Bank of Albania
Monetary Policy Department

European Commission*

BUSINESS AND CONSUMER CONFIDENCE SURVEY

1 AUGUST 2023

BUSINESS AND CONSUMER CONFIDENCE SURVEY

In July 2023, the **Economic Sentiment Indicator (ESI)** dropped by 6.5 points, marking a turning point in the upward trend recorded in the last eight months (Chart 1). However, the current level of ESI 112.4 stands significantly above the long-term average (+12.4 points). The fall in the ESI aggregate indicator resulted from the lower confidence across all the sectors of the economy, with the exception of trade, which recorded an increase. The *business* confidence indicators in all sectors stand above the relevant historical average. On the other hand, the decline in *consumer* confidence indicator recorded in July, returned it to the historical average level (Chart 2).

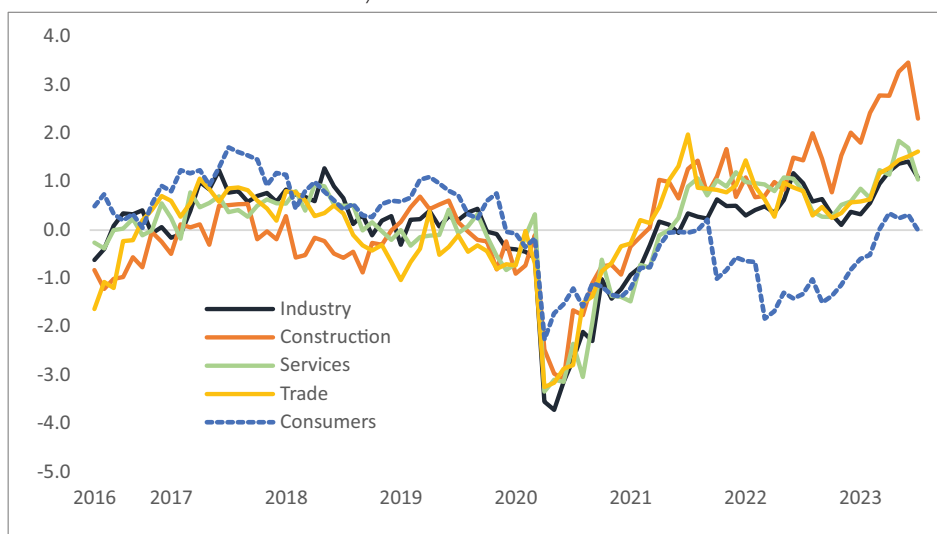*Chart 1 Economic Sentiment Indicator (ESI)*
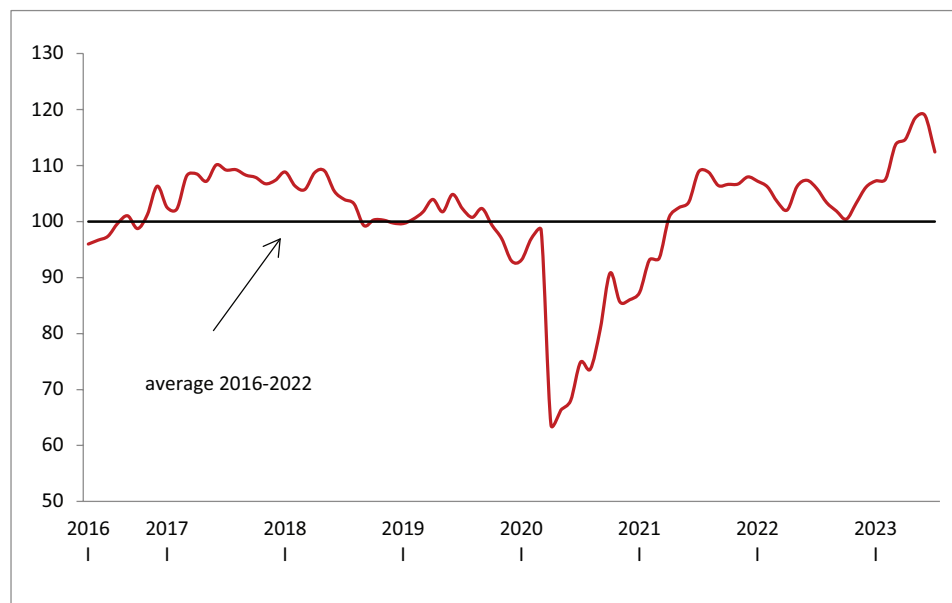
Source: Business and Consumer Confidence Survey, Bank of Albania.

Industry Confidence Indicator (ICI) fell by 4.4 percentage points in July, after recording a continuous rise since February. Nonetheless, the ICI stands 14.3 percentage points above the historical average (Chart 2). This development was driven by the reduced business' expectations on both *current production* and *order books*. In July, businesses operating in industry revised slightly upward their expectations on *production* in the future. Meanwhile their employment and *selling price* expectations for the future are down (Table 2 - Industry).

Construction Confidence Indicator (BCI) decreased by 12.1 percentage points in July, taking to an end the upward trend registered since February. However, the current BCI continues to be high, standing 24 percentage points above the historical average (Chart 2). The fall of BCI was mainly a result of less optimistic assessments of businesses on their *current construction activity*, coupled with a deteriorated assessment on the level of *order books*, albeit at a lower degree. Businesses operating in construction revised down their future expectations on *employment* and *selling prices* (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.*

Service Confidence Indicator (SCI) continued to edge down for the second consecutive month, by 10.4 percentage points in July 2023. However, the level of SCI stands around 16.4 percentage points above the long-term average (Chart 2). Businesses had less optimistic assessment on the *current performance* of their business, resulting in a lower SCI. The second component of SCI - the level of *demand* - has also been revised downward during this month. Furthermore, assessments on employment and expectations for the future edged down. Their expectations for the development of prices in the future have increased (Table 2 - Services).

Trade Confidence Indicator (TCI) rose by 1.6 percentage points in July, reaching at 15.6 percentage points above the historical average (Chart 2). The rise of TCI this month was due to more optimistic assessments on the *current business performance*. The second TCI component - *future employment expectations* - fell in July. Expectations for prices in the future were revised upward (Table 2 - Trade).

Consumer Confidence Indicator (CCI) declined by 1.9 percentage points in July, setting back to its historical average (Chart 2). The fall of CCI reflected the decline in all its components: *current major purchases; financial situation expectations* and the *overall economic situation* (Table 2, Consumer).

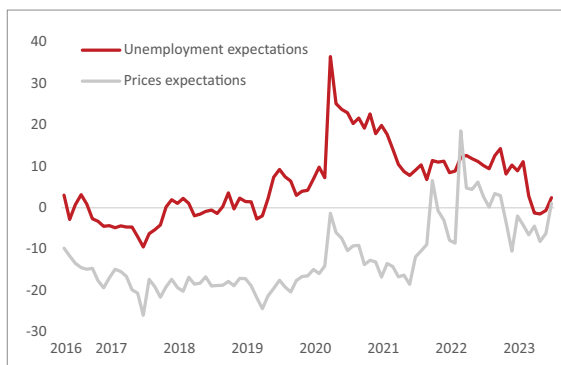*Chart 3 Business situation by sector over the past three months*
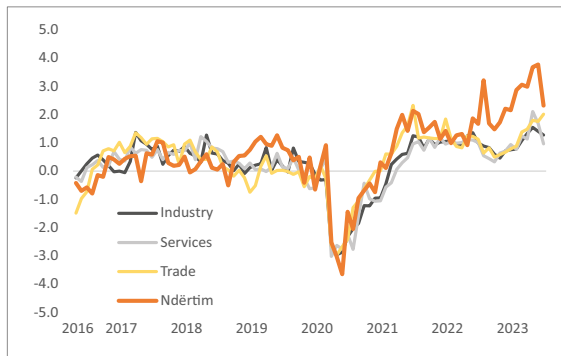
Burimi: Banka e Shqipërisë.

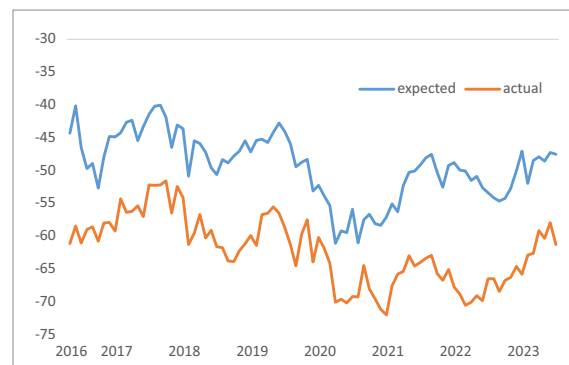*Chart 4 Business expectations over the next three months*
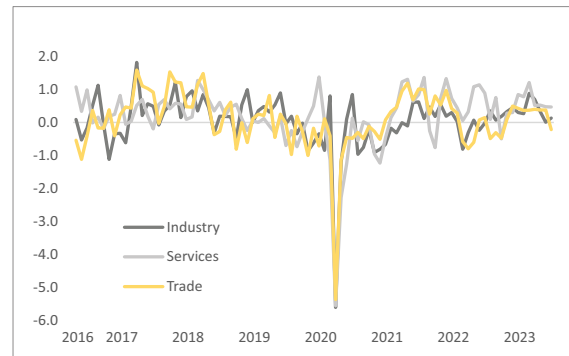
Burimi: Banka e Shqipërisë.

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

Burimi: Banka e Shqipërisë.

Chart 6 Major purchases of consumers, in balance

Burimi: Banka e Shqipërisë.

Table 1 Confidence indicators by sector*

	Values			2023					Current situation	
	min.	ave.	max.	March	April	May	June	July	Conjectural**	Structural***
Industry	-60.3	-11.1	7.7	1.6	5.1	7.1	7.7	3.3	↓	++
Construction	-58	-25.9	10.2	3.1	3.0	8.2	10.2	-1.8	↓	++
Services	-45.4	7.0	36	26.5	25.0	36.0	33.8	23.5	↓	+
Trade	-32.6	-1.4	17.7	10.0	11.0	12.6	13.3	14.3	↑	++
Consumer	-40.3	-26.6	-16.3	-26.5	-24.5	-25.2	-24.7	-26.6	↓	+

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						
	Nov.	Dec.	Jan.	Feb.	March	April	May	June	July
INDUSTRY									
Production over the past three months (question 1, ICI component)	10.2	15.0	15.7	16.3	21.6	26.3	30.3	27.6	25.2
Order books (question 2, ICI component)	-17.0	-14.9	-15.9	-9.5	-7.9	-1.2	-4.2	-2.7	-7.9
Export order books (question 3, ICI component)	-22.1	-18.3	-20.0	-17.7	-8.8	-9.9	-4.6	-1.7	-7.4
Stock of finished product (question 4)	-4.0	-5.3	-2.6	-5.3	-1.3	-3.9	-3.6	0.7	-0.1
Production, expectations (question 5)	33.8	35.1	33.5	33.1	39.9	37.9	33.7	30.2	31.6
Selling prices, expectation (question 6)	31.1	27.1	32.4	18.2	14.8	16.0	18.1	19.3	18.5
Employment, expectation (question 7)	7.2	7.1	10.1	11.8	15.5	17.6	16.5	12.9	9.0
Construction									
Construction activity over the past three months (question 1, BCI component)	7.2	12.9	12.2	20.6	22.8	22.0	30.2	31.2	14.2
Order books (question 3, BCI component)	-26.9	-22.7	-26.3	-21.8	-16.6	-15.9	-13.8	-10.8	-17.9
Employment, expectation (question 4)	16.4	8.3	12.8	19.5	18.9	15.6	13.6	15.7	9.2
Prices, expectation (question 5)	42.8	33.0	25.5	34.8	28.8	19.5	18.9	26.7	26.4
SERVICES									
Business situation over the past three months (question 1, SCI component)	15.2	16.3	20.3	17.4	25.4	23.6	40.0	32.9	20.7
Demand over the past three months (question 2, SCI component)	15.3	16.4	20.8	17.5	27.7	26.5	32.1	34.8	26.2
Demand, expectation (question 3)	27.4	27.6	33.2	32.5	36.9	29.8	29.9	29.4	29.3
Employment over the past three months (question 4)	3.9	5.0	10.2	5.4	9.6	12.4	17.0	17.2	16.5
Employment, expectation (question 5)	8.7	7.2	7.6	16.1	20.7	9.6	13.4	13.2	11.4
Prices, expectation (question 6)	20.9	20.8	24.5	19.9	19.8	8.3	13.8	13.1	15.3
TRADE									
Business situation over the past three months (question 1, TCI component)	1.3	2.7	4.7	6.3	14.7	16.3	21.6	20.9	25.1
Inventories situation (question 2)	3.2	3.3	2.1	5.6	2.6	3.8	5.0	0.5	0.2
Future orders, expectation	17.9	21.8	23.8	23.8	25.3	30.3	23.4	25.2	15.6
Business performance, expectation (question 4)	23.0	28.1	27.3	26.5	26.5	26.9	26.7	26.7	19.2
Employment, expectation (question 5, TCI component)	2.8	5.6	4.0	3.2	5.3	5.6	3.6	5.7	3.5
Prices, expectation (question 6)	28.5	24.7	21.8	15.0	13.1	9.8	22.8	13.1	19.1
CONSUMER									
Current financial situation (question 1)	-19.6	-20.1	-16.5	-16.5	-14.5	-15.0	-13.6	-13.5	-15.8
Financial situation, expectation (question 2, CCI component)	-3.6	-3.1	-1.9	0.2	4.3	6.3	4.7	4.6	1.8
Current economic situation (question 3)	-31.7	-30.4	-27.9	-30.1	-27.5	-24.8	-23.8	-22.1	-23.7
Economic situation, expectation (question 4, CCI component)	-11.6	-8.7	-6.4	-4.5	0.5	2.5	3.2	1.5	0.2
Current prices (question 5)	49.0	46.5	49.2	46.5	45.7	49.5	44.0	46.4	50.9
Prices, expectation (question 6)	-3.4	-10.4	-2.0	-4.1	-6.6	-4.4	-8.2	-6.2	1.1
Unemployment, expectation (question 7)	8.1	10.3	8.9	11.1	2.8	-1.3	-1.5	-0.7	2.4
Current major purchases (question 8, CCI component)	-66.2	-64.6	-65.7	-62.8	-62.5	-59.1	-60.2	-57.9	-61.2
Major purchases, expectations (question 9, CCI component)	-52.7	-50.0	-47.0	-51.9	-48.4	-47.8	-48.5	-47.2	-47.5
Current savings (question 10)	-48.0	-42.2	-48.2	-50.4	-44.4	-41.9	-42.6	-43.3	-45.2
Savings, expectation (question 11)	-42.0	-41.1	-41.8	-44.2	-40.0	-39.9	-39.4	-39.2	-42.3
Situation of income and expenses (question 12)	2.1	1.6	1.8	3.2	4.2	3.4	4.3	3.1	0.0

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 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).

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.