Bank of Albania
Monetary Policy Department

European Commission*

BUSINESS AND CONSUMER CONFIDENCE SURVEY

## 3 FEBRUARY 2025

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In January 2025, the **Economic Sentiment Indicator (ESI)** decreased by 0.8 points. Despite this decline, the ESI score around 6 percentage points above the long-term average (Chart 1). The fall in the ESI was the result of the weaker confidence across all sectors, expect services. This sector provided a positive contribution to the aggregate economic indicator for January (Chart 2).

*Chart 1 Economic Sentiment Indicator, ESI (long-term average = 100)*
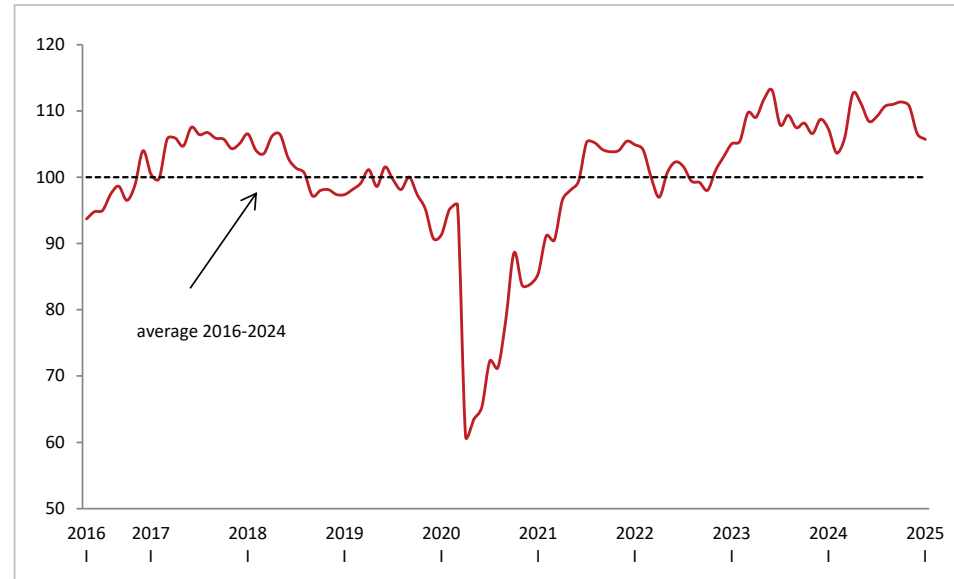
Source: Business and Consumer Confidence Survey, Bank of Albania.

Industry Confidence Indicator (ICI) continued the downward trend since 2024 Q3, down by 4.7 percentage points in January. Nonetheless, the ICI remains at around 2 percentage points above the long-term average (Chart 2). The ICI fell as businesses' appraisals on order books, particularly those relating to exports, were more pessimistic. The assessments on the current situation of industrial production have remained almost unchanged compared to the previous month. Inventories have gone slightly down according to businesses' assessments, after increasing in the previous two quarters. Expectations for prices in the future have declined somewhat compared to last month (Table 2 - Industry).

Construction Confidence Indicator (BCI) declined by 4.1 percentage points in January 2025. However, it remains considerably above the historical average (Chart 2). BCI fell as businesses' assessments on current construction activity were revised down. On the other hand, their assessments on order books were slightly up this month. In the meantime, expectations for employment and prices in the future increased (Table 2 - Construction).

Chart 2 Confidence indicators by sector*
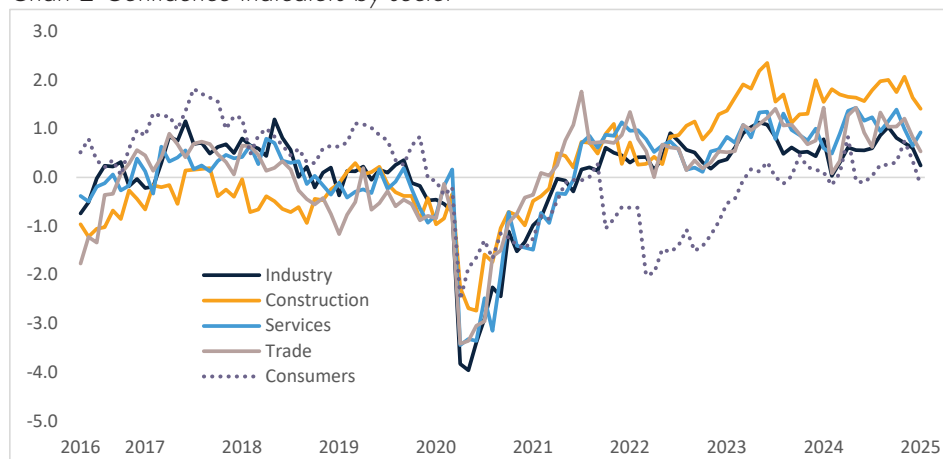
Services Confidence Indicator (SCI) rose by 4.4 percentage points in January. This indicator stands 13 percentage points above the historical average (Chart 2). SCI increased due to businesses reporting better assessments on the current performance of their activity and the current level of the demand. Likewise, expectations for employment in the future increased (Table 2- Services).

Trade Confidence Indicator (TCI) dropped by 2.9 percentage points in January 2025. TCI stands around 4.1 percentage points above the historical average (Chart 2). The more pessimistic assessment of businesses on their current performance was the main factor behind the decline in the TCI. Contrarily, expectations for future employment have continued to increase over the month. And expectations for prices in the future were revised down (Table 2 - Trade).

Consumer Confidence Indicator (CCI) declined by 3 percentage points in January, driving the indicator below the historical average for the first month since June 2024 (Chart 2). The fall of CCI in January 2025 reflected the weaker developments in all its constituent components. So, expectations on the overall economic situation, their financial situation in the future, and major purchases have all been revised down, whilst consumers increased their expectations for prices in the future (Table 2 - Consumers).

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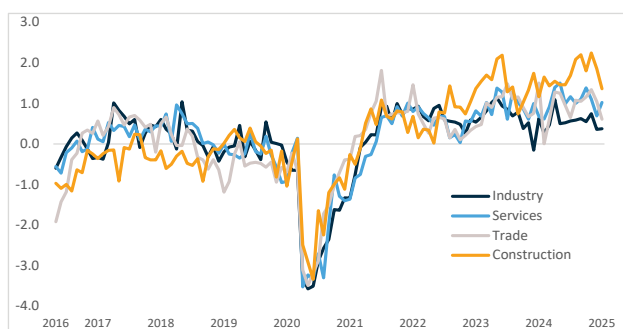
Source: Bank of Albania.

Chart 4 Business expectations over the next three months
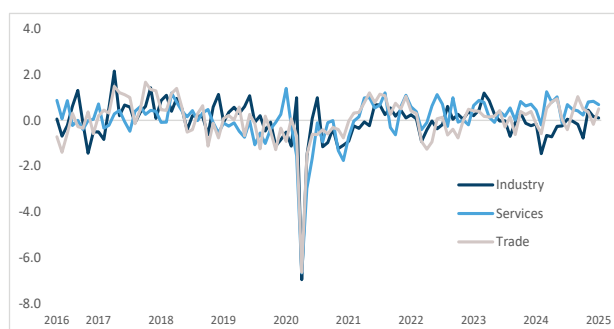
Source: Bank of Albania.

Chart 5 Expectations for unemployment and prices over the next 12 months, in balance
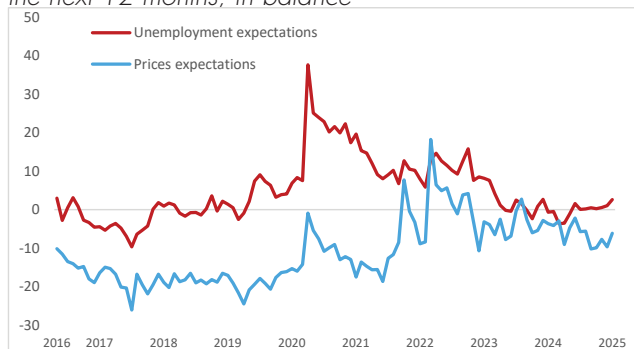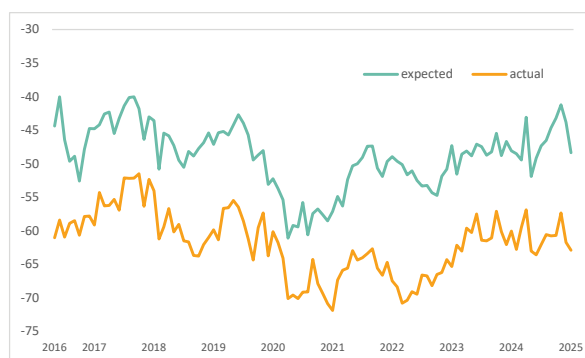

Source: Bank of Albania.

Chart 6 Major purchases of consumers, in balance

Source: Bank of Albania.

Table 1 Confidence indicators by sector*

	Values			2024				2025	Current situation	
	min.	ave.	max.	September	October	November	December	January	Conjectural**	Structural***
Industry	-60.8	-8.7	5.7	3.7	0.8	-0.5	-1.8	-6.5	↓	+
Construction	-58.4	-19.9	8.3	3.7	0.5	4.6	-1.1	-4.1	↓	++
Services	-45.8	11.3	32.4	28.0	31.8	25.4	19.8	24.2	↑	+
Trade	-33.3	1.1	17.2	10.2	10.2	11.8	8.1	5.2	↓	+
Consumer	-40.8	-26.5	-16.3	-25.2	-24.8	-22.4	-24.6	-27.6	↓	-

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								2025
	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
NDUSTRY									
Production over the past three months (question 1, ICI component)	16.2	16.6	17.3	17.7	18.3	17.1	20.4	13.9	14.2
Order books (question 2, ICI component)	-8.0	-8.8	-6.4	-1.6	-2.2	-6.3	-10.2	-9.0	-10.3
Export order books (question 3, ICI component)	-15.5	-15.3	-16.7	-11.6	-5.1	-8.5	-11.7	-10.3	-23.3
Stock of finished product (question 4)	-0.1	3.0	5.6	0.9	0.3	-7.2	-3.1	-0.1	-2.1
Production, expectations (question 5)	28.3	28.5	31.1	30.3	29.1	23.7	34.7	32.1	31.6
Selling prices, expectation (question 6)	6.3	8.7	10.1	14.4	16.9	13.1	12.3	12.2	11.8
Employment, expectation (question 7)	4.9	0.5	6.8	5.5	5.6	5.7	12.2	14.1	11.9
CONSTRUCTION									
Construction activity over the past three months (question 1, BCI component)	18.4	18.4	21.9	28.1	29.9	23.7	30.6	24.5	16.8
Order books (question 3, BCI component)	-20.6	-22.4	-20.1	-21.4	-22.5	-22.8	-21.5	-26.7	-25.0
Employment, expectation (question 4)	12.2	14.1	17.1	16.7	18.8	17.5	19.0	18.5	24.5
Prices, expectation (question 5)	15.7	10.5	15.5	14.1	10.2	8.5	4.8	16.9	17.4
SERVICES									
Business situation over the past three months (question 1, SCI component)	33.7	25.6	28.4	25.7	27.4	31.8	27.4	20.7	26.0
Demand over the past three months (question 2, SCI component)	31.1	30.7	30.1	23.5	28.5	31.7	23.4	18.9	22.4
Demand, expectation (question 3)	36.0	25.6	33.0	31.1	30.6	28.8	34.1	34.3	33.0
Employment over the past three months (question 4)	9.9	12.7	14.9	8.0	17.9	13.4	12.1	9.3	8.4
Employment, expectation (question 5)	10.8	11.8	10.9	10.1	10.8	7.0	5.9	8.4	9.0
Prices, expectation (question 6)	6.7	9.3	4.3	10.5	9.6	9.0	8.6	12.7	10.2
TRADE									
Business situation over the past three months (question 1, TCI component)	20.2	15.1	10.1	17.2	16.7	18.6	21.6	16.6	9.4
Inventories situation (question 2)	3.9	4.8	6.6	0.0	-0.9	-0.2	-2.7	1.0	0.1
Future orders, expectation (question 3)	29.4	23.8	23.0	21.9	26.0	22.4	22.9	16.1	22.1
Business performance, expectation (question 4)	33.4	23.5	18.8	27.1	34.4	28.5	27.2	21.4	28.7
Employment, expectation (question 5, TCI component)	7.8	2.9	2.1	8.9	3.6	1.8	2.0	-0.5	1.0
Prices, expectation (question 6)	3.2	7.0	4.5	7.1	-0.7	3.5	-4.3	9.1	12.3
CONSUMER									
Current financial situation (question 1)	-7.6	-8.8	-7.7	-6.8	-6.9	-6.0	-3.9	-5.5	-10.1
Financial situation, expectation (question 2, CCI component)	4.2	2.8	2.4	3.0	2.8	2.4	4.1	4.0	0.5
Current economic situation (question 3)	-12.3	-13.8	-13.9	-12.9	-14.3	-11.4	-9.4	-10.9	-13.1
Economic situation, expectation (question 4, CCI component)	2.5	1.1	1.4	3.4	2.0	2.1	5.0	3.1	0.5
Current prices (question 5)	33.4	32.4	29.8	29.1	24.6	28.1	24.3	23.0	25.3
Prices, expectation (question 6)	-4.7	-2.2	-5.7	-5.6	-10.2	-9.9	-7.7	-9.6	-6.1
Unemployment, expectation (question 7)	-1.1	1.6	0.1	0.2	0.5	0.2	0.5	1.0	2.6
Current major purchases (question 8, CCI component)	-63.0	-63.6	-62.1	-60.6	-60.8	-60.7	-57.3	-61.7	-62.9
Major purchases, expectations (question 9, CCI component)	-51.9	-49.2	-47.3	-46.5	-44.7	-43.2	-41.2	-43.8	-48.4
Current savings (question 10)	-45.6	-45.8	-44.0	-43.9	-43.6	-41.6	-41.4	-41.3	-46.4
Savings, expectation (question 11)	-40.3	-38.4	-38.2	-36.4	-36.3	-39.4	-37.7	-35.0	-46.4
Situation of income and expenses (question 12)	3.0	3.2	2.7	4.4	5.7	6.2	5.5	7.3	3.3

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.