



Bank of Albania  
Monetary Policy Department



European Commission\*

# BUSINESS AND CONSUMER CONFIDENCE SURVEY

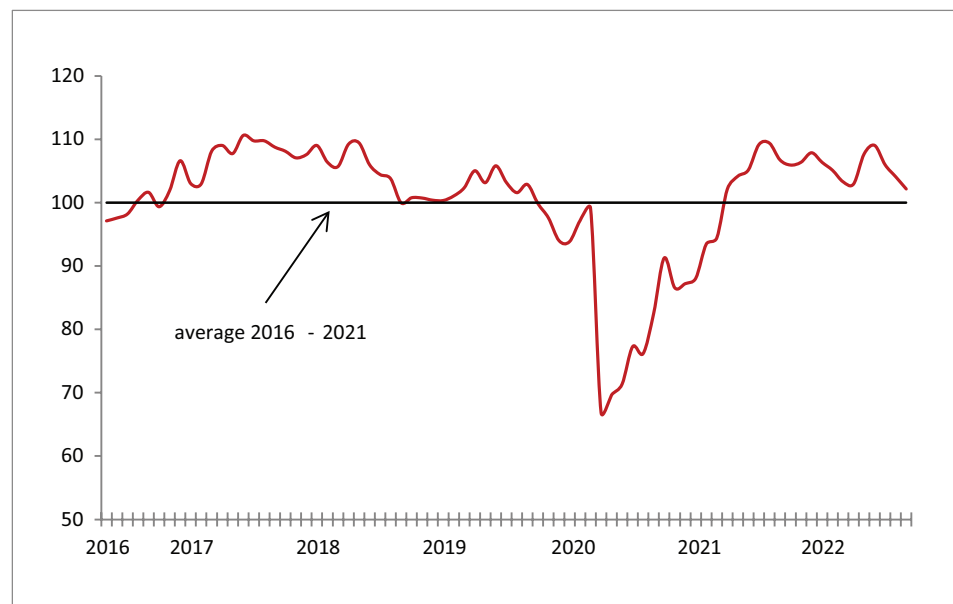
7 OCTOBER 2022

*\* Confidence surveys are co-funded by the European Union and Bank of Albania. In May 2016, they moved under the Harmonised EC Programme. Since June 2021, the analysis and data from surveys will be published on a monthly basis.*

## BUSINESS AND CONSUMER CONFIDENCE SURVEY

In September 2022, the **Economic Sentiment Indicator (ESI)** fell by 1.9 points. The current level of ESI, at 102.2 points, is the lowest value recorded over the year 2022 (Chart 1). The drop in the ESI was due to the decreased confidence in the sectors of construction and services, coupled with the deteriorated confidence among consumers. On the other hand, confidence across the sectors of industry and trade improved slightly in September (Chart 2).

Chart 1 Economic Sentiment Indicator (ESI)

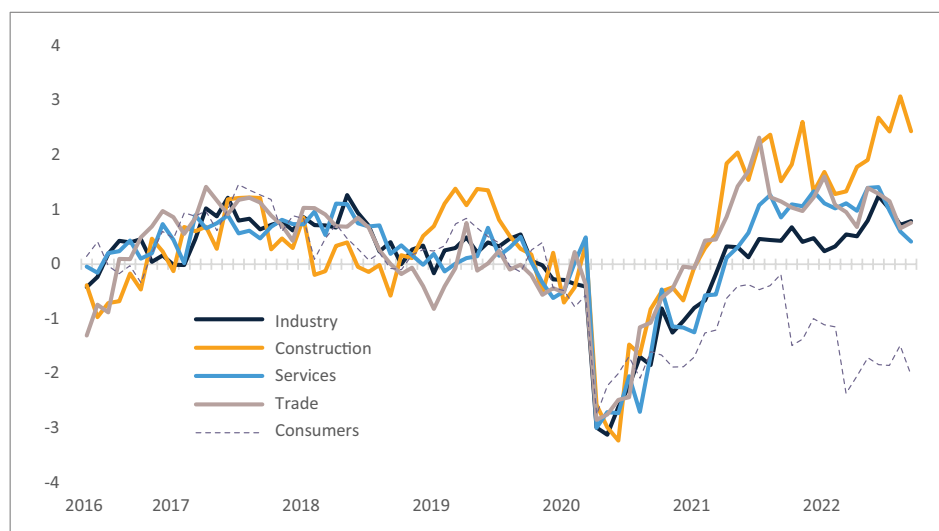


Source: Business and Consumer Confidence Survey, Bank of Albania.

**Industry Confidence Indicator (ICI)** was up by 1.0 percentage point in September (Chart 2). The improved *domestic* and *external demand* drove to the ICI increase. Appraisals on *current production*, by contrast, edged down. In addition, businesses operating in industry sector decreased their *production expectations for the future*. In September, they increased the selling price expectations for the goods they will produce (Table 2 - Industry).

**Construction Confidence Indicator (BCI)** dropped by 5.3 percentage points in September 2022 (Chart 2), as businesses operating in this sector worsened the assessment of *their building activity*. Their appraisals of *order books*, by contrast, edged up in September. Businesses operating in construction inched down their expectations across both components of BCI: *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.

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)** fell by 3.0 percentage points in September, for the third month in a row (Chart 2), resulting from decline in both its components, assessments of *the current performance of their business* and *demand*. Expectations of services businesses for the level of their prices in the future inched up in September (Table 2 - Services).

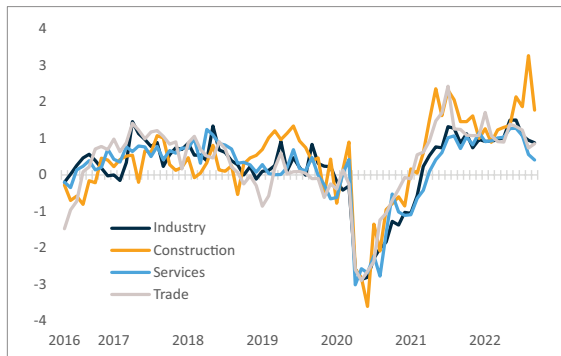
**Trade Confidence Indicator (TCI)** increased by 1.0 percentage point in September (Chart 2), due to businesses operating in this sector being more optimistic on *the current performance of their business activity*, while maintaining their *employment* expectations in the next months remained virtually unchanged. The other component of TCI—selling price expectations for the future - has also increased in this sector (Table 2 - Trade).

**Consumer Confidence Indicator (CCI)** worsened by 3.1 percentage points in September (Chart 2), mainly driven by the *deterioration in the expectations about the general economic situation*, coupled with the fall in both *current major purchases* and *related expectations*. Households' assessments of *their future financial situation* stayed virtually unchanged (Table 2 - consumers).

The indicators of quarterly frequency<sup>1</sup> exhibited, overall, positive signals compared to the results obtained from the surveys in the three previous months. The capacity utilisation rate marked a downturn in the sectors of trade (-3.3 pp, to 72.9%), services (-2.9 pp, to 78.6%) and remained virtually flat in industry (-0.3 pp, to 80.9%). This indicator edged up in the sector of construction (4.8 pp, to 72.6%). In 2022 Q3, the worsened indicator of financial situation was notable across all sectors.

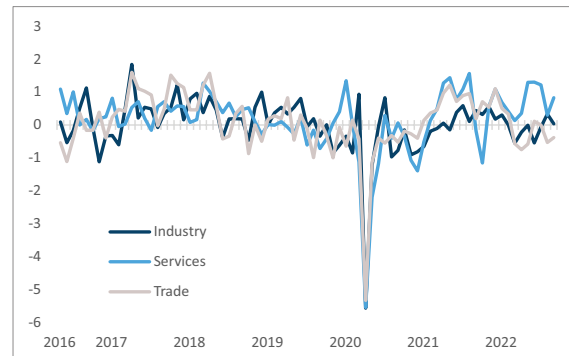
<sup>1</sup> Additional questions to enterprises related to capacity utilisation rate and the financial situation are developed on quarterly basis and included in the questionnaires of March, June, September and December.

Chart 3 Business situation by sector over the past three months



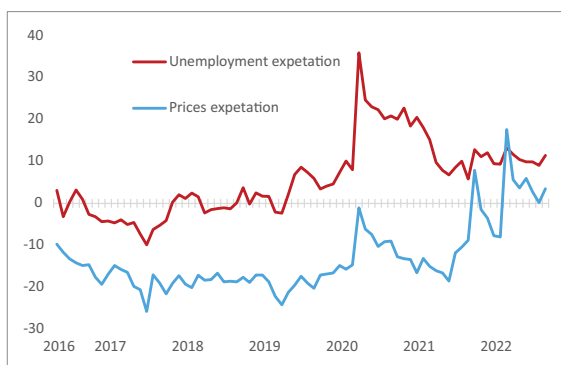
Source: Bank of Albania.

Chart 4 Business expectations over the next three months



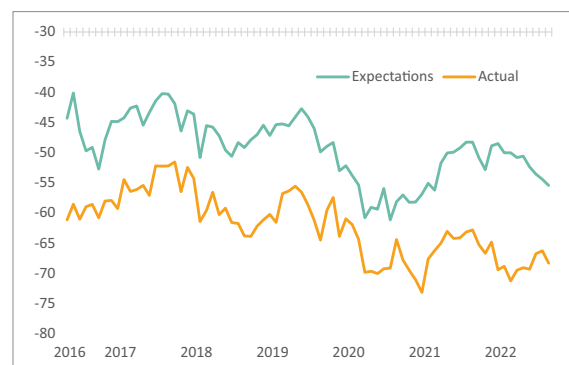
Source: Bank of Albania.

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			2022					Current situation	
	min.	ave.	max.	May	June	July	August	September	Conjectural**	Structural***
Industry	-59.4	-12.3	6.2	-0.8	5.9	2.4	-2.0	-1.0	↑	+
Construction	-57.1	-28.2	-4.9	-14.6	-8.2	-10.2	-4.9	-10.2	↓	++
Services	-45.1	5.0	26.8	26.5	26.8	19.7	13.5	10.5	↓	+
Trade	-31.9	-2.5	18.2	9.2	8.2	6.9	2.1	3.1	↑	+
Consumer	-39.9	-25.3	-16.3	-34.1	-34.8	-34.9	-32.8	-35.9	↓	--

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								
	January	February	March	April	May	June	July	August	September
<b>INDUSTRY</b>									
Production over the past three months (question 1, ICI component)	18.6	18.6	19.3	20.5	29.0	29.1	21.4	19.1	17.8
Order books (question 2, ICI component)	-15.9	-20.7	-14.1	-17.9	-14.1	-3.4	-8.0	-8.9	-5.6
Export order books (question 3, ICI component)	-30.1	-21.4	-19.0	-17.8	-17.2	-8.1	-6.4	-16.2	-15.1
Stock of finished product (question 4)	-2.0	-0.2	-5.7	-7.3	-5.8	-6.2	-6.5	-7.1	-0.6
Production, expectations (question 5)	33.4	30.1	24.0	27.7	30.0	24.1	29.4	33.8	30.5
Selling prices, expectation (question 6)	41.6	38.2	70.4	66.9	50.8	51.2	51.4	31.2	47.9
Employment, expectation (question 7)	20.4	15.6	8.7	14.7	18.0	14.7	13.4	9.6	9.2
<b>Construction</b>									
Construction activity over the past three months (question 1, BCI component)	1.5	-2.8	1.1	1.9	2.5	11.6	8.5	24.6	7.4
Order books (question 3, BCI component)	-34.2	-36.6	-39.7	-33.1	-31.6	-27.9	-29.0	-34.5	-27.8
Employment, expectation (question 4)	16.0	1.9	2.8	-0.5	5.0	7.1	4.9	21.6	12.5
Prices, expectation (question 5)	18.1	31.1	49.5	45.1	33.2	47.9	40.8	39.2	38.1
<b>SERVICES</b>									
Business situation over the past three months (question 1, SCI component)	19.6	19.9	21.3	21.6	25.6	25.8	22.4	13.8	11.2
Demand over the past three months (question 2, SCI component)	24.2	20.9	22.5	17.8	27.4	27.8	17.0	13.2	9.8
Demand, expectation (question 3)	31.5	28.7	25.8	28.1	37.7	37.7	36.9	27.4	32.9
Employment over the past three months (question 4)	-6.2	13.8	7.2	14.6	11.4	15.5	5.9	6.7	3.6
Employment, expectation (question 5)	13.2	17.4	12.5	11.1	12.5	6.5	9.1	9.5	14.9
Prices, expectation (question 6)	23.2	31.3	48.7	39.1	46.0	35.8	34.9	23.9	26.5
<b>TRADE</b>									
Business situation over the past three months (question 1, TCI component)	19.9	9.3	6.7	6.5	14.5	13.5	11.8	3.7	5.7
Inventories situation (question 2)	-0.9	-1.0	-0.9	2.9	5.0	1.4	0.6	5.2	0.8
Future orders, expectation	28.1	23.7	13.9	4.5	12.3	17.5	22.3	12.8	10.9
Business performance, expectation (question 4)	28.2	26.1	14.7	12.4	14.5	23.3	21.8	15.2	17.0
Employment performance, expectation (question 5, TCI component)	2.7	3.1	3.2	-1.9	3.9	2.9	1.9	0.4	0.4
Prices, expectation (question 6)	27.5	41.5	59.7	51.0	46.2	39.8	44.2	36.2	41.4
<b>CONSUMER</b>									
Current financial situation (question 1)	-12.9	-13.3	-15.5	-17.3	-17.7	-18.4	-19.8	-15.9	-18.8
Financial situation, expectation (question 2, CCI component)	-1.4	-1.7	-11.8	-7.7	-6.3	-5.1	-7.0	-4.2	-4.2
Current financial situation (question 3)	-23.5	-22.1	-26.3	-30.9	-31.2	-29.8	-32.1	-30.0	-31.9
Economic situation, expectation (question 4, CCI component)	-3.6	-3.2	-17.9	-16.1	-10.4	-12.5	-12.4	-6.6	-15.9
Current prices (question 5)	25.2	24.1	38.6	53.2	51.2	52.1	53.8	51.0	48.7
Prices, expectation (question 6)	-7.7	-8.0	17.6	5.7	3.7	6.0	2.7	0.2	3.5
Unemployment, expectation (question 7)	9.4	9.4	13.3	11.7	10.4	9.9	9.9	9.1	11.4
Current major purchases (question 8, CCI component)	-69.3	-68.7	-71.1	-69.4	-69.0	-69.2	-66.6	-66.1	-68.2
Major purchases, expectation (question 9, CCI component)	-48.4	-50.0	-50.0	-50.8	-50.5	-52.3	-53.5	-54.3	-55.4
Current savings (question 10)	-41.9	-45.5	-47.9	-47.5	-47.0	-47.8	-49.1	-48.2	-49.6
Savings, expectation (question 11)	-44.7	-45.1	-50.4	-47.9	-45.8	-46.2	-45.7	-44.0	-44.7
Situation of income and expenses (question 12)	1.1	0.6	-0.9	0.0	0.1	0.2	1.8	2.3	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.

**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.