

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

This release, or parts thereof, may be published immediately.

Please state Prospera Research AB as the source.

Main results

Inflationary expectations are generally up since last survey, thereby distancing themselves further above the 2 % target level. This is particularly so within the one year horizon. At the same time growth expectations have slumped and wage increase expectations are standing flat or almost flat, i.e. the market believes in a period of inflation import. The money market repo rate estimate is 10 points up in the short run, covering the next Riksbank meeting. Thereafter it descends by at least a quarter in a two year time span. In parallel the expected five year interest rate has generally been adjusted downwards.

As was the case last survey money market players believe in a slow, but consequent, strengthening of SEK vs EUR. The expected price of USD is however clearly on its way up.

84(89) % 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 expectations of inflation, wage increase, GDP and future repo rates in Sweden among labour market parties, purchasing managers and money market players. The survey also includes money market players' expectations of the 5 year government bond rate, EUR and USD rates. The latest survey in the series, 4/07, has now been completed. The previous survey, 3/07, was published Oct 10, 2007. A comparison of the results of the two surveys can be summarised as follows (rounded off figures);

All Interviewees' Expectations of¹:

	Year 1		Year 2		Year 5			
	4/07	3/07	4/07	3/07	4/07	3/07		
Annual;								
Inflation, %	2,6	2,3	2,5	2,4	2,4	2,2		
GDP, %	2,7	3,3	2,5	3,1	2,7	2,9		
Wage increase, %	3,6	3,5	3,4	3,4	3,1	3,1		
	3 months		12 months		24 months		60 months	
	4/07	3/07	4/07	3/07	4/07	3/07	4/07	3/07
Repo Rate, %	4,1	3,9	4,0	4,1	3,9	4,1	3,8	3,9

Money Market Players' Expectations of:

	3 months		12 months		24 months		60 months	
	4/07	3/07	4/07	3/07	4/07	3/07	4/07	3/07
Repo Rate, %	4,1	4,0	3,9	4,3	3,8	4,2	4,0	4,0
5 year gvt bond rate, %	4,1	4,4	4,1	4,6	4,1	4,5	4,3	4,4
EUR	9,27	9,17	9,16	9,05	9,09	9,02	-	-
USD	6,31	6,47	6,49	6,49	6,79	6,68	-	-

¹ The figures for "All Interviewees" have 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). Results for specific categories are found in Appendices below.

Interview Period & Method

Prospera's inflationary expectation surveys are carried out over the telephone. The part of the survey that encompasses inflationary, GDP and wage increase expectations as well as all but money market players' expectations of repo rates, was carried out Dec 3 – Dec 13, 2007 (previous survey Sep 24 – Oct 8, 2007). The part of the survey regarding money market players' expectations of future repo rates, 5 year government bond rates, EUR and USD rates took place on Dec 5, 2007 (previous survey Sep 26, 2007).

About the Interviewees & Response Rate

In all 283 (284) organisations/companies were approached for interview. 10 (8) 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% (97%). The response rate for individual questions regarding inflation, wage and GDP increase expectations is 89% 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 2-6)

Of the 162 purchasing managers 81 represent the trading industry and 81 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 64 players, 49 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 5 year government bond rates, EUR and USD rates.

57 Swedish labour market organisations, of which 27 on the employers' side and 30 on the employees' side have been approached.

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 Prospera inflationary expectations surveys

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

TABLE 1 - Comparison 4/07 vs 3/07

A comparison of the results of the two surveys in all interviewee categories can be summarised as follows (rounded off figures);

Expectations of:

	Year 1		Year 2		Year 5			
	4/07	3/07	4/07	3/07	4/07	3/07		
Annual inflation, %								
All	2,6	2,3	2,5	2,4	2,4	2,2		
Employees' organisations	2,4	2,1	2,3	2,2	2,2	2,2		
Employers' organisations	2,7	2,2	2,7	2,3	2,3	2,1		
Purchase managers Manufacturing	2,7	2,5	2,7	2,6	2,6	2,4		
Purchase managers Trading	2,7	2,3	2,6	2,4	2,4	2,2		
Money market players	2,5	2,1	2,2	2,2	2,1	2,0		
GDP, %								
All	2,7	3,3	2,5	3,1	2,7	2,9		
Employees' organisations	2,7	3,5	2,6	3,2	2,7	3,1		
Employers' organisations	2,8	3,2	2,6	3,0	2,7	2,8		
Purchase managers Manufacturing	2,7	3,4	2,5	3,2	2,6	3,0		
Purchase managers Trading	2,6	3,3	2,5	3,1	2,8	2,9		
Money market players	2,6	3,0	2,5	2,8	2,7	2,6		
Annual wage increase, %								
All	3,6	3,5	3,4	3,4	3,1	3,1		
Employees' organisations	3,8	3,6	3,6	3,6	3,3	3,3		
Employers' organisations	4,1	3,7	3,9	3,8	3,3	3,4		
Purchase managers Manufacturing	3,4	3,4	3,2	3,3	3,0	3,1		
Purchase managers Trading	3,5	3,4	3,4	3,3	3,2	3,0		
Repo rate, %								
	3 months		12 months		24 months		60 months	
	4/07	3/07	4/07	3/07	4/07	3/07	4/07	3/07
All	4,1	3,9	4,0	4,1	3,9	4,1	3,8	3,9
Employees' organisations	4,1	3,9	4,1	4,0	4,0	4,0	3,9	3,8
Employers' organisations	4,1	3,9	4,0	4,1	3,8	4,1	3,7	3,8
Purchase managers Manufacturing	4,0	3,9	4,0	4,0	3,9	4,0	3,8	3,9
Purchase managers Trading	4,1	3,9	4,1	4,1	3,9	4,1	3,8	3,9
Money market players	4,1	4,0	3,9	4,3	3,8	4,2	4,0	4,0

TABLE 2 - Inflationary 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 (%)
All									
Year 1	2,624	2,700	0,500	4,000	0,481	0,029	273	10	96
Year 2	2,521	2,500	0,500	4,000	0,553	0,033	273	10	96
Year 5	2,366	2,100	1,000	4,000	0,560	0,035	254	29	90
Employee's organisations									
Year 1	2,447	2,500	1,500	3,500	0,473	0,086	30	0	100
Year 2	2,340	2,400	1,500	3,000	0,448	0,082	30	0	100
Year 5	2,210	2,000	1,000	3,200	0,574	0,107	29	1	97
Employers' organisations									
Year 1	2,668	2,800	1,900	3,100	0,386	0,077	25	2	93
Year 2	2,716	2,700	1,700	4,000	0,454	0,091	25	2	93
Year 5	2,296	2,050	1,500	3,300	0,445	0,091	24	3	89
Purchasing Managers, Manufacturing									
Year 1	2,673	2,800	0,500	4,000	0,514	0,058	79	2	98
Year 2	2,687	2,700	0,750	3,500	0,555	0,062	79	2	98
Year 5	2,591	2,500	1,000	4,000	0,633	0,071	79	2	98
Purchasing Managers, Trading									
Year 1	2,749	2,900	1,500	4,000	0,461	0,053	77	4	95
Year 2	2,616	2,500	1,500	4,000	0,572	0,065	77	4	95
Year 5	2,388	2,350	1,500	4,000	0,559	0,068	68	13	84
Money Market Players									
Year 1	2,475	2,500	1,500	4,000	0,448	0,057	62	2	97
Year 2	2,199	2,200	0,500	3,500	0,448	0,057	62	2	97
Year 5	2,123	2,000	1,700	3,500	0,315	0,043	54	10	84

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 (%)
All									
Year 1	2,651	2,500	1,500	5,000	0,566	0,035	267	16	94
Year 2	2,537	2,500	1,000	5,000	0,587	0,036	267	16	94
Year 5	2,670	2,500	1,000	5,000	0,566	0,036	249	34	88
Employee's organisations									
Year 1	2,674	2,500	1,500	4,500	0,536	0,100	29	1	97
Year 2	2,550	2,500	1,500	4,000	0,543	0,101	29	1	97
Year 5	2,654	2,750	1,500	3,600	0,588	0,111	28	2	93
Employers' organisations									
Year 1	2,779	2,500	2,000	4,200	0,629	0,128	24	3	89
Year 2	2,625	2,450	2,000	4,500	0,649	0,132	24	3	89
Year 5	2,683	2,600	1,500	3,500	0,607	0,127	23	4	85
Purchasing Managers, Manufacturing									
Year 1	2,683	2,500	1,500	4,000	0,556	0,063	78	3	96
Year 2	2,501	2,500	1,000	4,000	0,590	0,067	78	3	96
Year 5	2,601	2,500	1,000	4,000	0,527	0,060	77	4	95
Purchasing Managers, Trading									
Year 1	2,591	2,500	1,500	5,000	0,657	0,076	74	7	91
Year 2	2,537	2,500	1,000	5,000	0,700	0,081	74	7	91
Year 5	2,757	2,500	1,000	5,000	0,713	0,087	67	14	83
Money Market Players									
Year 1	2,623	2,650	1,900	3,800	0,445	0,057	62	2	97
Year 2	2,541	2,500	1,500	4,000	0,423	0,054	62	2	97
Year 5	2,662	2,500	2,000	3,500	0,351	0,048	54	10	84

TABLE 4 - Wage Increase Expectations

Expected annual i wage increase the coming 1, 2 and 5 years

	Mean (%)	Median (%)	Lowest (%)	Highest (%)	Standard Deviation	Standard Error	Responses (numbers)	No Resp. (numbers)	Response Rate (%)
All									
Year 1	3,604	3,500	2,000	5,000	0,570	0,039	209	10	95
Year 2	3,416	3,500	1,000	5,000	0,593	0,041	209	10	95
Year 5	3,108	3,000	1,000	5,000	0,564	0,040	198	21	90
Employee's organisations									
Year 1	3,767	3,800	2,000	5,000	0,570	0,104	30	0	100
Year 2	3,583	3,550	1,500	4,500	0,588	0,107	30	0	100
Year 5	3,266	3,500	1,000	4,000	0,645	0,120	29	1	97
Employers' organisations									
Year 1	4,104	4,000	3,200	4,700	0,425	0,085	25	2	93
Year 2	3,884	4,000	2,900	4,600	0,440	0,088	25	2	93
Year 5	3,288	3,250	2,500	4,500	0,555	0,113	24	3	89
Purchasing Managers, Manufacturing									
Year 1	3,449	3,500	2,000	5,000	0,547	0,061	79	2	98
Year 2	3,235	3,000	1,750	5,000	0,558	0,063	79	2	98
Year 5	2,956	3,000	1,500	4,000	0,563	0,064	78	3	96
Purchasing Managers, Trading									
Year 1	3,535	3,500	2,000	4,700	0,535	0,062	75	6	93
Year 2	3,384	3,500	1,000	5,000	0,583	0,067	75	6	93
Year 5	3,151	3,000	2,000	5,000	0,494	0,060	67	14	83

TABLE 5 - 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 (%)
All									
3 months	4,076	4,000	2,950	5,000	0,228	0,014	258	25	91
12 months	4,016	4,000	3,100	5,000	0,371	0,023	258	25	91
24 months	3,875	3,750	2,500	5,500	0,477	0,030	255	28	90
60 months	3,818	3,800	2,500	5,500	0,523	0,034	237	46	84
Employee's organisations									
3 months	4,107	4,000	3,750	4,500	0,156	0,029	29	1	97
12 months	4,114	4,000	3,500	5,000	0,352	0,065	29	1	97
24 months	3,986	4,000	3,250	5,000	0,462	0,086	29	1	97
60 months	3,850	4,000	3,000	5,000	0,495	0,094	28	2	93
Employers' organisations									
3 months	4,114	4,200	3,750	4,250	0,142	0,028	25	2	93
12 months	4,020	4,000	3,250	4,500	0,343	0,069	25	2	93
24 months	3,798	3,750	3,000	4,700	0,419	0,084	25	2	93
60 months	3,670	3,750	2,500	5,000	0,609	0,127	23	4	85
Purchasing Managers, Manufacturing									
3 months	4,026	4,000	2,950	4,750	0,292	0,033	78	3	96
12 months	3,985	4,000	3,100	5,000	0,393	0,045	78	3	96
24 months	3,887	4,000	2,500	5,500	0,502	0,057	78	3	96
60 months	3,768	3,750	2,700	5,500	0,553	0,063	77	4	95
Purchasing Managers, Trading									
3 months	4,118	4,100	3,000	5,000	0,252	0,029	74	7	91
12 months	4,070	4,000	3,250	5,000	0,372	0,043	74	7	91
24 months	3,900	3,750	3,000	5,500	0,447	0,053	72	9	89
60 months	3,782	3,750	2,750	5,000	0,466	0,058	65	16	80
Money Market Players									
3 months	4,058	4,000	4,000	4,250	0,106	0,015	52	12	81
12 months	3,928	4,000	3,500	4,500	0,348	0,048	52	12	81
24 months	3,794	3,750	2,750	5,000	0,509	0,071	51	13	80
60 months	4,017	4,000	3,000	5,500	0,486	0,073	44	20	69

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	4,053	4,000	3,600	5,000	0,253	0,037	48	16	75
12 months	4,080	4,000	3,400	5,100	0,371	0,054	48	16	75
24 months	4,123	4,100	3,250	4,900	0,375	0,056	45	19	70
60 months	4,273	4,250	3,350	5,750	0,511	0,078	43	21	67
EUR/SEK									
3 months	9,269	9,300	9,000	9,500	0,100	0,014	53	11	83
12 months	9,162	9,200	8,700	9,600	0,175	0,024	53	11	83
24 months	9,089	9,100	8,500	9,600	0,218	0,031	49	15	77
USD/SEK									
3 months	6,306	6,300	5,760	7,400	0,235	0,032	53	11	83
12 months	6,488	6,500	5,800	7,900	0,363	0,050	52	12	81
24 months	6,795	6,900	5,800	8,250	0,461	0,067	48	16	75

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 response	
	4/07	3/07	4/07	3/07	4/07	3/07	4/07	3/07
All	1	0	84	89	11	6	4	4
Employees' organisations	0	0	100	97	0	3	0	0
Employers' organisations	0	0	81	89	11	0	7	11
Purchase M	1	0	79	89	17	11	2	0
Purchase T	0	1	78	84	17	9	5	6
Money Market Players	3	0	92	94	2	0	3	6