

7 February 2022



**Bank of Albania**  
Monetary Policy Department

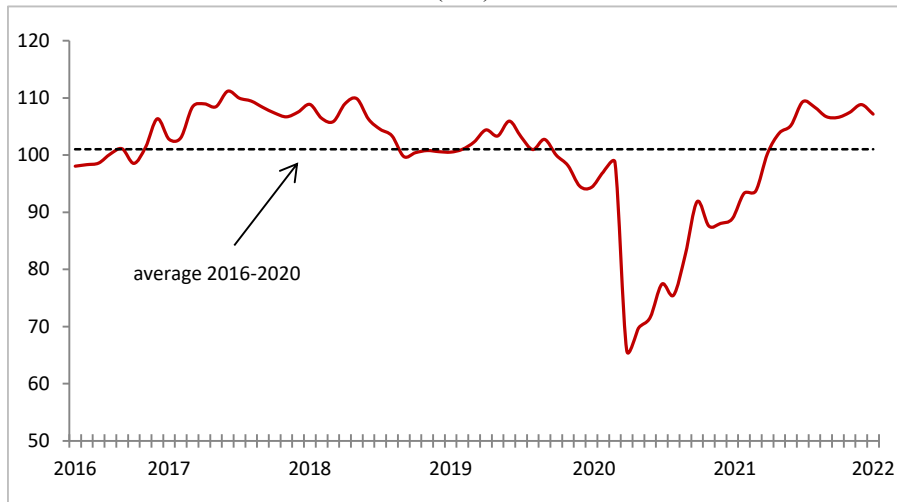


**European Commission<sup>1</sup>**

### Business and Consumer Confidence Survey

The economic sentiment indicator (ESI) was 107.2, slightly declining by 1.7 points in January. However, it stands around 7 points above its historical average (Chart 1). The decrease of ESI was mainly determined by the fall of confidence in the industry and services sector, and at a lesser extent, by the fall of consumer confidence. Confidence in the sectors of construction and trade, improved in January (Chart 2).

**Chart 1** Economic Sentiment Indicator (ESI)



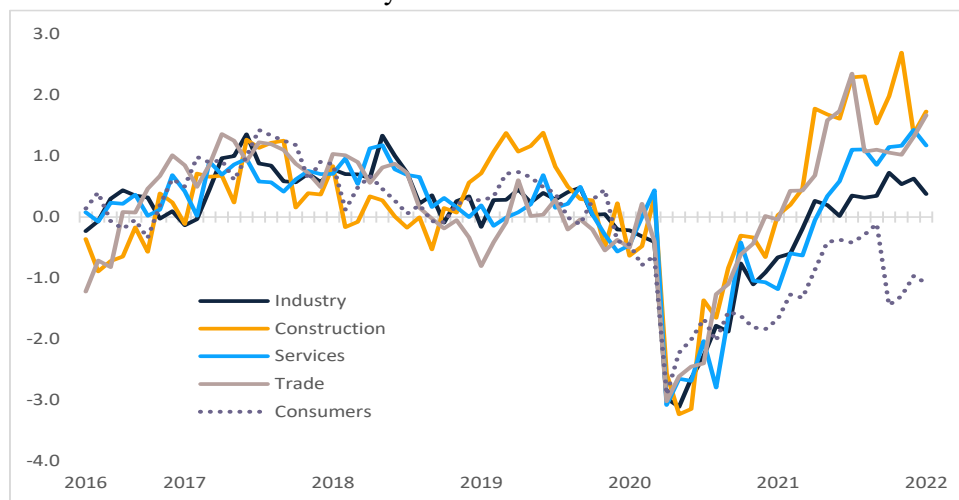
Source: Business and Consumer Confidence Survey, Bank of Albania.

**The industry confidence indicator (ICI)** decreased by 3.8 percentage points compared to the previous month, influenced by the declining performance of the *production balance and ordering books*. Meanwhile, businesses' expectations for *production, employment and prices* in the future are on the rise in January (Table 2, industry sector).

<sup>1</sup> Confidence surveys are co-funded by the European Union and the Bank of Albania. In May 2016, they moved under the Harmonised EC Programme. Since June 2021, the analysis and data from surveys will be published on a monthly basis.

**Construction Confidence Indicator (CCI)** returned to the upward trend in January, recording a value of 3.1 percentage points higher than the previous month. This development was influenced by both the improvement of the balance for the *construction activity* and the indicator for the *ordering books*. Expectations for the level of *employment* also increased, while those for *prices* recorded a decrease, following the successive increases of the last three months (Table 2, construction sector).

Chart 2 Confidence indicators by sector\*



Source: Business and Consumer Confidence Survey, Bank of Albania.

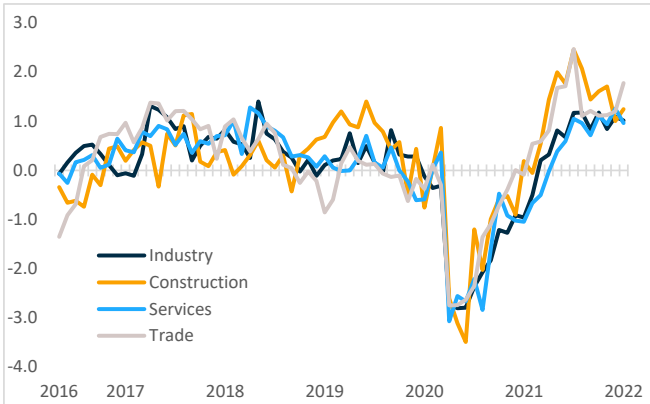
Note: \*The chart shows standardised series, to correct the changes in averages and in standard deviations of the respective confidence indicators.

**The Services Confidence Index (CPI)** decreased by 4.2 percentage points in January. This decrease was driven by poorer performance of components related to current business performance and demand for services. In line with these indicators, businesses assess the current *employment* situation as declining. Meanwhile, their expectations for future *employment* and *price* performance were upward (Table 2, services sector).

**Trade Confidence Indicator (TCI)** picked up by 3.4 percentage points in January. The increase was driven by the better assessments of their current *business* performance (Table 2, trade sector). Meanwhile, expectations for *business performance* in the coming months, for *orders* and *employment* are downward compared to those of last month.

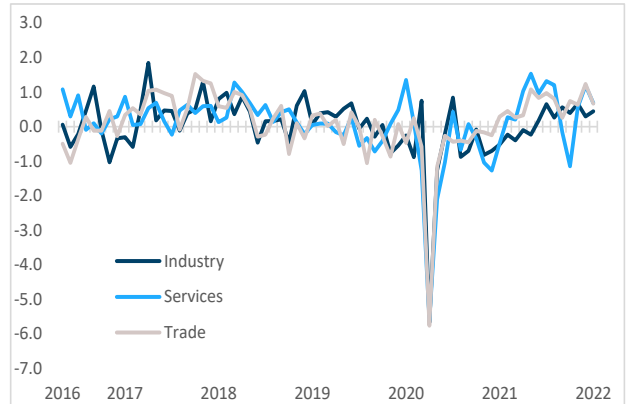
**The Consumer Confidence Index (CPI)** declined by 0.7 percentage points in January. This fall worsened its position compared to its long-term average (Chart 2). The indicator reflected the negative assessment of consumers regarding major *purchases* as well as expectations for their *financial situation* in the future. On the other hand, expectations for the *general economic situation* in the country improved in January (Table 2, consumers).

Chart 3 Business situation by sector over the past three months



Source: Bank of Albania.

Chart 4 Business expectations over the next three months



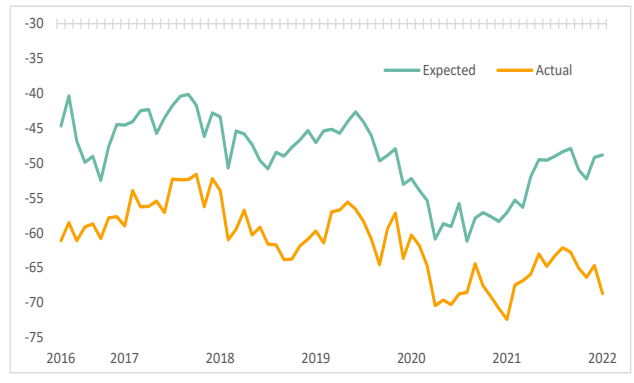
Source: Bank of Albania.

Chart 4 Expectations for unemployment and prices over the next 12 months, in balance



Source: Bank of Albania.

Chart 5 Major purchases of consumers



Source: Bank of Albania.

**Table 1** Confidence indicators by sector\*

	Values			2021					2022	Current situation	
	min.	ave.	max.	August	September	October	November	December	January	Conjectural**	Structural***
Industry	-59.9	-12.2	7.9	-7.9	-7.4	-1.7	-4.5	-3.1	-6.9	↓	+
Construction	-57.4	-28.1	-7.8	-11.1	-17.5	-13.8	-7.8	-18.9	-15.9	↑	++
Services	-46.8	5.1	27.2	22.0	17.9	22.6	22.9	27.2	23.1	↓	++
Trade	-33.5	-2.5	18.4	6.1	6.4	5.9	5.6	8.5	11.9	↑	++
Consumer	-40.8	-25.3	-16.5	-26.1	-25.1	-32.6	-31.8	-29.9	-30.6	↓	-

Source: Business and Consumer Confidence Survey, Bank of Albania.

\*) Indicators are calculated from seasonally adjusted balance. The minimum, average and maximum balances are calculated starting from May 2016.

\*\*\*) Situation compared to the previous month.

\*\*\*\*) The situation for each indicator is considered as highly satisfactory (+ +) when the index is more than 1 standard deviation higher than the average; satisfactory (+) when the index is less than 1 standard deviation higher than the average; unsatisfactory (-) when the index is less than 1 standard deviation lower than the average; and highly unsatisfactory (- -) when the index is more than 1 standard deviation lower than the average.

**Table 2** Main balances of the sectors of the economy (in percentage points)\*.

	2021								2022
	May	June	July	August	Sept.	October	Nov.	Dec.	January
<b>INDUSTRY</b>									
Production over the past three months (question 1, ICI component)	16.8	14.3	23.4	23.5	17.2	23.5	17.4	21.9	20.5
Order books (question 2, ICI component)	-19.2	-18.6	-18.5	-17.8	-17.9	-11.2	-14.5	-11.5	-12.7
Export order books (question 3, ICI component)	-26.6	-32.9	-26.9	-29.3	-21.5	-17.3	-16.2	-19.8	-28.6
Stock of finished product (question 4)	1.0	-3.4	-5.2	-5.9	-4.9	-6.0	-7.4	-3.9	-1.3
Production, expectation (question 5)	27.6	32.2	37.4	33.1	36.3	34.5	37.5	33.5	35.0
Selling prices, expectation (question 6)	7.9	11.5	17.3	13.2	21.3	36.0	38.1	37.8	41.3
Employment, expectation (question 7)	6.7	9.3	17.3	5.6	11.6	10.8	13.4	19.6	22.1
<b>CONSTRUCTION</b>									
Construction activity over the past three months (question 1, CCI component)	10.0	7.4	15.4	10.9	3.6	5.6	6.7	-1.5	1.4
Order books (question 3, CCI component)	-42.6	-41.1	-37.8	-33.0	-38.7	-33.1	-22.3	-36.4	-33.1
Employment, expectation (question 4)	7.9	14.4	15.2	12.4	10.9	7.8	10.0	6.7	15.5
Prices, expectation (question 5)	7.2	10.6	9.3	13.9	18.3	22.0	29.7	23.0	18.1
<b>SERVICES</b>									
Business performance over the past three months (question 1, SCI component)	10.9	14.4	22.0	20.5	16.4	23.1	20.2	25.5	20.5
Demand over the past three months (question 2, SCI component)	7.9	12.4	21.8	23.5	19.3	22.2	25.7	29.0	25.6
Demand, expectation (question 3)	40.3	34.4	38.1	36.9	22.9	12.6	30.2	36.7	31.6
Employment over the past three months (question 4)	-4.6	1.5	18.9	14.1	5.8	9.2	11.2	18.2	-5.9
Employment, expectation (question 5)	13.3	13.7	17.1	20.7	9.2	0.5	12.5	6.7	13.2
Prices, expectation (question 6)	1.8	9.4	10.7	4.3	8.1	29.5	23.0	20.9	22.4
<b>TRADE</b>									
Business performance over the past three months (question 1, TCI component)	19.0	19.7	32.0	9.7	11.4	9.8	10.0	11.3	20.7
Inventories situation (question 2)	-1.1	2.3	-1.2	-0.8	-0.1	0.8	0.5	0.3	-0.8
Future orders, expectations	27.9	29.3	30.5	27.9	21.5	24.6	25.2	36.3	30.2

Business performance, expectations ( <i>question 4</i> )	36.1	32.9	34.7	32.5	25.3	31.7	30.3	38.2	30.7
Employment performance, expectations ( <i>question 5, TCI component</i> )	3.1	5.4	4.9	2.5	1.4	2.1	1.1	5.7	3.0
<b>CONSUMER</b>									
Current financial situation ( <i>question 1</i> )	-10.8	-11.9	-11.1	-10.4	-6.8	-13.3	-14.0	-12.3	-12.6
Financial situation, expectation ( <i>question 2, CCI component</i> )	3.4	4.0	3.2	3.3	8.2	-3.8	-2.6	-1.0	-1.2
Current financial situation ( <i>question 3</i> )	-20.1	-19.5	-20.8	-19.0	-18.4	-22.8	-25.4	-23.9	-23.7
Economic situation, expectation ( <i>question 4, CCI component</i> )	1.9	4.0	1.8	2.7	2.0	-10.5	-5.8	-4.7	-3.6
Current prices ( <i>question 5</i> )	-4.7	-1.9	2.4	-1.8	0.6	27.1	30.6	28.8	24.9
Prices, expectation ( <i>question 6</i> )	-16.4	-18.6	-11.5	-11.1	-7.7	8.2	-1.0	-3.9	-8.1
Unemployment, expectation ( <i>question 7</i> )	8.5	7.1	9.0	9.9	7.3	12.6	10.6	11.4	8.7
Current major purchases ( <i>question 8, CCI component</i> )	-63.0	-64.8	-63.3	-62.1	-62.8	-65.0	-66.4	-64.7	-68.7
Major purchases, expectations ( <i>question 9, CCI component</i> )	-49.5	-49.5	-49.0	-48.4	-47.9	-50.9	-52.2	-49.2	-48.8
Current savings ( <i>question 10</i> )	-47.3	-46.2	-46.0	-41.9	-44.9	-48.6	-52.6	-47.5	-42.0
Savings, expectation ( <i>question 11</i> )	-45.6	-44.6	-45.2	-40.5	-43.0	-48.7	-48.5	-45.7	-44.6
Situation of income and expenses ( <i>question 12</i> )	2.6	2.4	2.2	5.0	3.5	-1.3	0.6	0.2	1.4

Source: Business and Consumer Confidence Survey, Bank of Albania.

## **Annex**

### **Methodological notes**

Balance is the most frequently used indicator in aggregating the qualitative data from surveys. It is calculated as the difference between the percentages of positive and negative answers. The balance is expressed in percentage point.

**Confidence Index (CI)** is constructed for each sector and is calculated as the simple average of seasonally –adjusted balances of indicators that have the highest correlation with the reference series (the series of real data of the economy).

**Economic Sentiment Indicator (ESI)** is constructed based on the same balances use for constructing CIs for each sector (industry, construction, services, trade and consumers), aiming to capture the domestic economic activity. Before aggregating the ESI, these balances are standardized and weighted.