

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

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Main results

As compared to Prospera's last survey (4/02), changes in inflation as well as wage increase expectations are, if any, small. However, there is a weak tendency of *higher* inflation and *smaller* wage increase expectations than was the case in the last survey, a result that might indicate a belief in a productivity slowdown of the Swedish economy.

Albeit in an upward trend, money market players believe in still lowered repo rates. This target group has not changed their minds very much about the SEK/EUR rate but again strongly believe in a strengthened SEK/USD one.

The "Confidence Indicator" is calculated at 89(89), i.e. 89(89) per cent of the interviewees think that inflation the second year from now will stay within the Riksbank's tolerance band(1-3 per cent annually). As was the case in the last survey expectations outside the band in most cases fall above the upper limit of that band.

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 inflationary and wage increase expectations in Sweden among labour market parties, purchasing managers and money market players. The survey also includes money market players' expectations of future repo rates, TCW-indices, SEK/EUR and SEK/USD rates.

The sixth survey in the series, 1/03, has now been completed. The previous survey, 4/02, was published on November 20, 2002. A comparison of the results of the two surveys can be summarised as follows (rounded off figures)^{1,2};

Expectations of;	Year 1		Year 2		Year 5	
	1/03	4/02	1/03	4/02	1/03	4/02
Annual inflation, %						
All	2,4	2,3	2,4	2,4	2,4	2,3
Employees' organisations	2,4	2,3	2,4	2,3	2,5	2,2
Employers' organisations	2,3	2,2	2,3	2,2	2,1	2,2
Purchase managers Manufacturing	2,6	2,5	2,6	2,6	2,5	2,5
Purchase managers Trading	2,3	2,3	2,4	2,4	2,5	2,5
Money market players	2,2	2,0	2,1	2,1	2,1	2,1
Annual wage increase, %						
All	3,1	3,2	3,1	3,2	3,1	3,1
Employees' organisations	3,4	3,4	3,3	3,5	3,3	3,4
Employers' organisations	3,5	3,4	3,2	3,3	3,0	3,2
Purchase managers Manufacturing	2,9	3,2	3,0	3,2	3,0	3,0
Purchase managers Trading	3,0	3,1	3,1	3,1	3,1	3,1
	3 months		12 months		24 months	
Money market expectations of;	1/03	4/02	1/03	4/02	1/03	4/02
Repo rate, %	3,6	4,0	3,7	4,1	4,0	4,4
TCW-index	129	130	127	128	126	126
SEK/EUR	9,05	9,01	8,86	8,85	8,81	8,79
SEK/USD	8,44	9,05	8,29	8,88	8,28	8,85

¹ 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. employers' organisations).

² **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.

Interview Period & Method

Prospera's inflationary expectation surveys are carried out over telephone. The part of the survey that encompasses inflationary and wage increase expectations was carried out February 10 - February 24, 2003 (previous survey November 4 - November 14, 2002). The part of the survey regarding money market players' expectations of future repo rates, TCW-index, SEK/EUR and SEK/USD rates took place on February 12, 2003 (previous survey November 6, 2002).

About the Interviewees & Response Rate

In all 304(305) organisations/companies were approached for interview. 4(4) of the persons in the panel could not be reached, which means that there is an overall response rate of 99(99) per cent. The response rate for individual questions regarding inflation and wage increase expectations is 96 per cent or more for the one year and two years assessments. For the three, four and five years assessments (Table 1) as well as the questions regarding repo rates, TCW-index, SEK/EUR and SEK/USD the response rate is generally lower (Table 2).

Of the 176 purchasing managers 87 represent the trading industry and 89 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 65 players, 51 Swedish and 14 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.

TABLE 1 - Inflationary and Wage Increase Expectations

Expected annual increase in CPI and expected annual wage increase the coming 1-5 years

	Mean (%)	Median (%)	Lowest (%)	Highest (%)	Standard Deviation	Standard Error	Responses (numbers)	No Resp. (numbers)	Response Rate (%)
ALL									
Inflation Year 1	2,375	2,300	0,200	5,000	0,632	0,037	300	4	99
Inflation Year 2	2,406	2,300	0,700	4,500	0,599	0,035	297	7	98
Inflation Year 3	2,399	2,400	0,700	4,000	0,546	0,032	284	20	93
Inflation Year 4	2,386	2,300	0,800	4,500	0,596	0,036	272	32	89
Inflation Year 5	2,372	2,150	0,800	5,000	0,582	0,035	272	32	89
Wage Increase Year 1	3,084	3,000	0,000	5,000	0,701	0,046	235	3	99
Wage Increase Year 2	3,104	3,000	1,300	6,000	0,685	0,045	232	6	97
Wage Increase Year 3	3,097	3,000	1,500	6,000	0,680	0,046	221	17	93
Wage Increase Year 4	3,088	3,000	1,500	6,000	0,707	0,049	210	28	88
Wage Increase Year 5	3,090	3,000	1,500	6,000	0,708	0,049	209	29	88
EMPLOYEES' ORGANISATIONS									
Inflation Year 1	2,385	2,500	1,000	4,000	0,647	0,116	31	0	100
Inflation Year 2	2,445	2,500	1,500	4,000	0,598	0,107	31	0	100
Inflation Year 3	2,405	2,300	1,000	4,000	0,642	0,117	30	1	97
Inflation Year 4	2,500	2,500	1,000	4,500	0,755	0,140	29	2	94
Inflation Year 5	2,497	2,500	1,000	4,000	0,732	0,136	29	2	94
Wage Increase Year 1	3,394	3,500	2,000	4,500	0,508	0,091	31	0	100
Wage Increase Year 2	3,318	3,250	1,500	4,500	0,537	0,096	31	0	100
Wage Increase Year 3	3,298	3,375	2,500	4,000	0,388	0,071	30	1	97
Wage Increase Year 4	3,286	3,500	2,000	4,000	0,461	0,086	29	2	94
Wage Increase Year 5	3,297	3,500	2,000	4,000	0,472	0,088	29	2	94
EMPLOYERS' ORGANISATIONS									
Inflation Year 1	2,339	2,350	1,500	3,800	0,495	0,093	28	0	100
Inflation Year 2	2,261	2,100	0,800	3,500	0,557	0,105	28	0	100
Inflation Year 3	2,235	2,100	1,500	3,500	0,520	0,102	26	2	93
Inflation Year 4	2,116	2,000	1,000	3,500	0,559	0,112	25	3	89
Inflation Year 5	2,140	2,000	1,500	3,500	0,532	0,106	25	3	89
Wage Increase Year 1	3,454	3,500	2,000	4,500	0,565	0,107	28	0	100
Wage Increase Year 2	3,239	3,200	2,000	4,200	0,556	0,105	28	0	100
Wage Increase Year 3	3,188	3,250	1,800	4,300	0,696	0,136	26	2	93
Wage Increase Year 4	3,029	3,000	1,800	4,000	0,617	0,126	24	4	86
Wage Increase Year 5	3,033	3,000	1,800	4,000	0,588	0,120	24	4	86

TABLE 1 (continued) - Inflationary and Wage Increase Expectations

Expected annual increase in CPI and expected annual wage increase the coming 1-5 years

	Mean (%)	Median (%)	Lowest (%)	Highest (%)	Standard Deviation	Standard Error	Responses (numbers)	No Resp. (numbers)	Response Rate (%)
PURCHASING MANAGERS, Manufacturing									
Inflation Year 1	2,554	2,500	1,000	4,500	0,767	0,081	89	1	99
Inflation Year 2	2,611	2,500	1,200	4,500	0,725	0,077	88	2	98
Inflation Year 3	2,575	2,500	1,000	4,000	0,623	0,068	83	7	92
Inflation Year 4	2,538	2,500	1,000	4,500	0,657	0,075	76	14	84
Inflation Year 5	2,515	2,500	1,400	4,500	0,615	0,071	76	14	84
Wage Increase Year 1	2,899	3,000	0,000	4,200	0,756	0,080	89	1	99
Wage Increase Year 2	2,959	3,000	1,500	5,000	0,719	0,077	88	2	98
Wage Increase Year 3	2,948	3,000	1,500	4,500	0,643	0,070	84	6	93
Wage Increase Year 4	2,981	3,000	1,500	4,500	0,687	0,078	78	12	87
Wage Increase Year 5	2,988	3,000	1,500	6,000	0,736	0,083	78	12	87
PURCHASING MANAGERS, Trading									
Inflation Year 1	2,347	2,300	0,200	5,000	0,632	0,068	87	2	98
Inflation Year 2	2,436	2,500	0,700	4,000	0,576	0,063	85	4	96
Inflation Year 3	2,473	2,500	0,700	4,000	0,514	0,057	81	8	91
Inflation Year 4	2,476	2,500	0,800	4,500	0,587	0,066	79	10	89
Inflation Year 5	2,452	2,500	0,800	5,000	0,616	0,069	79	10	89
Wage Increase Year 1	3,043	3,000	1,000	5,000	0,669	0,072	87	2	98
Wage Increase Year 2	3,132	3,000	1,300	6,000	0,712	0,077	85	4	96
Wage Increase Year 3	3,148	3,000	1,500	6,000	0,771	0,086	81	8	91
Wage Increase Year 4	3,139	3,000	1,500	6,000	0,810	0,091	79	10	89
Wage Increase Year 5	3,133	3,000	1,500	6,000	0,773	0,088	78	11	88
MONEY MARKET PLAYERS									
Inflation Year 1	2,179	2,200	0,900	3,500	0,372	0,046	65	1	98
Inflation Year 2	2,130	2,100	1,500	3,000	0,251	0,031	65	1	98
Inflation Year 3	2,142	2,000	1,500	3,000	0,274	0,034	64	2	97
Inflation Year 4	2,147	2,000	1,500	3,000	0,298	0,038	63	3	95
Inflation Year 5	2,132	2,000	1,700	3,000	0,271	0,034	63	3	95

TABLE 2 - Repo rates, TCW-index, SEK/EUR and SEK/USD

Expected Repo rates, TCW-index, SEK/EUR and SEK/USD the coming 3-24 months (Money Market Players)

	Mean	Median	Lowest	Highest	Standard Deviation	Standard Error	Responses (numbers)	No Resp. (numbers)	Response Rate (%)
REPO RATE									
3 months	3,634	3,750	3,250	3,750	0,142	0,019	58	8	88
12 months	3,717	3,750	2,750	4,500	0,391	0,051	58	8	88
24 months	4,043	4,250	2,500	5,000	0,526	0,069	58	8	88
TCW-index									
3 months	128,852	129,000	125,000	140,000	2,354	0,351	45	21	68
12 months	126,893	126,000	118,000	150,000	4,626	0,690	45	21	68
24 months	126,034	125,000	115,000	150,000	5,388	0,812	44	22	67
SEK/EUR									
3 months	9,049	9,050	8,700	9,500	0,131	0,017	57	9	86
12 months	8,863	8,800	8,500	9,500	0,195	0,026	57	9	86
24 months	8,810	8,800	8,000	9,300	0,191	0,026	52	14	79
SEK/USD									
3 months	8,442	8,500	7,830	9,250	0,258	0,035	55	11	83
12 months	8,287	8,250	7,450	9,500	0,438	0,059	55	11	83
24 months	8,275	8,300	7,250	9,750	0,560	0,079	50	16	76

TABLE 3 - 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 per cent inflation). The percentage within this band is defined as the Confidence Indicator.

	Less than 1%		Confidence Indicator		More than 3%		No response	
	1/03	4/02	1/03	4/02	1/03	4/02	1/03	4/02
All	1	1	89	89	8	9	2	2
Employees' organisations	0	3	90	84	10	10	0	3
Employers' organisations	4	0	93	96	4	4	0	0
Purchase M	0	0	80	80	18	20	2	0
Purchase T	1	1	89	89	6	7	4	3
Money Market Players	0	0	98	99	0	0	2	1