

## Survey on Inflation and Real GDP Expectations

- June 2022 -

The Survey on Inflation and Real GDP Expectations<sup>1</sup> for the period 2022 - 2024, conducted in June<sup>2</sup>, shows an upward revision of the expectations for the average inflation rate and a small downward revision in relation to the expected GDP growth. Also in this survey, economic analysts associate such expectations primarily with the effects of the war conflict in Ukraine, but also with the gradual stabilization of the situation caused by the COVID-19 pandemic, both in the country and abroad, emphasizing that there is still high uncertainty about the course of the future developments.

Regarding the **inflation**, the expectations for 2022 point to an average rate of 9.5% and are higher compared to the previous survey (6.5%). A more moderate upward revision was registered also with the expectations for 2023 and 2024, so that the respondents expect that the inflation rate will equal 5.5% in 2023 (4.2% in the previous survey), i.e. 3.9% in 2024 (3.3% in the previous survey). Similar to the previous survey, these expectations largely reflect the current developments in the primary commodity markets, i.e. the higher prices of imported goods, such as the prices of food and energy, the problems in the supply chains, the spillover effects of the already started trends of growth of the inflation, as well as the uncertainty about the resolution of the war conflict between Russia and Ukraine and the imposed sanctions. The respondents also consider that the previously undertaken fiscal and monetary measures for dealing with the COVID-19 pandemic, as well as the spending of savings could lead to possible additional inflationary pressures. The respondents still mostly consider that such movements in inflation are predominantly on the supply side and are of a temporary character, and unlike the previous survey, some of the respondents expect that they would have some effect also in the following year, with gradual stabilization in 2024.

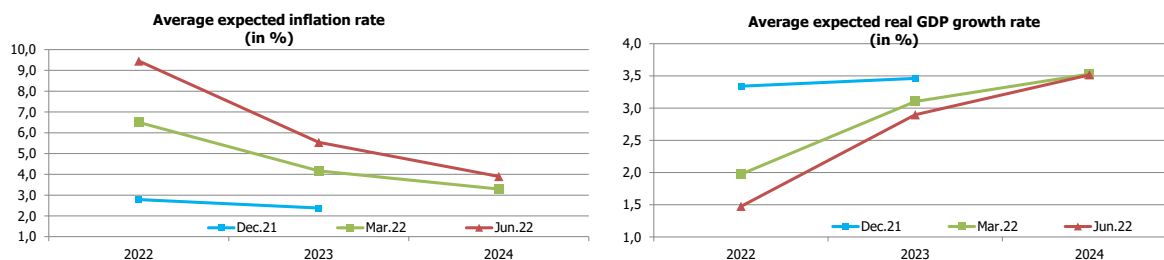
Regarding the **economic activity**, the respondents' expectations in this survey point to slightly lower growth in 2022, which would equal 1.5% (2.0% in the previous survey), and slightly lower growth of 2.9% (3.1% in the previous survey) is also expected in 2023. For 2024, the respondents also in this survey expect growth of 3.5%. Similar to the previous survey, the respondents associate such expectations for the growth primarily with the new situation due to the war conflict in Ukraine and the imposed sanctions, leading to further growth of the already high prices of energy and food in world markets and restraint of economic agents, as well as increased problems in the supply chains. Also, the respondents still state the uncertainty about the future developments with the pandemic, as a factor that could adversely affect the economic growth in the period ahead. High prices, reduced domestic and foreign demand, restraint of domestic and foreign investors, as well as reduced capital investments according to some of the surveyed economic analysts could slow down economic activity and increase unemployment. In addition, the analysts still point to the uncertainty arising from the domestic political environment, as well as to the possibility of a further

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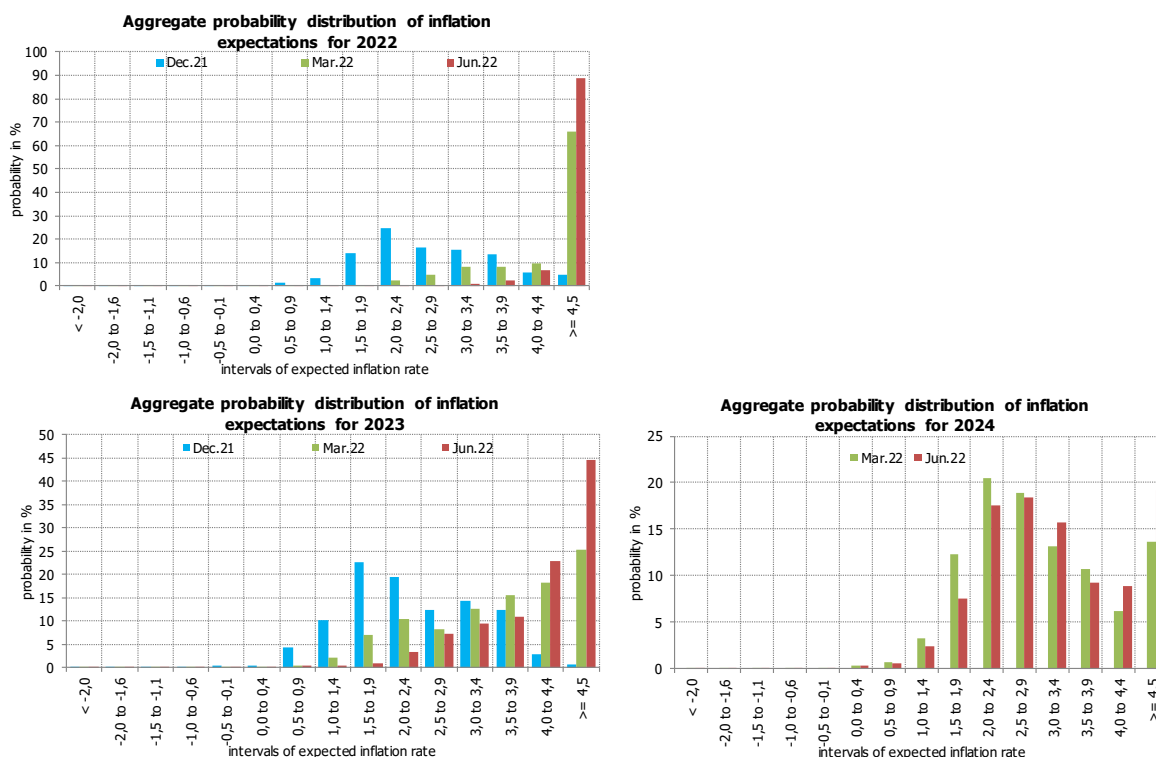
<sup>1</sup> In 2017, the National Bank of the Republic of North Macedonia made a change to the *Survey on Inflation Expectations* renaming it into *Survey on Inflation and Real GDP Expectations*, whose new structure follows the Quarterly Survey of Professional Forecasters, [https://www.ecb.europa.eu/stats/ecb\\_surveys/survey\\_of\\_professional\\_forecasters/html/index.en.html](https://www.ecb.europa.eu/stats/ecb_surveys/survey_of_professional_forecasters/html/index.en.html), conducted by the European Central Bank (ECB), and changed the structure of the sample, which is now composed only of economic experts.

<sup>2</sup> The survey was conducted in the period from 13 to 20 June 2022.

blockade on the commencement of the negotiations with the EU. On the other hand, the respondents consider that the lifting of the restrictive measures in most of the countries which were taken to deal with COVID-19, the possible commencement of the negotiations for integration into the EU, the return of optimism among economic agents (among consumers and investors) and the increased implementation of capital projects, as well as the implementation of rehabilitation and rapid economic growth plans, could have a positive influence on growth and contribute to a faster post-crisis recovery of the economy, in the medium run.

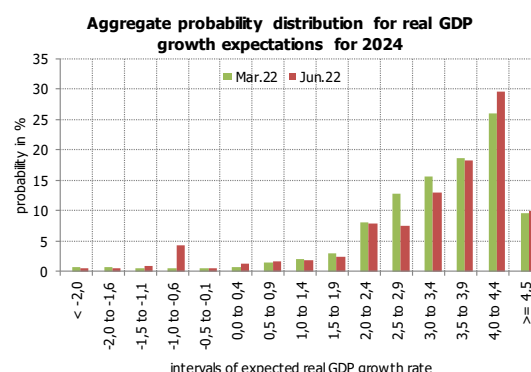
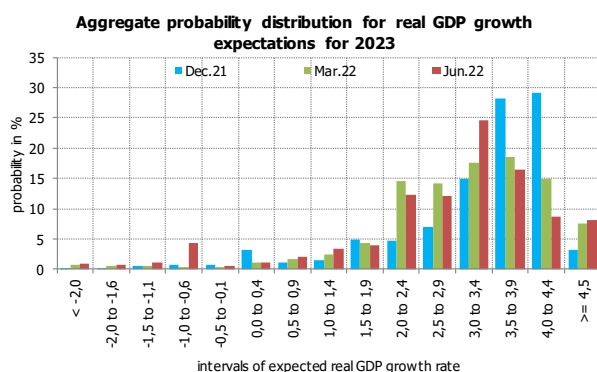
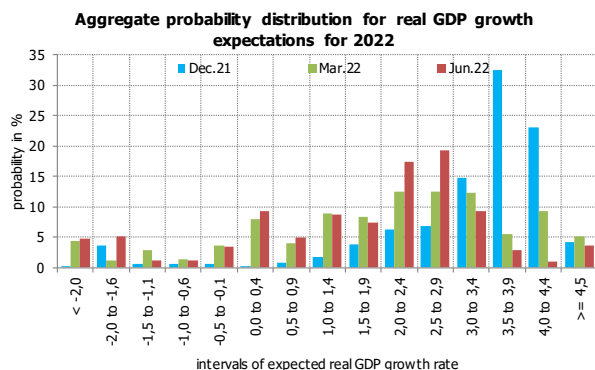


Within the Survey, respondents also give their own view on the **distribution of the probability of achieving certain rates within a given interval**. These assessments are used to make an aggregate probability distribution<sup>3</sup>. The aggregate distribution of probabilities of achieving the given rates of inflation and GDP in fifteen intervals is shown on the following charts, and the results are mainly in line with the rates expected by the respondents.



<sup>3</sup> The aggregate probability distribution represents an average of the probabilities assessed by the respondents for each interval of expected inflation rate and GDP growth rate.

In accordance with the higher expectations for the **inflation rates**, compared to the previous survey, the probability distribution for this and the next two years points to shifts to the intervals with higher values.



Regarding the expected **GDP growth rate**, the probability distribution registered shifts mainly in a downward direction, with a greater concentration in the interval from 2.5% to 2.9% for 2022 and from 3.0% to 3.4% for 2023.