



Bank of Albania
Monetary Policy Department



European Commission*

BUSINESS AND CONSUMER CONFIDENCE SURVEY

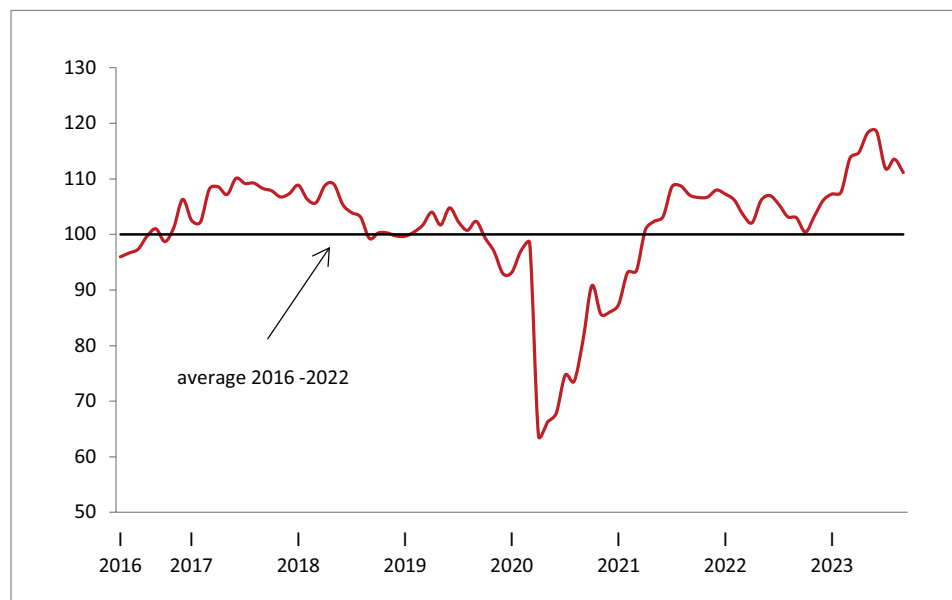
2 OCTOBER 2023

** 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 September 2023, the **Economic Sentiment Indicator (ESI)** declined by 2.4 points, standing at 111.1 (Chart 1). Despite the fluctuations recorded in the last months, the ESI level stood considerably above the historical average (+11.1 points). The decrease of the ESI in this month was mainly due to the deteriorated confidence indicator in the sector of *construction*. Also, the fall of confidence in the sectors of *services* and *trade* contributed on the negative side. By contrast, confidence in the industry sector provided a positive contribution in this month, while *consumer* confidence remained unchanged compared to the previous month (Chart 2).

Chart 1 Economic Sentiment Indicator (ESI)

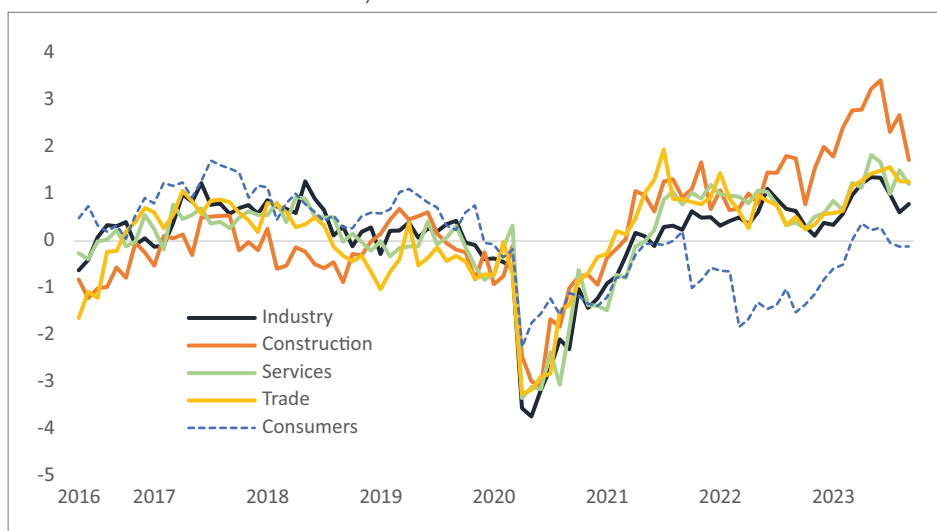


Source: Business and Consumer Confidence Survey, Bank of Albania.

Industry Confidence Indicator (ICI) was up by 2.3 percentage points in September, currently standing 10.4 points above the historical average (Chart 2). Businesses operating in the industry sector reported the improvement in both domestic and export *order books*, as well as in *current production*. In September, industry sector's businesses have increased expectations on *production* in future, whereas decreasing their expectations on *employment* and *selling prices* for the future (Table 2 - Industry).

Construction Confidence Indicator (BCI) declined by 9.9 percentage points in September 2023. However, the current BCI continues to be high, standing 18 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*. The appraisal on the level of *order books* fell, albeit at a lower degree. Businesses' future expectations on *employment* edged down, whereas their expectations for *selling prices* in the future increased slightly (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.

Services Confidence Indicator (SCI) declined by 4.6 percentage points in September, remaining above its historical average by 19 percentage points (Chart 2). The decline was affected by both less optimistic assessments on *current business performance* and the *level of demand*. Furthermore, expectations on *demand* and *employment* in the future have been assessed downwards by businesses operating in services. They have lower expectations regarding selling prices for the future (Table 2 - Services).

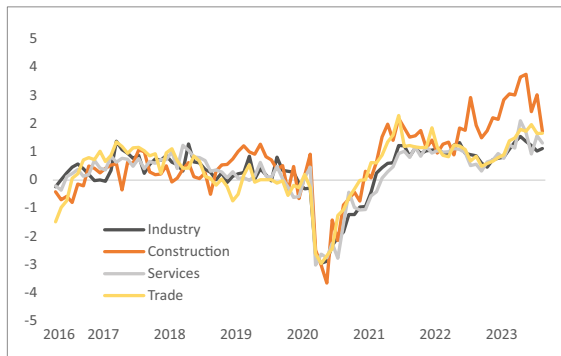
Trade Confidence Indicator (TCI) was slightly down by 0.2 percentage points in September. The current TCI level stands 12 points above the historical average (Chart 2). The monthly decline was due to more pessimistic expectations on *employment* in the future. On the other hand, their appraisals on the *current business performance* edged up slightly. Expectations for *prices* in the future were revised upward (Table 2 - Trade).

Consumer Confidence Indicator (CCI) remained unchanged in September compared to a month earlier, and quite close to the its historical average (Chart 2). In September 2023, the CCI components contributed in opposite directions: expectations on *major purchases* and *financial situation in the future* picked up, whereas the assessment on *current major purchases* and expectations on the *overall economic situation* in the future declined (Table 2 - Consumers).

In September 2023, the **indicators of quarterly frequency**¹ show overall high levels of the *financial situation* of businesses by sector, close to their respective maximum values, though downwards compared to the second quarter. The *capacity utilization rate* has increased compared to the second quarter, in the sectors of services (+1.1 pp) and trade (+3.6 pp), whereas it has decreased in the sectors of construction (-4.1 pp) and industry (-1.1 pp).

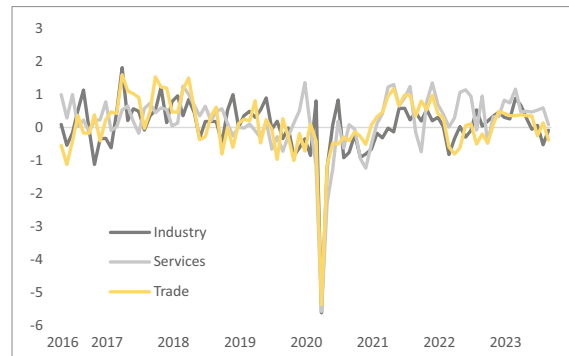
¹ Questions on the capacity utilization rate and the financial situation have a quarterly frequency data. They are included the questionnaires in March, June, September and December.

Chart 3 Business situation by sector over the past three months



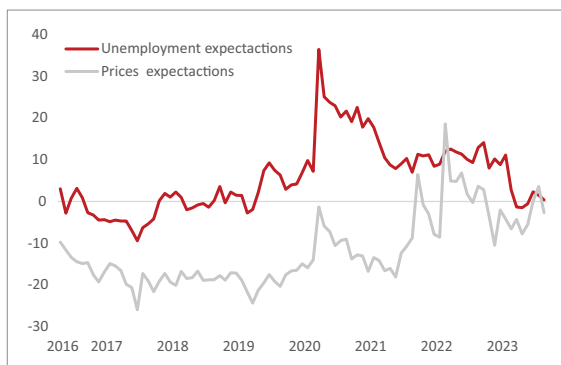
Source: Bank of Albania

Chart 4 Business expectations over the next three months



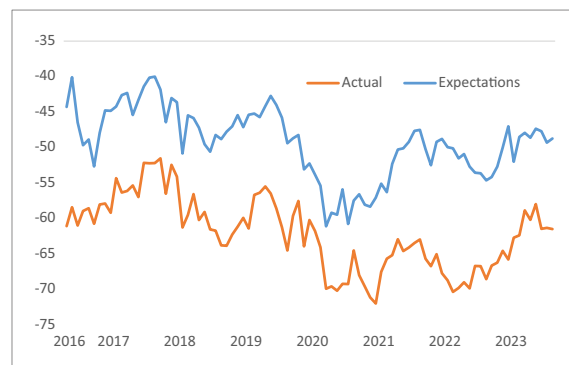
Source: Bank of Albania

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			2023					Current situation	
	min.	ave.	max.	May	June	July	August	September	Conjectural**	Structural***
Industry	-60.4	-11.1	7.0	7.0	6.8	2.2	-3.0	-0.6	↑	+
Construction	-58.1	-25.9	9.8	7.8	9.8	-1.7	2.1	-7.9	↓	++
Services	-45.5	7.0	35.8	35.8	33.5	22.8	30.7	26.1	↓	++
Trade	-32.6	-1.4	17.4	12.5	13.0	13.8	11.0	10.8	↓	++
Consumer	-40.2	-26.6	-16.3	-25.3	-24.9	-26.9	-27.4	-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)*

	2023								
	January	February	March	April	May	June	July	August	September
INDUSTRY									
Production over the past three months (question 1, ICI component)	15.9	16.7	21.9	26.5	30.2	26.9	24.3	20.6	22.3
Order books (question 2, ICI component)	-15.8	-9.3	-7.6	-1.1	-4.3	-3.9	-8.8	-13.4	-11.1
Export order books (question 3, ICI component)	-19.6	-17.7	-8.8	-10.0	-5.1	-2.6	-8.9	-16.1	-13.1
Stock of finished product (question 4)	-2.4	-6.1	-1.1	-4.5	-3.0	0.9	0.0	4.5	4.2
Production, expectations (question 5)	33.6	33.1	39.9	37.6	33.3	29.6	30.9	24.4	29.2
Selling prices, expectation (question 6)	32.2	18.4	15.0	16.3	18.2	18.7	16.8	8.2	-9.3
Employment, expectation (question 7)	10.2	11.6	15.3	17.4	16.3	12.7	8.8	10.6	9.0
CONSTRUCTION									
Construction activity over the past three months (question 1, BCI component)	12.1	20.3	22.8	22.4	29.9	30.9	15.4	22.5	7.1
Order books (question 3, BCI component)	-26.4	-22.0	-16.7	-15.9	-14.3	-11.4	-18.8	-18.3	-22.9
Employment, expectation (question 4)	12.8	19.4	18.7	15.6	13.7	15.8	9.3	12.2	4.5
Prices, expectation (question 5)	25.6	34.6	28.5	19.4	18.6	26.3	25.7	17.6	21.1
SERVICES									
Business situation over the past three months (question 1, SCl component)	20.2	17.3	25.3	23.5	39.8	32.7	20.0	30.9	26.4
Demand over the past three months (question 2, SCl component)	20.8	17.5	27.6	26.4	31.9	34.3	25.7	30.6	25.8
Demand, expectation (question 3)	33.0	32.1	36.4	29.4	29.6	29.3	29.9	30.6	25.4
Employment over the past three months (question 4)	10.3	5.7	10.1	12.8	17.0	16.3	15.3	11.7	6.2
Employment, expectation (question 5)	7.4	15.9	21.7	9.3	13.1	12.9	11.4	11.0	9.6
Prices, expectation (question 6)	23.8	19.6	19.4	7.6	13.8	13.4	15.9	17.7	14.4
TRADE									
Business situation over the past three months (question 1, TCl component)	4.9	6.4	14.7	16.4	21.4	20.5	24.2	19.1	19.2
Inventories situation (question 2)	2.1	5.6	2.6	3.8	5.0	0.5	0.3	4.2	0.7
Future orders, expectation (question 3)	23.6	23.6	25.0	30.0	23.2	25.2	15.9	21.0	22.3
Business performance, expectation (question 4)	27.3	26.4	26.4	26.7	26.4	26.3	18.7	23.7	17.2
Employment, expectation (question 5, TCl component)	3.9	3.2	5.2	5.5	3.5	5.6	3.3	2.8	2.4
Prices, expectation (question 6)	22.0	15.5	13.4	9.9	22.8	13.0	18.6	7.9	17.1
CONSUMER									
Current financial situation (question 1)	-16.6	-16.5	-14.6	-15.0	-13.6	-13.5	-15.7	-14.7	-13.9
Financial situation, expectation (question 2, CCl component)	-1.9	0.5	4.4	6.3	4.6	4.3	1.6	0.3	1.0
Current economic situation (question 3)	-27.8	-30.2	-27.3	-24.7	-23.8	-22.1	-23.8	-23.5	-22.1
Economic situation, expectation (question 4, CCl component)	-6.1	-4.5	0.6	2.9	3.1	1.4	0.0	0.8	-0.2
Current prices (question 5)	49.2	46.5	45.7	49.6	43.9	46.4	50.9	51.7	47.2
Prices, expectation (question 6)	-2.0	-4.2	-6.6	-4.3	-7.8	-5.5	0.1	3.6	-2.7
Unemployment, expectation (question 7)	8.8	11.2	2.7	-1.3	-1.5	-0.5	2.3	1.5	0.4
Current major purchases (question 8, CCl component)	-65.7	-62.7	-62.3	-58.8	-60.1	-57.9	-61.4	-61.3	-61.4
Major purchases, expectations (question 9, CCl component)	-47.0	-52.0	-48.5	-47.9	-48.6	-47.3	-47.7	-49.3	-48.7
Current savings (question 10)	-48.2	-50.3	-44.4	-41.9	-42.6	-43.3	-45.2	-44.0	-45.4
Savings, expectation (question 11)	-41.9	-44.0	-40.0	-39.9	-39.5	-39.3	-42.6	-43.3	-43.7
Situation of income and expenses (question 12)	1.7	3.2	4.2	3.4	4.2	2.8	0.1	-0.8	-1.1

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.