



Bank of Albania  
Monetary Policy Department



European Commission\*

# BUSINESS AND CONSUMER CONFIDENCE SURVEY

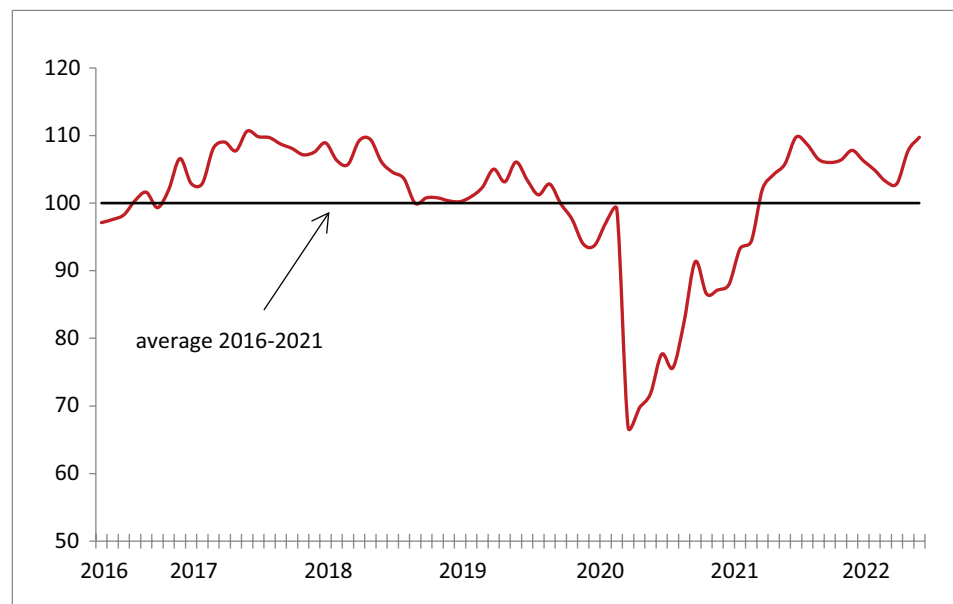
7 JULY 2022

*\* 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

The **Economic Sentiment Indicator (ESI)** increased in June 2022, by 2.0 points (at 109.8). The improved confidence in industry, construction and services underpinned the ESI's increase. On the other hand, the worsening sentiment of consumers and businesses in the trade sector contained the ESI's further mounting (Charts 1 and 2).

Chart 1 Economic Sentiment Indicator (ESI)

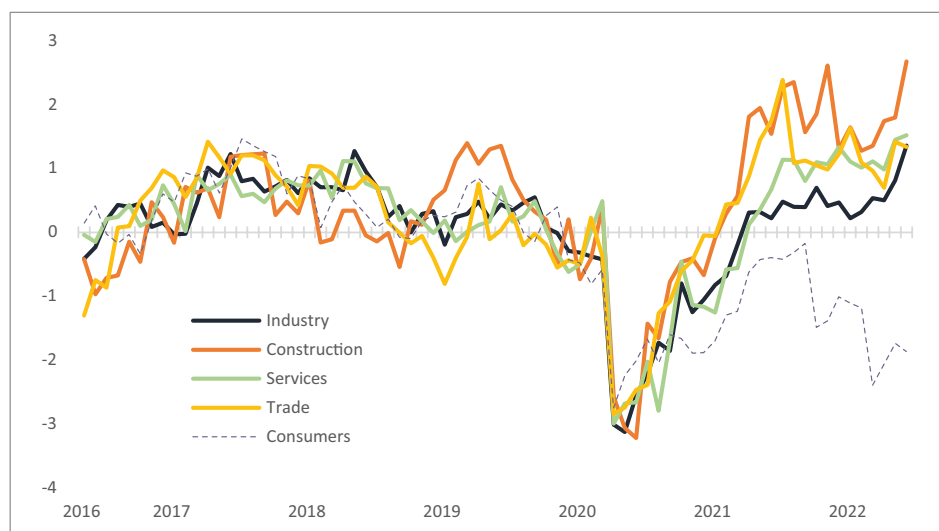


Source: Business and Consumer Confidence Survey, Bank of Albania.

**Industry Confidence Indicator (ICI)** climbed by 8.1 percentage points compared to May. The positive moment of this indicator, in recent months, was confirmed by the ICI's upsurge, which in turn was mainly underpinned by the positive performance of both *overall* and *export order books*. At the same time, *balance of production* displayed a lower growth. Businesses operating in industry increased slightly their expectations for the *prices* of the goods they will produce compared to the last month, thus continuing to settle above its historical average (Table 2 - Industry).

**Construction Confidence Indicator (CCI)** increased by 7.3 percentage points in June, hitting its historical maximum level (Chart 2). Both components of this indicator edged up, though the balance of *construction activity* experienced a more pronounced growth than the balance of *current order books*. Selling *price expectations* in construction rose also substantially in June (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.

**Service Confidence Indicator (SCI)** rose by 1.2 percentage points compared to the last month driven by the *current performance of business and demand*. Expectations of services-related businesses for the level of their prices in the future edged down compared to May, through continuing to stand above their historical average (Table 2 - Services).

After the improvement in May, **the Trade Confidence Indicator (TCI)** eased by 0.8 percentage point in June. In terms of components, TCI declined on the back of both *the current performance of business and the balance of expectations on the level of employment*. Businesses operating in trade sector have assessed the expectations on their future prices edging down compared to the previous month, but they still remain above their long-term average (Table 2 - Trade).

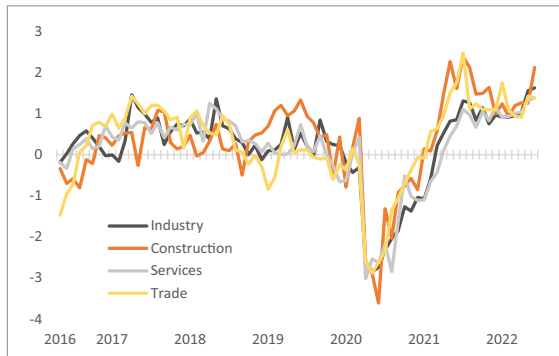
**Consumer Confidence Indicator (CCI)** dropped by 0.7 percentage point in June, driving to a curbed CCI's improving trend started in the last two months, in turn resulting in a considerable stagnancy below its historical average (Chart 2). This fall was due to the more pessimistic expectations on the *economic situation in Albania* coupled with the clouded assessments on both *current and future major purchases*. Meanwhile, the appraisals of the future *financial situation* improved slightly compared to May. Exceptions on the future consumer prices hiked again this month (Table 2, Consumers).

**The indicators of quarterly frequency<sup>1</sup>** exhibited, overall, positive signals compared to the results obtained from the surveys in March 2022, though differences across sectors were still present. *The capacity utilisation rate* marked an upswing in the sectors of industry (+2.3 pp, to 81.4%), services (+3.3 pp, to 81.5%) and trade (+0.9 pp, to 69.1%). Meanwhile, this indicator edged

<sup>1</sup> Additional questions 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.

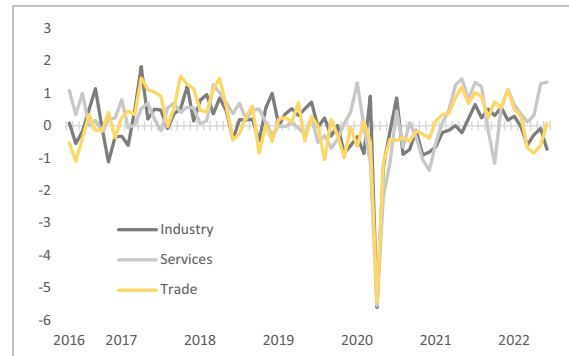
down in the sector of construction (-1.7 pp, to 67.2%). On the other hand, the indicator of *financial situation* in the sectors of construction and trade improved, while it worsened in the sectors of industry and services.

Chart 3 Business situation by sector over the past three months



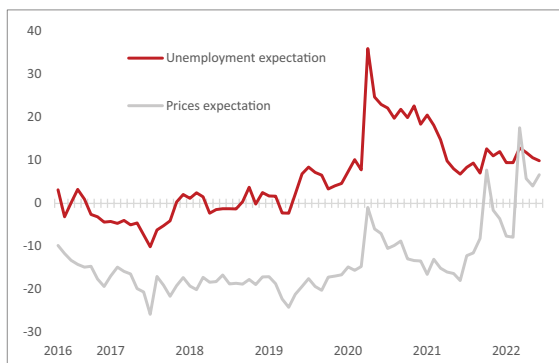
Source: Bank of Albania.

Chart 4 Business expectations over the next three months



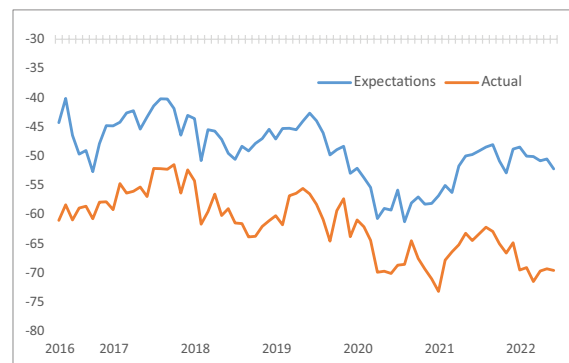
Source: Bank of Albania.

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.	January	February	March	April	May	June	Conjectural**	Structural***
Industry	-59.3	-12.3	7.5	-9.5	-8.0	-4.8	-5.3	-0.6	7.5	↑	++
Construction	-57.1	-28.2	-8.1	-16.7	-19.8	-19.1	-15.9	-15.4	-8.1	↑	++
Services	-45.1	5.0	28.5	21.8	20.2	21.8	19.7	27.3	28.5	↑	++
Trade	-31.8	-2.5	18.8	11.5	6.3	5.0	2.5	9.4	8.7	↑	++
Consumer	-39.9	-25.3	-16.3	-30.7	-31.1	-37.9	-36.0	-34.2	-34.9	↓	--

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)\*

	2021			2022					
	October	November	December	Jan.	February	March	April	May	June
<b>INDUSTRY</b>									
Production over the past three months (question 1, ICI component)	22.5	15.3	19.3	18.3	18.3	19.1	20.4	29.9	31.2
Order books (question 2, ICI component)	-12.1	-17.3	-14.8	-15.9	-20.7	-14.2	-18.3	-14.7	-1.3
Export order books (question 3, ICI component)	-17.4	-17.8	-21.7	-30.7	-21.6	-19.2	-17.8	-17.0	-7.3
Stock of finished product (question 4)	-6.1	-6.8	-4.2	-1.7	-0.1	-5.4	-7.1	-5.3	-6.5
Production, expectations (question 5)	33.7	36.4	32.1	33.4	29.9	23.6	27.1	29.3	22.2
Selling prices, expectation (question 6)	36.0	37.3	38.0	42.0	38.9	71.3	68.3	50.5	51.3
Employment, expectation (question 7)	9.8	12.1	18.3	20.7	15.8	8.8	14.6	18.0	14.9
<b>Construction</b>									
Construction activity over the past three months (question 1, CCI component)	4.1	5.8	-1.7	1.2	-2.4	0.7	1.5	1.3	11.4
Order books (question 3, CCI component)	-34.0	-23.1	-37.4	-34.6	-37.2	-39.0	-33.2	-32.2	-27.7
Employment, expectation (question 4)	7.6	9.6	6.0	15.9	2.4	2.6	-0.6	4.8	6.5
Prices, expectation (question 5)	22.3	29.7	23.8	18.1	30.9	49.7	46.0	33.4	47.7
<b>SERVICES</b>									
Business situation over the past three months (question 1, SCl component)	21.9	18.1	23.6	19.4	19.8	21.1	21.6	26.3	27.4
Demand over the past three months (question 2, SCl component)	21.4	24.1	27.3	24.2	20.7	22.5	17.9	28.3	29.7
Demand, expectation (question 3)	12.7	30.4	35.9	31.2	28.2	25.6	27.8	37.8	38.3
Employment over the past three months (question 4)	8.3	11.2	17.7	-6.5	13.2	6.7	14.4	11.2	19.9
Employment, expectation (question 5)	0.6	12.6	6.8	13.4	17.8	12.9	11.5	13.1	6.7
Prices, expectation (question 6)	30.2	22.9	22.1	24.2	31.6	49.5	40.4	46.2	36.3
<b>TRADE</b>									
Business situation over the past three months (question 1, TCl component)	9.8	9.5	9.6	20.3	9.5	6.9	6.6	15.0	14.3
Inventories situation (question 2)	0.7	0.3	-0.2	-1.2	-1.2	-1.0	3.0	5.2	2.0
Future orders, expectation	24.5	25.9	34.3	28.9	23.6	15.1	4.7	11.6	14.0
Business performance, expectation (question 4)	31.2	28.9	36.0	28.4	25.6	13.4	11.3	14.3	22.9
Employment performance, expectation (question 5, TCl component)	1.9	0.9	5.6	2.7	3.0	3.1	-1.7	3.9	3.0
Prices, expectation (question 6)	27.3	44.2	36.3	28.0	42.1	60.3	51.2	46.4	39.7
<b>CONSUMER</b>									
Current financial situation (question 1)	-13.5	-14.8	-12.6	-12.8	-13.3	-15.5	-17.3	-17.7	-18.5
Financial situation, expectation (question 2, CCl component)	-4.2	-2.9	-1.3	-1.5	-2.0	-11.9	-7.6	-6.5	-5.4
Current financial situation (question 3)	-22.6	-26.3	-23.6	-23.3	-22.7	-26.2	-30.8	-31.3	-30.0
Economic situation, expectation (question 4, CCl component)	-11.3	-6.6	-5.6	-3.3	-3.5	-18.2	-16.1	-10.6	-12.6
Current prices (question 5)	26.9	30.8	28.4	25.8	24.5	39.1	53.5	51.0	52.2
Prices, expectation (question 6)	7.7	-1.6	-3.6	-7.6	-7.9	17.6	5.8	4.0	6.6
Unemployment, expectation (question 7)	12.6	11.0	12.0	9.5	9.4	12.9	11.8	10.6	9.9
Current major purchases (question 8, CCl component)	-65.0	-66.6	-64.8	-69.5	-69.0	-71.4	-69.6	-69.3	-69.5
Major purchases, expectation (question 9, CCl component)	-50.8	-52.8	-48.8	-48.4	-50.0	-50.1	-50.8	-50.5	-52.2
Current savings (question 10)	-49.8	-52.5	-47.4	-41.9	-45.5	-47.9	-47.5	-46.9	-47.6
Savings, expectation (question 11)	-48.9	-48.8	-45.8	-44.7	-45.1	-50.5	-47.9	-45.9	-46.4
Situation of income and expenses (question 12)	-1.4	0.2	-0.2	1.1	0.5	-1.0	-0.2	0.0	-0.1

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.