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Bank of Albania
Monetary Policy Department

European Commission[1]

Business and Consumer Confidence Survey

In October 2021, the **Economic Sentiment Indicator** (ESI) fell by 0.4 points. Although edging down, the current level of ESI stands 7.2 points above the long-term average (Chart 1). The decrease of ESI was mainly driven by the decline in consumer confidence and, to a lesser extent, by the fall of confidence in trade sector. On the other hand, confidence in the sectors of construction, services and industry, improved in October 2021 (Chart 2).

**Chart 1** Economic Sentiment Indicator (ESI)
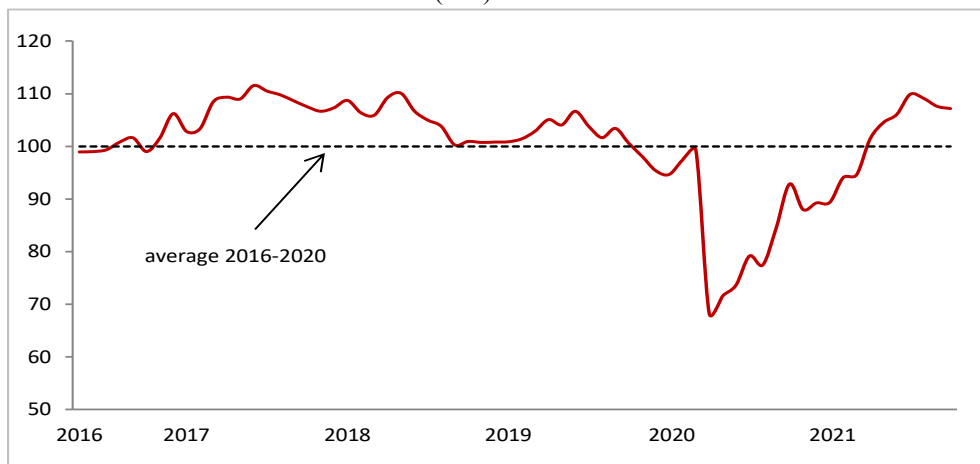
Source: Business and Consumer Confidence Survey, Bank of Albania.

Industry Confidence Indicator (ICI) rose by 5.6 percentage points compared to the previous month, driven by the surge in balance for *production* and the improved performance of overall *order books*, particularly order books from *exports*. In parallel, the *inventories* situation decreased in October. Businesses operating in industry have eased mildly their expectations in October for production and employment in the future. Businesses expect a further increase in *prices of their products*. (Table 2-Industry).

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[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 (CCI) returned to the upward trend in October, by recording a value 2.3 percentage points higher than the previous month. This development was mainly driven by the improved balance of *order books* against the slightly lower assessment than a month earlier of businesses for the construction activity. (Table 2- Construction).

Chart 2 Confidence indicators by sector[*]
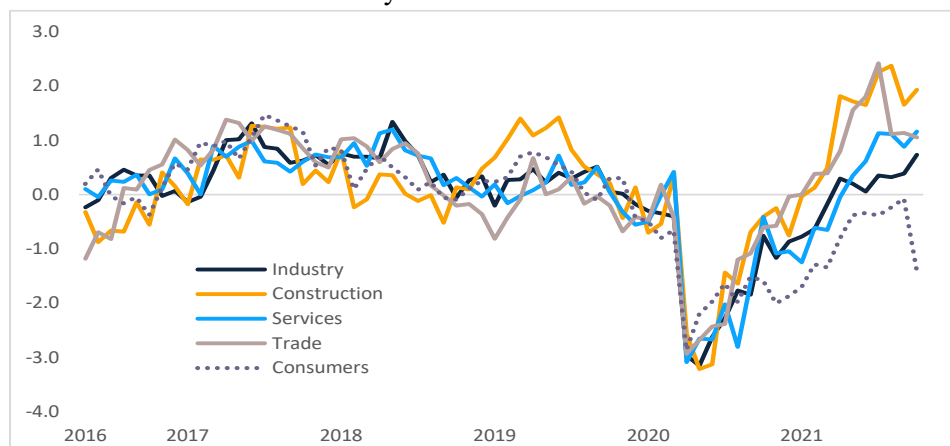
Source: Business and Consumer Confidence Survey, Bank of Albania.
Note: *The chart shows standardised series, to correct the changes in averages and in standard deviations of the respective confidence indicators.

Services Confidence Indicator (SCI) also returned to its climbing trend, reaching at the highest level in the last three years. Its upsurge by 4.6 percentage points in October was driven by the positive performance of both components related to *business performance* and the increase in the *demand* for services (Table 2-Services). Businesses, in line with these indicators, assess the current *employment* situation as upwards. Businesses operating in services sector assess a relatively considerable surge of *prices* in this sector (Table 2 - Services).

Trade Confidence Indicator (TCI) dropped by 0.7 percentage point in October, mainly driven by the weaker assessments of businesses operating in trade sector on their *current business performance* (Table 2 - Trade). Notwithstanding the fall of TCI in the last three quarters, it stands higher than the pre-pandemic level (Chart 2). Meanwhile, expectations on *business performance* in the next months, for *order books* and *employment*, have improved compared with those in the previous month.

**Consumer Confidence Indicator** (CCI) decreased by 7.4 percentage points in October. This fall worsened its position compared to its long-term average (Chart 2). The overall indicator reflected the deterioration in all its entering components. Assessments of consumers on the indicators of *current prices* and *expectations* have considerably increased compared to those in September (Table 2-Consumers).

Chart 3 Business situation by sector over the past three months

Chart 4 Business expectations over the next three months

Source: Bank of Albania.
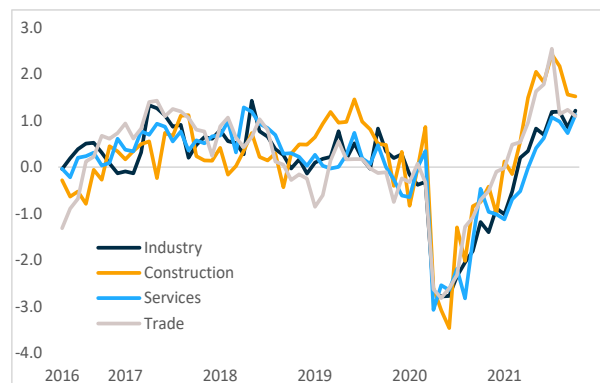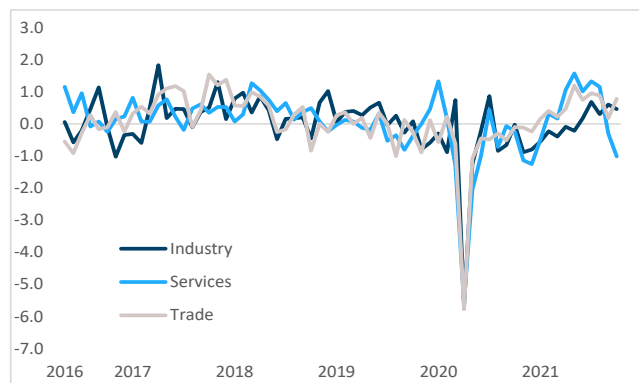
Source: Bank of Albania.

Chart 4 Expectations for unemployment and prices over the next 12 months, in balance
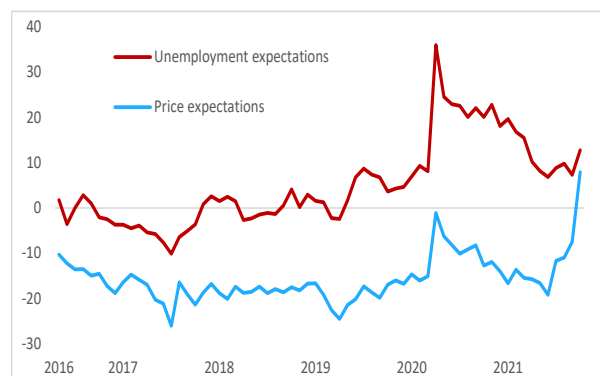
Chart 5 Major purchases of consumers, in balance

Source: Bank of Albania.

Source: Bank of Albania.

Table 1 Confidence indicators by sector[*]

	Values			2021						Current situation	
	min.	ave.	max.	May	June	July	August	September	October	Conjectural**	Structural***
Industry	-60.3	-12.6	7.6	-9.6	-11.8	-7.3	-7.8	-7.3	-1.6	↑	+
Construction	-57.0	-30.3	-10.6	-16	-16.6	-11.6	-10.6	-16.6	-14.3	↑	++
Services	-46.7	3.8	23.4	9.5	13.9	22.3	22.0	18.2	22.8	↑	++
Trade	-32.5	-4.3	19.0	10.7	13.1	19.0	6.4	6.6	5.9	↓	++
Consumer	-40.5	-24.5	-16.3	-26.6	-26.4	-26.6	-25.8	-24.9	-32.3	↓	--

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								
	February	March	April	May	June	July	August	Sept.	October
INDUSTRY									
Production over the past three months (question 1, ICI component)	-7.6	5.7	8.4	17.2	14.7	23.8	23.9	17.7	24.3
Order books (question 2, ICI component)	-24.1	-19.8	-16.7	-19.6	-18.3	-18.9	-17.1	-16.9	-11.8
Export order books (question 3, ICI component)	-35.0	-31.8	-16.1	-26.6	-31.8	-26.9	-30.2	-21.3	-17.2
Stock of finished product (question 4)	-8.8	-6.6	-5.7	1.2	-3.3	-5.1	-5.8	-5.2	-6.3
Production, expectation (question 5)	27.6	25.8	29.2	27.8	32.1	37.7	33.5	36.8	35.3
Selling prices, expectation (question 6)	5.4	6.3	9.6	8.0	11.5	17.0	12.3	20.8	36.0
Employment, expectation (question 7)	1.2	4.6	3.7	6.9	9.5	17.4	5.3	11.5	10.2
Construction									
Construction activity over the past three months (question 1, CCI component)	-14.8	-6.8	4.1	10.5	7.9	14.8	11.9	4.9	4.4
Order books (question 3, CCI component)	-43.7	-45.7	-34.7	-42.7	-41.2	-37.9	-33.1	-38.0	-33.0
Employment, expectation (question 4)	1.4	7.6	9.8	7.9	14.9	15.3	12.5	11.0	7.8
Prices, expectation (question 5)	7.2	10.2	9.5	7.3	10.7	9.3	13.4	17.6	21.9
SERVICES									
Business situation over the past three months (question 1, SCI component)	-7.1	-4.2	4.1	11.3	14.9	22.4	20.8	16.7	23.3
Demand over the past three months (question 2, SCI component)	-5.3	-9.5	1.9	7.8	12.9	22.1	23.2	19.7	22.3
Demand, expectation (question 3)	27.7	26.2	35.4	40.8	34.9	38.2	36.4	21.3	14.0
Employment over the past three months (question 4)	-13.2	-8.4	-5.4	-5.0	1.8	19.1	14.9	4.6	10.3
Employment, expectation (question 5)	9.6	4.5	14.0	13.5	13.6	16.7	20.5	10.1	1.5
Prices, expectation (question 6)	3.2	4.3	3.1	1.9	9.0	9.5	4.0	8.9	29.5
TRADE									
Business situation over the past three months (question 1, TCI component)	-0.4	0.4	7.2	18.2	20.6	33.1	10.2	11.7	9.5
Inventories situation (question 2)	-6.4	-4.0	-5.8	-1.1	1.9	-1.5	-0.9	-0.2	1.0

Future orders, expectations	21.7	18.7	22.1	28.7	29.1	31.7	27.8	20.3	24.0
Business performance, expectations *(question 4)*	27.3	24.9	28.1	37.4	31.6	34.3	33.4	24.3	32.2
Employment performance, expectations *(question 5, TCI component)*	-0.8	-1.4	-0.4	3.3	5.5	4.8	2.7	1.5	2.2
CONSUMER									
Current financial situation (question 1)	-15.0	-16.8	-15.6	-10.6	-11.8	-10.9	-10.1	-6.6	-13.6
Financial situation, expectation *(question 2, CCI component)*	0.8	0.3	1.7	3.5	4.2	3.4	3.7	8.4	-3.6
Current financial situation (question 3)	-24.4	-26.2	-25.1	-19.9	-19.3	-20.5	-18.7	-18.2	-22.9
Economic situation, expectation *(question 4, CCI component)*	-4.7	-5.2	-0.2	2.2	4.3	2.1	3.2	2.0	-10.1
Current prices *(question 5)*	-6.1	-4.3	-4.8	-4.9	-2.6	1.7	-1.8	0.2	26.7
Prices, expectation *(question 6)*	-13.7	-15.5	-15.8	-16.6	-19.2	-11.7	-11.0	-7.5	7.9
Unemployment, expectation *(question 7)*	16.8	15.5	10.2	8.1	6.8	8.8	9.8	7.3	12.8
Current major purchases *(question 8, CCI component)*	-67.4	-66.7	-65.8	-62.8	-64.6	-63.2	-62.0	-62.3	-64.6
Major purchases, expectations *(question 9, CCI component)*	-55.4	-56.3	-51.8	-49.3	-49.4	-48.9	-48.2	-47.7	-50.9
Current savings *(question 10)*	-50.0	-51.5	-49.3	-47.2	-46.0	-45.7	-41.9	-44.3	-49.8
Savings, expectation *(question 11)*	-49.7	-49.7	-48.5	-45.3	-44.4	-44.9	-40.4	-42.5	-49.1
Situation of income and expenses (question 12)	1.1	-0.9	0.8	2.7	2.6	2.6	4.6	3.8	-1.2

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.