Bank of Albania
Monetary Policy Department

European Commission*

BUSINESS AND CONSUMER CONFIDENCE SURVEY

7 SEPTEMBER 2022

BUSINESS AND CONSUMER CONFIDENCE SURVEY

In August 2022, the **Economic Sentiment Indicator** (ESI) decreased by 1.8 points. The current level of ESI, 104.4, continues to stand above the historical average (Chart 1). The decline in the ESI reflected the fall of confidence across the sectors of industry, services and trade. On the other hand, both confidence in construction sector and consumer confidence improved in August (Chart 2).
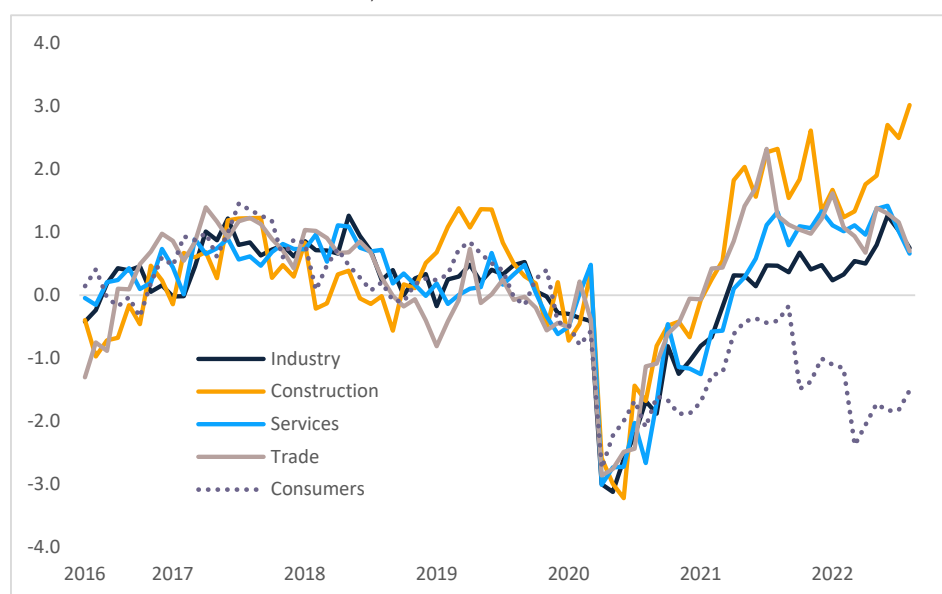
Chart 1 Economic Sentiment Indicator (ESI)
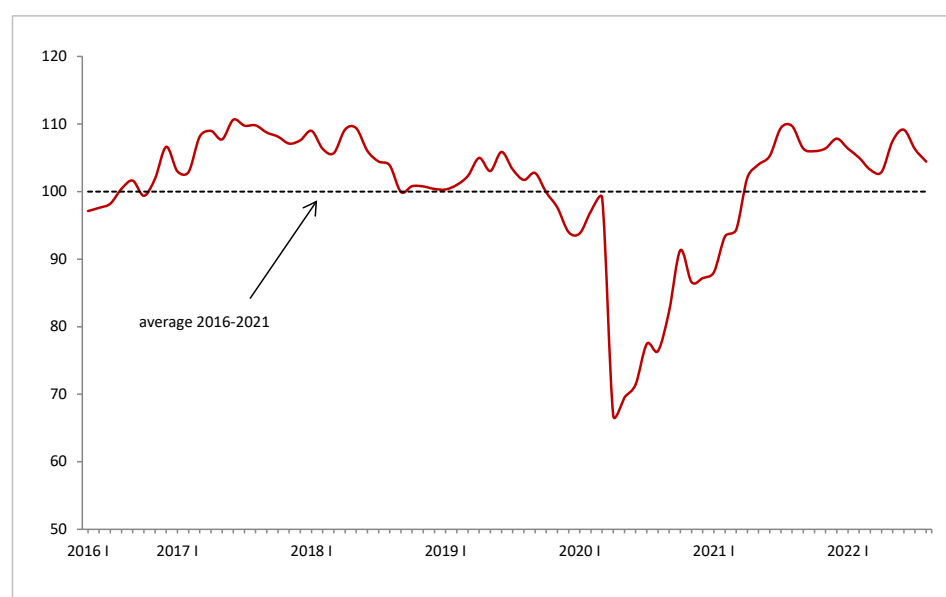
Source: Business and Consumer Confidence Survey, Bank of Albania.

Industry Confidence Indicator (ICI) declined by 4.1 percentage points in August, for the second month running, as being reflected in the three components of the ICI: *domestic* and *foreign* demand coupled with the appraisals on current *production*. On the other hand, businesses operating in industry sector increased their production exceptions for the future (Table 2 - Industry). Expectations for the prices of goods marked a sharp slump (-20.4 percentage points) in August.

Construction Confidence Indicator (BCI) was up by 4.4 percentage points in August (Chart 2). The optimistic appraisals of businesses about *their activity* drove to this improvement. On the other hand, their assessments for *order books* edged down this month. In August, businesses operating in construction increased *employment expectations*, while selling *price* expectations in future decreased slightly (Table 2 - Construction).

Chart 2 Confidence indicators by sector

Services Confidence Indicator (SCI) dropped by 5.8 percentage points in August, for the second month running. In terms of components, TCI declined on the back of both, assessments on the *current performance* of their business and *demand*. Expectations of services businesses for the level of their *prices* in the future edged down in August (Table 2 - Services).

Trade Confidence Indicator (TCI) fell by 4.4 percentage points in August, driven by the more pessimistic appraisals of businesses operating in trade sector on the *current performance of their business* and their expectations on the level of *employment* in the next month (Table 2 - Trade). In addition, businesses operating in trade sector have assessed downward expectations on the demand, business performance and their future prices.

**Consumer Confidence Indicator** (CCI) rose by 1.8 percentage points in August (Chart 2). This increase mainly reflected the more optimistic expectations about *their financial situation* and the *general economic situation* in Albania (Table 2 - Consumers). Also, consumers improved their assessments on *current major purchases*. Expectations on *future purchases* were assessed as edging down.

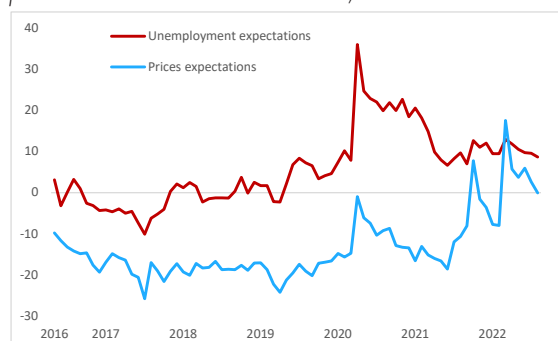*Chart 3 Business situation by sector over the past three months*
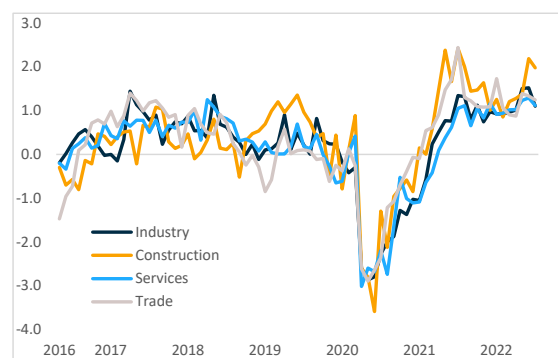
Source: Bank of Albania.
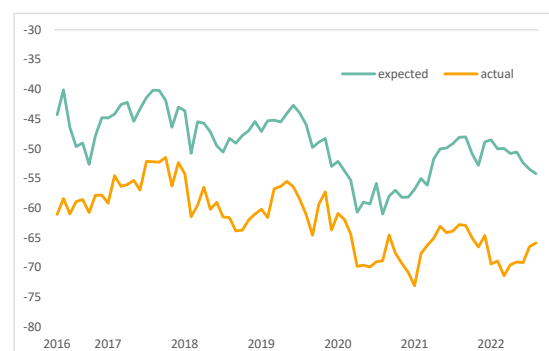
Chart 4 Business expectations over the next three months
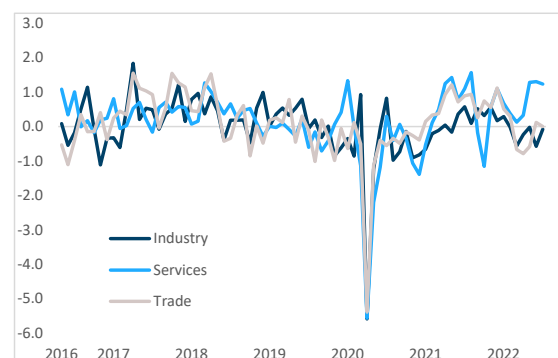
Source: Bank of Albania.

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.	April	May	June	July	August	Conjectural**	Structural***
Industry	-59.4	-12.3	6.2	0.5	0.8	1.3	1.0	0.7	↓	+
Construction	-57.0	-28.2	-5.4	1.8	1.9	2.7	2.5	3.0	↑	+
Services	-45.3	5.0	27.0	1.0	1.4	1.4	1.0	0.7	↓	+
Trade	-32.0	-2.5	18.2	0.7	1.4	1.3	1.2	0.7	↓	+
Consumer	-39.8	-25.3	-16.3	-2.1	-1.7	-1.8	-1.8	-1.5	↑	– –

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							
	Dec.	January	February	March	April	May	June	July	August
INDUSTRY									
Production over the past three months (question 1, ICI component)	19.5	18.6	18.6	19.3	20.3	29.1	29.4	21.8	19.9
Order books (question 2, ICI component)	-14.8	-15.9	-20.6	-14.0	-17.9	-14.1	-2.8	-8.1	-9.0
Export order books (question 3, ICI component)	-21.4	-30.3	-21.4	-19.1	-17.9	-17.3	-8.0	-5.9	-15.4
Stock of finished product (question 4)	-4.4	-2.0	-0.1	-5.7	-7.3	-5.6	-6.3	-7.0	-7.7
Production, expectations (question 5)	32.0	33.4	30.0	23.9	27.5	29.9	23.8	29.3	33.7
Selling prices, expectation (question 6)	37.9	41.5	38.5	70.8	67.1	50.7	51.5	51.8	31.3
Employment, expectation (question 7)	18.1	20.7	15.7	8.8	14.6	18.0	14.7	13.4	9.6
CONSTRUCTION									
Construction activity over the past three months (question 1, BCI component)	-1.5	1.4	-3.3	0.8	1.6	2.8	12.1	9.7	23.9
Order books (question 3, BCI component)	-37.3	-34.4	-36.9	-39.4	-33.2	-32.0	-28.0	-29.1	-34.6
Employment, expectation (question 4)	6.1	16.0	1.5	2.8	-0.4	5.0	7.2	4.6	21.5
Prices, expectation (question 5)	23.8	18.1	31.2	49.6	45.2	33.2	47.7	41.0	39.6
SERVICES									
Business situation over the past three months (question 1, SCI component)	23.8	19.7	20.1	21.4	21.5	25.0	25.9	23.0	14.6
Demand over the past three months (question 2, SCI component)	27.1	24.1	20.6	22.4	17.5	27.2	28.0	17.7	14.5
Demand, expectation (question 3)	35.7	31.4	28.4	25.8	27.8	37.6	37.8	37.0	27.5
Employment over the past three months (question 4)	17.8	-6.5	13.3	6.5	13.8	9.9	21.7	4.8	6.7
Employment, expectation (question 5)	6.7	13.4	17.6	12.7	11.2	12.4	6.4	8.0	8.2
Prices, expectation (question 6)	22.0	23.6	31.6	49.0	39.4	45.3	36.5	35.6	23.7
TRADE									
Business situation over the past three months (question 1, TCI component)	9.5	20.1	9.2	6.5	6.1	14.5	13.6	12.1	4.5
Inventories situation (question 2)	-0.2	-0.9	-1.0	-0.9	2.9	5.0	1.6	0.8	5.4
Future orders, expectation	34.0	28.4	23.2	15.0	5.1	12.7	15.9	21.8	12.9
Business performance, expectation (question 4)	36.0	28.4	25.7	13.6	12.0	14.6	23.4	21.9	15.0
Employment performance, expectation (question 5, TCI component)	5.5	2.7	3.1	3.1	-1.5	3.9	2.9	1.8	0.5
Prices, expectation (question 6)	36.1	27.5	41.6	59.9	51.9	45.9	39.7	44.1	36.3
CONSUMER									
Current financial situation (question 1)	-12.7	-12.9	-13.3	-15.4	-17.3	-17.7	-18.5	-20.0	-15.9
Financial situation, expectation (question 2, CCI component)	-1.4	-1.5	-1.7	-11.8	-7.7	-6.4	-5.2	-7.1	-4.4
Current financial situation (question 3)	-23.7	-23.5	-22.2	-26.4	-31.1	-31.2	-29.5	-32.1	-30.0
Economic situation, expectation (question 4, CCI component)	-5.5	-3.3	-3.3	-18.1	-15.9	-10.5	-12.3	-11.8	-7.2
Current prices (question 5)	28.4	25.1	24.0	38.8	53.1	51.0	52.0	54.0	52.3
Prices, expectation (question 6)	-3.6	-7.7	-8.0	17.5	5.7	3.7	5.9	2.6	-0.1
Unemployment, expectation (question 7)	12.0	9.5	9.5	13.0	11.8	10.5	9.7	9.6	8.6
Current major purchases (question 8, CCI component)	-64.6	-69.4	-68.9	-71.3	-69.5	-69.1	-69.2	-66.5	-65.8
Major purchases, expectation (question 9, CCI component)	-48.9	-48.5	-50.0	-50.0	-50.8	-50.6	-52.3	-53.4	-54.2
Current savings (question 10)	-47.4	-41.9	-45.6	-48.0	-47.7	-47.1	-47.8	-49.1	-47.9
Savings, expectation (question 11)	-45.8	-44.7	-45.2	-50.4	-47.9	-45.8	-46.2	-45.6	-44.1
Situation of income and expenses (question 12)	-0.2	1.1	0.5	-1.0	-0.1	0.1	0.3	2.0	2.7

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.