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Bank of Albania
Monetary Policy Department

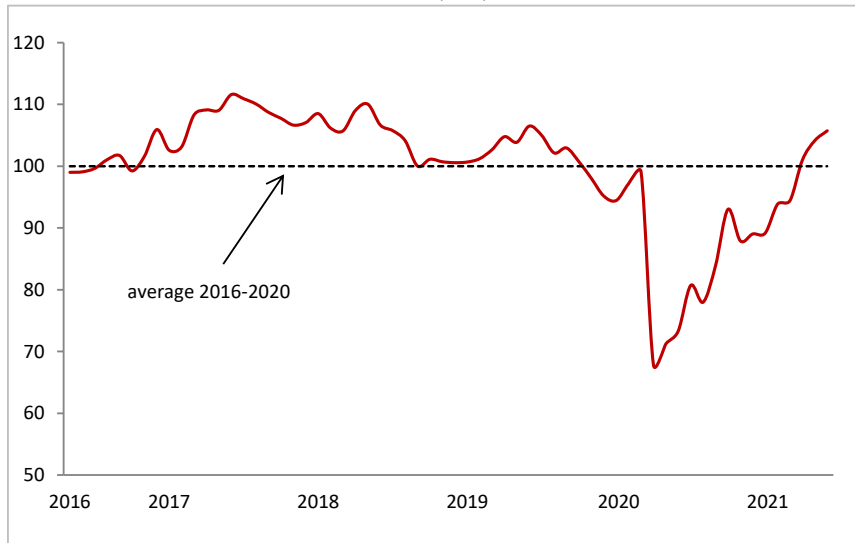


European Commission¹

Business and Consumer Confidence Survey

In June 2021, the *Economic Sentiment Indicator* (ESI) increased by 1.6 points compared to May. ESI continued the improving trend for the seventh month in a row. Current ESI reached at 105.7, standing 5.7 points above the long-term average (Chart 1). The increase of confidence in services and trade determined the positive dynamics of ESI in June. Consumer confidence improved also, but at a lower amount. On the other hand, confidence in industry deteriorated, while confidence in construction remained close to the level of the previous month (Chart 2).

Chart 1 Economic Sentiment Indicator (ESI)



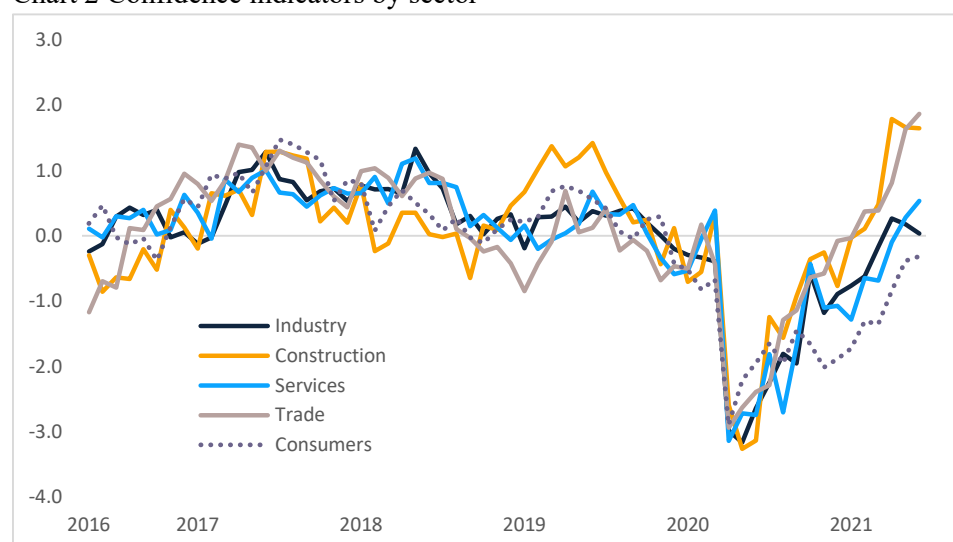
Source: Business and Consumer Confidence Survey, Bank of Albania.

¹ Confidence surveys are co-funded by the European Union and Bank of Albania. In May 2016, they moved under the Harmonised EC Programme.

Industry Confidence Indicator (ICI) fell by 2.1 percentage points compared to the previous month, but not below the long-term average (Chart 2). This development was attributable to the decrease in the components of both *order books* and *current production balance* (Table 2 - Industry). The capacity utilization rate in industry stood at 75.9%, in 2021 Q2², around 1.4 percentage points higher from the previous quarter. The indicator of businesses' *financial situation* in industry sector improved considerably compared to the previous quarters.

Construction Confidence Indicator (BCI) resulted very close to the level of previous month. Its two constituent components have moved on opposite directions. The assessment of businesses related to the *construction activity* was lower than in the previous month, while, component of *current order books* improved (Table 2 - Construction). The capacity utilization rate in construction stood at 66.7%, in 2021 Q2, around 3.0 percentage points higher than in the previous quarter.

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) was up by 4.1 percentage points in June compared to May. Both components related to *business performance* and *demand* affected the SCI increase. This indicator is above its long-term average, for the second quarter in a row (Chart 2, Table 2 - Services). The capacity utilization rate in services stood at 75.4%, in 2021 Q2, around 2.4 percentage points higher than in the previous quarter. The indicator of businesses' *financial situation* in services sector improved considerably compared to the previous quarters.

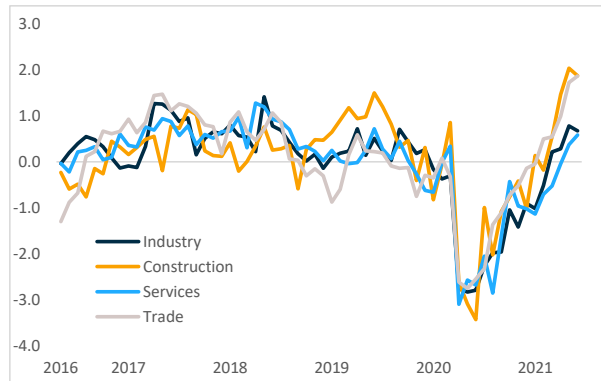
Trade Confidence Indicator (TCI) increased by 2.2 percentage points compared to the previous month, by continuing to remain above its long-term average. The two constituent components of TCI – *business current performance* and *expectations for employment* – drove to the increase of TCI. Meanwhile, the balance of *business performance* for the next three months has decreased (Table 2 - Trade). The capacity

² Additional questions to enterprises related to *capacity utilisation rate* and the *financial situation* are developed on quarterly basis and are included in the questionnaires of March, September and December.

utilization rate in trade stood at 74.6%, in 2021 Q2, around 0.9 percentage points higher than in the previous quarter.

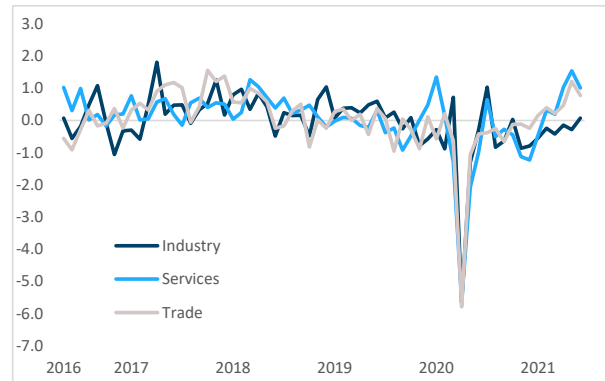
Consumer confidence Indicator (CCI) increased by 0.4 percentage point in June, continuing the upward trend of the last months, although at a more contained pace. The *positive expected overall economic situation in the future* - accompanied by slight improvements in the *expectations for their financial situation in the future* and the *expectations for major purchases*- drove the increase in CCI. On the other hand, the component of *current major purchases* deteriorated compared to May (Table 2 - Consumer).

Chart 3 Business situation by sector over the past three months



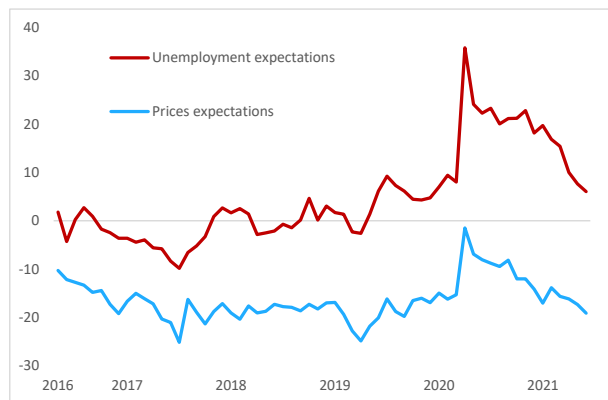
Source: Bank of Albania.

Chart 4 Business expectations over the next three months



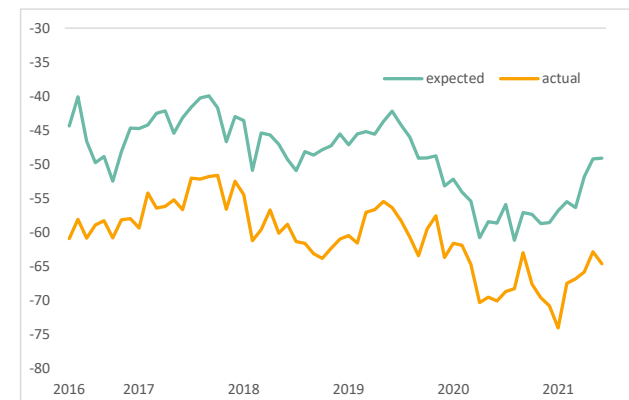
Source: Bank of Albania.

Chart 4 Expectations for unemployment and prices over the next 12 months



Source: Bank of Albania.

Chart 5 Major purchases of consumers, in balance



Source: Bank of Albania.

Table 1 Confidence indicators by sector*

	Values			2020			2021			Current situation	
	min.	ave.	max.	April	May	June	April	May	June	Conjectural**	Structural***
Industry	-60.5	-12.6	7.6	-57.8	-60.5	-52.6	-8.6	-9.9	-12.1	↓	+
Construction	-57.4	-30.3	-18.5	-51.8	-57.4	-56.3	-15.5	-16.5	-16.6	↓	+
Services	-47.4	3.9	23.2	-47.4	-40.5	-40.9	2.3	8.5	12.6	↑	+
Trade	-32.4	-4.3	9.1	-32.4	-29.4	-27.2	3.5	11.4	13.6	↑	+
Consumer	-40.6	-24.5	-16.2	-40.6	-36.8	-35.4	-29.1	-26.6	-26.2	↑	-

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)*

	2020			2021					
	Oct.	Nov.	Dec.	Jan.	February	March	April	May	June
INDUSTRY									
Production over the past three months (question 1, ICI component)	-17.2	-24.0	-14.5	-16.6	-7.4	5.9	7.2	16.3	14.3
Order books (question 2, ICI component)	-22.9	-30.0	-28.7	-24.5	-23.9	-19.6	-16.6	-19.5	-18.3
Export order books (question 3, ICI component)	-23.5	-37.4	-35.2	-31.5	-34.8	-31.6	-16.5	-26.6	-32.2
Stock of finished product (question 4)	-11.1	-10.2	-10.3	-9.8	-8.6	-6.4	-5.3	1.0	-2.5
Production, expectation (question 5)	30.5	20.5	21.4	24.0	27.5	25.5	28.5	27.0	31.0
Selling prices, expectation (question 6)	1.5	2.0	4.4	2.7	5.3	6.3	9.4	7.6	10.7
Employment, expectation (question 7)	2.2	1.2	-0.5	-2.6	0.9	4.5	3.5	6.8	9.5
CONSTRUCTION									
Construction activity over the past three months (question 1, CCI component)	-21.8	-17.9	-24.7	-11.5	-15.1	-6.9	3.8	10.3	8.4
Order books (question 3, CCI component)	-44.7	-46.9	-48.6	-49.6	-43.7	-45.8	-34.7	-43.3	-41.7
Employment, expectation (question 4)	1.9	2.5	4.6	4.6	1.3	7.3	9.7	7.8	14.8
Prices, expectation (question 5)	5.9	5.5	5.0	6.0	7.1	10.2	9.4	7.0	10.1
SERVICES									
Business situation over the past three months (question 1, SCI component)	-2.7	-11.6	-12.6	-14.6	-7.3	-4.4	3.7	10.7	14.3

Demand over the past three months (question 2, <i>SCI component</i>)	-3.6	-16.6	-14.7	-19.4	-6.0	-10.2	0.9	6.2	11.0
Demand, expectation (question 3)	19.8	12.8	11.7	19.6	27.7	26.4	35.2	40.4	34.8
Employment over the past three months (question 4)	-18.8	-7.1	-19.0	-14.8	-12.6	-8.0	-5.4	-5.3	-1.8
Employment, expectation (question 5)	6.8	4.8	9.1	5.5	9.2	4.1	13.6	11.9	13.2
Prices, expectation (question 6)	0.2	-0.5	3.1	-6.5	3.0	3.8	2.3	0.4	9.1
TRADE									
Business situation over the past three months (question 1, <i>TCI component</i>)	-20.1	-16.8	-10.7	-9.1	-0.3	0.5	7.7	19.6	21.8
Inventories situation (question 2)	-6.8	-3.9	-5.4	-5.1	-6.4	-4.1	-6.2	-1.1	2.0
Future orders, expectations	17.1	16.5	15.5	21.6	21.6	16.8	21.3	29.1	29.0
Business performance, expectations (question 4)	20.5	20.6	18.9	24.0	27.1	24.8	28.1	37.5	32.0
Business performance, expectations (question 5, <i>TCI component</i>)	-0.6	-2.8	0.7	-0.1	-1.0	-1.5	-0.7	3.1	5.4
CONSUMER									
Current financial situation (question 1)	-15.2	-15.6	-15.7	-15.8	-15.0	-17.6	-15.8	-10.1	-12.2
Financial situation, expectation (question 2, <i>CCI component</i>)	-1.8	-4.9	-2.3	-0.1	0.8	0.2	1.4	3.4	4.2
Current financial situation (question 3)	-29.4	-31.1	-27.5	-29.5	-24.3	-26.4	-25.3	-19.9	-19.1
Economic situation, expectation (question 4, <i>CCI component</i>)	-8.1	-9.7	-8.2	-5.5	-4.9	-5.2	-0.3	2.3	4.6
Current prices (question 5)	0.7	-0.2	-3.6	-6.2	-6.4	-4.5	-5.4	-5.2	-3.1
Prices, expectation (question 6)	-12.0	-12.0	-14.2	-17.0	-13.8	-15.7	-16.2	-17.3	-19.1
Unemployment, expectation (question 7)	21.2	22.9	18.2	19.8	16.9	15.4	10.0	7.7	6.1
Current major purchases (question 8, <i>CCI component</i>)	-67.6	-69.6	-70.8	-74.0	-67.5	-66.8	-65.8	-62.9	-64.6
Major purchases, expectations (question 9, <i>CCI component</i>)	-57.4	-58.7	-58.6	-56.8	-55.5	-56.4	-51.8	-49.2	-49.1
Current savings (question 10)	-55.6	-55.0	-54.3	-52.4	-50.0	-51.3	-49.6	-47.2	-46.0
Savings, expectation (question 11)	-53.2	-55.5	-53.1	-52.4	-49.8	-49.7	-48.4	-45.2	-44.3
Current financial situation (question 12)	-0.7	-0.4	0.5	-0.6	1.1	-0.9	0.8	2.7	2.6

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.