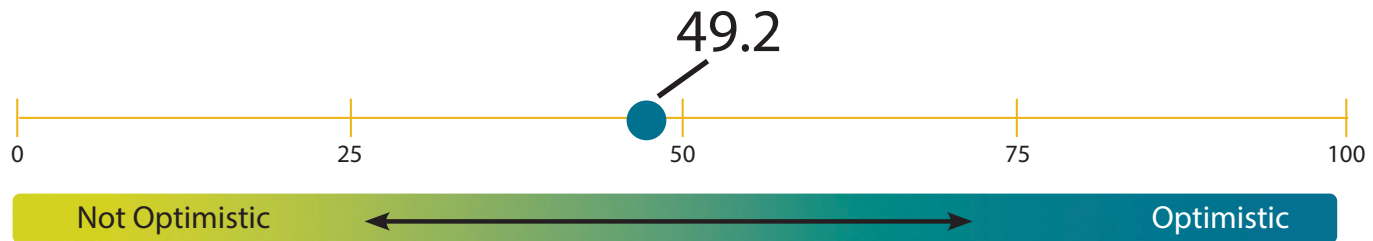


Anchorage Consumer Optimism Index: Q3 2020

Report compiled by:



RESULTS

Since the advent of the COVID-19 pandemic, the ANCI has dropped to levels not seen since the depths of the ongoing recession in 2017 and is now categorized as in the uncertain range of 45 to 55. 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 49.2 in Q3, down slightly compared to Q2. The more stable six-month moving is the same at 49.3, a sign of some stability in the overall trend of the index.

During the same time, U.S. consumer confidence increased. The Conference Board's Consumer Confidence Index[®] stood at 101.8, rising 15.5 points from August to September, while the University of Michigan's Consumer Sentiment Index rose by 5.8 point to 78.9. Both indexes remain significantly lower than levels in 2019 at 126.5 and 98.2 respectively. MarketWatch noted in September that "the amount of confidence Americans have in the economy and their own financial security has a good record of predicting the future. Until they feel more secure, the economy is unlikely to make a rapid recovery from the coronavirus recession."

2020 Q3 data shows local economic confidence has eroded markedly, down 3.3 points to 43.7 in Q3. Personal Financial Confidence inversely was up significantly 5.1 points to 68.5 in Q3, the highest point for this indicator in the last five years. This increase is likely related to federal Pandemic Unemployment Assistance provided to tens of thousands of unemployed Alaskans through July 31st. In Q3, Future Expectations dropped to 42.4, down 1.0 points compared to Q1, and remains in markedly negative territory, demonstrating a significant lack of confidence in the future of the Anchorage economy by local consumers.

The ANCI continues to track at its lowest levels since 2017 as the unprecedented impacts felt by the public and businesses from the onset of the COVID-19 pandemic in early March. The ANCI had been trending higher in late 2019 based on positive news from the oil & gas industry regarding impending large new investments in Alaska's North Slope and other signs that the 5-year recession was nearing an end. However, Anchorage remained in recession through the 1st quarter of 2020 – even prior to the onset of COVID-19. Anchorage is now feeling the impacts of an unprecedented loss of tens of thousands of jobs, which was mitigated during the first few months by nearly \$2.0 billion of federal aid in the form of business grants and loans and increased unemployment assistance. However, federal aid is now almost depleted and hopes for additional funds have been dashed by national political tides that will likely not ebb until late in the year or early 2021.

Uncertainty continues to drive the attitudes of consumers in the most recent ANCI data. This is a result of COVID-19, combined with seemingly never-ending political and budget issues. The coming months will likely see uncertainty continue to suppress hopes for improvement until additional aid is approved and a vaccine developed.

Q3 2020
49.2

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 - 43.7 OUT OF 100

43.7



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 pessimistic territory, ending at 43.7.

PERSONAL FINANCIAL CONFIDENCE - 68.5 OUT OF 100

68.5

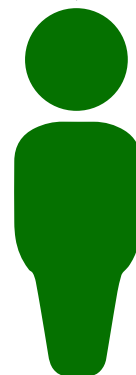


On a scale from 1 to 5, how secure do you feel about your and your family's financial situation, where a 5 is very secure and a 1 is not secure at all? And would you say your and your family's financial situation is getting better, getting worse or staying about the same?

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 increased to 68.5, a jump of 5.1 points. The near record high for this indicator can likely be attributed to the large amount of federal unemployment relief distributed in prior months to out-of-work Anchorage residents. 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 - 42.4 OUT OF 100

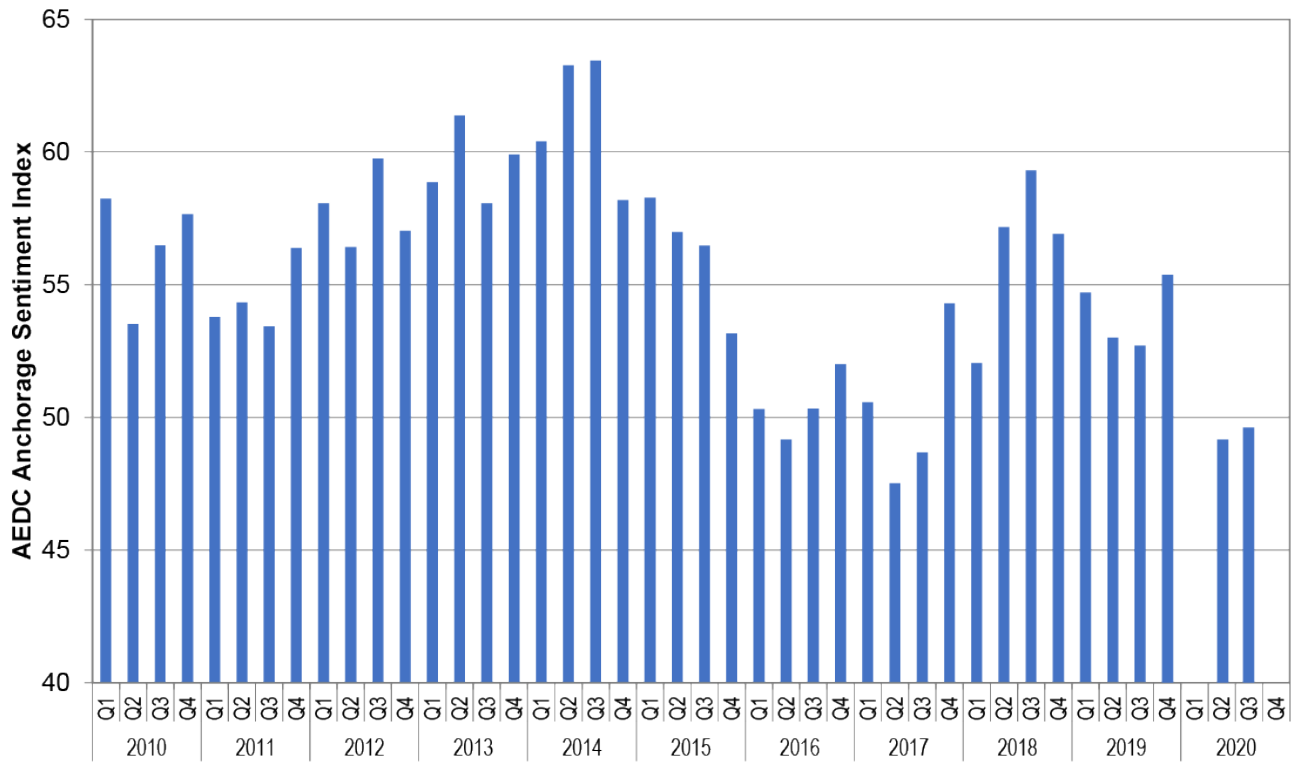
42.4



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

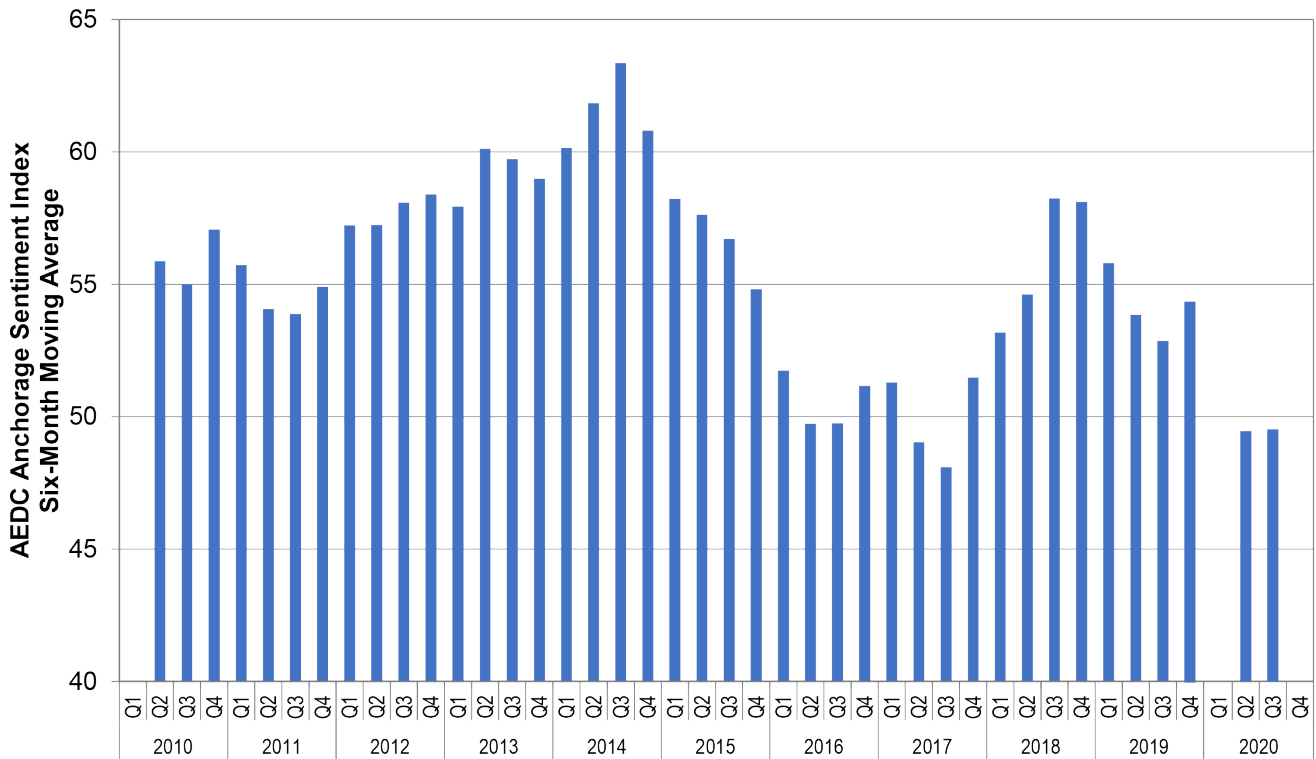
ANCI's Expectations of the Future component had the smallest point decrease, down 1.0 points, to reach a reading of 42.4. This reading falls in the not optimistic range under 45. Residents' expectations for the future are the most concerning of the three indicators and shows a marked lack of optimism in the economic future of Anchorage exacerbated by the onset of the COVID-19 pandemic in our city. 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



No first quarter survey was conducted due to COVID-19 stay in place orders during the scheduled survey period. All values are expressed on a 0 to 100 scale.

Anchorage Optimism Index Six-Month Moving Average



No first quarter survey was conducted due to COVID-19 stay in place orders during the scheduled survey period. 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
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
2020					
Q1	NA	NA	NA	NA	NA
Q2	47.0	63.4	43.4	49.3	49.3
Q3	43.7	68.5	42.4	49.3	49.3

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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