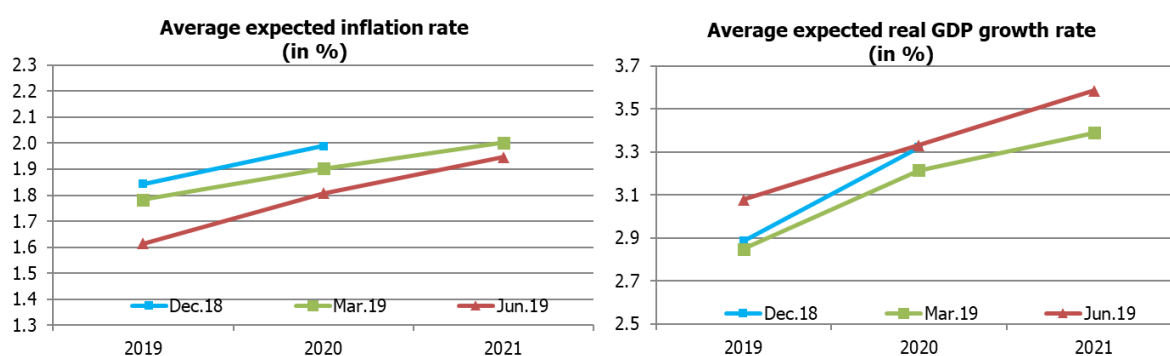


Survey on Inflation Expectations and Expectations for the Movement of the Real GDP

- June 2019 -

The Survey on Inflation Expectations and Expectations for the Movement of the Real GDP¹ for the period 2019 - 2021, conducted in June, does not suggest significant changes in the expectations for the average inflation rate and the expected GDP growth.

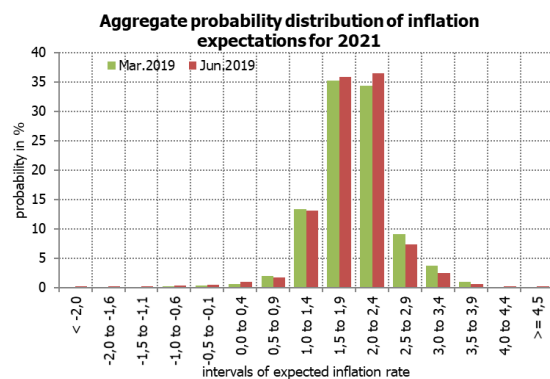
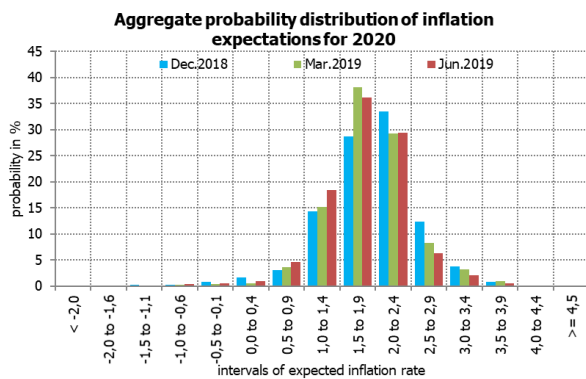
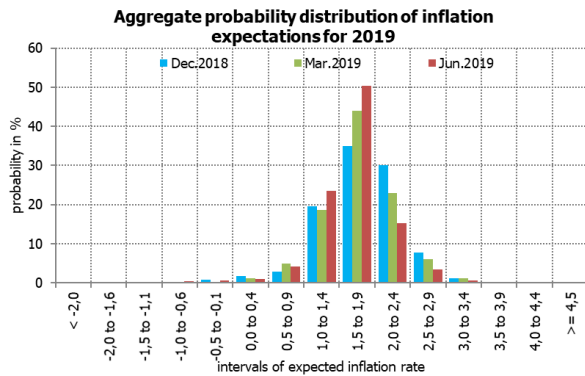
As in the previous Survey, economic analysts expect a gradual acceleration in inflation and economic growth in the next two years. Thus, for 2019 they expect that the **average inflation rate** will be 1.6%, while in 2020 and 2021 the expectations point to average inflation of 1.8% and 1.9%, respectively. Respondents explain the moderate acceleration in inflation by multiple factors, such as higher minimum wage, higher domestic demand, higher energy prices in accordance with the expected growth of the price of oil on the world market, as well as the general growth of the world prices of primary products. Compared with the previous Survey, expectations have changed in a downward direction, by 0.2 percentage points for 2019 and 0.1 percentage point for 2020 and 2021. Observing the economic activity, surveyed analysts expect **real GDP growth** of 3.1%, 3.3% and 3.6% for 2019, 2020 and 2021, respectively. Respondents associate such expectations with continuation of the favorable trends of the previous year and the first quarter of this year, the relaxation of the monetary policy, the confidence and expectations of economic agents, the government measures for support of companies, the expected integration into NATO and the EU, the increase in investment and export activity, the infrastructure projects announced by the government, as well as with the growth of private consumption related to the growth of the average wage, lending and lower unemployment. In terms of the March Survey, respondents have expectations for faster growth of the economy in the period from 2019 to 2021 (by 0.3 percentage points for 2019, 0.1 percentage point for 2020 and by 0.2 percentage points for 2021).



Besides the expected inflation rate and the GDP growth rate, 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

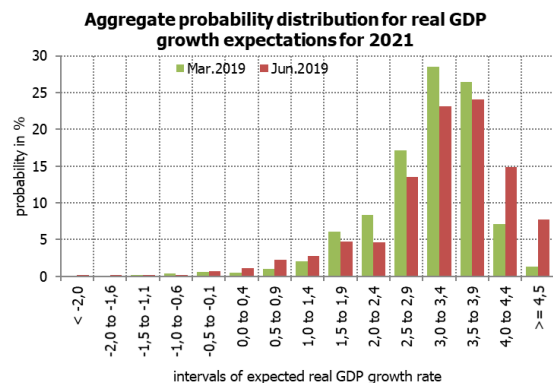
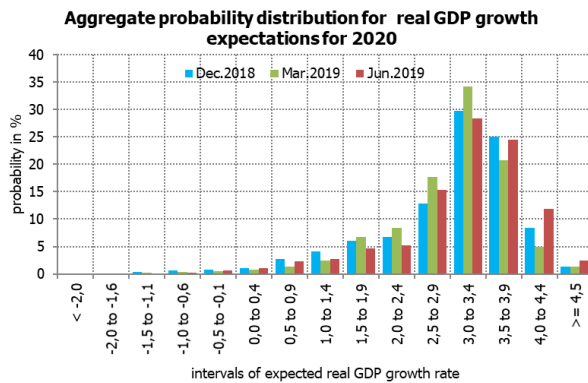
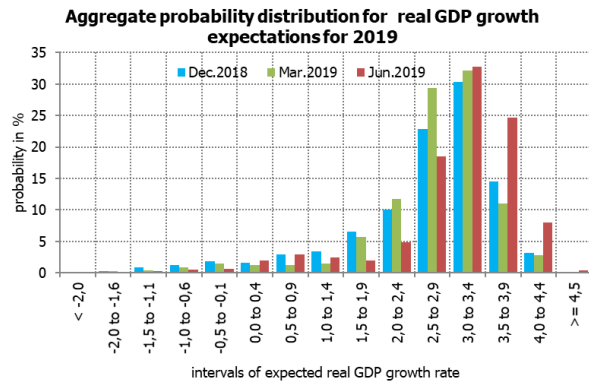
¹ In 2017, the National Bank of the Republic of North Macedonia made a change to the "Survey on Inflation Expectations", which was renamed into "Survey on Inflation Expectations and Expectations for the Movement of the Real GDP", whose new structure follows the Quarterly Survey of Professional Forecasters, 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.

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**, relative to the previous Survey, the probability distribution indicates shifts of probabilities from the intervals with higher values to the lower ones, as well as a higher concentration of probabilities in the interval of the expected rate for the period 2019 and 2020. For 2021, there is no significant shift in probabilities relative to the previous Survey.

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** with the probability distribution points to visible shifts in an upward direction, as well as their concentration in the interval of the expected rate, which is also consistent with the higher average expected growth rate for the period from 2019 to 2021.