

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

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Main results

Inflationary expectations are up by an annual 0.2 percentage units for the next two coming years. Wages are also believed to rise, at least so among the employees' organisations.

The money market forecasts of the repo rate imply, on average, a 0.25 upward adjustment (from 2.00 %) during the next three months and a 1.25 adjustment in the same direction within the coming two years. SEK is believed to strengthen somewhat against EUR as well as against USD during the same time span.

93(92) 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 nineteenth survey in the series, 2/06, has now been completed. The previous survey, 1/06, was published February 8, 2006. 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			
	2/06	1/06	2/06	1/06	2/06	1/06		
Annual inflation, %								
All	1,9	1,7	2,1	1,9	2,1	2,0		
Employees' organisations	1,7	1,5	1,9	1,7	2,0	1,9		
Employers' organisations	2,0	1,6	2,2	2,0	2,2	2,2		
Purchase managers Manufacturing	2,1	1,9	2,3	2,0	2,2	2,1		
Purchase managers Trading	1,9	1,8	2,0	1,9	2,1	2,1		
Money market players	1,8	1,6	2,0	1,9	2,0	1,9		
Annual wage increase, %								
All	2,8	2,7	2,9	2,8	2,8	2,8		
Employees' organisations	3,1	2,9	3,2	2,9	3,2	3,0		
Employers' organisations	2,9	2,9	3,1	3,1	3,0	2,9		
Purchase managers Manufacturing	2,7	2,7	2,8	2,7	2,7	2,7		
Purchase managers Trading	2,7	2,7	2,8	2,8	2,7	2,9		
Expectations of Money market players;								
	3 months		12 months		24 months		60 months	
	2/06	1/06	2/06	1/06	2/06	1/06	2/06	1/06
Repo rate, %	2,3	2,0	2,9	2,6	3,3	3,0	3,5	3,3
TCW	128	127	126	125	125	124		
EUR	9,28	9,19	9,12	9,10	9,04	9,04		
USD	7,27	7,55	7,06	7,28	7,01	7,20		

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 May 15 – May 29, 2006 (previous survey January 23 – February 3, 2006). The part of the survey regarding money market players' expectations of future repo rates, TCW, EUR and USD rates took place on May 17, 2006 (previous survey January 25, 2006).

About the Interviewees & Response Rate

In all 287(288) organisations/companies were approached for interview. 7(4) 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(99) per cent. The response rate for individual questions regarding inflation and wage increase expectations is 93 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 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 (%)
ALL									
Inflation Year 1	1,930	2,000	0,150	3,500	0,534	0,032	280	7	98
Inflation Year 2	2,112	2,000	0,150	3,500	0,543	0,033	278	9	97
Inflation Year 3	2,140	2,000	0,200	3,500	0,528	0,032	269	18	94
Inflation Year 4	2,114	2,000	0,250	3,500	0,481	0,030	257	30	90
Inflation Year 5	2,116	2,000	0,270	3,500	0,489	0,031	256	31	89
Wage Increase Year 1	2,785	2,900	1,300	4,500	0,539	0,037	218	6	97
Wage Increase Year 2	2,884	3,000	1,350	5,000	0,615	0,042	216	8	96
Wage Increase Year 3	2,841	3,000	1,500	5,500	0,614	0,042	214	10	96
Wage Increase Year 4	2,813	3,000	1,000	7,000	0,646	0,045	204	20	91
Wage Increase Year 5	2,798	3,000	1,000	8,000	0,680	0,048	204	20	91
EMPLOYEES' ORGANISATIONS									
Inflation Year 1	1,730	1,800	0,500	3,000	0,494	0,090	30	1	97
Inflation Year 2	1,937	2,000	1,000	3,500	0,442	0,081	30	1	97
Inflation Year 3	1,983	2,000	1,000	3,500	0,474	0,087	30	1	97
Inflation Year 4	2,011	2,000	1,400	3,500	0,438	0,083	28	3	90
Inflation Year 5	2,000	2,000	1,000	3,500	0,467	0,088	28	3	90
Wage Increase Year 1	3,053	3,000	1,500	4,500	0,648	0,118	30	1	97
Wage Increase Year 2	3,173	3,200	1,500	4,500	0,655	0,120	30	1	97
Wage Increase Year 3	3,177	3,150	2,000	4,500	0,538	0,098	30	1	97
Wage Increase Year 4	3,175	3,250	2,000	4,000	0,450	0,085	28	3	90
Wage Increase Year 5	3,171	3,250	2,000	4,000	0,441	0,083	28	3	90
EMPLOYERS' ORGANISATIONS									
Inflation Year 1	1,954	2,000	1,200	2,800	0,421	0,084	25	2	93
Inflation Year 2	2,240	2,000	1,500	3,000	0,410	0,082	25	2	93
Inflation Year 3	2,298	2,300	1,100	3,000	0,480	0,096	25	2	93
Inflation Year 4	2,242	2,050	1,200	3,500	0,517	0,105	24	3	89
Inflation Year 5	2,221	2,000	1,000	3,500	0,557	0,114	24	3	89
Wage Increase Year 1	2,932	3,000	1,500	4,000	0,587	0,117	25	2	93
Wage Increase Year 2	3,116	3,000	2,000	4,000	0,495	0,099	25	2	93
Wage Increase Year 3	3,116	3,000	2,000	4,500	0,585	0,117	25	2	93
Wage Increase Year 4	2,992	3,000	1,500	4,000	0,564	0,115	24	3	89
Wage Increase Year 5	2,954	3,000	2,000	4,000	0,493	0,101	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 (%)
PURCHASING MANAGERS, Manufacturing									
Inflation Year 1	2,073	2,000	1,000	3,500	0,567	0,063	82	0	100
Inflation Year 2	2,292	2,100	1,000	3,500	0,634	0,070	82	0	100
Inflation Year 3	2,318	2,200	1,000	3,500	0,588	0,065	82	0	100
Inflation Year 4	2,211	2,000	1,000	3,500	0,571	0,063	81	1	99
Inflation Year 5	2,223	2,000	1,000	3,500	0,568	0,063	81	1	99
Wage Increase Year 1	2,694	2,700	1,500	4,000	0,482	0,053	82	0	100
Wage Increase Year 2	2,791	2,850	1,500	5,000	0,672	0,074	82	0	100
Wage Increase Year 3	2,679	2,775	1,500	5,500	0,655	0,072	82	0	100
Wage Increase Year 4	2,712	2,750	1,000	7,000	0,735	0,082	81	1	99
Wage Increase Year 5	2,700	2,500	1,000	8,000	0,819	0,091	81	1	99
PURCHASING MANAGERS, Trading									
Inflation Year 1	1,949	2,000	0,150	3,500	0,632	0,070	82	2	98
Inflation Year 2	2,033	2,000	0,150	3,200	0,597	0,067	80	4	95
Inflation Year 3	2,037	2,000	0,200	3,500	0,575	0,065	78	6	93
Inflation Year 4	2,062	2,000	0,250	3,000	0,477	0,057	71	13	85
Inflation Year 5	2,090	2,000	0,270	3,000	0,490	0,058	71	13	85
Wage Increase Year 1	2,733	2,800	1,300	3,600	0,502	0,056	81	3	96
Wage Increase Year 2	2,796	2,900	1,350	4,000	0,522	0,059	79	5	94
Wage Increase Year 3	2,793	2,800	1,500	4,000	0,531	0,061	77	7	92
Wage Increase Year 4	2,726	2,800	1,000	4,000	0,571	0,068	71	13	85
Wage Increase Year 5	2,708	2,800	1,000	4,000	0,580	0,069	71	13	85
MONEY MARKET PLAYERS									
Inflation Year 1	1,802	1,800	0,800	2,500	0,313	0,040	61	2	97
Inflation Year 2	2,008	2,000	1,000	2,700	0,322	0,041	61	2	97
Inflation Year 3	2,033	2,000	1,000	2,700	0,268	0,036	54	9	86
Inflation Year 4	2,030	2,000	1,000	3,000	0,273	0,038	53	10	84
Inflation Year 5	1,997	2,000	1,000	3,000	0,246	0,034	52	11	83

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 (%)
REPO RATE									
3 months	2,302	2,250	2,000	3,000	0,172	0,024	53	10	84
12 months	2,906	3,000	2,250	3,500	0,347	0,048	53	10	84
24 months	3,278	3,250	2,250	4,250	0,480	0,066	53	10	84
60 months	3,488	3,500	2,000	5,000	0,676	0,098	48	15	76
TCW									
3 months	127,765	128,500	120,000	130,000	2,602	0,428	37	26	59
12 months	125,649	126,000	118,000	133,000	3,549	0,583	37	26	59
24 months	124,543	125,000	115,000	134,000	4,255	0,700	37	26	59
EUR									
3 months	9,280	9,300	8,900	9,500	0,117	0,016	52	11	83
12 months	9,118	9,100	8,600	9,500	0,178	0,025	52	11	83
24 months	9,036	9,000	8,500	9,500	0,217	0,031	50	13	79
USD									
3 months	7,271	7,300	6,900	7,630	0,175	0,024	52	11	83
12 months	7,060	7,000	6,250	8,000	0,342	0,047	52	11	83
24 months	7,013	7,000	5,800	9,000	0,564	0,080	50	13	79

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	
	2/06	1/06	2/06	1/06	2/06	1/06	2/06	1/06
All	1	4	93	92	2	1	3	2
Employees' organisations	0	6	94	94	3	0	3	0
Employers' organisations	0	4	93	85	0	0	7	11
Purchase M	0	6	94	91	6	2	0	0
Purchase T	4	1	90	93	1	2	5	4
Money Market Players	0	3	97	95	0	0	3	2