



Bank of Albania
Monetary Policy Department



European Commission*

BUSINESS AND CONSUMER CONFIDENCE SURVEY

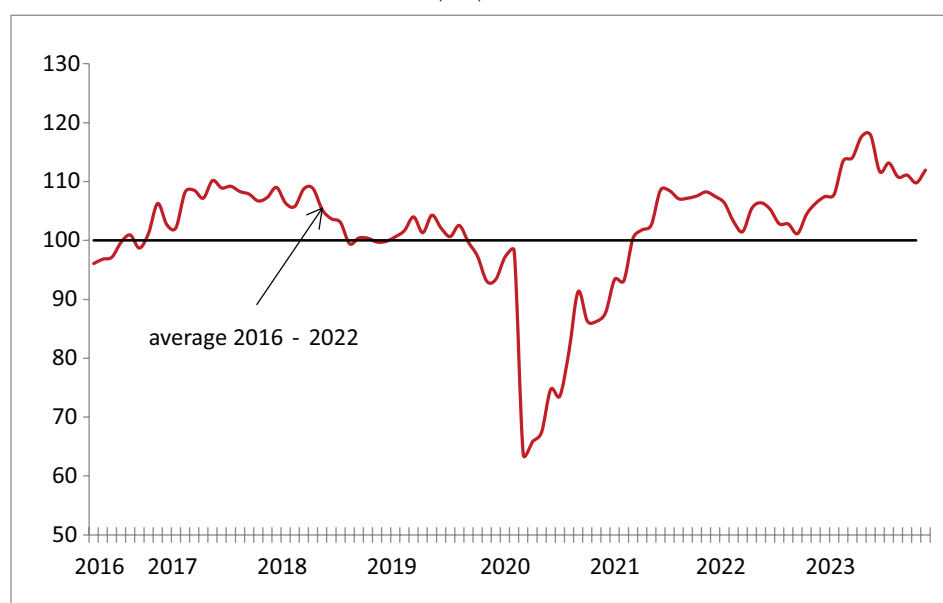
5 JANUARY 2024

** 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 December 2023, the **Economic Sentiment Indicator (ESI)** stood at 111.9, up by 2.2 points compared to November, and 11.9 points above the historical average (Chart 1). The improvement of ESI resulted from the higher confidence in sectors of *services* and *construction* and less in the *industry* sector. Confidence in the *trade* sector and among *consumers* remained almost the same level as in the last month (Chart 2).

Chart 1 Economic Sentiment Indicator (ESI)

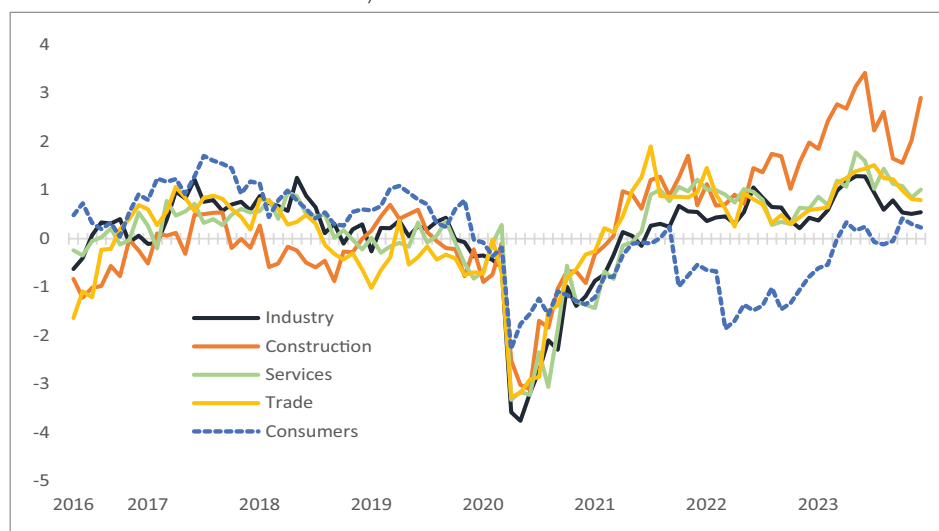


Source: Business and Consumer Confidence Survey, Bank of Albania.

Industry Confidence Indicator (ICI) rose slightly by 0.5 percentage point in December 2023, mainly on the back of more optimistic assessments of *order books*. The current level of ICI stands 7.3 percentage points above the historical average (Chart 2). Businesses' expectations on *production*, *employment* and *selling prices* in the future have remained virtually unchanged from the previous month (Table 2 - Industry).

Construction Confidence Indicator (BCI) edged up considerably by 9.1 percentage points in December, climbing close to the highest historical values. This BCI stands 30.3 percentage points above the long-term average (Chart 2). The higher appraisals of businesses on their *current construction activity* and *order books* underpinned the increase of the BCI. In addition, businesses' expectations for both the level of *employment* and *selling price* in the future are picking up (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 2.6 percentage points in December. The level of SCI stands among the highest historical values ever recorded, around 16 percentage points above the long-term average (Chart 2). Both components of the SCI - *current business performance* and *the level of demand* – were up. Businesses' expectations on future demand, employment and selling prices are also edging up (Table 2 - Services).

Trade Confidence Indicator (TCI) remained almost unchanged compared to the value recorded in the previous month. This value was driven mainly by similar appraisals on the *current performance* of businesses and *employment* expectations. The current level of TCI stands around 7.7 percentage points above the historical average (Chart 2). On the other hand, expectations for *future performance* and *selling prices* have been assessed upwards (Table 2 - Trade).

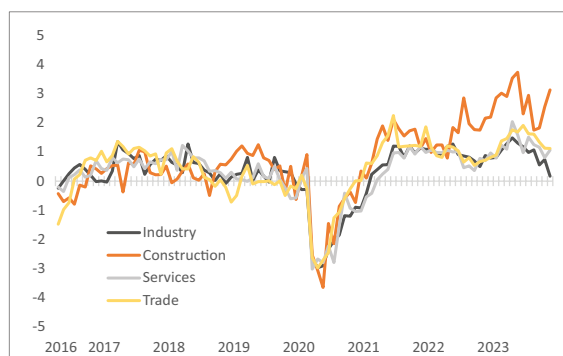
In December, **the Consumer Confidence Indicator (CCI)** registered similar values as the previous month. Its current level has exceeded the historical average by 1.3 percentage points. The CCI was determined by almost unchanged expectations regarding the *overall economic and financial situation*, as well as *major purchases* in the future (Chart 2). Expectations on the overall future prices have been revised downwards.

Indicators of quarterly frequency¹. The financial situation of businesses in the sector of *construction* improved significantly, expanding by 10.6 percentage points compared to the previous quarter. On the contrary, the financial situation indicator across other sectors of business declined. *The capacity utilization rate* increased compared to the third quarter, in the sector of construction (+5.1

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.

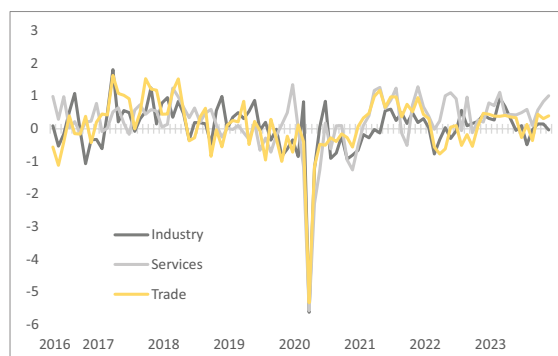
percentage points, climbing to 70%) and slightly in the sector of industry. The sectors of trade and services fell by -3.8 and -1.8, respectively.

Chart 3 Business situation by sector over the past three months



Source: Bank of Albania

Chart 4 Business expectations over the next three months



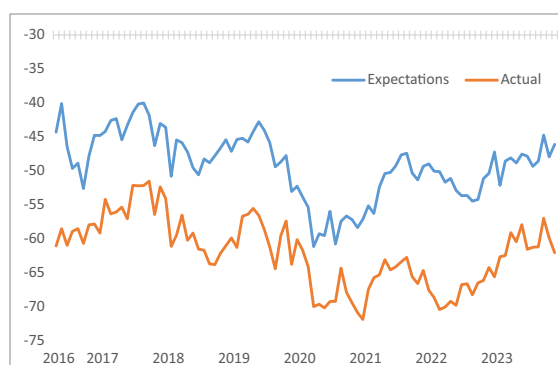
Source: Bank of Albania

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.	July	Aug.	Sept.	Oct.	Nov.	Dec.	Conjectural**	Structural***
Industry	-60.8	-9.6	6.1	1.6	-3.1	-0.6	-3.8	-4.2	-3.8	↑	+
Construction	-58.2	-22.5	9.8	-2.6	1.4	-8.6	-9.5	-4.7	4.4	↑	++
Services	-45.4	9.4	35.2	23.4	29.9	24.9	24.2	20.5	23.1	↑	+
Trade	-32.8	0.0	17.0	13.3	10.7	10.5	8.3	6.6	6.3	↓	+
Consumer	-40.3	-26.6	-16.3	-27.0	-27.3	-26.9	-24.1	-24.8	-25.2	↓	+

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								
	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
INDUSTRY									
Production over the past three months (question 1, ICI component)	25.4	29.1	25.7	23.4	19.8	21.5	12.1	15.4	4.9
Order books (question 2, ICI component)	-1.5	-5.1	-4.4	-9.3	-13.5	-10.3	-10.8	-9.0	-3.1
Export order books (question 3, ICI component)	-10.4	-5.7	-3.2	-9.4	-15.6	-12.8	-12.8	-19.1	-13.1
Stock of finished product (question 4)	-4.2	-2.7	1.1	0.0	3.6	3.2	-3.2	-3.3	-2.0
Production, expectations (question 5)	37.6	33.4	29.6	31.2	24.8	29.8	31.8	31.8	29.8
Selling prices, expectation (question 6)	16.9	18.7	18.1	16.9	9.9	17.7	13.0	21.5	21.7
Employment, expectation (question 7)	16.8	15.7	12.2	7.9	10.6	9.4	10.1	8.4	8.7
CONSTRUCTION									
Construction activity over the past three months (question 1, BCI component)	21.2	28.6	30.9	14.2	21.7	7.5	8.4	17.0	23.8
Order books (question 3, BCI component)	-17.0	-14.7	-11.3	-19.3	-18.8	-24.6	-27.4	-26.4	-15.0
Employment, expectation (question 4)	15.5	13.6	15.7	9.2	12.6	5.4	11.3	13.1	16.2
Prices, expectation (question 5)	19.9	20.1	26.3	26.5	17.1	20.5	8.2	15.5	19.8
SERVICES									
Business situation over the past three months (question 1, SCI component)	22.9	38.8	31.2	20.8	29.8	25.5	23.9	17.9	22.3
Demand over the past three months (question 2, SCI component)	25.3	31.6	33.7	26.0	30.0	24.4	24.6	23.0	23.8
Demand, expectation (question 3)	28.8	29.0	28.9	29.6	30.7	25.5	30.4	33.1	35.0
Employment over the past three months (question 4)	12.4	16.6	16.0	14.8	11.3	6.1	4.5	7.6	7.9
Employment, expectation (question 5)	9.3	13.0	12.8	11.3	11.0	9.9	12.8	11.1	13.3
Prices, expectation (question 6)	8.7	12.6	13.4	15.8	17.6	14.0	13.0	17.2	20.1
TRADE									
Business situation over the past three months (question 1, TCI component)	16.0	20.8	19.7	23.5	18.7	18.5	13.9	10.4	10.3
Inventories situation (question 2)	3.8	5.0	0.6	0.4	4.3	0.8	2.1	3.1	3.4
Future orders, expectation (question 3)	29.3	22.9	25.1	16.9	21.4	23.1	29.3	21.7	23.9
Business performance, expectation (question 4)	27.0	26.4	26.2	18.5	23.6	17.4	27.5	25.8	26.8
Employment, expectation (question 5, TCI component)	5.5	3.4	5.5	3.1	2.8	2.5	2.7	2.8	2.4
Prices, expectation (question 6)	10.8	23.4	13.8	18.5	7.7	14.5	9.2	10.0	13.5
CONSUMER									
Current financial situation (question 1)	-15.2	-13.9	-13.7	-15.9	-14.6	-13.5	-11.5	-10.9	-9.7
Financial situation, expectation (question 2, CCI component)	6.1	4.2	4.0	1.5	0.5	1.8	4.3	4.7	4.4
Current economic situation (question 3)	-24.7	-24.0	-22.7	-23.9	-23.5	-21.8	-19.8	-19.0	-18.9
Economic situation, expectation (question 4, CCI component)	2.7	2.6	1.0	-0.3	0.8	0.2	1.0	3.9	2.9
Current prices (question 5)	49.1	44.1	46.5	51.0	51.9	46.8	45.6	46.6	44.3
Prices, expectation (question 6)	-4.1	-7.6	-5.4	-0.1	4.1	-3.6	-6.9	-5.4	-3.3
Unemployment, expectation (question 7)	-0.9	-0.9	-0.1	2.6	1.5	0.2	-4.1	0.9	3.1
Current major purchases (question 8, CCI component)	-59.1	-60.4	-57.9	-61.6	-61.2	-61.2	-57.0	-59.9	-62.0
Major purchases, expectations (question 9, CCI component)	-48.1	-48.8	-47.6	-47.8	-49.3	-48.6	-44.8	-47.9	-46.1
Current savings (question 10)	-42.0	-42.9	-43.6	-45.4	-44.3	-45.1	-44.2	-45.2	-42.2
Savings, expectation (question 11)	-40.0	-39.6	-39.5	-42.6	-43.1	-43.3	-41.6	-42.2	-41.9
Situation of income and expenses (question 12)	3.2	4.0	2.6	0.0	-0.8	-0.6	3.9	2.0	3.0

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).

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.