



Bank of Albania
Monetary Policy Department



European Commission*

BUSINESS AND CONSUMER CONFIDENCE SURVEY

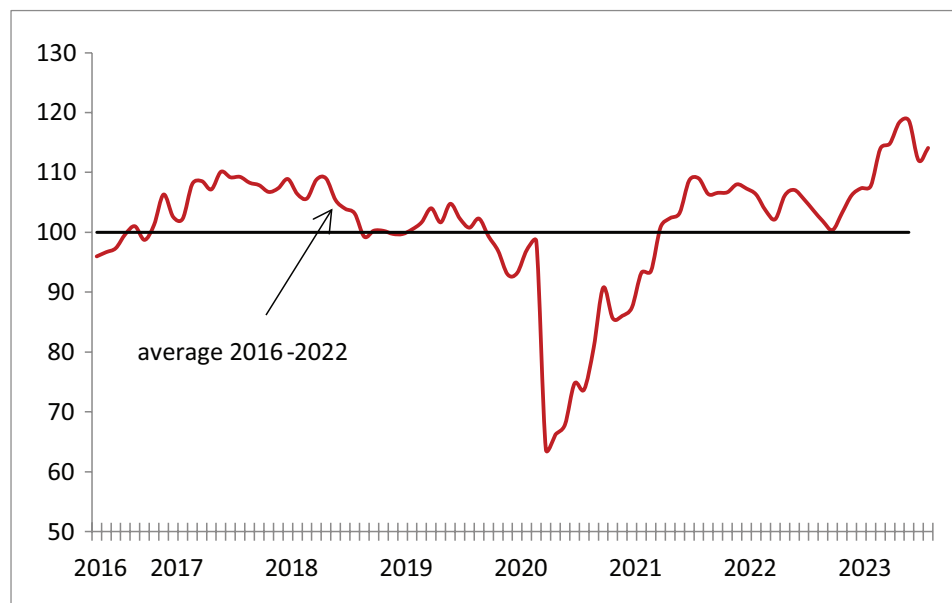
1 SEPTEMBER 2023

** Confidence surveys are co-funded by the European Union and Bank of Albania. In May 2016, they moved under the Harmonised EC Programme of Business and Consumer Confidence Survey*

BUSINESS AND CONSUMER CONFIDENCE SURVEY

In August 2023, the **Economic Sentiment Indicator (ESI)** marked 114.1, up by 2.1 points compared to July, standing 14.1 points above the historical average (Chart 1). The increase in the ESI was driven by the higher confidence in the sectors of *services* and *construction*. Meanwhile, confidence in *trade* and *industry*, as well as consumer confidence experienced a decline (Chart 2).

Chart 1 Economic Sentiment Indicator (ESI)

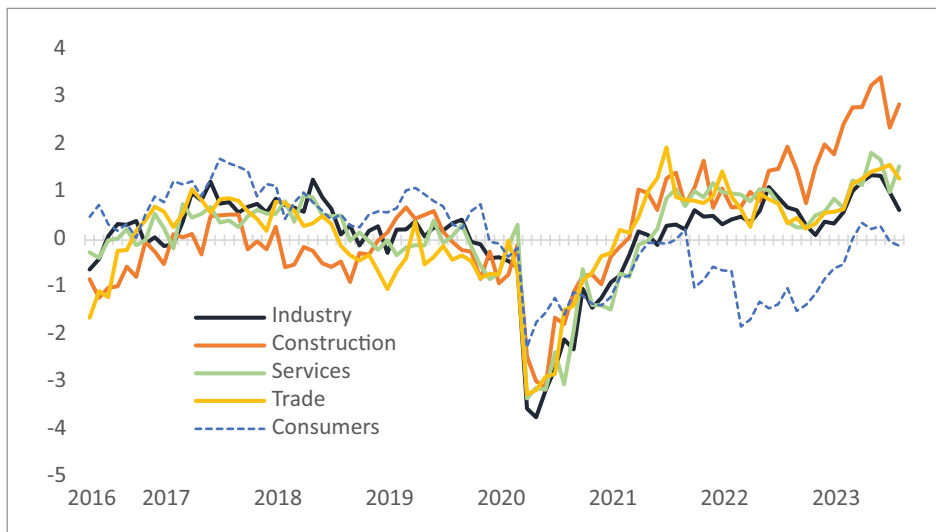


Source: Business and Consumer Confidence Survey, Bank of Albania.

Industry Confidence Indicator (ICI) fell by 5 percentage points in August due to less than optimistic appraisals on *current production* and *order books*. Nonetheless, the ICI stands 8.8 percentage points above the historical average (Chart 2). Business operating in this sector have decreased their expectations on both *production* and *selling price* for the future (Table 2 - Industry).

Construction Confidence Indicator (BCI) picked up by 5.1 percentage points in August. This current BCI stands 30 percentage points above its historical average (Chart 2). The BCI's surge in August was driven by the higher assessments of businesses on both their *current activity* in *construction* and the level of *order books*. Businesses' future expectations on employment inched up, whereas their expectations for *selling prices* in the future decreased (Table 2 – Construction sector).

Chart 2 Confidence indicators by sector*



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

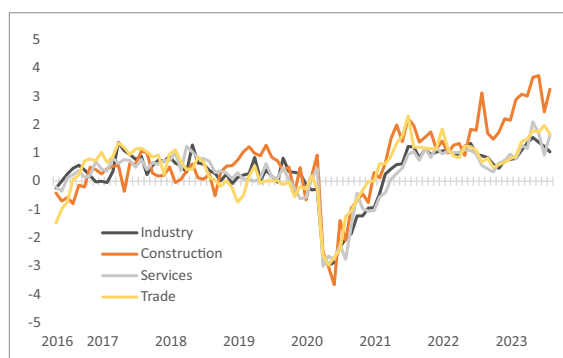
Note: *The chart shows standardised series, to correct the changes in averages and in standard deviations of the respective confidence indicators.

Services Confidence Indicator (SCI) edged up significantly by 8.6 percentage points in August. The level of SCI stands among the highest historical values ever recorded, around 24.4 percentage points above the long-term average (Chart 2). Both component indicators - *current business performance* and *the level of demand* - rose sharply. Businesses' expectations for *selling prices in the future* have been increasing (Table 2 - Services).

Trade Confidence Indicator (TCI) contracted by 2.8 percentage points in August, due to less optimistic assessments on the *current business performance*. On the contrary, the businesses operating in this sector expect an increase in *order books* and *performance* of their activity in the near future. The current level of TCI stands around 12.5 percentage points above the historical average (Chart 2). Expectations for *prices* and *employment* in the future have been assessed downwards (Table 2 - Trade).

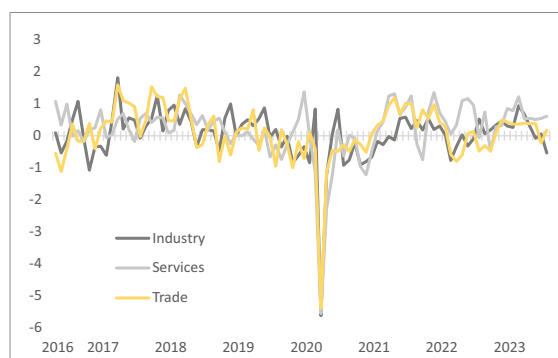
Consumer Confidence Indicator (CCI) continued descending slightly in August as well, by 0.5 percentage points. Despite the fall recorded in the last two months, the current level remains 1.6 percentage points above the historical average. This month, CCI was determined by less optimistic expectations on the *financial situation* as well as on *future major purchases* (Chart 2). Expectations on the overall *selling prices* and *employment in the future* were revised upward.

Chart 3 Business situation by sector over the past three months



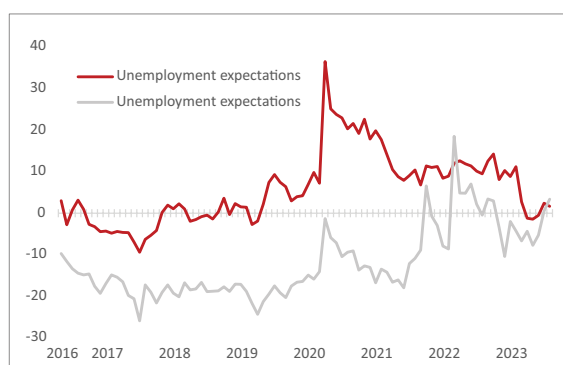
Burimi: Banka e Shqipërisë.

Chart 4 Business expectations over the next three months



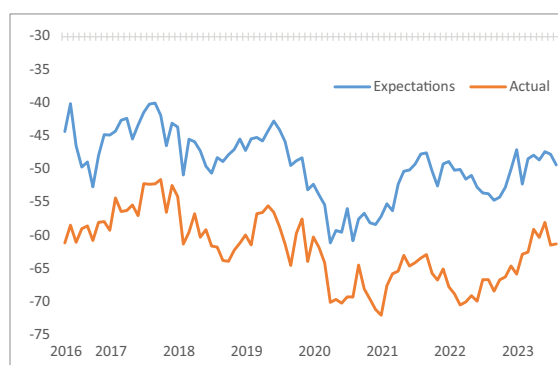
Burimi: Banka e Shqipërisë.

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	August	Conjectural**	Structural***
Industry	-60.4	-9.9	7.0	2.6	5.2	7.0	6.8	2.3	-2.7	↓	+
Construction	-58.1	-23.3	9.8	3.2	3.3	8.0	9.8	-1.2	3.9	↑	++
Services	-45.4	8.8	35.9	26.8	25.2	35.9	33.7	22.9	31.5	↑	++
Trade	-32.6	-0.3	17.4	10.1	11.0	12.5	13.1	13.9	11.1	↓	++
Consumer	-40.3	-26.7	-16.3	-26.4	-24.5	-25.2	-24.9	-26.8	-27.3	↓	=

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		2023						
	Dec.	Jan.	Feb.	March	April	May	June	July	August
INDUSTRY									
Production over the past three months (question 1, ICI component)	15.2	16.0	16.7	22.0	26.5	30.2	27.0	24.4	20.8
Order books (question 2, ICI component)	-14.8	-15.8	-9.2	-7.6	-1.1	-4.3	-3.9	-8.8	-13.4
Export order books (question 3, ICI component)	-18.2	-19.4	-17.4	-6.6	-9.7	-4.9	-2.6	-8.9	-15.4
Stock of finished product (question 4)	-5.3	-2.5	-5.5	-1.2	-3.9	-3.4	0.9	0.3	4.7
Production, expectations (question 5)	35.2	33.5	33.0	40.4	37.6	33.3	29.3	30.8	24.3
Selling prices, expectation (question 6)	27.1	32.0	18.3	14.8	16.1	17.9	18.9	17.5	9.1
Employment, expectation (question 7)	7.0	10.8	11.7	15.5	17.5	16.4	12.7	8.1	10.7
Construction									
Construction activity over the past three months (question 1, BCI component)	12.8	12.2	20.8	23.0	22.3	30.1	30.7	15.7	25.1
Order books (question 3, BCI component)	-22.6	-26.3	-21.8	-16.6	-15.7	-14.0	-11.1	-18.2	-17.3
Employment, expectation (question 4)	7.9	12.9	18.6	18.9	15.7	13.8	15.8	9.7	12.9
Prices, expectation (question 5)	32.9	25.6	34.6	28.7	19.3	18.8	26.3	25.7	17.4
SERVICES									
Business situation over the past three months (question 1, SCI component)	16.4	20.5	17.7	25.7	23.8	39.7	32.8	19.8	31.8
Demand over the past three months (question 2, SCI component)	16.5	21.0	17.8	27.9	26.7	32.1	34.6	26.0	31.1
Demand, expectation (question 3)	27.8	33.2	32.6	37.0	29.9	30.1	29.7	30.1	30.7
Employment over the past three months (question 4)	5.1	10.4	5.7	10.0	12.7	17.0	16.7	16.1	12.6
Employment, expectation (question 5)	7.1	7.5	16.0	21.1	9.5	13.2	13.1	11.4	11.3
Prices, expectation (question 6)	20.7	24.3	19.8	19.6	8.3	13.9	13.4	15.9	18.2
TRADE									
Business situation over the past three months (question 1, TCI component)	2.7	4.8	6.5	14.8	16.4	21.4	20.5	24.4	19.3
Inventories situation (question 2)	3.2	2.1	5.6	2.6	3.8	5.0	0.6	0.4	4.3
Future orders, expectation (question 3)	21.7	23.7	23.7	25.3	30.3	23.4	25.3	15.8	20.7
Business performance, expectation (question 4)	28.1	27.3	26.5	26.5	26.9	26.6	26.6	19.1	24.1
Employment, expectation (question 5, TCI component)	5.6	4.0	3.2	5.3	5.6	3.6	5.6	3.3	2.9
Prices, expectation (question 6)	24.6	21.8	15.5	13.9	9.1	23.0	13.8	18.5	8.0
CONSUMER									
Current financial situation (question 1)	-20.1	-16.6	-16.5	-14.5	-15.0	-13.6	-13.6	-15.8	-14.9
Financial situation, expectation (question 2, CCI component)	-3.0	-1.9	0.4	4.5	6.4	4.6	4.3	1.6	0.2
Current economic situation (question 3)	-30.2	-27.7	-30.3	-27.3	-24.6	-23.8	-22.5	-23.8	-23.6
Economic situation, expectation (question 4, CCI component)	-8.7	-6.3	-4.4	0.6	2.6	3.2	1.5	0.1	1.0
Current prices (question 5)	46.5	49.2	46.5	45.6	49.5	44.0	46.6	51.2	52.6
Prices, expectation (question 6)	-10.4	-2.0	-4.2	-6.7	-4.4	-7.8	-5.3	0.5	3.3
Unemployment, expectation (question 7)	10.3	8.8	11.2	2.7	-1.2	-1.5	-0.5	2.4	1.7
Current major purchases (question 8, CCI component)	-64.5	-65.7	-62.7	-62.4	-59.0	-60.2	-58.0	-61.4	-61.2
Major purchases, expectations (question 9, CCI component)	-49.9	-47.0	-52.2	-48.4	-47.8	-48.6	-47.3	-47.7	-49.3
Current savings (question 10)	-42.1	-48.2	-50.3	-44.4	-41.9	-42.6	-43.3	-45.2	-43.8
Savings, expectation (question 11)	-41.1	-41.8	-44.3	-39.9	-39.9	-39.5	-39.4	-42.6	-43.2
Situation of income and expenses (question 12)	1.6	1.7	3.2	4.2	3.4	4.2	2.8	0.1	-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.

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.