

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

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Main results

As compared to 2/06 inflation as well as wage increase expectations for the coming year are up by some 0,2 percentage units. With one single exception inflationary expectations now reside on or above the Riksbank's target level (2%) for all forecast periods.

On average, money market players foresee a repo rate of 2,9% in three months and 3,5% in one year (today 2,5%). They also believe in a slightly stronger SEK as compared to 2/06 as well as to actual spot rates during the interview period.

91% (previous survey 93%) of all interviewees think that the inflation the second year from now will stay within the Riksbank's 1-3% 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 twentieth survey in the series, 3/06, has now been completed. The previous survey, 2/06, was published May 31, 2006. A comparison of the results of the two surveys can be summarised as follows (rounded off figures)^{1,2}:

Expectations of;	Year 1		Year 2		Year 5	
	3/06	2/06	3/06	2/06	3/06	2/06
Annual inflation, %						
All	2,1	1,9	2,2	2,1	2,2	2,1
Employees' organisations	2,0	1,7	2,2	1,9	2,2	2,0
Employers' organisations	2,0	2,0	2,3	2,2	2,4	2,2
Purchase managers Manufacturing	2,2	2,1	2,3	2,3	2,3	2,2
Purchase managers Trading	2,1	1,9	2,2	2,0	2,2	2,1
Money market players	1,9	1,8	2,0	2,0	2,0	2,0
Annual wage increase, %						
All	3,0	2,8	3,0	2,9	2,9	2,8
Employees' organisations	3,2	3,1	3,4	3,2	3,3	3,2
Employers' organisations	3,3	2,9	3,3	3,1	3,1	3,0
Purchase managers Manufacturing	2,8	2,7	2,9	2,8	2,8	2,7
Purchase managers Trading	2,9	2,7	3,0	2,8	2,9	2,7
Expectations of Money market players;						
	3 months	12 months	24 months	60 months		
	3/06	2/06	3/06	2/06	3/06	2/06
Repo rate, %	2,9	2,3	3,5	2,9	3,7	3,3
TCW	126	128	125	126	124	125
EUR	9,20	9,28	9,08	9,12	9,05	9,04
USD	7,19	7,27	7,02	7,06	7,03	7,01

¹ 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).

² **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 September 25 - October 9, 2006 (previous survey May 15 - May 29, 2006). The part of the survey regarding money market players' expectations of future repo rates, TCW, EUR and USD rates took place on September 27, 2006 (previous survey May 17, 2006).

About the Interviewees & Response Rate

In all 289 (287) organisations/companies were approached for interview. 10 (7) 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% (98%). The response rate for individual questions regarding inflation and wage increase expectations is 92% 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 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 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 (%)
ALL									
Inflation Year 1	2,084	2,000	0,500	4,000	0,529	0,032	279	10	97
Inflation Year 2	2,192	2,000	0,500	4,000	0,533	0,032	275	14	95
Inflation Year 3	2,206	2,000	0,500	4,000	0,552	0,034	271	18	94
Inflation Year 4	2,215	2,000	0,850	4,000	0,548	0,034	259	30	90
Inflation Year 5	2,208	2,000	0,500	4,000	0,557	0,035	259	30	90
Wage Increase Year 1	2,977	3,000	1,000	4,500	0,606	0,041	217	7	97
Wage Increase Year 2	3,015	3,000	1,500	4,500	0,596	0,041	215	9	96
Wage Increase Year 3	2,962	3,000	1,500	4,600	0,600	0,041	213	11	95
Wage Increase Year 4	2,937	3,000	1,000	4,500	0,606	0,043	200	24	89
Wage Increase Year 5	2,939	3,000	1,000	4,500	0,592	0,042	200	24	89
EMPLOYEES' ORGANISATIONS									
Inflation Year 1	2,009	1,900	0,500	3,500	0,576	0,107	29	2	94
Inflation Year 2	2,210	2,000	1,000	4,000	0,632	0,117	29	2	94
Inflation Year 3	2,176	2,000	1,000	4,000	0,609	0,113	29	2	94
Inflation Year 4	2,136	2,000	1,000	4,000	0,552	0,110	25	6	81
Inflation Year 5	2,172	2,000	1,000	4,000	0,613	0,123	25	6	81
Wage Increase Year 1	3,179	3,000	1,700	4,000	0,597	0,111	29	2	94
Wage Increase Year 2	3,367	3,500	1,700	4,500	0,620	0,115	29	2	94
Wage Increase Year 3	3,348	3,500	1,800	4,500	0,612	0,114	29	2	94
Wage Increase Year 4	3,292	3,500	1,800	4,500	0,620	0,124	25	6	81
Wage Increase Year 5	3,292	3,500	1,800	4,500	0,627	0,125	25	6	81
EMPLOYERS' ORGANISATIONS									
Inflation Year 1	2,036	2,000	1,500	3,000	0,432	0,086	25	2	93
Inflation Year 2	2,252	2,000	1,600	3,500	0,433	0,087	25	2	93
Inflation Year 3	2,352	2,400	1,700	3,500	0,428	0,086	25	2	93
Inflation Year 4	2,496	2,500	1,700	3,500	0,513	0,105	24	3	89
Inflation Year 5	2,433	2,500	1,700	4,000	0,503	0,103	24	3	89
Wage Increase Year 1	3,308	3,300	2,800	4,000	0,356	0,071	25	2	93
Wage Increase Year 2	3,312	3,300	2,800	4,100	0,366	0,073	25	2	93
Wage Increase Year 3	3,252	3,000	2,500	4,600	0,465	0,093	25	2	93
Wage Increase Year 4	3,191	3,000	2,500	4,000	0,435	0,091	23	4	85
Wage Increase Year 5	3,139	3,000	2,500	4,200	0,483	0,101	23	4	85

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 (%)
PURCHASING MANAGERS, Manufacturing									
Inflation Year 1	2,239	2,000	1,000	4,000	0,618	0,069	81	1	99
Inflation Year 2	2,272	2,200	0,500	3,500	0,623	0,069	81	1	99
Inflation Year 3	2,296	2,200	0,500	3,500	0,651	0,072	81	1	99
Inflation Year 4	2,288	2,000	1,000	3,500	0,622	0,070	78	4	95
Inflation Year 5	2,300	2,000	1,000	3,500	0,626	0,071	78	4	95
Wage Increase Year 1	2,841	3,000	1,000	4,500	0,618	0,069	81	1	99
Wage Increase Year 2	2,858	3,000	1,500	4,500	0,590	0,066	81	1	99
Wage Increase Year 3	2,821	3,000	1,500	4,500	0,581	0,065	81	1	99
Wage Increase Year 4	2,772	3,000	1,000	4,000	0,633	0,072	78	4	95
Wage Increase Year 5	2,803	3,000	1,000	4,000	0,619	0,070	78	4	95
PURCHASING MANAGERS, Trading									
Inflation Year 1	2,079	2,000	0,500	3,500	0,550	0,061	82	2	98
Inflation Year 2	2,204	2,000	0,500	3,500	0,564	0,063	80	4	95
Inflation Year 3	2,224	2,000	1,000	4,000	0,592	0,067	78	6	93
Inflation Year 4	2,240	2,000	0,850	4,000	0,609	0,071	74	10	88
Inflation Year 5	2,205	2,000	0,500	4,000	0,622	0,072	74	10	88
Wage Increase Year 1	2,940	3,000	1,500	4,500	0,612	0,068	82	2	98
Wage Increase Year 2	2,953	3,000	1,500	4,000	0,575	0,064	80	4	95
Wage Increase Year 3	2,873	3,000	1,500	4,000	0,569	0,064	78	6	93
Wage Increase Year 4	2,911	3,000	1,500	4,000	0,549	0,064	74	10	88
Wage Increase Year 5	2,901	3,000	1,500	4,000	0,526	0,061	74	10	88
MONEY MARKET PLAYERS									
Inflation Year 1	1,942	1,950	1,200	2,600	0,301	0,038	62	3	95
Inflation Year 2	2,033	2,000	1,500	2,500	0,254	0,033	60	5	92
Inflation Year 3	2,009	2,000	1,500	3,000	0,230	0,030	58	7	89
Inflation Year 4	2,002	2,000	1,500	2,500	0,188	0,025	58	7	89
Inflation Year 5	2,009	2,000	1,500	2,500	0,213	0,028	58	7	89

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 (%)
REPO RATE									
3 months	2,917	3,000	2,250	3,250	0,168	0,023	54	11	83
12 months	3,509	3,500	2,500	4,000	0,340	0,046	54	11	83
24 months	3,681	3,750	2,750	4,750	0,442	0,062	51	14	78
60 months	3,691	3,750	3,000	5,000	0,506	0,074	47	18	72
TCW									
3 months	126,140	126,000	123,000	129,000	1,341	0,212	40	25	62
12 months	124,870	125,000	120,000	142,000	3,672	0,581	40	25	62
24 months	123,863	124,600	115,000	132,000	3,202	0,506	40	25	62
EUR									
3 months	9,197	9,200	9,000	9,350	0,090	0,012	53	12	82
12 months	9,085	9,100	8,500	9,400	0,185	0,025	53	12	82
24 months	9,050	9,000	8,500	9,500	0,200	0,029	49	16	75
USD									
3 months	7,188	7,190	6,800	7,900	0,160	0,022	53	12	82
12 months	7,023	7,000	6,300	8,750	0,406	0,056	53	12	82
24 months	7,030	7,030	6,000	8,750	0,445	0,064	49	16	75

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

	Less than 1%		Confidence Indicator		More than 3%		No response	
	3/06	2/06	3/06	2/06	3/06	2/06	3/06	2/06
All	1	1	91	93	3	2	5	3
Employees' organisations	0	0	87	94	6	3	6	3
Employers' organisations	0	0	89	93	4	0	7	7
Purchase M	1	0	93	94	5	6	1	0
Purchase T	1	4	90	90	4	1	5	5
Money Market Players	0	0	92	97	0	0	8	3