

Press Release

Questions will be answered by Erik Eliasson, +46 (0)705 55 63 86.

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Main results

Economic growth expectations are up compared to the previous survey. Inflationary expectations are by and large unchanged.

Repo rate expectations the coming year still point upwards. The 5Y bond rate forecast is marginally up.

Compared to the last survey the panel believes in a stronger SEK, primarily against USD but also against EUR.

TNS SIFO Prospera has been commissioned by Sveriges Riksbank (Central Bank of Sweden) to undertake a series of surveys, twelve times a year, aiming at mapping expectations of inflation, GDP and future repo rates in Sweden among money market players. The survey also includes expectations of the 5 year government bond rate, EUR and USD rates. The latest survey in the series, August 2010, has now been completed. The previous survey, July 2010, was published July 1, 2010. A comparison of the results of the two surveys concerning money market players can be summarised as follows;

Money Market Players' Expectations of;

	Year 1		Year 2		Year 5	
	August 10	July 10	August 10	July 10	August 10	July 10
Annual; Inflation, %	1,7	1,6	2,1	2,1	2,1	2,2
GDP, %	3,0	2,5	2,8	2,6	2,6	2,6

Money Market Players' Expectations of;

	3 months		12 months		24 months		60 months	
	Aug 10	July 10	Aug 10	July 10	Aug 10	July 10	Aug 10	July 10
Repo Rate, %	0,8	0,6	1,6	1,4	2,5	2,4	3,3	3,4
5 year gvt bond rate, %	2,3	2,2	2,8	2,7	3,2	3,3	3,7	3,9
EUR	9,32	9,45	9,14	9,22	9,06	9,12	-	-
USD	7,20	7,79	7,17	7,69	7,32	7,64	-	-

Interview Period & Method

TNS SIFO Prospera's inflation expectation surveys are carried out over the telephone. The part of the survey that encompasses inflation and GDP expectations was carried out August 5 – August 10, 2010 (previous survey June 16 – June 29, 2010). The part of the survey regarding expectations of future repo rates, 5 year government bond rates, EUR and USD rates took place on August 5, 2010 (previous survey June 16, 2010).

About the Interviewees & Response Rate

In all 56 (57) organisations were approached for interview. 12 (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 82 % (93 %). The response rate for individual questions regarding inflation and GDP increase expectations is 75 % or more for the one year and two year assessments. For the five year assessment as well as the questions regarding repo rates, 5 year government bond rates, EUR and USD rates the response rate is generally lower. (Tables 1-5)

The money market category includes 56 players, 45 Swedish and 11 international, active in the Swedish fixed income market.

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 seven days' 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 TNS SIFO Prospera Inflation Expectations Surveys

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

TABLE 1 - Inflation 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 (%)
Money Market Players									
Year 1	1,706	1,700	1,000	2,500	0,373	0,056	44	12	79%
Year 2	2,120	2,000	1,250	3,300	0,371	0,057	43	13	77%
Year 5	2,141	2,000	1,800	3,000	0,269	0,044	38	18	68%

TABLE 2 - Inflation Expectations - 75% probability forecast uncertainty intervals

Expected annual increase intervals in CPI the coming 1, 2 and 5 years with a 75 % probability

	Mean (%)	Median (%)	Lowest (%)	Highest (%)	Standard Deviation	Standard Error	Responses (numbers)	No Resp. (numbers)	Response Rate (%)
Money Market Players									
Year 1									
Lower bound	1,156	1,200	0,000	2,000	0,457	0,077	35	21	63%
Upper bound	2,357	2,250	1,250	5,000	0,714	0,121	35	21	63%
Year 2									
Lower bound	1,394	1,500	0,000	2,300	0,529	0,089	35	21	63%
Upper bound	2,774	2,700	1,650	6,000	0,853	0,144	35	21	63%
Year 5									
Lower bound	1,237	1,500	0,000	2,300	0,699	0,120	34	22	61%
Upper bound	3,138	3,000	2,000	5,000	0,885	0,152	34	22	61%

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 (%)
Money Market Players									
Year 1	2,996	3,000	2,300	4,000	0,448	0,069	42	14	75%
Year 2	2,764	2,700	2,000	3,600	0,368	0,057	42	14	75%
Year 5	2,611	2,500	2,000	3,500	0,431	0,071	37	19	66%

TABLE 4 - 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 (%)
Money Market Players									
3 months	0,847	0,750	0,500	1,750	0,241	0,040	36	20	64%
12 months	1,639	1,500	0,750	3,000	0,461	0,077	36	20	64%
24 months	2,492	2,500	1,250	3,750	0,539	0,094	33	23	59%
60 months	3,342	3,500	2,000	4,250	0,585	0,107	30	26	54%

TABLE 5 - Repo Rate Expectations - 75% probability forecast uncertainty intervals

Expected repo rate intervals the coming 3-60 months with a 75 % probability

	Mean (%)	Median (%)	Lowest (%)	Highest (%)	Standard Deviation	Standard Error	Responses (numbers)	No Resp. (numbers)	Response Rate (%)
Money Market Players									
3 months									
Lower bound	0,675	0,750	0,250	1,750	0,264	0,048	30	26	54%
Upper bound	1,043	1,000	0,750	2,000	0,341	0,063	29	27	52%
12 months									
Lower bound	1,117	1,000	0,250	1,750	0,419	0,077	30	26	54%
Upper bound	2,058	2,000	1,250	3,000	0,392	0,072	30	26	54%
24 months									
Lower bound	1,742	2,000	0,500	2,750	0,551	0,101	30	26	54%
Upper bound	3,102	3,000	2,000	4,500	0,638	0,116	30	26	54%
60 months									
Lower bound	2,045	2,000	0,000	3,500	0,923	0,174	28	28	50%
Upper bound	4,330	4,125	2,500	7,000	1,028	0,194	28	28	50%

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	2,265	2,250	2,000	2,500	0,138	0,025	30	26	54%
12 months	2,784	2,750	2,100	3,600	0,389	0,072	29	27	52%
24 months	3,226	3,200	2,250	4,500	0,537	0,103	27	29	48%
60 months	3,700	3,500	2,400	5,500	0,730	0,143	26	30	46%
EUR/SEK									
3 months	9,322	9,300	9,000	9,600	0,141	0,025	31	25	55%
12 months	9,145	9,100	9,000	9,500	0,136	0,024	31	25	55%
24 months	9,064	9,000	8,700	9,500	0,169	0,033	27	29	48%
USD/SEK									
3 months	7,198	7,080	6,900	8,000	0,289	0,052	31	25	55%
12 months	7,170	7,000	6,500	8,300	0,493	0,088	31	25	55%
24 months	7,318	7,250	6,000	8,900	0,652	0,126	27	29	48%