

## Press Release

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### *Main results*

**1, 2 and 5 year inflation and wage increase expectations have been revised marginally if at all since last survey. A noticeable exception is that the employees' organisations have revised their wage increase expectations significantly downwards. Inflation expectations are again on a level with, or close to, the Riksbank's inflation target of 2 per cent annually.**

**Money market players believe in a stand still repo rate for the coming 3 months but lower repo rates for the next 12 and 24 months. Money market players generally also are expecting a weaker SEK/EUR and a stronger SEK/USD for the coming 3, 12 and 24 months.**

Since autumn 1995 Prospera Research AB, four times a year, carries out a survey aiming at mapping inflationary and wage increase expectations in Sweden among labour market parties, purchasing managers and money market players. With the commencement in spring 1998 Prospera simultaneously carries out a survey on money market players' expectations of future repo rates, TCW-indices, SEK/EUR and SEK/USD rates. The latest survey, called 1/01 below, has now been completed. The previous one, 4/00, was published on November 8, 2000. The results can be summarised as in the following tables (rounded off figures)<sup>1,2</sup>;

<b>Expectations of;</b>	<b>1 year</b>		<b>2 years</b>		<b>5 years</b>	
	<b>1/01</b>	<b>4/00</b>	<b>1/01</b>	<b>4/00</b>	<b>1/01</b>	<b>4/00</b>
<b>Annual average inflation, %</b>						
All	2,0	1,9	2,0	2,0	2,1	2,1
Employers' organisations	1,9	1,9	1,9	2,0	2,0	2,1
Employees' organisations	1,9	1,9	1,9	2,0	2,0	2,1
Purchase T (Trading)	2,0	2,1	2,1	2,2	2,3	2,3
Purchase M (Manufacturing)	2,2	2,0	2,2	2,1	2,3	2,2
Money market players	1,7	1,7	1,8	1,8	1,9	1,9
<b>Annual average wage increase, %</b>						
All	3,2	3,3	3,2	3,3	3,1	3,3
Employers' organisations	3,3	3,3	3,2	3,3	3,0	3,2
Employees' organisations	3,3	3,7	3,3	3,7	3,3	3,7
Purchase T (Trading)	3,1	3,2	3,0	3,2	3,0	3,2
Purchase M (Manufacturing)	3,3	3,4	3,2	3,3	3,1	3,3
<b>Money market expectations of;</b>						
	<b>3 months</b>		<b>12 months</b>		<b>24 months</b>	
	<b>1/01</b>	<b>4/00</b>	<b>1/01</b>	<b>4/00</b>	<b>1/01</b>	<b>4/00</b>
Repo rate, %	4,0	4,0	4,0	4,5	4,2	4,5
TCW-index	128	127	126	124	125	123
SEK/EUR	8,81	8,46	8,68	8,43	8,63	8,39
SEK/USD	9,25	9,92	8,98	9,33	8,83	8,95

<sup>1</sup> 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. employees' organisations).

<sup>2</sup> **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.

***About the survey***

Prospera's survey was carried out by telephone. The part of the survey that encompasses inflationary and wage increase expectations was performed in the period January 29 – February 8, 2001<sup>3</sup> (previous survey October 23 – November 2, 2000). The part of the survey comprising money market players' expectations of future repo rates, TCW-index, SEK/EUR and SEK/USD rates was carried out on January 31, 2001 (previous survey October 25, 2000). The interviewees constitute a "panel" which means that the same organisations/companies are approached for interview at all occasions. In all 322(332) members were included in the panel this time. 8(12) of the interviewees in the panel could not be reached, which means that there is an overall response rate of 98(96) per cent. The response rate for individual questions concerning inflation and wage increase expectations is 90 per cent or above for the one and the two year assessments, but might be lower than that for the five year assessments (Table 1). The response rate concerning the repo rates, the TCW-index, the EUR and the USD is lower (Table 2).

***About the interviewees***

182 purchasing managers of which 89 represent the trading industry (T) and 93 the manufacturing industry (M). 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.

73 money market players, 53 Swedish and 20 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-index, SEK/EUR and SEK/USD rates.

59 Swedish labour market organisations, of which 28 on the employers' side and 31 on the employees' side have participated in the survey.

<sup>3</sup> Two interviews were completed on February 9 and one interview on February 12, 2001.

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**TABLE 1 - Inflationary and wage increase expectations 1/01**

Expected annual increase in CPI and expected annual wage increase the coming 12, 24 and 60 months

	Mean (%)	Median (%)	Lowest (%)	Highest (%)	Standard Deviation	Standard Error	Responses (numbers)	No Resp. (numbers)	Response Rate (%)
<b>ALL</b>									
<b>Inflation 1 year</b>	1,974	1,950	0,000	4,000	0,682	0,038	314	8	98
<b>Inflation 2 years</b>	2,038	2,000	0,000	4,249	0,632	0,036	307	15	95
<b>Inflation 5 years</b>	2,122	2,000	0,000	4,399	0,635	0,038	275	47	85
<b>Wage increase 1 year</b>	3,217	3,000	1,000	7,000	0,651	0,042	239	7	97
<b>Wage increase 2 years</b>	3,152	3,125	1,000	4,750	0,576	0,038	234	12	95
<b>Wage increase 5 years</b>	3,088	3,100	0,999	4,600	0,566	0,040	205	41	83
<b>EMPLOYERS' ORGANISATIONS</b>									
<b>Inflation 1 year</b>	1,896	1,850	1,000	3,400	0,561	0,106	28	1	97
<b>Inflation 2 years</b>	1,948	1,800	1,000	3,450	0,549	0,104	28	1	97
<b>Inflation 5 years</b>	1,952	1,900	0,700	3,000	0,499	0,104	23	6	79
<b>Wage increase 1 year</b>	3,293	3,500	2,500	4,000	0,493	0,095	27	2	93
<b>Wage increase 2 years</b>	3,205	3,250	2,500	4,000	0,471	0,091	27	2	93
<b>Wage increase 5 years</b>	3,045	3,100	2,200	3,700	0,459	0,096	23	6	79
<b>EMPLOYEES' ORGANISATIONS</b>									
<b>Inflation 1 year</b>	1,850	1,900	1,000	2,500	0,285	0,051	31	0	100
<b>Inflation 2 years</b>	1,915	1,900	1,000	2,750	0,293	0,053	31	0	100
<b>Inflation 5 years</b>	2,048	2,000	1,260	2,700	0,316	0,061	27	4	87
<b>Wage increase 1 year</b>	3,337	3,400	2,500	4,000	0,424	0,076	31	0	100
<b>Wage increase 2 years</b>	3,292	3,250	2,250	4,000	0,424	0,076	31	0	100
<b>Wage increase 5 years</b>	3,324	3,300	2,560	4,399	0,421	0,081	27	4	87
<b>PURCHASING MANAGERS, Trading</b>									
<b>Inflation 1 year</b>	2,042	2,000	0,000	4,000	0,810	0,086	89	3	97
<b>Inflation 2 years</b>	2,121	2,000	0,499	4,249	0,723	0,079	83	9	90
<b>Inflation 5 years</b>	2,253	2,200	0,599	4,249	0,694	0,080	76	16	83
<b>Wage increase 1 year</b>	3,107	3,000	1,000	5,000	0,648	0,069	88	4	96
<b>Wage increase 2 years</b>	3,040	3,000	1,000	4,499	0,595	0,065	84	8	91
<b>Wage increase 5 years</b>	3,015	3,099	0,999	4,140	0,556	0,064	76	16	83
<b>PURCHASING MANAGERS, Manufacturing</b>									
<b>Inflation 1 year</b>	2,206	2,000	0,500	4,000	0,759	0,079	93	1	99
<b>Inflation 2 years</b>	2,242	2,225	0,500	4,000	0,715	0,075	92	2	98
<b>Inflation 5 years</b>	2,287	2,220	0,500	4,399	0,760	0,086	78	16	83
<b>Wage increase 1 year</b>	3,258	3,000	2,000	7,000	0,743	0,077	93	1	99
<b>Wage increase 2 years</b>	3,191	3,000	2,000	4,750	0,618	0,064	92	2	98
<b>Wage increase 5 years</b>	3,089	3,080	1,797	4,600	0,629	0,071	79	15	84
<b>MONEY MARKET PLAYERS</b>									
<b>Inflation 1 year</b>	1,675	1,700	0,000	2,600	0,393	0,046	73	3	96
<b>Inflation 2 years</b>	1,774	1,850	0,000	2,700	0,406	0,048	73	3	96
<b>Inflation 5 years</b>	1,882	1,920	0,000	3,000	0,441	0,052	71	5	93

**TABLE 2 - Money market expectations 1/01**

**Repo rates, TCW-index, SEK/Euro and SEK/USD**

	Mean	Median	Lowest	Highest	Standard Deviation	Standard Error	Responses (numbers)	No Resp. (numbers)	Response Rate (%)
<b>REPO RATE</b>									
<b>3 months</b>	4,004	4,000	3,750	4,500	0,093	0,011	66	10	87
<b>12 months</b>	3,960	4,000	3,250	5,000	0,317	0,039	66	10	87
<b>24 months</b>	4,171	4,125	3,500	5,500	0,415	0,051	66	10	87
<b>TCW-index</b>									
<b>3 months</b>	128,218	128,000	125,000	133,000	1,763	0,238	55	21	72
<b>12 months</b>	125,885	126,000	119,000	134,000	2,924	0,394	55	21	72
<b>24 months</b>	124,542	125,000	117,000	137,000	4,055	0,547	55	21	72
<b>SEK/EUR</b>									
<b>3 months</b>	8,809	8,800	8,420	9,500	0,161	0,020	67	9	88
<b>12 months</b>	8,681	8,600	8,000	9,300	0,251	0,031	67	9	88
<b>24 months</b>	8,626	8,500	8,000	9,500	0,309	0,038	65	11	86
<b>SEK/USD</b>									
<b>3 months</b>	9,248	9,300	8,600	9,700	0,271	0,033	66	10	87
<b>12 months</b>	8,982	9,000	8,200	9,800	0,381	0,047	65	11	86
<b>24 months</b>	8,828	8,900	7,750	10,000	0,513	0,065	63	13	83