

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

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Main results

In comparison to Prospera's last survey (4/03); All interviewee categories have revised their inflation(CPI) and wage increase expectations downwards for almost all future time periods covered by the study. Most of these reappraisals are statistically significant. However, there is still an upward trend in the inflation expectations.

Consequently we observe a downward shift in the repo rate assessments, particularly so in a 12 and a 24 month perspective. Also here however there is a belief in successively increasing rates. The SEK is believed to weaken against the EUR but to strengthen against the USD. The TCW is expected to move sideways.

93(91) per cent of all the interviewees think that the inflation the second year from now will stay within the Riksbank's 1-3 per cent 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 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, TCW, EUR and USD rates. The tenth survey in the series, 1/04, has now been completed. The previous survey, 4/03, was published on November 19, 2003. 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	
	1/04	4/03	1/04	4/03	1/04	4/03
Annual inflation, %						
All	1,9	2,2	2,2	2,4	2,2	2,4
Employees' organisations	1,8	2,0	1,9	2,1	2,2	2,2
Employers' organisations	1,8	2,1	2,0	2,2	2,0	2,2
Purchase managers Manufacturing	2,2	2,5	2,4	2,6	2,4	2,6
Purchase managers Trading	2,1	2,4	2,3	2,4	2,3	2,5
Money market players	1,5	1,8	1,9	2,1	2,0	2,1
Annual wage increase, %						
All	2,9	3,1	2,9	3,1	2,9	3,0
Employees' organisations	3,1	3,4	3,1	3,4	3,2	3,3
Employers' organisations	2,8	3,2	2,9	3,3	2,8	3,1
Purchase managers Manufacturing	2,8	3,0	2,7	3,0	2,8	2,9
Purchase managers Trading	2,9	3,1	2,9	3,0	2,9	3,0
	3 months		12 months		24 months	
Money market expectations of;	1/04	4/03	1/04	4/03	1/04	4/03
Repo rate, %	2,4	2,7	2,7	3,2	3,3	3,8
TCW	126	125	125	124	125	124
EUR	9,11	8,95	8,99	8,86	8,96	8,81
USD	7,33	7,79	7,40	7,69	7,60	7,81

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 March 1 – March 11, 2004 (previous survey November 3 – November 13, 2003). The part of the survey regarding money market players' expectations of future repo rates, TCW, EUR and USD rates took place on March 3, 2004 (previous survey November 5, 2003).

About the Interviewees & Response Rate

In all 297(300) organisations/companies were approached for interview. 10(4) of the persons in the panel could not be reached, which means that there is an overall response rate of 97(99) per cent. The response rate for individual questions regarding inflation and wage increase expectations is 95 per cent or more for the one year and two years assessments, except for the employers' organisations. For the three, four and five years assessments (Table 1) as well as the questions regarding repo, TCW, EUR and USD rates the response rate is generally lower (Table 2). The employers' inflation and wage increase response rates are generally somewhat lower than usual explained by ongoing wage negotiations.

Of the 173 purchasing managers 86 represent the trading industry and 87 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 66 players, 50 Swedish and 16 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, EUR and USD rates.

58 Swedish labour market organisations, of which 27 on the employers' side and 31 on the employees' side have participated in the survey.

Earlier Prospera inflationary expectations surveys

Earlier (starting in 1995) Prospera inflation reports, releases and tables can be downloaded from the site address below.

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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	1,941	2,000	-0,100	4,000	0,626	0,037	287	10	97
Inflation Year 2	2,171	2,000	0,300	4,000	0,547	0,032	286	11	96
Inflation Year 3	2,248	2,000	0,500	5,000	0,519	0,031	275	22	93
Inflation Year 4	2,249	2,000	0,800	5,000	0,543	0,034	257	40	87
Inflation Year 5	2,241	2,000	0,800	4,000	0,538	0,034	256	41	86
Wage Increase Year 1	2,850	3,000	1,000	5,000	0,606	0,041	223	8	97
Wage Increase Year 2	2,861	3,000	1,000	5,000	0,599	0,040	223	8	97
Wage Increase Year 3	2,890	3,000	1,000	5,000	0,606	0,041	216	15	94
Wage Increase Year 4	2,878	3,000	1,000	4,500	0,580	0,041	198	33	86
Wage Increase Year 5	2,872	3,000	1,000	4,500	0,586	0,042	197	34	85
EMPLOYEES' ORGANISATIONS									
Inflation Year 1	1,805	1,800	0,500	2,750	0,540	0,099	30	1	97
Inflation Year 2	1,925	1,950	0,500	3,500	0,566	0,103	30	1	97
Inflation Year 3	2,064	2,000	1,000	3,000	0,456	0,085	29	2	94
Inflation Year 4	2,152	2,000	1,000	3,500	0,512	0,100	26	5	84
Inflation Year 5	2,171	2,000	1,000	3,500	0,517	0,101	26	5	84
Wage Increase Year 1	3,102	3,050	2,000	4,100	0,506	0,092	30	1	97
Wage Increase Year 2	3,055	3,000	2,000	4,000	0,512	0,094	30	1	97
Wage Increase Year 3	3,145	3,000	2,000	4,000	0,522	0,097	29	2	94
Wage Increase Year 4	3,142	3,000	2,000	4,000	0,568	0,111	26	5	84
Wage Increase Year 5	3,150	3,000	2,000	4,000	0,565	0,111	26	5	84
EMPLOYERS' ORGANISATIONS									
Inflation Year 1	1,791	1,900	0,800	2,800	0,494	0,103	23	4	85
Inflation Year 2	2,004	2,000	1,200	3,000	0,447	0,093	23	4	85
Inflation Year 3	2,034	2,000	1,500	3,000	0,394	0,084	22	5	81
Inflation Year 4	2,010	2,000	1,500	3,000	0,393	0,088	20	7	74
Inflation Year 5	2,010	2,000	1,500	3,000	0,399	0,089	20	7	74
Wage Increase Year 1	2,835	3,000	1,500	3,800	0,540	0,113	23	4	85
Wage Increase Year 2	2,865	3,000	2,000	4,000	0,551	0,115	23	4	85
Wage Increase Year 3	2,914	2,800	2,000	4,000	0,589	0,126	22	5	81
Wage Increase Year 4	2,830	2,800	2,000	4,000	0,562	0,126	20	7	74
Wage Increase Year 5	2,830	2,800	2,000	4,000	0,562	0,126	20	7	74

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	2,206	2,000	0,800	3,700	0,608	0,065	87	0	100
Inflation Year 2	2,383	2,500	1,000	4,000	0,563	0,060	87	0	100
Inflation Year 3	2,426	2,500	1,250	4,000	0,559	0,061	85	2	98
Inflation Year 4	2,420	2,200	1,500	4,000	0,567	0,064	79	8	91
Inflation Year 5	2,407	2,250	1,500	4,000	0,572	0,064	79	8	91
Wage Increase Year 1	2,750	2,900	1,500	4,000	0,601	0,064	87	0	100
Wage Increase Year 2	2,744	2,800	1,500	4,000	0,584	0,063	87	0	100
Wage Increase Year 3	2,702	2,700	1,500	4,000	0,565	0,061	85	2	98
Wage Increase Year 4	2,766	3,000	1,500	4,000	0,569	0,064	79	8	91
Wage Increase Year 5	2,761	3,000	1,500	4,000	0,554	0,063	78	9	90
PURCHASING MANAGERS, Trading									
Inflation Year 1	2,108	2,000	0,800	4,000	0,581	0,064	83	3	97
Inflation Year 2	2,279	2,400	0,800	3,200	0,556	0,061	83	3	97
Inflation Year 3	2,362	2,450	0,800	5,000	0,559	0,063	80	6	93
Inflation Year 4	2,349	2,100	0,800	5,000	0,633	0,074	74	12	86
Inflation Year 5	2,324	2,200	0,800	4,000	0,628	0,073	73	13	85
Wage Increase Year 1	2,868	3,000	1,000	5,000	0,642	0,071	83	3	97
Wage Increase Year 2	2,913	3,000	1,000	5,000	0,639	0,070	83	3	97
Wage Increase Year 3	2,992	3,000	1,000	5,000	0,632	0,071	80	6	93
Wage Increase Year 4	2,917	3,000	1,000	4,500	0,577	0,067	73	13	85
Wage Increase Year 5	2,903	3,000	1,000	4,500	0,608	0,071	73	13	85
MONEY MARKET PLAYERS									
Inflation Year 1	1,481	1,500	-0,100	2,500	0,502	0,063	64	2	97
Inflation Year 2	1,916	2,000	0,300	2,800	0,348	0,044	63	3	95
Inflation Year 3	2,008	2,000	0,500	2,500	0,283	0,037	59	7	89
Inflation Year 4	2,013	2,000	1,000	2,750	0,264	0,035	58	8	88
Inflation Year 5	2,022	2,000	1,250	3,000	0,248	0,033	58	8	88

TABLE 2 - Repo, TCW, EUR and USD rates

Expected Repo, TCW, 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 (%)
REPO RATE									
3 months	2,409	2,500	2,000	2,750	0,138	0,018	58	8	88
12 months	2,716	2,750	2,000	3,500	0,329	0,043	58	8	88
24 months	3,320	3,500	2,000	4,000	0,425	0,056	57	9	86
TCW									
3 months	125,939	126,000	120,000	130,000	1,940	0,303	41	25	62
12 months	125,024	125,000	118,600	132,000	2,980	0,465	41	25	62
24 months	124,638	125,000	115,000	132,000	3,616	0,572	40	26	61
EUR									
3 months	9,109	9,100	8,700	9,500	0,143	0,019	57	9	86
12 months	8,995	9,000	8,500	9,600	0,214	0,028	57	9	86
24 months	8,964	8,900	8,300	9,900	0,274	0,038	51	15	77
USD									
3 months	7,334	7,300	6,670	8,000	0,319	0,042	57	9	86
12 months	7,401	7,300	6,290	8,900	0,557	0,074	57	9	86
24 months	7,603	7,550	6,000	9,000	0,662	0,094	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	
	1/04	4/03	1/04	4/03	1/04	4/03	1/04	4/03
All	1	0	93	91	3	6	4	2
Employees' organisations	3	3	90	94	3	3	3	0
Employers' organisations	0	0	85	89	0	7	15	4
Purchase M	0	0	93	84	7	15	0	1
Purchase T	1	0	94	95	1	3	3	1
Money Market Players	2	0	94	96	0	0	5	4