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Azmi STRINGA¹, Arlinda TOPCIU²

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Makale Düzeltilme Geçmişi Düzeltilme Başvurusu: 04.10.2025 Düzeltilme Kabul: 26.12.2025	Yukarıda künyesi ve detaylı bilgileri yer alan makalenin yayımlanma sürecine ilişkin yapılan incelemede, çalışmanın hakem değerlendirme sürecine sehvten gönderilmediği tespit edilmiştir. Bu durumun düzeltilmesi ve yayın süreçlerinin akademik etik ve dergi ilkeleriyle tam uyumlu hâle getirilmesi amacıyla, <i>Karatay İslam İktisadı ve Finans Dergisi</i> Editör Kurulu tarafından ilgili çalışma için düzeltilme makalesi yayımlanmasına karar verilmiştir. Editör Kurulu, söz konusu düzeltilmeye ilişkin bu açıklamayı okuyucuların ve araştırmacıların bilgisine saygıyla sunar.
Yazar Düzeltilme Beyanı	“Household Consumption and Food Price Vulnerability in Albania and European Union: A Before, During and After Covid-19 Analysis” başlıklı makale, yayın sürecinin sağlıklı ve akademik ilkelerle tam uyumlu şekilde yürütülmesini teminen, ilk kez gönderiliyormuş gibi sisteme yeniden yüklenmiş ve derginin standart hakem değerlendirme süreçlerinden geçirilmiş ve gerekli revizyonlar yapılmıştır. Bu kapsamda çalışma, hakem raporları doğrultusunda değerlendirilmiş ve gerekli süreçler tamamlandıktan sonra yayıma uygun hâle getirilmiştir. İşbu açıklama, okuyucuların ve araştırmacıların bilgisine sunulmaktadır.

¹ PhD. Candidate, University of Tirana, Faculty of Economy Department of Finance azmi.stringa@gmail.com
ORCID: 0009-0003-5950-2195

² PhD. Candidate, University of Tirana, Faculty of Economy Department of Economics topciuarlinda@gmail.com
ORCID: 0009-0009-5496-6621

Household Consumption and Food Price Vulnerability in Albania and European Union: A Before, During and After Covid-19 Analysis

ABSTRACT

This paper examines how inflation and food price changes from 2014 to 2023 affected real household consumption and food expenditure in Albania, compared to the European Union. Using a quantitative approach and data from INSTAT, Eurostat, IMF, and the Bank of Albania, it analyzes trends across three periods: pre-pandemic, pandemic, and post-pandemic. Despite Albania's 40% real GDP per capita growth and significant currency appreciation, findings reveal negative real growth in food and non-alcoholic beverage consumption throughout most of the decade—unlike the EU, where such declines appeared post-pandemic and were last observed during the financial crisis of 2008–2009. Albania's high food expenditure share and steeper price increases made households more vulnerable to inflation. The results highlight the need for inclusive growth, food security, and stronger market competition to protect household welfare in economies with high food dependency.

Keywords: Inflation, Economic growth, Household Index of Consumer Prices, Food prices, Household Consumption.

JEL Codes: H31, I31, D12, G50, E31

INTRODUCTION

This paper investigates how inflation and food price changes between 2014 and 2023 have affected real household consumption and food-related expenditure in Albania, offering comparative insights from the European Union (EU). The period under review spans three distinct phases: pre-pandemic (2014 - 2019), pandemic (2020 - 2021), and post-pandemic (2021 - 2023), with the latter characterized by a sharp acceleration in inflation. Drawing on data from INSTAT, Eurostat, the IMF, and the Bank of Albania, the study examines real growth in household consumption and food spending, shifts in expenditure structures, and the extent to which Albania's currency appreciation helped protect household purchasing power.

Albanian households entered the inflationary cycle of the 2020s from an already vulnerable position. Food and non-alcoholic beverages account for around 40% of household consumption, the highest share in Europe, and food insecurity rates have historically been elevated, despite a declining trend (FAO, 2024). Over the past decade, Albania has experienced substantial macroeconomic gains, including a 40% increase in real GDP per capita and a significant appreciation of the national currency. However, these improvements have not translated into broad-based welfare gains: real food consumption declined for most of the entire decade, while food prices rose more steeply and much earlier than in the EU. By contrast, in the EU, negative real food consumption growth became widespread only after the Covid-19 pandemic and was last observed during the global financial crisis of 2008–2009.

These patterns raise important questions about the inclusiveness of Albania's economic growth and the structural limitations that may prevent macroeconomic stability from benefiting households equitably. This paper shows that real household consumption growth in Albania remained weak and real food consumption declined even during periods of strong output growth and exchange rate appreciation. The analysis also considers how the structure of household expenditure, particularly the high share of food, amplifies vulnerability to price shocks in lower-income economies.

The reduction in real terms of food consumption as per the UK Food Security Report and the FAO's findings is indicative of Reduced Quantity and/or Lower Quality food purchasing behavior by the household. By situating Albania's experience within a broader European context, the study aims to shed light on the distributional consequences of inflation and the role of structural factors—such as market competition, food system resilience, and welfare protections—in shaping household-level outcomes.

The findings have significant implications for designing policy responses that ensure economic growth and foreign exchange advantages translate into improved living standards for average households and local producers, rather than being predominantly captured by intermediaries or middlemen. As economic benefits are not observed by residential households, this paper contributes to the policy and academic debate on the impact of limited competition and potential collusion among large importers and licensed grocery collectors and distributors in Albania. In addition, as the number of tourists in Albania continues to grow, it is important to ensure that the economic benefits from this sector are reflected in the living standards of the average household. Further research is needed to assess how tourism-driven demand affects food and non-alcoholic beverage prices, as well as the overall cost of living for residents.

1. LITERATURE REVIEW

Prior to and during the Covid-19 pandemic, inflation in Albania and much of Europe remained relatively stable, largely influenced by subdued global commodity prices and moderate economic growth. The period beginning in late 2021 marked a sharp acceleration in global inflation, driven primarily by the economic recovery following the Covid-19 pandemic and the disruption caused by Russia's invasion of Ukraine. These events exerted significant

pressure on food and energy prices, key components of consumer expenditure, and consequently heightened the cost of living across regions including Albania, Europe, and beyond. Rising prices quickly became the foremost concern for citizens, from Albania (Scan Economic Barometer, 2022) to the United States (World Economic Forum, 2022), as inflation levels reached a peak not seen in four decades.

In Albania, the Bank of Albania (2022) identified the surge in global food and energy prices as primary external drivers of inflation in the post-pandemic period. Nevertheless, the central bank noted that increased domestic production of unprocessed foods and a strengthened exchange rate provided a degree of insulation against imported inflation. These mitigating factors helped prevent even more severe price escalations, especially in essential goods.

Similar inflationary drivers were observed in the United Kingdom. According to the Office for National Statistics (ONS, 2023), from late 2021 to 2023, inflationary pressures were largely the result of post-Covid demand recovery, supply chain bottlenecks, and sharp increases in food and energy prices following geopolitical tensions. This broader European context helps contextualize Albania's experience and demonstrates the global nature of the inflationary surge post-Covid.

A distinctive feature of Albania's inflation profile is the composition of its consumer basket. As reported by the IMF (2016) and the Bank of Albania (2022), food and non-alcoholic beverages account for approximately 40% of household consumption - the highest share in Europe. This heavy weighting renders Albanian households particularly vulnerable to fluctuations in food prices. Compounding this vulnerability is Albania's status as the European country with the highest prevalence of moderate or severe food insecurity, with a three-year average of 32.2% for 2021–2023, down from 38.8% in 2014–2016 (FAO, 2024).

The situation across the European Union further illustrates the inflationary impact on food consumption. While the consumption volumes for food and non-alcoholic beverages remained resilient during the peak of the pandemic, they shifted to negative growth rates in 2022 and 2023 as price increases outpaced overall inflation (Eurostat, 2024). This trend suggests that rising food prices began to significantly alter consumer behavior even in wealthier economies.

The United Kingdom experienced a comparable pattern. According to the UK Food Security Report (2024), real expenditure on food declined by 5.8% from 2021 to 2023. This drop indicates a shift in household behavior, with consumers either reducing the quantity of food consumed or substituting higher-quality items for lower-cost alternatives, despite spending more in nominal terms. Such a contraction in food purchasing power is rare and was last seen at a lesser scale during the financial crisis of 2008–2009.

The structure of household consumption has far-reaching implications for individual wellbeing. Similarly to Albania, poorer households allocate a significantly larger share of their expenditure to food and are thus disproportionately affected by food price shocks. As FAO (2008) highlights, the vast majority of low-income urban and rural households are net food buyers. When food prices rise, these households are not only forced to alter their dietary patterns, consuming less diverse, lower-quality foods, but may also cut spending in critical non-food areas such as healthcare and education. This vulnerability is both a food security and a broader human development concern.

This behavioral response to food price increases aligns with patterns observed even in higher-income contexts like the United Kingdom and European Union. These parallel trends underscore that while the scale of vulnerability may differ, the core impact of rising food prices, reduced quantity and quality of consumption, is shared across both developing and developed economies.

The Consumer Price Index (CPI) Manual further emphasizes the implications of consumption structures for policy design. It recommends that CPI weights used for indexation of pensions should reflect the spending patterns of the pensioner population, particularly because poor or elderly households are more sensitive to inflation in food categories (IMF & Eurostat, 2020).

A substantial body of empirical literature documents the adverse effects of food price inflation on household consumption and welfare, particularly in economies where food accounts for a large share of total household expenditure. Ivanic and Martin show that higher global food prices significantly reduce real consumption and increase poverty in low-income countries, as households are forced to adjust through reductions in food quantity and quality (Ivanic & Martin, 2008). These effects are further amplified during periods of food price spikes, when domestic markets fail to adequately shield consumers from international and domestic price shocks (Ivanic, Anderson, & Martin, 2013). The literature consistently finds that rising food prices weaken the link between income growth and welfare outcomes, especially among food-dependent and lower-income households.

Another important strand of the literature focuses on price transmission mechanisms and the role of market structure in shaping consumer price outcomes. Meyer and von Cramon-Taubadel provide a comprehensive theoretical and empirical survey of asymmetric price transmission, demonstrating that increases in input costs are typically passed on to consumers more rapidly and fully than cost decreases, particularly in markets characterized by concentration or limited competition (Meyer & von Cramon-Taubadel, 2004). More recent evidence highlights that food price dynamics and transmission processes are central to food security outcomes, with intermediaries and dominant market actors playing a key role in determining how price changes affect households (Ben Abdallah, Fekete-Farkas, & Lakner, 2021). In small, import-dependent economies, such market structures can result in households bearing sustained price pressures even during periods of economic growth or favorable exchange rate movements.

2. METHODOLOGY

This study employs a quantitative approach to analyze how inflation and food price changes have affected real household consumption and food-related expenditure in Albania over the period 2014–2024, and how these trends compare to those observed in the European Union. The research investigates the implications of these consumption dynamics for household well-being, especially considering Albania's currency appreciation during the past decade. The analysis is structured around three distinct periods:

- Pre-pandemic (2014–2019)
- Pandemic years (2020–2021)
- Post-pandemic and inflationary period (2022–2023)

The primary data sources include:

- Eurostat: Harmonized Index of Consumer Prices (HICP), food price levels, and household final consumption expenditure by consumption purpose (COICOP categories)
- INSTAT (Albania): HICP data, household budget survey data, and detailed household expenditure by function
- IMF World Economic Outlook (2025): Real GDP growth and inflation rates
- Bank of Albania: Historical exchange rates

2.1 CONSTRUCTION OF REAL HOUSEHOLD CONSUMPTION INDICATORS

To measure real household consumption and real expenditure on food and non-alcoholic beverages in Albania, the study uses nominal household consumption values obtained from INSTAT's household budget surveys. Average per capita consumption levels are calculated by adjusting total household expenditure for household size. Nominal food and non-alcoholic beverage expenditure per person is then deflated using the corresponding Harmonized Index of Consumer Prices (HICP) for food to obtain real consumption volumes.

This approach allows the analysis to move beyond nominal spending patterns and assess changes in the real quantity of food consumed by households, providing a direct indicator of household welfare. Real growth rates are derived by deflating nominal values with the relevant HICP indices and chain-linking all series to 2014 to ensure consistency and comparability over time.

The resulting indicators form the empirical basis for analyzing changes in household consumption behavior before, during, and after the Covid-19 pandemic.

2.2 COMPARATIVE ANALYSIS AND REAL GROWTH MEASURES

Building on the constructed real consumption indicators, the study conducts a comparative analysis between Albania and the European Union to assess convergence and divergence in household welfare outcomes. Where applicable, real growth rates and levels in Albania are compared with EU averages. For cross-country comparison, the study calculates and compares:

- Real growth of GDP per capital
- Real growth of total household consumption
- Real growth of household food and non-alcoholic beverage consumption
- Changes in expenditure weights allocated to different household consumption categories
- Differences in price level developments for food across Albania and the EU

Lastly, exchange rate developments are considered to understand whether currency appreciation against the Euro in Albania helped protect household purchasing power, and how this compares to the EU's experience.

2.3 ECONOMETRIC ANALYSIS: REGRESSION FRAMEWORK

To further strengthen the empirical findings derived from the constructed indicators and comparative analysis, the study employs a regression-based approach to examine the determinants of real household food consumption in Albania. The econometric analysis complements the earlier findings by providing an inferential assessment of the relationship between food price inflation, economic growth, and household food consumption.

All variables are expressed in real growth terms and converted to chain-linked indices to enhance comparability and mitigate potential non-stationarity concerns.

3. ANALYSIS AND DISCUSSION

3.1. EU AND THE BALKANS: COMPARISON OF GROWTH AND FOOD AND NON-ALCOHOLIC BEVERAGES PRICE LEVELS

In 2012 food and non-alcoholic beverage price levels in Albania were at 68% of the average EU price levels for this category (Kurkowiak, B., 2013). In 2023, despite the currency appreciation by close to 30% against the Euro over the decade (Bank of Albania, 2025), food

and non-alcoholic beverage price levels in Albania are reported at 91% of the average EU price levels for this category (Eurostat, 2024). In Table 1 are shown Albanian food and non-alcoholic beverages price levels compared to EU average in 2012 and 2023. The data show that over the decade, prices for this category in Albania have increased more than in the EU, with prices of components like “milk, cheese, and eggs”, “other food”, and “non-alcoholic beverages” in Albania exceeding by 15-20% EU levels at the end of 2023.

Table 1. Albania, comparative price levels with EU for food and non-alcoholic beverages (EU=100), 2012 and 2023

	2012	2023
Food and non-alcoholic beverages	68	94
Food	66	92
<i>Bread and cereals</i>	66	78
<i>Meat</i>	52	83
<i>Fish</i>	78	86
<i>Milk, cheese, eggs</i>	84	120
<i>Oils and fats</i>	92	96
<i>Fruits, vegetables, potatoes</i>	61	84
<i>Other food</i>	85	119
Non-alcoholic beverages	91	115

Source: Eurostat

The European Union is Albania’s main trade partner (Instat, 2024). Similarly trade of food, drinks, and tabaco by Albania is mostly conducted with countries from the Europe, mainly Italy, Greece and Germany. Albania runs a trade deficit on this category of goods, with imports being approximately three times higher than exports in value (Instat, 2024). In Table 2 comparative price levels for food and non-alcoholic beverages are shown for the EU, key EU trading partners, and Balkan countries in 2012 and 2023.

Table 2. Price levels for food and non-alcoholic beverages (EU=100), 2012 and 2023

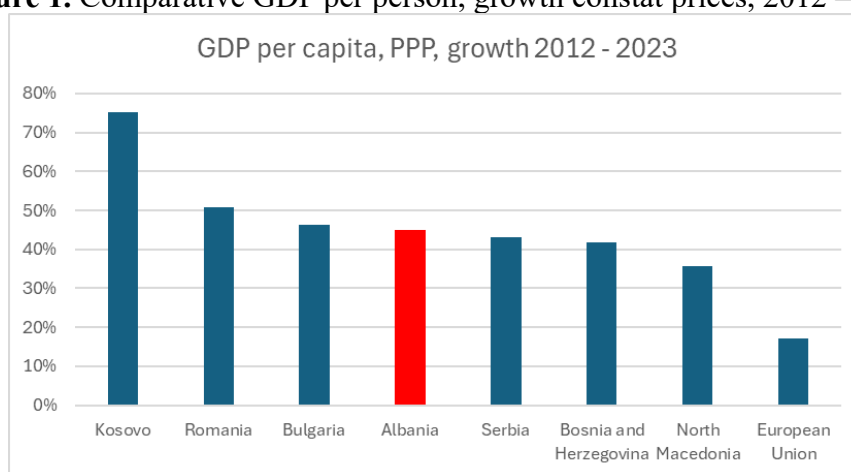
Countries	2012	2023
Greece	104	103
Germany	106	103
Croatia	92	102
Italy	111	102
European Union	100	100
Serbia	71	95
Albania	68	94
Bulgaria	68	89
Bosnia & Herzegovina	76	86
Montenegro	76	84
Romania	67	75
North Macedonia	58	73
Kosovo	72	N/A

Source: Eurostat

The data show that prices for this category for Albania’s key EU trading partners have increased by less than the EU average. In the Balkans, Albania’s food and non-alcoholic beverages price levels in 2023 are exceeded only by Croatia and Serbia, with EU countries like Bulgaria and Romania reporting lower price levels than Albania (in 2012 their price levels relative to EU where similar to Albania). While the Balkan region food prices have moved closer to the EU average during the decade, Albania has reported the highest price increase relative to EU since 2012, followed by Serbia and Bulgaria.

Figure 1 shows the real GDP per capita growth rate over the decade for EU and the Balkan countries under purchasing power parity. Albania and the Balkan countries have grown faster than the EU during this period, with Albania’s growth rate being close to the regional average but lower than EU countries like Romania and Bulgaria.

Figure 1. Comparative GDP per person, growth constat prices, 2012 – 2023



Source: IMF World Economic Outlook

The Balkan countries’ growth over the decade has contributed to closing the gap with the EU (Table 3). Albania’s GDP per capita, constant prices under purchase power parity, is equal to 34% of EU in 2023, continuing to be second to last among Balkan countries. EU Balkan countries like Romania and Bulgaria, who have reported lower price levels for food and non-alcoholic beverages than Albania in 2023, have reported the highest GDP per capita levels and improvement compared to EU average.

Table 3. GDP per capita, constant prices, purchasing power parity as compared to EU

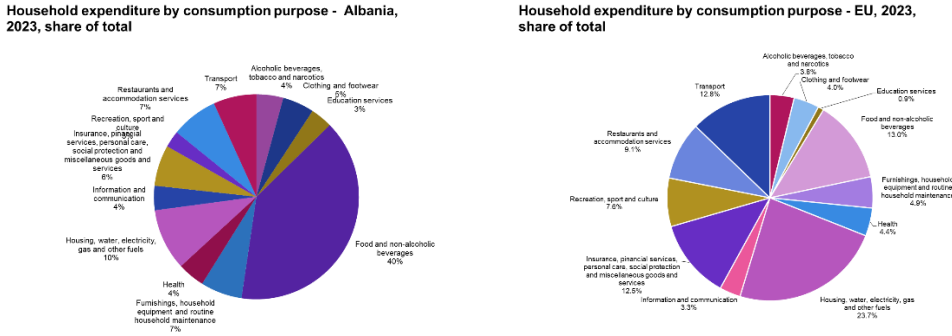
Country/Union	2012	2023
European Union	100%	100%
Romania	58%	75%
Bulgaria	49%	61%
Serbia	39%	48%
North Macedonia	37%	43%
Bosnia and Herzegovina	28%	34%
Albania	27%	34%
Kosovo	19%	29%

Source: IMF World Economic Outlook

3.2. EU AND ALBANIA: HOUSEHOLD EXPENDITURE BY CONSUMPTION PURPOSE AND SENSITIVITY TO FOOD AND NON-ALCOHOLIC BEVERAGES PRICE CHANGES

The structure of household final consumption expenditure by consumption purpose has a significant influence on citizens' wellbeing (Eurostat, 2024). According to Instat (Instat, 2024), food and non-alcoholic beverages account for 39.6% of households' consumption spending in 2023 (Figure 2). This figure emphasizes the sensitivity of the population to price changes in this consumption group.

Figure 2-3. Household expenditure by consumption purpose, Albania and EU, share of total, 2023

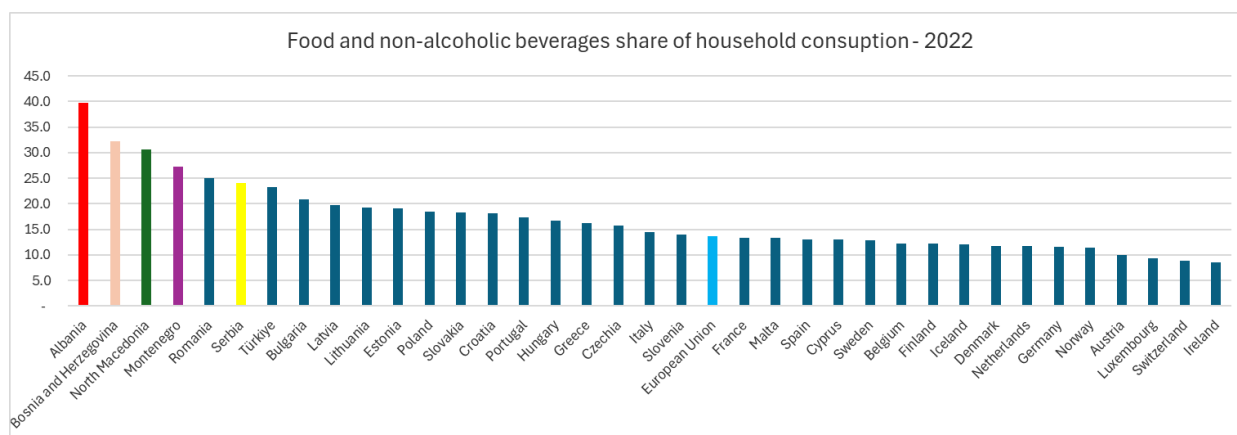


Source: Instat, Eurostat

Differently from Albania, in the EU food and non-alcoholic beverages account for only 13.5% of households' consumption spending in 2023 (Figure 3). EU and Albanian households are sensitive to food price increases; however, the Albanian ones are hit hardest by food increases as they their share (39.6%) of spending on food and non-alcoholic beverages is three times that of the average EU household (13.5%). Most poor urban and rural households are hit hardest by higher food prices, as they net food buyers (FAO, 2008).

Per the Food and Agriculture Organization, poorer households have a larger share of their consumption go for food and non-alcoholic beverages. This is confirmed also by the data on how much households from European countries spend on food and non-alcoholic beverages (Figure 4). Albania has the highest spending on food and non-alcoholic beverages as share of total consumption among European countries (data on Kosovo not available). This is in line with the fact that Albania reports the lowest real GDP per capita as compared to the average EU real GDP per capita (Kosovo excluded).

Figure 4. Food and non-alcoholic beverages share of household consumption, 2022



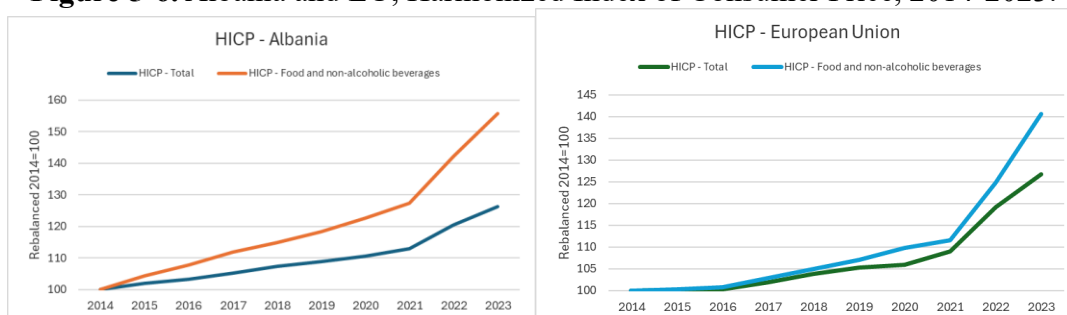
Source: Eurostat, Instat

According to the Food and Agriculture Organization, Albania continues to have the highest prevalence of moderate or severe food insecurity in the total population in Europe with the 2021-2023 3-year average at 32.2%. (2014-2016: 38.8%).

3.3. ALBANIA AND EU: COMPARISON OF HARMONIZED INDEX OF CONSUMER PRICE CHANGES

Bank of Albania list increases in food and energy prices as key external factors putting upward pressure on inflation in post Covid Albania. On the other hand, “the increased supply of domestic production for unprocessed foods and the strengthening of the exchange rate are estimated to have slightly mitigated foreign inflationary pressures” (Bank of Albania, 2022). The period from late 2021 to 2023 has been one of increasing prices across Europe, caused principally by a combination of: economic recovery from the coronavirus (Covid-19) pandemic and subsequent supply chain constraints and sharp increases in both food and energy prices, following Russia's invasion of Ukraine (UK ONS, 2023).

Figure 5-6. Albania and EU, Harmonized Index of Consumer Price, 2014-2023.



Source: Instat, Eurostat, authors' compilation

In Figure 5 and 6 are shown the changes in Harmonized Index of Consumer Price (Total) and the one for food and non – alcoholic beverages for Albania and the EU for the period 2014-2023. Over the period food prices in Albania (59.4%) increased by more than in the EU (40.2%), despite similar levels reported in total HICP changes. In addition, differently from the EU food prices have shown a steady increase in Albania even before the Covid 19 pandemic and the inflation shocks following it. In the period from 2014 to 2019 and 2020-2021, food prices in Albania increased by 21.1% (EU: 6.9%) and 7.6% (EU: 4.15%), respectively. Albanian

households, which are more sensitive to food price changes, have been exposed earlier and by a larger degree to pressures from price increases in this category compared the EU ones.

3.4 ALBANIA: COMPOSITION AND CHANGES IN HOUSEHOLD EXPENDITURE BY CONSUMPTION PURPOSE

In Table 4 the weights of the main groups in household consumption over the years are presented per the household survey conducted by Instat. In 2023 “food and non-alcoholic beverages” continue to make up the highest share of household consumption (39.6%), followed by “housing, water, electricity, gas and other fuels” (9.7%).

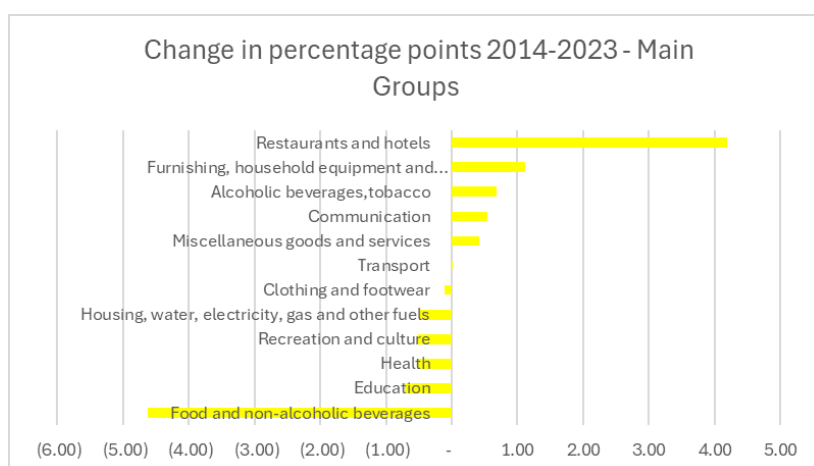
Table 4. Albania, weights of the main groups in household consumption.

Main groups	Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Food and non-alcoholic beverages	39.6	39.7	41.3	41.6	41.3	44.7	44.1	45.2	48.7	44.3
Housing, water, electricity, gas and other fuels	9.7	9.8	10.0	10.0	10.1	10.3	10.9	10.2	10.3	10.2
Restaurants and hotels	7.4	7.3	5.5	5.6	4.9	4.6	5.0	4.4	3.6	3.2
Transport	6.8	6.9	6.3	6.2	5.9	6.6	7.2	6.3	6.8	6.8
Furnishing, household equipment and routine maintenance of the dwelling	6.6	6.5	6.8	6.9	6.7	6.3	4.8	5.0	4.8	5.4
Miscellaneous goods and services	6.5	6.3	6.2	6.3	7.3	6.7	6.1	6.5	5.8	6.0
Clothing and footwear	5.0	5.0	4.6	4.6	5.2	4.2	4.3	4.8	4.9	5.1
Health	4.3	4.3	5.4	5.4	4.3	4.1	3.9	3.4	3.6	4.8
Alcoholic beverages, tobacco	4.2	4.2	3.8	3.7	3.7	3.4	3.5	3.4	3.5	3.6
Communication	3.8	3.9	3.9	3.7	3.7	3.5	3.4	3.3	3.0	3.3
Education	3.5	3.5	3.3	3.1	3.1	3.0	3.9	4.4	2.1	4.2
Recreation and culture	2.6	2.7	2.8	2.8	3.8	2.6	3.0	3.0	2.9	3.1
Total	100	100	100	100	100	100	100	100	100	100

Source: Instat

Figure 7 shows the changes of each component share of total household consumption from 2014 to 2023. “Food and non-alcoholic beverages” share of total consumption has recorded the highest decrease, moving from 44.3% of total consumption in 2014 to 39.6% in 2023.

Figure 7. Changes in weights of main groups of household consumption, 2014 - 2023



Source: Instat, authors' computations

Using the data from the household survey conducted by Instat on the share of each component, average household size, and total average monthly spending in nominal Albanian Lek, in Table 5 are presented the calculations for the average total consumption spending and the average consumption spending on food and non-alcoholic beverages per person in nominal Albanian Lek from 2014 to 2023.

Table 5. Albania, average spending on food and non-alcoholic beverages per person, current prices.

Main groups	Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Household Consumption Spending in ALL	91,675	88,367	84,548	83,475	82,235	75,935	73,400	73,143	70,766	69,442
Average members per household	3.70	3.70	3.70	3.60	3.70	3.70	3.70	3.70	4.00	3.80
Average consumption per person in ALL	24,777	23,883	22,851	23,188	22,226	20,523	19,838	19,768	17,692	18,274
Average spending on food and non-alcoholic beverages in ALL	9,824	9,482	9,442	9,643	9,176	9,182	8,743	8,941	8,622	8,091

Source: Instat, authors' calculations

The monthly average consumption spending of the household in 2023 is 32% higher than in 2014, in nominal terms. The growth of the consumer prices recorded in 2023 compared to 2014 is 26.2%. The average monthly consumption spending per capita for an individual for food consumption in 2023 is 21.4% higher than in 2014. However, the growth of the food and non-alcoholic beverages price index recorded in 2023 compared to 2014 is 55.7%.

3.5. ALBANIA AND EU: COMPARISON IN REAL TERMS OF GROWTH, HOUSEHOLD TOTAL CONSUMPTION AND FOOD AND NON-ALCOHOLIC BEVERAGES CONSUMPTION

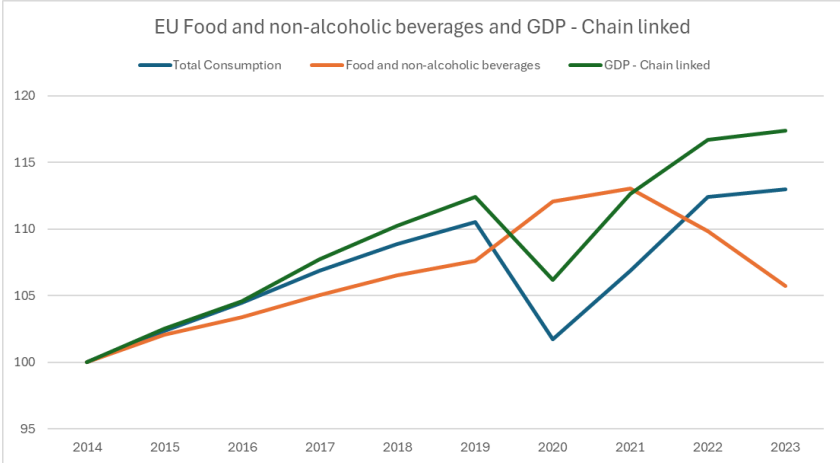
3.5.1. EUROPEAN UNION

In the EU, the development of implicit prices (of total) during the period 2014-2023 shows a steady increase. Compared with 2014, the prices for “food and non-alcoholic

beverages” increased by 36.3% and prices for “total” consumption increased by 23.4% (Eurostat, 2024). This is in line with the reported total harmonized index of consumer price increase of 26.6% and the 'food and non-alcoholic beverages' HICP increase of 40.5% during the same period.

The analysis of real GDP growth and household consumption in terms of volumes for the EU allows for some interesting insights as they follow a very similar path: GDP and total consumption during the period 2014-2023 increased up to 2020, where we can see the impact of the Covid-19 pandemic. Starting from 2021, the effect of the recovery can be observed in terms of total consumption and real GDP growth. However, with inflationary pressures post Covid-19 and the war in Ukraine and measures taken to tackle it by central banks, slowed growth and total consumption in volumes can be observed in 2023.

Figure 8. EU, evolution of chain linked volumes of household expenditure and GDP growth, 2014 - 2023



Source: Eurostat and IMF

In the EU consumption volumes for 'food and non-alcoholic beverages' continued the positive trend even during the pandemic, however they moved to negative growth rates in 2022 and 2023 as this group observed higher price increases (26%) than average inflation (16.2%). From 2014 to 2021, 'food and non-alcoholic beverages' in terms of volumes increased by 13%, and from 2021 to 2023 it decreased by 6.5%. Despite the inflation pressures post Covid, at the end of 2023 consumption volumes for 'food and non-alcoholic beverages' are 5.7% higher than in 2014 in the EU.

The behavior observed in the EU, is confirmed also in the case of the United Kingdom. Per the UK Food Security Report 2024, in the 2021-2023 period “the real terms expenditure on food fell by 5.8% over the same period. This suggests that households increasingly changed their behavior, consuming less food or switching to food of lower quality, while spending more in cash terms. The fall in real terms expenditure on food is a further example of the cost-of-living pressures faced by households. A decrease in the volume of food spending is a relatively unusual change in consumer behavior, again last seen to a lesser degree after the financial crisis of 2008 to 2009.”

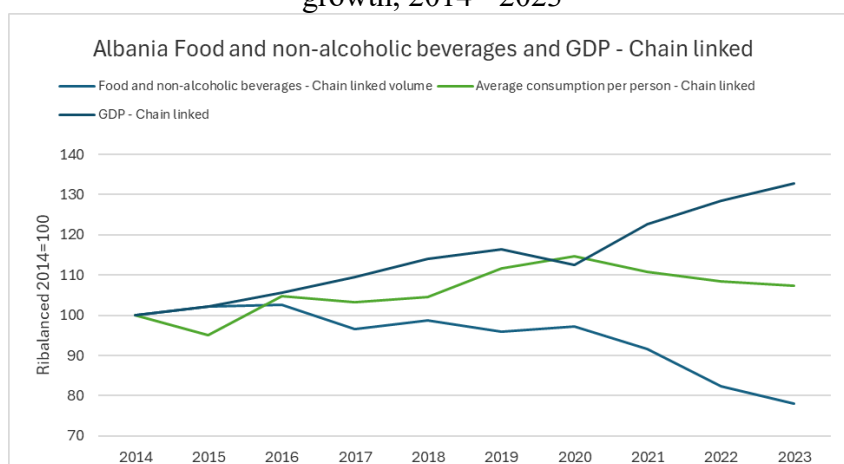
The household behavior observed in the EU and UK in the post Covid-19 inflationary period, confirms the conclusions reached by the Food and Agriculture Organization, which states that “among the food-based coping strategies, a sudden loss in purchasing power may result in changes in the quantity, quality and/ or diversity of food items consumed and non-food

based coping strategies may involve a reduction in expenditure on health care and education” (FAO, 2008).

3.5.2. ALBANIA

Figure 9 shows the real change in GDP, total household consumption and consumption on food and non-alcoholic beverages. The real change for each indicator is calculated using nominal GDP growth and deflator index per the IMF, nominal consumption data calculated per the Household survey and the changes in Harmonized Index of Consumer Prices published by Instat.

Figure 9. Albania, evolution of chain linked volumes of household expenditure and GDP growth, 2014 - 2023



Source: Instat, IMF, authors' computations

The analysis of the data show that despite stronger reported economic growth than the EU, the real term expenditure on food and non-alcoholic beverages of the Albanian household is in negative growth territory since before the Covid-19 and the post inflationary period. This is in line with the fact that, differently from the EU, Albania has experienced significant increases in food prices even before the pandemic. In addition, both total consumption and food and non-alcoholic beverages consumption in real terms have moved further and faster than the EU in negative territory after the Covid-19 pandemic. As Albanians real term expenditure for food and non-alcoholic beverages has decreased by 22% since 2014, this means that they have been consuming less food or switching to food of lower quality, while spending more in cash terms for much longer and at much greater degree than the average European.

3.6. ECONOMETRIC EVIDENCE ON THE DETERMINANTS OF REAL HOUSEHOLD FOOD CONSUMPTION

3.6.1. MULTIPLE REGRESSION RESULTS

To complement the constructed real consumption indicators and the comparative analysis with the European Union, a multiple regression model was estimated to examine the relationship between food price inflation, economic growth, and real household food consumption in Albania. The results of the multiple regression analysis indicate that food price inflation is negatively associated with real household food consumption, while real GDP growth does not exhibit a statistically meaningful relationship.

Table 6. Summary of multiple regression key results

Adjusted R Square	0.904934268
Significance F	0.00010992
Coefficients	
<i>Food and non-alcoholic beverages - HPIC - Chain Linked</i>	-0.452132565
<i>Real GDP Growth - Chain linked</i>	-0.009049975
P-value	
<i>Food and non-alcoholic beverages - HPIC - Chain Linked</i>	0.053903279
<i>Real GDP Growth - Chain linked</i>	0.977652735

Source: Authors' calculations

The estimated coefficient on food and non-alcoholic beverage inflation is negative and economically significant, indicating that increases in food prices are associated with contractions in real food consumption volumes. This result is consistent with the existing empirical literature and with the analytical framework of the Food and Agriculture Organization (FAO), which documents that rising food prices tend to reduce the quantity and quality of food consumed by households, particularly in economies where food represents a large share of total expenditure.

By contrast, real GDP growth enters the regression with a coefficient close to zero and a high p-value, indicating that aggregate economic expansion does not explain variations in real household food consumption during the period under review. Given its high p-value and lack of explanatory power, real GDP growth was therefore excluded from the final specification. This finding reinforces the earlier findings and calculated evidence showing that real food consumption declined even during periods of strong GDP per capita growth.

Taken together, the multiple regression results suggest that macroeconomic growth alone was insufficient to offset the adverse effects of food price inflation on household welfare. The absence of a statistically meaningful link between GDP growth and food consumption highlights the limited transmission of aggregate economic gains to household-level outcomes.

3.6.2. PARSIMONIOUS MODEL: FOOD PRICES AS THE PRIMARY DRIVER

Following the exclusion of real GDP growth, the analysis proceeds with a more parsimonious regression specification focusing exclusively on the relationship between food price inflation and real household food consumption. This approach avoids over-parameterization in a short time-series context and allows for a clearer assessment of the dominant channel affecting household consumption.

Table 8. Summary of parsimonious model key results

Adjusted R Square	0.916807471
Significance F	8.43051E-06
Coefficients	
<i>Food and non-alcoholic beverages - HPIC - Chain Linked</i>	-0.457625101
P-value	
<i>Food and non-alcoholic beverages - HPIC - Chain Linked</i>	8.43051E-06

Source: Authors' calculations

The results from the simplified model confirm and strengthen the findings of the multiple regression. Food price inflation emerges as the primary and statistically meaningful determinant of real household food consumption in Albania. The estimated coefficient implies that a 1 percent increase in food prices is associated with an approximate 0.45 percent decline in real food consumption, indicating a relatively high price elasticity of food consumption.

The strengthening of the relationship after excluding GDP growth underscores that price dynamics, rather than income growth, dominate household food consumption outcomes. This result aligns closely with the constructed real per-capita consumption indicators presented earlier, which show sustained declines in real food consumption despite rising nominal spending and strong macroeconomic performance.

3.6.3. INTERPRETATION, IMPLICATIONS, AND LIMITATIONS

The regression evidence confirms the central argument of the paper: food price inflation has been the main driver of declining real food consumption in Albania over the past decade. The lack of a significant relationship between GDP growth and food consumption suggests that economic growth was not sufficiently inclusive to improve household welfare in terms of basic consumption needs and insulate from inflation shocks.

The econometric results therefore reinforce the broader conclusion that structural and internal factors, rather than weak growth, explain the erosion of household welfare. In combination with the comparative EU analysis and the discussion of market intermediation, the regression results point to limited pass-through of macroeconomic gains to consumers.

The regression analysis is subject to limitations related to the short time span and the use of aggregate annual data, which restrict the application of more advanced econometric techniques. Nonetheless, the consistency between the regression outcomes, the constructed real consumption indicators, and the comparative EU evidence strengthens confidence in the robustness of the findings.

3.7. GROWTH TRANSMISSION, MARKET INTERMEDIATION, AND INTERNAL INEFFICIENCIES

The findings presented above raise an important structural question: if aggregate economic growth and currency appreciation did not translate into higher real food consumption, where did the gains from growth accrue? The coexistence of strong real GDP per capita growth, sustained appreciation of the domestic currency, and declining real food consumption suggests the presence of internal transmission failures between macroeconomic performance and household welfare.

In a well-functioning market environment, economic growth and exchange rate appreciation would be expected to alleviate cost pressures on households, particularly through lower import prices and reduced transportation costs. However, the regression results indicate that food price inflation remained the dominant driver of household food consumption outcomes, while income growth played no statistically meaningful role. This asymmetry implies that price increases were passed on to households more effectively than cost reductions or productivity gains, pointing to inefficiencies in the transmission of macroeconomic benefits.

A key channel through which such inefficiencies may arise is market intermediation. Albania's food supply chain relies heavily on imported goods and on a multi-layered network of intermediaries, including importers, wholesalers, distributors, and large retail chains. In such market structures, particularly where concentration is high or competition is limited, the literature documents the risk of asymmetric price transmission, whereby increases in input costs, such as food commodities or fuel, are rapidly reflected in retail prices, while decreases in costs are only partially or slowly transmitted to consumers.

The observed disconnect between macroeconomic gains and household-level outcomes is therefore consistent with a scenario in which intermediaries and dominant market actors capture a disproportionate share of the benefits from growth, while households primarily bear the costs of inflation. Although firm-level pricing data are not available to directly test this mechanism, the persistence of faster food price increases despite favorable macroeconomic conditions in pre pandemic years, including currency appreciation and periods of easing global commodity prices, supports the interpretation of incomplete and asymmetric price transmission.

Taken together, the findings suggest that the challenge facing Albanian households is not solely macroeconomic but also structural and institutional. Internal inefficiencies in food markets, limited competition among intermediaries, and the pricing behavior of dominant market players, appear to have weakened the transmission of growth and currency appreciation to consumer welfare. Addressing these issues would require stronger competition policies, improved market transparency, and regulatory oversight to ensure that reductions in costs and gains from economic growth are more equitably shared between producers, intermediaries, and households.

CONCLUSION

In the Table below are summarized the key indicators analyzed for Albania and the EU over the period 2014-2023. They are subdivided into three periods: 1. Pre pandemic (2014-2019), 2. Pandemic (2020-2021), and 3. Post pandemic inflationary period (2022-2023).

Table 9. Summary of key indicators over the three periods for Albania and EU.

Indicators	2014-2019		2020-2021		2022-2023		2014-2023	
	EU	Albania	EU	Albania	EU	Albania	EU	Albania
HICP Total	5.7%	10.6%	3.6%	3.7%	16.2%	11.8%	27.16%	28.30%
HICP Food and non-alcoholic beverages	6.9%	21.1%	4.1%	7.6%	26.0%	22.3%	40.20%	59.40%
Currency Appreciation against the Euro	N/A	12.9%	N/A	0.9%	N/A	14.1%	N/A	25.8%
Real GDP per capita growth, PPP	11.1%	17.8%	0.5%	7.0%	3.4%	11.4%	15.5%	40.4%
Total household expenditure, real growth	10.6%	11.7%	-3.3%	-0.8%	5.7%	-3.0%	13.0%	7.4%
Food and non-alcoholic beverages household expenditure, real growth	7.6%	-4.1%	5.1%	-4.4%	-6.5%	-14.9%	5.7%	-22.0%

Source: Eurostat, Instat, IMF, Bank of Albania, authors' calculations

While the Balkan region food prices have moved closer to the EU average during the decade, Albania has reported the highest price increase relative to EU since 2012, followed by Serbia and Bulgaria. Albania's GDP per capita, constant prices under purchase power parity, is equal to 34% of EU in 2023, continuing to be second to last among Balkan countries.

EU and Albanian households are sensitive to food price increases; however, the Albanian ones are hit hardest by food increases as their share (39.6%) of spending on food and non-alcoholic beverages is three times that of the average EU household (13.5%). Over the period 2014-2023 food prices in Albania (59.4%) increased by more than in the EU (40.2%), despite similar levels reported in total HICP changes.

In addition, differently from the EU food prices have shown a steady increase in Albania even before the Covid-19 pandemic and the inflation shocks following it. In the period from 2014 to 2019 and 2020-2021, food prices in Albania increased by 21.1% (EU: 6.9%) and 7.6% (EU: 4.15%), respectively. Albanian households, which are more sensitive to food price changes, have been exposed earlier and by a larger degree to pressures from price increases in this category compared the EU ones. In the pre-Covid period, the significant increase in food

prices in Albania, compared to the EU and key EU trading partners, came despite the national currency appreciating by close to 13% against the Euro, making imports cheaper.

Facing increasing food prices only in the post-Covid period, EU consumers changed their behavior, consuming less food or switching to food of lower quality, while spending more in cash terms. This was last seen in to a lesser degree in Europe after the financial crisis of 2008 to 2009. Despite the pressure faced, at the end of 2023 food and non-alcoholic beverages expenditures in real terms are 5.7% higher than in 2014, while real GDP per capita increased by 15.5%.

Albania has experienced significant increases in food prices even before the pandemic and they have been consuming less food or switching to food of lower quality, while spending more in cash terms, for longer and to a greater degree than the average European. Albanians real term expenditure for food and non-alcoholic beverages has decreased by 22% since 2014, despite real GDP per capita increasing by 40.4% (more than double the EU).

Being poorer and having endured food price increases earlier and at higher levels, Albanian households have also been more vulnerable in the post pandemic period to the inflationary shock compared to their EU counterparts, with total consumption and food and non-alcoholic beverages consumption in real terms decreasing by 3% (EU: 5.7% increase) and 14.9% (EU: 6.5% decrease) respectively.

According to the Food and Agriculture Organization, “among the food-based coping strategies, a sudden loss in purchasing power may result in changes in the quantity, quality and/or diversity of food items consumed, and non-food based coping strategies may involve a reduction in expenditure on health care and education” (FAO, 2008). In Albania the share of households’ spending on health care and education as percentage of total spending have decreased from 4.2% (Education) and 4.8% (Health) in 2014 to 3.5% (Education) and 4.3% (Health) in 2023, with lasting impact on the household wellbeing.

The findings from this study and related evidence suggest a weak transmission of macroeconomic and exchange rate gains to household food consumption in Albania due to internal structural issues. Previous research has shown that currency appreciation was not passed through to consumers through lower food prices (Stringa et al., 2025). The results of the present study further indicate that food price inflation is the primary determinant of real household food consumption, while real GDP growth is not statistically associated with consumption outcomes. Together, these findings suggest that the benefits of economic growth and currency appreciation were not broadly shared at the residential household level.

From the perspective of Islamic economics, these findings raise important concerns related to ‘adl (economic justice) and *maslahah* (public welfare), whereby households bear the costs of rising prices without benefiting proportionately from economic growth or currency appreciation. Islamic economic principles emphasize fair market functioning, ethical pricing, transparency, and the prevention of excessive rent extraction by dominant market actors. The observed disconnect between growth and household welfare therefore highlights the need for policies and institutions that strengthen market ethics and ensure that the benefits of economic activity are transmitted equitably to consumers and society at large.

In conclusion, policymakers should focus on ensuring that Albania’s reported growth is inclusive and ensures the wellbeing of the average household. In addition, they should analyze and address the inflationary pressures from tourism on the cost of living of the residential population. It is also important to implement stronger competition policies and regulatory oversight to reduce market capture in the food sector, for not to allow firms to increase profit margins at the expenses of Albanian consumers and producers. Measures should be taken to ensure that the benefits of currency appreciation are passed on to consumers through lower import product prices, rather than being absorbed mostly by dominant market actors. This has

important implications for household welfare considering that half of Albanians' lifetime savings are in Euro.

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