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

In October 2017, the National Bank of the Republic of Macedonia made a change to the "Survey on Inflation Expectations[1]", 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[2] conducted by the European Central Bank (ECB). The major changes compared to the current survey refer to changes in the sample, which is now composed only of economic experts[3] and expansion of the subject of the survey. In terms of the subject, two significant qualitative changes were made: 1) expansion of the survey by including questions related to expectations for economic growth; and 2) determination of the likelihood of achieving a certain expected inflation rate, i.e. GDP.

According to the results of the survey conducted in October 2017, economic analysts expect a gradual acceleration in the inflation rate and the economic growth in the period 2017 - 2019. Thus, the average inflation rate is expected to amount to 1.3% in 2017, and then to moderately accelerate to 1.7% and 2.0% in 2018 and 2019, respectively. The average expectations for the real GDP growth amount to 1.1%, 2.4% and 2.9% for 2017, 2018 and 2019, respectively.

Average expected inflation rate (in %)

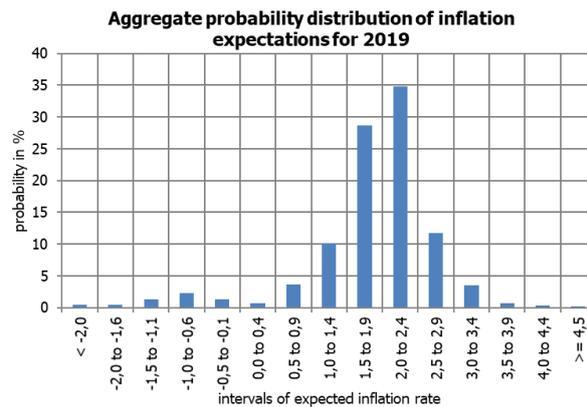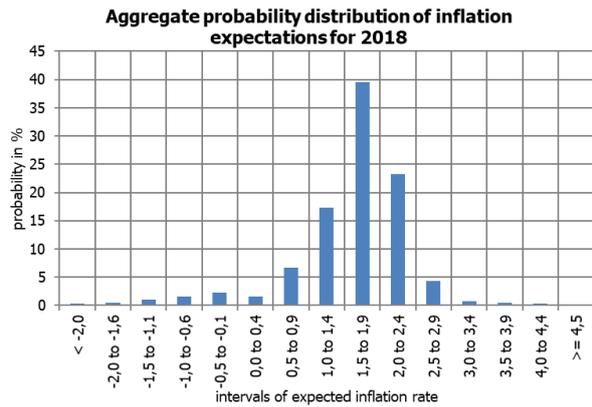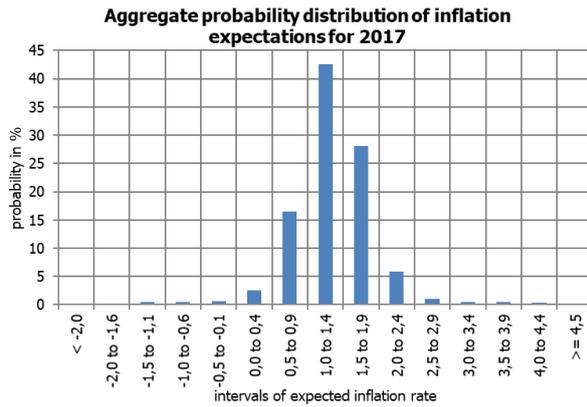**Average expected real GDP growth rate (in %)**
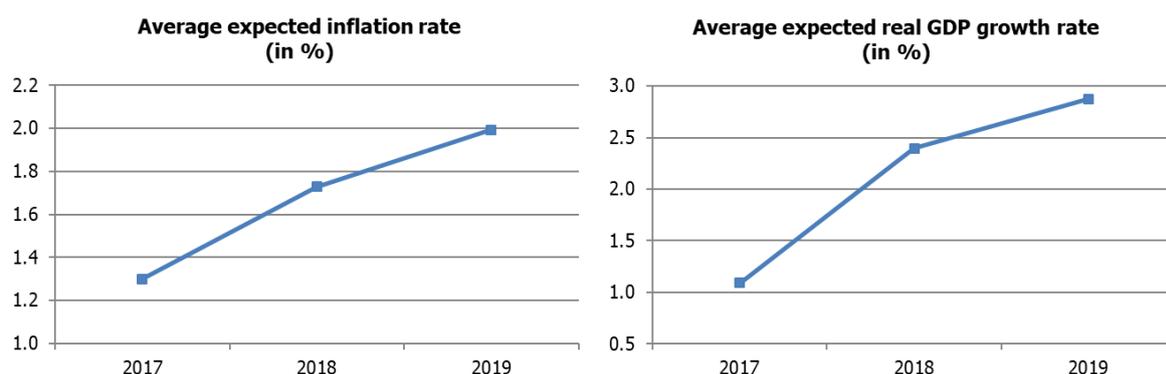
Besides a certain expected inflation rate and GDP growth rate, within the survey, respondents also give their own view on the **distribution of the likelihood of achieving certain rates in a given interval**. These assessments are used to make the aggregate distribution of the likelihood[4]. The aggregate distribution of the likelihood of achieving certain rates of inflation and GDP in fifteen intervals are shown on the following charts, and the results are generally in line with the given expected rates by the respondents.

---

[1] The "Inflation Expectations Survey" was conducted on a quarterly basis from 2006, and a major revision was made in 2013.
[2] https://www.ecb.europa.eu/stats/ecb_surveys/survey_of_professional_forecasters/html/index.en.html
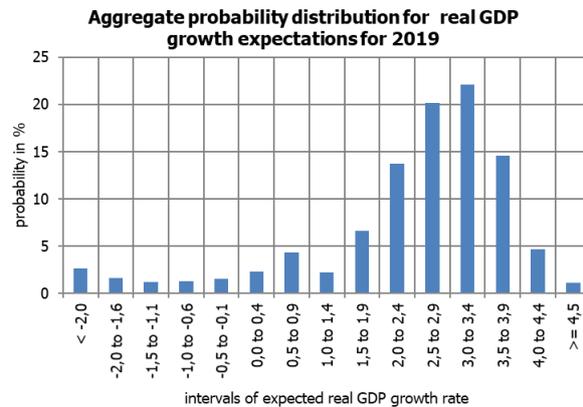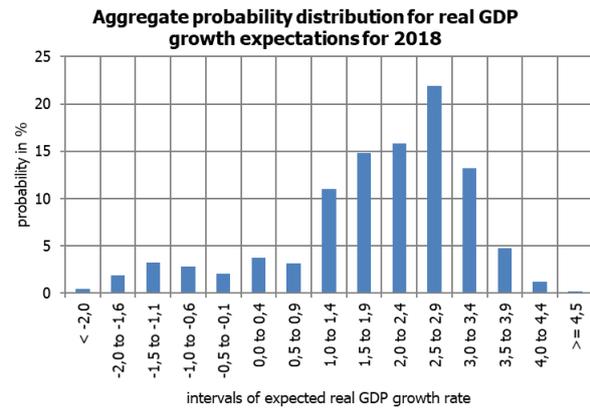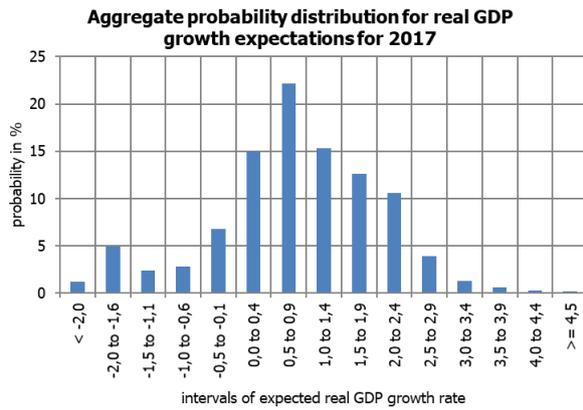[3] The previous survey included three groups of respondents: economic analysts, companies, and financial institutions
[4] The aggregate distribution of the likelihood represents an average of the estimated likelihood by respondents for each interval of expected inflation rate and GDP growth rate.

Aggregate probability distribution of inflation expectations for 2017

Aggregate probability distribution of inflation expectations for 2018

Aggregate probability distribution of inflation expectations for 2019

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%, for 2018 it will be between 1.5% and 1.9% and for 2019 that it will be between 2.0% and 2.4%.

Moreover, the aggregate likelihood indicates 79% likelihood that the inflation rate in 2017 will be over 1%. For 2018, the likelihood of price growth faster than 1.5% is 69%, while for 2019, the likelihood of inflation over 2% is 51%.

Aggregate probability distribution for real GDP growth expectations for 2017

Aggregate probability distribution for real GDP growth expectations for 2018

Aggregate probability distribution for real GDP growth expectations for 2019

For 2017, the respondents have assessed the highest likelihood that the **annual GDP growth** will range from 0.5% to 0.9%, for 2018 it will be between 2.5% and 2.9% and for 2019 that it will be between 3.0% and 3.4%.

Moreover, the aggregate likelihood indicates 65% likelihood that the GDP growth in 2017 will be over 0.5%. For 2018, the likelihood of GDP growth faster than 2.5% is 43%, while for 2019, the likelihood of real growth over 3% is 45%.