

## Press Release

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### *Main results*

Economic growth forecasts for the next two years have been revised upwards since last survey without affecting inflation, thus demonstrating higher real economic growth expectations.

The repo rate expectations path has been lifted somewhat within the 24 months term while the 5Y bond rate projections are left unaltered.

The panel still believes in a cheaper EUR and, by and large, a sideways moving USD, let alone that the USD/SEK expectations path has been shifted somewhat upwards.

82 (81) 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, February 2010, has now been completed. The previous survey, January 2010, was published Jan 27, 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	
	Feb 10	Jan 10	Feb 10	Jan 10	Feb 10	Jan 10
Annual; Inflation, %	1,6	1,6	2,4	2,4	2,2	2,3
GDP, %	2,4	2,2	2,7	2,5	2,6	2,6

### Money Market Players' Expectations of;

	3 months		12 months		24 months		60 months	
	Feb 10	Jan 10	Feb 10	Jan 10	Feb 10	Jan 10	Feb 10	Jan 10
Repo Rate, %	0,4	0,3	1,4	1,2	2,8	2,6	3,6	3,7
5 year gvt bond rate, %	2,8	2,8	3,4	3,4	3,9	3,9	4,3	4,3
EUR	10,03	10,09	9,72	9,74	9,52	9,52	-	-
USD	7,14	6,97	7,04	6,88	7,09	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 Feb 3 – Feb 12, 2010 (previous survey Jan 13 – Jan 22, 2010). The part of the survey regarding expectations of future repo rates, 5 year government bond rates, EUR and USD rates took place on Feb 3, 2010 (previous survey Jan 13, 2010).

## **About the Interviewees & Response Rate**

In all 57 (57) organisations were approached for interview. 3 (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 95 % (96 %). The response rate for individual questions regarding inflation and GDP increase expectations is 93 % 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 annual percentage change in the Consumer Price Index (CPI). 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 annual percentage change in 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 - 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 (%)
<b>Money Market Players</b>									
<b>Year 1</b>	1,602	1,500	0,700	3,500	0,590	0,080	54	3	95
<b>Year 2</b>	2,426	2,500	1,500	4,000	0,612	0,083	54	3	95
<b>Year 5</b>	2,249	2,000	2,000	4,000	0,454	0,067	46	11	81

**TABLE 2 - 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 (%)
<b>Money Market Players</b>									
<b>Year 1</b>	2,431	2,500	-2,000	3,900	0,886	0,122	53	4	93
<b>Year 2</b>	2,652	2,750	0,000	3,700	0,636	0,087	53	4	93
<b>Year 5</b>	2,573	2,500	1,500	3,500	0,494	0,074	45	12	79

**TABLE 3 - 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 (%)
<b>Money Market Players</b>									
<b>3 months</b>	0,375	0,250	0,250	3,500	0,516	0,080	42	15	74
<b>12 months</b>	1,369	1,250	0,250	5,000	0,756	0,117	42	15	74
<b>24 months</b>	2,756	3,000	0,750	5,000	0,799	0,125	41	16	72
<b>60 months</b>	3,635	3,750	1,500	5,000	0,716	0,118	37	20	65

**TABLE 4 - 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 (%)
<b>5 YEAR GOVERNMENT BOND RATE</b>									
3 months	2,821	2,800	2,600	3,500	0,193	0,032	36	21	63
12 months	3,396	3,375	2,800	4,500	0,430	0,072	36	21	63
24 months	3,866	3,800	3,000	5,500	0,551	0,093	35	22	61
60 months	4,308	4,250	3,400	6,000	0,618	0,109	32	25	56
<b>EUR/SEK</b>									
3 months	10,028	10,000	9,700	10,500	0,162	0,026	40	17	70
12 months	9,722	9,700	9,240	10,300	0,229	0,036	40	17	70
24 months	9,523	9,500	9,000	10,100	0,283	0,047	36	21	63
<b>USD/SEK</b>									
3 months	7,141	7,200	6,450	7,500	0,211	0,034	39	18	68
12 months	7,044	7,000	6,130	7,600	0,328	0,052	39	18	68
24 months	7,093	7,000	6,000	8,200	0,521	0,088	35	22	61

**TABLE 5 - 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	
	Feb 10	Jan 10	Feb 10	Jan 10	Feb 10	Jan 10	Feb 10	Jan 10
Money Market Players	0	0	82	81	12	14	5	5