

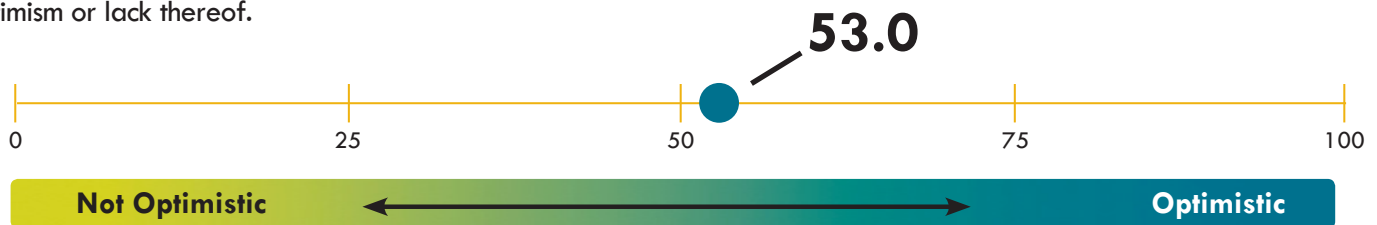
Anchorage Consumer Optimism Index: Q2 2019

Report compiled by:



The Northern Economics Alaska Consumer Optimism Index 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. developed this index/methodology and Alaska Survey Research collected the data through 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 2019 Q2, ANCI dropped for the 3rd quarter in a row, and is now categorized as in the uncertain range of 45 to 55. The ANCI had seen marked improvement through 2018 but has steadily declined since Q3 of 2018 when the ANCI reached a recent high point of 59.3. The index was 53.0, down 1.7 points from Q1 and is down 6.3 points from the recent peak. The more stable six-month moving average of the index dropped 2.0 points to 53.9 in 2019 Q2, still up by 1.0 points over the reading from 2018 Q2.



During the same time, U.S. consumer confidence also decreased. The Conference Board's Consumer Confidence Index® fell 7.7 points from April to June, while the University of Michigan's Consumer Sentiment Index rose slightly by 1.0 point to 98.2.

Local economic confidence has eroded markedly since 2018 Q4, down 3.1 points to 50.8 in 2019 Q2. Personal Financial Confidence has also declined, down 5.6 points to 62.5 in 2019 Q2, and is the lowest score for this indicator since 2017 Q3. Future Expectations has declined the most of the 3 component scores that make up the overall ANCI score. Future Expectations declined to 49.3, down 8.4 points since 2018 Q3.

The ANCI had been tracking higher in 2018 as economic indicators started to improve in the second half of the year following what appeared to be a partial solution to the state fiscal crisis, the POMV plan that provided partial government funding from Alaska Permanent Fund Earnings Reserve was adopted. However, it appears that growing optimism has been blunted by the recent dramatic changes in the direction of state fiscal policy. Uncertainty among consumers is growing significantly over the last six months as reflected in the data for the 2019 Q2 ANCI.

Some local economic indicators such as job growth in construction as a result of earthquake recovery efforts bolstering construction jobs in Anchorage, as well as growing optimism for the Alaska oil patch resulting from large project announcements for the North Slope have been positive news for consumers to consider. In the end, those positives appear to be outweighed by the recent announcements of over \$600 million in budget reductions that include \$190 million in cuts passed by the Legislature and the additional \$444 million in cuts through the Governor's budget vetoes.

LOCAL ECONOMY CONFIDENCE - 50.8 OUT OF 100

50.8



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, declined further into uncertainty territory, ending at 50.8.

PERSONAL FINANCIAL CONFIDENCE - 62.5 OUT OF 100

62.5



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 declined to 62.5, a drop of 1.5 points and sat its lowest level since mid-2017. Unlike the Local Economy Confidence component, which in some ways represents 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 - 49.3 OUT OF 100

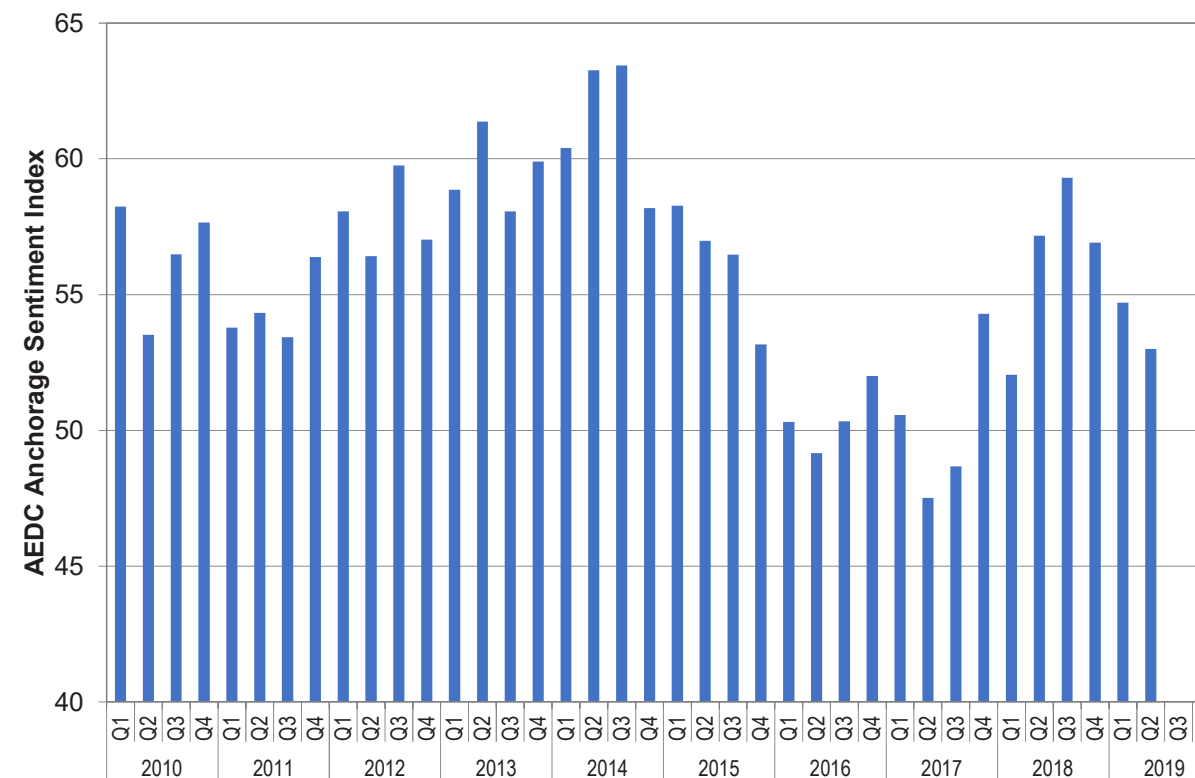
49.3



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

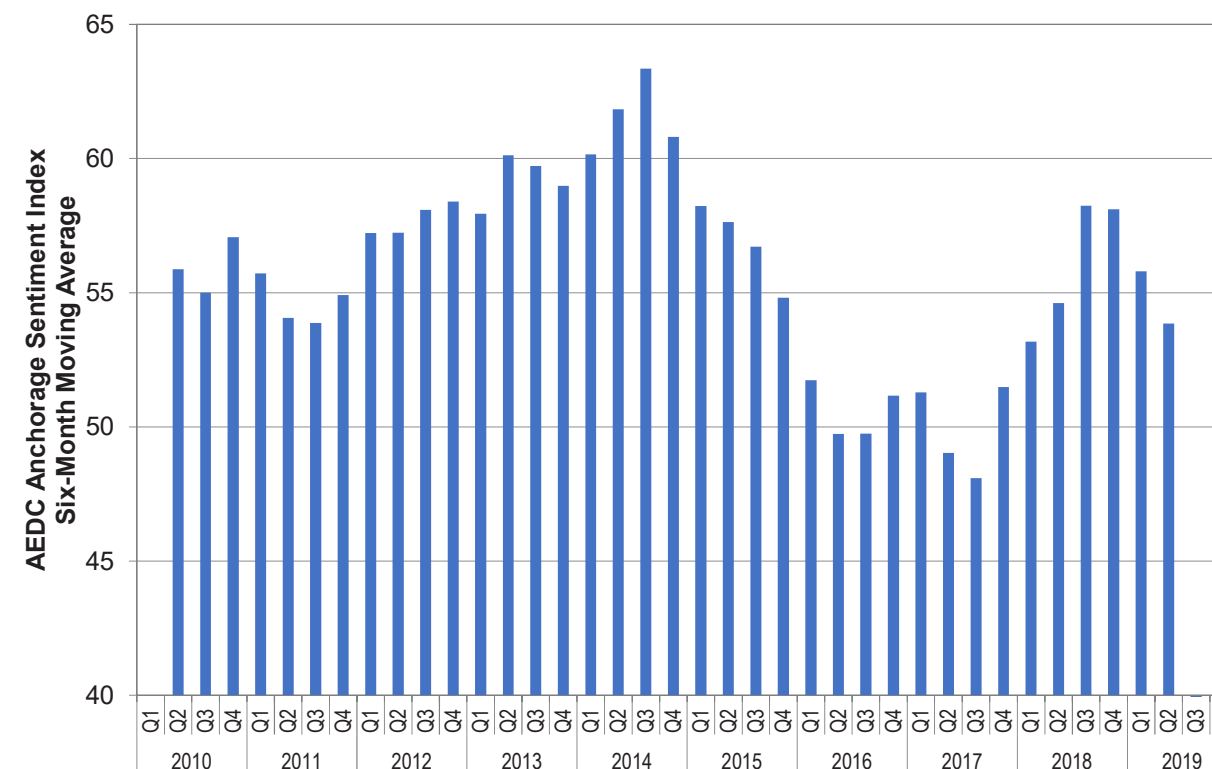
ANCI's Expectations of the Future component had the largest point loss, at 2.0 points, to reach a reading of 49.3. This is the lowest reading since 2018 Q1. Residents' expectations for the future are the lowest they have been since the deepest period of job losses for the ongoing recession.

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
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
2019					
Q1	52.4	64.0	51.3	54.7	55.8
Q2	50.8	62.5	49.3	53.0	53.9

All values are expressed on a 0 to 100 scale.



Generated by Northern Economics with data collected by Alaska Survey Research 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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