

Press Release

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Main results

Economic growth expectations are somewhat higher than was the case in previous survey. Inflation is however not believed to increase. Rather, there is a slight tendency of lower inflationary expectations.

The repo rate forecast has been upgraded somewhat within the 12 month span. Else the repo rate and the 5Y bond rate expectations point downwards.

The panel believes in a further strengthening of SEK against EUR.

91 (91) per cent of the Money Market Players believe that the inflation the second year from now will stay within the Riksbanken's 1-3 % tolerance band.

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, May 2010, has now been completed. The previous survey, April 2010, was published April 14, 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	
	May 10	Apr 10	May 10	Apr 10	May 10	Apr 10
Annual; Inflation, %	1,6	1,7	2,2	2,3	2,2	2,2
GDP, %	2,3	2,2	2,8	2,6	2,7	2,6

Money Market Players' Expectations of;

	3 months		12 months		24 months		60 months	
	May 10	Apr 10	May 10	Apr 10	May 10	Apr 10	May 10	Apr 10
Repo Rate, %	0,4	0,3	1,4	1,3	2,5	2,6	3,3	3,4
5 year gvt bond rate, %	2,4	2,6	2,9	3,1	3,4	3,6	3,7	3,9
EUR	9,53	9,60	9,31	9,36	9,24	9,34	-	-
USD	7,27	7,13	7,18	7,05	7,21	6,99	-	-

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 Apr 28 – May 7, 2010 (previous survey Mar 24 – Apr 9, 2010). The part of the survey regarding expectations of future repo rates, 5 year government bond rates, EUR and USD rates took place on Apr 28, 2010 (previous survey Mar 24, 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 56 (57) organisations were approached for interview. 2 (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 96 % (96 %). The response rate for individual questions regarding inflation and GDP increase expectations is 95 % 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	1,584	1,500	0,700	2,500	0,437	0,059	54	2	96
Year 2	2,189	2,000	0,800	4,500	0,601	0,082	54	2	96
Year 5	2,232	2,000	1,500	3,000	0,381	0,055	48	8	86

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	1,088	1,200	-1,000	2,250	0,592	0,090	43	13	77
Upper bound	2,237	2,000	0,900	4,000	0,718	0,109	43	13	77
Year 2									
Lower bound	1,382	1,500	-2,000	3,000	0,824	0,127	42	14	75
Upper bound	2,906	2,700	1,500	6,500	0,986	0,152	42	14	75
Year 5									
Lower bound	1,360	1,500	-3,000	2,750	1,004	0,157	41	15	73
Upper bound	3,289	3,000	2,200	6,000	0,890	0,139	41	15	73

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	2,277	2,500	0,000	3,500	0,713	0,098	53	3	95
Year 2	2,786	2,800	0,500	4,000	0,673	0,092	53	3	95
Year 5	2,695	2,500	2,000	3,500	0,488	0,071	47	9	84

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	0,409	0,500	0,250	0,750	0,156	0,024	41	15	73
12 months	1,360	1,500	0,500	2,500	0,415	0,065	41	15	73
24 months	2,486	2,500	0,500	4,000	0,667	0,107	39	17	70
60 months	3,349	3,500	1,000	5,000	0,838	0,144	34	22	61

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	0,302	0,250	0,250	0,500	0,100	0,018	32	24	57
Upper bound	0,542	0,500	0,250	1,250	0,221	0,039	32	24	57
12 months									
Lower bound	0,845	0,750	0,250	2,250	0,445	0,079	32	24	57
Upper bound	1,709	1,500	0,750	3,000	0,463	0,082	32	24	57
24 months									
Lower bound	1,689	1,625	0,250	3,500	0,820	0,145	32	24	57
Upper bound	3,077	3,000	0,750	4,500	0,799	0,141	32	24	57
60 months									
Lower bound	2,172	2,500	0,000	4,250	1,139	0,208	30	26	54
Upper bound	4,335	4,250	1,250	7,500	1,354	0,247	30	26	54

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	2,434	2,400	2,000	2,800	0,184	0,031	35	21	63
12 months	2,871	3,000	2,100	3,700	0,378	0,064	35	21	63
24 months	3,373	3,500	2,250	4,500	0,524	0,093	32	24	57
60 months	3,672	3,725	2,500	5,000	0,639	0,117	30	26	54
EUR/SEK									
3 months	9,527	9,500	9,000	9,900	0,162	0,025	41	15	73
12 months	9,309	9,300	8,500	10,100	0,274	0,043	41	15	73
24 months	9,243	9,300	8,500	10,500	0,375	0,062	37	19	66
USD/SEK									
3 months	7,267	7,250	6,643	8,050	0,254	0,040	41	15	73
12 months	7,183	7,100	6,216	8,000	0,434	0,068	41	15	73
24 months	7,209	7,000	6,500	8,500	0,513	0,084	37	19	66

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 responses	
	May 10	Apr 10	May 10	Apr 10	May 10	Apr 10	May 10	Apr 10
Money Market Players	2	0	91	91	4	5	4	4