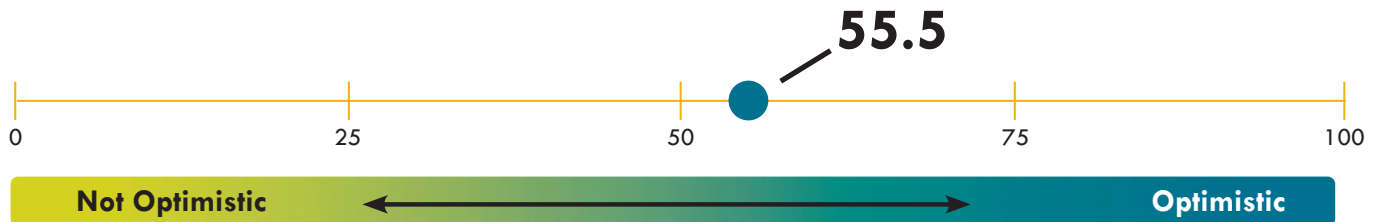


Anchorage Consumer Optimism Index: Q4 2019

Report compiled by:



RESULTS

In 2019 Q4, ANCI showed some improvement following four consecutive quarters of decline and is now categorized as in the slightly positive range of 55 to 60. The ANCI had seen a significant period of decline since Q3 of 2018 when the ANCI reached a recent high point of 59.3. The index was 55.5 in Q4, up 2.8 points from Q3 and is still down 3.8 points from the recent peak. The more stable six-month moving average of the index rose 1.2 points to 54.1 in 2019 Q4, down by 4.1 points compared to the reading from 2018 Q3.

Q4 2019
55.5

During the same time, U.S. consumer confidence also increased. The Conference Board's Consumer Confidence Index[®] rose 0.6 points from October to December, while the University of Michigan's Consumer Sentiment Index rose by 3.8 point to 99.3.

As a trend, local economic confidence has eroded markedly since 2018 Q4, down 1.1 points to 52.9 in 2019 Q4. Personal Financial Confidence has also declined slightly, down 0.4 points to 65.8 in 2019 Q4. Future Expectations has declined the most of the ANCI's three component scores. Future Expectations dropped to 51.7 in Q4, down 2.0 points compared to 2018 Q4.

The ANCI is now tracking higher for the first time in over a year as the initial shock felt by the public and businesses from significant state budget cuts seen over summer 2019 now appears to be waning. The ANCI had been trending higher in late 2018 following what appeared to be a partial solution to the state fiscal crisis, the adoption of the percent of market value (or "POMV") plan. However, previously growing optimism was blunted by the recent dramatic changes in the direction of state fiscal policy. High profile retail closings – largely due to national trends in that industry – also influenced local consumer optimism.

Uncertainty still looms in the background of the most recent ANCI data as a result of continued issues with state budgets that remain front and center in the media and the workplace. While we are heartened to see improvements in the Q4 data, there are several additional issues that could negatively affect future expectations and confidence including a proposed massive tax increase on the oil industry, significant projected state budget deficits, and recent notable declines in the population of Anchorage.

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.

LOCAL ECONOMY CONFIDENCE - 52.9 OUT OF 100

52.9



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?

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 uncertain territory, ending at 52.9.

PERSONAL FINANCIAL CONFIDENCE - 65.8 OUT OF 100

65.8



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 65.8, a drop of 1.5 points. 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 - 51.7 OUT OF 100

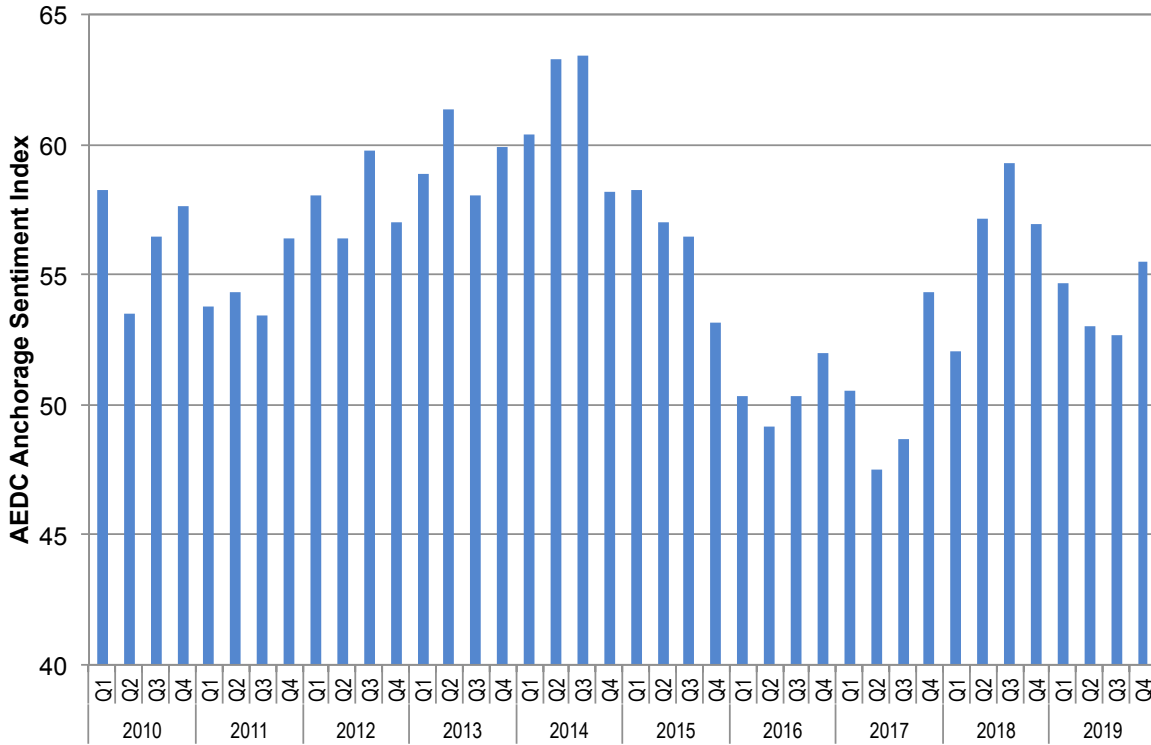
51.7



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

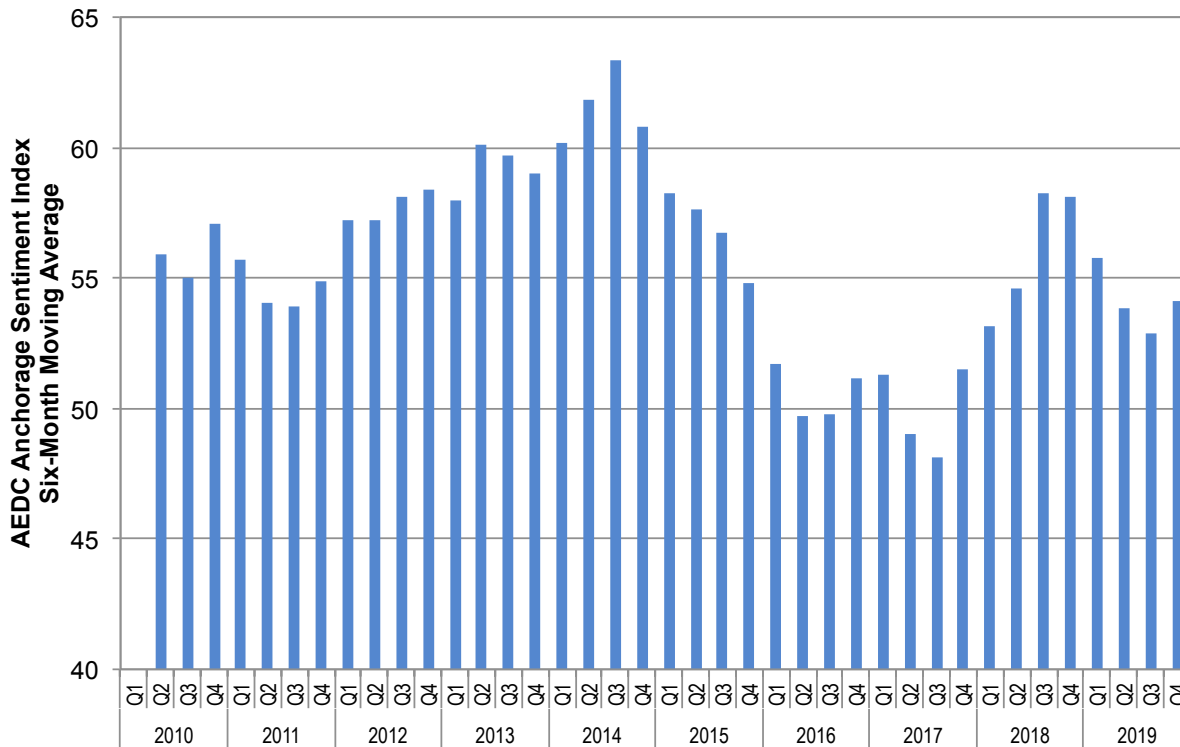
ANCI's Expectations of the Future component had the largest point increase, up 6.1 points, to reach a reading of 51.7. This reading falls in the uncertain range of 45 to 55. Residents' expectations for the future are the most concerning of the three indicators as they continue to reflect an ongoing lack of optimism in the economic future of Anchorage. This pessimism can negatively influence purchasing decisions, influence individual and family decisions on whether to continue to live in Anchorage and could lead to a growing sense of disinterest among Anchorage residents.

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
Q3	52.2	67.3	45.6	52.7	52.9
Q4	52.9	65.8	51.7	55.5	54.1

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.

AEDC, 510 L Street, Suite 603, Anchorage, AK 99501