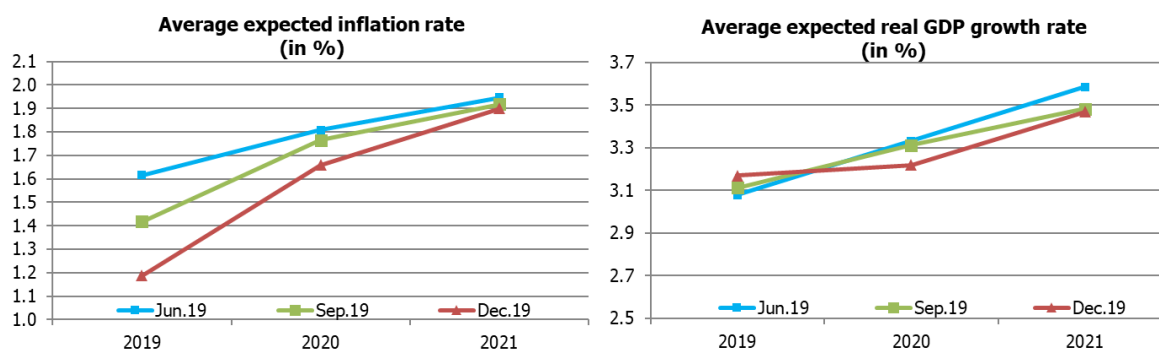


Survey on Inflation Expectations and Expectations for the Movement of the Real GDP

- December 2019 -

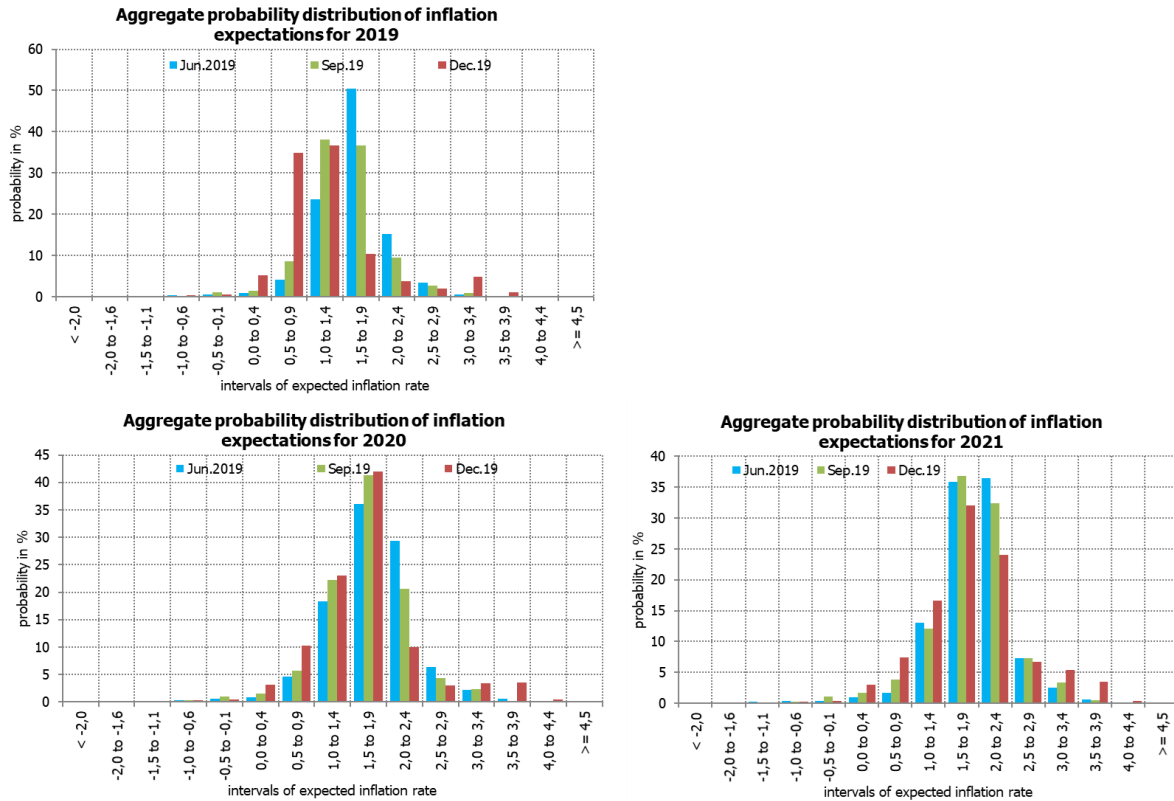
The Survey on Inflation Expectations and Expectations for the Movement of the Real GDP¹ for the period 2019 - 2021, conducted in December, does not suggest significant changes in the expectations for the average inflation rate and the expected GDP growth. Namely, as in the previous Survey, economic analysts expect a gradual acceleration in inflation and economic growth in the period ahead.

Regarding the **inflation**, the expectations for 2019 indicate average rate of 1.2%, which is by 0.2 percentage points less compared to the previous Survey, for 2020 the expected rate of 1.7% is by 0.1 percentage point lower, while for 2021 expectations continue to point to average inflation of 1.9%. The respondents explain the moderate acceleration of inflation in 2020 - 2021 by a number of factors, such as increased minimum wage, increase in food prices, higher domestic demand, liberalization of the domestic electricity market, as well as the general rise in the prices of primary commodities in world markets. In terms of **economic activity**, compared to the previous Survey, the surveyed analysts expect a slightly higher real GDP growth of 3.2% for 2019, a slightly lower real growth for 2020 of 3.2%, while for 2021 the expectations for an increase of 3.5% are unchanged. Respondents associate such expectations with: the growth registered in the first three quarters of the year, the positive signals from the relaxation of the monetary policy and the government measures for enterprise support, the realization of government capital investments, the confidence and expectations of economic agents, the expected integration into NATO and the EU, as well as the increase in investment and export activity. On the other hand, respondents expect the uncertainty related to the early parliamentary elections in 2020 to reflect through restraint of domestic investors and lower realization of public consumption.



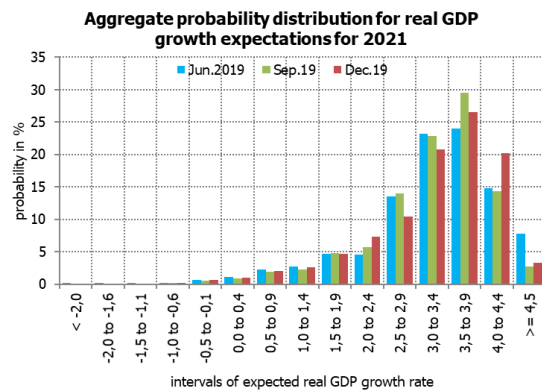
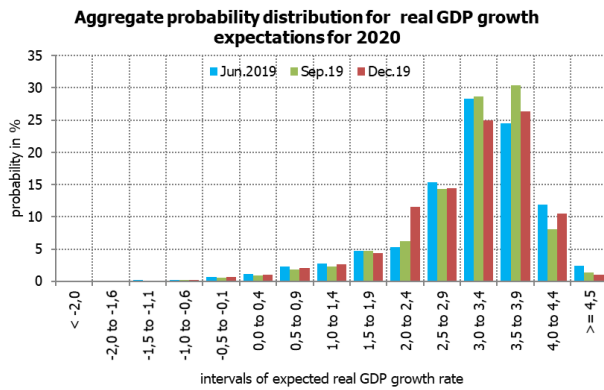
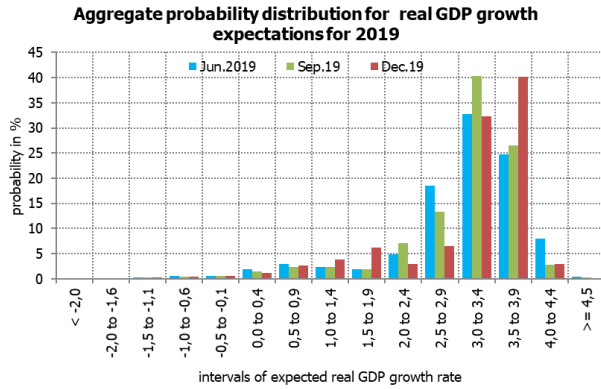
¹ In 2017, the National Bank of the Republic of North Macedonia made a change to the "Survey on Inflation Expectations", which was renamed into "Survey on Inflation Expectations and Expectations for the Movement of the Real GDP", whose new structure follows the Quarterly Survey of Professional Forecasters, https://www.ecb.europa.eu/stats/ecb_surveys/survey_of_professional_forecasters/html/index.en.html, conducted by the European Central Bank (ECB), and also changed the structure of the sample, which is now composed only of economic experts.

Within the Survey, respondents also give their own view on the **distribution of the probability of achieving certain rates in a given interval**. These assessments are used to make the aggregate probability distribution². The aggregate distribution of probabilities of achieving the given rates of inflation and GDP in fifteen intervals are shown on the following charts, and the results are mainly in line with the rates expected by the respondents.



In accordance with the expectations for lower average **inflation rate** for 2019 and 2020, relative to the previous Survey, the probability distribution indicates probability shifts from the intervals with higher values to the lower intervals. For 2021, amid unchanged expectations for the inflation rate, there are also downward probability shifts, from the intervals with higher values to the lower intervals. However, as in the previous Survey, probabilities are still concentrated in the interval of the expected inflation rate.

² 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.



The comparison of the expectations for the **GDP growth rate** for 2019 with the probability distribution points to more pronounced shifts of probabilities in an upward direction and their concentration in the intervals from 3% to 3.9%, i.e. slightly above the expected growth rate of 3.2%. For 2020, in the same direction with the expectations, probabilities also register small shifts in a downward direction, while for 2021, the probability distribution shifts towards the intervals with higher values and their concentrated in the interval of the expected growth rate.