Bank of Albania
Monetary Policy Department

European Commission*

# BUSINESS AND CONSUMER CONFIDENCE SURVEY
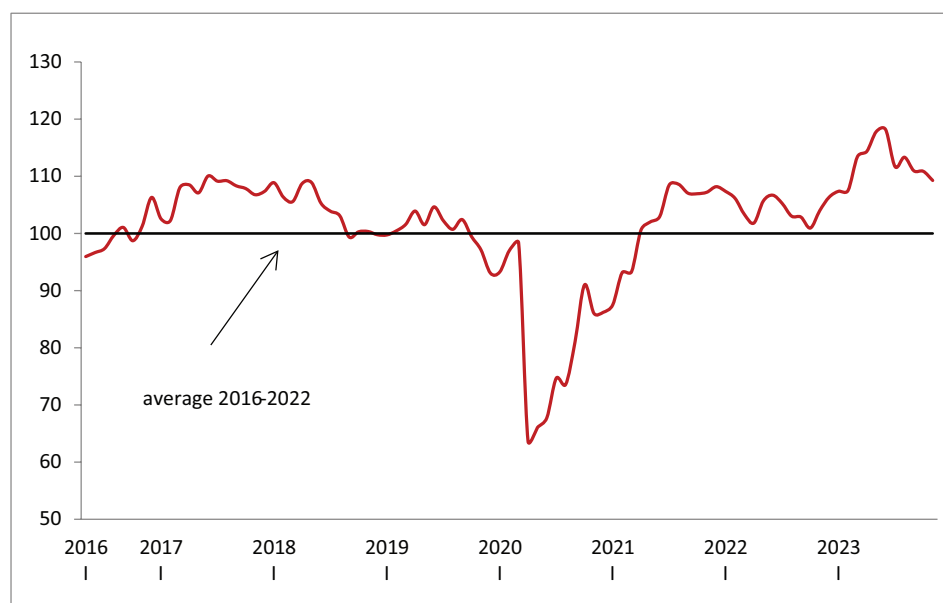
1 DECEMBER 2023

# BUSINESS AND CONSUMER CONFIDENCE SURVEY

In November 2023, **the Economic Sentiment Indicator (ESI)** dropped by 1.6 points, recording 109.3. The current level of ESI stands around 9 percentage points above the historical average (Chart 1). The decline of ESI in November was mainly due to the lower confidence indicator in the sectors of *services* and *trade*. In addition, the decreased confidence across the *industry* and *consumer* sectors provided a negative contribution. In contrast, the *construction* confidence indicator provided a positive contribution in November 2023 (Chart 2).
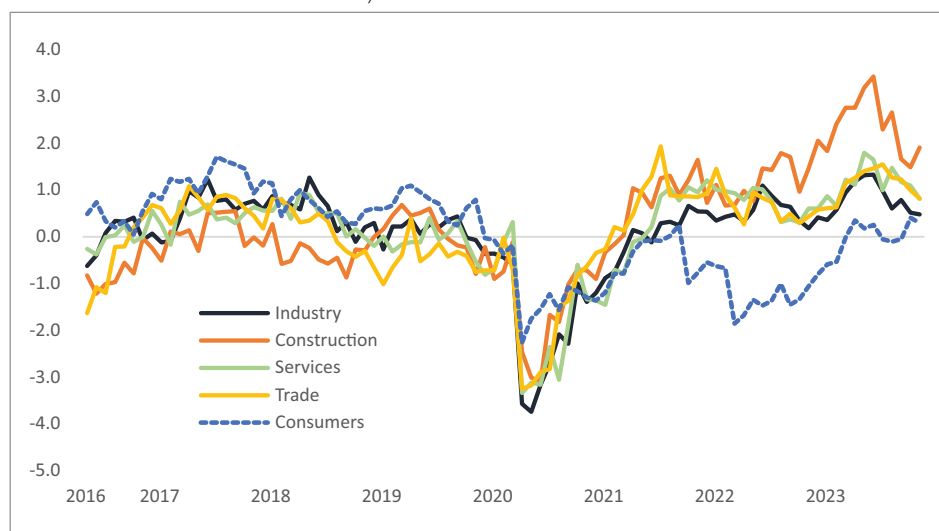
*Chart 1 Economic Sentiment Indicator (ESI)*



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

**Industry Confidence Indicator (ICI)** fell by 0.6 percentage points in November 2023, recording a slower decline than in the previous month. However, the ICI remains above the historical average (Chart 2). Businesses operating in industry sector appear more pessimistic regarding *order books*, mainly related to exports. On the other hand, they reported an improved balance of *current production* in industry. Businesses' expectations on *production* in the future have remained unchanged from the previous month. Meanwhile, expectations for employment in the future have been edging down. Their expectations on future selling prices are revised upward in November (Table 2 - Industry).

**Construction Confidence Indicator (BCI)** increased by 4.4 percentage points in November 2023. It stands around 20 percentage points above the historical average (Chart 2). The more optimistic appraisals of businesses about their *current construction activity* underpinned the increase of the BCI. Their assessments for *order books* were up, but at a lower extent. Also, expectations for both the level of *employment* and *selling price* in the future inched up in November (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)** dropped by 4.4 percentage points in November 2023, though continuing to remain above the historical average by 12.3 percentage points (Chart 2). In terms of components, SCI declined was caused by less optimistic assessments on *the current performance of their business* and *demand*. Businesses operating in services expect increased *demand* and level of *employment* in the future. Their expectations on the performance of *selling prices* in the future are picking up (Table 2 - Services).

**Trade Confidence Indicator (TCI)** declined by 1.7 percentage points in November 2023. The current level of TCI stands about 8 points above the historical average (Chart 2). The monthly fall in the TCI was mainly driven by the less positive appraisals of businesses operating in trade sector on the *current performance* of their business. On the other hand, expectations on the *employment* in the future, have maintained the same level of the previous month. Expectation on *selling prices* in the future are assessed slightly upwards (Table 2 - Trade).

**Consumer Confidence Indicator (CCI)** was slightly down by 0.7 percentage points in November 2023. The current level of CCI stands around 2 percentage points above its historical average (Chart 2). Consumers assessed the *current major purchases* as edging down. On the other hand, they appeared more optimistic about the *financial and economic situation* of Albania in the future (Table 2 - Consumers).

*Chart 3 Business situation by sector over the past three months*
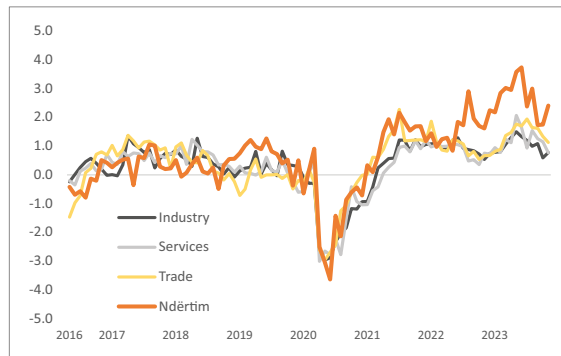


*Source: Bank of Albania*

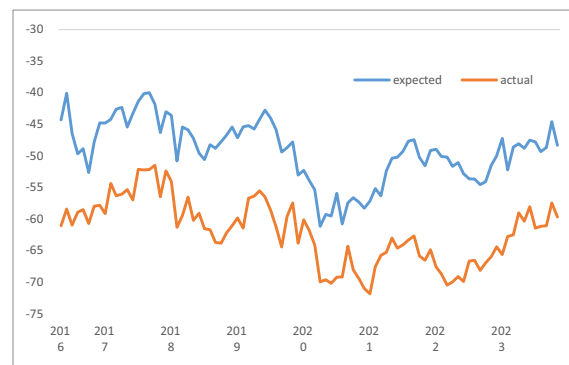*Chart 4 Business expectations over the next three months*
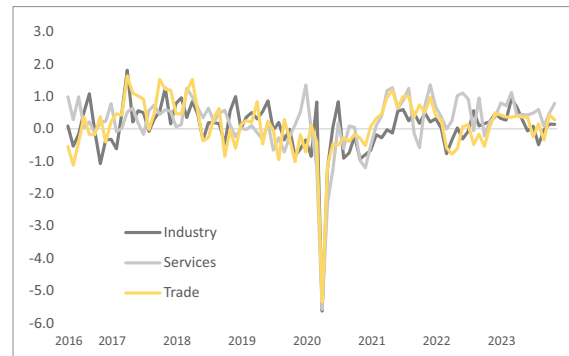


*Source: Bank of Albania*

*Chart 5 Expectations for unemployment and prices over the next 12 months, in balance*



*Source: Bank of Albania*

*Chart 6 Major purchases of consumers, in balance*



*Source: Bank of Albania*

*Table 1 Confidence indicators by sector\**

| | Values | | | 2023 | | | | | Current situation | |
|---|---|---|---|---|---|---|---|---|---|---|
| | min. | ave. | max. | July | August | September | October | November | Conjectural\*\* | Structural\*\*\* |
| Industry | -60.7 | -11.0 | 6.5 | 1.9 | -3.1 | -0.6 | -4.2 | -4.7 | ↓ | + |
| Construction | -58.1 | -25.9 | 9.8 | -2.0 | 1.8 | -8.6 | -10.4 | -6.0 | ↑ | ++ |
| Services | -45.5 | 7.1 | 35.3 | 22.7 | 30.2 | 25.5 | 24.2 | 19.8 | ↓ | + |
| Trade | -32.7 | -1.4 | 17.3 | 13.6 | 10.8 | 10.5 | 8.2 | 6.5 | ↓ | + |
| Consumer | -40.3 | -26.6 | -16.3 | -27.0 | -27.3 | -26.9 | -24.2 | -24.9 | ↓ | + |

*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)\**

| | | | | | | | | | 2023 |
|---|---|---|---|---|---|---|---|---|---|
| | March | April | May | June | July | August | September | October | November |
| **INDUSTRY** | | | | | | | | | |
| Production over the past three months (question 1, ICI component) | 21.4 | 25.6 | 29.4 | 26.2 | 23.7 | 20.1 | 21.8 | 12.6 | 16.1 |
| Order books (question 2, ICI component) | -8.1 | -1.5 | -4.8 | -3.9 | -8.9 | -13.3 | -10.6 | -11.6 | -10.1 |
| Export order books (question 3, ICI component) | -9.0 | -10.2 | -5.3 | -2.7 | -8.9 | -16.0 | -13.0 | -13.5 | -20.2 |
| Stock of finished product (question 4) | -0.9 | -4.2 | -2.6 | 1.2 | 0.0 | 3.7 | 3.2 | -3.3 | -3.3 |
| Production, expectations (question 5) | 40.5 | 37.5 | 33.3 | 29.4 | 31.1 | 24.7 | 29.8 | 31.8 | 31.7 |
| Selling prices, expectation (question 6) | 15.7 | 17.3 | 18.7 | 18.1 | 16.6 | 9.1 | -9.2 | 9.4 | 22.5 |
| Employment, expectation (question 7) | 14.9 | 16.8 | 15.8 | 12.3 | 8.6 | 10.7 | 9.4 | 10.1 | 8.3 |
| **CONSTRUCTION** | | | | | | | | | |
| Construction activity over the past three months (question 1, BCI component) | 22.5 | 21.7 | 29.1 | 30.9 | 14.9 | 22.2 | 7.3 | 7.5 | 15.2 |
| Order books (question 3, BCI component) | -16.8 | -16.0 | -14.5 | -11.3 | -18.9 | -18.6 | -24.4 | -28.2 | -27.2 |
| Employment, expectation (question 4) | 18.8 | 15.6 | 13.7 | 15.8 | 9.4 | 12.7 | 5.2 | 10.7 | 12.2 |
| Prices, expectation (question 5) | 29.0 | 19.6 | 19.8 | 26.8 | 26.0 | 17.5 | 20.5 | 8.2 | 14.6 |
| **SERVICES** | | | | | | | | | |
| Business situation over the past three months (question 1, SCI component) | 25.1 | 23.1 | 39.2 | 32.0 | 20.0 | 30.2 | 25.5 | 23.7 | 17.4 |
| Demand over the past three months (question 2, SCI component) | 27.4 | 26.0 | 31.5 | 34.0 | 25.3 | 30.2 | 25.4 | 24.8 | 22.2 |
| Demand, expectation (question 3) | 36.1 | 28.8 | 29.1 | 28.9 | 29.6 | 30.7 | 25.3 | 29.4 | 32.6 |
| Employment over the past three months (question 4) | 9.8 | 12.3 | 16.6 | 16.2 | 15.0 | 11.3 | 6.0 | 4.2 | 7.3 |
| Employment, expectation (question 5) | 21.3 | 9.3 | 13.0 | 12.8 | 11.3 | 11.2 | 10.2 | 12.3 | 10.9 |
| Prices, expectation (question 6) | 19.6 | 7.8 | 13.9 | 13.4 | 15.8 | 17.5 | 14.0 | 12.7 | 16.8 |
| **TRADE** | | | | | | | | | |
| Business situation over the past three months (question 1, TCI component) | 14.4 | 16.1 | 21.0 | 20.0 | 24.0 | 18.8 | 18.6 | 13.9 | 10.3 |
| Inventories situation (question 2) | 2.6 | 3.7 | 5.0 | 0.5 | 0.3 | 4.3 | 0.8 | 2.1 | 3.1 |
| Future orders, expectation (question 3) | 24.7 | 29.3 | 22.9 | 25.1 | 16.8 | 21.4 | 23.1 | 29.2 | 21.7 |
| Business performance, expectation (question 4) | 26.4 | 26.9 | 26.5 | 26.4 | 18.8 | 23.9 | 17.6 | 27.4 | 25.4 |
| (question 5, TCI component) | 5.1 | 5.4 | 3.4 | 5.5 | 3.2 | 2.8 | 2.4 | 2.6 | 2.7 |
| Prices, expectation (question 6) | 13.9 | 10.6 | 23.3 | 13.5 | 18.4 | 7.6 | 14.8 | 9.1 | 9.6 |
| **CONSUMER** | | | | | | | | | |
| Current financial situation (question 1) | -14.7 | -15.2 | -13.8 | -13.7 | -15.8 | -14.6 | -13.5 | -11.6 | -11.0 |
| Financial situation, expectation (question 2, CCI component) | 4.2 | 6.2 | 4.3 | 4.1 | 1.6 | 0.6 | 1.8 | 4.2 | 4.6 |
| Current economic situation (question 3) | -27.4 | -24.9 | -23.9 | -22.2 | -23.8 | -23.4 | -21.8 | -19.8 | -19.1 |
| Economic situation, expectation (question 4, CCI component) | 0.2 | 2.8 | 2.6 | 1.0 | -0.2 | 0.8 | 0.3 | 1.0 | 3.9 |
| Current prices (question 5) | 45.7 | 49.7 | 43.9 | 46.5 | 50.9 | 51.4 | 46.7 | 46.1 | 46.8 |
| Prices, expectation (question 6) | -6.5 | -4.1 | -7.6 | -5.4 | -0.1 | 4.2 | -3.6 | -7.0 | -5.6 |
| Unemployment, expectation (question 7) | 3.1 | -1.3 | -1.0 | -0.2 | 2.4 | 1.3 | -0.1 | -4.0 | 0.3 |
| Current major purchases (question 8, CCI component) | -62.5 | -59.0 | -60.3 | -58.0 | -61.4 | -61.1 | -61.0 | -57.4 | -59.7 |
| Major purchases, expectations (question 9, CCI component) | -48.6 | -48.1 | -48.8 | -47.5 | -47.8 | -49.3 | -48.7 | -44.6 | -48.3 |
| Current savings (question 10) | -44.7 | -41.9 | -42.9 | -43.6 | -45.3 | -44.0 | -45.2 | -44.5 | -45.7 |
| Savings, expectation (question 11) | -40.1 | -40.1 | -39.6 | -39.4 | -42.6 | -42.9 | -43.3 | -41.5 | -42.2 |
| Situation of income and expenses (question 12) | 4.0 | 3.2 | 4.0 | 2.6 | 0.1 | -0.6 | -0.4 | 3.8 | 1.7 |

*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. 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.