



Bank of Albania  
Monetary Policy Department



European Commission\*

# BUSINESS AND CONSUMER CONFIDENCE SURVEY

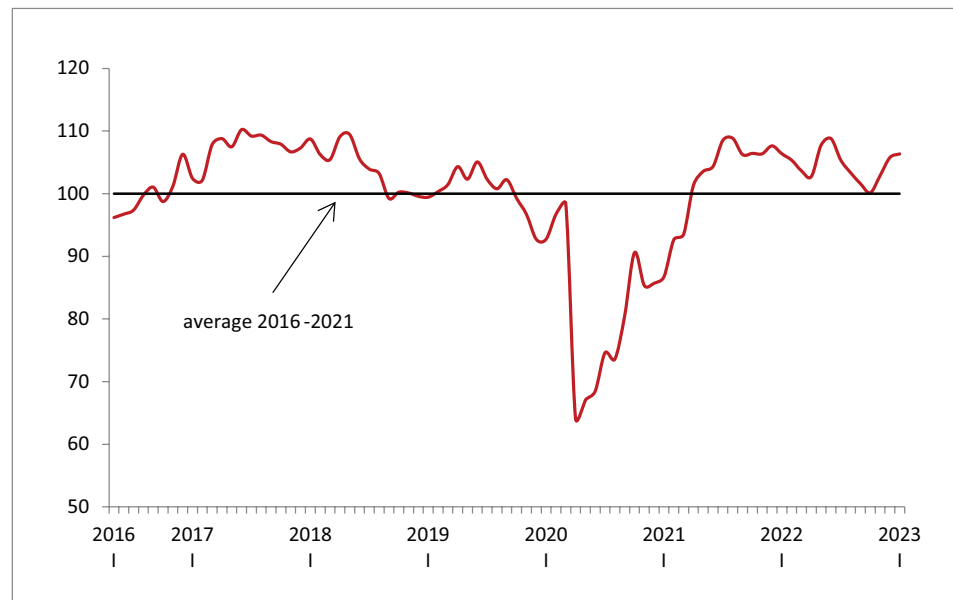
1 FEBRUARY 2023

*\* Confidence surveys are co-funded by the European Union and Bank of Albania. From May 2016, they are organized under the Joint Harmonised European Union Programme of BCS.*

## BUSINESS AND CONSUMER CONFIDENCE SURVEY

In January 2023, the **Economic Sentiment Indicator (ESI)** continued to increase, standing at 106.3 (Chart 1). The ESI's improvement was driven by higher confidence in the *services* sector and the strengthened *consumer confidence*. On the contrary, confidence across the *sectors of industry, construction and trade* had a negative contribution to the ESI's developments, during this month (Chart 2).

Chart 1 Economic Sentiment Indicator (ESI)

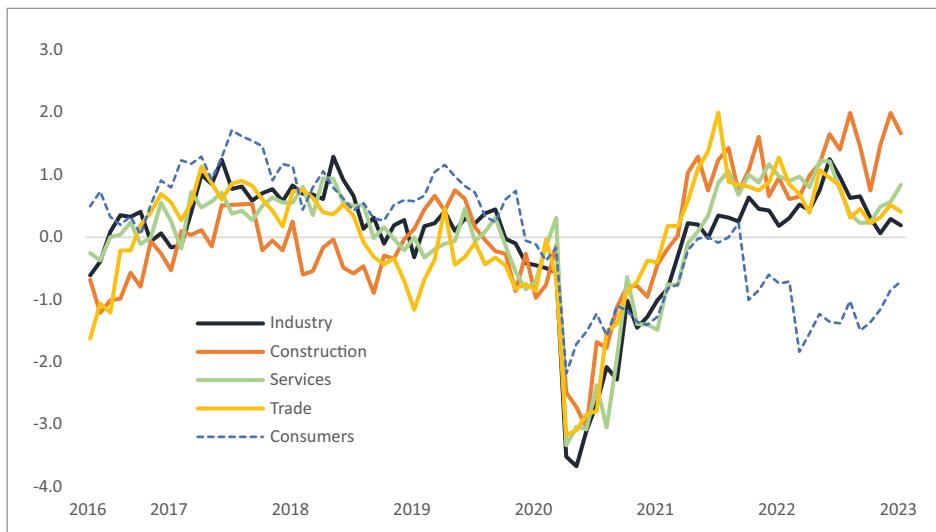


Source: Business and Consumer Confidence Survey, Bank of Albania.

**Industry Confidence Indicator (ICI)** fell by 1.3 percentage points in January 2023, mainly because of deteriorating assessments of *order books*, both domestic and from exports. Its level is currently standing 2.5 percentage points above the historical average. Meanwhile, businesses estimate slight improvements of the *industrial production* and *inventories*. Businesses operating in industry sector increased their *production* and *prices* expectations for the future (Table 2-Industry).

**Building Confidence Indicator (BCI)** dropped by 3.4 percentage points in January 2023. However, its level remains significantly above the historical average, around 17.3 percentage points. The decline recorded during this month was affected by both the lower assessment of businesses of their *current activity* and a decline in the balance of *order books*. Businesses operating in construction revised down expectations for selling *prices* in the future (Table 2 – Construction).

Chart 2 Confidence indicators by sector\*



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

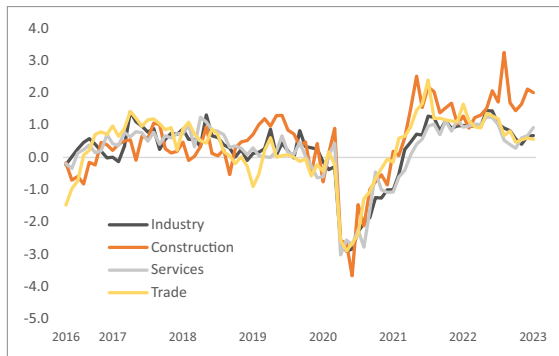
Notes: \*The chart shows standardised series, to correct the changes in averages and in standard deviations of the respective confidence indicators.

**Services Confidence Indicator (SCI)** increased for the fourth month in a row, up by 4.3 percentage points in January 2023. As a result, its level remained significantly above its historical average, by around 13.2 percentage points. The increase of SCI was supported by more optimistic assessment on the *current business performance* and the level of the *demand*. Services-related businesses have not recorded significant changes of their assessment on *employment situation* compared to the previous months. Their expectations for *prices in the future* are revised upwards (Table 2 - Services).

**Trade Confidence Indicator (TCI)** fell by 1.1 percentage points in January 2023, but remained 1.2 percentage points above the average level. Businesses operating in the trade sector have assessed downward the *current performance of their business* and *employment expectations* (Table 2 - Trade). In addition, expectations for *prices in the future* were assessed downwards.

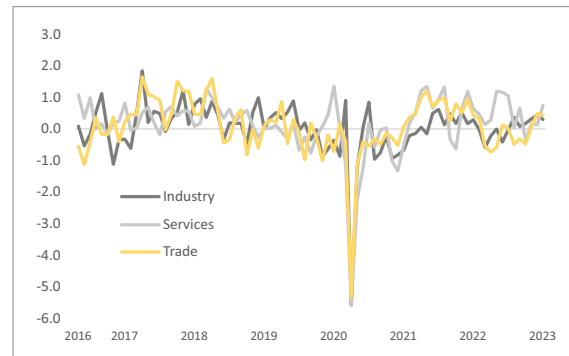
**Consumer Confidence Indicator (CCI)** continued to improve for the fourth consecutive month, further approaching its historical average. Its level increased by 0.9 percentage point in January 2023, remaining around 4 points below the historical average. The increase of CCI reflected the more optimistic expectations regarding the *economic and financial situation*, as well as *major purchases in the future* (Chart 2). On the other hand, assessment on *major purchases in the past months* has been downward. Expectations on the overall future *price level* have been revised upwards in this month.

Chart 3 Business situation by sector over the past three months



Source: Bank of Albania.

Chart 4 Business expectations over the next three months



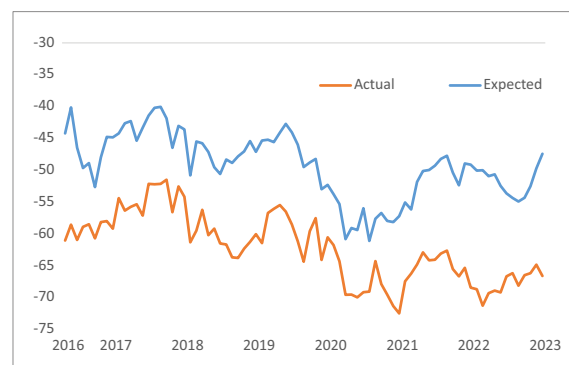
Source: Bank of Albania.

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				2023	Current situation	
	min.	ave.	max.	Sept.	October	November	December	January	Conjectural**	Structural***
Industry	-59.6	-11.1	6.0	-2.4	-6.9	-10.3	-7.2	-8.5	↓	+
Construction	-57.5	-25.9	-5.2	-10.8	-18.1	-10.6	-5.2	-8.6	↓	++
Services	-45.3	7	26.2	10.6	10.7	14.7	15.9	20.2	↑	+
Trade	-31.8	-1.4	17.8	3.0	0.8	1.7	3.6	2.6	↓	+
Consumer	-39.8	-26.6	-16.3	-35.7	-34.9	-33.6	-31.8	-30.9	↑	-

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									2023
	May	June	July	August	Sept.	October	November	Dec.	Jan.	
<b>INDUSTRY</b>										
Production over the past three months (question 1, ICI component)	28.1	28.0	20.6	18.4	16.9	12.3	9.3	13.7	14.2	
Order books (question 2, ICI component)	-14.1	-2.8	-8.4	-9.7	-8.1	-14.1	-17.5	-16.0	-17.8	
Export order books (question 3, ICI component)	-17.2	-8.5	-6.9	-16.9	-15.9	-18.8	-22.6	-19.3	-21.9	
Stock of finished product (question 4)	-5.9	-6.1	-6.2	-6.8	-0.3	-1.3	-3.8	-5.1	-2.3	
Production, expectation (question 5)	30.1	25.6	29.8	34.2	31.0	32.1	33.7	35.0	33.4	
Selling prices, expectation (question 6)	50.2	50.6	50.7	30.6	47.7	35.8	31.1	27.5	30.3	
Employment, expectation (question 7)	17.8	14.6	13.4	9.7	9.4	10.8	7.1	6.6	6.8	
<b>Construction</b>										
Construction activity over the past three months (question 1, BCI component)	4.4	10.7	6.7	24.4	6.4	3.6	5.9	11.3	10.0	
Order books (question 3, BCI component)	-31.5	-28.1	-29.2	-34.7	-27.9	-39.8	-27.1	-21.6	-27.2	
Employment, expectation (question 4)	5.3	7.5	4.8	21.6	12.1	7.7	16.9	7.8	11.2	
Prices, expectation (question 5)	33.0	46.6	41.1	39.6	38.6	43.1	44.2	32.6	24.8	
<b>SERVICES</b>										
Business situation over the past three months (question 1, SCI component)	25.5	25.1	21.4	13.2	11.0	9.1	14.4	15.7	19.8	
Demand over the past three months (question 2, SCI component)	27.0	27.1	16.5	12.4	10.3	12.3	14.9	16.1	20.6	
Demand, expectation (question 3)	36.7	36.5	35.3	24.9	31.2	20.8	26.2	26.0	32.1	
Employment over the past three months (question 4)	10.0	21.1	4.9	6.3	3.6	5.5	4.1	5.1	10.5	
Employment, expectation (question 5)	12.7	6.2	7.6	8.6	14.8	5.5	7.9	6.1	6.2	
Prices, expectation (question 6)	44.4	35.0	34.2	24.7	27.0	30.0	20.5	20.6	23.6	
<b>TRADE</b>										
Business situation over the past three months (question 1, TCI component)	14.1	12.8	11.3	2.7	5.2	-0.6	0.6	1.6	0.8	
Inventories situation (question 2)	5.0	1.4	0.5	5.1	0.8	1.0	3.0	3.0	2.0	
Future orders, expectations	13.3	15.7	21.1	11.9	11.9	14.6	17.9	21.9	23.9	
Business performance, expectations (question 4)	14.5	23.4	22.1	15.7	17.9	15.8	22.9	28.0	27.3	
Employment, expectation (question 5, TCI component)	3.8	2.8	1.7	0.5	0.8	2.1	2.8	5.7	4.3	
Prices, expectation (question 6)	45.4	39.1	43.5	36.8	41.4	31.0	28.6	24.9	22.6	
<b>CONSUMER</b>										
Current financial situation (question 1)	-17.8	-18.4	-19.8	-15.8	-19.0	-21.3	-20.0	-20.4	-16.7	
Financial situation, expectation (question 2, CCI component)	-6.3	-5.1	-7.1	-4.3	-4.3	-5.5	-3.8	-3.4	-2.6	
Current economic situation (question 3)	-31.2	-29.5	-32.2	-30.2	-32.1	-32.3	-31.7	-30.4	-27.9	
Economic situation, expectation (question 4, CCI component)	-10.4	-12.6	-12.5	-6.3	-15.4	-13.3	-12.0	-9.2	-7.1	
Current prices (question 5)	50.5	51.4	53.4	51.7	49.4	53.7	48.9	46.5	49.2	
Prices, expectation (question 6)	3.5	5.9	2.7	0.1	3.4	2.9	-3.4	-10.4	-1.6	
Unemployment, expectation (question 7)	10.6	10.2	10.3	9.3	12.5	14.5	8.5	10.9	9.8	
Current major purchases (question 8, CCI component)	-68.9	-69.2	-66.6	-66.2	-68.1	-66.5	-66.1	-64.8	-66.6	
Major purchases, expectations (question 9, CCI component)	-50.6	-52.4	-53.6	-54.3	-54.9	-54.3	-52.5	-49.7	-47.4	
Current savings (question 10)	-47.2	-48.0	-49.3	-48.4	-49.6	-48.2	-48.1	-42.5	-48.8	
Savings, expectation (question 11)	-45.8	-46.3	-45.7	-44.3	-44.7	-44.4	-42.2	-41.1	-41.8	
Situation of income and expenses (question 12)	0.1	0.1	1.7	2.4	1.1	1.1	2.0	1.4	1.3	

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.