

07 June 2021



**Bank of Albania**  
Monetary Policy Department

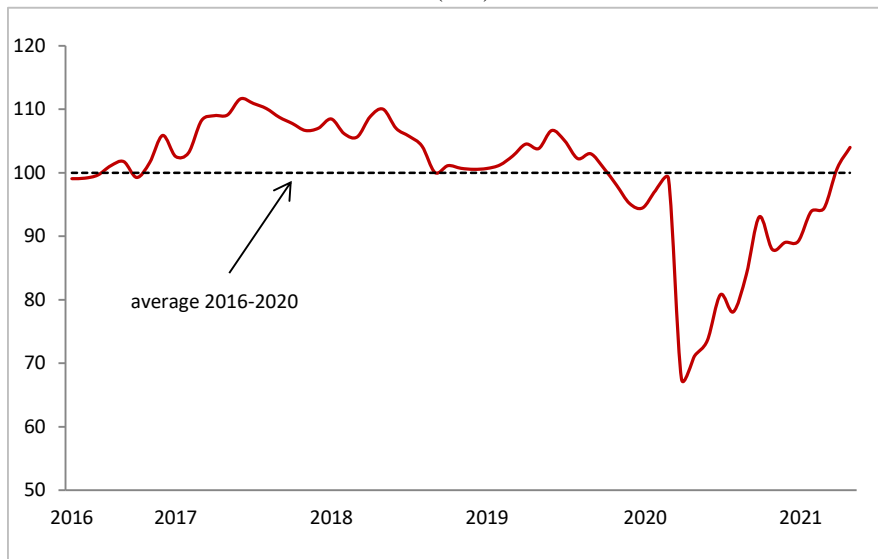


**European Commission**

### Business and Consumer Confidence Survey<sup>1</sup>

In May 2021, the *Economic Sentiment Indicator* (ESI) continued the recovery for the sixth consecutive month, up at 3.3 points compared with April. The level of ESI resulted 104, standing above the historical average for the second consecutive month. The improvement of ESI in May mainly reflected the strong increase of confidence in both services and trade. Also, consumer confidence improved, but at lower degree, while confidence in industry remains at a close level with that in the previous month. Meanwhile, confidence in construction recorded a slight decrease, but remaining close to the maximum level of the last five years.

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



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

<sup>1</sup> Confidence surveys are co-funded by the European Union and Bank of Albania. In May 2016, they moved under the Harmonised EC Programme.

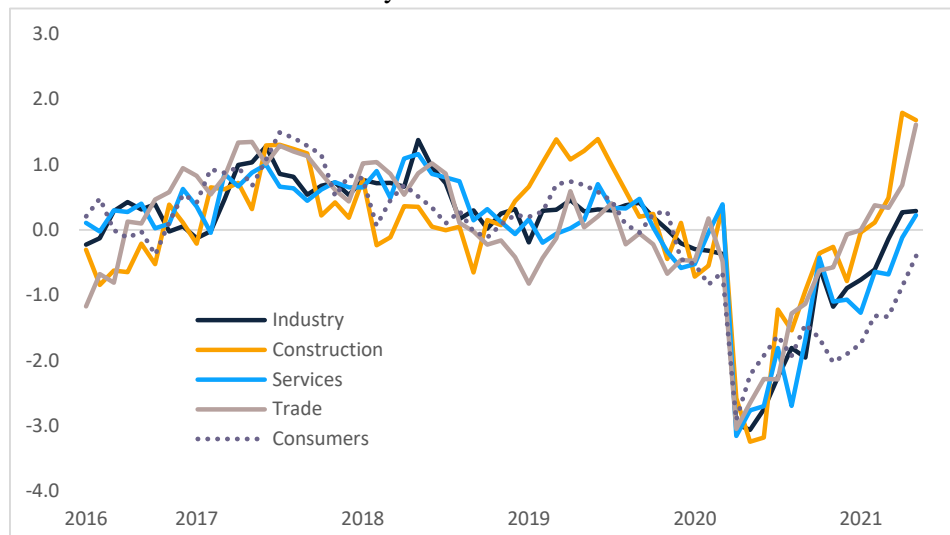
Starting from June 2021, the results analysis and the relevant time series of confidence surveys will be published on a monthly basis, according to the published schedule (and updated methodology) at:

[https://www.bankofalbania.org/Monetary\\_Policy/Surveys\\_11282/Business\\_and\\_consumers\\_survey/](https://www.bankofalbania.org/Monetary_Policy/Surveys_11282/Business_and_consumers_survey/)

The **Industry Confidence** Indicator (ICI) improved for the sixth consecutive month (+0.3 percentage points). The increase of ICI in May was attributable to the optimistic assessment of businesses on the *production* balance. The two other constituent components of ICI, the assessment of businesses for *order books*, overall, and *export order books*, decreased in May. Businesses appear optimistic for the *increase of production* and *situation of employment* in the future.

**Building Confidence** Indicator (BCI) slightly fell in May (-1 percentage point), after the considerable increase (+10.9) in the previous month. Starting from January 2021, the confidence level in this sector stands considerable above the long-term average. The optimistic assessment of businesses related to the *construction activity* affected positively the formation of this indicator. Meanwhile, the current level of *order books* was assessed less positively. Expectations on the level of both *employment* and *prices* are assessed as downwards in May.

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.

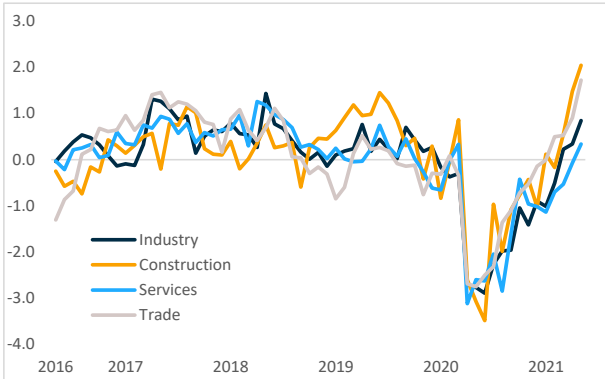
The improvement of **confidence in services** in May (+5.6 percentage points) has shifted the level of confidence indicator above the long-term average, for the first time since the beginning of the pandemic. The positive assessments of businesses related to the *performance* of both *business situation* and *demand* affected the confidence indicator. In addition, businesses appear optimistic regarding the growth of the *demand* in the future. Businesses operating in services assessed the level of *employment* as unchanged in May, while expectations for the future decreased.

**Confidence in trade** recorded a strong increase in May (+8.8 percentage points), mainly affected by the positive assessments of businesses about the *performance of their sales*. Their expectations for the *employment in the future* are more optimistic in this month. Also, enterprises appear more optimistic related to both the future performance of *business* and the level of *new orders*.

**Consumer confidence** increased in May (+2.6 percentage points) affected by the improvement in all constituting questions: expectations for the *overall economic situation*, expectations for their *financial*

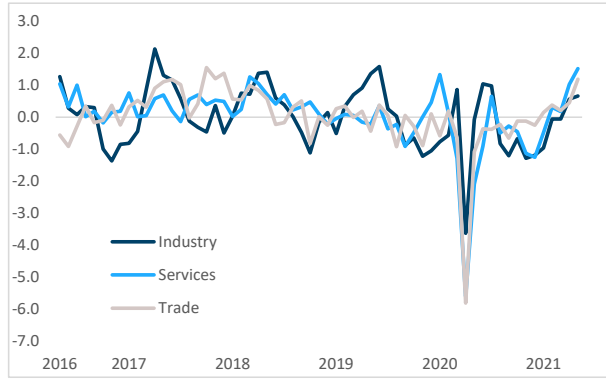
situation in the future, assessment for major purchases and related expectations. Despite the upward trend, confidence indicator level continues to be below the long-term average since the end of 2019.

Chart 3 Business situation over the past three months\*



Source: Bank of Albania.

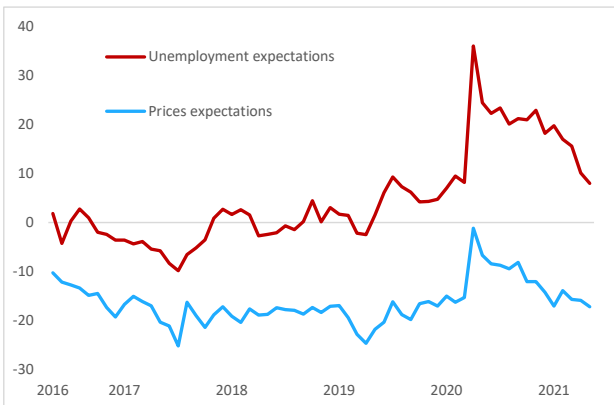
Chart 4 Business expectations over the next three months\*



Source: Bank of Albania.

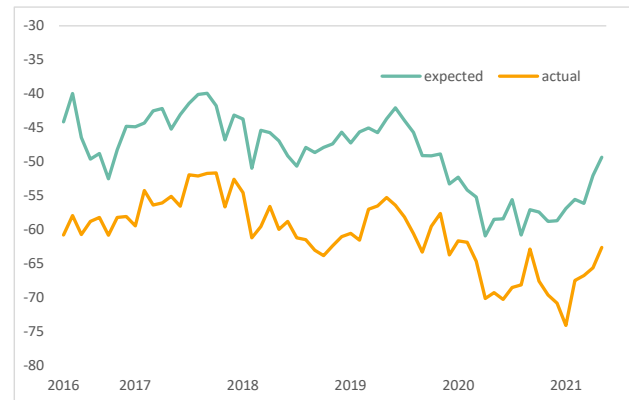
\*Note: The chart shows standardised series, to correct the changes in averages and in standard deviations.

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.	January	February	March	April	MAY	Conjectural**	Structural***
Industry	-59.0	-12.6	8.2	-24.2	-21.8	-14.7	-8.5	-8.2	↑	+
Construction	-57.3	-30.3	-15.4	-30.6	-29.4	-26.2	-15.4	-16.3	↓	++
Services	-47.7	3.9	22.9	-16.9	-6.6	-7.2	1.9	7.6	↑	+
Trade	-33.5	-4.3	11.2	-4.3	-0.6	-1.0	2.3	11.2	↑	++
Consumer	-40.8	-24.5	-16.6	-34.2	-31.8	-31.9	-29.3	-26.7	↑	-

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				
	Sept.	Oct.	Nov.	Dec.	Jan.	February	March	April	MAY
<b>INDUSTRY</b>									
Production over the past three months (question 1, ICI component)	-34.0	-17.2	-23.9	-14.4	-16.6	-7.4	6.1	8.2	17.5
Order books (question 2, ICI component)	-45.0	-22.7	-29.9	-28.7	-24.5	-23.9	-19.4	-16.4	-19.0
Export order books (question 3, ICI component)	-47.7	-23.7	-37.6	-35.3	-31.6	-34.2	-30.9	-17.4	-23.2
Stock of finished product (question 4)	-34.0	-17.2	-23.9	-14.4	-16.6	-7.4	6.1	8.2	17.5
Production, expectation (question 5)	-45.0	-22.7	-29.9	-28.7	-24.5	-23.9	-19.4	-16.4	-19.0
Selling prices, expectation (question 6)	-47.7	-23.7	-37.6	-35.3	-31.6	-34.2	-30.9	-17.4	-23.2
Employment, expectation (question 7)	-34.0	-17.2	-23.9	-14.4	-16.6	-7.4	6.1	8.2	17.5
<b>Construction</b>									
Construction activity over the past three months (question 1, CCI component)	-25.5	-21.8	-18.0	-24.9	-11.7	-15.0	-6.7	4.0	10.5
Order books (question 3, CCI component)	-50.5	-44.7	-47.0	-48.7	-49.6	-43.7	-45.7	-34.7	-43.2
Employment, expectation (question 4)	-2.4	2.0	2.6	4.7	4.8	1.3	7.1	9.2	7.2
Prices, expectation (question 5)	6.8	5.9	5.4	4.9	5.9	7.3	10.2	9.3	6.9
<b>SERVICES</b>									
Business situation over the past three months (question 1, SCI component)	-22.7	-2.7	-11.6	-12.6	-14.5	-7.3	-4.5	3.3	10.2
Demand over the past three months (question 2, SCI component)	-24.5	-3.5	-16.4	-14.5	-19.3	-5.9	-10.0	0.6	5.0
Demand, expectation (question 3)	21.6	19.8	12.7	11.5	19.4	27.6	26.3	35.1	40.2
Employment over the past three months (question 4)	-18.4	-18.8	-7.2	-19.1	-14.9	-13.0	-8.1	-5.6	-5.6
Employment, expectation (question 5)	6.7	6.8	4.8	9.1	5.4	9.0	4.2	13.3	11.6
Prices, expectation (question 6)	1.4	0.2	0.2	3.1	-6.6	2.9	3.6	2.1	0.2
<b>TRADE</b>									
Business situation over the past three months (question 1, TCI component)	-26.2	-20.0	-16.9	-10.6	-8.5	-0.3	0.2	6.3	19.6
Inventories situation (question 2)	-7.4	-6.8	-3.9	-5.3	-5.2	-6.6	-4.4	-6.9	-1.5

Future orders, expectations	9.6	17.0	16.3	15.2	21.3	21.2	16.2	20.7	28.4
Business performance, expectations ( <i>question 4</i> )	13.6	20.5	20.5	18.8	23.8	26.9	24.7	27.8	37.3
Business performance, expectations ( <i>question 5, TCI component</i> )	-3.9	-0.5	-2.6	0.8	-0.1	-1.0	-2.2	-1.7	2.7
<b>CONSUMER</b>									
Current financial situation ( <i>question 1</i> )	-15.2	-15.2	-15.6	-15.7	-15.8	-15.1	-17.5	-16.0	-10.2
Financial situation, expectation ( <i>question 2, CCI component</i> )	-2.3	-1.8	-5.0	-2.4	-0.1	0.8	0.2	1.2	3.4
Current financial situation ( <i>question 3</i> )	-28.0	-29.4	-31.0	-27.5	-29.5	-24.3	-26.6	-25.6	-19.7
Economic situation, expectation ( <i>question 4, CCI component</i> )	-7.8	-8.1	-9.8	-8.3	-5.5	-4.9	-4.8	-0.6	1.9
Current prices ( <i>question 5</i> )	1.4	0.7	-0.2	-3.6	-6.2	-6.3	-4.6	-6.0	-5.5
Prices, expectation ( <i>question 6</i> )	-8.1	-12.0	-12.0	-14.2	-17.1	-13.9	-15.7	-15.9	-17.2
Unemployment, expectation ( <i>question 7</i> )	21.2	20.9	22.8	18.2	19.7	17.0	15.6	10.1	8.0
Current major purchases ( <i>question 8, CCI component</i> )	-62.9	-67.7	-69.7	-70.9	-74.2	-67.5	-66.8	-65.7	-62.7
Major purchases, expectations ( <i>question 9, CCI component</i> )	-57.1	-57.5	-58.8	-58.7	-56.9	-55.6	-56.2	-52.1	-49.4
Current savings ( <i>question 10</i> )	-53.0	-55.8	-55.0	-54.3	-52.4	-50.0	-51.5	-49.8	-47.3
Savings, expectation ( <i>question 11</i> )	-53.4	-53.2	-55.5	-53.1	-52.4	-49.8	-49.7	-48.5	-45.4
Current financial situation ( <i>question 12</i> )	-1.6	-0.8	-0.4	0.5	-0.6	1.1	-0.9	0.7	2.6

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.