

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

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**Main results**

**Changes in inflation and wage increase expectations are small as compared to Prospera's last survey.**

**Money market players have revised their repo rate expectations significantly upwards for the three time periods covered by the study. They also believe in a strengthened SEK/USD but an almost flat SEK/EUR exchange rate.**

**Fifteen per cent of the interviewees is of the opinion that inflation the second year from now will surpass the upper limit of the Riksbank's tolerance band(3%), a marginal increase as compared to the previous survey.**

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 third survey in the series, 2/02, has now been completed. The previous survey, 1/02, was published on March 6, 2002. A comparison of the results of the two surveys can be summarised as follows (rounded off figures)<sup>1,2</sup>;

<b>Expectations of;</b>	<b>Year 1</b>		<b>Year 2</b>		<b>Year 5</b>	
	<b>2/02</b>	<b>1/02</b>	<b>2/02</b>	<b>1/02</b>	<b>2/02</b>	<b>1/02</b>
<b>Annual inflation, %</b>						
All	2,6	2,6	2,6	2,6	2,4	2,4
Employees' organisations	2,7	2,8	2,6	2,7	2,5	2,5
Employers' organisations	2,7	2,6	2,5	2,5	2,3	2,3
Purchase managers Manufacturing	2,8	2,7	2,8	2,7	2,7	2,5
Purchase managers Trading	2,6	2,6	2,6	2,7	2,4	2,6
Money market players	2,4	2,3	2,4	2,2	2,2	2,1
<b>Annual wage increase, %</b>						
All	3,3	3,2	3,3	3,2	3,2	3,1
Employees' organisations	3,6	3,6	3,5	3,5	3,5	3,4
Employers' organisations	3,5	3,4	3,4	3,4	3,1	3,1
Purchase managers Manufacturing	3,2	3,0	3,2	3,1	3,1	3,0
Purchase managers Trading	3,1	3,1	3,2	3,0	3,1	3,0
	<b>3 months</b>		<b>12 months</b>		<b>24 months</b>	
<b>Money market expectations of;</b>	<b>2/02</b>	<b>1/02</b>	<b>2/02</b>	<b>1/02</b>	<b>2/02</b>	<b>1/02</b>
Repo rate, %	4,4	3,8	4,9	4,3	5,0	4,6
TCW-index	135	134	130	130	128	128
SEK/EUR	9,17	9,12	8,91	8,87	8,81	8,75
SEK/USD	10,09	10,37	9,81	10,03	9,65	9,87

<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.

### ***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 April 29 – May 17, 2002 (previous survey February 18 – February 28, 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 May 7, 2002 (previous survey February 20, 2002).

### ***About the Interviewees & Response Rate***

In all 308(309) organisations/companies were approached for interview. 5(2) of the persons in the panel could not be reached, which means that there is an overall response rate of 98(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 178 purchasing managers 86 represent the trading industry and 92 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. The money market players only 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.

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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 (%)
<b>ALL</b>									
<b>Inflation Year 1</b>	2,628	2,500	0,300	5,000	0,580	0,033	303	5	98
<b>Inflation Year 2</b>	2,595	2,500	1,400	5,000	0,625	0,036	300	8	97
<b>Inflation Year 3</b>	2,481	2,500	1,000	5,000	0,631	0,037	288	20	94
<b>Inflation Year 4</b>	2,453	2,500	1,000	5,000	0,636	0,038	279	29	91
<b>Inflation Year 5</b>	2,448	2,400	1,000	5,000	0,630	0,038	278	30	90
<b>Wage Increase Year 1</b>	3,266	3,200	1,000	5,000	0,643	0,042	237	3	99
<b>Wage Increase Year 2</b>	3,259	3,000	1,700	5,000	0,646	0,042	235	5	98
<b>Wage Increase Year 3</b>	3,167	3,000	1,000	5,000	0,656	0,044	225	15	94
<b>Wage Increase Year 4</b>	3,155	3,000	1,000	5,500	0,700	0,048	215	25	90
<b>Wage Increase Year 5</b>	3,161	3,000	1,000	6,000	0,698	0,048	215	25	90
<b>EMPLOYEES' ORGANISATIONS</b>									
<b>Inflation Year 1</b>	2,665	2,750	1,500	4,000	0,657	0,118	31	0	100
<b>Inflation Year 2</b>	2,587	2,500	1,500	4,000	0,666	0,120	31	0	100
<b>Inflation Year 3</b>	2,485	2,500	1,000	3,500	0,597	0,109	30	1	97
<b>Inflation Year 4</b>	2,436	2,500	1,500	3,250	0,524	0,097	29	2	94
<b>Inflation Year 5</b>	2,484	2,500	1,500	4,000	0,599	0,111	29	2	94
<b>Wage Increase Year 1</b>	3,642	3,500	2,000	4,900	0,654	0,118	31	0	100
<b>Wage Increase Year 2</b>	3,518	3,500	2,000	5,000	0,673	0,121	31	0	100
<b>Wage Increase Year 3</b>	3,455	3,500	2,000	4,500	0,522	0,095	30	1	97
<b>Wage Increase Year 4</b>	3,509	3,500	2,000	5,000	0,615	0,114	29	2	94
<b>Wage Increase Year 5</b>	3,509	3,500	2,000	5,000	0,596	0,111	29	2	94
<b>EMPLOYERS' ORGANISATIONS</b>									
<b>Inflation Year 1</b>	2,657	2,600	2,000	3,800	0,476	0,090	28	0	100
<b>Inflation Year 2</b>	2,500	2,350	2,000	4,000	0,567	0,107	28	0	100
<b>Inflation Year 3</b>	2,358	2,150	1,500	4,000	0,549	0,108	26	2	93
<b>Inflation Year 4</b>	2,276	2,000	1,500	3,500	0,485	0,097	25	3	89
<b>Inflation Year 5</b>	2,272	2,000	1,500	3,000	0,463	0,093	25	3	89
<b>Wage Increase Year 1</b>	3,504	3,500	1,800	4,500	0,529	0,100	28	0	100
<b>Wage Increase Year 2</b>	3,432	3,500	1,700	4,500	0,612	0,116	28	0	100
<b>Wage Increase Year 3</b>	3,227	3,350	1,500	4,000	0,570	0,112	26	2	93
<b>Wage Increase Year 4</b>	3,116	3,000	1,500	4,000	0,569	0,114	25	3	89
<b>Wage Increase Year 5</b>	3,112	3,000	1,500	4,000	0,576	0,115	25	3	89

**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 (%)
<b>PURCHASING MANAGERS, Manufacturing</b>									
<b>Inflation Year 1</b>	2,808	2,950	1,300	5,000	0,633	0,066	92	0	100
<b>Inflation Year 2</b>	2,797	2,800	1,400	5,000	0,726	0,076	91	1	99
<b>Inflation Year 3</b>	2,746	2,800	1,300	5,000	0,727	0,078	87	5	95
<b>Inflation Year 4</b>	2,702	2,800	1,000	5,000	0,727	0,079	84	8	91
<b>Inflation Year 5</b>	2,688	2,500	1,000	5,000	0,719	0,078	84	8	91
<b>Wage Increase Year 1</b>	3,189	3,000	2,000	5,000	0,608	0,063	92	0	100
<b>Wage Increase Year 2</b>	3,215	3,000	2,000	5,000	0,648	0,068	91	1	99
<b>Wage Increase Year 3</b>	3,101	3,000	1,800	5,000	0,648	0,069	88	4	96
<b>Wage Increase Year 4</b>	3,148	3,000	2,000	5,000	0,660	0,072	83	9	90
<b>Wage Increase Year 5</b>	3,146	3,000	2,000	5,000	0,661	0,073	83	9	90
<b>PURCHASING MANAGERS, Trading</b>									
<b>Inflation Year 1</b>	2,567	2,500	0,300	4,000	0,594	0,064	86	3	97
<b>Inflation Year 2</b>	2,565	2,500	1,500	4,000	0,565	0,061	85	4	96
<b>Inflation Year 3</b>	2,429	2,500	1,400	4,000	0,610	0,068	81	8	91
<b>Inflation Year 4</b>	2,449	2,500	1,300	5,000	0,685	0,078	78	11	88
<b>Inflation Year 5</b>	2,438	2,500	1,000	4,000	0,660	0,075	78	11	88
<b>Wage Increase Year 1</b>	3,136	3,000	1,000	4,500	0,647	0,070	86	3	97
<b>Wage Increase Year 2</b>	3,155	3,000	2,000	5,000	0,620	0,067	85	4	96
<b>Wage Increase Year 3</b>	3,114	3,000	1,000	5,000	0,711	0,079	81	8	91
<b>Wage Increase Year 4</b>	3,045	3,000	1,000	5,500	0,775	0,088	78	11	88
<b>Wage Increase Year 5</b>	3,064	3,000	1,000	6,000	0,775	0,088	78	11	88
<b>MONEY MARKET PLAYERS</b>									
<b>Inflation Year 1</b>	2,427	2,400	1,700	4,000	0,390	0,048	66	2	97
<b>Inflation Year 2</b>	2,396	2,200	1,800	3,800	0,466	0,058	65	3	96
<b>Inflation Year 3</b>	2,236	2,000	1,700	3,500	0,408	0,051	64	4	94
<b>Inflation Year 4</b>	2,201	2,000	1,800	3,500	0,382	0,048	63	5	93
<b>Inflation Year 5</b>	2,188	2,000	1,800	3,500	0,370	0,047	62	6	91

**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 (%)
<b>REPO RATE</b>									
<b>3 months</b>	4,404	4,500	4,250	4,750	0,151	0,020	59	9	87
<b>12 months</b>	4,878	4,880	4,250	6,000	0,318	0,041	59	9	87
<b>24 months</b>	4,956	5,000	4,000	6,000	0,444	0,059	57	11	84
<b>TCW-index</b>									
<b>3 months</b>	134,740	135,000	129,200	140,000	2,193	0,320	47	21	69
<b>12 months</b>	130,461	130,000	123,000	143,000	3,979	0,580	47	21	69
<b>24 months</b>	128,346	128,000	115,000	145,000	5,147	0,751	47	21	69
<b>SEK/EUR</b>									
<b>3 months</b>	9,167	9,200	8,500	9,500	0,193	0,025	58	10	85
<b>12 months</b>	8,910	8,900	8,500	9,600	0,243	0,032	58	10	85
<b>24 months</b>	8,811	8,750	8,500	9,900	0,261	0,035	54	14	79
<b>SEK/USD</b>									
<b>3 months</b>	10,089	10,100	9,480	10,500	0,214	0,028	57	11	84
<b>12 months</b>	9,805	9,900	8,400	10,900	0,439	0,058	57	11	84
<b>24 months</b>	9,650	9,700	8,600	10,500	0,453	0,062	54	14	79

**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	
	2/02	1/02	2/02	1/02	2/02	1/02	2/02	1/02
<b>All</b>	0	n	82	84	15	14	3	2
<b>Employees' organisations</b>	0	0	74	90	26	10	0	0
<b>Employers' organisations</b>	0	0	93	86	7	7	0	7
<b>Purchase M</b>	0	0	76	80	23	19	1	1
<b>Purchase T</b>	0	1	83	78	12	18	4	3
<b>Money Market Players</b>	0	0	88	96	7	4	4	0