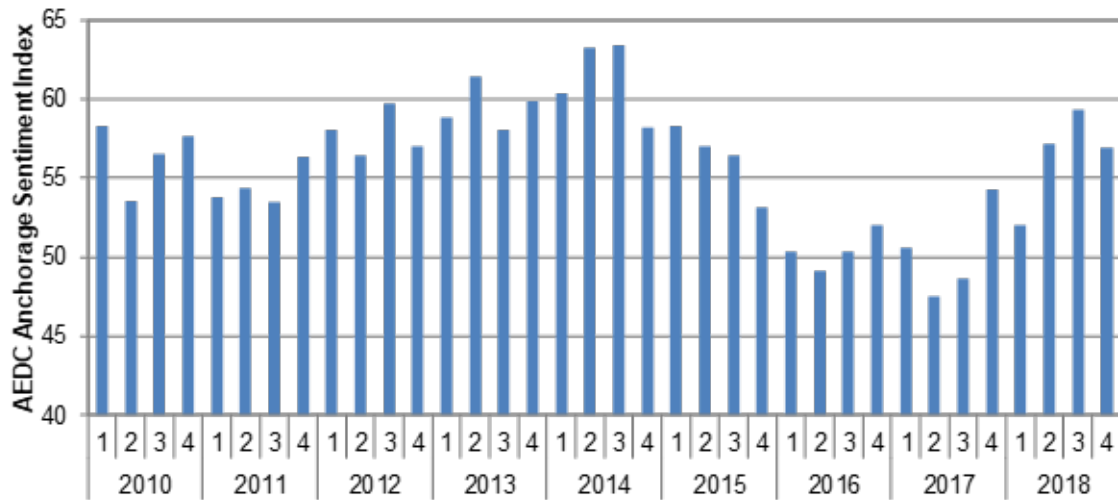
53.7



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

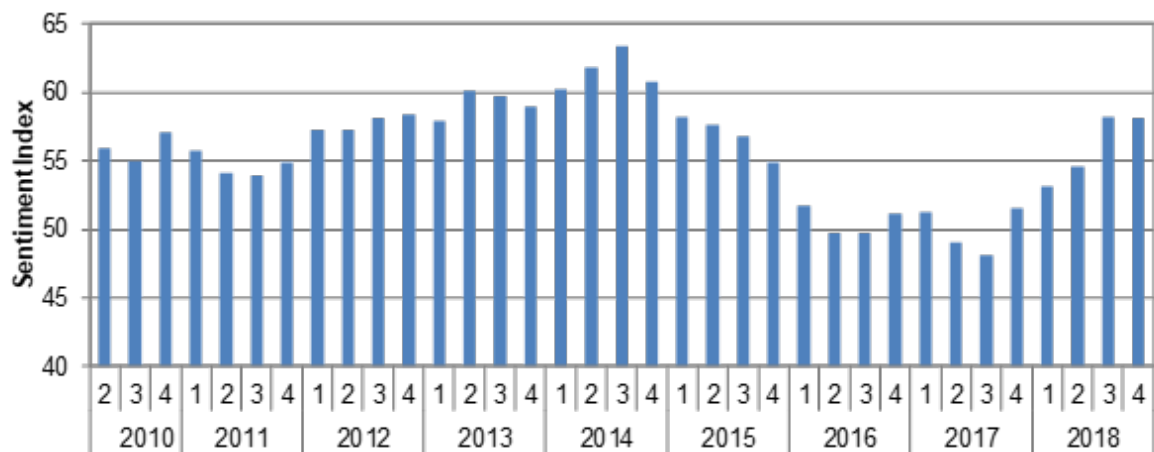
ANCI's Expectations of the Future component had the largest point drop, with a loss of 4.0 points, to settle at a reading of 53.7. It is still a high reading relative to the last few years, though its decline toward the optimism/pessimism level is a concern. Residents' expectations for the future have weakened.

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
Q3	47.6	62.0	42.6	48.7	48.1
Q4	53.1	65.4	49.3	54.3	51.5
2018					
Q1	49.5	63.8	48.4	52.5	53.4
Q2	52.3	68.1	54.2	57.2	54.8
Q3	53.8	68.0	57.7	59.3	58.2
Q4	54.0	66.2	53.7	56.9	58.1

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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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