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Bank of Albania
Monetary Policy Department

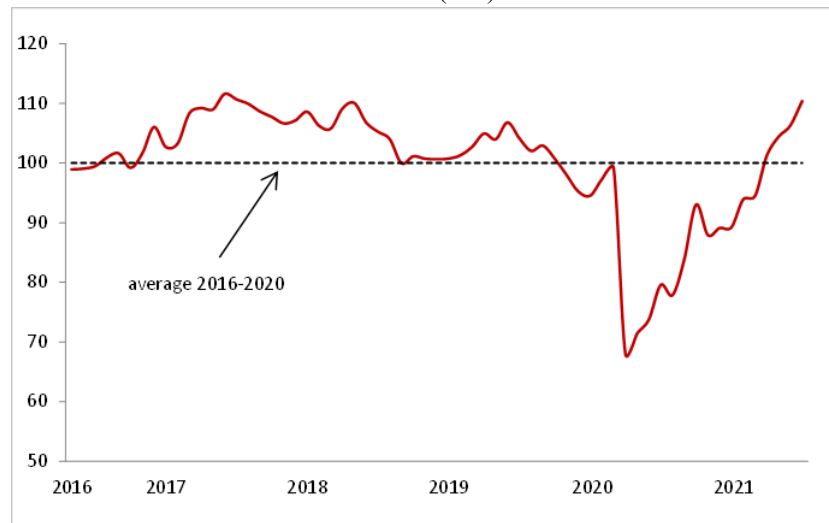


European Commission¹

Business and Consumer Confidence Survey

In July 2021, the **Economic Sentiment Indicator (ESI)** continued to increase, by 4.1 points compared to June. The current level of ESI, at 110.4 points, is the highest value in the last four years (Chart 1). The improvement of confidence in all sectors of business determined the increase of ESI. Meanwhile, consumer confidence did not change from June (Chart 2).

Chart 1 Economic Sentiment Indicator (ESI)



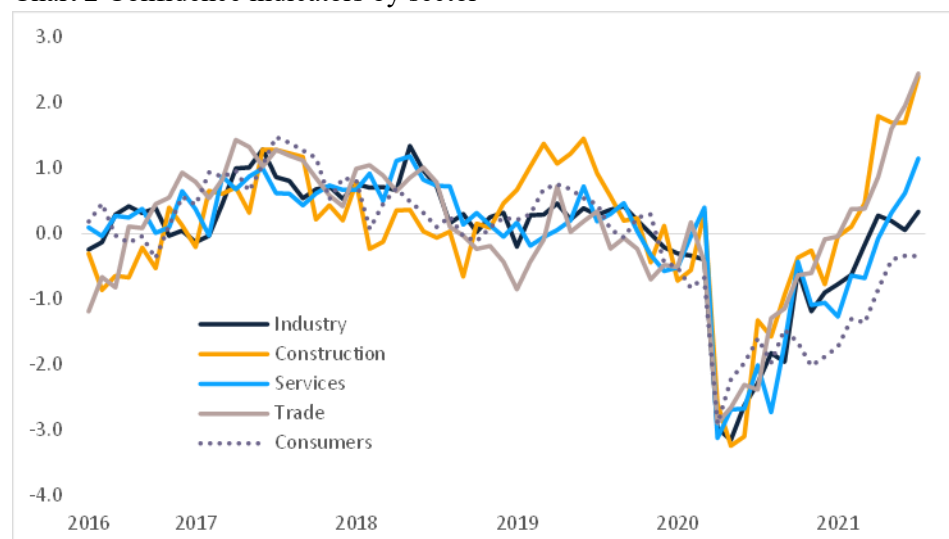
Source: Business and Consumer Confidence Survey, Bank of Albania.

Industry Confidence Indicator (ICI) increased by 4.3 percentage points compared to the previous month, mainly driven by the positive assessments of businesses for the *current production*. The assessment of businesses related to *overall order books* was slightly lower than in June, while they were more optimistic for the increase of *order books from exports*. Also, businesses operating in industry expect a growth of *production* and increase of *employment* in the next months (Table 2 - Industry).

¹ 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 (BCI) continued the upward trend in July, standing at the highest level in the last five years. BCI increased by 5.8 percentage points compared to the previous month, driven by both its components: *current order books* and *current construction activity* (Table 2 - Construction).

Chart 2 Confidence indicators by sector*



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

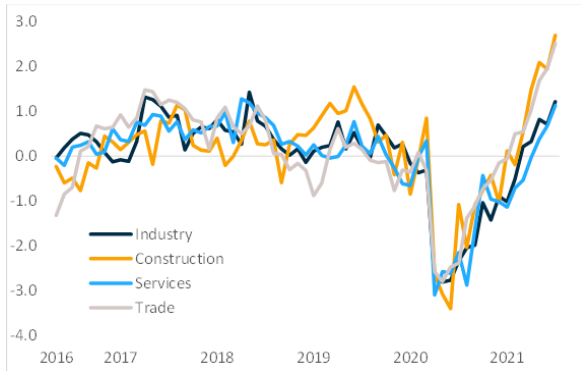
Note: *The chart shows standardised series, to correct the changes in averages and in standard deviations.

Services Confidence Indicator (SCI) rose for the fourth month in a row, reaching the highest level since May 2018. Its upsurge by 8.6 percentage points in July was driven by both components related to *business performance* and *demand* (Table 2- Services).

Trade Confidence Indicator (TCI) continued the climbing trend started since August 2020. Current TCI recorded the highest level in the last five years. TCI rose by 4.8 percentage points from the previous month, mainly driven by the businesses assessment on their *business current performance*. The other component of TCI – expectations for *employment* in the future - recorded a slight increase in July (Table 2 - Trade).

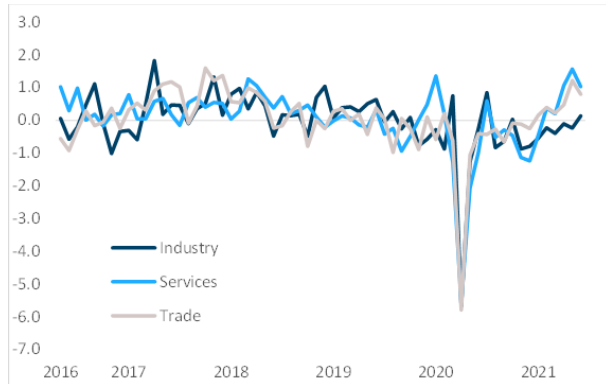
Consumer Confidence Indicator (CCI) stayed virtually unchanged in July compared to the previous month, after its increase in the three previous months. This indicator stands above its long-term average. The components of CCI recorded changes in opposite directions. On one side, the assessment of consumers for *current major purchases* and *related expectations* improved in July. On the other side, expectations for the *overall economic situation*, and the expectations for their *financial situation* in the future dropped slightly (Table 2 - Consumer).

Chart 3 Business situation by sector over the past three months



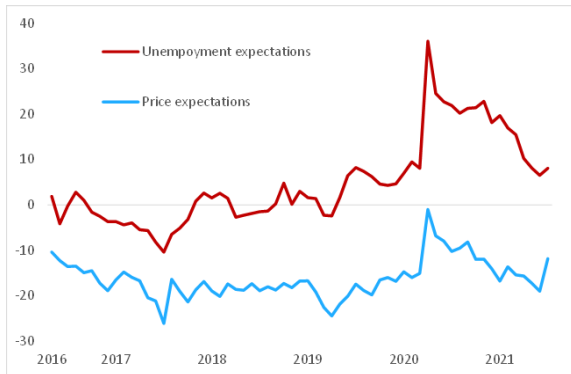
Source: Bank of Albania.

Chart 4 Business expectations over the next three months



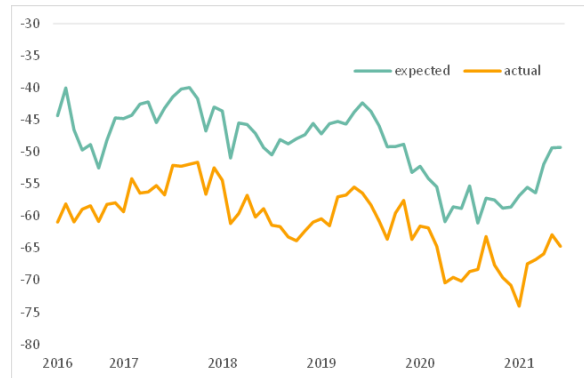
Source: Bank of Albania.

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



Source: Bank of Albania.

Chart 5 Major purchases of consumers, in balance



Source: Bank of Albania.

Table 1 Confidence indicators by sector*

	Values			2021						Current situation	
	min.	ave.	max.	February	March	April	MAY	June	July	Conjectural**	Structural***
Industry	-60.3	-12.6	7.7	-22.1	-15.1	-8.4	-9.7	-11.7	-7.5	↑	+
Construction	-57.1	-30.3	-10.4	-29.4	-26.4	-15.4	-16.2	-16.2	-10.4	↑	++
Services	-47.0	3.8	23.2	-6.5	-7.1	2.7	9.2	14.1	22.7	↑	++
Trade	-31.9	-4.3	19.2	-0.6	-0.6	4.0	11.1	14.4	19.2	↑	++
Consumer	-40.7	-24.5	-16.2	-31.7	-32.0	-29.2	-26.7	-26.3	-26.4	=	-

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)*

	2020		2021						
	Nov.	Dec.	Jan.	February	March	April	May	June	July
INDUSTRY									
Production over the past three months (question 1, ICI component)	-24.0	-14.4	-16.5	-7.4	5.9	7.9	16.9	15.0	24.2
Order books (question 2, ICI component)	-30.0	-28.8	-24.6	-24.0	-19.6	-16.6	-19.6	-18.4	-19.3
Export order books (question 3, ICI component)	-37.5	-35.4	-31.7	-35.0	-31.8	-16.4	-26.3	-31.8	-27.3
Stock of finished product (question 4)	-10.1	-10.3	-9.9	-8.6	-6.5	-5.6	1.3	-2.9	-4.3
Production, expectation (question 5)	20.6	21.4	24.1	27.6	25.8	29.0	27.6	31.6	37.4
Selling prices, expectation (question 6)	2.1	4.5	2.8	5.3	6.3	9.6	7.9	11.2	16.7
Employment, expectation (question 7)	1.4	-0.3	-2.5	1.0	4.5	3.9	7.1	10.1	16.4
CONSTRUCTION									
Construction activity over the past three months (question 1, CCI component)	-17.9	-24.8	-11.7	-15.2	-7.0	3.9	10.8	9.1	17.7
Order books (question 3, CCI component)	-46.9	-48.6	-49.5	-43.6	-45.8	-34.7	-43.2	-41.5	-38.6
Employment, expectation (question 4)	2.5	4.6	4.6	1.2	7.4	9.8	8.0	15.2	16.3
Prices, expectation (question 5)	5.5	5.0	5.9	7.1	10.2	9.3	6.9	10.0	8.3
SERVICES									
Business situation over the past three months (question 1, SCI component)	-11.6	-12.5	-14.5	-7.3	-4.4	3.9	10.9	15.7	23.3
Demand over the past three months (question 2, SCI component)	-16.2	-14.2	-19.0	-5.7	-9.8	1.5	7.4	12.4	22.0
Demand, expectation (question 3)	12.7	11.6	19.6	28.3	26.5	35.4	40.6	35.1	39.9
Employment over the past three months (question 4)	-7.2	-19.0	-14.9	-13.2	-8.3	-5.4	-5.2	1.4	18.6
Employment, expectation (question 5)	4.8	9.2	5.7	9.4	4.2	14.1	12.7	14.2	18.8
Prices, expectation (question 6)	-0.6	3.2	-6.3	3.3	4.4	3.2	-0.2	8.9	10.7
TRADE									
Business situation over the past three months	-17.0	-10.8	-9.2	-0.3	0.4	8.4	18.9	23.2	32.3

<i>(question 1, TCI component)</i>									
Inventories situation (question 2)	-4.1	-5.2	-5.2	-6.4	-4.1	-6.0	-1.1	2.0	-1.5
Future orders, expectations	16.4	15.5	21.5	21.6	16.9	21.4	29.3	29.5	32.0
Business performance, expectations (question 4)	20.6	18.9	24.0	27.1	24.9	28.1	37.7	32.3	35.2
Business performance, expectations <i>(question 5, TCI component)</i>	-2.9	0.7	-0.1	-0.9	-1.5	-0.4	3.3	5.6	6.1
CONSUMER									
Current financial situation (question 1)	-15.6	-15.6	-15.8	-15.0	-17.5	-15.7	-10.1	-12.0	-11.0
Financial situation, expectation <i>(question 2, CCI component)</i>	-4.9	-2.3	-0.1	0.8	0.2	1.5	3.4	4.2	3.8
Current financial situation (question 3)	-31.0	-27.5	-29.4	-24.2	-26.4	-25.4	-20.0	-20.3	-20.6
Economic situation, expectation <i>(question 4, CCI component)</i>	-9.7	-8.2	-5.4	-4.8	-5.2	-0.4	2.1	4.4	2.5
Current prices (question 5)	-0.2	-3.6	-6.2	-6.4	-4.5	-5.0	-5.0	-2.7	1.5
Prices, expectation (question 6)	-11.9	-14.1	-16.8	-13.6	-15.4	-15.7	-17.3	-19.0	-11.8
Unemployment, expectation (question 7)	22.9	18.1	19.7	17.0	15.5	10.3	8.1	6.5	8.1
Current major purchases <i>(question 8, CCI component)</i>	-69.5	-70.8	-74.0	-67.4	-66.8	-65.9	-62.9	-64.7	-63.2
Major purchases, expectations <i>(question 9, CCI component)</i>	-58.7	-58.6	-56.8	-55.5	-56.4	-51.9	-49.3	-49.3	-48.5
Current savings (question 10)	-55.0	-54.3	-52.4	-50.0	-51.2	-49.5	-47.2	-46.0	-45.6
Savings, expectation (question 11)	-55.5	-53.1	-52.4	-49.8	-49.7	-48.4	-45.3	-44.4	-44.9
Current financial situation (question 12)	-0.4	0.4	-0.7	1.1	-0.9	0.8	2.6	2.5	2.2

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.