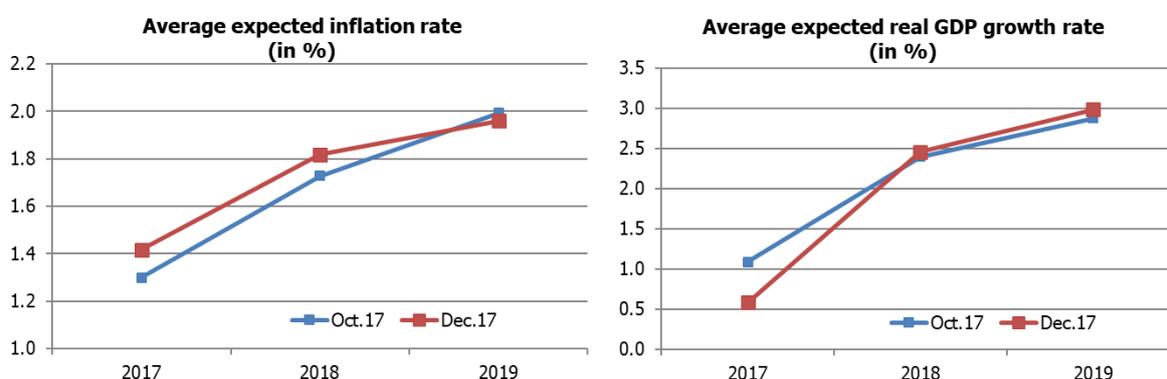


## Survey on Inflation Expectations and Expectations for the Movement of the Real GDP

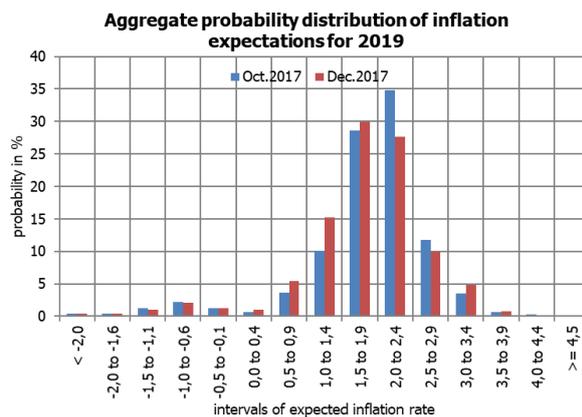
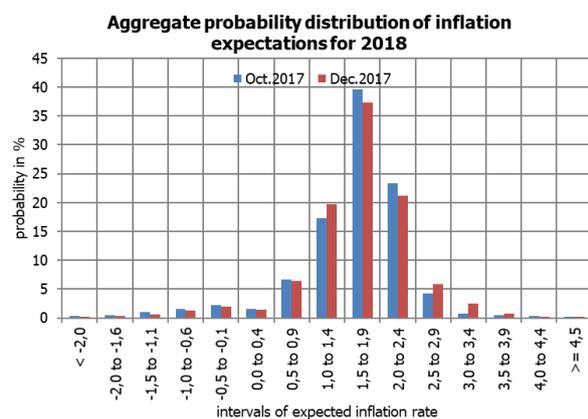
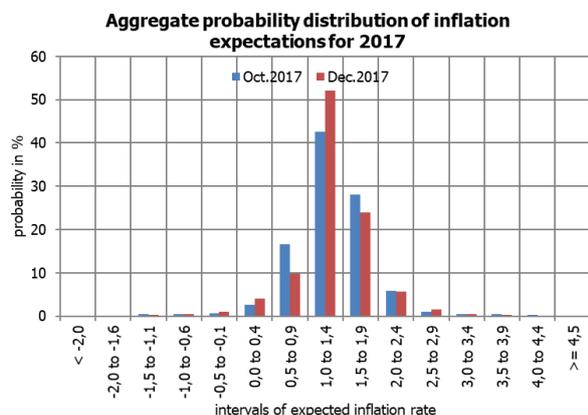
**The Survey on Inflation Expectations and Expectations for the Movement of the Real GDP<sup>1</sup>** conducted in December indicated no significant changes in the expectations of economic analysts in terms of the movement of inflation and GDP in the period 2017 - 2019. A major revision of the expectations was registered only in the expected rate of economic growth for 2017 which is now lower, an adjustment that economic analysts explain by the aggregate data for the GDP growth for the first three quarters of the year, as well as by the movements of the high-frequency indicators in the last quarter.

**Economic analysts expect a gradual acceleration in inflation and economic growth in the period 2017 - 2019.** Thus, for 2017 they expect the **average inflation rate** to be 1.4%, and then to moderately accelerate to 1.8% and 2.0% in 2018 and 2019, respectively. Respondents explain the upward path of inflation for the next two years by multiple factors such as: higher minimum wage, higher excise duty on diesel fuels, increase in the excise duty on cigarettes, liberalization of the price of electricity, indirect effects of the announced changes in personal income tax and expected growth of the prices of primary products on the world market. Compared with the previous survey, expectations were almost unchanged (minimum upward revision of about 0.1 percentage point for 2017 and 2018). Observing the economic activity, the average expectations for the **real GDP growth** amount to 0.6%, 2.5% and 3.0% for 2017, 2018 and 2019, respectively. Respondents associate the recovery of the activity in the next two-year period with the stabilization of the political situation in the country, the higher growth of private consumption associated with the higher minimum wage, the announcements for continuation of the projects related to road infrastructure and the restoration of the confidence of domestic and foreign investors. Compared to October, the respondents expect slower growth for 2017 (by 0.5 percentage points), while the expectations for 2018 and 2019 were almost unchanged (minimum upward revision of the expected growth for 2018 and 2019 of about 0.1 percentage point).



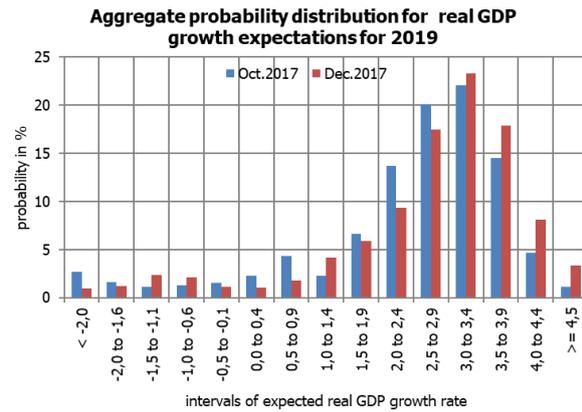
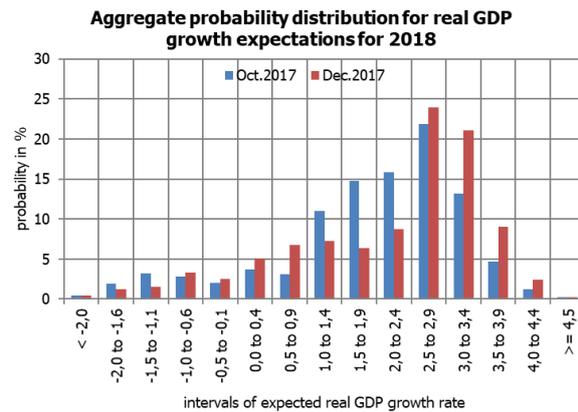
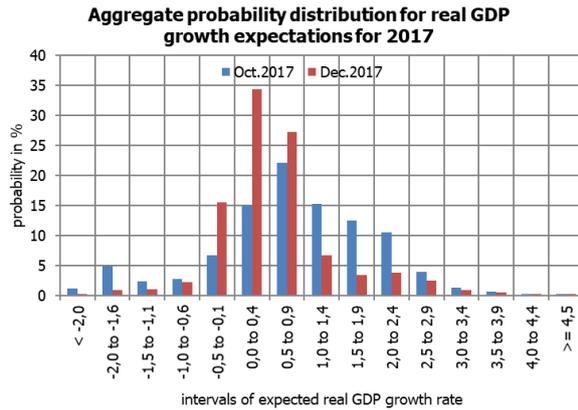
<sup>1</sup> In 2017, the National Bank of the Republic of Macedonia made a change to the "Survey on Inflation Expectations", which is renamed into "Survey on Inflation Expectations and Expectations for the Movement of the Real GDP" and whose new structure follows the Quarterly Survey of Professional 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 also changed the structure of the sample, which is now composed only of economic experts.

Besides the expected inflation rate and the GDP growth rate, within the survey, respondents also give their own view on the **distribution of the likelihood of achieving certain rates in a given interval**. These assessments are used to make the aggregate distribution of the likelihood<sup>2</sup>. The aggregate distribution of the likelihood of achieving the given rates of inflation and GDP in fifteen intervals are shown on the following charts, and the results are generally in line with the rates expected by the respondents.



In terms of the **expectations for the inflation rate** for 2017, the respondents have assessed the highest likelihood that the average annual inflation rate will range from 1.0% to 1.4%, while for 2018 and 2019 it will be between 1.5% and 1.9%. Compared to the previous survey, more significant differences in the distribution in a downward direction were registered in relation to the expectations for 2019, as follows: 1) most of the respondents believe that the inflation rate will range from 1.5% to 1.9%, versus the expectations in October when most of the respondents believed that it would move in the higher interval from 2% to 2.4%; and 2) there was a more significant increase in the likelihood of inflation rate in 2019 which would range from 1.0% to 1.4%.

<sup>2</sup> The aggregate distribution of the likelihood represents an average of the estimated likelihood by respondents for each interval of expected inflation rate and GDP growth rate.



For 2017, the respondents have assessed the highest likelihood that the **annual GDP growth** will range from 0% to 0.4%, for 2018 it will be between 2.5% and 2.9% and for 2019 that it will be between 3.0% and 3.4%. Compared to the previous survey, a significant change in the distribution in a downward direction, which corresponds with the change in the average expected GDP growth rate, was made for 2017 - most of the respondents believe that the GDP growth will range from 0 to 0.4%, versus the expectations in October when most of the respondents believed that the growth would move in the higher interval from 0.5% to 0.9%.