

7 December 2021



**Bank of Albania**  
Monetary Policy Department

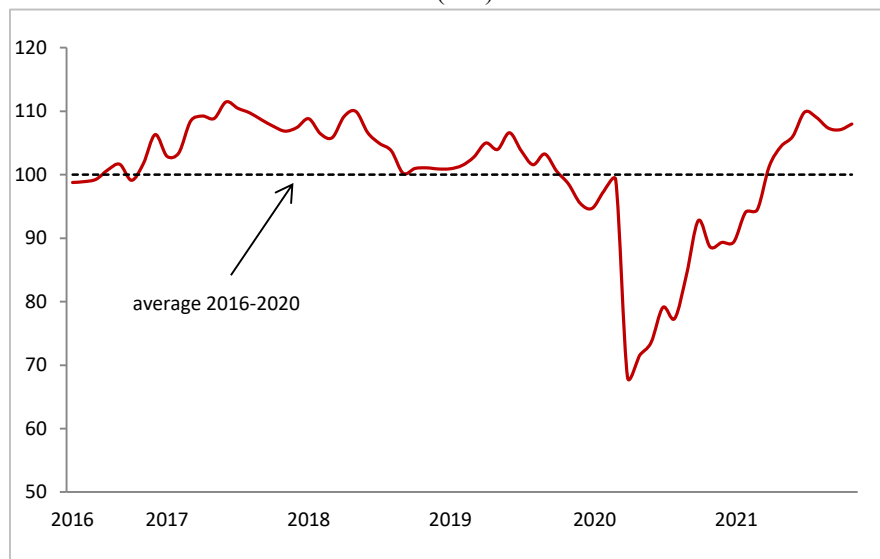


**European Commission<sup>1</sup>**

### Business and Consumer Confidence Survey

The **Economic Sentiment Indicator (ESI)** rose by 0.9 points in November, after the fall recorded over the previous three months. The current level of ESI stands 8 points above the long-term average (Chart 1). The improved confidence in *construction* sector mainly determined the increase of ESI. Confidence in the sectors of *industry* and *trade* recorded a slight fall, while confidence in the sector of *services* stayed virtually at the same level with the previous month. Also, *consumer* confidence improved in November (*Chart 2*).

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



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

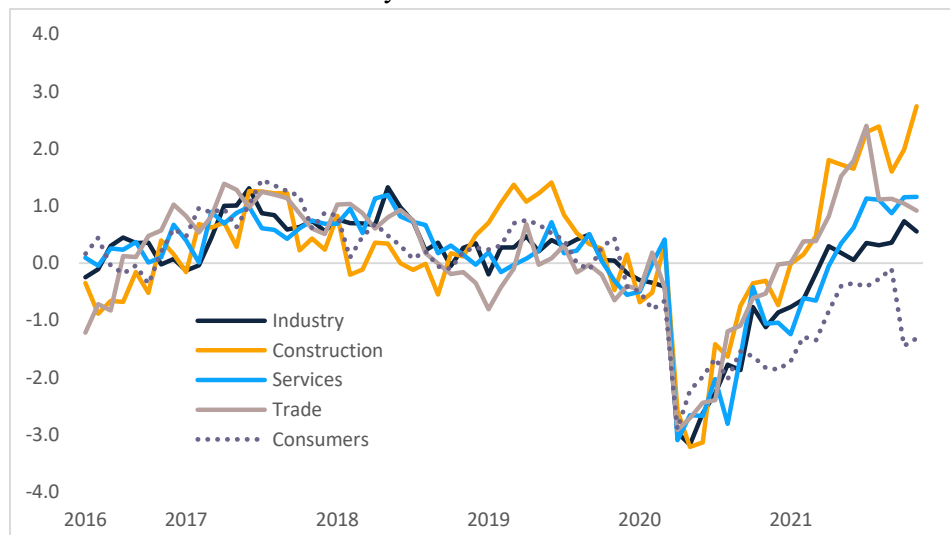
**Industry Confidence Indicator (ICI)** decreased by 2.7 percentage points in November, mainly reflecting the lower assessment of businesses for the *current production*. In addition, their appraisals related to *overall order books* were weaker compared with the previous month. Meanwhile, the assessment for *order books from exports* increased. Despite the monthly fall, the ICI stands 8.4 percentage points above its long-term

<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.

average. Businesses expect *production, employment situation* and *selling prices* to edge up in the next months (Table 2-Industry).

**Construction Confidence Indicator (CCI)** picked up by 6.3 percentage points in November, reaching its highest value in the last five years. The upsurge of this indicator mainly reflected the optimistic assessment of businesses for the *current order books*. Also, businesses assessed the construction activity improving over the last months. Expectations for the level of employment and prices in the future climbed as well (Table 2 - Construction).

Chart 2 Confidence indicators by sector\*



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

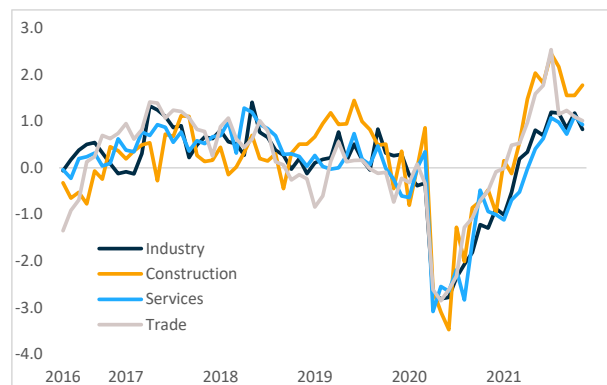
Note: \*The chart shows standardised series, to correct the changes in averages and in standard deviations of the respective confidence indicators.

**Services Confidence Indicator (SCI)** remained virtually unchanged from the level of the previous month (+0.1 percentage point). Businesses assessed less positively *their performance* during November, though the *demand* for the supplied services was assessed upwards. Their expectations for both services demand and *employment* situation are assessed more positively. Businesses operating in services sector have revised downwards the expectations for *prices* in the next months (Table 2- Services).

**Trade Confidence Indicator (TCI)** fell by 1.2 percentage points in November. However, its level continues to stand above the historical average. The fall in TCI mainly reflected the weaker assessments of businesses operating in trade sector on the *current performance of business*. In addition, their expectations on both *business* and *employment performance* are assessed edging down in the next months. Meanwhile, expectations on the *prices* of their products in the future continued to trend upwards in November (Table 2 - Trade).

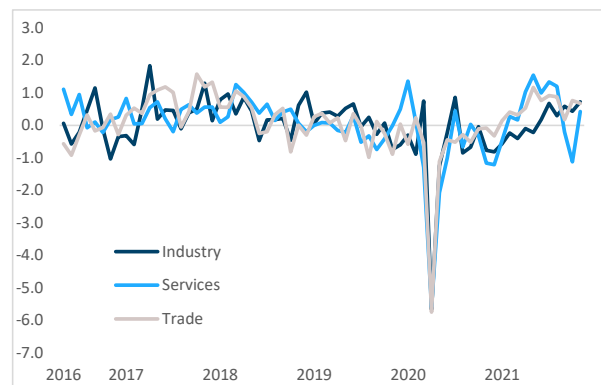
**Consumer Confidence Indicator (CCI)** increased by 0.8 percentage points in November, mainly reflecting their more positive expectations on both the *overall economic situation* and *their financial situation* in the future. The assessment of consumers for *current major purchases* and related *expectations* decreased in November (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



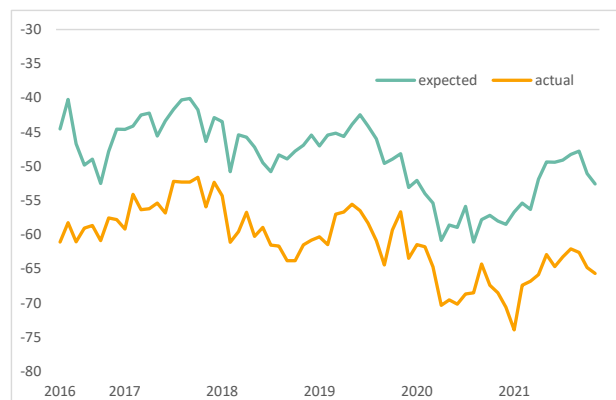
Source: Bank of Albania.

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



Source: Bank of Albania.

Chart 5 Major purchases of consumers, in balance



Source: Bank of Albania.

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

	Values			2021						Current situation	
	min.	ave.	max.	June	July	August	September	October	November	Conjectural**	Structural***
Industry	-60.5	-12.6	7.4	-11.8	-7.3	-7.9	-7.3	-1.6	-4.3	↓	+
Construction	-57.0	-30.3	-7.6	-16.7	-11.4	-10.5	-17.0	-13.8	-7.6	↑	++
Services	-46.8	3.8	23.3	13.9	22.3	21.9	18.1	22.7	22.8	↑	++
Trade	-32.4	-4.3	18.8	13.0	18.8	6.4	6.5	5.8	4.5	↓	+
Consumer	-40.7	-24.5	-16.3	-26.4	-26.8	-26.0	-25.0	-32.6	-31.8	↑	--

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								
	March	April	May	June	July	August	Sept.	October	November
<b>INDUSTRY</b>									
Production over the past three months (question 1, ICI component)	5.5	8.2	16.8	14.7	23.8	23.5	17.5	23.4	17.1
Order books (question 2, ICI component)	-19.7	-16.6	-19.4	-18.1	-18.8	-17.0	-18.1	-12.1	-14.9
Export order books (question 3, ICI component)	-32.0	-16.0	-27.1	-31.9	-27.0	-30.3	-21.1	-16.2	-15.0
Stock of finished product (question 4)	-6.6	-5.8	1.2	-3.3	-5.0	-5.8	-5.0	-6.2	-8.0
Production, expectation (question 5)	25.7	29.1	27.8	32.1	37.6	33.4	36.7	35.0	38.1
Selling prices, expectation (question 6)	6.4	9.7	8.1	11.6	17.2	12.4	21.4	35.9	37.9
Employment, expectation (question 7)	4.6	3.7	6.9	9.5	17.5	5.3	11.6	10.3	12.2
<b>CONSTRUCTION</b>									
Construction activity over the past three months (question 1, CCI component)	-6.8	3.8	10.3	7.8	15.1	11.9	4.8	4.8	7.3
Order books (question 3, CCI component)	-46.0	-34.6	-42.4	-41.1	-37.8	-32.9	-38.8	-32.4	-22.5
Employment, expectation (question 4)	7.5	9.9	8.1	14.8	15.4	12.6	11.0	7.8	9.9
Prices, expectation (question 5)	10.2	9.5	7.4	10.8	9.5	13.6	17.8	21.8	29.8
<b>SERVICES</b>									
Business situation over the past three months (question 1, SCI component)	-4.3	4.1	11.2	14.9	22.5	20.8	16.6	23.1	20.0
Demand over the past three months (question 2, SCI component)	-9.6	1.9	7.7	12.9	22.1	23.1	19.6	22.2	25.6
Demand, expectation (question 3)	26.2	35.1	40.5	34.8	38.3	36.9	22.4	12.8	28.9
Employment over the past three months (question 4)	-8.3	-5.3	-4.9	1.9	18.9	14.8	5.7	9.5	12.5
Employment, expectation (question 5)	5.1	13.9	13.4	13.5	16.6	20.4	10.0	1.1	12.8
Prices, expectation (question 6)	4.3	3.2	2.1	9.5	10.3	4.4	8.2	30.1	22.3
<b>TRADE</b>									
Business situation over the past three months (question 1, TCI component)	0.2	7.5	17.5	20.5	33.0	10.3	11.7	9.5	8.1
Inventories situation (question 2)	-4.0	-5.8	-1.0	2.0	-1.5	-0.9	-0.2	0.9	1.1

Future orders, expectations	19.4	21.8	28.0	29.6	31.6	27.7	20.2	23.8	24.3
Business performance, expectations ( <i>question 4</i> )	26.2	28.8	36.9	31.8	33.8	33.3	24.3	31.8	30.7
Employment performance, expectations ( <i>question 5, TCI component</i> )	-1.4	-0.4	3.2	5.5	4.7	2.6	1.4	2.0	0.9
<b>CONSUMERS</b>									
Current financial situation (question 1)	-17.3	-15.5	-10.7	-11.8	-11.0	-10.3	-6.7	-13.2	-14.4
Financial situation, expectation ( <i>question 2, CCI component</i> )	0.2	1.2	3.5	4.1	3.3	3.4	8.3	-3.8	-2.9
Current financial situation (question 3)	-26.4	-25.3	-20.1	-20.3	-20.7	-18.9	-18.4	-22.4	-26.1
Economic situation, expectation ( <i>question 4, CCI component</i> )	-5.1	-0.3	2.1	4.2	2.0	2.8	2.0	-10.6	-6.1
Current prices ( <i>question 5</i> )	-4.2	-4.6	-4.7	-2.4	2.0	-1.8	0.3	26.8	30.4
Prices, expectation ( <i>question 6</i> )	-15.4	-15.8	-16.6	-19.1	-11.7	-10.9	-7.2	8.1	-0.7
Unemployment, expectation ( <i>question 7</i> )	15.6	10.4	8.3	6.9	8.8	9.9	7.3	12.7	11.0
Current major purchases ( <i>question 8, CCI component</i> )	-66.8	-65.8	-62.9	-64.7	-63.2	-62.1	-62.6	-64.8	-65.7
Major purchases, expectations ( <i>question 9, CCI component</i> )	-56.3	-51.9	-49.4	-49.4	-49.1	-48.3	-47.8	-51.1	-52.6
Current savings ( <i>question 10</i> )	-51.5	-49.2	-47.2	-45.9	-45.7	-42.4	-44.6	-49.1	-52.3
Savings, expectation ( <i>question 11</i> )	-49.7	-48.6	-45.4	-44.4	-44.9	-40.5	-42.9	-49.3	-48.6
Situation of income and expenses (question 12)	-0.9	0.7	2.7	2.6	2.5	4.5	3.7	-1.4	0.8

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.