

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

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*Main results*

As compared to 3/05 inflationary expectations are further up but still below the Riksbank's 2% target, at least for the next year. Wage increase expectations also envisage an upward trend.

Money market players believe in a repo rate increase by 50% within a year and by almost 100% within two years, accompanied by a successively strengthened SEK.

91(90) 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 seventeenth survey in the series, 4/05, has now been completed. The previous survey, 3/05, was published October 5, 2005. A comparison of the results of the two surveys can be summarised as follows (rounded off figures)<sup>1,2</sup>:

Expectations of;	Year 1		Year 2		Year 5	
	4/05	3/05	4/05	3/05	4/05	3/05
<b>Annual inflation, %</b>						
All	1,7	1,6	1,9	1,8	2,1	2,0
Employees' organisations	1,5	1,4	1,8	1,7	2,0	1,9
Employers' organisations	1,6	1,6	1,8	1,9	2,1	2,1
Purchase managers Manufacturing	1,9	1,8	2,1	2,0	2,2	2,1
Purchase managers Trading	1,7	1,6	1,9	1,7	2,1	1,8
Money market players	1,6	1,3	2,0	1,8	2,0	1,9
<b>Annual wage increase, %</b>						
All	2,7	2,6	2,7	2,7	2,8	2,7
Employees' organisations	2,9	2,8	3,1	2,9	3,2	3,0
Employers' organisations	2,9	2,8	3,0	2,8	2,8	2,8
Purchase managers Manufacturing	2,6	2,6	2,6	2,6	2,6	2,7
Purchase managers Trading	2,7	2,5	2,7	2,5	2,8	2,6
<b>Expectations of</b>	<b>3 months</b>	<b>12 months</b>	<b>24 months</b>	<b>60 months</b>		
<b>Money market players;</b>	<b>4/05</b>	<b>3/05</b>	<b>4/05</b>	<b>3/05</b>	<b>4/05</b>	<b>3/05</b>
Repo rate, %	1,6	1,5	2,3	2,1	2,9	2,6
TCW	132	128	129	127	127	125
EUR	9,45	9,24	9,22	9,12	9,14	9,04
USD	7,87	7,53	7,58	7,36	7,44	7,32

<sup>1</sup> 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).

<sup>2</sup> **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 October 31 – November 14, 2005 (previous survey September 19 – October 3, 2005). The part of the survey regarding money market players' expectations of future repo rates, TCW, EUR and USD rates took place on November 2, 2005 (previous survey September 21, 2005).

### *About the Interviewees & Response Rate*

In all 289(289) organisations/companies were approached for interview 6(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 98(99) per cent. The response rate for individual questions regarding inflation and wage increase expectations is 90 per cent or more for the one year and two years assessments. 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 168 purchasing managers 84 represent the trading industry and 84 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 63 players, 49 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 (%)
<b>ALL</b>									
Inflation Year 1	1,687	1,600	-0,500	3,500	0,622	0,037	283	6	98
Inflation Year 2	1,945	2,000	0,000	4,000	0,629	0,038	280	9	97
Inflation Year 3	2,042	2,000	0,000	4,000	0,631	0,039	267	22	92
Inflation Year 4	2,088	2,000	0,000	5,000	0,611	0,038	253	36	88
Inflation Year 5	2,100	2,000	0,000	5,000	0,636	0,040	253	36	88
Wage Increase Year 1	2,687	2,800	0,200	5,000	0,586	0,039	221	5	98
Wage Increase Year 2	2,739	2,800	0,300	5,000	0,618	0,042	219	7	97
Wage Increase Year 3	2,776	3,000	0,200	4,000	0,654	0,045	212	14	94
Wage Increase Year 4	2,778	3,000	0,200	4,000	0,633	0,045	200	26	88
Wage Increase Year 5	2,775	3,000	0,200	5,000	0,675	0,048	199	27	88
<b>EMPLOYEES' ORGANISATIONS</b>									
Inflation Year 1	1,457	1,500	0,500	3,100	0,637	0,120	28	3	90
Inflation Year 2	1,761	1,650	0,700	3,200	0,623	0,118	28	3	90
Inflation Year 3	1,929	2,000	1,000	3,300	0,561	0,106	28	3	90
Inflation Year 4	2,008	2,000	1,000	3,400	0,512	0,105	24	7	77
Inflation Year 5	2,021	2,000	1,000	3,500	0,514	0,105	24	7	77
Wage Increase Year 1	2,918	3,000	2,000	3,600	0,401	0,076	28	3	90
Wage Increase Year 2	3,068	3,000	2,000	5,000	0,546	0,103	28	3	90
Wage Increase Year 3	3,146	3,000	2,000	4,000	0,482	0,091	28	3	90
Wage Increase Year 4	3,242	3,000	2,800	4,000	0,353	0,072	24	7	77
Wage Increase Year 5	3,242	3,000	2,800	4,000	0,353	0,072	24	7	77
<b>EMPLOYERS' ORGANISATIONS</b>									
Inflation Year 1	1,598	1,625	0,500	2,500	0,576	0,113	26	1	96
Inflation Year 2	1,844	2,000	0,500	3,000	0,631	0,124	26	1	96
Inflation Year 3	2,084	2,000	0,000	3,500	0,719	0,144	25	2	93
Inflation Year 4	2,110	2,000	0,000	3,500	0,678	0,138	24	3	89
Inflation Year 5	2,081	2,000	0,000	3,500	0,686	0,140	24	3	89
Wage Increase Year 1	2,910	3,000	0,200	3,500	0,646	0,127	26	1	96
Wage Increase Year 2	2,975	3,000	0,300	4,000	0,737	0,144	26	1	96
Wage Increase Year 3	2,906	3,000	0,200	4,000	0,879	0,176	25	2	93
Wage Increase Year 4	2,810	2,800	0,200	4,000	0,835	0,167	25	2	93
Wage Increase Year 5	2,778	2,750	0,200	4,000	0,866	0,173	25	2	93

**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 (%)
<b>PURCHASING MANAGERS, Manufacturing</b>									
Inflation Year 1	1,866	2,000	0,500	3,500	0,629	0,069	83	1	99
Inflation Year 2	2,070	2,000	0,500	4,000	0,674	0,074	83	1	99
Inflation Year 3	2,172	2,000	0,500	4,000	0,716	0,079	82	2	98
Inflation Year 4	2,230	2,000	1,000	5,000	0,705	0,080	77	7	92
Inflation Year 5	2,218	2,000	1,000	5,000	0,708	0,081	77	7	92
Wage Increase Year 1	2,571	2,500	1,200	3,700	0,569	0,062	83	1	99
Wage Increase Year 2	2,627	2,500	1,500	4,000	0,602	0,066	83	1	99
Wage Increase Year 3	2,654	2,800	1,500	4,000	0,623	0,069	82	2	98
Wage Increase Year 4	2,639	2,800	1,500	4,000	0,597	0,068	77	7	92
Wage Increase Year 5	2,648	2,500	1,500	4,500	0,614	0,070	77	7	92
<b>PURCHASING MANAGERS, Trading</b>									
Inflation Year 1	1,710	1,500	-0,500	3,500	0,713	0,078	84	0	100
Inflation Year 2	1,909	2,000	0,000	3,500	0,711	0,078	83	1	99
Inflation Year 3	1,984	2,000	0,200	3,500	0,668	0,076	77	7	92
Inflation Year 4	2,039	2,000	0,200	4,000	0,672	0,079	73	11	87
Inflation Year 5	2,090	2,000	0,250	5,000	0,755	0,088	73	11	87
Wage Increase Year 1	2,655	2,700	1,200	5,000	0,602	0,066	84	0	100
Wage Increase Year 2	2,666	2,750	1,250	3,700	0,567	0,063	82	2	98
Wage Increase Year 3	2,729	2,900	1,500	4,000	0,609	0,069	77	7	92
Wage Increase Year 4	2,762	3,000	1,500	4,000	0,601	0,070	74	10	88
Wage Increase Year 5	2,753	2,800	1,500	5,000	0,690	0,081	73	11	87
<b>MONEY MARKET PLAYERS</b>									
Inflation Year 1	1,559	1,500	0,500	2,600	0,403	0,051	62	1	98
Inflation Year 2	1,953	2,000	1,000	3,000	0,379	0,049	60	3	95
Inflation Year 3	1,970	2,000	0,500	2,700	0,363	0,049	55	8	87
Inflation Year 4	1,978	2,000	1,000	2,500	0,290	0,039	55	8	87
Inflation Year 5	1,989	2,000	1,250	2,500	0,268	0,036	55	8	87

**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 (%)
<b>REPO RATE</b>									
3 months	1,624	1,500	1,300	2,400	0,209	0,029	52	11	83
12 months	2,267	2,250	1,500	3,000	0,325	0,046	51	12	81
24 months	2,876	3,000	1,700	4,000	0,531	0,076	49	14	78
60 months	3,126	3,000	1,500	4,500	0,799	0,123	42	21	67
<b>TCW</b>									
3 months	132,095	132,000	128,000	140,000	2,520	0,409	38	25	60
12 months	129,095	128,500	120,000	137,000	3,633	0,589	38	25	60
24 months	127,262	126,000	116,000	140,000	5,097	0,838	37	26	59
<b>EUR</b>									
3 months	9,449	9,425	8,950	9,800	0,200	0,028	52	11	83
12 months	9,224	9,200	8,500	10,000	0,281	0,039	51	12	81
24 months	9,144	9,100	8,000	10,500	0,387	0,057	46	17	73
<b>USD</b>									
3 months	7,872	7,900	6,800	8,600	0,332	0,047	50	13	79
12 months	7,582	7,650	6,500	9,400	0,608	0,086	50	13	79
24 months	7,443	7,300	6,200	9,400	0,705	0,105	45	18	71

**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	
	4/05	3/05	4/05	3/05	4/05	3/05	4/05	3/05
All	4	5	91	90	2	1	3	4
Employees' organisations	3	6	84	94	3	0	10	0
Employers' organisations	7	4	89	85	0	0	4	11
Purchase M	1	2	93	94	5	2	1	1
Purchase T	8	10	88	83	2	0	1	7
Money Market Players	0	2	95	95	0	0	5	3