



Bank of Albania
Monetary Policy Department



European Commission*

BUSINESS AND CONSUMER CONFIDENCE SURVEY

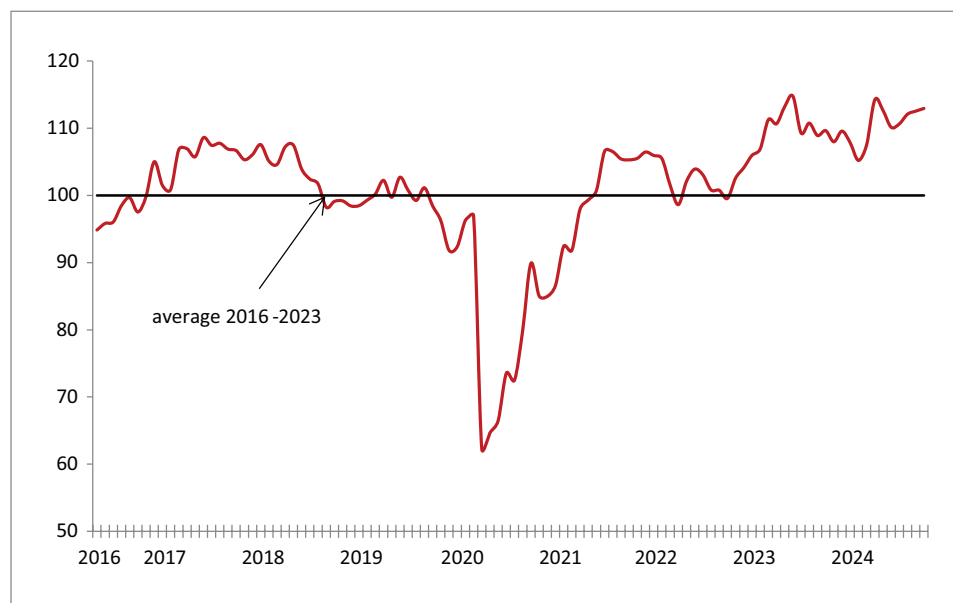
1 NOVEMBER 2024

** 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 October 2024, the **Economic Sentiment Indicator (ESI)** was slightly up, by 0.4 points. The current level of ESI stands around 13 points above the historical average (Chart 1). The improved ESI in October was mainly due to the higher confidence in the sector of *services*. Also, higher consumer confidence and the increased confidence in the *trade sector* provided their impact in this regard, though at a lower extent. On the other hand, confidence indicators in the sectors of *industry* and *construction* have declined compared to the previous month (Chart 2).

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

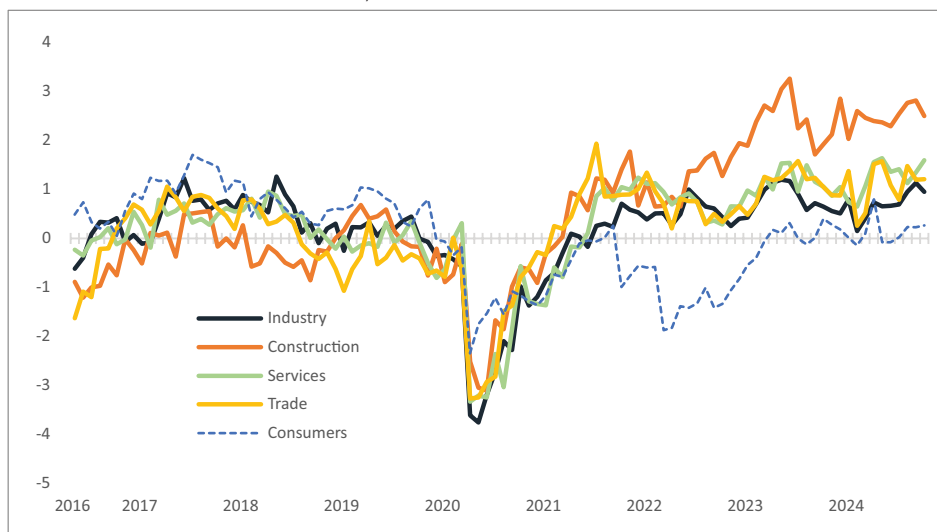


Source: Business and Consumer Confidence Survey, Bank of Albania.

Industry Confidence Indicator (ICI) dipped by 2.5 percentage points in October, standing around 10 percentage points above the historical average (Chart 2). The ICI was down this month mainly as businesses reported less optimistic appraisals on current *industrial production*, particularly concerning the *level of new order books*. In addition, businesses operating in industry sector are not optimistic regarding the level of *industrial production* for the future. Expectations on *selling prices* in the future slightly decreased compared to the previous month (Table 2 - Industry).

Construction Confidence Indicator (BCI) contracted by 3.3 percentage points in October. Though, the current BCI's level stands 23 points above the historical average and close to the historical maximum (Chart 2). The decline of the BCI in October was driven by both of its components: assessments of *current construction business* and the level of *new order books*. Expectations for selling prices in the future also edged down (Table 2 - Construction).

Chart 2 Confidence indicators by sector*



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

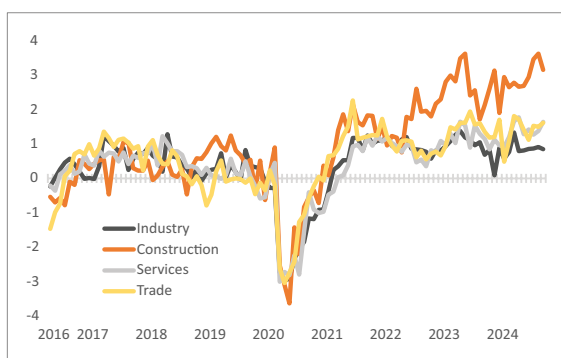
Note: *The chart shows standardised series, to correct the changes in averages and in standard deviations of the respective confidence indicators.

Services Confidence Indicator (SCI) rose by 4 percentage points in October, determining the overall increase of the indicator. The current level of SCI stands 19 percentage points above the historical average (Chart 2). The SCI increased mainly on the back of more positive balances regarding the *current performance of their activity* and the *current level of the demand*. Services-related businesses have revised down the performance of *prices in the future* (Table 2 - Services).

Trade Confidence Indicator (TCI) was up by 0.1 percentage point in October, mainly resulting from more optimistic appraisals on the *current business performance*. The current level of TCI stands around 10 percentage points above the historical average (Chart 2). Expectations on *future employment* had a diminishing impact on the TCI. As regards expectations on *future selling prices*, businesses operating in the trade sector have reported higher assessments (Table 2 - Trade).

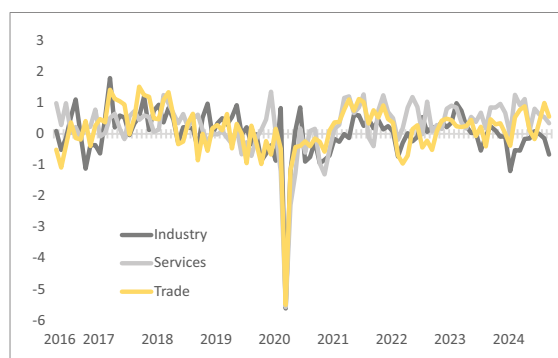
Consumer Confidence Indicator (CCI) picked up by 0.2 percentage points during October, continuing the slightly upward trend of the previous months. CCI stands 1.6 percentage points above the historical average (Chart 2). Although the components of the CCI provided contributions at opposite directions, their aggregate effect was positive. Meanwhile, expectations on the *economic situation* and those regarding *major purchases* expanded in October, consumers' expectations on *unemployment in the future* declined (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



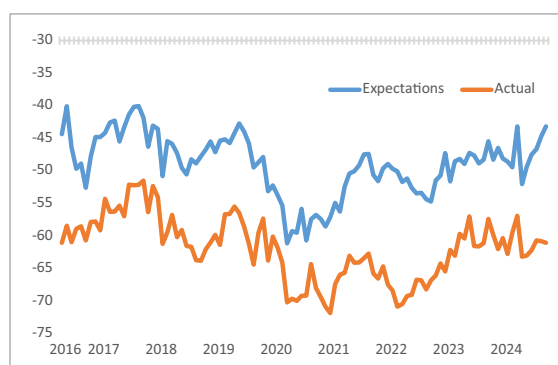
Source: Bank of Albania

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			2024					Current situation	
	min.	ave.	max.	June	July	August	September	October	Conjectural**	Structural***
Industry	-60.9	-8.9	5.7	-2.2	-1.9	1.6	4.0	1.6	↓	+
Construction	-58.4	-20.3	8.4	-1.8	0.8	3.2	3.7	0.3	↓	++
Services	-45.7	11.1	33.0	28.6	29.5	24.9	28.4	32.4	↑	++
Trade	-32.9	0.9	17.4	9.2	6.3	12.9	10.3	10.4	↑	+
Consumer	-40.8	-26.5	-16.3	-27.1	-26.5	-25.2	-25.2	-25.0	↑	=

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)*

	2024								
	February	March	April	May	June	July	August	September	October
INDUSTRY									
Production over the past three months (question 1, ICI component)	12.4	15.9	26.4	16.4	16.8	17.6	17.9	18.6	17.5
Order books (question 2, ICI component)	-9.0	-11.7	-6.7	-8.2	-8.4	-6.6	-1.6	-1.8	-5.4
Export order books (question 3, ICI component)	-30.7	-20.8	-23.4	-15.3	-15.1	-16.6	-11.6	-4.7	-7.4
Stock of finished product (question 4)	-6.4	-3.7	-0.3	0.3	3.7	5.3	1.5	1.4	-7.0
Production, expectations (question 5)	16.9	24.3	24.2	28.3	28.5	31.1	30.1	28.6	22.8
Selling prices, expectation (question 6)	10.8	10.6	10.4	6.0	8.5	10.0	14.0	16.6	15.4
Employment, expectation (question 7)	2.8	1.8	10.0	4.8	0.4	6.0	5.4	5.3	5.1
CONSTRUCTION									
Construction activity over the past three months (question 1, BCI component)	21.8	18.3	19.9	18.5	18.8	21.8	28.0	29.9	24.3
Order books (question 3, BCI component)	-19.0	-18.4	-21.4	-20.5	-22.4	-20.2	-21.6	-22.6	-23.7
Employment, expectation (question 4)	26.6	15.9	15.9	12.0	14.0	17.0	17.0	18.6	17.8
Prices, expectation (question 5)	17.4	13.0	14.3	15.6	10.8	15.9	14.5	10.3	6.7
SERVICES									
Business situation over the past three months (question 1, SCI component)	19.8	24.7	32.6	34.5	26.1	28.5	26.0	27.7	32.2
Demand over the past three months (question 2, SCI component)	14.9	23.4	30.9	31.5	31.1	30.4	23.8	29.0	32.5
Demand, expectation (question 3)	24.1	37.5	34.0	36.1	25.6	32.9	31.0	30.1	28.0
Employment over the past three months (question 4)	4.6	11.3	6.0	10.3	13.5	15.4	8.3	18.3	14.0
Employment, expectation (question 5)	11.9	13.7	15.3	10.9	12.0	11.1	10.4	11.2	7.3
Prices, expectation (question 6)	10.6	5.2	8.7	6.7	8.9	3.9	10.1	9.6	9.1
TRADE									
Business situation over the past three months (question 1, TCI component)	-0.3	9.8	22.1	20.4	15.3	10.4	17.3	16.8	18.8
Inventories situation (question 2)	6.6	4.6	5.8	3.9	4.9	6.4	0.1	-0.8	-0.1
Future orders, expectation (question 3)	16.6	27.3	25.4	29.7	24.1	22.4	21.9	25.9	22.5
Business performance, expectation (question 4)	17.1	28.7	31.7	33.1	23.3	19.8	27.0	34.5	29.0
Employment, expectation (question 5, TCI component)	2.6	-2.4	4.5	7.4	3.1	2.3	8.6	3.7	2.0
Prices, expectation (question 6)	4.6	0.8	-0.1	2.9	6.9	4.4	5.9	1.1	2.7
CONSUMER									
Current financial situation (question 1)	-13.8	-9.8	-4.6	-7.5	-8.8	-7.8	-6.9	-7.0	-6.1
Financial situation, expectation (question 2, CCI component)	1.3	2.0	7.7	4.3	3.0	2.4	2.9	2.7	2.2
Current economic situation (question 3)	-17.8	-16.7	-10.0	-12.1	-13.8	-13.9	-12.9	-14.5	-11.7
Economic situation, expectation (question 4, CCI component)	0.0	2.7	5.1	2.5	1.1	1.3	3.5	1.8	1.9
Current prices (question 5)	42.4	41.2	30.3	33.1	32.1	29.7	29.0	24.7	28.4
Prices, expectation (question 6)	-4.3	-2.9	-10.1	-3.8	-1.9	-5.8	-5.0	-10.5	-10.5
Unemployment, expectation (question 7)	-0.5	-3.8	-3.6	-1.1	1.5	0.1	0.2	0.4	-0.4
Current major purchases (question 8, CCI component)	-62.8	-59.5	-56.9	-63.2	-63.0	-62.2	-60.7	-60.8	-61.1
Major purchases, expectations (question 9, CCI component)	-48.6	-49.4	-43.2	-52.0	-49.4	-47.5	-46.7	-44.7	-43.2
Current savings (question 10)	-45.1	-43.4	-40.4	-45.7	-45.9	-44.1	-44.0	-43.7	-41.6
Savings, expectation (question 11)	-41.2	-39.9	-36.9	-40.4	-38.5	-38.3	-36.4	-36.2	-39.0
Situation of income and expenses (question 12)	2.2	4.2	6.6	2.7	3.1	2.7	4.2	5.8	6.3

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 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.