

Press Release

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Main results

Economic growth expectations for the year to come are somewhat higher than was the case in previous survey. Weak signals of higher inflationary expectations are discerned.

On average the panel believes in a more than a quarter per cent repo rate set up within the 3 month span. The 5Y bond rate forecast stays unaltered for the coming two years.

The panel generally believes in a stronger SEK against EUR and a weaker SEK against USD than it did in previous survey.

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, July 2010, has now been completed. The previous survey, June 2010, was published June 9, 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	
	July 10	June 10	July 10	June 10	July 10	June 10
Annual; Inflation, %	1,6	1,5	2,1	2,1	2,2	2,1
GDP, %	2,5	2,2	2,6	2,6	2,6	2,6

Money Market Players' Expectations of;

	3 months		12 months		24 months		60 months	
	July 10	June 10	July 10	June 10	July 10	June 10	July 10	June 10
Repo Rate, %	0,6	0,4	1,4	1,3	2,4	2,4	3,4	3,3
5 year gvt bond rate, %	2,2	2,2	2,7	2,7	3,3	3,3	3,9	3,7
EUR	9,45	9,55	9,22	9,28	9,12	9,22	-	-
USD	7,79	7,75	7,69	7,56	7,64	7,52	-	-

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 June 16 – June 29, 2010 (previous survey May 24 – June 7, 2010). The part of the survey regarding expectations of future repo rates, 5 year government bond rates, EUR and USD rates took place on June 16, 2010 (previous survey May 26, 2010).

Two new questions to money market actors have been introduced in this survey. The new questions allow money market actors to answer how uncertain they are about future values of inflation and the repo rate at various forecast horizons. Respondents' uncertainty about inflation and the repo rate in the future complements the information already given about respondents' forecasts.

About the Interviewees & Response Rate

In all 57 (57) organisations were approached for interview. 4 (2) of the persons in the panel could not be reached or have denied participation, which means that there is an overall response rate of 93 % (96 %). The response rate for individual questions regarding inflation and GDP increase expectations is 91 % 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 57 players, 46 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	1,649	1,500	1,000	3,200	0,447	0,061	53	4	93%
Year 2	2,084	2,000	1,150	3,100	0,416	0,057	53	4	93%
Year 5	2,159	2,000	1,150	3,000	0,404	0,058	48	9	84%

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	1,175	1,200	0,000	2,100	0,431	0,065	44	13	77%
Upper bound	2,319	2,300	1,100	4,500	0,580	0,087	44	13	77%
Year 2									
Lower bound	1,390	1,500	-1,000	2,750	0,666	0,100	44	13	77%
Upper bound	2,798	2,875	1,800	4,500	0,669	0,101	44	13	77%
Year 5									
Lower bound	1,226	1,500	-2,000	2,750	0,967	0,147	43	14	75%
Upper bound	3,171	3,000	2,000	5,000	0,884	0,135	43	14	75%

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	2,540	2,600	1,000	4,000	0,692	0,095	53	4	93%
Year 2	2,643	2,650	1,500	3,800	0,530	0,073	52	5	91%
Year 5	2,636	2,500	1,800	4,000	0,519	0,076	47	10	82%

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	0,591	0,500	0,250	1,150	0,176	0,028	40	17	70%
12 months	1,423	1,500	0,500	2,000	0,365	0,058	40	17	70%
24 months	2,428	2,500	1,250	3,500	0,529	0,086	38	19	67%
60 months	3,371	3,500	2,000	5,500	0,662	0,115	33	24	58%

TABLE 4 - 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	0,336	0,250	0,250	0,500	0,120	0,020	35	22	61%
Upper bound	0,771	0,750	0,250	1,500	0,267	0,045	35	22	61%
12 months									
Lower bound	0,957	1,000	0,250	1,750	0,335	0,057	35	22	61%
Upper bound	1,887	2,000	0,750	3,000	0,465	0,079	35	22	61%
24 months									
Lower bound	1,650	2,000	0,250	2,750	0,639	0,108	35	22	61%
Upper bound	3,136	3,000	1,750	5,000	0,695	0,117	35	22	61%
60 months									
Lower bound	2,086	2,000	0,000	4,000	1,001	0,177	32	25	56%
Upper bound	4,453	4,000	2,500	6,500	0,972	0,172	32	25	56%

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	2,195	2,100	1,950	3,000	0,239	0,040	35	22	61%
12 months	2,737	2,650	1,950	3,700	0,478	0,081	35	22	61%
24 months	3,344	3,500	2,000	4,500	0,690	0,118	34	23	60%
60 months	3,895	4,000	2,000	5,000	0,744	0,134	31	26	54%
EUR/SEK									
3 months	9,447	9,500	9,000	9,800	0,171	0,027	39	18	68%
12 months	9,217	9,250	8,750	9,500	0,197	0,031	39	18	68%
24 months	9,123	9,100	8,000	9,700	0,293	0,050	35	22	61%
USD/SEK									
3 months	7,790	7,800	6,950	8,350	0,284	0,045	39	18	68%
12 months	7,687	7,700	6,700	8,750	0,433	0,069	39	18	68%
24 months	7,643	7,500	6,500	9,000	0,603	0,102	35	22	61%