



Bank of Albania
Monetary Policy Department



European Commission*

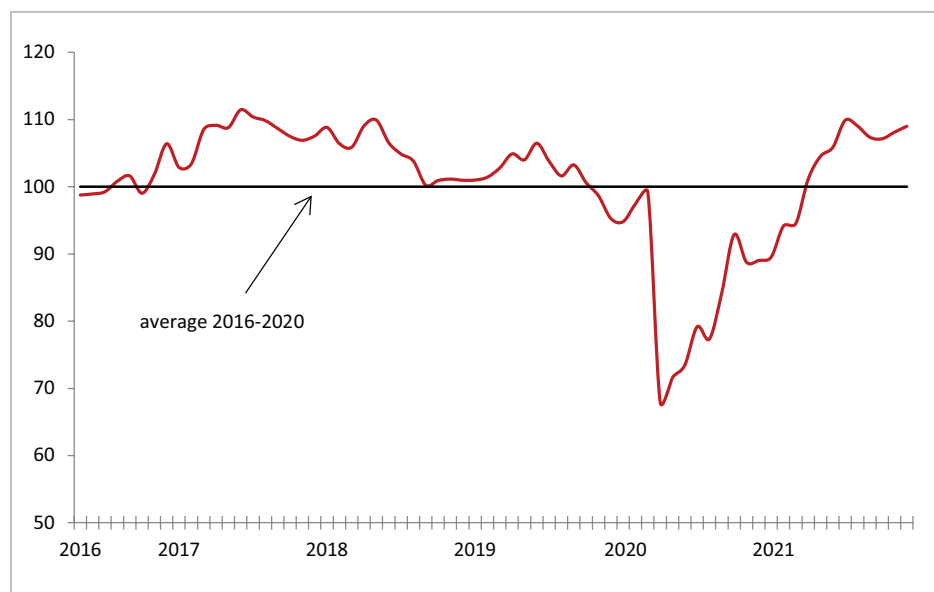
BUSINESS AND CONSUMER CONFIDENCE SURVEY

7 JANUARY 2022

** Confidence surveys are co-funded by the European Union and 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.*

The Economic Sentiment Indicator (ESI) rose by 0.9 points (to 109.0) in December 2021. Although the indicator rose for the second consecutive month, the growth rates have been slower compared to those experienced during the third quarter. (Chart 1). The improved consumer confidence and confidence in the sectors of industry, services and trade determined the increase of ESI in December. On the other hand, confidence in the sector of construction has recorded a considerable fall, by decelerating the upward trend of ESI during this month. (Chart 2).

Chart 1 Economic Sentiment Indicator (ESI)



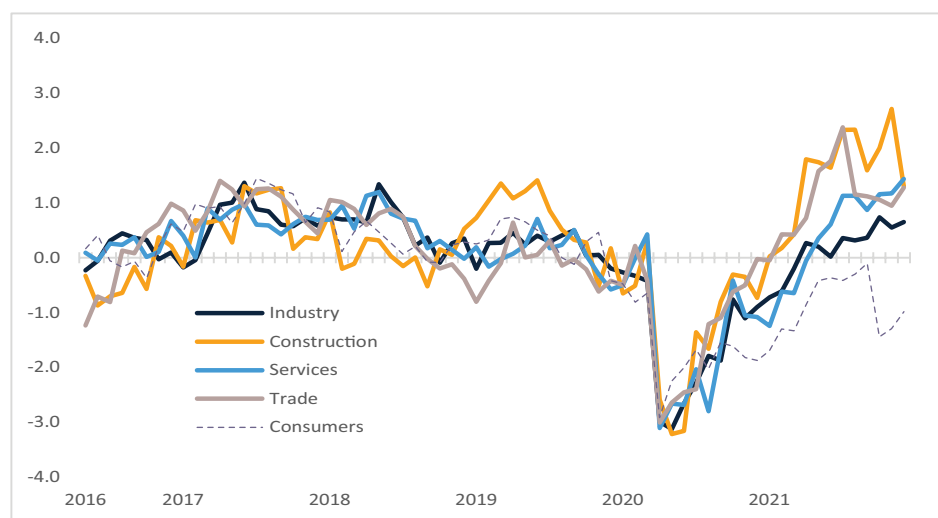
Source: Business and Consumer Confidence Survey, Bank of Albania.

Industry Confidence Indicator (ICI) increased by 1.5 percentage points compared to the previous month, driven by the positive performance of production and overall order books. On the other hand, the balance for order books for exports decreased. The capacity utilization rate in industry stood at 77.4%, in 2021 Q4¹, around 1.2 percentage points lower than the previous quarter. The indicator of businesses' financial situation in industry sector recorded a downward trend, as well. (Table 2-Industry).

Construction Confidence Indicator (CCI) dropped by 11.7 percentage points in December, contrary to its positive trend in the last two months. Nevertheless, the level of CCI is considerably higher than its historical average (Chart 2). This fall reflected the assessments of businesses for a lower level in construction activity and current order books. (Table 2 - Construction). The capacity utilization rate in construction stood at 68.4%, in 2021 Q4, around 0.8 percentage points lower than in the previous quarter. Also, the indicator of financial situation decreased.

¹ Additional questions to enterprises related to capacity utilisation rate and the financial situation are developed on quarterly basis and are included in the questionnaires of March, June, September and December.

Chart 2 Confidence indicators by sector*



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

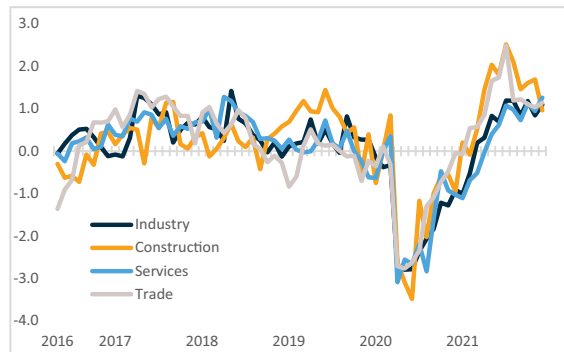
Notes: *The chart shows standardised series, to correct the changes in averages and in standard deviations of the respective confidence indicators.

Services Confidence Indicator (SCI) increased by 4.2 percentage points in December. This increase was driven by both components related to current business performance and demand (Table 2- Services). The capacity utilization rate in services stood at 82.9%, in 2021 Q4, around 1.9 percentage points higher than in the previous quarter. The indicator of businesses' financial situation weakened.

Trade Confidence Indicator (TCI) picked up by 3.2 percentage points compared to the previous month. This increase was driven by the businesses assessments on their current business performance, as well as expectations regarding the level of employment (Table 2, trade sector). The capacity utilization rate in trade stood at 77.6%, in 2021 Q4, slightly lower than in the previous quarter. Also, the indicator of financial situation decreased.

Consumer Confidence Indicator (CCI) recorded an improvement by 1.7 percentage points in December (Chart 2). This increase was driven by all the components constituting this indicator. The most notable improvements were recorded by current purchases and related expectations. The components of expectations for the financial situation and economic situation registered a slight increase. (Table 2, consumers)

Chart 3 Business situation by sector over the past months.



Source: Bank of Albania.

Chart 4 Business expectations over the next months



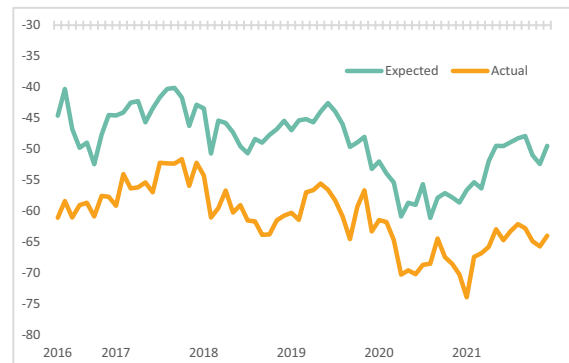
Source: Bank of Albania.

Chart 4 Expectations for unemployment and consumer prices over the next 12 months.



Source: Bank of Albania.

Chart 5 Major purchases of consumers.



Source: Bank of Albania.

Table 1 Confidence indicators by sector*

	Values			2021						Current situation	
	min.	ave.	max.	July	August	Sept.	Oct.	Nov.	Dec.	Conjectural**	Structural***
Industry	-59.8	-12.6	8.0	-7.2	-7.9	-7.2	-1.5	-4.3	-2.8	↑	+
Construction	-57.0	-30.3	-7.9	-11.0	-11.0	-17.1	-13.7	-7.9	-19.5	↓	++
Services	-46.9	3.8	27.2	22.2	22.3	18.0	22.7	23.0	27.2	↑	++
Trade	-33.1	-4.3	18.6	18.6	6.8	6.5	5.9	4.8	8.0	↑	++
Consumer	-40.7	-24.5	-16.4	-26.8	-26.1	-25.1	-32.5	-31.7	-29.9	↑	-

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)*

	2021								
	April	May	June	July	August	September	October	November	December
INDUSTRY									
Production over the past three months (question 1, ICI component)	7.8	17.2	14.7	23.8	23.7	17.3	23.5	17.4	21.9
Order books (question 2, ICI component)	-17.2	-19.3	-18.7	-18.5	-17.9	-17.2	-11.1	-14.5	-11.5
Export order books (question 3, ICI component)	-16.3	-26.7	-32.9	-26.9	-29.5	-21.5	-17.0	-15.7	-18.8
Stock of finished product (question 4)	-5.8	1.1	-3.4	-5.1	-5.8	-4.8	-6.0	-7.7	-4.3
Production, expectation (question 5)	29.1	27.7	32.2	37.4	33.2	36.4	34.6	37.6	33.6
Selling prices, expectation (question 6)	9.6	7.9	11.5	17.3	13.1	21.3	36.0	38.3	37.4
Employment, expectation (question 7)	3.6	6.8	9.4	17.4	5.2	11.7	10.6	12.9	19.2
Construction									
Construction activity over the past three months (question 1, CCI component)	3.7	10.4	7.7	15.9	11.2	3.7	5.4	6.4	-2.0
Order books (question 3, CCI component)	-34.6	-42.2	-41.1	-37.9	-33.1	-38.0	-32.9	-22.1	-37.1
Employment, expectation (question 4)	9.9	7.9	14.4	15.4	12.6	11.0	7.7	9.8	6.2
Prices, expectation (question 5)	9.4	7.2	10.6	9.3	13.8	18.3	21.9	29.2	23.0
SERVICES									
Business situation over the past three months (question 1, SCI component)	4.0	11.1	14.8	22.4	20.8	16.6	23.2	20.2	25.5
Demand over the past three months (question 2, SCI component)	1.8	8.1	12.8	22.0	23.7	19.5	22.3	25.7	28.9
Demand, expectation (question 3)	35.0	40.4	34.7	38.4	37.1	22.7	12.2	29.0	37.8
Employment over the past three months (question 4)	-5.3	-4.9	1.7	18.9	14.9	5.8	9.5	12.7	16.8
Employment, expectation (question 5)	13.4	13.3	13.7	17.3	20.6	9.2	0.5	12.4	6.6
Prices, expectation (question 6)	3.3	2.0	9.4	10.7	4.4	8.2	29.6	23.0	20.9
TRADE									
Business situation over the past three months (question 1, TCI component)	5.6	18.6	19.9	32.2	11.1	11.5	9.7	8.5	10.3
Inventories situation (question 2)	-6.6	-1.1	2.3	-1.4	-0.8	-0.1	0.9	0.9	0.5
Future orders, expectations	21.3	28.0	29.2	30.5	27.9	21.5	24.5	25.1	36.2
Business performance, expectations (question 4)	26.3	36.1	32.9	34.7	32.5	25.2	31.8	30.4	38.3
Business performance, expectations (question 5, TCI component)	-0.3	3.2	5.4	5.0	2.6	1.4	2.1	1.2	5.7
CONSUMER									
Current financial situation (question 1)	-15.5	-10.8	-11.8	-11.0	-10.3	-6.7	-13.3	-14.1	-12.4
Financial situation, expectation (question 2, CCI component)	1.0	3.5	4.1	3.2	3.4	8.2	-3.9	-2.6	-1.2
Current financial situation (question 3)	-25.3	-20.1	-19.4	-20.7	-19.0	-18.3	-22.8	-25.5	-24.0
Economic situation, expectation (question 4, CCI component)	-0.2	1.7	4.1	1.8	2.5	2.3	-10.2	-6.0	-5.1
Current prices (question 5)	-4.9	-4.7	-2.0	2.3	-1.7	0.5	27.1	30.5	28.7
Prices, expectation (question 6)	-15.7	-16.4	-18.6	-11.5	-11.1	-7.5	8.3	-0.4	-4.6
Unemployment, expectation (question 7)	10.4	8.5	7.0	9.0	9.9	7.3	12.6	10.8	11.7
Current major purchases (question 8, CCI component)	-65.8	-62.9	-64.7	-63.3	-62.1	-62.8	-64.9	-65.7	-64.0
Major purchases, expectations (question 9, CCI component)	-51.9	-49.5	-49.5	-48.9	-48.3	-47.9	-51.0	-52.4	-49.5
Current savings (question 10)	-49.4	-47.3	-46.1	-45.9	-41.9	-44.9	-48.9	-52.5	-47.7
Savings, expectation (question 11)	-48.5	-45.5	-44.6	-45.1	-40.5	-43.0	-48.7	-48.8	-45.9
Current financial situation (question 12)	0.7	2.6	2.5	2.2	5.0	3.5	-1.3	0.6	0.1

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.