

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 (1/03), changes in inflation as well as wage increase expectations are, if any, small and unsystematic. It could however be mentioned that the purchase managers believe in higher wage increases the year to come than in 1/03, while the labour market parties take the reversed position.

85(89) per cent think that the inflation the second year from now will stay within the Riksbank's tolerance band (1-3 per cent annually) i.e. the "Confidence Indicator". The decrease is primarily explained by the purchase managers.

The money market players believe in additional repo rate cuts. The SEK/EUR rate is expected to move sideways while the USD is expected to weaken further.

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 seventh survey in the series, 2/03, has now been completed. The previous survey, 1/03, was published on March 5, 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	
	2/03	1/03	2/03	1/03	2/03	1/03
Annual inflation, %						
All	2,4	2,4	2,4	2,4	2,4	2,4
Employees' organisations	2,5	2,4	2,6	2,4	2,5	2,5
Employers' organisations	2,4	2,3	2,4	2,3	2,3	2,1
Purchase managers Manufacturing	2,6	2,6	2,7	2,6	2,5	2,5
Purchase managers Trading	2,4	2,3	2,4	2,4	2,4	2,5
Money market players	2,0	2,2	2,1	2,1	2,1	2,1
Annual wage increase, %						
All	3,3	3,1	3,2	3,1	3,0	3,1
Employees' organisations	3,3	3,4	3,3	3,3	3,3	3,3
Employers' organisations	3,3	3,5	3,2	3,2	3,0	3,0
Purchase managers Manufacturing	3,3	2,9	3,2	3,0	3,0	3,0
Purchase managers Trading	3,2	3,0	3,1	3,1	3,0	3,1
		3 months		12 months		24 months
Money market expectations of;	2/03	1/03	2/03	1/03	2/03	1/03
Repo rate, %	3,3	3,6	3,3	3,7	3,7	4,0
TCW-index	126	129	124	127	124	126
SEK/EUR	9,03	9,05	8,88	8,86	8,84	8,81
SEK/USD	7,99	8,44	7,84	8,29	7,91	8,28

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 May 5 - May 15, 2003 (previous survey February 10 - February 24, 2003). 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, 2003 (previous survey February 12, 2003).

About the Interviewees & Response Rate

In all 303(304) organisations/companies were approached for interview. 3(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 93 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 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-index, SEK/EUR and SEK/USD rates.

58 Swedish labour market organisations, of which 28 on the employers' side and 30 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	2,395	2,500	0,000	4,000	0,636	0,037	300	3	99
Inflation Year 2	2,449	2,400	0,000	5,000	0,628	0,037	295	8	97
Inflation Year 3	2,414	2,300	0,500	4,000	0,580	0,035	281	22	93
Inflation Year 4	2,386	2,300	0,000	4,000	0,578	0,035	271	32	89
Inflation Year 5	2,377	2,275	0,000	4,000	0,580	0,035	270	33	89
Wage Increase Year 1	3,259	3,200	1,000	6,000	0,662	0,043	233	2	99
Wage Increase Year 2	3,171	3,000	1,000	6,000	0,627	0,042	228	7	97
Wage Increase Year 3	3,098	3,000	1,700	5,000	0,623	0,042	216	19	92
Wage Increase Year 4	3,083	3,000	1,500	5,000	0,627	0,043	208	27	89
Wage Increase Year 5	3,047	3,000	1,700	4,500	0,580	0,040	207	28	88
EMPLOYEES' ORGANISATIONS									
Inflation Year 1	2,525	2,500	1,500	3,500	0,501	0,091	30	1	97
Inflation Year 2	2,618	2,500	1,500	3,500	0,532	0,097	30	1	97
Inflation Year 3	2,493	2,500	1,500	3,200	0,474	0,088	29	2	94
Inflation Year 4	2,434	2,500	1,500	3,500	0,485	0,092	28	3	90
Inflation Year 5	2,495	2,500	1,500	3,500	0,478	0,090	28	3	90
Wage Increase Year 1	3,313	3,300	2,500	4,500	0,437	0,080	30	1	97
Wage Increase Year 2	3,327	3,250	2,500	4,500	0,474	0,087	30	1	97
Wage Increase Year 3	3,245	3,000	2,500	4,500	0,548	0,102	29	2	94
Wage Increase Year 4	3,221	3,000	2,500	4,500	0,532	0,101	28	3	90
Wage Increase Year 5	3,254	3,000	2,500	4,500	0,512	0,097	28	3	90
EMPLOYERS' ORGANISATIONS									
Inflation Year 1	2,438	2,450	1,500	3,000	0,357	0,067	28	0	100
Inflation Year 2	2,370	2,300	1,500	3,500	0,448	0,086	27	1	96
Inflation Year 3	2,300	2,150	1,500	4,000	0,507	0,099	26	2	93
Inflation Year 4	2,265	2,050	1,500	4,000	0,515	0,101	26	2	93
Inflation Year 5	2,264	2,100	1,500	4,000	0,535	0,107	25	3	89
Wage Increase Year 1	3,341	3,500	1,700	4,500	0,582	0,112	27	1	96
Wage Increase Year 2	3,158	3,000	2,000	4,500	0,672	0,132	26	2	93
Wage Increase Year 3	3,113	3,000	2,000	4,500	0,689	0,141	24	4	86
Wage Increase Year 4	3,033	3,000	2,000	4,000	0,647	0,132	24	4	86
Wage Increase Year 5	2,991	3,000	2,000	4,000	0,647	0,135	23	5	82

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	2,634	2,750	1,000	4,000	0,637	0,067	89	0	100
Inflation Year 2	2,723	2,600	1,000	5,000	0,706	0,075	89	0	100
Inflation Year 3	2,617	2,500	1,000	4,000	0,640	0,069	86	3	97
Inflation Year 4	2,561	2,500	1,300	4,000	0,592	0,066	80	9	90
Inflation Year 5	2,534	2,500	1,300	4,000	0,626	0,070	80	9	90
Wage Increase Year 1	3,265	3,200	1,000	6,000	0,780	0,083	89	0	100
Wage Increase Year 2	3,201	3,200	1,000	6,000	0,712	0,076	88	1	99
Wage Increase Year 3	3,087	3,000	1,700	5,000	0,607	0,066	85	4	96
Wage Increase Year 4	3,070	3,000	1,700	5,000	0,613	0,069	80	9	90
Wage Increase Year 5	3,013	3,000	1,700	4,400	0,570	0,064	80	9	90
PURCHASING MANAGERS, Trading									
Inflation Year 1	2,400	2,500	0,000	4,000	0,735	0,079	87	0	100
Inflation Year 2	2,426	2,500	0,000	4,000	0,650	0,071	84	3	97
Inflation Year 3	2,470	2,500	0,500	4,000	0,616	0,070	78	9	90
Inflation Year 4	2,470	2,500	0,600	4,000	0,645	0,074	76	11	87
Inflation Year 5	2,439	2,500	0,800	4,000	0,622	0,071	76	11	87
Wage Increase Year 1	3,209	3,100	1,500	5,000	0,621	0,067	87	0	100
Wage Increase Year 2	3,089	3,000	2,000	5,000	0,559	0,061	84	3	97
Wage Increase Year 3	3,050	3,000	2,000	5,000	0,649	0,074	78	9	90
Wage Increase Year 4	3,061	3,000	1,500	5,000	0,670	0,077	76	11	87
Wage Increase Year 5	3,024	3,000	2,000	4,500	0,587	0,067	76	11	87
MONEY MARKET PLAYERS									
Inflation Year 1	1,991	2,000	0,500	3,000	0,421	0,052	66	2	97
Inflation Year 2	2,059	2,000	1,200	3,000	0,309	0,038	65	3	96
Inflation Year 3	2,074	2,000	1,000	3,000	0,310	0,039	62	6	91
Inflation Year 4	2,079	2,000	0,000	3,000	0,390	0,050	61	7	90
Inflation Year 5	2,089	2,000	0,000	3,000	0,399	0,051	61	7	90

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	3,273	3,250	3,000	3,750	0,148	0,020	54	14	79
12 months	3,282	3,250	2,250	4,250	0,379	0,052	54	14	79
24 months	3,745	3,750	2,500	5,000	0,532	0,074	52	16	76
TCW-index									
3 months	125,698	126,000	122,000	129,000	1,527	0,233	43	25	63
12 months	124,029	124,000	118,000	130,000	2,958	0,451	43	25	63
24 months	123,761	124,000	118,000	135,000	3,228	0,492	43	25	63
SEK/EUR									
3 months	9,028	9,000	8,700	9,500	0,131	0,018	54	14	79
12 months	8,884	8,850	8,600	9,300	0,175	0,024	53	15	78
24 months	8,838	8,800	8,600	9,250	0,157	0,022	51	17	75
SEK/USD									
3 months	7,988	8,000	7,600	8,500	0,211	0,029	53	15	78
12 months	7,840	7,810	6,770	8,800	0,412	0,057	53	15	78
24 months	7,913	7,900	6,370	9,200	0,599	0,084	51	17	75

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	
	2/03	1/03	2/03	1/03	2/03	1/03	2/03	1/03
All	1	1	85	89	12	8	3	2
Employees' organisations	0	0	81	90	16	10	3	0
Employers' organisations	0	4	93	93	4	4	4	0
Purchase M	0	0	76	80	24	18	0	2
Purchase T	2	1	84	89	10	6	3	4
Money Market Players	0	0	96	98	0	0	4	2