



Bank of Albania
Monetary Policy Department



European Commission*

BUSINESS AND CONSUMER CONFIDENCE SURVEY

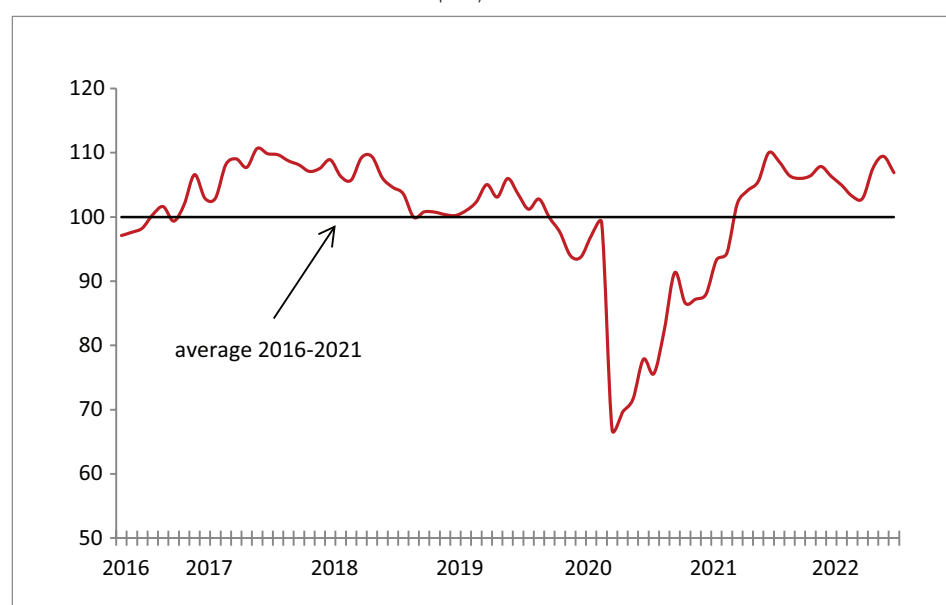
8 AUGUST 2022

** 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)** decreased in July 2022, by around 2.5 points (at 106.9). However, its value remained above the long-term average (Chart 1). The deterioration of confidence in industry, construction, services and trade underpinned the ESI's decline. Whereas, the sentiment of consumers indicator registered almost the same value as the previous month (Chart 2).

Chart 1 Economic Sentiment Indicator (ESI)

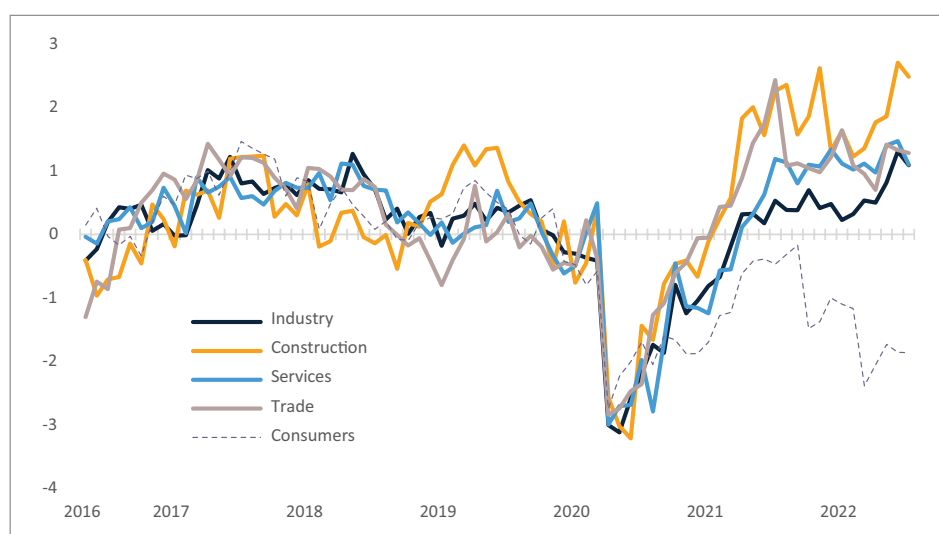


Source: Business and Consumer Confidence Survey, Bank of Albania.

Industry Confidence Indicator (ICI) dropped by 3.2 percentage points compared to the previous month, affected mainly by the fall of balance of current production and that of order books. Meanwhile, businesses' expectations for production and prices in the future edged up in July. Expectations for employment recorded a slight decline (Table 2 - Industry).

Construction Confidence Indicator (CCI) decreased by 1.9 percentage point compared to the previous month. This development was influenced by both the deterioration of the balance for construction activity and the indicator for the ordering books. Expectations for both employment and prices, recorded a decrease following the notable increase of the previous month (Table 2 - Construction sector).

Chart 2 Confidence indicators by sector*



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

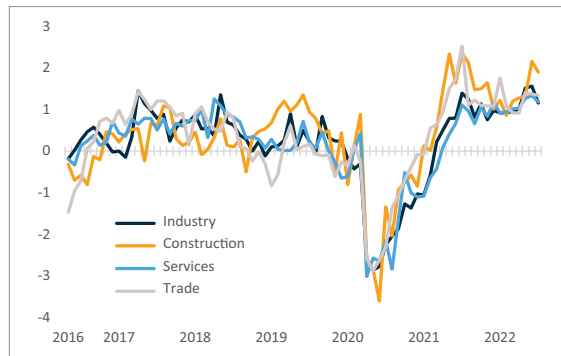
Notes: *The chart shows standardised series, to correct the changes in averages and in standard deviations of the respective confidence indicators.

Service Confidence Indicator (SCI) fell by 0.1 percentage points in July, driven by the weaker performance of business and demand for services. *Services-related businesses* assess a significant reduction of *current employment*. Meanwhile, expectations for *employment* are slightly on the improving side. Their expectations for the performance of *prices* in the future appeared downward (Table 2 - Services).

Trade Confidence Indicator (TCI) slightly declined for the second consecutive month, after the rise recorded in May. This indicator fell by 0.5 percentage points in July. This decline was mainly affected by the worse assessment of *businesses regarding their current performance* (Table 2 - Trade). Also, expectations on *business performance* in the following months and *employment* are deteriorating, alongside expectations for higher prices.

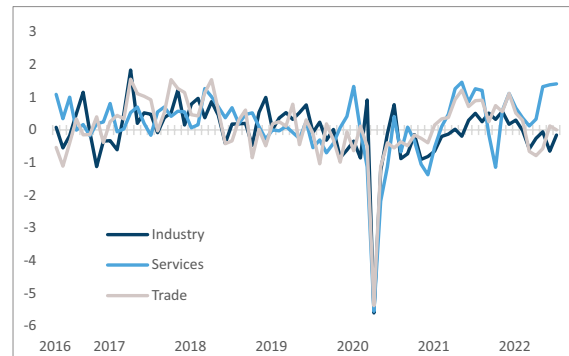
Consumer Confidence Indicator (CCI) recorded almost the same value in July as in the previous month, but remained far from the long-term average (Chart 2). The indicator reflected the positive assessment of consumers regarding *major purchases*, as well as *the situation of revenues and expenses*. On the other hand, their *financial situation and the general economic situation* in the future, appears downward. Consumers assess the current price performance upwards, in contrast to the expectations on their slowdown in the future (Table 2 - Consumers).

Chart 3 Business situation by sector over the past three months



Source: Bank of Albania.

Chart 4 Business expectations over the next three months



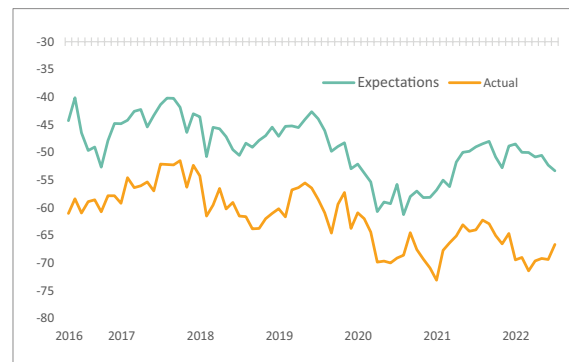
Source: Bank of Albania.

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. | average | max. | February | March | April | May | June | July | Conjectural** | Structural*** |
| Industry | -59.3 | -11.4 | 6.7 | -7.9 | -4.8 | -5.3 | -0.6 | 6.7 | 3.5 | - | ++ |
| Construction | -57.0 | -26.9 | -8.0 | -20.2 | -19.1 | -15.8 | -15.0 | -8.0 | -9.8 | - | ++ |
| Services | -45.2 | 6.7 | 27.7 | 20.4 | 21.9 | 19.6 | 26.6 | 27.7 | 21.7 | ↓ | + |
| Trade | -31.8 | -1.6 | 19.2 | 6.2 | 4.9 | 2.5 | 9.4 | 8.6 | 8.1 | - | ++ |
| Consumer | -39.8 | -26.2 | -16.3 | -31.0 | -37.8 | -36.0 | -34.2 | -34.9 | -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 |
|--|----------|-------|---------|----------|-------|-------|-------|-------|-------|
| | November | Dec. | January | February | March | April | May | June | July |
| INDUSTRY | | | | | | | | | |
| Production over the past three months (question 1, ICI component) | 15.4 | 19.5 | 18.5 | 18.5 | 19.1 | 20.1 | 29.3 | 30.0 | 22.7 |
| Order books (question 2, ICI component) | -17.3 | -14.9 | -16.1 | -20.8 | -14.2 | -17.9 | -14.0 | -2.5 | -7.6 |
| Export order books (question 3, ICI component) | -17.7 | -21.4 | -30.4 | -21.5 | -19.2 | -17.9 | -17.0 | -7.3 | -4.6 |
| Stock of finished product (question 4) | -6.8 | -4.3 | -1.8 | -0.1 | -5.5 | -7.2 | -5.5 | -6.4 | -7.2 |
| Production, expectation (question 5) | 36.4 | 32.1 | 33.4 | 30.0 | 23.8 | 27.3 | 29.6 | 23.0 | 28.4 |
| Selling prices, expectation (question 6) | 37.3 | 38.1 | 42.0 | 38.8 | 71.2 | 67.9 | 50.3 | 51.1 | 53.7 |
| Employment, expectation (question 7) | 12.1 | 18.1 | 20.7 | 15.7 | 8.8 | 14.6 | 18.1 | 15.0 | 14.1 |
| CONSTRUCTION | | | | | | | | | |
| Construction activity over the past three months (question 1, CCI component) | 5.8 | -1.5 | 1.0 | -3.2 | 0.7 | 1.6 | 2.1 | 11.7 | 8.7 |
| Order books (question 3, CCI component) | -23.2 | -37.4 | -34.7 | -37.2 | -38.9 | -33.1 | -32.1 | -27.7 | -28.4 |
| Employment, expectation (question 4) | 9.8 | 6.1 | 16.0 | 1.9 | 2.6 | -0.3 | 5.0 | 5.9 | 4.1 |
| Prices, expectation (question 5) | 29.6 | 23.8 | 17.9 | 31.0 | 49.6 | 46.0 | 33.3 | 47.1 | 41.8 |
| SERVICES | | | | | | | | | |
| Business situation over the past three months (question 1, SCI component) | 18.3 | 23.9 | 19.7 | 20.1 | 21.3 | 21.6 | 25.5 | 26.7 | 24.1 |
| Demand over the past three months (question 2, SCI component) | 24.1 | 27.3 | 24.2 | 20.7 | 22.5 | 17.7 | 27.7 | 28.8 | 19.2 |
| Demand, expectation (question 3) | 30.5 | 35.9 | 31.3 | 28.3 | 25.7 | 27.9 | 38.0 | 38.6 | 38.9 |
| Employment over the past three months (question 4) | 10.9 | 17.9 | -6.4 | 13.3 | 6.2 | 14.0 | 10.8 | 21.7 | 3.7 |
| Employment, expectation (question 5) | 12.7 | 6.8 | 13.4 | 17.7 | 12.7 | 11.2 | 12.3 | 6.3 | 7.6 |
| Prices, expectation (question 6) | 22.9 | 22.0 | 24.2 | 31.8 | 49.4 | 39.7 | 45.3 | 37.0 | 36.2 |
| TRADE | | | | | | | | | |
| Business situation over the past three months (question 1, TCI component) | 9.4 | 9.3 | 20.5 | 9.4 | 6.7 | 6.6 | 14.8 | 14.1 | 13.6 |
| Inventories situation (question 2) | 0.5 | -0.1 | -0.9 | -1.0 | -0.9 | 2.8 | 4.9 | 1.3 | 0.6 |
| Future orders, expectations | 25.7 | 34.1 | 28.6 | 23.4 | 15.3 | 5.7 | 12.6 | 15.8 | 21.8 |
| Business performance, expectations (question 4) | 28.9 | 36.0 | 28.4 | 25.7 | 13.6 | 12.0 | 14.7 | 23.5 | 21.9 |
| Employment, expectation (question 5, TCI component) | 0.9 | 5.6 | 2.7 | 3.0 | 3.1 | -1.7 | 3.9 | 3.0 | 2.6 |
| Prices, expectation (question 6) | 44.1 | 36.1 | 27.6 | 41.8 | 60.1 | 51.9 | 45.9 | 39.5 | 44.6 |
| CONSUMER | | | | | | | | | |
| Current financial situation (question 1) | -14.6 | -12.6 | -12.9 | -13.3 | -15.7 | -17.3 | -17.8 | -18.6 | -20.1 |
| Financial situation, expectation (question 2, CCI component) | -2.8 | -1.3 | -1.5 | -1.8 | -11.9 | -7.7 | -6.5 | -5.4 | -7.4 |
| Current economic situation (question 3) | -26.3 | -23.6 | -23.4 | -22.6 | -26.1 | -31.1 | -31.3 | -29.7 | -32.5 |
| Economic situation, expectation (question 4, CCI component) | -6.6 | -5.6 | -3.2 | -3.4 | -18.1 | -16.1 | -10.6 | -12.5 | -12.3 |
| Current prices (question 5) | 30.8 | 28.5 | 25.5 | 24.5 | 39.2 | 53.5 | 51.0 | 52.3 | 54.8 |
| Prices, expectation (question 6) | -1.6 | -3.6 | -7.7 | -7.9 | 17.6 | 5.7 | 3.8 | 6.2 | 3.0 |
| Unemployment, expectation (question 7) | 11.0 | 12.0 | 9.4 | 9.4 | 12.9 | 11.8 | 10.5 | 9.9 | 9.8 |
| Current major purchases (question 8, CCI component) | -66.5 | -64.7 | -69.4 | -69.0 | -71.4 | -69.6 | -69.1 | -69.3 | -66.6 |
| Major purchases, expectations (question 9, CCI component) | -52.8 | -48.8 | -48.5 | -50.0 | -50.0 | -50.8 | -50.5 | -52.3 | -53.3 |
| Current savings (question 10) | -52.5 | -47.3 | -41.8 | -45.4 | -47.8 | -47.5 | -47.0 | -47.8 | -49.1 |
| Savings, expectation (question 11) | -48.8 | -45.8 | -44.7 | -45.1 | -50.5 | -47.9 | -45.9 | -46.3 | -45.9 |
| Situation of income and expenses (question 12) | 0.2 | -0.2 | 1.1 | 0.5 | -1.0 | -0.1 | 0.1 | 0.1 | 1.8 |

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.