



Bank of Albania
Monetary Policy Department



European Commission*

BUSINESS AND CONSUMER CONFIDENCE SURVEY

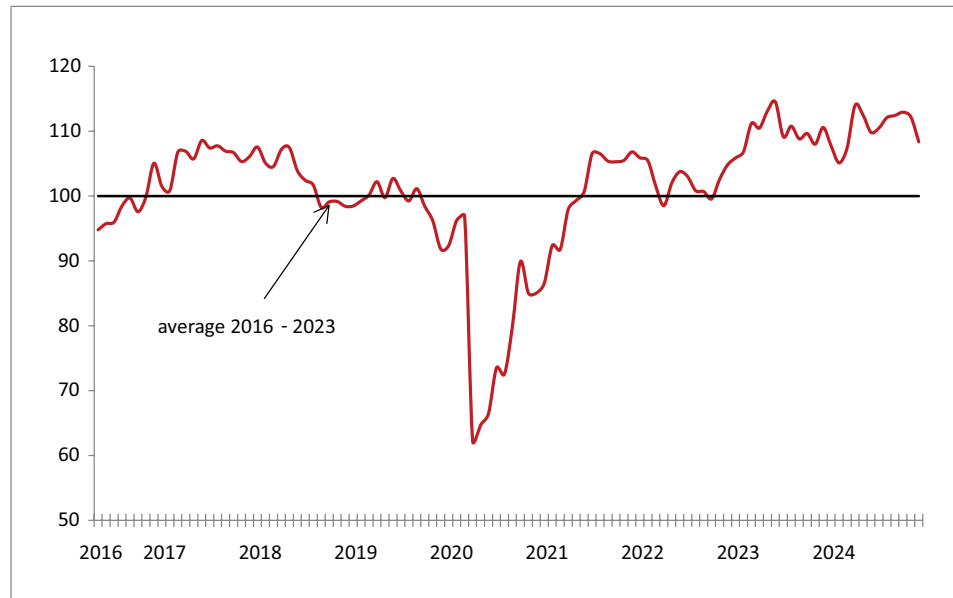
6 JANUARY 2025

** 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 December 2024, the **Economic Sentiment Indicator (ESI)** contracted by 3.8 points. However, the current level of ESI stands higher than 8 percentage points above the historical average (Chart 1). The fall of ESI during the month came as a result of the deterioration in all the confidence indicators of the business sectors. The construction and services sectors recorded the highest decline. The fall in confidence among consumers affected this decline as well, though at a lower extent.

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

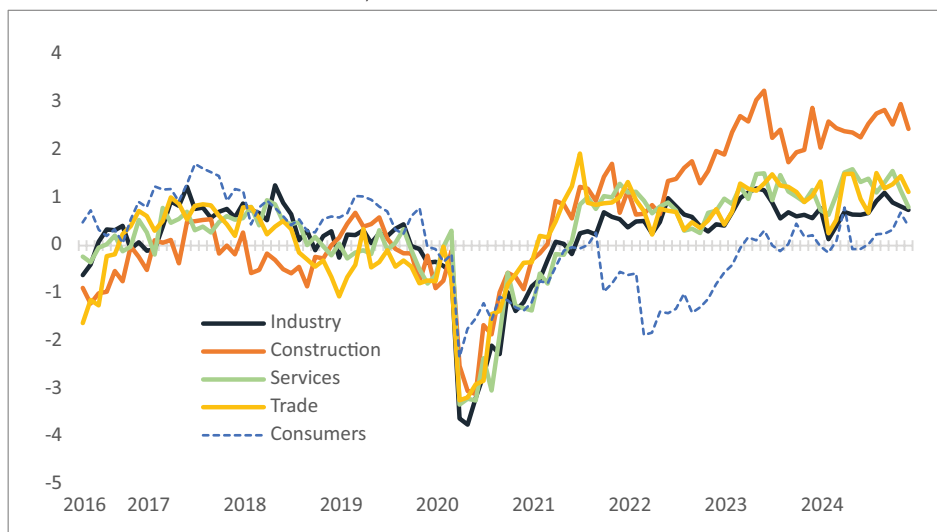


Source: Business and Consumer Confidence Survey, Bank of Albania.

Industry Confidence Indicator (ICI) was down by 1 percentage point in December 2024, continuing its declining trend for the third month in a row. The current level of ICI remained around 8.5 percentage points above the historical average (Chart 2). ICI dropped due to the less than positive appraisals of businesses on current *industrial production*. Expectations for *selling prices* in the future were revised upwards compared to the previous month, as were *employment* expectations in the future for this sector (Table 2 - Industry).

Construction Confidence Indicator (BCI) declined by 5.5 percentage points in December. This indicator continues to stay around 22 points above the historical average (Chart 2). This fall was determined by the decline of businesses' assessments on both the current *construction activity* and *order books*. In addition, expectations for prices in the future have gone up, whereas expectations for employment have deteriorated somewhat (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) contracted by 5.5 percentage points in December. Despite the monthly fluctuations, the indicator stands around 16 percentage points above the historical average (Chart 2). SCI declined as a result of the less optimistic appraisals of services-related business on the *current performance of their activity* and the *current level of demand*. Meanwhile, expectations for *employment* and *prices* in the future have been revised upwards (Table 2 - Services).

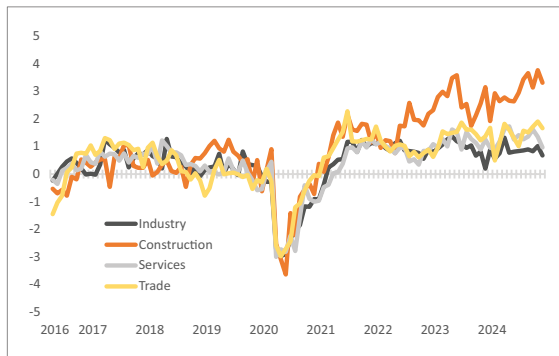
The Trade Confidence Indicator (TCI) inched down by 3.3 percentage points in December, after increasing by 2.5 percentage points during the other two months of this quarter. The current level of TCI stands around 11 points above the historical average (Chart 2). The declining appraisals on the *current business performance* and *employment* expectations in the future underpinned the current value of TCI. Businesses operating in the trade sector have assessed their expectations for future *prices* upwards (Table 2 - Trade).

Consumer Confidence Indicator (CCI) declined by 1.7 percentage points. CCI stands 2.4 percentage points above the historical average (Chart 2). Consumers assessed downwards the future economic situation in Albania. Their expectations for both current and future major purchases fell during December (Table 2 - Consumer). Expectations for the overall prices in the future have been revised downwards (Table 2 - Consumers).

Indicators of quarterly frequency¹ show that the *financial situation* of businesses improved slightly in the fourth quarter, resulting in higher historical values for the sectors of industry and construction. Their capacity utilization rate has increased during this quarter as compared to the previous quarter. Both indicators stand significantly above their respective historical averages.

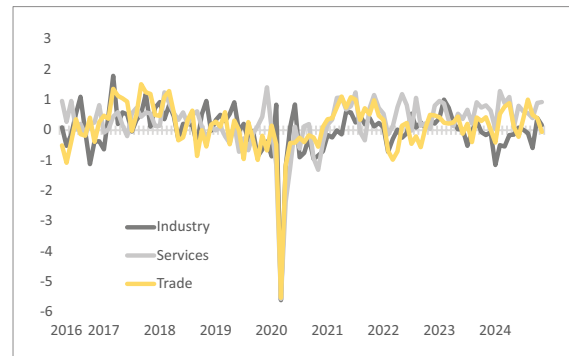
¹ Data pertaining to questions on the capacity utilization rate and the financial situation are gathered on a quarterly basis. They are included in the business surveys/questionnaires conducted in March, June, September and December.

Chart 3 Business situation by sector over the past three months



Source: Bank of Albania

Chart 4 Business expectations over the next three months



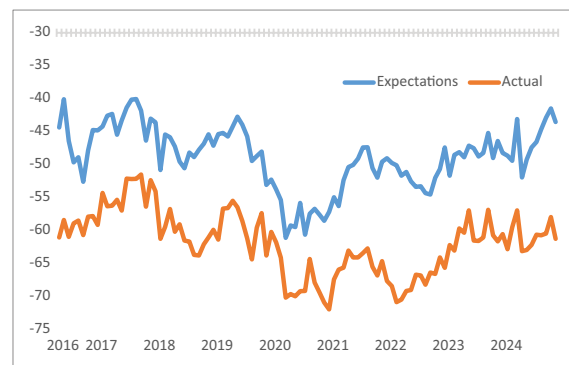
Source: Bank of Albania

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.	August	September	October	November	December	Conjectural**	Structural***
Industry	-60.8	-8.7	5.7	1.4	3.7	0.9	-0.1	-1.1	↓	+
Construction	-58.4	-19.9	8.2	3.2	4.0	0.7	5.3	-0.2	↓	++
Services	-45.8	11.3	32.4	24.7	28.0	31.8	25.3	19.8	↓	+
Trade	-32.6	1.1	17.3	13.4	10.2	11.0	12.7	9.5	↓	+
Consumer	-40.8	-26.5	-16.3	-25.2	-25.1	-24.6	-22.5	-24.2	↓	+

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								
	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
INDUSTRY									
Production over the past three months (question 1, ICI component)	26.2	16.2	16.7	17.3	17.6	18.3	17.1	20.6	14.3
Order books (question 2, ICI component)	-7.7	-8.0	-8.9	-6.4	-1.6	-2.2	-6.2	-10.0	-8.8
Export order books (question 3, ICI component)	-23.6	-15.5	-15.3	-16.8	-11.8	-5.2	-8.1	-10.9	-8.9
Stock of finished product (question 4)	0.0	0.0	3.2	5.6	1.0	0.4	-7.2	-3.2	-0.3
Production, expectations (question 5)	24.2	28.4	28.6	31.2	30.4	29.1	23.7	34.6	32.0
Selling prices, expectation (question 6)	10.7	6.4	8.9	10.3	14.8	15.7	14.1	9.6	12.2
Employment, expectation (question 7)	9.2	5.0	0.6	5.5	5.8	5.7	5.9	12.4	14.5
CONSTRUCTION									
Construction activity over the past three months (question 1, BCI component)	20.0	18.5	18.2	21.9	27.7	30.4	24.2	31.7	26.3
Order books (question 3, BCI component)	-21.4	-20.6	-22.4	-20.1	-21.4	-22.5	-22.8	-21.2	-26.7
Employment, expectation (question 4)	16.1	12.2	14.2	17.1	16.9	18.7	17.5	18.8	17.6
Prices, expectation (question 5)	14.6	15.9	10.8	15.9	14.4	10.1	6.9	5.3	17.3
SERVICES									
Business situation over the past three months (question 1, SCl component)	32.0	33.7	25.6	28.4	25.7	27.4	31.8	27.3	20.8
Demand over the past three months (question 2, SCl component)	30.6	31.2	30.8	30.2	23.6	28.6	31.8	23.4	18.9
Demand, expectation (question 3)	33.9	36.0	25.6	32.9	31.0	30.5	28.7	34.0	34.2
Employment over the past three months (question 4)	5.9	10.0	12.9	15.3	8.1	18.0	13.4	12.2	9.4
Employment, expectation (question 5)	15.3	10.9	11.9	10.9	10.2	10.8	6.9	5.8	8.4
Prices, expectation (question 6)	9.0	6.6	9.1	3.9	10.2	9.5	9.0	8.7	12.9
TRADE									
Business situation over the past three months (question 1, TCl component)	22.0	18.5	13.4	8.5	17.9	16.8	20.2	23.4	19.4
Inventories situation (question 2)	5.8	3.9	4.9	6.5	0.0	-1.0	-0.3	-2.9	0.8
Future orders, expectation (question 3)	25.2	29.3	23.8	22.8	21.9	26.0	22.4	22.8	15.9
Business performance, expectation (question 4)	31.8	33.2	23.3	19.2	26.8	34.8	28.3	27.0	21.2
Employment, expectation (question 5, TCl component)	4.3	7.9	2.9	2.1	8.9	3.6	1.8	2.0	-0.4
Prices, expectation (question 6)	0.0	3.2	7.1	4.7	7.2	-1.3	2.4	-3.6	9.0
CONSUMER									
Current financial situation (question 1)	-4.7	-7.6	-8.8	-7.8	-6.9	-6.9	-5.9	-3.8	-5.4
Financial situation, expectation (question 2, CCl component)	7.6	4.2	2.9	2.3	3.0	2.9	2.5	4.3	4.4
Current economic situation (question 3)	-10.1	-12.3	-14.0	-14.0	-12.9	-14.3	-11.3	-9.2	-10.6
Economic situation, expectation (question 4, CCl component)	5.2	2.5	1.1	1.4	3.4	2.0	2.2	5.2	3.5
Current prices (question 5)	30.3	33.3	32.3	29.7	29.0	24.5	28.0	24.2	22.7
Prices, expectation (question 6)	-9.0	-4.7	-2.1	-5.6	-5.5	-10.1	-9.9	-7.9	-10.1
Unemployment, expectation (question 7)	-3.5	-1.1	1.6	0.2	0.3	0.5	0.1	0.4	0.3
Current major purchases (question 8, CCl component)	-57.0	-63.1	-63.0	-62.2	-60.6	-60.7	-60.4	-58.0	-61.2
Major purchases, expectations (question 9, CCl component)	-43.1	-51.9	-49.2	-47.4	-46.6	-44.7	-42.9	-41.5	-43.5
Current savings (question 10)	-40.4	-45.6	-45.8	-44.0	-43.9	-43.6	-41.6	-41.3	-41.0
Savings, expectation (question 11)	-37.1	-40.3	-38.4	-38.3	-36.5	-36.3	-39.0	-37.2	-35.4
Situation of income and expenses (question 12)	6.6	3.0	3.1	2.7	4.2	5.5	6.2	5.6	7.5

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.