



Bank of Albania  
Monetary Policy Department



European Commission\*

# BUSINESS AND CONSUMER CONFIDENCE SURVEY

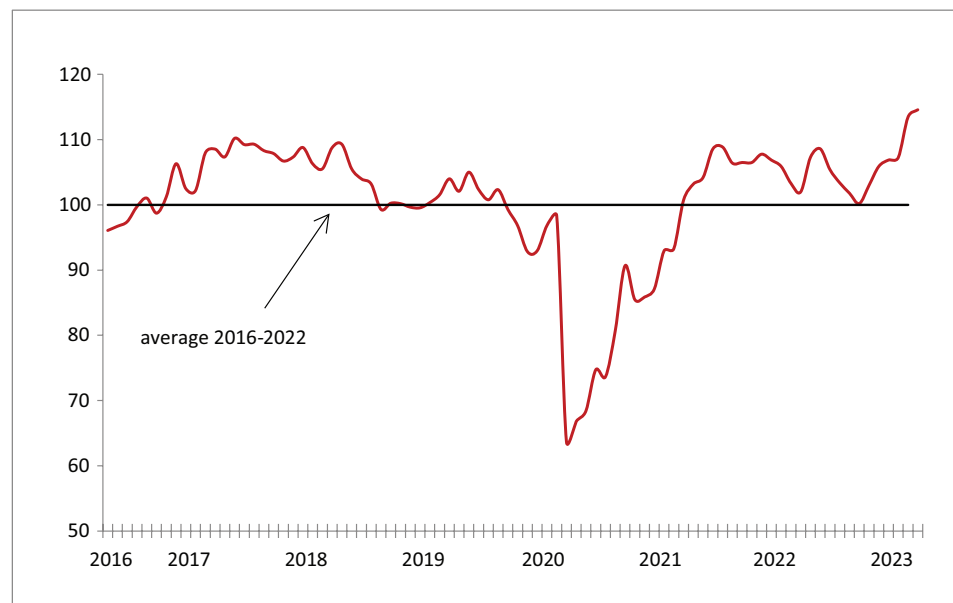
2 MAY 2023

*\* 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 April, the **Economic Sentiment Indicator (ESI)** reached 114.6 up by 1.1 points compared to March. The ESI value recorded another high historical level, standing 14.6 points above the long-term average (Chart 1). The growth of the ESI was driven by the higher confidence across the industry, construction and trade sector and the improved *consumer confidence* (Chart 2).

Chart 1 Economic Sentiment Indicator (ESI)

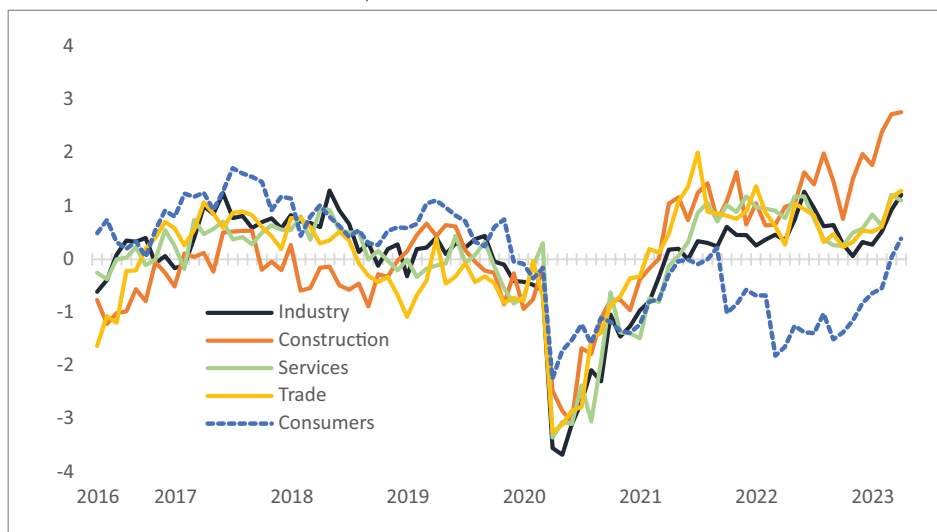


Source: Business and Consumer Confidence Survey, Bank of Albania.

**Industry confidence indicator (ICI)** rose by 3.8 percentage points in April, mainly on the back of positive assessments on *current production* and *order books*. Its current level stands 16.1 percentage points above the historical average (Chart 2). Enterprises operating in this sectors have improved their expectations on *production* and *employment* for the future. The prices that these businesses will set in the future are not expected to change (Table 2, industry sector).

**Construction Confidence Indicator (BCI)** rose slightly by 0.4 percentage points in April, registering another historical average. This indicator stands 28.7 percentage points above the long-term average (Chart 2). The rise recorded this month was affected by mainly the higher assessments of businesses on their *current order books*. Businesses revised down expectations for prices in the future (Table 2 – Construction sector).

Chart 2 Confidence indicators by sector\*



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

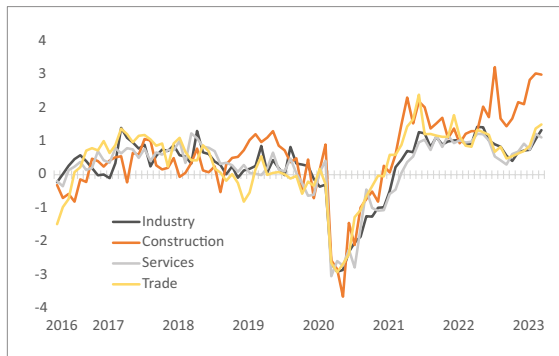
Notes: \*The chart shows standardised series, to correct the changes in averages and in standard deviations of the respective confidence indicators.

**The confidence indicator in services (CI)** fell by 1.6 percentage points in April. However, the CI level remains in the range of the highest historical values, about 17.4 percentage points above the long-term average (Chart 2). Both constituent components of the indicator, *the current progress of activity* as well as *the level of demand*, registered a slight decline. Their expectations on future *demand*, *employment* and *price* performance were downward (Table 2 - Services).

**Trade Confidence Indicator (TCI)** increased by 1.2 percentage points in April, impacted mainly by quite optimistic assessments on the *current performance* of the businesses. *Employment* expectations increased this month, even to a higher degree than the first component. The current level of TCI stands 12.4 percentage points above the historical average (Chart 2). Also, expectations for *business performance* and *employment* in the future slightly increased this month (Table 2, Trade) Expectations for *prices* in the future are assessed downwards.

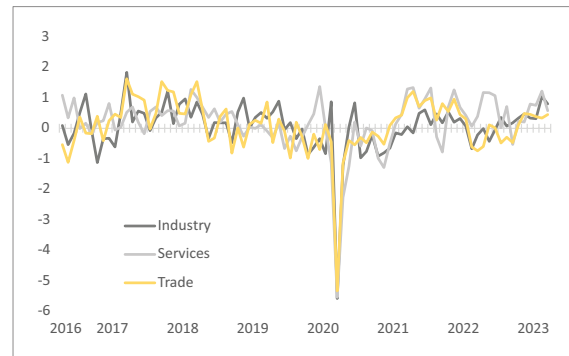
**The Consumer Confidence Index (CCI)** continued on the same upward trend of the past several months, rising by 2.1 percentage points in April. Its current level has exceeded the historical average by 2.2 percentage points. The improvement of the CCI was determined by better expectations regarding the *overall economic and financial situation*, as well as *major purchases* in the future (Chart 2). Expectations on the overall future *price and employment* have been revised upwards.

Chart 3 Business situation by sector over the past three months



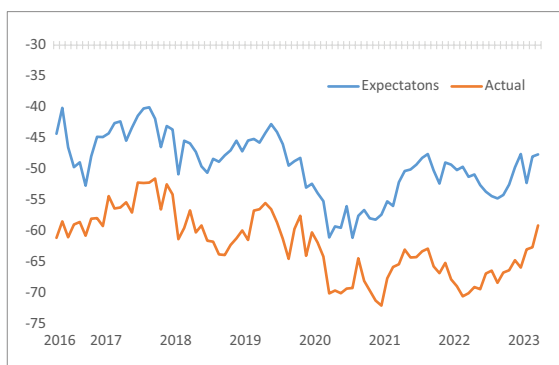
Source: Bank of Albania.

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.	December	January	February	March	April	Conjectural**	Structural***		
Industry	-59.7	-10.6	6.0	-6.7	-7.4	-4.2	1.3	5.0	↑	++		
Construction	-57.6	-24.7	2.8	-5.3	-7.5	-1.1	2.4	2.8	↑	++		
Services	-45.6	7.7	26.0	16.1	20.3	17.1	26.0	24.4	↓	++		
Trade	-32.6	-0.9	17.9	3.8	3.6	4.5	9.8	11.0	↑	++		
Consumer	-40.2	-26.7	-16.3	-31.6	-30.5	-29.9	-26.4	-24.3	↑	+		

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			
	August	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April
<b>INDUSTRY</b>									
Production over the past three months (question 1, ICI component)	18.3	17.0	12.2	9.3	14.1	14.9	15.4	21.1	26.1
Order books (question 2, ICI component)	-10.0	-8.7	-15.0	-17.5	-15.4	-16.4	-9.8	-7.9	-0.6
Export order books (question 3, ICI component)	-16.8	-15.9	-18.9	-22.6	-18.9	-20.7	-18.3	-9.4	-10.3
Stock of finished product (question 4)	-6.9	-0.6	-1.6	-4.1	-5.4	-2.6	-5.2	-1.3	-4.1
Production, expectations (question 5)	34.0	30.9	32.1	33.8	35.3	33.8	33.6	41.6	39.0
Selling prices, expectation (question 6)	30.6	47.7	35.8	30.9	26.8	31.5	18.4	14.8	14.9
Employment, expectation (question 7)	-9.4	9.4	10.8	7.1	6.9	10.3	11.8	15.7	18.3
<b>Construction</b>									
Construction activity over the past three months (question 1, BCI component)	24.2	6.3	3.6	6.3	12.0	11.3	19.8	22.0	21.5
Order books (question 3, BCI component)	-34.6	-27.7	-39.6	-26.9	-22.6	-26.4	-22.0	-17.2	-15.9
Employment, expectation (question 4)	21.5	11.9	7.7	16.4	8.5	12.6	19.4	19.0	16.2
Prices, expectation (question 5)	39.8	38.5	42.6	43.5	32.9	25.3	35.2	28.5	20.0
<b>SERVICES</b>									
Business situation over the past three months (question 1, SCI component)	13.4	11.5	9.4	14.7	15.9	19.9	17.0	24.9	23.0
Demand over the past three months (question 2, SCI component)	12.4	10.8	12.6	15.1	16.3	20.6	17.2	27.2	25.9
Demand, expectation (question 3)	24.7	31.8	19.1	26.8	26.6	32.6	32.2	36.9	30.4
Employment over the past three months (question 4)	6.2	3.6	5.5	3.8	4.9	10.2	5.3	9.4	11.9
Employment, expectation (question 5)	7.9	14.9	5.3	8.5	6.9	7.2	15.7	22.1	9.3
Prices, expectation (question 6)	23.6	27.3	30.3	20.6	20.7	24.6	20.2	20.6	6.9
<b>TRADE</b>									
Business situation over the past three months (question 1, TCI component)	2.9	5.4	-0.5	0.7	2.0	3.3	5.8	14.3	16.4
Inventories situation (question 2)	5.1	0.8	1.0	3.2	3.1	2.2	5.7	2.8	4.3
Future orders, expectation	12.2	12.4	14.8	17.9	21.8	23.8	23.9	25.7	32.1
Business performance, expectation (question 4)	15.8	18.2	16.0	23.3	27.9	27.6	26.7	26.1	27.6
Employment, expectation (question 5, TCI component)	0.7	1.0	2.2	2.8	5.6	4.0	3.2	5.3	5.7
Prices, expectation (question 6)	36.8	41.4	31.0	28.7	24.9	22.1	15.3	13.1	9.0
<b>CONSUMER</b>									
Current financial situation (question 1)	-15.8	-19.0	-21.1	-19.8	-20.3	-16.6	-16.6	-14.5	-14.9
Financial situation, expectation (question 2, CCI component)	-4.4	-4.4	-5.6	-3.8	-3.2	-2.1	0.1	4.4	6.7
Current economic situation (question 3)	-30.2	-32.0	-32.2	-31.5	-30.2	-27.8	-30.1	-27.7	-26.1
Economic situation, expectation (question 4, CCI component)	-6.2	-15.4	-13.3	-11.9	-8.9	-6.6	-4.7	0.5	2.6
Current prices (question 5)	51.7	49.2	53.6	48.7	46.4	49.0	46.7	45.8	50.5
Prices, expectation (question 6)	0.2	3.4	2.9	-3.5	-10.4	-1.9	-4.0	-6.3	-4.2
Unemployment, expectation (question 7)	9.3	12.5	14.3	8.3	10.7	9.4	11.1	3.6	-1.5
Current major purchases (question 8, CCI component)	-66.3	-68.3	-66.6	-66.2	-64.6	-65.8	-62.9	-62.6	-59.0
Major purchases, expectations (question 9, CCI component)	-54.3	-54.7	-54.1	-52.5	-49.7	-47.5	-52.2	-48.0	-47.6
Current savings (question 10)	-48.3	-49.5	-48.2	-48.1	-42.3	-48.4	-50.4	-44.7	-41.5
Savings, expectation (question 11)	-44.3	-44.7	-44.3	-42.0	-41.1	-41.8	-44.2	-39.9	-39.9
Situation of income and expenses (question 12)	-51.1	-50.4	-47.3	-44.1	-41.0	-47.2	-48.5	-44.2	-42.2

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.