Bank of Albania
Monetary Policy Department

European Commission*

BUSINESS AND CONSUMER CONFIDENCE SURVEY

3 APRIL 2023

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In March 2023, **the Economic Sentiment Indicator (ESI)** increased + 6.3 points, compared to February. Currently, the ESI stands 13.5 points above the long-term average, the highest historical level (Chart 1). The ESI's increase resulted from the higher confidence across all the sectors of the economy and the improved consumer confidence (Chart 2).

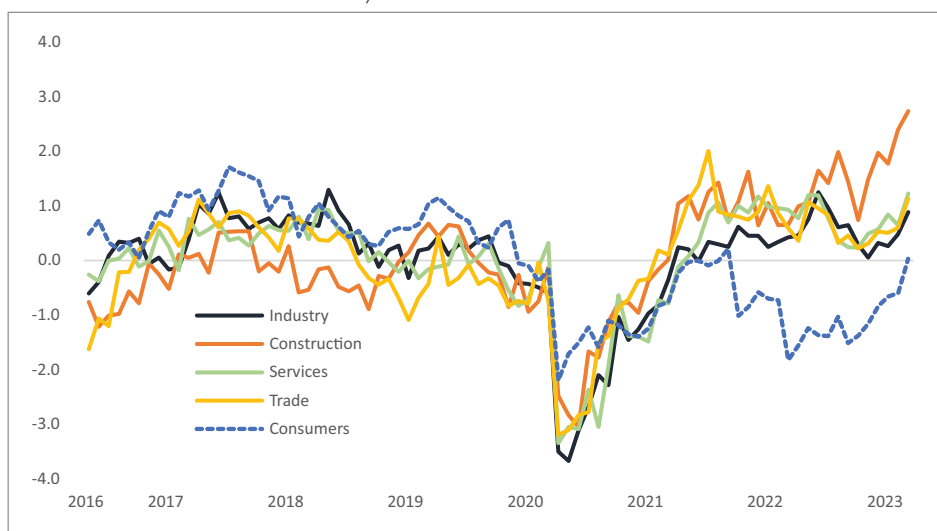*Chart 1 Economic Sentiment Indicator (ESI)*
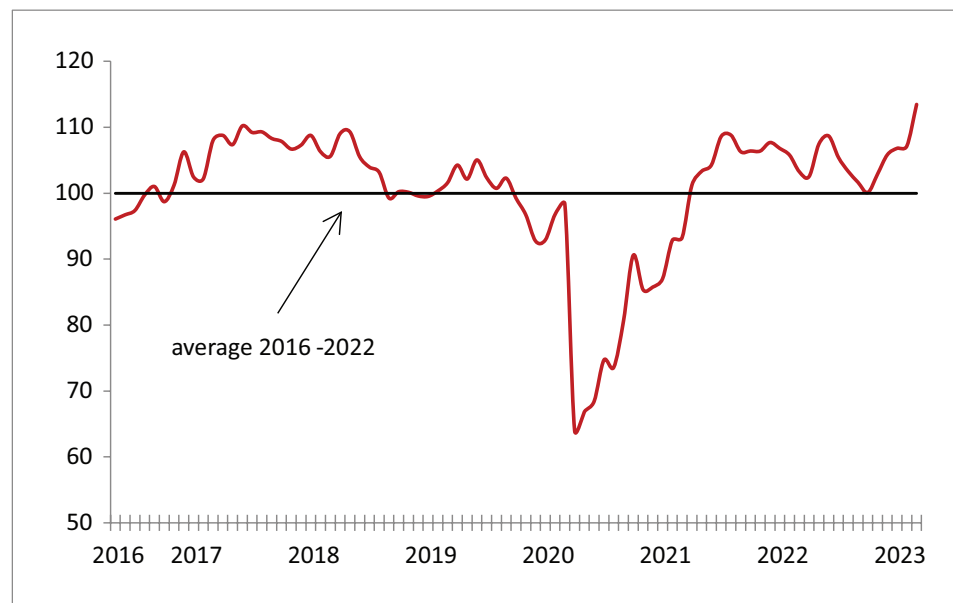
Source: Business and Consumer Confidence Survey, Bank of Albania.

Industry confidence indicator (ICI) inched up by 5.3 percentage points in March, on the back of positive assessments on *current production* and *order books*, mainly from exports. Its current level stands 11.7 percentage points above the historical average (Chart 2). Businesses operating in industry sector have also increased their expectations on *production* and *employment* for the future (Table 2 - Industry). Meanwhile, their selling price expectations for the future have continued the downward trend.

Construction confidence indicator (BCI) rose by 3.5 percentage points in March, hitting the highest historical level. This indicator stands 28.4 percentage points above the long-term average (Chart 2). The rise recorded in March was driven by the higher appraisals of businesses on both their *current activity* and *order books*. Businesses operating in construction maintained the expectations for *employment* flat, while they revised down the expectations for selling *prices* in the future (Table 2 – Construction).

Chart 2 Confidence indicators by sector*

Services confidence indicator (SCI) edged up by 9.1 percentage points in March. The current level of SCI stands at its highest historical level, around 19.3 percentage points above the long-term average (Chart 2). Both components of the indicator, *current business performance* and the level of *demand*, rose significantly. Meanwhile, businesses have also increased their *demand expectations* for the future. Their expectations for the performance of *prices* in the future have not recorded considerable changes compared to the previous month (Table 2 - Services).

Trade confidence indicator (TCI) soared by 5.1 percentage points in March, mainly thanks to businesses' quite optimistic assessments on their *current performance*. In addition, expectations for *employment* increased during this month, but at a lower degree than the first component. The current level of TCI stands 11 percentage points above the historical average (Chart 2). Also, expectations for *business performance in the future* and *employment* increased slightly in this month (Table 2 - Trade). Expectations for *selling prices* in the future are assessed downwards.

Consumer confidence indicator (CCI) continued on the same upward trend of the past several months, up by 3.8 percentage points in March. Its current level stands close to historical average, for the first time since September 2021. The improvement of the CCI was determined by better expectations regarding the *overall economic and financial situation*, as well as *major purchases* in the future (Chart 2). Expectations on the overall future price have been revised down.

In March, **the indicators of quarterly frequency[1]**, have improved across all the surveyed sectors of the economy, compared to the three previous months.

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

The capacity utilisation rate inched up in the sectors of industry (+1.4 pp), construction (+1.7 pp), services (+2.3 pp) and trade (+2.2), standing above the relevant historical average of the sectors. In addition, all four sectors have experienced a better *financial situation* in March.

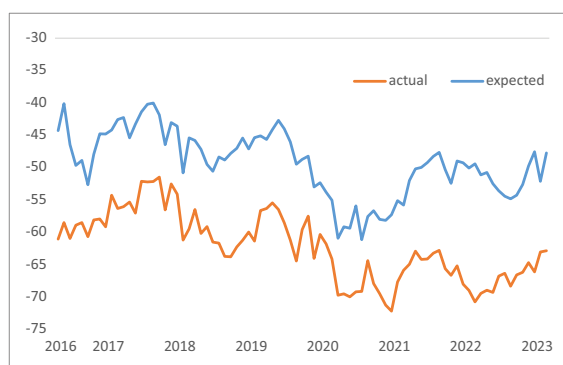*Chart 3 Business situation by sector over the past three months*
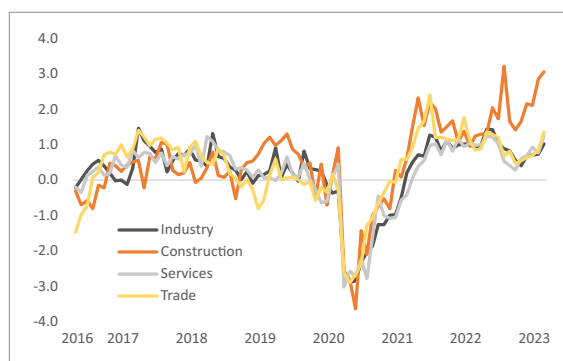
Source: Bank of Albania.

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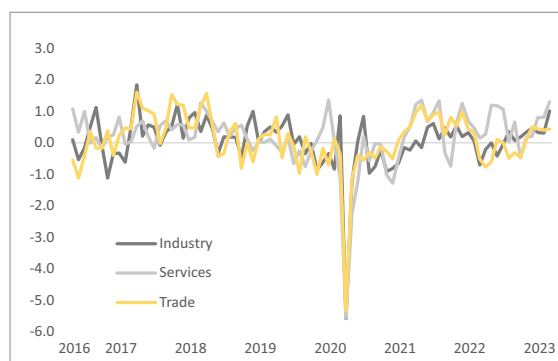
Source: Bank of Albania.

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		2023			Current situation	
	min.	ave.	max.	November	December	January	February	March	Conjectural**	Structural***
Industry	-59.6	-11.1	6.1	-10.3	-6.8	-7.5	-4.7	0.7	↑	+
Construction	-57.5	-25.9	2.5	-10.4	-5.4	-7.5	-1.0	2.5	↑	++
Services	-45.5	7	26.3	14.7	16.0	20.3	17.2	26.3	↑	++
Trade	-32	-1.4	17.9	1.7	3.7	3.5	4.4	9.6	↑	++
Consumer	-39.9	-26.6	-16.3	-33.6	-31.7	-30.6	-30.2	-26.4	↑	=

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.
***) he 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						2023		
	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March
INDUSTRY									
Production over the past three months (question 1, ICI component)	20.4	18.0	16.8	12.0	9.2	14.1	14.8	15.1	20.5
Order books (question 2, ICI component)	-8.6	-10.0	-8.3	-14.4	-17.5	-15.4	-16.6	-10.5	-8.8
Export order books (question 3, ICI component)	-6.9	-16.9	-16.0	-19.1	-22.7	-19.0	-20.8	-18.6	-9.7
Stock of finished product (question 4)	-6.3	-6.9	-0.5	-1.5	-4.0	-5.4	-2.6	-5.0	-1.2
Production, expectation (question 5)	29.7	34.1	30.9	32.2	33.8	35.3	33.8	33.5	41.3
Selling prices, expectation (question 6)	50.8	30.6	47.5	35.8	30.8	26.7	31.1	18.0	14.4
Employment, expectation (question 7)	13.5	9.8	9.5	10.8	7.2	6.9	8.7	11.4	14.9
CONSTRUCTION									
Construction activity over the past three months (question 1, BCI component)	6.9	24.2	6.1	3.3	6.0	11.9	11.4	20.0	22.4
Order books (question 3, BCI component)	-29.2	-34.7	-27.9	-39.6	-26.9	-22.7	-26.4	-22.0	-17.3
Employment, expectation (question 4)	4.7	21.6	11.8	7.6	16.5	8.4	12.7	19.7	19.5
Prices, expectation (question 5)	41.4	39.9	38.6	42.8	44.2	33.2	25.2	34.5	30.1
SERVICES									
Business situation over the past three months (question 1, SCI component)	21.6	13.2	11.2	9.0	14.4	15.8	19.9	17.2	25.3
Demand over the past three months (question 2, SCI component)	16.6	12.4	10.6	12.4	15.0	16.2	20.6	17.3	27.3
Demand, expectation (question 3)	35.4	24.8	31.3	19.5	26.2	26.6	32.7	32.8	37.9
Employment over the past three months (question 4)	4.9	6.2	3.6	5.4	3.5	4.9	10.1	5.1	9.1
Employment, expectation (question 5)	7.4	8.1	15.4	5.5	8.5	7.1	7.5	16.2	20.7
Prices, expectation (question 6)	34.8	23.5	27.3	30.3	20.7	20.6	24.3	20.3	21.1
TRADE									
Business situation over the past three months (question 1, TCI component)	11.4	2.8	5.1	-0.7	0.6	2.0	3.1	5.7	14.0
Inventories situation (question 2)	0.5	5.1	0.8	1.0	3.2	3.1	2.2	5.7	2.7
Future orders, expectations	21.3	12.2	12.2	14.8	17.9	21.9	23.8	23.8	25.3
Business performance, expectations (question 4)	22.0	15.7	18.0	16.0	23.1	28.2	27.5	27.0	27.4
Employment, expectation (question 5, TCI component)	1.9	0.7	0.9	2.2	2.7	5.5	4.0	3.2	5.2
Prices, expectation (question 6)	43.6	36.8	41.3	31.0	28.6	24.8	22.0	15.2	13.1
CONSUMER									
Current financial situation (question 1)	-19.8	-15.7	-19.0	-21.4	-20.1	-20.4	-16.5	-16.2	-14.1
Financial situation, expectation (question 2, CCI component)	-7.1	-4.4	-4.4	-5.5	-3.7	-3.2	-2.2	-0.8	4.7
Current economic situation (question 3)	-32.2	-30.2	-32.1	-32.3	-31.7	-30.3	-27.9	-30.3	-28.5
Economic situation, expectation (question 4, CCI component)	-12.5	-6.3	-15.5	-13.4	-11.9	-9.0	-6.7	-4.9	0.1
Current prices (question 5)	53.4	51.7	49.4	53.6	48.9	46.5	49.0	46.2	45.1
Prices, expectation (question 6)	2.8	0.2	3.5	3.0	-3.4	-10.4	-2.0	-4.2	-6.7
Unemployment, expectation (question 7)	10.4	9.4	12.7	14.5	8.6	10.8	9.6	10.5	4.5
Current major purchases (question 8, CCI component)	-66.8	-66.3	-68.3	-66.6	-66.2	-64.7	-66.1	-63.0	-62.8
Major purchases, expectations (question 9, CCI component)	-53.6	-54.4	-54.8	-54.3	-52.6	-49.7	-47.5	-52.1	-47.7
Current savings (question 10)	-49.3	-48.1	-49.6	-48.2	-48.2	-42.4	-48.7	-49.8	-45.2
Savings, expectation (question 11)	-45.8	-44.2	-44.7	-44.4	-42.2	-41.1	-41.8	-44.0	-39.9
Situation of income and expenses (question 12)	1.6	2.2	0.9	0.8	2.0	1.5	1.7	3.1	4.2

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.