

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

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### Main results

**Inflationary expectations are further and unanimously down. Although in an upward trend, all interviewee categories have revised their inflationary expectations distinctly below the Riksbank's two per cent target for the next two years. A revision downwards is also the case, albeit to a lower degree, for the wage increase expectations.**

**The money market players expect lower repo rates and, in the one year perspective, a clearly weaker SEK than they did in the 1/05 survey. Again however it is to be observed that this category also believes in a rising repo rate and a recovered SEK in the two year perspective.**

**88(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 fifteenth survey in the series, 2/05, has now been completed. The previous survey, 1/05, was published March 2, 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	
	2/05	1/05	2/05	1/05	2/05	1/05
<b>Annual inflation, %</b>						
All	1,4	1,6	1,7	1,9	2,0	2,1
Employees' organisations	1,4	1,5	1,6	1,7	2,0	2,0
Employers' organisations	1,4	1,6	1,7	2,0	1,9	2,3
Purchase managers Manufacturing	1,6	1,8	1,8	2,0	2,1	2,1
Purchase managers Trading	1,5	1,7	1,6	1,9	1,9	2,1
Money market players	1,1	1,2	1,6	1,8	1,9	2,0
<b>Annual wage increase, %</b>						
All	2,6	2,7	2,7	2,8	2,7	2,8
Employees' organisations	2,8	2,9	2,9	3,0	3,0	3,1
Employers' organisations	2,8	2,9	2,8	3,0	2,9	3,1
Purchase managers Manufacturing	2,5	2,6	2,6	2,7	2,7	2,7
Purchase managers Trading	2,5	2,6	2,6	2,7	2,6	2,8
	3 months		12 months		24 months	
<b>Money market expectations of;</b>	2/05	1/05	2/05	1/05	2/05	1/05
Repo rate, %	1,9	2,0	2,0	2,4	2,6	2,9
TCW	126	123	125	122	124	122
EUR	9,15	9,01	9,04	8,93	8,96	8,89
USD	7,27	6,95	7,15	6,92	7,04	7,06

<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 May 23 – June 3, 2005 (previous survey February 14 – February 28, 2005). The part of the survey regarding money market players' expectations of future repo rates, TCW, EUR and USD rates took place on May 25, 2005 (previous survey February 16, 2005).

### *About the Interviewees & Response Rate*

In all 290(293) organisations/companies were approached for interview 8(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 97(98) per cent. The response rate for individual questions regarding inflation and wage increase expectations is 94 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 169 purchasing managers 84 represent the trading industry and 85 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 63 players, 49 Swedish and 14 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	1,431	1,500	0,000	3,500	0,640	0,038	282	8	97
Inflation Year 2	1,700	1,800	0,000	4,000	0,619	0,037	280	10	97
Inflation Year 3	1,878	2,000	0,000	4,000	0,618	0,038	270	20	93
Inflation Year 4	1,954	2,000	0,400	3,000	0,565	0,036	251	39	87
Inflation Year 5	1,988	2,000	0,400	3,500	0,554	0,035	250	40	86
Wage Increase Year 1	2,577	2,500	1,000	5,000	0,568	0,038	219	8	96
Wage Increase Year 2	2,652	2,500	1,000	5,000	0,589	0,040	218	9	96
Wage Increase Year 3	2,697	2,700	1,000	5,000	0,627	0,043	211	16	93
Wage Increase Year 4	2,708	2,750	1,000	4,000	0,601	0,043	192	35	85
Wage Increase Year 5	2,736	3,000	1,000	4,000	0,597	0,043	192	35	85
<b>EMPLOYEES' ORGANISATIONS</b>									
Inflation Year 1	1,386	1,500	0,500	2,000	0,424	0,079	29	2	94
Inflation Year 2	1,631	1,800	0,600	2,500	0,415	0,077	29	2	94
Inflation Year 3	1,848	2,000	1,000	3,000	0,427	0,079	29	2	94
Inflation Year 4	1,916	2,000	1,000	3,000	0,413	0,083	25	6	81
Inflation Year 5	1,964	2,000	1,000	3,000	0,452	0,090	25	6	81
Wage Increase Year 1	2,831	2,900	2,000	4,000	0,453	0,084	29	2	94
Wage Increase Year 2	2,924	3,000	2,000	4,000	0,440	0,082	29	2	94
Wage Increase Year 3	3,010	3,000	2,000	4,000	0,465	0,086	29	2	94
Wage Increase Year 4	2,968	3,000	2,000	4,000	0,444	0,089	25	6	81
Wage Increase Year 5	3,000	3,000	2,000	4,000	0,428	0,086	25	6	81
<b>EMPLOYERS' ORGANISATIONS</b>									
Inflation Year 1	1,379	1,150	0,500	3,000	0,563	0,115	24	3	89
Inflation Year 2	1,742	1,500	1,000	4,000	0,629	0,128	24	3	89
Inflation Year 3	1,904	2,000	1,000	4,000	0,665	0,136	24	3	89
Inflation Year 4	1,905	2,000	1,000	2,700	0,452	0,099	21	6	78
Inflation Year 5	1,943	2,000	1,000	3,000	0,476	0,104	21	6	78
Wage Increase Year 1	2,783	2,800	1,800	4,000	0,505	0,103	24	3	89
Wage Increase Year 2	2,783	2,850	1,900	3,600	0,439	0,090	24	3	89
Wage Increase Year 3	2,835	2,900	2,000	3,800	0,513	0,107	23	4	85
Wage Increase Year 4	2,855	3,000	2,000	3,500	0,492	0,105	22	5	81
Wage Increase Year 5	2,886	3,000	2,000	3,500	0,488	0,104	22	5	81

**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	1,636	1,500	0,500	3,500	0,658	0,072	84	1	99
Inflation Year 2	1,846	2,000	0,300	3,500	0,680	0,074	84	1	99
Inflation Year 3	2,015	2,000	0,000	3,500	0,725	0,080	82	3	96
Inflation Year 4	2,112	2,000	0,500	3,000	0,677	0,077	78	7	92
Inflation Year 5	2,142	2,000	0,500	3,500	0,685	0,078	77	8	91
Wage Increase Year 1	2,514	2,500	1,000	4,000	0,574	0,063	84	1	99
Wage Increase Year 2	2,614	2,500	1,000	5,000	0,648	0,071	84	1	99
Wage Increase Year 3	2,699	2,500	1,000	5,000	0,677	0,075	82	3	96
Wage Increase Year 4	2,705	2,500	1,000	4,000	0,641	0,074	76	9	89
Wage Increase Year 5	2,737	2,700	1,000	4,000	0,633	0,073	76	9	89
<b>PURCHASING MANAGERS, Trading</b>									
Inflation Year 1	1,482	1,500	0,000	3,000	0,725	0,080	82	2	98
Inflation Year 2	1,629	1,900	0,000	3,000	0,677	0,075	81	3	96
Inflation Year 3	1,790	2,000	0,000	3,000	0,661	0,075	77	7	92
Inflation Year 4	1,884	2,000	0,400	3,000	0,634	0,076	70	14	83
Inflation Year 5	1,940	2,000	0,400	3,000	0,571	0,068	70	14	83
Wage Increase Year 1	2,493	2,500	1,500	5,000	0,583	0,064	82	2	98
Wage Increase Year 2	2,556	2,500	1,000	4,000	0,582	0,065	81	3	96
Wage Increase Year 3	2,536	2,500	1,000	4,500	0,609	0,069	77	7	92
Wage Increase Year 4	2,571	2,700	1,000	3,750	0,605	0,073	69	15	82
Wage Increase Year 5	2,593	2,700	1,000	4,000	0,607	0,073	69	15	82
<b>MONEY MARKET PLAYERS</b>									
Inflation Year 1	1,130	1,000	0,200	2,800	0,487	0,061	63	0	100
Inflation Year 2	1,613	1,600	0,200	3,100	0,495	0,063	62	1	98
Inflation Year 3	1,804	2,000	0,300	2,800	0,398	0,052	58	5	92
Inflation Year 4	1,857	2,000	0,400	2,250	0,318	0,042	57	6	90
Inflation Year 5	1,866	2,000	0,500	2,500	0,323	0,043	57	6	90

**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 (%)
<b>REPO RATE</b>									
<b>3 months</b>	1,858	2,000	1,500	2,000	0,159	0,022	53	10	84
<b>12 months</b>	2,025	2,000	1,500	3,000	0,391	0,055	51	12	81
<b>24 months</b>	2,555	2,500	1,500	4,000	0,561	0,079	50	13	79
<b>TCW</b>									
<b>3 months</b>	126,085	126,000	124,000	128,000	1,102	0,170	42	21	67
<b>12 months</b>	124,890	125,000	120,000	130,000	2,107	0,329	41	22	65
<b>24 months</b>	123,673	124,000	117,000	130,000	3,047	0,482	40	23	63
<b>EUR</b>									
<b>3 months</b>	9,155	9,150	8,950	9,400	0,087	0,012	52	11	83
<b>12 months</b>	9,039	9,050	8,500	9,250	0,151	0,021	50	13	79
<b>24 months</b>	8,956	9,000	8,250	9,300	0,208	0,030	48	15	76
<b>USD</b>									
<b>3 months</b>	7,271	7,300	6,620	7,600	0,204	0,029	51	12	81
<b>12 months</b>	7,153	7,150	6,100	7,800	0,420	0,060	49	14	78
<b>24 months</b>	7,035	7,000	5,930	8,000	0,492	0,072	47	16	75

**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	
	2/05	1/05	2/05	1/05	2/05	1/05	2/05	1/05
All	7	4	88	91	1	1	3	4
Employees' organisations	3	3	90	97	0	0	6	0
Employers' organisations	0	0	85	74	4	7	11	19
Purchase M	6	5	92	93	1	1	1	1
Purchase T	13	7	83	88	0	0	4	5
Money Market Players	6	2	90	97	2	0	2	2