



Bank of Albania
Monetary Policy Department



European Commission*

BUSINESS AND CONSUMER CONFIDENCE SURVEY

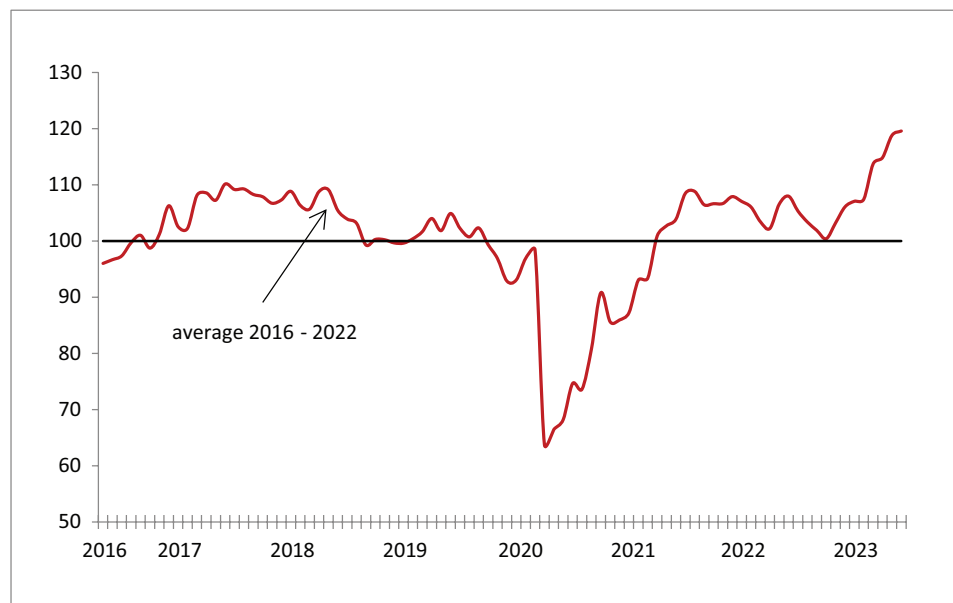
3 JULY 2023

** 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. Since June 2021, the analysis and data from surveys is published on a monthly basis.*

BUSINESS AND CONSUMER CONFIDENCE SURVEY

In June 2023, the **Economic Sentiment Indicator (ESI)** increased by 0.8 points. The current level of ESI stands 19.6 points above the long-term average, the highest historical average (Chart 1). The rise in the ESI aggregate indicator resulted from the higher confidence across the sectors of *industry, construction and trade* coupled with the improved *consumer confidence* (Chart 2).

Chart 1 Economic Sentiment Indicator (ESI)

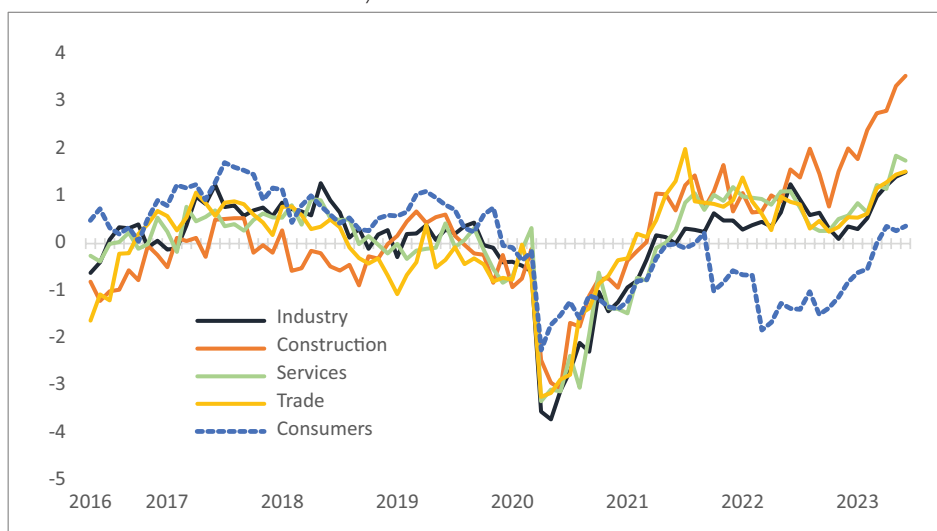


Source: Business and Consumer Confidence Survey, Bank of Albania.

Industry Confidence Indicator (ICI) rose by 1.2 percentage points in June 2023, positively driven by the optimistic appraisals on *order books*, mainly from exports. Its current level stands around 20 percentage points above the historical average (Chart 2). Meanwhile, businesses operating in this sectors have decreased their expectations on both *production* and *employment* for the future. Their selling price expectations for the future have continued the upward trend of the recent months (Table 2 - Industry).

Construction Confidence Indicator (BCI) edged up by 2.2 percentage points in June 2023, hitting the highest historical average. This current BCI stands 37 percentage points above the long-term average (Chart 2). The BCI's surge recorded in June was driven by the higher assessments of businesses on both their *current activity in construction* and the level of current *order books*. Businesses operating in construction revised up the expectations for *employment* and *selling prices* in the future (Table 2 – Construction).

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.

Services Confidence Indicator (SCI) decelerated by 1.6 percentage points in June 2023. However, the level of SCI stands around 27.5 percentage points above the long-term average, recording one of the highest historical values (Chart 2). The decline in the component of the *current business performance* has also affected the slowdown in the confidence indicator of the respective sector. Meanwhile, the level of demand has improved. Businesses' expectations for *demand and employment in the future* are almost at the same levels as the current ones. Their expectations for the performance of prices in the future have not recorded significant changes compared to previous month (Table 2 - Services).

Trade Confidence Indicator (TCI) continued on the same upward trend, by around 0.7 percentage points this month, mainly due to businesses' optimistic assessments on the *performance of employment in the future*. The current level of TCI stands around 15 percentage points above the historical average (Chart 2). Also, businesses operating in trade sector have assessed expectations on *employment performance in the future* edging considerably down in this month (Table 2 - Trade).

Consumer Confidence Indicator (CCI) improved by around 0.6 percentage points in June 2023. Its current level (since Mars) stands close to the historical average, for the first time since September 2021. CCI's improvement this month was determined by their more positive appraisal on *current and future major purchases* (Chart 2). Expectations on the overall future price have been revised down (Table 2 - Consumer).

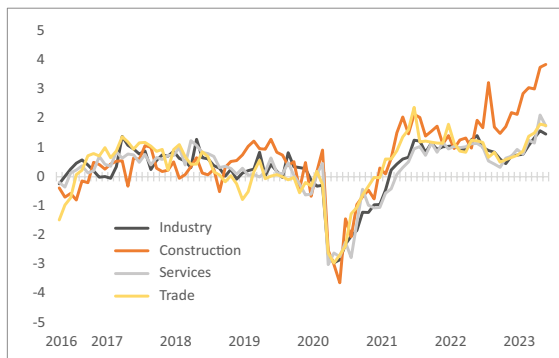
In June 2023, **the indicators with quarterly frequency**¹ showed a positive trend of a broad sectoral basis for the *indicator on the financial situation of businesses* compared to the results of the surveys in the previous three months.

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

The financial situation of businesses improved in 2023 Q2, in the sectors of industry (+8.8 percentage points), construction (+4.7 percentage points), services (+7.9 percentage points) and trade (+6.6 percentage points).

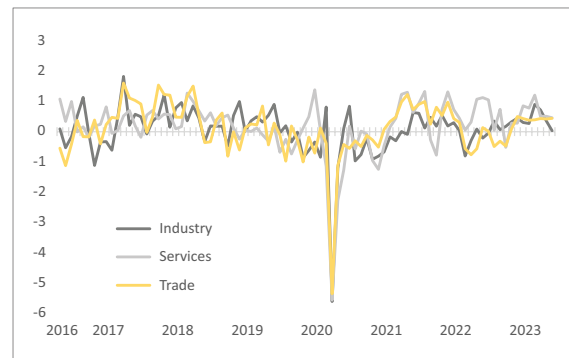
The capacity utilization rate edged up in the sectors of services (+0.5 percentage point, at 82%) and trade (+0.3 percentage point, at 77%). Meanwhile, in the construction sector, this indicator remained unchanged, at 76%. This indicator slightly decreased in the sector of industry (-0.4 percentage point, down to 81.3%).

Chart 3 Business situation by sector over the past three months



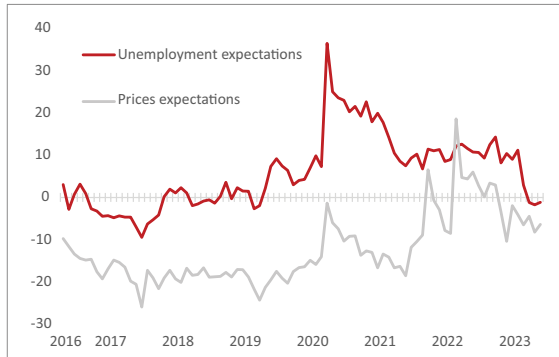
Burimi: Banka e Shqipërisë.

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 4 Business expectations over the next three months



Burimi: Banka e Shqipërisë.

Table 1. Confidence indicators by sector*

	Values			2023						Current situation	
	min.	ave.	max.	Jan.	Feb.	March	April	May	June	Conjectural**	Structural***
Industry	-60.2	-10.1	8.9	-7.0	-4.0	2.1	5.1	7.6	8.9	↑	++
Construction	-57.8	-23.9	11.0	-7.3	-0.9	2.8	3.3	8.8	11.0	↑	++
Services	-45.4	8.4	36.2	20.5	17.4	26.5	25.2	36.2	34.6	↓	++
Trade	-32.5	-0.6	17.9	3.9	4.7	9.9	11.1	12.6	13.3	↑	++
Consumer	-40.2	-26.7	-16.3	-30.4	-29.9	-26.5	-24.4	-25.0	-24.4	↑	+

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.

****) 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								
	October	Nov.	Dec.	January	February	March	April	May	June
INDUSTRY									
Production over the past three months (question 1, ICI component)	12.9	10.1	14.8	15.4	16.0	21.4	26.2	30.5	28.5
Order books (question 2, ICI component)	-14.7	-17.2	-15.2	-16.3	-9.9	-8.1	-1.3	-3.7	-1.1
Export order books (question 3, ICI component)	-18.7	-22.2	-18.6	-20.1	-18.0	-7.1	-9.7	-4.0	-0.8
Stock of finished product (question 4)	-1.4	-3.9	-5.2	-2.4	-6.0	-1.1	-3.9	-3.7	0.6
Production, expectations (question 5)	32.1	33.7	35.1	33.5	33.1	40.0	38.0	34.0	30.5
Selling prices, expectation (question 6)	36.0	31.1	27.0	31.8	18.1	14.9	16.1	17.9	19.4
Employment, expectation (question 7)	11.0	7.4	7.2	10.9	11.9	15.6	17.9	17.0	13.8
Construction									
Construction activity over the past three months (question 1, BCI component)	4.2	7.0	12.6	11.9	20.2	22.6	22.1	30.8	32.0
Order books (question 3, BCI component)	-39.7	-27.0	-22.5	-26.5	-22.1	-17.0	-15.6	-13.3	-10.0
Employment, expectation (question 4)	7.6	16.4	8.3	12.7	19.0	18.8	15.7	14.0	16.5
Prices, expectation (question 5)	42.6	42.9	32.8	25.8	35.0	28.5	19.5	18.2	26.4
SERVICES									
Business situation over the past three months (question 1, SCl component)	9.7	15.1	16.2	20.1	17.3	25.4	23.8	39.9	33.6
Demand over the past three months (question 2, SCl component)	12.8	15.4	16.4	20.8	17.4	27.6	26.7	32.5	35.6
Demand, expectation (question 3)	19.2	27.3	27.3	33.2	32.4	36.8	29.7	29.7	29.2
Employment over the past three months (question 4)	5.7	3.9	5.1	10.2	5.5	9.6	12.4	16.9	17.1
Employment, expectation (question 5)	5.3	8.6	7.1	7.5	16.1	20.7	9.7	13.6	13.4
Prices, expectation (question 6)	30.5	21.0	21.0	24.4	20.0	19.8	8.2	12.9	12.5
TRADE									
Business situation over the past three months (question 1, TCl component)	-0.1	1.2	2.5	3.8	6.2	14.6	16.5	21.6	20.7
Inventories situation (question 2)	1.0	3.3	3.1	2.1	5.6	2.6	3.9	5.1	0.7
Future orders, expectation	14.9	18.0	21.9	23.9	23.8	25.3	30.6	23.8	26.1
Business performance, expectation (question 4)	15.9	23.0	28.1	27.3	26.6	26.8	27.3	27.1	27.4
Employment, expectation (question 5, TCl component)	2.3	2.8	5.6	4.0	3.2	5.3	5.7	3.7	5.9
Prices, expectation (question 6)	30.9	28.7	24.8	21.9	15.2	13.4	10.4	23.1	11.3
CONSUMER									
Current financial situation (question 1)	-21.0	-19.6	-20.1	-16.5	-16.5	-14.5	-14.9	-13.5	-13.3
Financial situation, expectation (question 2, CCl component)	-5.5	-3.6	-3.1	-2.0	0.1	4.3	6.4	5.0	5.0
Current economic situation (question 3)	-32.2	-31.6	-30.2	-27.8	-30.2	-27.5	-24.7	-23.8	-22.3
Economic situation, expectation (question 4, CCl component)	-13.2	-11.6	-8.7	-6.4	-4.6	0.5	2.5	3.4	1.9
Current prices (question 5)	53.9	49.0	46.5	49.3	46.6	45.7	49.1	43.6	45.8
Prices, expectation (question 6)	2.9	-3.4	-10.4	-1.9	-4.1	-6.5	-4.5	-8.2	-6.4
Unemployment, expectation (question 7)	14.3	8.2	10.4	9.0	11.2	2.9	-1.2	-1.8	-1.2
Current major purchases (question 8, CCl component)	-66.6	-66.2	-64.7	-66.1	-62.9	-62.6	-59.0	-59.9	-57.4
Major purchases, expectations (question 9, CCl component)	-54.1	-52.6	-49.8	-47.0	-52.1	-48.3	-47.8	-48.5	-47.3
Current savings (question 10)	-48.1	-48.1	-42.2	-48.3	-50.4	-44.5	-41.9	-42.4	-42.9
Savings, expectation (question 11)	-44.4	-42.2	-41.1	-41.8	-44.2	-40.0	-39.9	-39.3	-38.9
Situation of income and expenses (question 12)	0.7	2.1	1.6	1.7	3.1	4.1	3.4	4.4	3.3

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.