



Bank of Albania
Monetary Policy Department



European Commission*

BUSINESS AND CONSUMER CONFIDENCE SURVEY

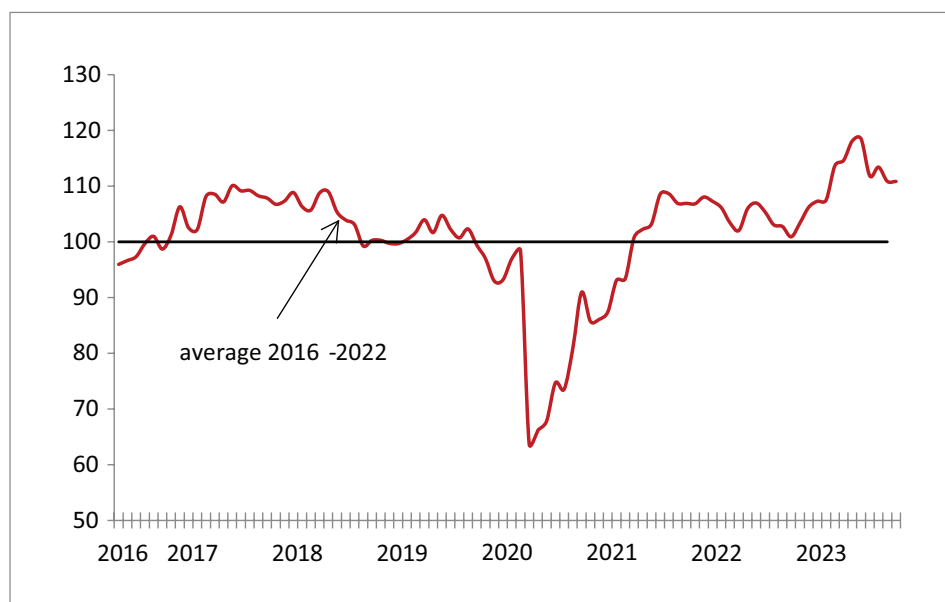
1 NOVEMBER 2023

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BUSINESS AND CONSUMER CONFIDENCE SURVEY

In October 2023, the **Economic Sentiment Indicator (ESI)** stood at 110.9, unchanged from September and 10.9 points above the long-term average (Chart 1). The Consumer Confidence Indicator improved in October 2023, whereas the confidence indicators across all businesses' activities declined (Chart 2). Industry was the sector with the largest decline in confidence.

Chart 1 Economic Sentiment Indicator (ESI)

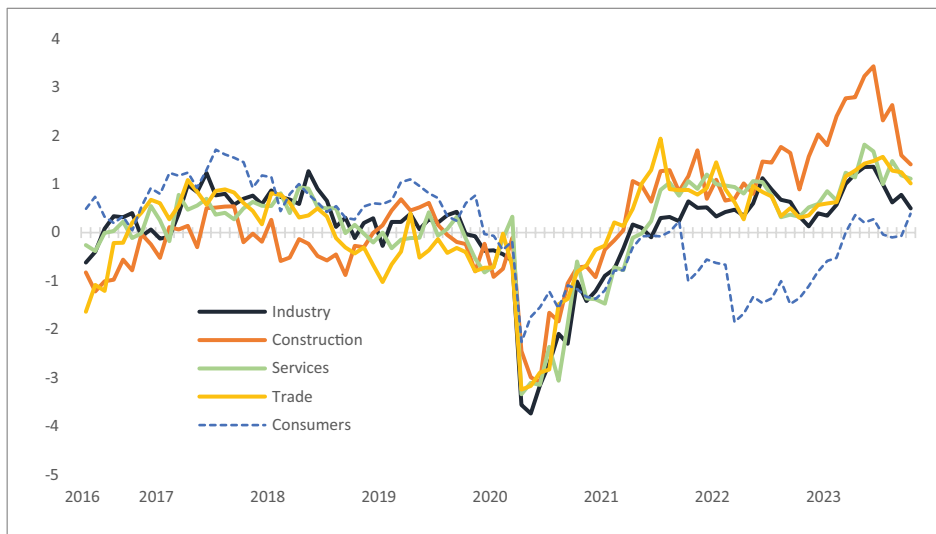


Source: Business and Consumer Confidence Survey, Bank of Albania.

Industry Confidence Indicator (ICI) fell by 3.7 percentage points in October 2023, due to less than optimistic assessments on *current production* and *order books*. Nonetheless, the ICI stands 6.6 percentage points above the historical average (Chart 2). Businesses' expectations on *selling prices* are downwards, whereas expectations on *production* and *employment* are on the upward (Table 2 - Industry).

Construction Confidence Indicator (BCI) dropped by 1.9 percentage points in October. This indicator stands around 15 percentage points above the historical average (Chart 2). The decline recorded during this month was affected by less optimistic appraisals of businesses on both their *current construction activity* and *order books*. Businesses' future expectations on *employment* increased, whereas their expectations for *selling prices* in the future decreased (Table 2 - Construction).

Chart 2 Confidence indicators by sector*



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

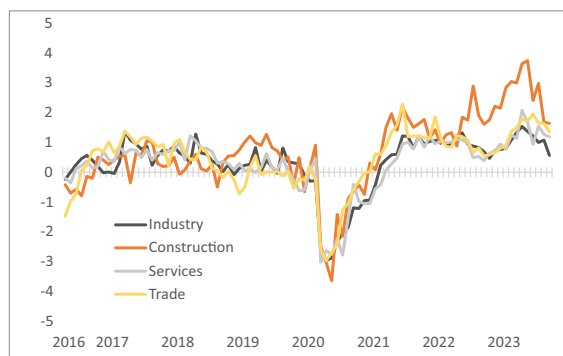
Note: *The chart shows standardised series, to correct the changes in averages and in standard deviations of the respective confidence indicators.

Services Confidence Indicator (SCI) declined by 1.0 percentage points in October. However, the SCI level remains in the range of its highest historical values, around 17.5 percentage points above the long-term average (Chart 2). Both constituent components of the indicator - *the current performance of business* as well as *current demand* - recorded a slight decline. Businesses' expectations for the performance of *prices in the future* have gone down (Table 2 - Services).

Trade Confidence Indicator (TCI) contracted by 2.2 percentage points in October, impacted mainly by the appraisals on a weaker *current performance* of businesses. On the contrary, businesses operating in the trade sector expect an increase of *order books* and *performance* in the near future. The current level of TCI stands around 9.8 percentage points above the historical average (Chart 2). Expectations for *prices in the future* are revised downward (Table 2 - Trade).

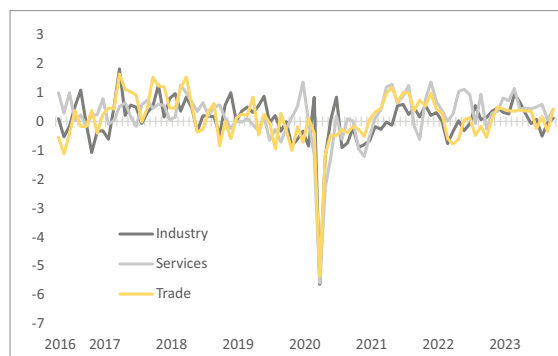
Consumer Confidence Indicator (CCI) edged up by 2.8 percentage points in October. The relatively significant increase of the indicator drove its level up by 2.2 percentage points above the historical average. The more optimistic expectations on the *financial* situation and *major purchases* in the future determined the CCI (Chart 6). Expectations on the overall future selling prices and *unemployment* have been revised downwards (Chart 5).

Chart 3 Business situation by sector over the past three months



Source: Bank of Albania

Chart 4 Business expectations over the next three months



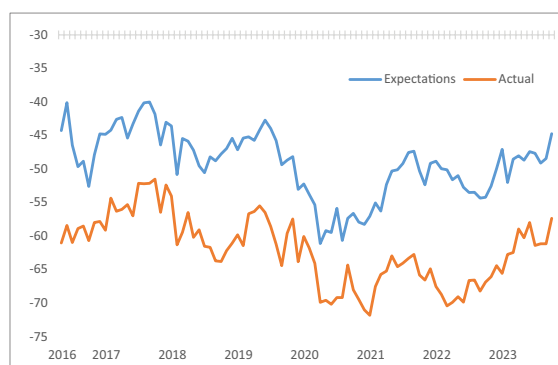
Source: Bank of Albania

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.	May	June	July	August	September	October	Conjectural**	Structural***
Industry	-60.5	-9.8	7.0	6.9	7.0	2.2	-2.8	-0.7	-4.4	↓	+
Construction	-58.1	-23.0	9.9	7.8	9.9	-1.8	1.6	-9.3	-11.2	↓	+
Services	-45.5	9.2	35.6	35.6	33.5	22.8	30.3	25.6	24.6	↓	+
Trade	-32.6	-0.1	17.3	12.3	12.9	13.7	10.9	10.6	8.4	↓	+
Consumer	-40.3	-26.6	-16.3	-25.4	-25.0	-26.9	-27.3	-27.1	-24.3	↑	+

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).

INDUSTRY	2023								
	February	March	April	May	June	July	August	September	October
Production over the past three months (question 1, ICI component)	16.6	21.7	26.2	30.0	26.8	24.1	20.2	21.6	12.2
Order books (question 2, ICI component)	-9.4	-7.9	-1.5	-4.4	-3.4	-8.8	-13.3	-10.9	-12.3
Export order books (question 3, ICI component)	-17.5	-6.9	-9.8	-5.0	-2.5	-8.8	-15.3	-12.9	-13.1
Stock of finished product (question 4)	-6.2	-1.0	-4.3	-2.9	1.0	0.0	4.4	3.9	-3.8
Production, expectations (question 5)	33.0	40.5	37.5	33.2	29.3	30.9	24.5	29.5	31.4
Selling prices, expectation (question 6)	18.5	15.4	16.5	18.2	18.9	17.6	8.7	17.0	12.9
Employment, expectation (question 7)	11.5	15.1	17.1	16.1	12.5	8.3	10.8	9.3	9.9
CONSTRUCTION									
Construction activity over the past three months (question 1, BCI component)	20.3	22.7	22.1	29.7	30.9	15.2	22.0	6.6	6.2
Order books (question 3, BCI component)	-21.9	-16.6	-15.7	-14.1	-11.2	-18.7	-18.9	-25.1	-28.5
Employment, expectation (question 4)	19.5	18.7	15.5	13.7	15.8	9.3	12.4	4.9	10.1
Prices, expectation (question 5)	34.8	28.7	19.8	19.5	26.4	25.8	17.5	20.8	8.2
SERVICES									
Business situation over the past three months (question 1, SCl component)	17.3	25.3	23.5	39.4	32.7	20.1	30.4	25.8	24.3
Demand over the past three months (question 2, SCl component)	17.4	27.6	26.4	31.9	34.3	25.5	30.2	25.4	24.8
Demand, expectation (question 3)	31.9	36.2	28.9	29.2	29.0	29.6	30.6	25.2	28.8
Employment over the past three months (question 4)	5.6	9.9	12.7	17.0	16.3	15.1	11.3	5.7	3.7
Employment, expectation (question 5)	15.8	21.4	9.3	13.1	12.9	11.3	11.2	10.2	12.4
Prices, expectation (question 6)	19.7	19.5	8.0	13.7	13.4	15.8	17.5	13.9	12.6
TRADE									
Business situation over the past three months (question 1, TCl component)	6.3	14.5	16.4	21.3	20.2	24.1	19.0	18.8	14.3
Inventories situation (question 2)	5.6	2.6	3.7	5.0	0.5	0.3	4.2	0.7	1.9
Future orders, expectation (question 3)	23.4	24.7	29.3	22.8	25.0	16.9	21.5	23.4	29.6
Business performance, expectation (question 4)	26.4	26.4	26.9	26.4	26.4	18.8	23.9	17.5	27.3
Employment, expectation (question 5, TCl component)	3.1	5.1	5.5	3.4	5.5	3.3	2.8	2.5	2.6
Prices, expectation (question 6)	15.6	13.9	10.1	23.0	13.6	18.6	7.8	15.2	9.0
CONSUMER									
Current financial situation (question 1)	-16.6	-14.6	-15.1	-13.7	-13.6	-15.7	-14.5	-13.6	-11.7
Financial situation, expectation (question 2, CCl component)	0.2	4.2	6.2	4.5	4.2	1.6	0.4	1.3	4.5
Current economic situation (question 3)	-30.2	-27.4	-24.6	-23.8	-22.5	-23.7	-23.4	-21.8	-20.0
Economic situation, expectation (question 4, CCl component)	-4.6	0.4	2.9	2.9	1.3	0.0	0.8	0.0	0.4
Current prices (question 5)	46.5	45.6	49.6	43.9	46.4	50.9	51.5	46.9	46.0
Prices, expectation (question 6)	-4.2	-6.6	-4.3	-7.8	-5.6	-0.1	4.2	-3.3	-7.0
Unemployment, expectation (question 7)	-62.7	-62.5	-59.0	-60.3	-58.0	-61.4	-61.2	-61.2	-57.4
Current major purchases (question 8, CCl component)	-52.0	-48.5	-48.0	-48.7	-47.4	-47.7	-49.1	-48.4	-44.7
Major purchases, expectations (question 9, CCl component)	-50.4	-44.6	-42.0	-42.7	-43.4	-45.3	-43.9	-45.2	-44.4
Current savings (question 10)	-43.9	-40.1	-40.0	-39.6	-39.4	-42.6	-42.9	-43.4	-41.5
Savings, expectation (question 11)	3.1	4.1	3.3	4.1	2.8	0.1	-0.6	-0.7	3.5
Situation of income and expenses (question 12)	-16.6	-14.6	-15.1	-13.7	-13.6	-15.7	-14.5	-13.6	-11.7

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 Confidence Indicator (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).

The 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.