Bank of Albania
Monetary Policy Department

European Commission*

BUSINESS AND CONSUMER CONFIDENCE SURVEY

2 DECEMBER 2024

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In November 2024, **the Economic Sentiment Indicator (ESI)** declined by 0.4 points. Nevertheless, the ESI continues remaining at high historical levels, around 13 points above the long-term average (Chart 1). The lower confidence indicator in the sector of *services* was the main contribution of ESI decline. Also, the fall of confidence in *industry* sector contributed negatively, though at a lesser extent. On the other hand, *confidence* across the sectors of *construction, trade* and *consumer confidence* picked up, in turn offsetting the fall of the ESI (Chart 2).

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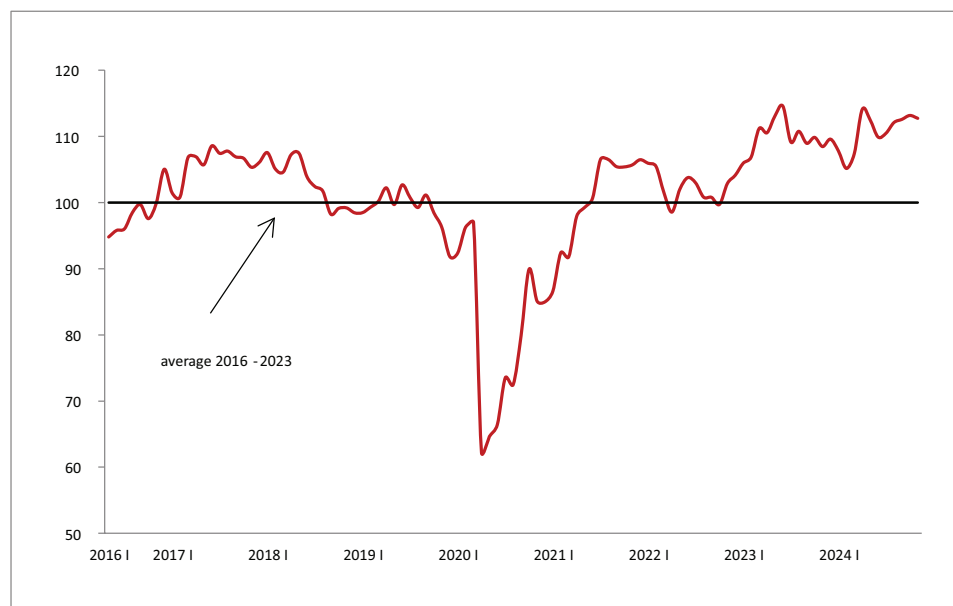
Source: Business and Consumer Confidence Survey, Bank of Albania.

Industry Confidence Indicator (ICI) dropped by 0.9 percentage points in November, driven by the more pessimistic assessments of businesses on *order book*s. The current level of ICI stands around 10 percentage points above the historical average (Chart 2). The more positive appraisals on current *industrial production*, in turn mitigated the negative contribution of the first component. Businesses assessed *inventories* edging up. Expectations on *selling prices* in the future have remained unchanged compared to the previous month (Table 2 - Industry).

Construction Confidence Indicator (BCI) picked up by 5.1 percentage points in November 2024. This indicators continues standing around 28 points above the historical average (Chart 2). The more optimistic appraisals of businesses about the *current construction activity* drove to the uptick of BCI. Also, assessments for *order book*s edged up this month. Businesses operating in construction increased slightly expectations on *employment*, while expectations on *prices* in the future continued trending downward (Table 2 - Construction).

Chart 2 Confidence indicators by sector*
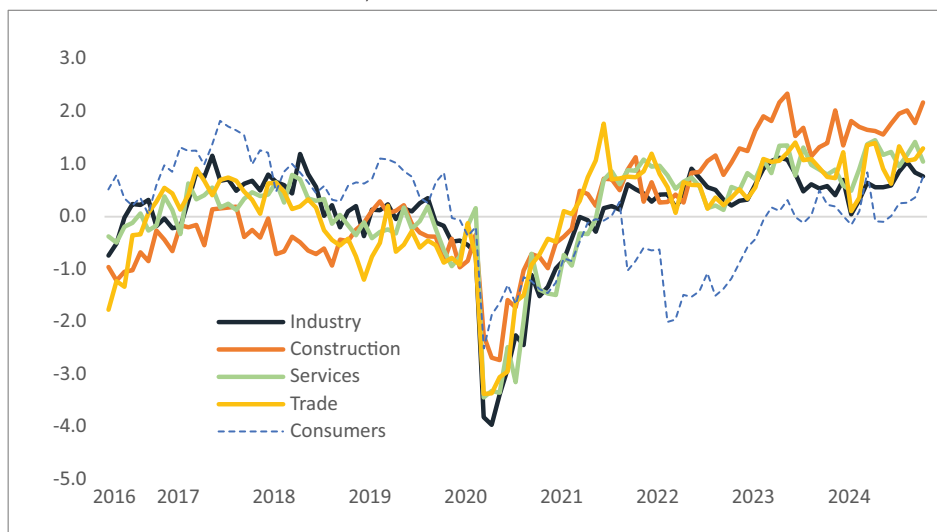
*Source: Business and Consumer Confidence Survey, Bank of Albania.*
Note: *The chart shows standardised series, to correct the changes in averages and in standard deviations of the respective confidence indicators.

Services Confidence Indicator (SCI) inched down by 6.1 percentage points in November 2024, though standing considerably above the historical average, by around 17 percentage points (Chart 2). The declining appraisals in both its components, the *current performance of their business* and *current demand* drove SCI down. Also, businesses operating in services have revised down expectations on *employment* and performance of *selling prices* in the future (Table 2- Services).

Trade Confidence Indicator (TCI) was up by 2 percentage points in November 2024, standing around 13 points above the historical average (Chart 2). The more optimistic assessment on their *current business performance* was the main factor behind the monthly increase of TCI. Expectations on the employment in the future, have remained unchanged from the previous month. Businesses operating in trade sector have revised down expectations on *selling prices* for the future (Table 2 - Trade).

Consumer Confidence Indicator (CCI) rose by 2.3 percentage points in November 2024, driving this indicator 4.3 points above the historical average. The improved CCI mainly reflected the more optimistic expectations about the *general economic situation* in Albania for the future and on *major purchases*. Also, in November 2024, consumers' views of expectations on their *financial situation* were slightly up. In November, consumers increased expectations on *prices* in the future (Table 2 - Consumer).

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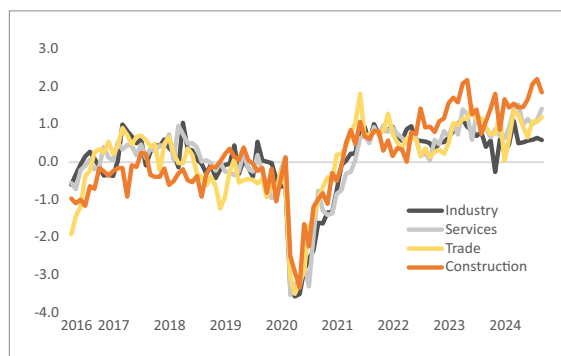
Source: Bank of Albania

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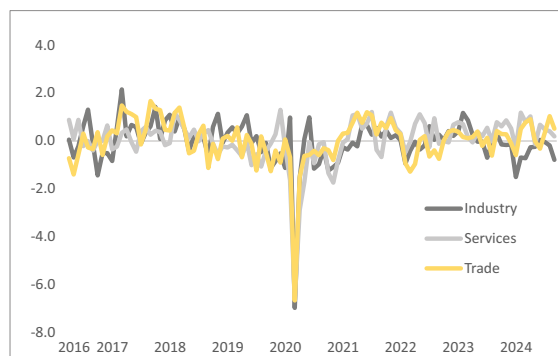
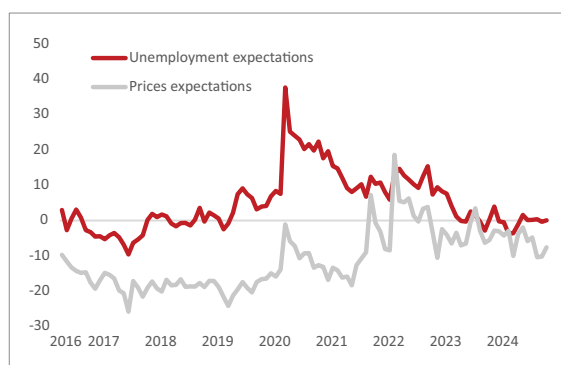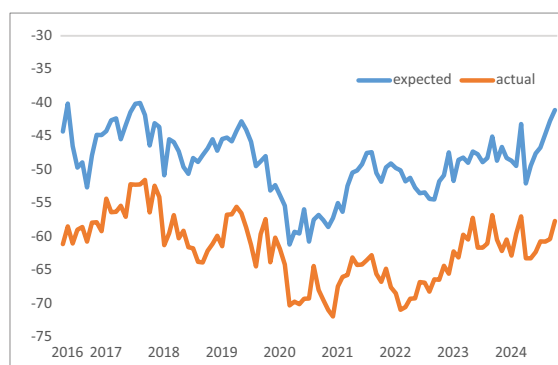*Source: Bank of Albania*

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.	ave.	max.	July	August	September	October	November	Conjectural**	Structural***
Industry	-60.8	-9.7	5.7	-2.0	1.4	3.8	1.2	0.3	↓	+
Construction	-58.4	-22.5	8.2	0.7	3.3	4.1	0.9	6.0	↑	++
Services	-45.8	9.4	32.7	29.2	24.8	28.2	32.2	26.2	↓	++
Trade	-32.9	0.0	17.3	6.1	13.1	10.4	10.7	12.7	↑	++
Consumer	-40.8	-26.6	-16.3	-26.5	-25.2	-25.1	-24.6	-22.3	↑	+

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								
	March	April	May	June	July	August	Sept.	Oct.	Nov.
INDUSTRY									
Production over the past three months (question 1, ICI component)	15.9	26.3	16.3	16.6	17.4	17.8	18.6	17.7	21.4
Order books (question 2, ICI component)	-11.8	-6.8	-8.2	-8.6	-6.7	-1.8	-2.3	-6.2	-9.8
Export order books (question 3, ICI component)	-20.9	-23.6	-15.5	-15.2	-16.7	-11.8	-5.1	-8.0	-10.8
Stock of finished product (question 4)	-3.7	-0.3	0.4	3.7	5.3	1.4	1.1	-6.9	-4.2
Production, expectations (question 5)	24.5	24.2	28.4	28.5	31.1	30.3	29.0	23.6	34.4
Selling prices, expectation (question 6)	10.5	10.5	5.9	8.3	9.6	14.0	17.1	12.9	12.5
Employment, expectation (question 7)	1.6	10.4	4.6	0.3	6.8	5.4	5.5	5.6	12.0
CONSTRUCTION									
Construction activity over the past three months (question 1, BCI component)	18.3	19.9	18.4	18.5	21.7	28.0	30.1	24.6	32.4
Order books (question 3, BCI component)	-18.5	-21.5	-20.7	-22.6	-20.3	-21.5	-22.0	-22.8	-20.4
Employment, expectation (question 4)	16.0	16.1	12.2	14.1	17.1	17.1	18.6	17.7	19.1
Prices, expectation (question 5)	13.1	14.5	15.8	11.0	16.0	14.5	10.2	6.0	5.1
SERVICES									
Business situation over the past three months (question 1, SCI component)	24.4	32.2	34.1	25.6	28.0	25.8	27.7	32.4	28.3
Demand over the past three months (question 2, SCI component)	23.2	30.7	31.3	30.9	30.3	23.7	28.8	32.1	24.0
Demand, expectation (question 3)	37.4	34.0	36.0	25.6	32.9	31.2	30.4	28.5	33.8
Employment over the past three months (question 4)	11.3	6.0	10.1	13.4	15.2	8.2	18.1	13.7	12.6
Employment, expectation (question 5)	13.8	15.3	10.9	11.9	11.0	10.2	10.9	6.9	5.8
Prices, expectation (question 6)	5.2	8.8	7.0	9.1	4.0	10.0	9.4	8.8	8.4
TRADE									
Business situation over the past three months (question 1, TCI component)	9.6	22.3	20.1	14.9	10.1	17.3	17.0	19.3	23.0
Inventories situation (question 2)	4.6	5.8	3.9	4.9	6.4	0.0	-1.0	-0.4	-3.0
Future orders, expectation (question 3)	27.2	25.1	29.4	23.8	22.3	21.9	26.1	22.7	23.4
Business performance, expectation (question 4)	28.7	31.6	33.1	23.2	19.8	26.9	34.4	28.8	27.7
Employment, expectation (question 5, TCI component)	-2.6	4.4	7.3	2.9	2.2	8.8	3.7	2.1	2.4
Prices, expectation (question 6)	0.8	0.0	3.2	7.1	4.6	5.9	-0.5	2.0	-4.2
CONSUMER									
Current financial situation (question 1)	-9.8	-4.7	-7.6	-8.8	-7.8	-6.9	-6.8	-5.8	-3.7
Financial situation, expectation (question 2, CCI component)	2.0	7.7	4.2	2.9	2.4	3.0	2.8	2.5	4.2
Current economic situation (question 3)	-16.7	-10.1	-12.3	-13.8	-13.9	-12.9	-14.3	-11.3	-9.3
Economic situation, expectation (question 4, CCI component)	2.7	5.0	2.4	1.0	1.3	3.6	2.0	2.3	5.3
Current prices (question 5)	41.3	30.3	33.3	32.3	29.7	29.0	24.6	28.1	24.4
Prices, expectation (question 6)	-3.0	-10.1	-3.9	-2.0	-5.9	-4.8	-10.4	-10.3	-7.6
Unemployment, expectation (question 7)	-3.8	-3.6	-1.1	1.6	0.1	0.1	0.3	-0.4	0.0
Current major purchases (question 8, CCI component)	-59.5	-56.9	-63.2	-63.2	-62.2	-60.7	-60.7	-60.3	-57.6
Major purchases, expectations (question 9, CCI component)	-49.4	-43.2	-52.0	-49.4	-47.6	-46.7	-44.7	-42.7	-41.1
Current savings (question 10)	-43.4	-40.5	-45.7	-45.9	-44.1	-44.0	-43.6	-41.6	-41.2
Savings, expectation (question 11)	-39.9	-37.2	-40.3	-38.4	-38.3	-36.5	-36.3	-39.1	-37.4
Situation of income and expenses (question 12)	4.3	6.6	2.7	3.1	2.7	4.2	5.8	6.2	5.6

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.