

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

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Main results

Seen as a whole, inflationary expectations within a two year horizon are clearly up. Expectations are still however below the Riksbank's 2% target.

Compared to the present situation, money market players think that the Riksbank will hold the repo rate at 1,5 % the next three months but raise it by more than 50 points within 12 months and by an additional 50 points in the 24 months scenario. In five years (a new forecast period) the repo rate is expected to have reached a level well above 3%.

Wages are believed to increase at just about the same rate as was the case in the 2/05 survey. 90(88) 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 sixteenth survey in the series, 3/05, has now been completed. The previous survey, 2/05, was published June 8, 2005. 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	
	3/05	2/05	3/05	2/05	3/05	2/05
Annual inflation, %						
All	1,6	1,4	1,8	1,7	2,0	2,0
Employees' organisations	1,4	1,4	1,7	1,6	1,9	2,0
Employers' organisations	1,6	1,4	1,9	1,7	2,1	1,9
Purchase managers Manufacturing	1,8	1,6	2,0	1,8	2,1	2,1
Purchase managers Trading	1,6	1,5	1,7	1,6	1,8	1,9
Money market players	1,3	1,1	1,8	1,6	1,9	1,9
Annual wage increase, %						
All	2,6	2,6	2,7	2,7	2,7	2,7
Employees' organisations	2,8	2,8	2,9	2,9	3,0	3,0
Employers' organisations	2,8	2,8	2,8	2,8	2,8	2,9
Purchase managers Manufacturing	2,6	2,5	2,6	2,6	2,7	2,7
Purchase managers Trading	2,5	2,5	2,5	2,6	2,6	2,6
Expectations of	3 months	12 months	24 months	60 months		
Money market players;	3/05	2/05	3/05	2/05	3/05	2/05
Repo rate, %	1,5	1,9	2,1	2,0	2,6	2,6
TCW	128	126	127	125	125	124
EUR	9,24	9,15	9,12	9,04	9,04	8,96
USD	7,53	7,27	7,36	7,15	7,32	7,04

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 September 19 - October 3, 2005 (previous survey May 23 - June 3, 2005). The part of the survey regarding money market players' expectations of future repo rates, TCW, EUR and USD rates took place on September 21, 2005 (previous survey May 25, 2005).

About the Interviewees & Response Rate

In all 289(290) organisations/companies were approached for interview 4(8) 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(97) 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, 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 62 players, 48 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	1,580	1,500	0,000	5,000	0,635	0,038	284	5	98
Inflation Year 2	1,802	2,000	0,000	3,500	0,573	0,034	277	12	96
Inflation Year 3	1,921	2,000	0,200	3,500	0,570	0,035	270	19	93
Inflation Year 4	1,948	2,000	0,100	3,500	0,560	0,035	252	37	87
Inflation Year 5	1,958	2,000	0,000	3,500	0,561	0,035	252	37	87
Wage Increase Year 1	2,602	2,500	0,000	4,000	0,600	0,040	222	5	98
Wage Increase Year 2	2,664	2,700	0,000	4,000	0,616	0,042	218	9	96
Wage Increase Year 3	2,706	2,800	1,000	4,000	0,596	0,041	212	15	93
Wage Increase Year 4	2,695	2,750	1,300	4,500	0,590	0,042	196	31	86
Wage Increase Year 5	2,713	2,800	1,300	4,500	0,583	0,042	196	31	86
EMPLOYEES' ORGANISATIONS									
Inflation Year 1	1,374	1,500	0,500	2,500	0,512	0,092	31	0	100
Inflation Year 2	1,687	1,700	0,500	2,600	0,492	0,088	31	0	100
Inflation Year 3	1,877	1,800	1,000	3,000	0,469	0,084	31	0	100
Inflation Year 4	1,919	2,000	1,000	3,000	0,436	0,084	27	4	87
Inflation Year 5	1,944	2,000	1,000	3,000	0,445	0,086	27	4	87
Wage Increase Year 1	2,771	2,900	1,500	3,500	0,525	0,094	31	0	100
Wage Increase Year 2	2,929	3,000	1,500	4,000	0,542	0,097	31	0	100
Wage Increase Year 3	3,026	3,000	1,500	4,000	0,564	0,101	31	0	100
Wage Increase Year 4	3,052	3,000	1,500	4,000	0,534	0,103	27	4	87
Wage Increase Year 5	3,048	3,000	1,500	4,000	0,518	0,100	27	4	87
EMPLOYERS' ORGANISATIONS									
Inflation Year 1	1,550	1,850	0,500	2,500	0,605	0,124	24	3	89
Inflation Year 2	1,900	2,000	0,500	2,500	0,534	0,109	24	3	89
Inflation Year 3	2,073	2,000	1,000	3,500	0,561	0,120	22	5	81
Inflation Year 4	2,080	2,000	1,000	3,000	0,536	0,120	20	7	74
Inflation Year 5	2,075	2,000	1,000	3,000	0,507	0,113	20	7	74
Wage Increase Year 1	2,848	2,850	2,000	3,800	0,413	0,084	24	3	89
Wage Increase Year 2	2,844	2,950	2,000	4,000	0,465	0,095	24	3	89
Wage Increase Year 3	2,898	3,000	2,000	3,700	0,463	0,099	22	5	81
Wage Increase Year 4	2,848	3,000	2,000	3,900	0,546	0,122	20	7	74
Wage Increase Year 5	2,818	3,000	1,500	4,000	0,617	0,138	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	1,829	1,950	0,500	3,500	0,610	0,067	84	1	99
Inflation Year 2	1,959	2,000	0,700	3,500	0,612	0,067	84	1	99
Inflation Year 3	2,029	2,000	0,500	3,500	0,625	0,069	83	2	98
Inflation Year 4	2,084	2,000	0,500	3,500	0,618	0,070	79	6	93
Inflation Year 5	2,103	2,000	0,500	3,500	0,628	0,071	79	6	93
Wage Increase Year 1	2,560	2,500	1,300	3,500	0,540	0,059	84	1	99
Wage Increase Year 2	2,636	2,500	1,300	4,000	0,624	0,068	84	1	99
Wage Increase Year 3	2,677	2,500	1,000	4,000	0,627	0,069	83	2	98
Wage Increase Year 4	2,660	2,500	1,300	4,500	0,582	0,065	79	6	93
Wage Increase Year 5	2,672	2,500	1,300	4,500	0,568	0,064	79	6	93
PURCHASING MANAGERS, Trading									
Inflation Year 1	1,602	1,500	0,000	5,000	0,766	0,084	83	1	99
Inflation Year 2	1,681	2,000	0,000	3,000	0,636	0,072	78	6	93
Inflation Year 3	1,794	2,000	0,200	3,000	0,638	0,073	76	8	90
Inflation Year 4	1,775	2,000	0,200	3,000	0,619	0,074	69	15	82
Inflation Year 5	1,784	2,000	0,200	3,000	0,619	0,074	69	15	82
Wage Increase Year 1	2,511	2,500	0,000	4,000	0,697	0,077	83	1	99
Wage Increase Year 2	2,535	2,500	0,000	3,500	0,641	0,072	79	5	94
Wage Increase Year 3	2,553	2,600	1,500	3,500	0,553	0,063	76	8	90
Wage Increase Year 4	2,553	2,500	1,500	3,500	0,577	0,069	70	14	83
Wage Increase Year 5	2,601	2,600	1,500	3,500	0,573	0,068	70	14	83
MONEY MARKET PLAYERS									
Inflation Year 1	1,329	1,400	0,200	2,400	0,366	0,046	62	0	100
Inflation Year 2	1,758	1,800	0,000	2,500	0,422	0,054	60	2	97
Inflation Year 3	1,898	2,000	0,200	2,500	0,396	0,052	58	4	94
Inflation Year 4	1,934	2,000	0,100	3,000	0,392	0,052	57	5	92
Inflation Year 5	1,932	2,000	0,000	2,750	0,381	0,050	57	5	92

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	1,545	1,500	1,500	2,000	0,119	0,016	55	7	89
12 months	2,074	2,000	1,500	2,750	0,313	0,043	54	8	87
24 months	2,636	2,500	1,700	4,250	0,536	0,075	51	11	82
60 months	3,255	3,000	2,000	6,000	0,732	0,106	48	14	77
TCW									
3 months	128,436	129,000	125,000	131,000	1,547	0,251	38	24	61
12 months	126,700	127,000	120,000	134,000	2,721	0,441	38	24	61
24 months	125,459	125,000	117,000	138,000	4,030	0,663	37	25	60
EUR									
3 months	9,244	9,250	9,000	9,420	0,096	0,013	54	8	87
12 months	9,119	9,100	8,500	9,500	0,192	0,026	53	9	85
24 months	9,042	9,000	8,250	10,000	0,274	0,039	50	12	81
USD									
3 months	7,531	7,600	6,920	7,900	0,246	0,033	54	8	87
12 months	7,359	7,500	6,200	8,200	0,457	0,063	53	9	85
24 months	7,317	7,275	5,860	8,750	0,630	0,089	50	12	81

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	
	3/05	2/05	3/05	2/05	3/05	2/05	3/05	2/05
All	5	7	90	88	1	1	4	3
Employees' organisations	6	3	94	90	0	0	0	6
Employers' organisations	4	0	85	85	0	4	11	11
Purchase M	2	6	94	92	2	1	1	1
Purchase T	10	13	83	83	0	0	7	4
Money Market Players	2	6	95	90	0	2	3	2