Bank of Albania
Monetary Policy Department

European Commission*

BUSINESS AND CONSUMER CONFIDENCE SURVEY

## 7 NOVEMBER 2022

BUSINESS AND CONSUMER CONFIDENCE SURVEY

In October 2022, the **Economic Sentiment Indicator (ESI)** recorded 99.9, down by 2 points in October, settling quite close to the long-term historical average (Chart 1). The drop in the ESI was due to the decreased confidence across the sectors of construction, industry, services and trade. Overall, all the sectors of the economy were perceived to have a downward economic activity. On the contrary, the consumer confidence indicator slightly improved in this month (Chart 2).

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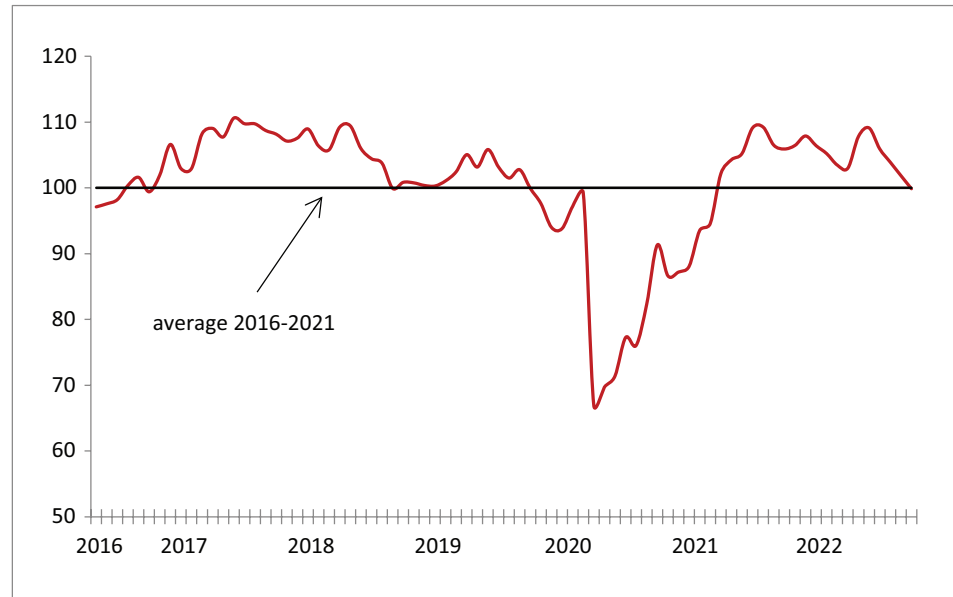
Source: Business and Consumer Confidence Survey, Bank of Albania.

Industry confidence indicator (ICI) dropped by 4.8 percentage points compared to the previous month, driven by a fall in all indicators of the current situation, particularly the fall in the balance of both *current production* and that of *order books*. Businesses operating in industry sector increased their *production* and *employment* expectations for the future, while decreasing the selling price expectations (Table 2 - Industry).

Construction Confidence Indicator (BCI) fell by 7.2 percentage points in October, marking a reduced indicator for the second month in a raw. This performance was affected by the worsened balances in the *construction activity* and *order books*. Also, employment expectations edged down, whereas expectations for *future prices* edged up (Table 2 - Construction).

Chart 2 Confidence indicators by sector*
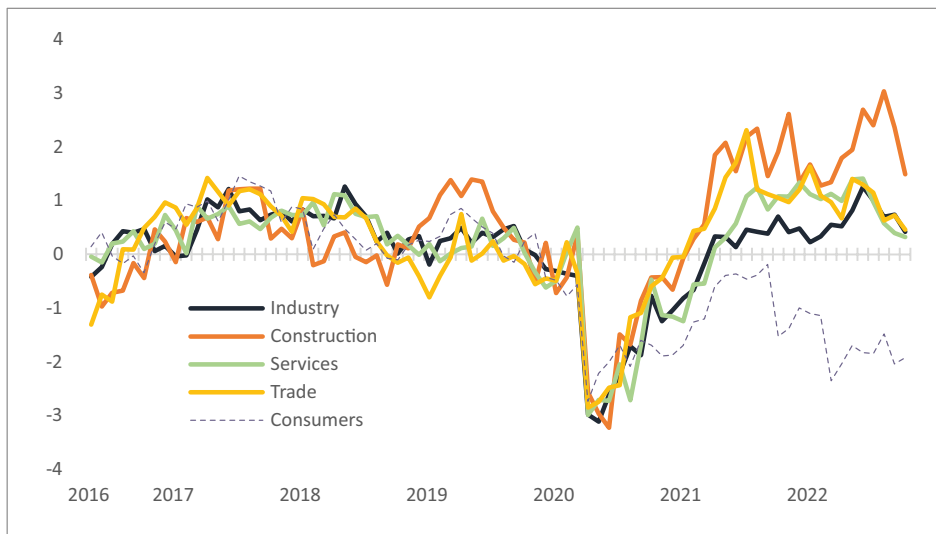
Source: Business and Consumer Confidence Survey, Bank of Albania.
*Notes: *The chart shows standardised series, to correct the changes in averages and in standard deviations of the respective confidence indicators.*

Services Confidence Indicator (SCI) slightly fell by 1.1 percentage points in October, on the back of a weaker *business performance indicator*. Businesses operating in the services sector assess that current *employment* has increased, whereas expectations for the future are down. Expectations of services businesses for the level of their *prices* inched up (Table 2 - Services).

Trade Confidence Indicator (TCI) followed the downward trend, noted in most months of the previous period, falling by 2.6 percentage points in October. The indicator was driven mainly by the weaker assessment of *the current performance of their business*. Expectations for prices and employment in the future inched up (Table 2 - Trade).

**Consumer Confidence Indicator (CCI)** has slightly improved by 0.6 percentage points in October, albeit far from the long-term average (Chart 2). The indicator reflected the more positive consumers' appraisals regarding *major purchases*, in both the current and future period. Consumers' assessment on the current price performance is upwards. This situation is expected to continue in the future as well (Table 2 - Consumers).

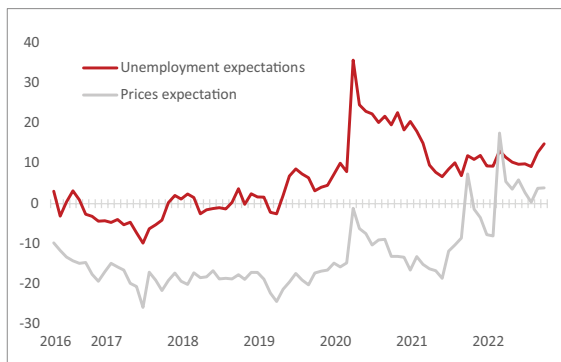*Chart 3 Business situation by sector over the past three months*
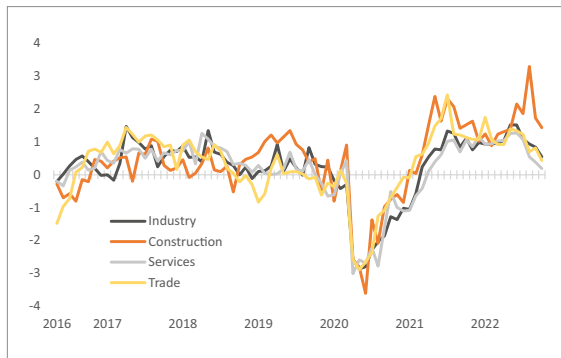
Source: Bank of Albania.

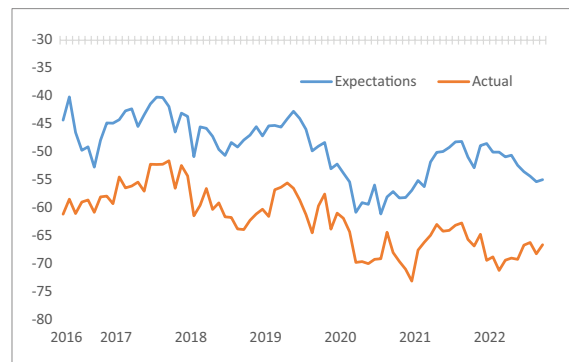

Chart 4 Business expectations over the next three months
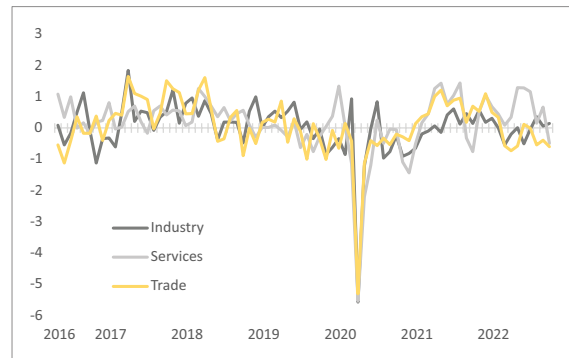
Source: Bank of Albania.

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			2022						Current situation	
	min.	ave.	max.	May	June	July	August	Sept.	October	Conjectural**	Structural***
Industry	-59.3	-11.1	6.2	-0.5	6.1	2.3	-2.3	-1.7	-6.5	−	+
Construction	-57.1	-26.3	-5.2	-14.2	-8.1	-10.5	-5.2	-10.8	-18.0	↓	+
Services	-45.0	6.8	26.8	26.5	26.8	19.7	13.2	10.2	9.0	↓	+
Trade	-32.0	-1.5	18.1	9.3	8.3	6.8	1.8	2.8	0.2	↓	+
Consumer	-39.8	-26.5	-16.3	-34.0	-34.7	-34.8	-32.8	-35.9	-35.3	↑	- -

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)*

	2022								
	February	March	April	May	June	July	August	Sept.	October
INDUSTRY									
Production over the past three months (question 1, ICI component)	18.7	19.4	20.7	29.3	29.3	21.4	18.8	17.1	11.7
Order books (question 2, ICI component)	-20.6	-14.0	-17.8	-13.9	-3.2	-8.1	-9.5	-6.7	-13.1
Export order books (question 3, ICI component)	-21.3	-18.9	-17.6	-17.0	-8.0	-6.3	-16.3	-15.5	-18.2
Stock of finished product (question 4)	-0.2	-5.6	-7.3	-5.8	-6.2	-6.3	-6.9	-0.4	-0.9
Production, expectation (question 5)	30.2	24.2	27.9	30.2	24.6	29.7	34.1	30.8	31.8
Selling prices, expectation (question 6)	38.0	70.2	66.7	50.6	50.8	51.0	30.9	47.8	36.8
Employment, expectation (question 7)	15.7	8.8	14.8	18.0	14.8	12.2	-9.7	8.9	11.4
Construction									
Construction activity over the past three months (question 1, BCI component)	-3.0	1.1	2.0	2.8	11.7	8.3	24.8	6.8	3.4
Order books (question 3, BCI component)	-36.6	-39.6	-33.0	-31.3	-27.9	-29.2	-35.3	-28.4	-39.5
Employment, expectation (question 4)	2.4	3.0	-0.3	5.2	7.4	4.6	21.4	11.8	7.4
Prices, expectation (question 5)	31.0	49.4	44.8	33.0	47.9	40.9	39.5	38.6	43.3
SERVICES									
Business situation over the past three months (question 1, SCI component)	20.1	21.4	21.8	25.3	25.6	22.4	13.5	10.7	7.5
Demand over the past three months (question 2, SCI component)	21.0	22.7	18.1	27.7	27.9	17.1	12.9	9.6	10.6
Demand, expectation (question 3)	29.0	25.4	28.0	37.7	37.6	36.4	26.1	31.3	19.4
Employment over the past three months (question 4)	13.7	7.1	14.4	11.2	15.5	5.9	6.9	3.9	5.2
Employment, expectation (question 5)	17.5	12.6	11.1	12.6	6.3	7.7	8.6	15.5	4.3
Prices, expectation (question 6)	31.2	48.5	38.8	45.7	35.9	34.9	23.8	27.9	31.3
TRADE									
Business situation over the past three months (question 1, TCI component)	9.3	6.7	6.8	14.6	13.5	11.8	3.2	5.0	-1.3
Inventories situation (question 2)	-1.0	-0.8	3.0	5.0	1.3	0.5	5.1	0.7	0.8
Future orders, expectations	23.8	14.3	5.4	12.8	17.6	22.3	12.5	10.4	14.2
Business performance, expectations (question 4)	26.1	14.7	12.7	14.6	23.4	21.8	15.1	16.9	14.3
Employment, expectation (question 5, TCI component)	3.3	3.6	-2.4	4.0	3.0	1.9	0.5	0.6	1.6
Prices, expectation (question 6)	41.5	59.4	50.4	45.9	39.7	44.0	36.9	41.1	30.6
CONSUMER									
Current financial situation (question 1)	-13.2	-15.4	-17.2	-17.7	-18.5	-19.9	-15.8	-19.0	-21.2
Financial situation, expectation (question 2, CCI component)	-1.7	-11.7	-7.5	-6.2	-5.1	-7.0	-4.3	-4.4	-5.6
Current economic situation (question 3)	-22.3	-26.2	-30.9	-31.1	-29.4	-32.1	-30.0	-32.0	-32.2
Economic situation, expectation (question 4, CCI component)	-3.1	-17.9	-16.0	-10.3	-12.4	-12.3	-6.4	-15.9	-14.1
Current prices (question 5)	24.1	38.6	53.2	51.0	52.1	53.9	51.4	49.4	53.9
Prices, expectation (question 6)	-8.0	17.6	5.5	3.6	5.9	2.8	0.4	3.8	3.9
Unemployment, expectation (question 7)	9.3	13.2	11.6	10.3	9.8	9.9	9.2	12.8	14.9
Current major purchases (question 8, CCI component)	-68.7	-71.1	-69.2	-68.9	-69.1	-66.6	-66.1	-68.1	-66.5
Major purchases, expectations (question 9, CCI component)	-50.0	-50.0	-50.8	-50.5	-52.3	-53.4	-54.3	-55.2	-54.9
Current savings (question 10)	-45.5	-48.0	-47.5	-47.1	-47.8	-49.2	-48.1	-49.6	-49.2
Savings, expectation (question 11)	-45.1	-50.4	-47.8	-45.7	-46.1	-45.6	-44.2	-44.8	-45.3
Situation of income and expenses (question 12)	0.6	-0.9	0.0	0.2	0.2	1.8	2.2	0.8	0.8

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.