

Interview Period & Method

Prospera's inflationary expectation surveys are carried out over the telephone. The part of the survey that encompasses inflationary, GDP and wage increase expectations as well as all but money market players' expectations of repo rates, was carried out November 13 - November 27, 2006 (previous survey September 25 - October 9, 2006). The part of the survey regarding money market players' expectations of future repo rates, 5 year government bond rates, EUR and USD rates took place on November 15, 2006 (previous survey September 27, 2006).

About the Interviewees & Response Rate

In all 289 (289) organisations/companies were approached for interview. 9 (10) 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% (97%). The response rate for individual questions regarding inflation and wage increase expectations is 92% or more for the one year and two year assessments. For the five year assessment as well as the questions regarding GDP increase expectations, repo rates, 5 year government bond rates, EUR and USD rates the response rate is generally lower (Tables 2-6).

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 65 players, 50 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 5 year government bond rates, 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.

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. The *repo rate* is the Riksbank's borrowing/lending rate from/to banks for overnight money and the *GDP*, Gross Domestic Product, is defined as the value of all goods and services produced (by Swedish agents) in one year.

Previous Prospera inflationary expectations surveys

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

TABLE 1 - Comparison 4/06 vs 3/06

A comparison of the results of the two surveys in all interviewee categories can be summarised as follows (rounded off figures);

Expectations of:

	Year 1		Year 2		Year 5			
	4/06	3/06	4/06	3/06	4/06	3/06		
Annual inflation, %								
All	2,1	2,1	2,3	2,2	2,3	2,2		
Employees' organisations	1,9	2,0	2,2	2,2	2,3	2,2		
Employers' organisations	2,4	2,0	2,5	2,3	2,5	2,4		
Purchase managers Manufacturing	2,3	2,2	2,4	2,3	2,4	2,3		
Purchase managers Trading	2,2	2,1	2,4	2,2	2,3	2,2		
Money market players	1,9	1,9	1,9	2,0	2,0	2,0		
GDP, %								
All	3,6	--	3,3	--	3,2	--		
Employees' organisations	3,9	--	3,6	--	3,4	--		
Employers' organisations	3,4	--	3,0	--	2,8	--		
Purchase managers Manufacturing	4,0	--	3,7	--	3,5	--		
Purchase managers Trading	3,5	--	3,2	--	3,1	--		
Money market players	3,2	--	2,8	--	2,7	--		
Annual wage increase, %								
All	3,2	3,0	3,1	3,0	3,0	2,9		
Employees' organisations	3,4	3,2	3,3	3,4	3,2	3,3		
Employers' organisations	3,5	3,3	3,5	3,3	3,2	3,1		
Purchase managers Manufacturing	3,1	2,8	3,0	2,9	2,9	2,8		
Purchase managers Trading	3,2	2,9	3,1	3,0	2,9	2,9		
Repo rate, %								
	3 months		12 months		24 months		60 months	
	4/06	3/06	4/06	3/06	4/06	3/06	4/06	3/06
All	3,0	--	3,3	--	3,5	--	3,4	--
Employees' organisations	2,9	--	3,2	--	3,3	--	3,2	--
Employers' organisations	3,0	--	3,3	--	3,3	--	3,2	--
Purchase managers Manufacturing	3,0	--	3,3	--	3,4	--	3,4	--
Purchase managers Trading	3,0	--	3,3	--	3,4	--	3,3	--
Money market players	3,1	2,9	3,7	3,5	3,8	3,7	3,8	3,7

TABLE 2 - Inflationary Expectations

Expected annual increase in CPI the coming 1, 2 and 5 years

	Mean (%)	Median (%)	Lowest (%)	Highest (%)	Standard Deviation	Standard Error	Responses (numbers)	No Resp. (numbers)	Response Rate (%)
All									
Year 1	2,145	2,000	0,900	4,000	0,597	0,036	280	9	97
Year 2	2,264	2,000	1,000	4,000	0,614	0,037	277	12	96
Year 5	2,271	2,000	1,000	5,000	0,650	0,040	264	25	91
Employee's organisations									
Year 1	1,939	1,900	1,000	3,000	0,496	0,089	31	0	100
Year 2	2,165	2,000	1,500	3,500	0,504	0,090	31	0	100
Year 5	2,277	2,100	1,500	4,000	0,548	0,100	30	1	97
Employers' organisations									
Year 1	2,360	2,000	1,400	4,000	0,692	0,138	25	2	93
Year 2	2,520	2,300	1,700	4,000	0,688	0,138	25	2	93
Year 5	2,467	2,000	1,500	4,000	0,752	0,153	24	3	89
Purchasing Managers, Manufacturing									
Year 1	2,258	2,100	1,000	4,000	0,633	0,070	81	1	99
Year 2	2,362	2,300	1,000	4,000	0,675	0,075	81	1	99
Year 5	2,372	2,250	1,000	5,000	0,710	0,079	80	2	98
Purchasing Managers, Trading									
Year 1	2,216	2,000	0,900	3,500	0,632	0,071	80	4	95
Year 2	2,389	2,300	1,000	4,000	0,627	0,070	80	4	95
Year 5	2,314	2,100	1,000	5,000	0,731	0,086	73	11	87
Money Market Players									
Year 1	1,926	1,900	1,000	2,900	0,400	0,050	63	2	97
Year 2	1,908	2,000	1,000	2,500	0,319	0,041	60	5	92
Year 5	1,988	2,000	1,500	3,000	0,289	0,038	57	8	88

TABLE 3 - GDP Increase Expectations

Expected annual increase in GDP the coming 1, 2 and 5 years

	Mean (%)	Median (%)	Lowest (%)	Highest (%)	Standard Deviation	Standard Error	Responses (numbers)	No Resp. (numbers)	Response Rate (%)
All									
Year 1	3,608	3,500	1,000	7,000	1,055	0,064	272	17	94
Year 2	3,293	3,000	1,000	6,500	1,075	0,066	266	23	92
Year 5	3,175	3,000	1,000	7,000	1,106	0,069	255	34	88
Employee's organisations									
Year 1	3,871	4,000	2,000	7,000	1,213	0,218	31	0	100
Year 2	3,600	3,500	2,000	6,000	1,063	0,191	31	0	100
Year 5	3,437	3,000	1,000	6,500	1,239	0,226	30	1	97
Employers' organisations									
Year 1	3,442	3,450	1,500	5,100	0,780	0,159	24	3	89
Year 2	3,029	3,000	1,500	5,100	0,846	0,173	24	3	89
Year 5	2,813	3,000	1,000	5,500	0,936	0,195	23	4	85
Purchasing Managers, Manufacturing									
Year 1	3,970	4,000	2,000	6,500	1,217	0,135	81	1	99
Year 2	3,685	3,500	1,000	6,500	1,251	0,139	81	1	99
Year 5	3,549	3,000	1,000	7,000	1,266	0,142	79	3	96
Purchasing Managers, Trading									
Year 1	3,497	3,500	1,000	6,500	1,094	0,128	73	11	87
Year 2	3,187	3,000	1,000	6,100	1,090	0,128	72	12	86
Year 5	3,147	3,000	1,500	6,100	1,081	0,131	68	16	81
Money Market Players									
Year 1	3,205	3,200	2,500	4,800	0,473	0,060	63	2	97
Year 2	2,822	2,750	1,800	4,700	0,520	0,068	58	7	89
Year 5	2,679	2,500	1,500	4,500	0,505	0,068	55	10	85

TABLE 4 - Wage Increase Expectations

Expected annual i wage increase the coming 1, 2 and 5 years

	Mean (%)	Median (%)	Lowest (%)	Highest (%)	Standard Deviation	Standard Error	Responses (numbers)	No Resp. (numbers)	Response Rate (%)
All									
Year 1	3,208	3,200	1,500	4,500	0,559	0,038	217	7	97
Year 2	3,135	3,000	1,500	5,000	0,584	0,040	217	7	97
Year 5	2,987	3,000	1,500	5,000	0,593	0,041	207	17	92
Employee's organisations									
Year 1	3,368	3,400	2,000	4,500	0,655	0,118	31	0	100
Year 2	3,339	3,500	2,000	4,000	0,606	0,109	31	0	100
Year 5	3,240	3,350	1,700	4,000	0,567	0,104	30	1	97
Employers' organisations									
Year 1	3,496	3,500	1,900	4,500	0,509	0,102	25	2	93
Year 2	3,464	3,500	2,100	4,500	0,542	0,108	25	2	93
Year 5	3,221	3,150	2,100	5,000	0,590	0,121	24	3	89
Purchasing Managers, Manufacturing									
Year 1	3,089	3,000	1,500	4,500	0,552	0,061	81	1	99
Year 2	2,991	3,000	1,500	4,500	0,578	0,064	81	1	99
Year 5	2,869	3,000	1,500	4,000	0,523	0,058	80	2	98
Purchasing Managers, Trading									
Year 1	3,176	3,000	1,800	4,500	0,501	0,056	80	4	95
Year 2	3,100	3,000	1,900	5,000	0,540	0,060	80	4	95
Year 5	2,936	3,000	1,500	5,000	0,633	0,074	73	11	87

TABLE 5 - Repo Rate Expectations

Expected repo rate the coming 3-60 months

	Mean (%)	Median (%)	Lowest (%)	Highest (%)	Standard Deviation	Standard Error	Responses (numbers)	No Resp. (numbers)	Response Rate (%)
All									
3 months	2,990	3,000	1,200	5,000	0,282	0,017	268	21	93
12 months	3,345	3,250	1,200	5,000	0,405	0,025	267	22	92
24 months	3,450	3,500	2,000	6,000	0,557	0,034	262	27	91
60 months	3,412	3,500	2,000	6,000	0,693	0,044	249	40	86
Employee's organisations									
3 months	2,937	3,000	2,250	3,500	0,214	0,038	31	0	100
12 months	3,177	3,100	2,500	4,000	0,295	0,054	30	1	97
24 months	3,265	3,250	2,250	4,000	0,373	0,068	30	1	97
60 months	3,242	3,050	2,000	5,000	0,539	0,098	30	1	97
Employers' organisations									
3 months	2,952	3,000	2,700	3,250	0,140	0,028	25	2	93
12 months	3,292	3,250	2,500	4,000	0,398	0,080	25	2	93
24 months	3,306	3,225	2,250	5,000	0,624	0,127	24	3	89
60 months	3,204	3,000	2,000	5,000	0,764	0,156	24	3	89
Purchasing Managers, Manufacturing									
3 months	2,972	3,000	1,200	5,000	0,429	0,048	81	1	99
12 months	3,264	3,250	1,200	5,000	0,484	0,054	81	1	99
24 months	3,393	3,400	2,000	6,000	0,654	0,073	81	1	99
60 months	3,396	3,500	2,000	6,000	0,814	0,092	79	3	96
Purchasing Managers, Trading									
3 months	2,954	3,000	2,500	3,500	0,164	0,018	79	5	94
12 months	3,276	3,250	2,500	4,000	0,309	0,035	79	5	94
24 months	3,400	3,500	2,250	4,500	0,471	0,053	78	6	93
60 months	3,342	3,450	2,000	6,000	0,609	0,072	72	12	86
Money Market Players									
3 months	3,120	3,125	2,750	3,500	0,168	0,023	52	13	80
12 months	3,697	3,750	3,000	4,000	0,239	0,033	52	13	80
24 months	3,811	3,750	3,000	4,750	0,416	0,059	49	16	75
60 months	3,784	3,750	2,500	4,500	0,505	0,076	44	21	68

TABLE 6 - 5 year Government Bond Rate, EUR and USD rates

Expected 5 year government bond rate, 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 (%)
5 YEAR GOVERNMENT BOND RATE									
3 months	3,702	3,700	3,400	4,000	0,148	0,022	47	18	72
12 months	3,854	3,900	3,200	4,250	0,233	0,034	46	19	71
24 months	3,930	4,000	3,100	4,500	0,317	0,048	44	21	68
60 months	4,105	4,000	3,300	5,000	0,487	0,077	40	25	62
EUR/SEK									
3 months	9,058	9,050	8,750	9,250	0,103	0,014	51	14	78
12 months	8,969	9,000	8,500	9,400	0,166	0,023	51	14	78
24 months	8,937	9,000	8,500	9,500	0,218	0,032	47	18	72
USD/SEK									
3 months	7,038	7,000	6,500	7,580	0,194	0,027	51	14	78
12 months	6,935	6,900	6,000	7,670	0,306	0,043	51	14	78
24 months	6,917	6,800	6,000	8,000	0,379	0,055	47	18	72

TABLE 7 - 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% inflation). The percentage within this band is defined as the Confidence Indicator.

	Less than 1%		Confidence Indicator		More than 3%		No response	
	4/06	3/06	4/06	3/06	4/06	3/06	4/06	3/06
All	0	1	88	91	8	3	4	5
Employees' organisatio	0	0	94	87	6	6	0	6
Employers' organisatio	0	0	74	89	19	4	7	7
Purchase M	0	1	90	93	9	5	1	1
Purchase T	0	1	85	90	11	4	5	5
Money Market Players	0	0	92	92	0	0	8	8