



Bank of Albania
Monetary Policy Department



European Commission*

BUSINESS AND CONSUMER CONFIDENCE SURVEY

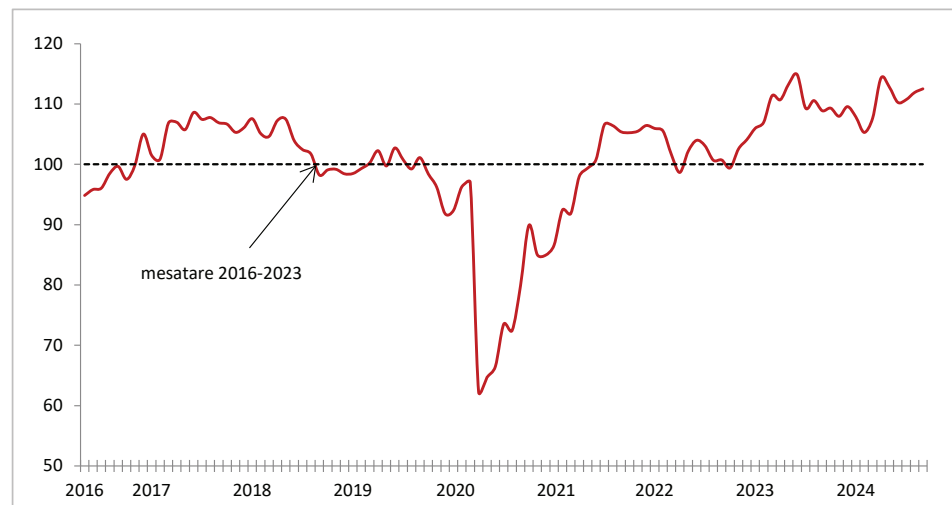
1 OCTOBER 2024

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BUSINESS AND CONSUMER CONFIDENCE SURVEY

In September 2024, the **Economic Sentiment Indicator (ESI)** rose by 0.6 points, similar to the average expansion in the two previous months. The current level of ESI stands around 12 percentage points above the historical average (Chart 1). The higher ESI in this month was driven by the enhanced confidence among the sectors of industry, construction and services. On the other hand, confidence in the trade sector was slightly down, while consumer confidence remained unchanged from the previous month (Chart 2).

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

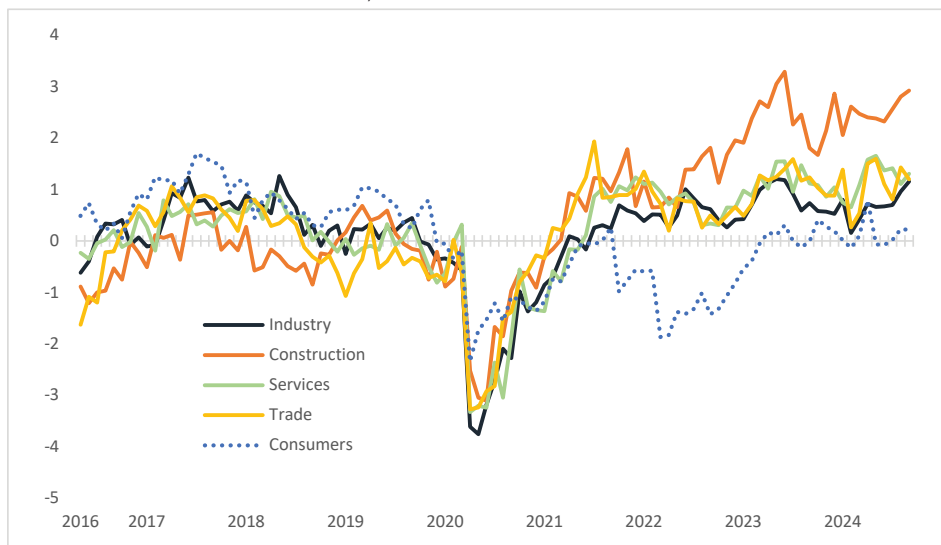


Source: Business and Consumer Confidence Survey, Bank of Albania.

Industry Confidence Indicator (ICI) was up by 2.5 percentage points in September 2024, for the fourth month in a row. Its current level stands around 14 percentage points above the historical average. ICI picked up on the back of the more positive businesses' appraisals for the current industrial production and the more optimistic expectations on the export order books form. Businesses operating in industry sector have revised expectations on prices in the future upward compared to the previous month (Table 2 - Industry).

Construction Confidence Indicator (BCI) edged up by 1.2 percentage points in September 2024. Its level continues to stand above the historical average, by around 27 points (Chart 2). The increase in BCI was mainly due to the more optimistic appraisals on the current construction activity. Businesses operating in construction increased slightly expectations on employment, while decreasing selling price expectations 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) increased by 3.1 percentage points in September 2024. Its indicator - despite the monthly fluctuations - stands above the historical average by 18 percentage points (Chart 2). SCI rose as a result of the more optimistic assessments of services-related business on the current performance of their activity and the current level of the demand. In addition, expectations on employment in the future are revised up. Businesses have revised slightly down the performance of selling prices in the future (Table 2 - Services).

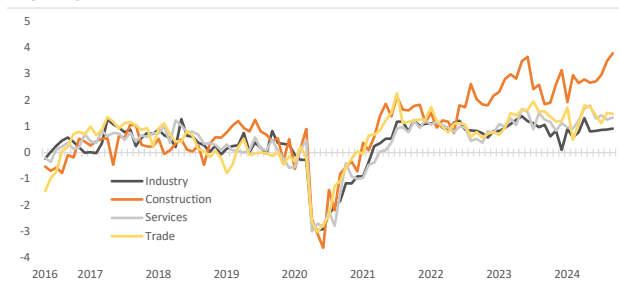
In September 2024, **Trade Confidence Indicator (TCI)** inched down by 2.3 percentage points, after increasing by 6.1 percentage points one month ago. The current level of TCI stands about 10 points above the historical average (Chart 2). The monthly decline owned mainly to the decreasing expectations on the employment level in the future. Also, the views on their current business performance affected this fall, though at a lesser extent. Trade-related businesses assessed expectations on prices for the future as downwards (Table 2 - Trade).

Consumer Confidence Indicator (CCI) remained unchanged in September 2024 compared to a month earlier, standing 1.3 percentage points above the historical average (Chart 2). As movements in opposite directions of CCI composing balances were offset, the level of aggregated indicator remained unchanged. In September 2024, consumers increased expectations on employment in the future (Table 2 - Consumer).

Indicators of quarterly frequency¹ display a continuing improved financial situation of businesses in the third quarter as well. In 2024 Q3, their capacity utilization rate has decreased slightly compared to the previous quarter. Both indicators stand significantly above their respective historical averages.

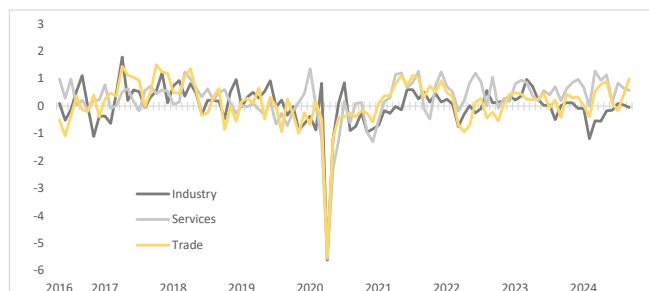
¹ Questions on the capacity utilization rate and the financial situation have a quarterly frequency data. They are included the questionnaires in March, June, September and December.

Chart 3 Business situation by sector over the past three months



Source: Bank of Albania.

Chart 4 Business expectations over the next three months



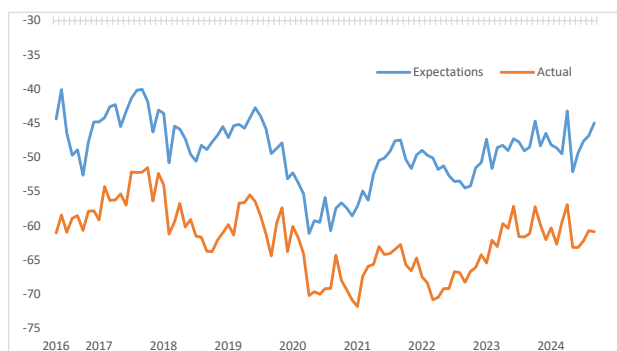
Source: Bank of Albania.

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.	May	June	July	August	September	Conjectural**	Structural***
Industry	-60.9	-9.7	5.7	-2.3	-2.1	-1.8	1.7	4.3	↑	++
Construction	-58.4	-22.5	8.6	-0.9	-1.5	1.0	3.5	4.8	↑	++
Services	-45.6	9.4	33.2	33.2	28.8	29.4	24.6	27.7	↑	++
Trade	-33.0	0.0	17.4	14.1	9.4	6.4	12.5	10.2	↓	+
Consumer	-40.8	-26.6	-16.3	-27.0	-27.1	-26.5	-25.3	-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)*

	2024								
	January	February	March	April	May	June	July	August	September
INDUSTRY									
Production over the past three months (question 1, ICI component)	18.3	12.6	16.2	26.0	16.7	17.0	17.7	18.0	18.7
Order books (question 2, ICI component)	-8.1	-8.9	-11.6	-6.5	-8.1	-8.2	-6.5	-1.4	-1.5
Export order books (question 3, ICI component)	-11.4	-30.6	-21.1	-23.9	-15.6	-15.2	-16.6	-11.4	-4.4
Stock of finished product (question 4)	-2.7	-6.5	-3.7	-0.3	0.2	3.6	5.3	2.1	1.8
Production, expectations (question 5)	29.3	17.0	24.2	24.0	28.2	28.5	31.2	30.6	29.6
Selling prices, expectation (question 6)	14.1	10.5	10.4	10.2	5.6	8.1	9.6	14.3	18.2
Employment, expectation (question 7)	8.9	2.8	1.8	9.8	4.9	0.4	7.1	5.3	5.3
CONSTRUCTION									
Construction activity over the past three months (question 1, BCI component)	9.7	21.9	18.3	19.9	18.5	19.1	22.0	28.3	31.8
Order books (question 3, BCI component)	-18.3	-18.8	-18.2	-21.3	-20.3	-22.2	-19.9	-21.2	-22.2
Employment, expectation (question 4)	11.8	26.8	16.0	16.1	12.2	14.1	17.1	17.0	18.7
Prices, expectation (question 5)	14.9	17.3	13.0	14.3	15.4	10.9	16.1	14.9	11.1
SERVICES									
Business situation over the past three months (question 1, SCI component)	20.6	19.9	25.0	32.9	34.7	26.3	28.4	25.6	26.9
Demand over the past three months (question 2, SCI component)	17.1	15.0	23.5	31.2	31.8	31.2	30.4	23.6	28.5
Demand, expectation (question 3)	31.6	24.5	37.7	34.2	36.3	25.9	33.2	31.3	30.5
Employment over the past three months (question 4)	3.5	4.5	11.2	5.9	10.2	13.5	15.6	8.6	18.6
Employment, expectation (question 5)	8.4	11.9	13.7	15.4	11.1	12.1	11.3	10.6	11.6
Prices, expectation (question 6)	14.9	10.5	5.2	8.7	6.3	8.9	3.9	10.3	9.7
TRADE									
Business situation over the past three months (question 1, TCI component)	20.4	-0.2	10.1	21.8	20.7	15.4	10.3	17.0	16.3
Inventories situation (question 2)	10.9	6.6	4.6	5.9	4.0	5.0	6.4	0.3	-0.7
Future orders, expectation (question 3)	16.1	16.6	27.4	25.5	29.8	24.1	22.4	22.0	25.9
Business performance, expectation (question 4)	22.2	17.1	28.8	31.9	33.3	23.4	19.9	27.0	34.5
Employment, expectation (question 5, TCI component)	3.7	2.6	-2.4	4.6	7.5	3.3	2.5	8.0	4.2
Prices, expectation (question 6)	3.7	4.6	0.5	-0.4	2.7	6.8	4.5	6.1	1.3
CONSUMER									
Current financial situation (question 1)	-11.1	-13.7	-9.8	-4.6	-7.5	-8.7	-7.8	-6.9	-7.0
Financial situation, expectation (question 2, CCI component)	1.9	1.3	2.1	7.6	4.4	3.0	2.4	2.9	2.7
Current economic situation (question 3)	-18.8	-17.8	-16.6	-10.2	-12.1	-13.6	-13.9	-13.0	-14.8
Economic situation, expectation (question 4, CCI component)	0.3	0.1	2.9	5.1	2.7	1.2	1.4	3.5	1.8
Current prices (question 5)	47.1	42.4	41.2	30.2	33.2	32.2	29.6	28.8	24.3
Prices, expectation (question 6)	-3.2	-4.5	-3.2	-9.4	-4.1	-2.1	-5.8	-4.8	-10.2
Unemployment, expectation (question 7)	-0.1	-0.4	-3.8	-3.7	-1.2	1.6	0.3	0.5	0.9
Current major purchases (question 8, CCI component)	-60.3	-62.7	-59.5	-56.9	-63.1	-63.2	-62.2	-60.7	-60.9
Major purchases, expectations (question 9, CCI component)	-48.2	-48.6	-49.5	-43.2	-52.1	-49.4	-47.6	-46.8	-45.0
Current savings (question 10)	-42.3	-45.1	-43.4	-40.5	-45.6	-45.8	-44.1	-44.2	-43.9
Savings, expectation (question 11)	-40.9	-41.0	-39.7	-37.1	-40.2	-38.3	-38.2	-36.3	-36.0
Situation of income and expenses (question 12)	3.8	2.2	4.3	6.6	2.7	3.1	2.6	4.1	5.4

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.