

Ardian Fullani: The confidence indices

Speech by Mr Ardian Fullani, Governor of the Bank of Albania, at the regional seminar “Development and implementation of business and consumer confidence indices in Albania 2”, Tirana, 1 December 2006.

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Dear participants,

Today's seminar, on the confidence indices, has a special importance, due to the fact that it regards the evaluation and decision-making basic elements in economic policies, information and in its real dimension. As in any decision-making process information is the first step to reach a sound judgment on the right monetary policy for a central bank.

It is indispensable for the monetary authorities to prepare the analysis of the macroeconomic indicators, in order to prepare a monetary policy that ensures the stability of the internal indicators as well as the relations with the partner economies in trade affairs. On a more general view, the economy of a country can not achieve competitiveness and international standards, if development policies are built on a non complete information basis. The preparation of a complete information framework in the economic field is a challenge for the regional countries to reach occidental standards. At the current stage, for Albania this challenge is even more urgent.

The actual condition of the national statistics has room for spreading the statistical basis and for providing stable statistics over time. However, the progress in the statistics field, as well as in other related ones, needs time, funds and the right legal ground for undertaking substantial projects. Meanwhile, our decisions have to rely on as much as possible sound basis. Drafting the confidence indices, as indicators of economic expectations, does not substitute the lack of statistical information on the current situation of an economy. These indices enable monetary markets and authorities to rearrange in time the strategies that preserve balances of related goals. Confidence indices enable a central bank adjustment of monetary policy stance in the right time in order to preserve price stability, while the economy grows at a potential pace.

The developed countries are in frontward regarding the preparation of confidence indices as indicators of expected performance of the economy. Integration of the markets and the globalizing process increase the necessity of preparing these indices in our region, because the objective of monetary policy, the price stability, reflects stability and economic openness towards regional countries and further. It has already been 4 years that Bank of Albania has started the evaluation of business and consumer confidence indices. These surveys are being run on a quarterly basis, with the help of INSTAT, and involve over 600 businesses of production, construction and services sectors and about 1500 consumers. The information collected covers the performance of prices, consumption, income, production, employment, investments and some other indicators, which support the decision-making on the monetary policy stance.

In this important process, the Bank has from the beginning been assisted by the experts of Ifo Institute for Economic Research, which is internationally renowned in the field of business confidence indices. So far, the results of these questionnaires have been indirectly reflected in the periodical analysis and reports and in other different papers of the central bank. The further consolidation of these indicators, paves the path of their publication for the purpose of being used by the economic agents, as an extra way of communicating with the central bank. A preliminary step in this direction is also the consolidation of the applied methodology for calculating these indices, through a professional expertise as that of IFO.

The undertaken steps, in expanding and consolidating the statistical basis of the monetary authority in real time, will enable the management on time of the situations and challenges, which are led by economic development and the further integration of the regional markets. Coordination of the work between regional central banks for adopting the methodology and the indices enables the maximal use of existing knowledge basis on the specific features of our region, against that of the most developed economies. The use of the same methodology for establishing the indices will make it easier to compare them to each other. In parallel, these indicators will serve as a communication tool with the international institutions, specialized in best presenting and identifying the priorities according to the countries and with the foreign investors interested in our country.

Our purpose is to maximally adapt the indices we are drafting to the best international practices in this field, far from voluntarily solutions. Without any doubt the main challenge remains their efficient use in our decision making process.

We do appreciate that the products, we have been discussing during these two days, the confidence indices in general, will be a successful mean of communication for the Bank of Albania with the market's actors and the general public. I do not hesitate to declare that the launch of these two products, especially in the context of our purpose to adopt inflation targeting, will further improve the decision making process at the Bank of Albania.

Recently, the Bank of Albania has accelerated the development pace, regarding the improvement of the decision making process and the refinement of the mechanisms that lead to its decisions. The issue is how quickly the market's actors will follow the current pace of the Bank of Albania. It is important that the difference between the two velocities reduces, in order that our dialogue with the market will be standardized and transparent. To enable an as much as possible contemporary communication, among others, an important part plays the cooperation between Bank of Albania, the financial market, Ministry of Finance, INSTAT and the other institutions. In addition, it must cooperate more with other groups of interest, such as Chamber of Commerce, Konfindustria, Medias and the general public.

At this point, I want to emphasize that the role the media plays is really special. A professional media would be able to construct reliable and comprehensible communication models, easily understandable by the public.

The products we are getting ready to launch soon, that means the confidence indices, have to justify their designation. Stated differently, the public must believe the product of the Bank of Albania is reliable, that product is the object and the real indicator of the public's expectations. In the meantime, we expect to have back the echo of the public's trust.

Wishing you all a fruitful working-day,

Thank you!