Bank of Albania
Monetary Policy Department

European Commission*

BUSINESS AND CONSUMER CONFIDENCE SURVEY

1 JULY 2024

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In June 2024, the Economic Sentiment Indicator (ESI) declined by 2.6 points. However, the current level of the ESI stands 10.1 percentage points above the historical average (Chart 1). The ESI mainly dropped as confidence across the sectors of *trade, services and construction* weakened. The fall in both confidence in industry sector and consumer confidence also affected the decline of the ESI, though at a lesser extent.

Chart 1 Economic Sentiment Indicator (ESI)
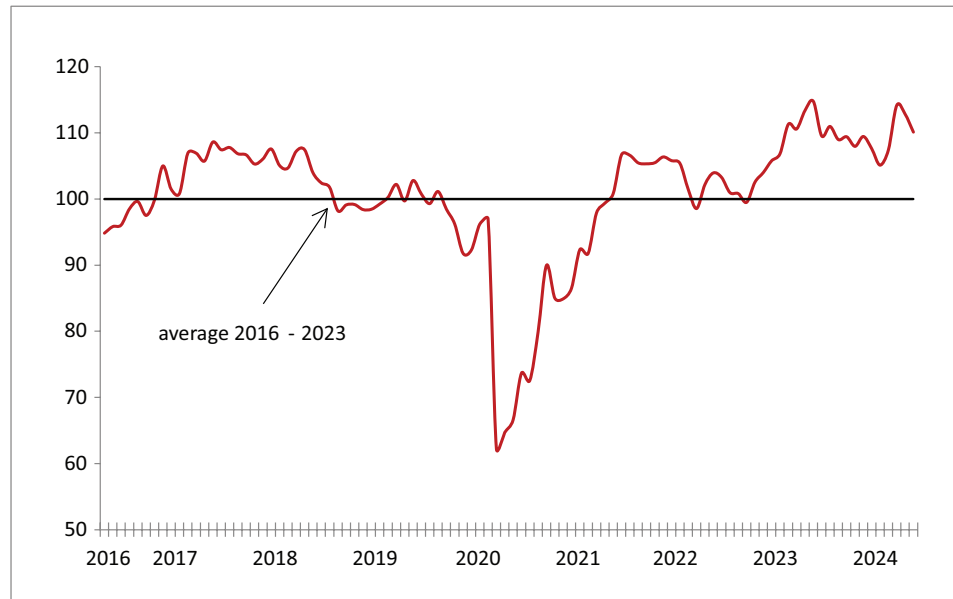
Source: Business and Consumer Confidence Survey, Bank of Albania.

Industry Confidence Indicator (ICI) fell slightly by 0.4 percentage point in June, mainly on the back of less optimistic appraisals on both domestic *order books* and from exports. The current level of ICI stands 6.6 percentage points above the historical average (Chart 2). Expectations on *employment* for the future have edged down in June 2024. Businesses operating in industry increased their expectations for the prices of the goods they will produce in the future (Table 2 - Industry).

Construction Confidence Indicator (BCI) dropped by 2 percentage points in June 2024. Its current level stands 19.4 percentage points above the long-term average (Chart 2). The declining assessments of businesses on *current construction business* and *order books* mainly drove to the fall of the BCI. In addition, businesses operating in construction sector have decreased their expectations on prices for future, while improving expectations on employment (Table 2 - Construction).

Chart 2 Confidence indicators by sector *
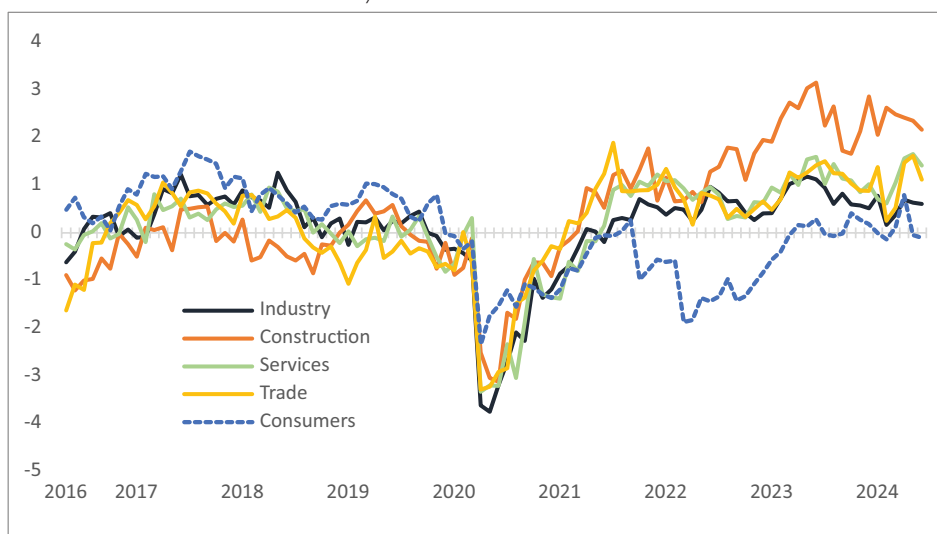
Source: Business and Consumer Confidence Survey, Bank of Albania.
Note: *The chart shows standardised series, to correct the changes in averages and in standard deviations of the respective confidence indicators.

Services Confidence Indicator (SCI) fell by 3.8 percentage points in June 2024. The current level of SCI stands close the highest historical values, around 20 percentage points above the long-term average (Chart 2). The SCI went down as assessments of businesses operating in this sector on their *current business performance* appeared less optimistic. Meanwhile, expectations on both *employment* and *selling prices* for the future are picking up (Table 2 – Services).

Trade Confidence Indicator (TCI) posed a larger fall compared to the other indicators, down by 4.8 percentage points in June 2024. Despite downwards, the level of TCI stands around 9.5 percentage points above the historical average (Chart 2). The declining appraisals of businesses operating in trade sector on the *current business performance* and on the *employment* expectations mainly underpinned the current value of TCI. Expectations on *business performance* for the future also edged down. In contrary, expectations on prices in the future appeared edging up.

Consumer confidence indicator (CCI) was slightly down by 0.4 percentage point in June 2024, descending close to the historical average (Chart 2). Consumers' reported assessments on both *their financial situation* and the *economic situation* of the country in the future as inching down. Meanwhile, consumers slightly decreased their appraisals on major purchases (Table 2 - Consumer). Expectations on the overall future price have been revised down.

Indicators of quarterly frequency[1] display financial situation of businesses and their capacity utilisation rates have inched up in the second quarter compared to 2024 Q1. In particular, the balance of *financial situation* across the sectors of industry and services expanded by *7.7* percentage points compared to

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[1] *Questions on the capacity utilization rate and the financial situation have a quarterly frequency data. They are included the questionnaires of March, June, September and December.*

the previous quarter. Also, *capacity utilisation rate* rose across all sectors where businesses operate, compared to the previous quarter. Services sector experienced the highest increase by around 3.1 percentage points.

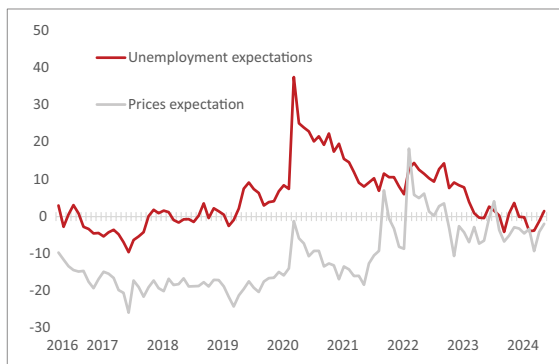*Chart 3 Business situation by sector over the past three months*
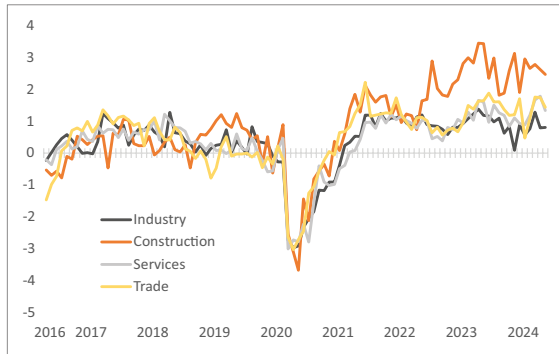
Source: Bank of Albania

Chart 4 Business expectations over the next three months
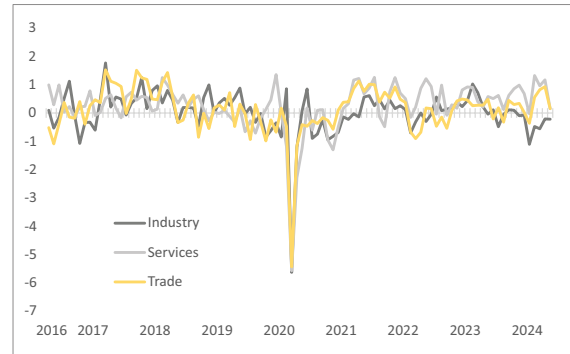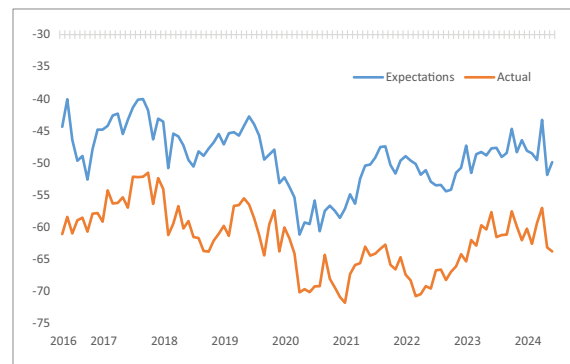

Source: Bank of Albania

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			2024						Current situation	
	min.	ave.	max.	Jan.	Feb.	Mar.	Apr.	May	June	Conjectural**	Structural***
Industry	-60.9	-9.3	5.7	-0.7	-8.8	-6.0	-1.9	-2.6	-3.0	↓	+
Construction	-58.6	-21.2	7.2	-4.3	1.7	0.3	-0.5	-1.1	-3.1	↓	++
Services	-45.8	10.4	33.2	18.3	16.8	23.7	31.8	33.2	29.4	↓	++
Trade	-33.2	0.6	17.0	12.0	1.1	3.8	12.9	14.3	9.5	↓	+
Consumer	-40.8	-26.6	-16.3	-26.7	-27.5	-26.0	-21.9	-26.9	-27.3	↓	=

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)*

	2023			2024					
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
INDUSTRY									
Production over the past three months (question 1, ICI component)	13.3	17.2	3.5	18.1	12.3	15.8	25.5	16.4	16.7
Order books (question 2, ICI component)	-10.3	-8.8	-3.3	-8.3	-9.1	-11.8	-6.7	-8.4	-9.7
Export order books (question 3, ICI component)	-12.3	-18.6	-12.8	-11.8	-29.6	-22.2	-24.3	-15.9	-16.0
Stock of finished product (question 4)	-3.5	-3.6	-2.1	-2.9	-6.5	-3.9	-0.5	0.3	3.8
Production, expectations (question 5)	31.4	31.2	29.1	29.3	17.9	24.8	23.9	27.8	27.8
Selling prices, expectation (question 6)	12.1	20.8	20.4	14.8	10.5	10.3	10.1	5.5	7.7
Employment, expectation (question 7)	10.4	8.5	8.5	9.2	2.8	1.8	9.7	4.5	-0.1
CONSTRUCTION									
Construction activity over the past three months (question 1, BCI component)	9.2	17.6	24.0	9.5	21.9	18.4	19.9	18.0	16.2
Order books (question 3, BCI component)	-26.1	-24.6	-15.7	-18.1	-18.5	-17.9	-20.9	-20.3	-22.5
Employment, expectation (question 4)	11.3	13.0	17.5	11.8	26.9	16.3	16.3	12.0	13.4
Prices, expectation (question 5)	7.9	15.2	19.3	14.8	17.3	12.8	13.6	14.9	10.3
SERVICES									
Business situation over the past three months (question 1, SCI component)	24.4	18.4	23.0	20.1	19.3	24.5	32.7	34.6	27.0
Demand over the past three months (question 2, SCI component)	24.6	22.8	23.4	16.5	14.3	23.0	30.9	31.9	31.9
Demand, expectation (question 3)	30.9	33.4	34.6	31.6	24.3	38.2	34.4	36.6	26.1
Employment over the past three months (question 4)	4.9	8.1	8.6	3.2	4.3	11.1	5.9	10.1	13.1
Employment, expectation (question 5)	12.7	10.9	13.0	8.4	11.9	13.7	15.5	11.2	12.3
Prices, expectation (question 6)	13.0	17.0	19.3	14.9	10.4	5.0	8.8	6.2	8.5
TRADE									
Business situation over the past three months (question 1, TCI component)	14.5	11.5	11.8	20.2	-0.4	9.9	21.1	20.9	15.7
Inventories situation (question 2)	2.3	3.4	3.8	10.9	6.7	4.7	6.1	4.3	5.5
Future orders, expectation (question 3)	29.2	21.0	22.8	15.8	16.4	27.4	26.1	30.7	25.5
Business performance, expectation (question 4)	27.5	25.7	26.2	22.2	17.3	29.0	32.3	33.6	23.8
Employment, expectation (question 5, TCI component)	2.9	2.9	2.5	3.7	2.6	-2.3	4.6	7.7	3.3
Prices, expectation (question 6)	8.7	9.2	14.3	3.4	4.2	0.2	-0.4	2.4	6.7
CONSUMER									
Current financial situation (question 1)	-11.4	-11.0	-9.9	-11.1	-13.7	-9.7	-4.6	-7.4	-8.8
Financial situation, expectation (question 2, CCI component)	4.3	4.4	3.7	1.8	1.2	2.0	7.8	4.5	3.2
Current economic situation (question 3)	-19.7	-19.0	-18.9	-18.8	-17.9	-16.7	-10.1	-12.0	-13.6
Economic situation, expectation (question 4, CCI component)	1.3	3.9	2.6	-0.2	0.0	2.9	5.1	2.8	1.4
Current prices (question 5)	45.4	46.7	44.7	47.2	42.5	41.4	29.9	33.2	32.2
Prices, expectation (question 6)	-6.7	-5.1	-2.9	-3.2	-4.6	-3.3	-9.3	-4.2	-2.0
Unemployment, expectation (question 7)	-4.2	0.9	3.7	0.0	-0.2	-3.9	-3.8	-1.3	1.5
Current major purchases (question 8, CCI component)	-57.5	-59.9	-62.0	-60.2	-62.6	-59.3	-57.0	-63.1	-63.8
Major purchases, expectations (question 9, CCI component)	-44.7	-48.3	-46.5	-48.1	-48.5	-49.5	-43.3	-51.9	-49.9
Current savings (question 10)	-44.1	-45.2	-42.2	-42.2	-45.3	-43.3	-40.4	-45.7	-46.1
Savings, expectation (question 11)	-41.6	-42.2	-41.9	-41.0	-40.9	-39.7	-37.1	-40.2	-38.5
Situation of income and expenses (question 12)	3.5	2.3	3.1	3.9	2.3	4.4	6.5	2.8	3.0

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 from surveys.

The Confidence Indicator (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.