



Bank of Albania
Monetary Policy Department



European Commission*

BUSINESS AND CONSUMER CONFIDENCE SURVEY

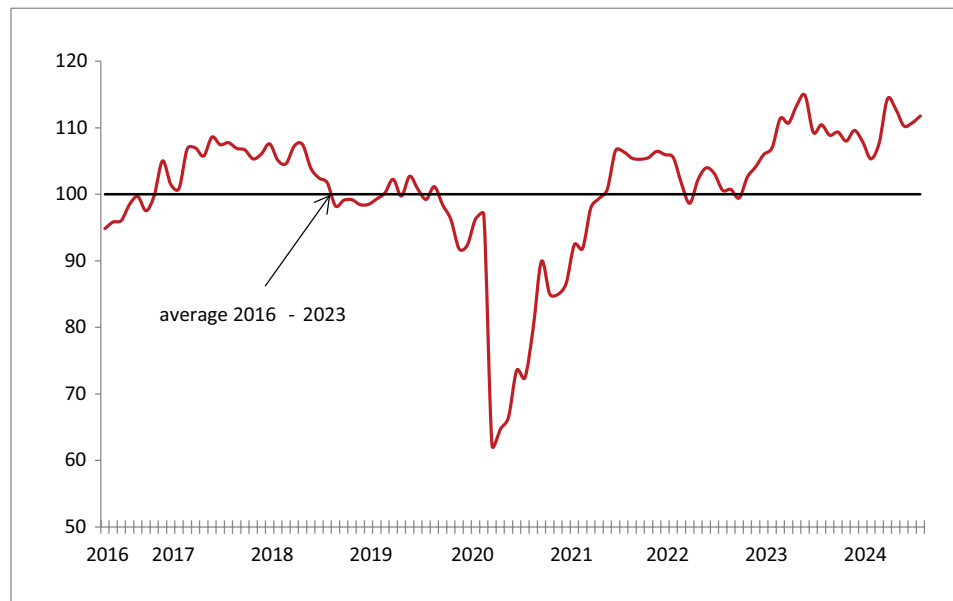
2 SEPTEMBER 2024

** Confidence surveys are co-funded by the European Union and Bank of Albania. In May 2016, they moved under the Harmonised EC Programme of Business and Consumer Confidence Survey.*

BUSINESS AND CONSUMER CONFIDENCE SURVEY

In August 2024, the **Economic Sentiment Indicator (ESI)** increased by around 1.0 point. The current level of ESI stands around 12 points above the historical average (Chart 1). ESI improved in August mainly as a result of higher confidence in the sectors of *trade, industry and construction*, and less by the rise in *consumer confidence*. On the contrary, confidence in the sector of *services* provided a negative contribution (Chart 2).

Chart 1 Economic Sentiment Indicator, ESI (long-term average = 100)

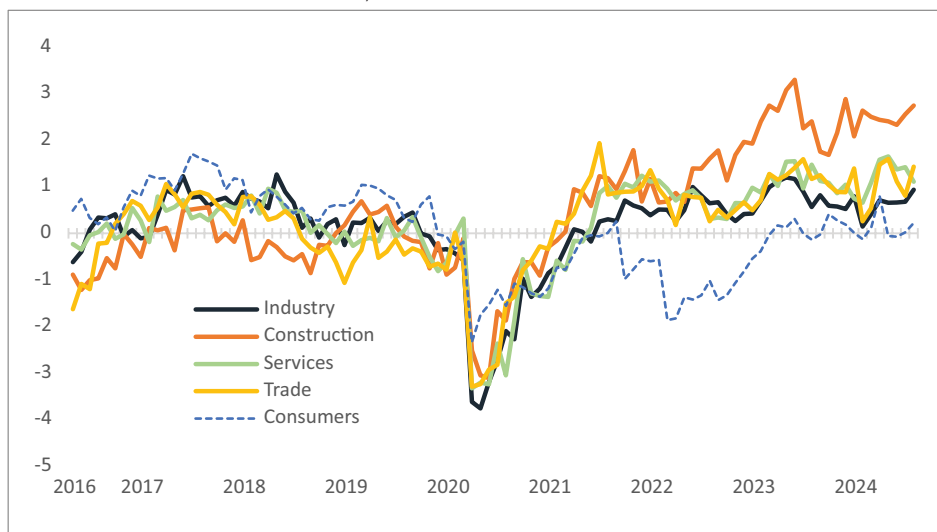


Source: Business and Consumer Confidence Survey, Bank of Albania.

Industry Confidence Indicator (ICI) was up by 3.4 percentage points in August 2024, standing around 11 percentage points above the historical average (Chart 2). ICI's increase mainly reflected the more optimistic businesses' assessments for the *level of new order books* and for the current *industrial production*. Meanwhile, business operating in industry sector slightly decreased their expectations on *industrial production* and *employment* for the future. Expectations on selling *prices* in the future edged up compared to the previous month (Table 2 - Industry).

Construction Confidence Indicator (BCI) rose by 2.0 percentage points in August. The current level of BCI stands 24 points above the historical average and close to the historical maximum (Chart 2). The positive appraisals on the *current construction activity* underpinned the BCI's upsurge. The level of *new order books* went down. Businesses operating in construction inched down their expectations on selling *prices* for the future (Table 2 - Construction).

Chart 2 Confidence indicators by sector*



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

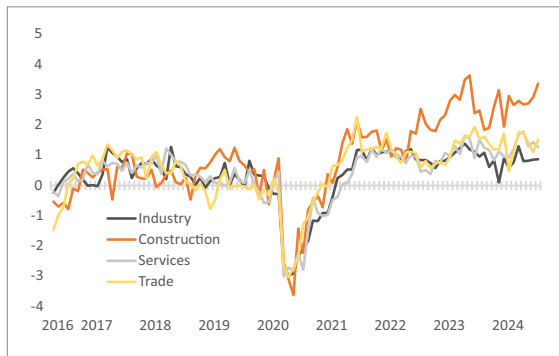
Note: *The chart shows standardised series, to correct the changes in averages and in standard deviations of the respective confidence indicators.

Services Confidence Indicator (SCI) dropped by around 5 percentage points in August 2024. However, the current level of SCI stands around 1.4 percentage points above the historical average (Chart 2). The non-optimistic assessments of businesses on both the *current performance of their business* and the *current level of the demand* determined the fall of SCI. Expectations of businesses for the *demand* in the future inched down in August. Services-related businesses have revised up the performance of *prices* in the future (Table 2 - Services).

Trade Confidence Indicator (TCI) expanded by around 6 percentage points in August, driven mainly by the positive appraisals on the *current performance* of business and expectations on the *employment*. Businesses operating in trade sector expect an increase of *business performance* in the near future. The current level of TCI stands close to the highest historical value (Chart 2). Expectations for *prices* in the future have been increasing (Table 2 - Trade).

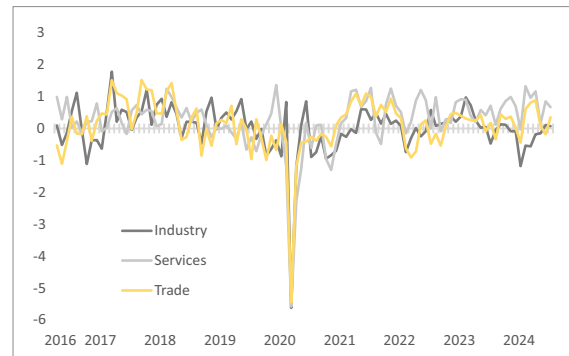
Consumer Confidence Indicator (CCI) continued trending upward in August 2024. Its current level is 1.2 percentage points higher compared to the previous month and stands 1.3 percentage points above the historical average. (Chart 2). The constituent components of CCI contributed positively in the expansion of the indicator. In August 2024, the more optimistic expectations on both their *financial situation* and the *overall economic situation* in Albania mainly determined the value of CCI. In addition, the current and expected balances on *major purchases* are revised slightly up (Table 2 - Consumer).

Chart 3 Business situation by sector over the past three months



Source: Bank of Albania

Chart 4 Business expectations over the next three months



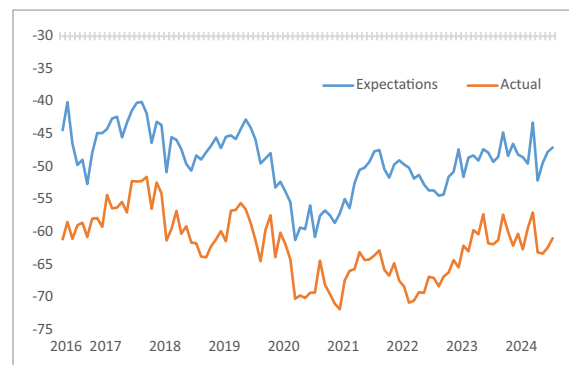
Source: Bank of Albania

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.	av.	max.	April	May	June	July	August	Conjectural**	Structural***
Industry	-60.9	-9.1	5.7	-1.6	-2.4	-2.3	-2.0	1.4	↑	+
Construction	-58.4	-20.7	8.6	-0.4	-0.7	-1.5	0.8	2.8	↑	++
Services	-45.6	10.7	33.2	32.0	33.2	28.8	29.5	24.6	↓	+
Trade	-33.2	0.8	17.4	12.9	14.1	9.4	6.5	12.5	↑	++
Consumer	-40.8	-26.6	-16.3	-21.8	-27.0	-27.1	-26.5	-25.3	↑	+

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							
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.
INDUSTRY									
Production over the past three months (question 1, ICI component)	3.7	18.3	12.6	16.1	25.7	16.7	17.0	17.6	17.8
Order books (question 2, ICI component)	-3.3	-8.2	-9.1	-11.8	-6.7	-8.2	-8.4	-6.6	-1.6
Export order books (question 3, ICI component)	-12.7	-11.5	-30.8	-21.2	-23.9	-15.6	-15.4	-17.1	-12.2
Stock of finished product (question 4)	-2.1	-2.8	-6.6	-3.8	-0.5	0.1	3.7	5.5	2.6
Production, expectations (question 5)	29.2	29.3	17.2	24.2	24.0	28.2	28.5	31.3	31.0
Selling prices, expectation (question 6)	20.5	14.9	10.7	10.4	10.3	5.9	8.4	9.8	13.2
Employment, expectation (question 7)	8.5	9.5	2.9	2.0	9.2	5.1	0.6	6.1	5.6
CONSTRUCTION									
Construction activity over the past three months (question 1, BCI component)	24.3	10.0	22.0	18.5	20.2	18.7	19.1	21.6	26.9
Order books (question 3, BCI component)	-15.8	-18.2	-18.6	-18.0	-20.9	-20.1	-22.1	-19.9	-21.3
Employment, expectation (question 4)	17.1	11.9	26.9	16.2	16.3	12.3	14.0	16.9	16.5
Prices, expectation (question 5)	19.4	14.9	17.2	12.9	14.2	15.3	11.1	16.4	15.4
SERVICES									
Business situation over the past three months (question 1, SCI component)	23.4	20.6	19.9	24.9	32.9	34.6	26.3	28.7	25.7
Demand over the past three months (question 2, SCI component)	23.7	17.0	15.0	23.5	31.2	31.8	31.2	30.4	23.5
Demand, expectation (question 3)	34.7	31.7	24.2	38.2	34.4	36.6	26.1	33.3	31.4
Employment over the past three months (question 4)	8.9	3.6	4.7	11.5	6.2	10.3	13.3	14.7	7.8
Employment, expectation (question 5)	13.1	8.4	12.0	13.7	15.4	11.1	12.2	11.2	10.6
Prices, expectation (question 6)	19.2	14.8	10.3	5.0	8.7	6.2	8.9	3.9	10.3
TRADE									
Business situation over the past three months (question 1, TCI component)	11.9	20.4	-0.3	10.0	21.2	20.7	15.5	10.3	16.9
Inventories situation (question 2)	3.7	11.0	6.6	4.7	6.1	4.2	5.4	6.8	0.0
Future orders, expectation (question 3)	23.0	16.2	16.8	27.6	25.8	29.9	24.0	22.1	21.6
Business performance, expectation (question 4)	26.6	22.2	16.4	29.5	32.2	33.1	23.0	19.6	26.4
Employment, expectation (question 5, TCI component)	2.5	3.8	2.6	-2.3	4.7	7.5	3.4	2.7	8.1
Prices, expectation (question 6)	14.5	3.9	4.4	0.1	0.0	2.6	6.5	5.4	7.5
CONSUMER									
Current financial situation (question 1)	-10.0	-11.1	-13.7	-9.8	-4.6	-7.4	-8.7	-7.7	-6.9
Financial situation, expectation (question 2, CCI component)	3.8	1.9	1.3	2.1	7.6	4.4	3.0	2.5	3.0
Current economic situation (question 3)	-18.9	-18.7	-17.8	-16.7	-10.1	-12.1	-13.8	-13.7	-12.8
Economic situation, expectation (question 4, CCI component)	2.7	0.1	0.2	3.0	5.2	2.8	1.3	1.5	3.6
Current prices (question 5)	44.5	47.1	42.4	41.3	30.5	33.2	32.2	29.7	29.1
Prices, expectation (question 6)	-2.9	-3.2	-4.6	-3.3	-9.3	-4.2	-2.0	-5.6	-3.8
Unemployment, expectation (question 7)	3.7	-0.1	-0.6	-4.0	-3.8	-1.2	1.7	0.4	0.8
Current major purchases (question 8, CCI component)	-62.0	-60.2	-62.6	-59.3	-56.9	-63.1	-63.3	-62.3	-60.9
Major purchases, expectations (question 9, CCI component)	-46.5	-48.1	-48.5	-49.5	-43.2	-52.1	-49.4	-47.7	-47.0
Current savings (question 10)	-42.2	-42.3	-44.9	-43.3	-40.6	-45.5	-45.8	-44.2	-44.3
Savings, expectation (question 11)	-41.9	-40.9	-40.9	-39.7	-37.1	-40.2	-38.3	-38.2	-36.4
Situation of income and expenses (question 12)	3.1	3.8	2.3	4.4	6.6	2.8	3.0	2.4	3.6

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.

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.