

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

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### Main results

As compared to 4/05, inflationary and wage increase expectations are, by and large, left unaltered with inflationary expectations for the coming year unanimously below the 2 % target.

The money market forecasts of the repo rate are revised upwards, for the coming year more than the Riksbank's January 25 point adjustment. The repo rate expectations trend has, although less steep than in 4/05, a sustaining upward slope. The SEK is again believed to strengthen during the next two years, starting though from a stronger position than in 4/05.

92(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 eighteenth survey in the series, 1/06, has now been completed. The previous survey, 4/05, was published November 16, 2005. A comparison of the results of the two surveys can be summarised as follows (rounded off figures)<sup>1,2</sup>:

Expectations of;	Year 1		Year 2		Year 5	
	1/06	4/05	1/06	4/05	1/06	4/05
<b>Annual inflation, %</b>						
All	1,7	1,7	1,9	1,9	2,0	2,1
Employees' organisations	1,5	1,5	1,7	1,8	1,9	2,0
Employers' organisations	1,6	1,6	2,0	1,8	2,2	2,1
Purchase managers Manufacturing	1,9	1,9	2,0	2,1	2,1	2,2
Purchase managers Trading	1,8	1,7	1,9	1,9	2,1	2,1
Money market players	1,6	1,6	1,9	2,0	1,9	2,0
<b>Annual wage increase, %</b>						
All	2,7	2,7	2,8	2,7	2,8	2,8
Employees' organisations	2,9	2,9	2,9	3,1	3,0	3,2
Employers' organisations	2,9	2,9	3,1	3,0	2,9	2,8
Purchase managers Manufacturing	2,7	2,6	2,7	2,6	2,7	2,6
Purchase managers Trading	2,7	2,7	2,8	2,7	2,9	2,8
<b>Expectations of</b>	<b>3 months</b>	<b>12 months</b>	<b>24 months</b>	<b>60 months</b>		
<b>Money market players;</b>	<b>1/06</b>	<b>4/05</b>	<b>1/06</b>	<b>4/05</b>	<b>1/06</b>	<b>4/05</b>
Repo rate, %	2,0	1,6	2,6	2,3	3,0	2,9
TCW	127	132	125	129	124	127
EUR	9,19	9,45	9,10	9,22	9,04	9,14
USD	7,55	7,87	7,28	7,58	7,20	7,44

<sup>1</sup> 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).

<sup>2</sup> **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 January 23 – February 3, 2006 (previous survey October 31 – November 14, 2005). The part of the survey regarding money market players' expectations of future repo rates, TCW, EUR and USD rates took place on January 25, 2006 (previous survey November 2, 2005).

*About the Interviewees & Response Rate*

In all 288(289) organisations/companies were approached for interview 4(6) of the persons in the panel could not be reached or have denied participation, which means that there is an overall response rate of 99(98) per cent. The response rate for individual questions regarding inflation and wage increase expectations is 89 per cent or more for the one year and two years assessments. 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 166 purchasing managers 84 represent the trading industry and 82 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 (%)
<b>ALL</b>									
Inflation Year 1	1,728	1,700	0,000	3,500	0,574	0,034	284	4	99
Inflation Year 2	1,931	2,000	-0,200	3,500	0,581	0,035	281	7	98
Inflation Year 3	2,006	2,000	-0,200	3,500	0,596	0,036	273	15	95
Inflation Year 4	2,034	2,000	0,000	4,000	0,575	0,036	260	28	90
Inflation Year 5	2,033	2,000	0,100	4,000	0,566	0,035	259	29	90
Wage Increase Year 1	2,731	2,800	1,000	5,000	0,574	0,039	220	4	98
Wage Increase Year 2	2,817	2,900	1,000	5,500	0,606	0,041	218	6	97
Wage Increase Year 3	2,823	3,000	1,000	5,000	0,594	0,041	215	9	96
Wage Increase Year 4	2,805	3,000	1,000	5,000	0,622	0,044	203	21	91
Wage Increase Year 5	2,807	3,000	1,000	5,000	0,628	0,044	203	21	91
<b>EMPLOYEES' ORGANISATIONS</b>									
Inflation Year 1	1,526	1,500	0,500	3,000	0,501	0,090	31	0	100
Inflation Year 2	1,745	1,800	0,500	3,000	0,482	0,086	31	0	100
Inflation Year 3	1,877	2,000	0,500	3,000	0,553	0,099	31	0	100
Inflation Year 4	1,956	2,000	0,500	3,000	0,471	0,091	27	4	87
Inflation Year 5	1,944	2,000	0,500	3,000	0,473	0,091	27	4	87
Wage Increase Year 1	2,879	3,000	1,500	4,000	0,522	0,094	31	0	100
Wage Increase Year 2	2,916	3,000	1,500	4,000	0,565	0,101	31	0	100
Wage Increase Year 3	2,971	3,000	1,500	4,000	0,583	0,105	31	0	100
Wage Increase Year 4	3,014	3,000	2,000	4,000	0,554	0,105	28	3	90
Wage Increase Year 5	3,021	3,000	2,000	4,000	0,514	0,097	28	3	90
<b>EMPLOYERS' ORGANISATIONS</b>									
Inflation Year 1	1,592	1,600	0,000	2,500	0,517	0,105	24	3	89
Inflation Year 2	1,963	2,000	0,500	3,000	0,546	0,111	24	3	89
Inflation Year 3	2,000	2,000	0,500	3,000	0,659	0,135	24	3	89
Inflation Year 4	2,133	2,000	0,500	4,000	0,765	0,156	24	3	89
Inflation Year 5	2,179	2,000	0,500	4,000	0,745	0,152	24	3	89
Wage Increase Year 1	2,850	2,950	1,000	4,000	0,583	0,119	24	3	89
Wage Increase Year 2	3,067	3,000	2,000	4,000	0,503	0,103	24	3	89
Wage Increase Year 3	2,996	3,000	2,500	4,000	0,363	0,074	24	3	89
Wage Increase Year 4	2,858	3,000	1,500	4,000	0,532	0,109	24	3	89
Wage Increase Year 5	2,854	3,000	1,500	4,000	0,546	0,111	24	3	89

**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 (%)
<b>PURCHASING MANAGERS, Manufacturing</b>									
Inflation Year 1	1,877	2,000	0,500	3,500	0,681	0,075	82	0	100
Inflation Year 2	2,005	2,000	0,000	3,500	0,693	0,077	82	0	100
Inflation Year 3	2,059	2,000	0,000	3,300	0,654	0,073	81	1	99
Inflation Year 4	2,074	2,000	0,200	3,000	0,644	0,073	78	4	95
Inflation Year 5	2,059	2,000	0,200	3,000	0,620	0,070	78	4	95
Wage Increase Year 1	2,678	2,500	1,500	4,000	0,586	0,065	82	0	100
Wage Increase Year 2	2,738	2,800	1,000	4,000	0,622	0,069	82	0	100
Wage Increase Year 3	2,738	2,900	1,000	4,100	0,618	0,069	81	1	99
Wage Increase Year 4	2,671	2,950	1,000	4,100	0,698	0,079	78	4	95
Wage Increase Year 5	2,667	2,850	1,000	4,100	0,685	0,078	78	4	95
<b>PURCHASING MANAGERS, Trading</b>									
Inflation Year 1	1,764	1,750	0,100	3,200	0,570	0,063	83	1	99
Inflation Year 2	1,946	2,000	0,100	3,500	0,581	0,065	81	3	96
Inflation Year 3	2,046	2,000	0,250	3,500	0,633	0,071	79	5	94
Inflation Year 4	2,097	2,000	0,270	3,500	0,560	0,066	73	11	87
Inflation Year 5	2,079	2,000	0,300	3,500	0,611	0,072	73	11	87
Wage Increase Year 1	2,693	2,600	1,200	5,000	0,574	0,063	83	1	99
Wage Increase Year 2	2,785	2,600	1,250	5,500	0,620	0,069	81	3	96
Wage Increase Year 3	2,798	3,000	1,750	5,000	0,617	0,069	79	5	94
Wage Increase Year 4	2,851	3,000	1,900	5,000	0,567	0,066	73	11	87
Wage Increase Year 5	2,858	3,000	1,950	5,000	0,605	0,071	73	11	87
<b>MONEY MARKET PLAYERS</b>									
Inflation Year 1	1,638	1,600	0,000	2,600	0,422	0,053	64	0	100
Inflation Year 2	1,894	2,000	-0,200	2,500	0,462	0,058	63	1	98
Inflation Year 3	1,947	2,000	-0,200	2,500	0,434	0,057	58	6	91
Inflation Year 4	1,897	2,000	0,000	3,000	0,417	0,055	58	6	91
Inflation Year 5	1,919	2,000	0,100	3,000	0,324	0,043	57	7	89

**TABLE 2 - Repo, TCW, EUR and USD rates**

Expected Repo rate the coming 3-60 months, 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 (%)
<b>REPO RATE</b>									
3 months	2,018	2,000	1,750	2,250	0,141	0,019	57	7	89
12 months	2,584	2,500	1,900	3,250	0,309	0,040	59	5	92
24 months	2,978	3,000	2,000	4,000	0,514	0,067	58	6	91
60 months	3,323	3,125	2,000	5,000	0,749	0,108	48	16	75
<b>TCW</b>									
3 months	126,900	127,000	120,000	130,000	1,910	0,291	43	21	67
12 months	125,100	125,500	115,000	132,000	3,034	0,463	43	21	67
24 months	124,340	125,000	115,000	136,000	3,693	0,563	43	21	67
<b>EUR</b>									
3 months	9,187	9,200	8,800	9,400	0,107	0,014	57	7	89
12 months	9,102	9,100	8,600	9,800	0,188	0,025	58	6	91
24 months	9,042	9,050	8,600	9,500	0,186	0,025	55	9	86
<b>USD</b>									
3 months	7,551	7,500	7,000	8,100	0,250	0,033	57	7	89
12 months	7,276	7,250	6,000	8,250	0,395	0,052	57	7	89
24 months	7,197	7,120	6,000	9,000	0,525	0,071	54	10	84

**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	
	1/06	4/05	1/06	4/05	1/06	4/05	1/06	4/05
All	4	4	92	91	1	2	2	3
Employees' organisations	6	3	94	84	0	3	0	10
Employers' organisations	4	7	85	89	0	0	11	4
Purchase M	6	1	91	93	2	5	0	1
Purchase T	1	8	93	88	2	2	4	1
Money Market Players	3	0	95	95	0	0	2	5