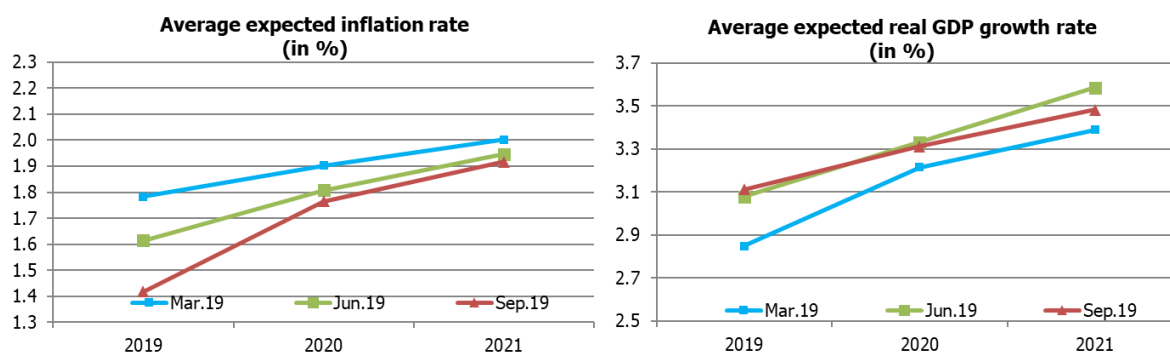# Survey on Inflation Expectations and Expectations for the Movement of the Real GDP

- September 2019 -

The Survey on Inflation Expectations and Expectations for the Movement of the Real GDP[1] for the period 2019 - 2021, conducted in September, 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 following two years.

Regarding the **inflation**, the expectations for 2019 indicate average rate of 1.4%, which is by 0.2 p.p. less compared to the previous Survey, while in 2020 and 2021 expectations continue to point to average inflation of 1.8% and 1.9%, respectively. 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, general rise in world prices of primary commodities, including oil prices, as well as the uncertainty related to Brexit, the US - China trade war and the risks associated with the Middle East crisis. In terms of **economic activity**, the surveyed analysts still expect real GDP growth of 3.1% and 3.3% for 2019 and 2020, respectively, as well as a slightly lower real growth in 2021 of 3.5%. Respondents associate such expectations with continuation of the favorable trends of the first half of this year, the positive signals of the relaxation of the monetary policy and the government measures for enterprise support, optimism of the economic agents, 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 and lending.

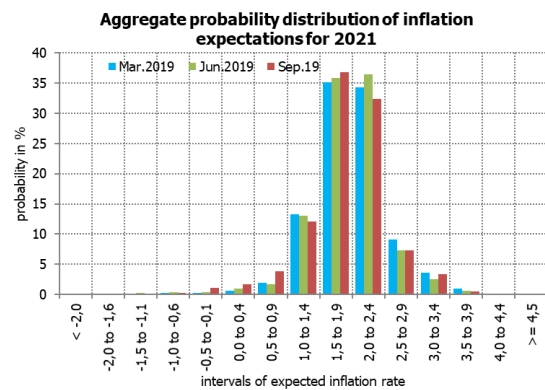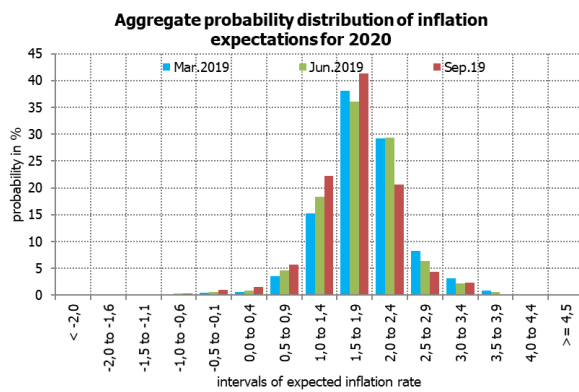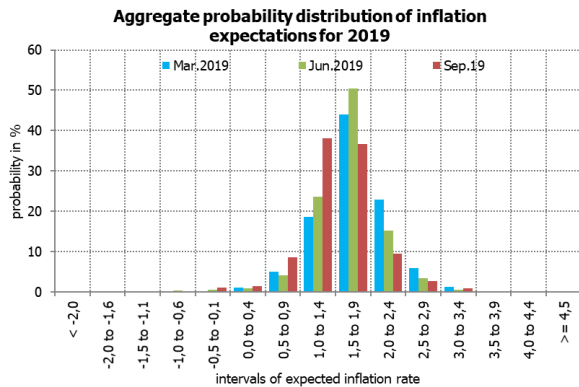Average expected inflation rate (in %) / Average expected real GDP growth rate (in %)

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 probability distribution[2]. The aggregate distribution of probabilities of achieving the given rates

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[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.
[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.

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.

Aggregate probability distribution of inflation expectations for 2019

Aggregate probability distribution of inflation expectations for 2020

Aggregate probability distribution of inflation expectations for 2021

In accordance with the expectations for lower average **inflation rate in 2019,** relative to the previous Survey, the probability distribution indicates shifts of probabilities from the intervals with higher values to the lower ones. For 2019 and 2020, the concentration of probabilities in the expected rate interval is higher than in the previous survey.

Aggregate probability distribution for real GDP growth expectations for 2019

Aggregate probability distribution for real GDP growth expectations for 2020

Aggregate probability distribution for real GDP growth expectations for 2021
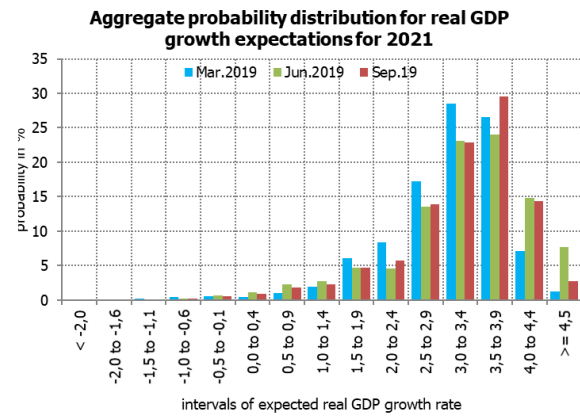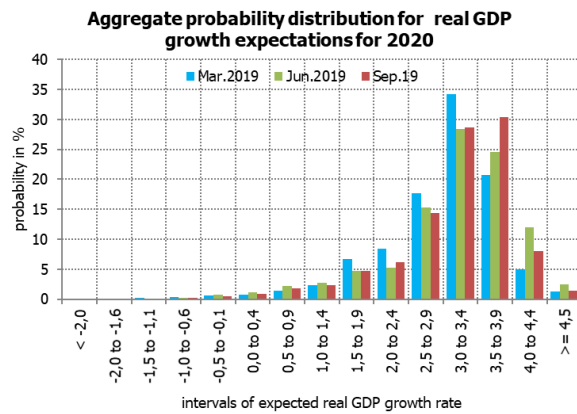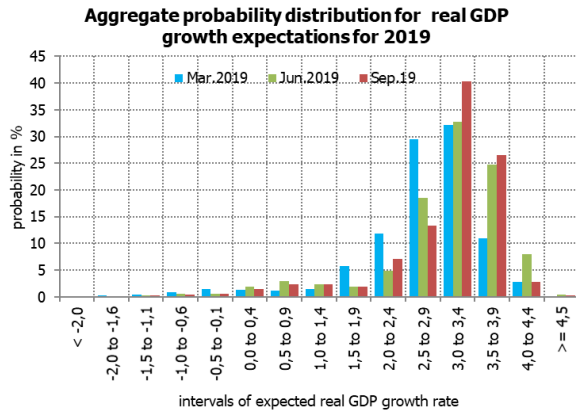
The comparison of the expectations for the **GDP growth rate** with the probability distribution points to visible shifts in an upward direction, as well as their concentration in the interval of the expected rate.