

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

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Main results

Inflationary, as well as wage increase, expectations are up. With one exception all interviewee categories believe in an inflation rate of 2 per cent or above for all time periods. The average increase of inflationary expectations by some .2 percentage points is accompanied by at least as large wage increase expectations. It should however be mentioned that there are clear differences between groups, e.g. characterising money market players as relative low growth/low inflation believers.

The interviewee categories concur on a 25 point repo rate increase for the coming three month period (from today's 3.25 %). Money market players have however a more hawkish view of the Riksbank's long term repo rate policy. Thus, in the 60 month perspective, money market players believe in a further 60 point increase while interviewees in general hold on to a more moderate 40 point projection.

84(92) % 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, 2/07, has now been completed. The previous survey, 1/07, was published January 31, 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			
	2/07	1/07	2/07	1/07	2/07	1/07		
Annual;								
Inflation, %	2,3	2,1	2,4	2,2	2,3	2,2		
GDP, %	3,8	3,6	3,5	3,3	3,1	3,0		
Wage increase, %	3,6	3,3	3,4	3,2	3,2	3,0		
	3 months		12 months		24 months		60 months	
	2/07	1/07	2/07	1/07	2/07	1/07	2/07	1/07
Repo Rate, %	3,5	3,3	3,9	3,6	4,0	3,7	3,9	3,6

Money Market Players' Expectations of;

	3 months		12 months		24 months		60 months	
	2/07	1/07	2/07	1/07	2/07	1/07	2/07	1/07
Repo Rate, %	3,5	3,3	4,1	3,9	4,3	3,9	4,1	3,8
5 year gvt bond rate, %	4,2	4,0	4,4	4,2	4,5	4,2	4,5	4,3
EUR	9,13	9,02	8,99	8,91	8,94	8,90	--	--
USD	6,74	6,94	6,70	6,86	6,75	6,94	--	--

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 May 9 - May 28, 2007 (previous survey January 15 - January 29, 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 May 9, 2007 (previous survey January 17, 2007).

About the Interviewees & Response Rate

In all 285 (287) organisations/companies were approached for interview. 12 (10) 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 84% 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 164 purchasing managers 83 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 2/07 vs 1/07

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	
	2/07	1/07	2/07	1/07	2/07	1/07
Annual inflation, %						
All	2,3	2,1	2,4	2,2	2,3	2,2
Employees' organisations	2,0	2,0	2,2	2,1	2,1	2,2
Employers' organisations	2,4	1,9	2,5	2,1	2,4	2,2
Purchase managers Manufacturing	2,7	2,3	2,7	2,4	2,6	2,4
Purchase managers Trading	2,4	2,1	2,5	2,2	2,3	2,2
Money market players	1,9	1,8	2,1	2,0	2,0	1,9

GDP, %

All	3,8	3,6	3,5	3,3	3,1	3,0
Employees' organisations	4,0	3,8	3,7	3,5	3,5	3,2
Employers' organisations	3,8	3,6	3,5	3,2	2,9	2,9
Purchase managers Manufacturing	3,9	3,5	3,6	3,3	3,2	3,0
Purchase managers Trading	3,9	3,7	3,5	3,3	3,3	3,1
Money market players	3,5	3,5	3,1	3,1	2,7	2,8

Annual wage increase, %

All	3,6	3,3	3,4	3,2	3,2	3,0
Employees' organisations	3,7	3,6	3,7	3,6	3,5	3,4
Employers' organisations	3,8	3,4	3,8	3,4	3,4	3,1
Purchase managers Manufacturing	3,6	3,2	3,4	3,0	3,1	2,9
Purchase managers Trading	3,5	3,2	3,3	3,1	3,1	2,9

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

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	2,307	2,100	0,500	4,000	0,600	0,036	273	12	96
Year 2	2,432	2,300	0,700	4,000	0,608	0,037	272	13	95
Year 5	2,321	2,000	1,000	4,500	0,622	0,039	259	26	91
Employee's organisations									
Year 1	2,034	2,000	0,500	4,000	0,635	0,118	29	1	97
Year 2	2,203	2,100	0,700	4,000	0,644	0,120	29	1	97
Year 5	2,148	2,000	1,000	4,000	0,592	0,110	29	1	97
Employers' organisations									
Year 1	2,372	2,300	1,500	3,400	0,554	0,111	25	2	93
Year 2	2,516	2,400	1,900	4,000	0,510	0,102	25	2	93
Year 5	2,358	2,000	1,600	4,500	0,661	0,135	24	3	89
Purchasing Managers, Manufacturing									
Year 1	2,664	2,550	1,500	4,000	0,578	0,065	80	1	99
Year 2	2,733	2,800	1,000	4,000	0,661	0,074	80	1	99
Year 5	2,593	2,500	1,000	4,500	0,718	0,080	80	1	99
Purchasing Managers, Trading									
Year 1	2,355	2,200	1,500	4,000	0,561	0,065	75	8	90
Year 2	2,459	2,500	1,500	4,000	0,567	0,065	75	8	90
Year 5	2,298	2,100	1,000	4,000	0,585	0,070	69	14	83
Money Market Players									
Year 1	1,905	1,900	1,300	2,700	0,326	0,041	64	0	100
Year 2	2,091	2,000	0,900	2,900	0,353	0,045	63	1	98
Year 5	2,039	2,000	1,500	3,000	0,285	0,038	57	7	89

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	3,814	3,800	1,200	5,500	0,737	0,045	268	17	94
Year 2	3,460	3,500	1,800	5,500	0,741	0,045	267	18	94
Year 5	3,130	3,000	1,000	5,000	0,846	0,053	252	33	88
Employee's organisations									
Year 1	4,010	4,000	1,500	5,000	0,809	0,150	29	1	97
Year 2	3,719	3,500	2,000	5,000	0,729	0,135	29	1	97
Year 5	3,521	3,500	2,000	5,000	0,830	0,154	29	1	97
Employers' organisations									
Year 1	3,828	3,900	3,000	5,000	0,665	0,133	25	2	93
Year 2	3,488	3,500	2,000	5,000	0,708	0,142	25	2	93
Year 5	2,863	2,800	1,500	4,100	0,635	0,130	24	3	89
Purchasing Managers, Manufacturing									
Year 1	3,926	4,000	1,200	5,000	0,840	0,094	80	1	99
Year 2	3,569	3,500	2,000	5,200	0,855	0,096	80	1	99
Year 5	3,230	3,000	1,000	5,000	1,014	0,113	80	1	99
Purchasing Managers, Trading									
Year 1	3,857	4,000	1,800	5,500	0,773	0,092	70	13	84
Year 2	3,545	3,500	1,800	5,500	0,778	0,093	70	13	84
Year 5	3,287	3,000	1,000	5,000	0,849	0,107	63	20	76
Money Market Players									
Year 1	3,531	3,550	2,600	4,300	0,432	0,054	64	0	100
Year 2	3,096	3,100	2,300	4,000	0,361	0,045	63	1	98
Year 5	2,723	2,750	2,000	3,600	0,372	0,050	56	8	88

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	3,589	3,500	1,500	6,000	0,554	0,038	208	13	94
Year 2	3,433	3,500	1,500	5,000	0,588	0,041	208	13	94
Year 5	3,181	3,000	1,500	5,000	0,575	0,040	202	19	91
Employee's organisations									
Year 1	3,721	3,500	2,500	4,500	0,476	0,088	29	1	97
Year 2	3,697	3,800	2,000	4,500	0,497	0,092	29	1	97
Year 5	3,486	3,500	2,000	4,500	0,596	0,111	29	1	97
Employers' organisations									
Year 1	3,764	3,800	2,800	4,500	0,407	0,081	25	2	93
Year 2	3,788	3,800	3,000	5,000	0,468	0,094	25	2	93
Year 5	3,363	3,250	2,500	5,000	0,606	0,124	24	3	89
Purchasing Managers, Manufacturing									
Year 1	3,557	3,500	2,000	4,500	0,535	0,060	80	1	99
Year 2	3,369	3,500	2,000	5,000	0,599	0,067	80	1	99
Year 5	3,120	3,000	1,800	5,000	0,582	0,065	80	1	99
Purchasing Managers, Trading									
Year 1	3,512	3,500	1,500	6,000	0,629	0,073	74	9	89
Year 2	3,280	3,350	1,500	5,000	0,572	0,067	74	9	89
Year 5	3,061	3,000	1,500	4,000	0,493	0,059	69	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	3,530	3,500	2,000	4,500	0,229	0,014	261	24	92
12 months	3,885	4,000	2,000	5,000	0,344	0,021	259	26	91
24 months	3,990	4,000	2,000	5,250	0,467	0,029	254	31	89
60 months	3,873	4,000	2,000	5,500	0,566	0,036	241	44	85
Employee's organisations									
3 months	3,550	3,500	3,250	4,250	0,244	0,045	29	1	97
12 months	3,733	3,750	3,250	4,500	0,259	0,048	29	1	97
24 months	3,814	3,750	3,000	5,000	0,427	0,079	29	1	97
60 months	3,727	3,650	2,750	5,000	0,485	0,092	28	2	93
Employers' organisations									
3 months	3,512	3,500	3,250	3,750	0,167	0,033	25	2	93
12 months	3,902	4,000	3,350	4,500	0,305	0,061	25	2	93
24 months	3,916	3,900	3,000	5,000	0,501	0,100	25	2	93
60 months	3,692	3,500	2,500	5,000	0,668	0,136	24	3	89
Purchasing Managers, Manufacturing									
3 months	3,571	3,500	2,000	4,500	0,318	0,036	80	1	99
12 months	3,836	4,000	2,000	5,000	0,392	0,044	80	1	99
24 months	3,907	4,000	2,000	5,000	0,415	0,046	80	1	99
60 months	3,896	4,000	2,000	5,000	0,546	0,061	80	1	99
Purchasing Managers, Trading									
3 months	3,486	3,500	3,100	4,000	0,192	0,022	73	10	88
12 months	3,822	3,750	3,200	4,750	0,341	0,040	73	10	88
24 months	3,938	4,000	2,700	5,000	0,459	0,054	71	12	86
60 months	3,823	3,750	3,000	5,500	0,569	0,070	66	17	80
Money Market Players									
3 months	3,528	3,500	3,500	3,750	0,079	0,011	54	10	84
12 months	4,125	4,000	3,750	4,500	0,189	0,026	52	12	81
24 months	4,342	4,250	3,500	5,250	0,407	0,058	49	15	77
60 months	4,105	4,000	3,000	5,500	0,530	0,081	43	21	67

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	4,200	4,200	4,000	4,500	0,127	0,019	45	19	70
12 months	4,434	4,400	3,900	5,000	0,271	0,041	43	21	67
24 months	4,490	4,500	3,700	5,600	0,419	0,065	42	22	66
60 months	4,522	4,500	3,750	6,300	0,567	0,092	38	26	59
EUR/SEK									
3 months	9,133	9,150	8,850	9,300	0,089	0,012	54	10	84
12 months	8,992	9,000	8,150	10,000	0,245	0,034	52	12	81
24 months	8,942	8,900	8,300	10,000	0,280	0,040	48	16	75
USD/SEK									
3 months	6,739	6,750	6,430	7,250	0,145	0,020	53	11	83
12 months	6,700	6,600	5,910	7,500	0,336	0,047	51	13	80
24 months	6,749	6,620	6,000	8,000	0,458	0,067	47	17	73

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	
	2/07	1/07	2/07	1/07	2/07	1/07	2/07	1/07
All	1	0	84	92	11	4	5	4
Employees' organisations	3	0	87	93	7	3	3	3
Employers' organisations	0	0	81	85	11	4	7	11
Purchase M	0	0	74	90	25	9	1	1
Purchase T	0	0	82	92	8	4	10	5
Money Market Players	2	0	97	95	0	0	2	5