

Press Release - Questions will be answered by Ulf Elvestedt, +46-8-758 08 00.

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Main results

Inflation expectations have slumped since last survey(4/04). All interviewee categories have revised their inflation expectations for the coming year significantly downwards which now are clearly below the Riksbank two per cent target. Inflation expectations over longer time periods also have a downward trend. Wage increase expectations are however, by and large, unaltered.

The money market players expect lower repo rates than they did in the 4/04 survey. The EUR-USD- and TCW-assessments point to a side moving FX market the coming two years.

91(91) per cent of all interviewees think that the inflation the second year from now will stay within the Riksbank's 1-3 per cent tolerance band(the "Confidence Indicator").

Prospera Research AB has been commissioned by Sveriges Riksbank (Central Bank of Sweden) to undertake a series of surveys, four times a year, aiming at mapping inflationary and wage increase expectations in Sweden among labour market parties, purchasing managers and money market players. The survey also includes money market players' expectations of future repo, TCW, EUR and USD rates. The fourteenth survey in the series, 1/05, has now been completed. The previous survey, 4/04, was published on November 24, 2004. A comparison of the results of the two surveys can be summarised as follows (rounded off figures)^{1,2};

Expectations of;	Year 1		Year 2		Year 5	
	1/05	4/04	1/05	4/04	1/05	4/04
Annual inflation, %						
All	1,6	2,0	1,9	2,1	2,1	2,2
Employees' organisations	1,5	1,8	1,7	2,0	2,0	2,1
Employers' organisations	1,6	1,8	2,0	2,0	2,3	2,2
Purchase managers Manufacturing	1,8	2,2	2,0	2,3	2,1	2,4
Purchase managers Trading	1,7	2,0	1,9	2,1	2,1	2,2
Money market players	1,2	1,7	1,8	2,0	2,0	2,0
Annual wage increase, %						
All	2,7	2,8	2,8	2,8	2,8	2,8
Employees' organisations	2,9	3,0	3,0	3,1	3,1	3,2
Employers' organisations	2,9	2,9	3,0	3,0	3,1	3,0
Purchase managers Manufacturing	2,6	2,7	2,7	2,8	2,7	2,8
Purchase managers Trading	2,6	2,8	2,7	2,7	2,8	2,7
	3 months		12 months		24 months	
Money market expectations of;	1/05	4/04	1/05	4/04	1/05	4/04
Repo rate, %	2,0	2,1	2,4	2,8	2,9	3,3
TCW	123	124	122	123	122	123
EUR	9,01	9,04	8,93	8,96	8,89	8,93
USD	6,95	6,98	6,92	6,94	7,06	6,99

¹ The mean value "All" has been calculated on the basis of all interviews and is a weighted average of the means of the different groups with their relative sizes as weights. Consequently "large" groups (e.g. purchasing managers) have a larger impact on the "All" value than have "small" groups (e.g. employers' organisations).

² **Definitions;** *Inflation* is defined as the percentage increase in Consumer Price Index (CPI). *Wage increase* is defined as the percentage increase in wages/salaries as measured over all sectors in the economy, exclusive of social costs but inclusive of wage increases negotiated earlier and wage drift.

Interview Period & Method

Prospera's inflationary expectation surveys are carried out over telephone. The part of the survey that encompasses inflationary and wage increase expectations was carried out February 14 - February 28, 2005 (previous survey November 8 - November 22, 2004). The part of the survey regarding money market players' expectations of future repo rates, TCW, EUR and USD rates took place on February 16, 2005 (previous survey November 10, 2004).

About the Interviewees & Response Rate

In all 293(293) organisations/companies were approached for interview 7(7) of the persons in the panel could not be reached or have denied participation, which means that there is an overall response rate of 98(98) per cent. The response rate for individual questions regarding inflation and wage increase expectations is 95 per cent or more for the one year and two years assessments, except for the employers' organisations. For the three, four and five years assessments (Table 1) as well as the questions regarding repo, TCW, EUR and USD rates the response rate is generally lower (Table 2).

Of the 171 purchasing managers 85 represent the trading industry and 86 the manufacturing industry. The group of companies interviewed is a random sample selected from a company directory at the National Statistics Office of Sweden comprising Swedish companies with more than 200 employees.

The money market category includes 64 players, 49 Swedish and 15 international, active in the Swedish fixed income market. The money market players were not asked to assess the expected wage increases. Only the money market players have participated in the part of the survey comprising expected repo rates, TCW, EUR and USD rates.

58 Swedish labour market organisations, of which 27 on the employers' side and 31 on the employees' side have been approached.

Earlier Prospera inflationary expectations surveys

Earlier (starting in 1995) Prospera inflation reports, releases and tables can be downloaded from the site address below.

TABLE 1 - Inflationary and Wage Increase Expectations

Expected annual increase in CPI and expected annual wage increase the coming 1-5 years

	Mean (%)	Median (%)	Lowest (%)	Highest (%)	Standard Deviation	Standard Error	Responses (numbers)	No Resp. (numbers)	Response Rate (%)
ALL									
Inflation Year 1	1,603	1,600	-0,500	4,000	0,645	0,038	284	9	97
Inflation Year 2	1,899	2,000	0,000	4,000	0,599	0,036	282	11	96
Inflation Year 3	2,036	2,000	0,000	4,500	0,577	0,035	274	19	94
Inflation Year 4	2,077	2,000	0,000	4,000	0,579	0,036	261	32	89
Inflation Year 5	2,094	2,000	0,000	4,000	0,582	0,036	260	33	89
Wage Increase Year 1	2,698	2,800	1,000	4,000	0,537	0,036	223	6	97
Wage Increase Year 2	2,789	3,000	1,000	4,300	0,580	0,039	221	8	97
Wage Increase Year 3	2,808	3,000	1,000	4,500	0,575	0,039	218	11	95
Wage Increase Year 4	2,836	3,000	1,000	4,500	0,584	0,041	204	25	89
Wage Increase Year 5	2,837	3,000	1,000	4,500	0,593	0,042	203	26	89
EMPLOYEES' ORGANISATIONS									
Inflation Year 1	1,473	1,500	0,250	2,900	0,578	0,104	31	0	100
Inflation Year 2	1,716	1,750	0,750	2,900	0,484	0,087	31	0	100
Inflation Year 3	1,902	2,000	0,750	3,100	0,422	0,076	31	0	100
Inflation Year 4	1,974	2,000	0,750	3,300	0,521	0,097	29	2	94
Inflation Year 5	2,005	2,000	0,750	3,300	0,539	0,100	29	2	94
Wage Increase Year 1	2,939	3,000	1,500	3,700	0,518	0,093	31	0	100
Wage Increase Year 2	3,032	3,000	1,000	4,100	0,596	0,107	31	0	100
Wage Increase Year 3	3,026	3,000	1,000	4,000	0,592	0,106	31	0	100
Wage Increase Year 4	3,100	3,100	1,500	4,000	0,533	0,099	29	2	94
Wage Increase Year 5	3,107	3,100	1,500	4,000	0,540	0,100	29	2	94
EMPLOYERS' ORGANISATIONS									
Inflation Year 1	1,618	1,650	0,500	2,500	0,506	0,108	22	5	81
Inflation Year 2	2,027	2,000	1,000	4,000	0,704	0,150	22	5	81
Inflation Year 3	2,173	2,000	1,000	4,500	0,719	0,153	22	5	81
Inflation Year 4	2,303	2,000	1,100	4,000	0,689	0,158	19	8	70
Inflation Year 5	2,318	2,000	1,000	4,000	0,700	0,161	19	8	70
Wage Increase Year 1	2,850	2,900	2,000	3,500	0,364	0,074	24	3	89
Wage Increase Year 2	3,008	3,000	2,500	4,000	0,405	0,083	24	3	89
Wage Increase Year 3	2,975	3,000	2,100	3,800	0,365	0,075	24	3	89
Wage Increase Year 4	3,019	3,000	2,300	3,900	0,347	0,076	21	6	78
Wage Increase Year 5	3,055	3,000	2,200	4,200	0,399	0,089	20	7	74

TABLE 1 (continued) - Inflationary and Wage Increase Expectations

Expected annual increase in CPI and expected annual wage increase the coming 1-5 years

	Mean (%)	Median (%)	Lowest (%)	Highest (%)	Standard Deviation	Standard Error	Responses (numbers)	No Resp. (numbers)	Response Rate (%)
PURCHASING MANAGERS, Manufacturing									
Inflation Year 1	1,818	2,000	-0,500	3,000	0,604	0,065	85	1	99
Inflation Year 2	2,001	2,000	0,000	3,500	0,608	0,066	85	1	99
Inflation Year 3	2,069	2,000	0,000	3,000	0,631	0,069	83	3	97
Inflation Year 4	2,103	2,000	1,000	3,500	0,576	0,064	80	6	93
Inflation Year 5	2,118	2,000	1,000	3,500	0,587	0,066	79	7	92
Wage Increase Year 1	2,624	2,500	1,500	3,500	0,513	0,056	85	1	99
Wage Increase Year 2	2,717	2,800	1,500	4,000	0,598	0,065	85	1	99
Wage Increase Year 3	2,728	3,000	1,500	3,900	0,572	0,063	83	3	97
Wage Increase Year 4	2,731	3,000	1,500	3,900	0,599	0,067	79	7	92
Wage Increase Year 5	2,716	3,000	1,500	3,900	0,595	0,067	79	7	92
PURCHASING MANAGERS, Trading									
Inflation Year 1	1,709	1,900	0,000	4,000	0,749	0,082	83	2	98
Inflation Year 2	1,919	2,000	0,000	3,000	0,703	0,078	81	4	95
Inflation Year 3	2,076	2,000	0,200	4,000	0,680	0,076	80	5	94
Inflation Year 4	2,123	2,000	0,000	4,000	0,737	0,085	75	10	88
Inflation Year 5	2,145	2,000	0,000	4,000	0,730	0,084	75	10	88
Wage Increase Year 1	2,639	2,500	1,000	4,000	0,581	0,064	83	2	98
Wage Increase Year 2	2,706	2,800	1,000	4,300	0,564	0,063	81	4	95
Wage Increase Year 3	2,756	3,000	1,000	4,500	0,601	0,067	80	5	94
Wage Increase Year 4	2,794	3,000	1,000	4,500	0,604	0,070	75	10	88
Wage Increase Year 5	2,803	3,000	1,000	4,500	0,614	0,071	75	10	88
MONEY MARKET PLAYERS									
Inflation Year 1	1,231	1,200	0,400	2,500	0,435	0,055	63	1	98
Inflation Year 2	1,783	1,800	0,800	2,700	0,398	0,050	63	1	98
Inflation Year 3	1,955	2,000	1,500	2,500	0,262	0,034	58	6	91
Inflation Year 4	1,959	2,000	1,500	2,500	0,208	0,027	58	6	91
Inflation Year 5	1,965	2,000	1,500	2,500	0,191	0,025	58	6	91

TABLE 2 - Repo, TCW, EUR and USD rates

Expected Repo, TCW, EUR and USD rates the coming 3-24 months (Money Market Players)

	Mean	Median	Lowest	Highest	Standard Deviation	Standard Error	Responses (numbers)	No Resp. (numbers)	Response Rate (%)
REPO RATE									
3 months	2,008	2,000	1,750	2,250	0,065	0,009	54	10	84
12 months	2,366	2,250	1,750	3,250	0,325	0,044	54	10	84
24 months	2,910	3,000	1,750	4,000	0,476	0,065	53	11	83
TCW									
3 months	123,275	123,500	120,000	126,000	1,276	0,202	40	24	63
12 months	122,263	123,000	115,000	126,000	2,431	0,384	40	24	63
24 months	121,975	122,000	116,000	128,000	2,743	0,434	40	24	63
EUR									
3 months	9,006	9,000	8,800	9,200	0,092	0,013	53	11	83
12 months	8,935	8,925	8,500	9,250	0,158	0,022	52	12	81
24 months	8,886	8,900	8,250	9,250	0,201	0,028	51	13	80
USD									
3 months	6,954	7,000	6,380	7,590	0,254	0,035	52	12	81
12 months	6,919	6,890	5,860	7,800	0,465	0,065	51	13	80
24 months	7,064	7,055	5,800	8,000	0,582	0,082	50	14	78

TABLE 3 - Confidence Indicator

The figures in the columns below display the percentages of interviewees believing that the inflation rate, the second year from now, will fall within/outside the Riksbank's inflationary tolerance band (not less than 1, not more than 3 per cent inflation). The percentage within this band is defined as the Confidence Indicator.

	Less than 1%		Confidence Indicator		More than 3%		No response	
	1/05	4/04	1/05	4/04	1/05	4/04	1/05	4/04
All	4	2	91	91	1	4	4	3
Employees' organisations	3	0	97	90	0	3	0	6
Employers' organisations	0	0	74	85	7	0	19	15
Purchase M	5	2	93	90	1	8	1	0
Purchase T	7	5	88	89	0	4	5	2
Money Market Players	2	0	97	98	0	0	2	2