April 2021

Bank of Albania
Monetary Policy Department

European Commission[1]

Business and Consumer Confidence Survey
2021 Q1

The **Economic Sentiment Indicator (ESI)** continued the improving trend in 2021 Q1, ticking at 91.8, around 10.3 points higher from 2020 Q4. Yet, this level remains below the long-term average of this indicator, since the beginning of pandemic in the previous year (*Chart 1*). The quarterly increase of ESI was attributable to the improvement in both business and consumer confidence indicators.

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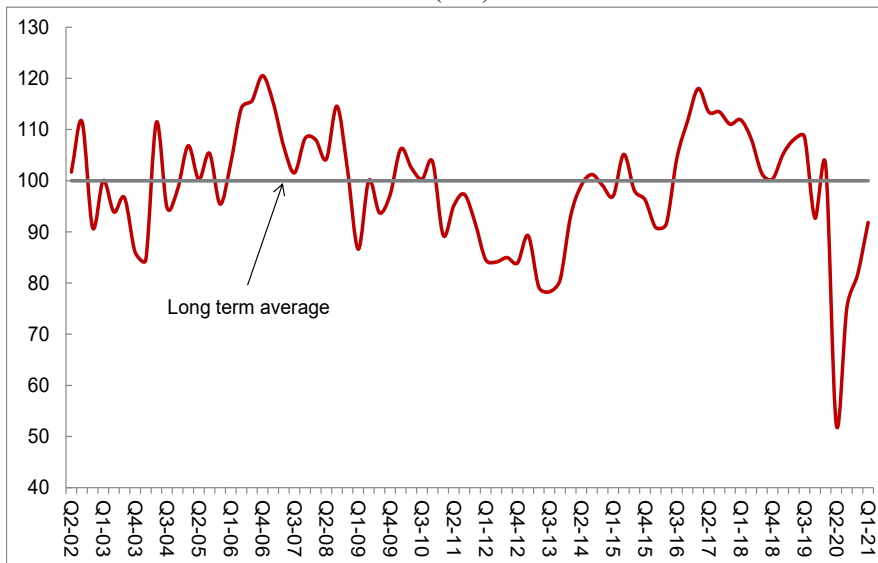
Source: Business and Consumer Confidence Survey, Bank of Albania.

The **Industry Confidence Indicator** (ICI) sharply surged by 9.5 percentage points during 2021 Q1, jumping above the historical average for the first time, since the negative shock in the previous year (*Chart 2*). The quarterly dynamics of ICI was mainly attributable to the increase in the *production balance*, by 20.3 percentage points, and to a lower extent, the increase in *order books*, by 11.8 percentage

points. In the meantime, the contribution of the other constituent component of ICI, *stock of inventories[2]*, contributed to remain on the down side. Other balances, such as: *financial situation; export order books; expectations on the performance of employment in the next quarter;* and *the capacity utilization rate*; improved as well. The capacity utilization rate resulted around 74.6%. This rate is 2.5 percentage points higher from the previous quarter, and 2.0 percentage points above the historical average. Meanwhile, the balance of *expectations on the performance of production over the next three months* was down.
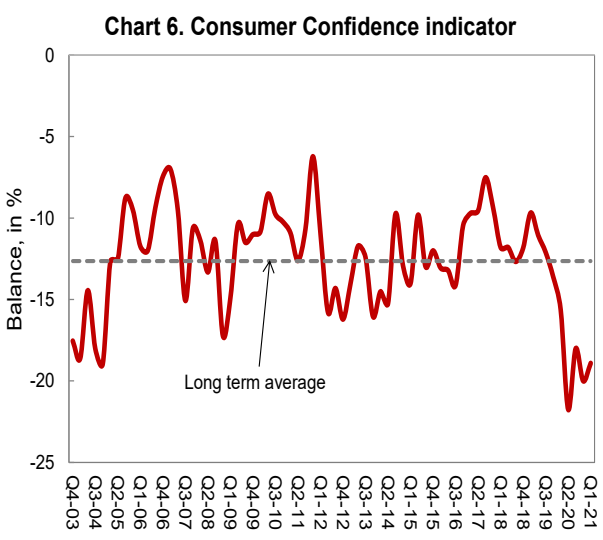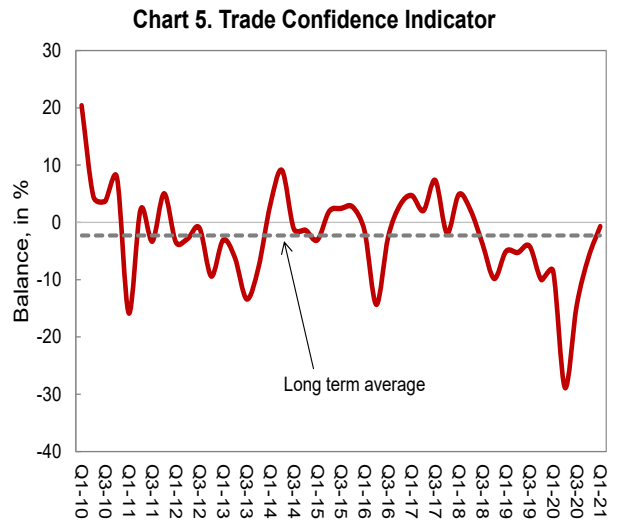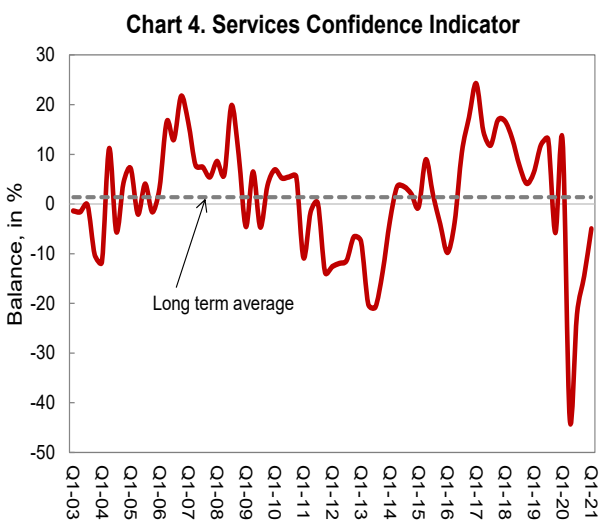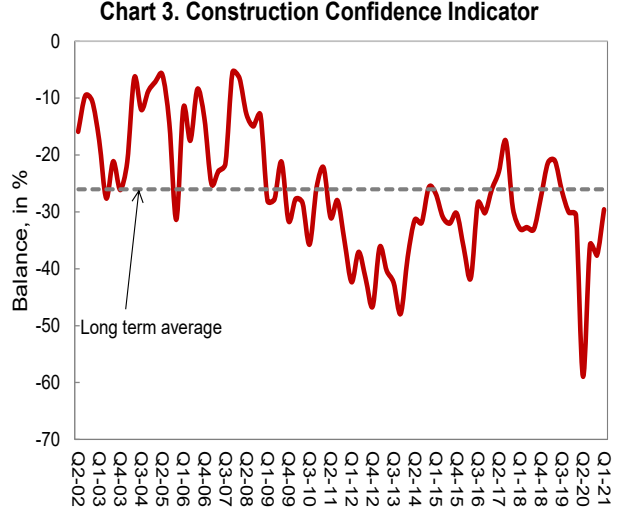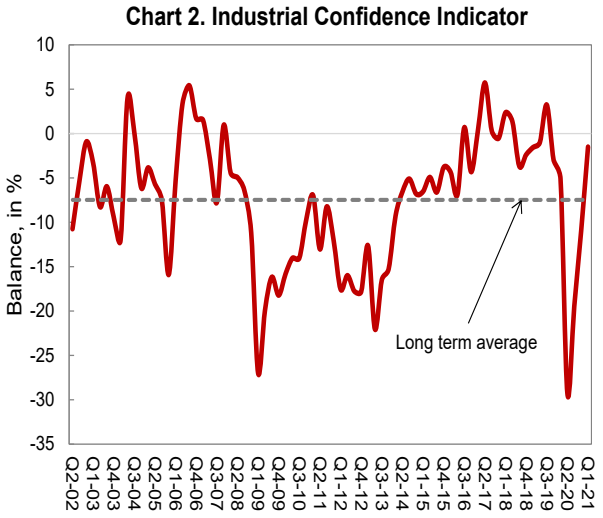
Building Confidence Indicator (BCI) increased by 8.0 percentage points during the first quarter, but continues to remain below the historical average (*Chart 3*). The increase of BCI was mainly driven by the growth in the balance of *construction activity* by 15.2 percentage points. Meanwhile the other balance of the indicator, *order books,* slightly increased by 0.8 percentage point. Among the other balances of the survey, the *financial situation, employment, and expectations over the next three months*, did increase. Meanwhile, the *capacity utilisation rate* lowered close to 62.8%.

Services Confidence Indicator (SCI) increased by 9.5 percentage points during the first quarter. Nevertheless, the indicator remains below its historical average (*Chart 4*). The SCI quarterly mainly reflected the increase in the balance of *business performance* by 13.1 percentage points, and to a lower extent, the increase in the other balance, *demand*, by 6.0 percentage points. Other balances of the survey also improved, such as: the *financial situation; employment; expectations on the demand over the next three months;* and the *capacity utilisation rate*. However, the capacity utilization rate at around 72.9% remains below the level recorded a year ago and below its historical average. Meanwhile, the balance of *expectations on employment over the next three months* resulted downwards.

The **Trade Confidence Indicator** (TCI) increased by 5.4 percentage points during the first quarter, resulting above its historical average (*Chart 5*). The improvement in TCI was mainly attributable to the increase in the balance of *business performance* by 8.6 percentage points, and to a lower extent, the increase in the other TCI component, the balance of *expectations for employment over the next three months*, by 2.2 percentage points. Other balances of the survey, such as the *financial situation*, *employment* and *expectations for the business situation over the next three months* also increased. Meanwhile, the capacity utilization rates at around 72.6%, remains above the level recorded in the previous year, notwithstanding the quarterly fall.

Consumer Confidence Indicator (CCI) increased by 1.1 percentage points during the first quarter, but remaining considerably below its historical average (*Chart 6*). The quarterly increase of CCI was driven by the improvement in its three constituent balances, namely: *major purchases*, by 3.9 percentage points; the *expected financial situation of the household*, by 1.3 percentage points; and the *expected overall economic situation in Albania*, by 0.8 percentage point. In the meantime, the other balance of the CCI, current situation of income and expenditures, fell by 1.7 percentage points, by affecting the performance of this indicator on the downside.

---

[2] The balance of the stock of inventories increased by 3.6 percentage points. The increase in inventories is interpreted as a negative development for enterprises. When calculating ICI, the respective balance is multiplied by -1.

Chart 2. Industrial Confidence Indicator

Balance, in %

Long term average

Chart 3. Construction Confidence Indicator

Balance, in %

Long term average

Chart 4. Services Confidence Indicator

Balance, in %

Long term average

Chart 5. Trade Confidence Indicator

Balance, in %

Long term average

Chart 6. Consumer Confidence indicator

Balance, in %

Long term average

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

Table 1 Confidence indicators by sector[*]

	Values			2019	2020				2021	Current situation	
	min.	ave.	max.	Q4	Q1	Q2	Q3	Q4	Q1	Conjectural**	Structural***
Industry	-29.3	-7.5	5.7	-3.0	-5.1	-29.3	-19.5	-11.0	-1.5	↑	+
Construction	-58.9	-26.0	-5.5	-30.1	-30.6	-58.9	-35.8	-37.6	-29.6	↑	−
Services	-43.3	1.4	24.2	-5.8	12.8	-43.3	-22.2	-14.5	-5.0	↑	−
Trade	-28.8	-2.3	20.4	-10.0	-8.5	-28.8	-14.5	-6.1	-0.7	↑	+
Consumer	-21.7	-12.6	-6.2	-13.6	-15.6	-21.7	-18.0	-20.0	-18.9	↑	− −

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

*) Indicators are calculated from seasonally adjusted balances, except for the balance of expectations for employment over the next three months in the trade sector, which does not show seasonality. The minimum, average and maximum balances are calculated starting from: 2002 Q2 for the confidence indicators in industry and construction; 2002 Q4 for the confidence indicators in services; 2010 Q1 for the confidence indicators in trade; and 2003 Q2 for the consumer confidence indicators.

**) Situation compared to the previous quarter.

***)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)*
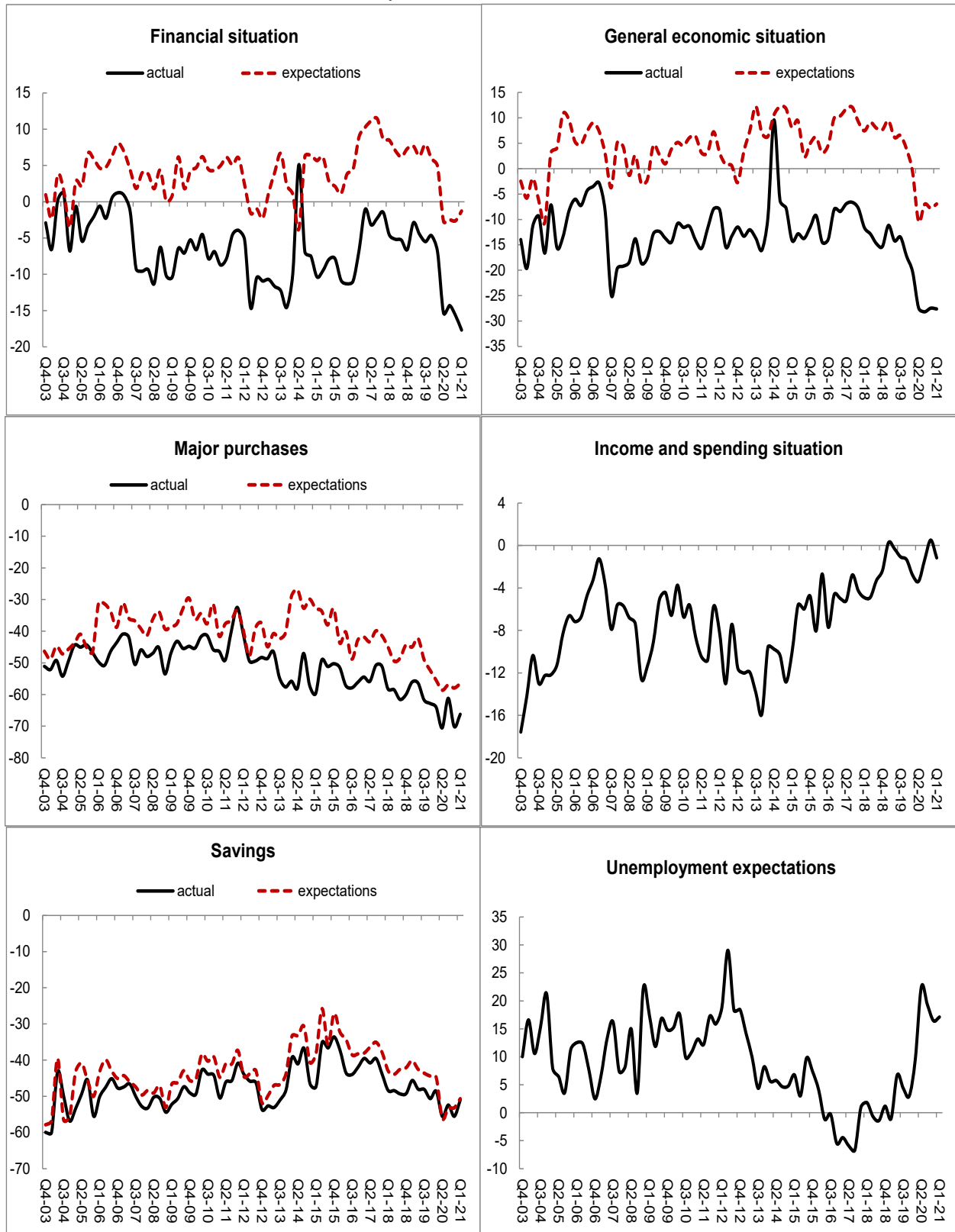
	2019				2020				2021
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
INDUSTRY									
Production over the past three months (question 1, ICI component)	8.1	7.9	18.3	8.1	-2.0	-52.6	-31.0	-12.8	7.6
Order books (question 2, ICI component)	-18.5	-16.9	-12.2	-24.5	-24.8	-54.4	-44.0	-30.6	-18.8
Stock of finished products (question 4, ICI component)	-5.7	-6.1	-3.7	-7.3	-11.5	-19.1	-16.6	-10.4	-6.7
Exports order books (question 3)	-11.2	-21.7	-18.7	-30.9	-26.4	-61.0	-46.4	-35.4	-31.8
Production, expectation (question 5)	30.5	40.7	29.6	25.2	32.0	32.2	25.7	23.3	18.2
Selling prices, expectation (question 6)*	5.6	0.9	-1.2	-0.6	1.7	7.3	0.1	3.1	7.7
Employment, expectation (question 7)	7.2	7.9	6.3	2.4	4.5	-1.8	1.9	-0.1	2.5
Financial situation (question 17)	8.0	8.7	11.8	9.2	-6.0	-59.1	-25.1	-22.0	-8.8
Capacity utilization rate (in %, question 13)	76.6	77.1	76.0	75.5	75.1	63.9	69.2	72.2	74.6
Construction									
Activity in construction, over the past three months (Question 1, a component of CCI)	-2.2	0.9	-5.3	-10.5	-6.8	-56.0	-21.2	-26.1	-10.9
Order books (question 3, CCI component)	-40.6	-43.0	-47.4	-49.7	-54.3	-61.8	-50.4	-49.1	-48.3
Employment, expectation (question 4)	8.1	8.8	0.4	-4.9	9.4	-7.2	-1.6	4.9	7.8
Prices, expectation (question 5)*	2.0	2.1	0.1	-0.6	3.0	5.7	6.6	1.4	11.2
Capacity utilization rate (in %, question 7)	65.4	66.8	62.4	64.2	64.6	56.8	64.5	64.4	62.8
Employment over the past three months (question 8)	-5.2	-8.0	-7.5	-4.9	-12.6	-26.0	-20.6	-14.7	-9.8
Financial situation (question 9)	-3.8	-2.6	-7.4	-12.5	-20.2	-55.5	-24.8	-28.8	-20.9
SERVICES									
Business situation over the past three months (question 1, SCI component)	8.6	13.3	13.0	-6.1	14.3	-42.8	-21.5	-13.5	-0.4

Demand over the past three months *(question 2, SCI component)*	4.0	10.5	13.0	-5.5	11.3	-43.9	-22.9	-15.5	-9.5
Demand, expectation *(question 3)*	25.1	29.8	14.3	34.0	11.6	17.2	20.5	16.4	26.8
Employment over the past three months *(question 4)*	2.1	2.7	7.1	-0.5	-0.8	-27.6	-16.0	-18.4	-6.9
Employment, expectation *(question 5)*	6.6	6.5	6.7	5.7	2.9	6.7	7.7	9.5	4.2
Prices, expectation *(question 6)**	-3.0	-0.3	0.9	-1.4	6.9	4.7	1.4	2.7	2.5
Capacity utilization rate *(in %, question 9)*	77.3	78.5	77.9	77.2	77.7	70.2	69.8	72.3	72.9
Financial situation (question 10)	3.6	7.5	8.3	-0.8	14.7	-38.2	-27.2	-20.8	-11.2
TRADE									
Business situation over the past three months *(question 1, TCI component)*	-7.4	-10.2	-10.2	-12.2	-15.0	-54.5	-26.0	-9.4	-0.8
Employment expectation *(question 5, TCI component)*	-2.8	-0.3	1.9	-7.7	-2.0	-3.1	-3.0	-2.9	-0.7
Business performance, expectation *(question 4)*	22.6	30.7	24.6	24.1	16.0	21.0	15.9	20.1	27.3
Prices, expectation *(question 6)**	1.2	-1.7	0.9	-1.3	3.2	-0.2	-3.7	-3.8	2.3
Capacity utilization rate *(in %, question 8)**	71.2	73.3	71.9	71.3	69.7	65.0	73.9	73.7	72.6
Financial situation (question 9)	-11.6	-11.5	-10.4	-13.5	-13.2	-55.7	-32.8	-19.7	-5.0
Employment over the past three months *(question 10)**	-2.1	-7.4	-3.4	-6.0	-4.0	-14.5	-6.1	-4.5	-1.9
CONSUMER									
Financial situation, expectation *(question 2, CCI component)*	7.7	6.3	7.9	5.9	4.9	-2.7	-2.5	-2.6	-1.3
Economic situation, expectation *(question 4, CCI component)*	9.4	6.2	6.5	3.8	-0.6	-10.4	-7.0	-7.8	-7.0
Current major purchases *(question 8, CCI component)*	-56.1	-56.4	-61.7	-62.8	-64.0	-70.5	-61.2	-70.1	-66.2
Income and spending situation *(question 12, CCI component)*	0.3	-0.3	-1.1	-1.3	-2.8	-3.4	-1.4	0.5	-1.2
Employment over the past twelve months *(question 1)*	-2.9	-4.5	-5.5	-4.7	-6.9	-15.3	-14.3	-15.7	-17.7
Current financial situation (question 3)	-11.2	-14.2	-13.5	-17.2	-20.3	-27.4	-28.2	-27.5	-27.6
Prices, expectation *(question 6)**	-23.3	-24.9	-20.2	-9.0	-16.0	-12.9	-8.6	-6.1	-16.6
Unemployment, expectation *(question 7)*	-1.0	6.7	4.4	3.0	9.6	22.5	19.3	16.5	17.1
Major purchases, expectations *(question 9)**	-45.0	-42.3	-49.0	-52.3	-55.5	-58.6	-57.0	-58.0	-56.6
Current savings *(question 10)**	-45.6	-48.0	-48.1	-50.6	-48.6	-55.5	-52.4	-55.5	-51.0
Savings, expectation *(question 11)*	-40.2	-42.5	-43.6	-44.4	-44.8	-56.0	-53.3	-53.2	-50.7

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

*Balances do not show seasonality and as such are not adjusted for seasonality.

Chart 7 Main balances of the Consumer Survey

Financial situation

Major purchases

Savings

General economic situation

Income and spending situation

Unemployment expectations

Source: Consumer Confidence Survey, Bank of Albania

6

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 points.

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.