

## Press Release

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### *Main results*

**Inflation and wage increase expectations have been revised marginally, although mostly upwards, since last survey. Inflation expectations are still mainly at or below the Riksbank's inflationary goal of 2 per cent annually.**

**Money market players believe in a higher repo rate, a weaker Euro and a stronger USD than they did in the previous survey.**

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/ Euro and SEK/USD rates. The latest survey, called 2/00 below, has now been completed. The previous one, 1/00, was published on February 9, 2000. The results can be summarised as in the following tables (rounded off figures)<sup>1,2</sup>:

Expectations of	1 year		2 years		5 years	
	1/00	2/00	1/00	2/00	1/00	2/00
<b>Annual average inflation, %</b>						
All	1,8	1,9	1,9	2,0	2,0	2,1
Employers' organisations	1,7	1,7	1,7	1,8	1,8	1,9
Employees' organisations	1,7	1,8	1,8	1,9	1,9	1,9
Purchase T (Trading)	1,9	2,0	2,0	2,0	2,1	2,1
Purchase M (Manufacturing)	1,9	2,1	2,0	2,2	2,1	2,3
Money market players	1,7	1,7	1,9	1,8	1,9	1,9
<b>Annual average wage increase, %</b>						
All	3,1	3,2	3,1	3,2	3,1	3,1
Employers' organisations	3,1	3,2	3,1	3,2	3,1	3,1
Employees' organisations	3,3	3,4	3,3	3,4	3,3	3,3
Purchase T (Trading)	3,1	3,0	3,1	3,1	3,0	3,1
Purchase M (Manufacturing)	3,0	3,2	3,1	3,2	3,1	3,2
<b>Money market expectations of</b>						
	3 months		12 months		24 months	
	1/00	2/00	1/00	2/00	1/00	2/00
Repo rate, %	3,7	4,1	4,3	4,6	4,8	4,9
TCW-index	123	121	121	120	120	119
SEK/Euro	8,51	8,30	8,47	8,30	8,46	8,31
SEK/USD	8,35	8,50	8,06	8,14	7,96	8,03

<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. employers' 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 carried out in the period April 3 - 13, 2000<sup>3</sup>(previous survey January 24 - February 3, 2000). The part of the survey comprising money market players' expectations of future repo rates, TCW-index, SEK/Euro and SEK/USD rates was carried out on April 5, 2000 (previous survey January 26, 2000). The interviewees constitute a "panel" which means that the same organisations/companies are approached for interview at all occasions. In all 335(336) members were included in the panel this time. 9(7) of the interviewees in the panel could not be reached, which means that there is an overall response rate of 97(98) per cent. The response rate for individual questions concerning inflation and wage increase expectations is 93 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 Euro and the USD is lower (Table 2).

### ***About the interviewees***

185 purchasing managers of which 90 represent the trading industry (T) and 95 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.

84 money market players, 59 Swedish and 25 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/Euro and SEK/USD rates.

57 Swedish labour market organisations, of which 28 on the employers' side and 29 on the employees' side have participated in the survey.

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<sup>3</sup> Four interviews were completed on April 14, 2000.

**Table 1; Inflationary and wage increase expectations 2/00**

Summary of results

Tables show expected annual increase in CPI and expected annual wage increase the coming year, the coming two years and the coming five years respectively(% , three decimals).

*All*

Annual average;	Mean	Median	Lowest	Highest	Std. dev.	Std. error	Resp.	No resp.	Rate %
Inflation 1 year	1,894	1,900	0,000	4,000	0,666	0,037	325	10	97
Inflation 2 years	1,996	2,000	0,125	4,000	0,644	0,036	324	11	97
Inflation 5 years	2,082	2,000	0,140	3,998	0,627	0,036	303	32	90
Wage incr. 1 year	3,159	3,000	1,000	5,500	0,660	0,043	240	10	96
Wage incr. 2 years	3,173	3,250	1,250	5,499	0,622	0,040	239	11	96
Wage incr. 5 years	3,138	3,140	1,400	5,799	0,605	0,041	221	29	88

*Employers' organisations*

Annual average;									
Inflation 1 year	1,725	1,800	0,000	2,500	0,582	0,110	28	1	97
Inflation 2 years	1,835	1,900	0,125	2,600	0,576	0,109	28	1	97
Inflation 5 years	1,903	2,000	0,300	2,800	0,552	0,106	27	2	93
Wage incr. 1 year	3,163	3,000	2,000	4,000	0,474	0,091	27	2	93
Wage incr. 2 years	3,194	3,050	2,250	4,499	0,518	0,100	27	2	93
Wage incr. 5 years	3,117	3,100	2,100	4,000	0,464	0,091	26	3	90

*Employees' organisations*

Annual average;									
Inflation 1 year	1,752	1,800	0,900	3,200	0,486	0,090	29	1	97
Inflation 2 years	1,864	1,800	0,900	3,250	0,507	0,094	29	1	97
Inflation 5 years	1,947	1,840	1,080	3,280	0,485	0,090	29	1	97
Wage incr. 1 year	3,434	3,400	2,500	4,500	0,503	0,093	29	1	97
Wage incr. 2 years	3,376	3,300	2,500	4,499	0,455	0,084	29	1	97
Wage incr. 5 years	3,302	3,200	2,540	4,399	0,394	0,073	29	1	97

*Purchasing managers, trading*

Annual average;									
Inflation 1 year	1,987	2,000	0,300	4,000	0,736	0,078	89	5	95
Inflation 2 years	2,028	2,000	0,400	4,000	0,700	0,074	89	5	95
Inflation 5 years	2,118	2,000	0,600	3,699	0,702	0,079	79	15	84
Wage incr. 1 year	3,042	3,000	1,500	5,000	0,632	0,067	89	5	95
Wage incr. 2 years	3,072	3,000	1,500	5,000	0,611	0,065	88	6	94
Wage incr. 5 years	3,056	3,140	1,500	5,000	0,633	0,071	79	15	84

*Purchasing managers, manufacturing*

Annual average;									
Inflation 1 year	2,066	2,000	0,800	4,000	0,784	0,080	95	2	98
Inflation 2 years	2,198	2,000	0,900	3,750	0,743	0,076	95	2	98
Inflation 5 years	2,313	2,200	1,199	3,998	0,687	0,074	87	10	90
Wage incr. 1 year	3,184	3,000	1,000	5,500	0,747	0,077	95	2	98
Wage incr. 2 years	3,200	3,250	1,250	5,499	0,689	0,071	95	2	98
Wage incr. 5 years	3,163	3,160	1,400	5,799	0,667	0,072	87	10	90

*Money market players*

Annual average;									
Inflation 1 year	1,708	1,700	0,300	2,500	0,420	0,046	84	1	99
Inflation 2 years	1,832	1,900	0,450	2,750	0,432	0,047	83	2	98
Inflation 5 years	1,908	1,960	0,140	3,199	0,453	0,050	81	4	95

**Table 2; Money market expectations  
Repo rates, TCW-index, SEK/Euro and SEK/USD 2/00**

Summary of results

	Mean	Median	Lowest	Highest	Std.dev.	Std.error	Resp.	No resp.	Rate %
Repo rate 3 mo.	4,060	4,000	3,750	4,500	0,157	0,019	69	16	81
Repo rate 12 mo.	4,638	4,750	3,700	5,500	0,360	0,043	69	16	81
Repo rate 24 mo.	4,863	5,000	3,000	6,000	0,602	0,074	67	18	79
TCW-index 3 mo.	121,107	121,000	109,000	124,000	2,094	0,293	51	34	60
TCW-index 12 mo.	119,911	120,000	110,000	125,000	2,401	0,336	51	34	60
TCW-index 24 mo.	119,421	119,000	110,000	130,000	3,106	0,435	51	34	60
SEK/Euro 3 mo.	8,298	8,300	7,900	8,650	0,125	0,015	66	19	78
SEK/Euro 12 mo.	8,301	8,300	7,700	8,700	0,218	0,027	67	18	79
SEK/Euro 24 mo.	8,314	8,335	7,700	9,000	0,238	0,030	62	23	73
SEK/USD 3 mo.	8,498	8,500	7,850	9,000	0,221	0,027	65	20	76
SEK/USD 12 mo.	8,135	8,200	7,000	8,900	0,405	0,050	66	19	78
SEK/USD 24 mo.	8,028	8,000	6,250	8,800	0,488	0,061	63	22	74