

Press Release

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Main results

Inflation and economic growth expectations are left largely unaltered since previous survey.

Repo rates expectations are revised upwards. The 5Y bond rate forecast is also clearly up for all forecast periods.

Vs the previous survey the panel believes in a stronger SEK against USD as well as EUR.

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, October 2010, has now been completed. The previous survey, September 2010, was published September 8, 2010. A comparison of the results of the two surveys concerning money market players can be summarised as follows:

Money Market Players' Expectations of

Annual:	Year 1		Year 2		Year 5	
	Oct 10	Sept 10	Oct 10	Sept 10	Oct 10	Sept 10
Inflation, %	1,6	1,6	2,1	2,0	2,1	2,0
GDP, %	3,0	3,0	2,8	2,8	2,7	2,6

Money Market Players' Expectations of

	3 months		12 months		24 months		60 months	
	Oct 10	Sept 10	Oct 10	Sept 10	Oct 10	Sept 10	Oct 10	Sept 10
Repo Rate, %	1,2	0,9	1,9	1,5	2,7	2,3	3,3	3,2
5 year gvt bond rate, %	2,2	2,0	2,6	2,4	3,2	2,9	3,9	3,5
EUR	9,11	9,34	8,95	9,15	8,95	9,10	-	-
USD	6,78	7,40	6,97	7,30	7,12	7,29	-	-

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 September 29 – October 11, 2010 (previous survey August 23 – September 6, 2010). The part of the survey regarding expectations of future repo rates, 5 year government bond rates, EUR and USD rates took place on September 29, 2010 (previous survey August 25, 2010).

About the Interviewees & Response Rate

In all 54 (54) 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 94 % 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 54 players, 44 Swedish and 10 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	1,639	1,575	1,000	2,500	0,369	0,051	52	2	96%
Year 2	2,057	2,000	1,200	3,500	0,438	0,061	52	2	96%
Year 5	2,111	2,000	1,150	3,000	0,340	0,050	46	8	85%

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	1,167	1,200	0,000	2,100	0,417	0,063	44	10	81%
Upper bound	2,158	2,000	1,450	3,600	0,510	0,077	44	10	81%
Year 2									
Lower bound	1,358	1,500	-0,500	2,800	0,596	0,090	44	10	81%
Upper bound	2,706	2,700	1,500	4,500	0,640	0,097	44	10	81%
Year 5									
Lower bound	1,240	1,100	-1,000	2,600	0,733	0,113	42	12	78%
Upper bound	3,007	3,000	2,000	5,000	0,643	0,099	42	12	78%

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	3,019	3,000	1,000	4,700	0,777	0,109	51	3	94%
Year 2	2,782	2,800	1,500	4,000	0,485	0,068	51	3	94%
Year 5	2,658	2,500	1,500	4,000	0,506	0,076	44	10	81%

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	1,174	1,250	0,750	1,250	0,130	0,022	34	20	63%
12 months	1,853	1,750	1,000	2,500	0,349	0,060	34	20	63%
24 months	2,662	2,500	2,000	4,000	0,507	0,087	34	20	63%
60 months	3,336	3,500	2,250	4,250	0,518	0,092	32	22	59%

TABLE 5 - 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	0,995	1,000	0,750	1,250	0,165	0,031	28	26	52%
Upper bound	1,309	1,250	1,000	2,000	0,212	0,040	28	26	52%
12 months									
Lower bound	1,432	1,500	0,500	2,250	0,446	0,084	28	26	52%
Upper bound	2,318	2,250	1,500	3,500	0,494	0,093	28	26	52%
24 months									
Lower bound	1,950	2,000	0,250	2,750	0,708	0,134	28	26	52%
Upper bound	3,291	3,325	2,000	5,500	0,738	0,140	28	26	52%
60 months									
Lower bound	2,125	2,000	0,000	3,500	0,878	0,172	26	28	48%
Upper bound	4,212	4,000	2,500	6,000	0,882	0,173	26	28	48%

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	2,151	2,200	1,750	2,400	0,176	0,032	31	23	57%
12 months	2,624	2,500	1,750	3,900	0,409	0,073	31	23	57%
24 months	3,181	3,000	2,000	4,600	0,584	0,107	30	24	56%
60 months	3,874	3,800	2,400	5,000	0,658	0,122	29	25	54%
EUR/SEK									
3 months	9,107	9,100	8,900	9,400	0,128	0,023	32	22	59%
12 months	8,952	9,000	8,630	9,250	0,138	0,024	32	22	59%
24 months	8,953	9,000	8,500	9,300	0,186	0,033	31	23	57%
USD/SEK									
3 months	6,776	6,750	6,500	7,250	0,214	0,038	32	22	59%
12 months	6,973	7,000	6,000	7,750	0,397	0,070	32	22	59%
24 months	7,123	7,000	6,000	8,000	0,553	0,099	31	23	57%