



Bank of Albania
Monetary Policy Department



European Commission*

BUSINESS AND CONSUMER CONFIDENCE SURVEY

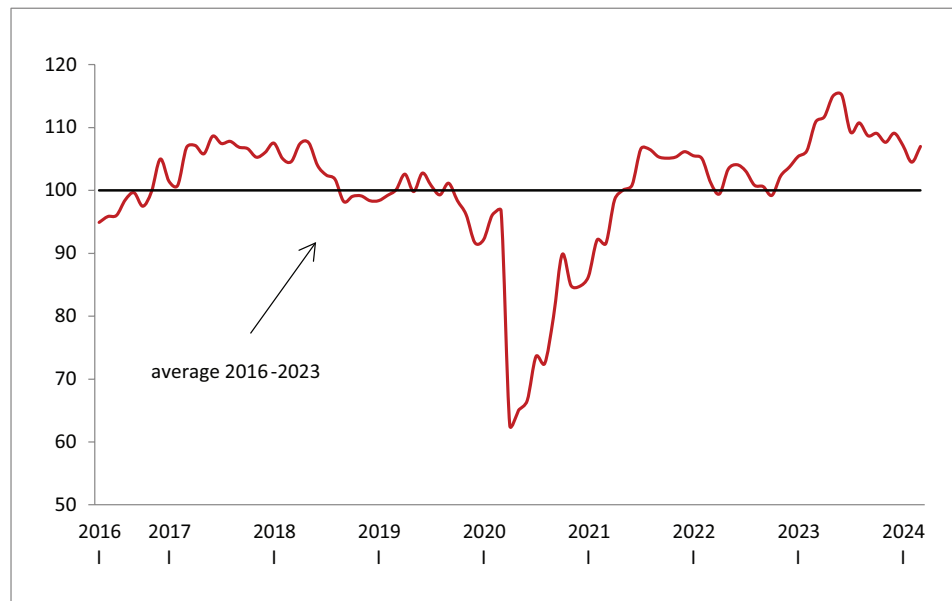
2 APRIL 2024

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BUSINESS AND CONSUMER CONFIDENCE SURVEY

In March 2024, the **Economic Sentiment Indicator (ESI)** increased by 2.5 points, after falling in the previous two months. The current level of ESI stands 7 percentage points above the historical average (Chart 1). The higher level recorded during this month was driven by the improved confidence in the sectors of *industry, trade, services*, as well as the increase in *consumer confidence*. On the other hand, confidence in the sector of *construction* declined in March, after increasing in the previous two months (Chart 2).

Chart 1 Economic Sentiment Indicator, ESI (long-term average = 100)

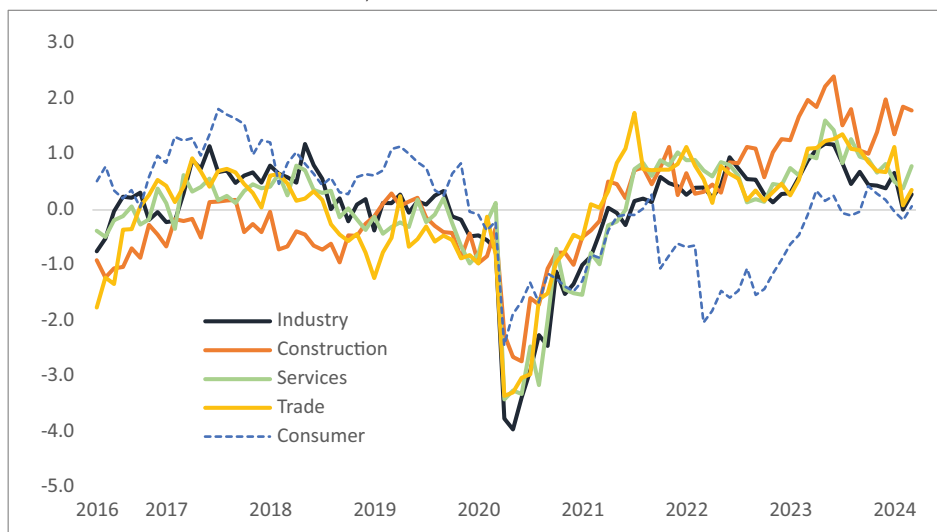


Source: Business and Consumer Confidence Survey, Bank of Albania.

Industry Confidence Indicator (ICI) picked up by 3.6 percentage points in March 2024. The current level of ICI stands 3.5 percentage points above the historical average (Chart 2). The increase of ICI during this month was driven by the improved assessments of businesses operating in this sector on current *industrial production*, as well as more optimistic expectations on future *orders from exports*. In addition, businesses' expectations on *industrial production* in the future increased. Their expectations on price in the future have remained unchanged compared to the last month (Table 2 - Industry).

In March, **Construction Confidence Indicator (BCI)** dropped by 0.9 percentage points, after increasing by 6.5 percentage points one month ago. The BCI continues to stand considerably above the historical average, by around 23 points (Chart 2). The decline of BCI was affected mainly by the lower assessments of businesses on *current construction business*. On the other hand, *current order books* were revised upwards during this month. Expectations on *employment* and *prices* in the future declined (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) increased by 6.4 percentage points in March. The current level of SCI stands 12.3 percentage points above the historical average (Chart 2). In terms of components, SCI rose because of more optimistic assessments of businesses regarding both their *current performance* and *demand*. Also, expectations on *employment* and *demand* in the future have been revised upward during this month. The expectations of *future prices* have been revised downward this month. (Table 2 - Services).

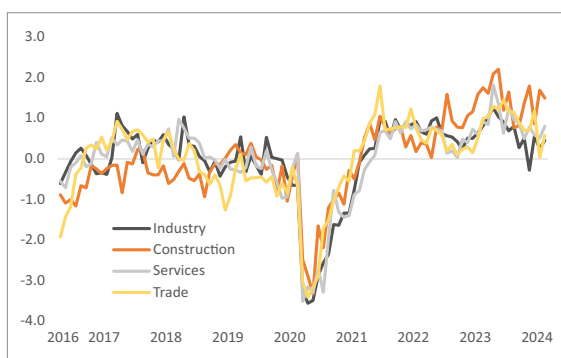
In March, **Trade Confidence Indicator (TCI)** rose by 2.7 percentage points, after decreasing by 10.3 percentage points one month ago. The current level of TCI stands 3.4 percentage points above the historical average (Chart 2). The more optimistic assessment of businesses on their *current performance* was the main factor behind the monthly increase of TCI. Expectations on *employment* in the future declined during this month as well. While, expectations for *future prices* were revised downward (Table 2 - Trade).

Consumer Confidence Indicator (CCI) increased by 1.4 percentage points in March, its level returning above the historical average (Chart 2). Consumers reported an improvement of their *financial situation*, of the *economic situation* of the country in the future, and of *major purchases*. Consumers' expectations on *unemployment* in the future edged down in March 2024 (Table 2 - Consumers).

Indicators of quarterly frequency¹ show that the *financial situation* of businesses and their *capacity utilisation rate* have decreased in the first quarter compared to 2023 Q4. Despite the quarterly decline, both these indicators stand significantly above their respective historical averages.

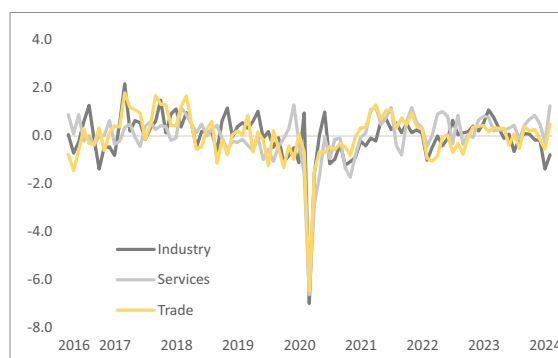
¹ Questions on the capacity utilization rate and the financial situation have a quarterly frequency data. They are included the questionnaires in March, June, September and December.

Chart 3 Business situation by sector over the past three months



Source: Bank of Albania

Chart 4 Business expectations over the next three months



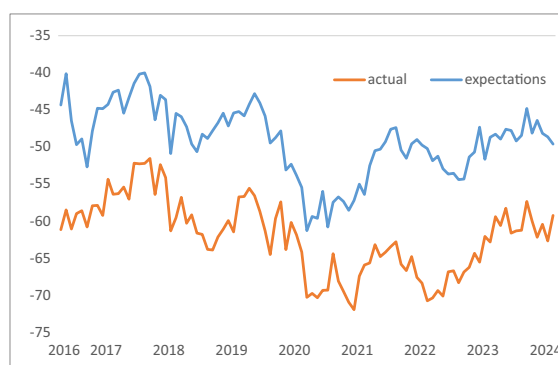
Source: Bank of Albania

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		2024			Current situation	
	min.	ave.	max.	November	December	January	February	March	Conjectural**	Structural***
Industry	-60.9	-9.5	5.8	-4.0	-4.6	-1.0	-9.6	-6.0	↑	+
Construction	-58.4	-21.8	9.0	-4.1	3.6	-4.6	1.9	1.0	↓	++
Services	-45.3	9.7	35.2	20.1	22.7	17.6	15.7	22.0	↑	+
Trade	-32.6	0.2	17.0	6.8	6.7	11.1	0.8	3.5	↑	+
Consumer	-40.4	-26.6	-16.3	-25.0	-25.6	-26.8	-27.7	-26.3	↑	+

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						2024		
	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	March
INDUSTRY									
Production over the past three months (question 1, ICI component)	23.0	19.4	21.2	12.4	16.2	3.0	17.4	11.8	15.4
Order books (question 2, ICI component)	-9.4	-13.5	-10.4	-10.9	-9.2	-3.7	-8.7	-9.6	-12.4
Export order books (question 3, ICI component)	-9.9	-16.7	-13.2	-13.0	-19.1	-13.1	-11.8	-31.0	-21.1
Stock of finished product (question 4)	-0.6	3.8	2.3	-3.6	-3.7	-2.1	-3.0	-6.6	-4.4
Production, expectations (question 5)	31.4	24.9	29.7	31.5	31.3	29.1	29.1	18.3	23.6
Selling prices, expectation (question 6)	16.5	9.2	-10.5	10.5	22.5	20.9	13.4	10.6	10.7
Employment, expectation (question 7)	8.8	10.9	9.7	10.3	8.4	8.3	8.3	2.3	1.0
CONSTRUCTION									
Construction activity over the past three months (question 1, BCI component)	14.3	21.4	7.6	8.4	17.0	23.6	9.0	22.0	19.0
Order books (question 3, BCI component)	-19.3	-18.8	-24.5	-26.9	-25.3	-16.4	-18.2	-18.2	-17.0
Employment, expectation (question 4)	9.5	12.6	5.5	11.4	13.1	17.4	11.8	26.6	17.2
Prices, expectation (question 5)	26.4	16.9	20.3	7.9	15.2	19.4	15.0	17.8	13.1
SERVICES									
Business situation over the past three months (question 1, SCI component)	19.8	29.6	25.3	23.6	17.7	22.2	19.1	17.9	22.6
Demand over the past three months (question 2, SCI component)	26.0	30.1	24.4	24.3	22.6	23.1	16.1	13.5	21.5
Demand, expectation (question 3)	29.6	30.7	25.5	30.8	33.1	34.5	31.3	24.3	38.0
Employment over the past three months (question 4)	14.7	11.2	6.0	4.4	7.4	7.5	2.9	4.2	11.0
Employment, expectation (question 5)	11.5	11.1	10.1	12.6	10.9	13.0	8.3	11.8	13.0
Prices, expectation (question 6)	15.6	17.8	14.0	13.0	17.0	19.2	14.6	10.2	4.2
TRADE									
Business situation over the past three months (question 1, TCI component)	23.4	18.5	18.4	14.1	10.8	11.0	18.8	-0.3	8.7
Inventories situation (question 2)	0.4	4.3	0.9	2.3	3.4	3.7	10.7	6.8	4.9
Future orders, expectation (question 3)	17.6	22.2	23.7	29.4	21.2	22.9	15.6	15.7	26.1
Business performance, expectation (question 4)	19.1	24.2	17.7	27.5	25.4	26.1	21.5	17.4	28.5
Employment, expectation (question 5, TCI component)	3.2	2.9	2.6	2.8	2.8	2.3	3.3	1.9	-1.6
Prices, expectation (question 6)	18.2	7.4	13.9	8.7	9.2	14.2	3.6	4.4	0.2
CONSUMER									
Current financial situation (question 1)	-15.6	-14.4	-13.3	-11.4	-10.9	-10.0	-11.2	-13.4	-10.1
Financial situation, expectation (question 2, CCI component)	1.7	0.7	2.0	4.3	4.5	3.8	1.7	1.0	1.4
Current economic situation (question 3)	-23.8	-23.4	-21.8	-19.8	-19.1	-19.0	-19.0	-18.3	-17.4
Economic situation, expectation (question 4, CCI component)	-0.2	0.9	0.4	1.0	3.7	2.3	-0.5	-0.5	2.3
Current prices (question 5)	50.5	51.5	46.4	45.4	46.6	44.6	47.2	42.9	42.2
Prices, expectation (question 6)	-0.4	4.1	-3.8	-6.9	-5.3	-2.9	-3.0	-4.1	-2.5
Unemployment, expectation (question 7)	2.7	1.2	-0.1	-3.3	1.3	3.8	0.5	1.6	-3.5
Current major purchases (question 8, CCI component)	-61.5	-61.2	-61.1	-57.3	-59.9	-62.1	-60.3	-62.6	-59.2
Major purchases, expectations (question 9, CCI component)	-47.7	-49.2	-48.4	-44.8	-48.1	-46.4	-48.1	-48.6	-49.6
Current savings (question 10)	-45.4	-44.2	-45.1	-44.2	-45.3	-42.4	-42.3	-45.5	-43.2
Savings, expectation (question 11)	-42.5	-42.8	-43.2	-41.6	-42.2	-41.9	-41.0	-41.2	-39.9
Situation of income and expenses (question 12)	0.3	-0.5	-0.3	3.5	2.2	3.1	3.8	2.3	4.5

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.