

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

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Main results

The Prospera results of 3/02 point unanimously in a deflationary direction. Thus, inflationary expectations are, as compared to 2/02, systematically revised downwards in all interviewee categories and for all five years to come.

Money market players believe in lower repo rates for all the three coming time periods covered by the study. They also think that the SEK/EUR and, in particular, the SEK/USD exchange rates will strengthen. Again the results are compared to 2/02.

The "Confidence Indicator" is calculated at 92(82), i.e. 92(82) per cent of the interviewees are of the opinion that inflation the second year from now will stay within the Riksbank's tolerance band(1-3 per cent annually), primarily as a result of fewer estimates above 3 per cent.

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 fourth survey in the series, 3/02, has now been completed. The previous survey, 2/02, was published on May 22, 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	
	3/02	2/02	3/02	2/02	3/02	2/02
Annual inflation, %						
All	2,4	2,6	2,4	2,6	2,4	2,4
Employees' organisations	2,3	2,7	2,3	2,6	2,4	2,5
Employers' organisations	2,4	2,7	2,4	2,5	2,2	2,3
Purchase managers Manufacturing	2,5	2,8	2,6	2,8	2,6	2,7
Purchase managers Trading	2,4	2,6	2,4	2,6	2,4	2,4
Money market players	2,2	2,4	2,1	2,4	2,1	2,2
Annual wage increase, %						
All	3,2	3,3	3,2	3,3	3,1	3,2
Employees' organisations	3,4	3,6	3,4	3,5	3,5	3,5
Employers' organisations	3,6	3,5	3,5	3,4	3,3	3,1
Purchase managers Manufacturing	3,1	3,2	3,2	3,2	3,1	3,1
Purchase managers Trading	3,0	3,1	3,0	3,2	3,1	3,1
	3 months		12 months		24 months	
Money market expectations of;	3/02	2/02	3/02	2/02	3/02	2/02
Repo rate, %	4,2	4,4	4,5	4,9	4,6	5,0
TCW-index	130	135	127	130	125	128
SEK/EUR	9,02	9,17	8,78	8,91	8,70	8,81
SEK/USD	9,16	10,09	8,90	9,81	8,87	9,65

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 September 16 - September 26, 2002 (previous survey April 29 - May 17, 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 September 18, 2002 (previous survey May 7, 2002).

About the Interviewees & Response Rate

In all 308(308) organisations/companies were approached for interview. 5(5) of the persons in the panel could not be reached, which means that there is an overall response rate of 98(98) 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 67 players, 51 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.

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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	2,370	2,400	0,000	5,000	0,565	0,032	303	5	98
Inflation Year 2	2,399	2,500	0,320	4,500	0,550	0,032	301	7	98
Inflation Year 3	2,397	2,450	0,320	4,500	0,582	0,034	292	16	95
Inflation Year 4	2,378	2,300	0,370	5,000	0,587	0,035	278	30	90
Inflation Year 5	2,375	2,275	0,370	4,500	0,591	0,036	276	32	90
Wage Increase Year 1	3,168	3,000	0,000	4,500	0,649	0,042	236	4	98
Wage Increase Year 2	3,193	3,100	0,000	5,000	0,672	0,044	235	5	98
Wage Increase Year 3	3,165	3,000	0,000	6,000	0,721	0,048	228	12	95
Wage Increase Year 4	3,167	3,000	0,000	6,000	0,733	0,050	216	24	90
Wage Increase Year 5	3,143	3,000	0,000	6,000	0,764	0,052	215	25	90
EMPLOYEES' ORGANISATIONS									
Inflation Year 1	2,315	2,400	1,000	3,000	0,460	0,084	30	1	97
Inflation Year 2	2,297	2,450	1,000	3,000	0,425	0,078	30	1	97
Inflation Year 3	2,323	2,500	0,500	3,500	0,572	0,104	30	1	97
Inflation Year 4	2,297	2,100	1,000	3,200	0,493	0,090	30	1	97
Inflation Year 5	2,352	2,300	1,000	3,200	0,502	0,093	29	2	94
Wage Increase Year 1	3,383	3,500	1,500	4,500	0,643	0,117	30	1	97
Wage Increase Year 2	3,430	3,450	2,000	4,100	0,506	0,092	30	1	97
Wage Increase Year 3	3,413	3,500	2,000	4,500	0,591	0,108	30	1	97
Wage Increase Year 4	3,433	3,500	1,500	4,500	0,646	0,118	30	1	97
Wage Increase Year 5	3,453	3,500	2,000	4,500	0,642	0,117	30	1	97
EMPLOYERS' ORGANISATIONS									
Inflation Year 1	2,414	2,350	2,000	3,800	0,441	0,083	28	0	100
Inflation Year 2	2,429	2,500	1,800	3,800	0,456	0,086	28	0	100
Inflation Year 3	2,316	2,100	1,800	3,000	0,418	0,084	25	3	89
Inflation Year 4	2,236	2,000	1,500	3,100	0,417	0,083	25	3	89
Inflation Year 5	2,224	2,000	1,500	3,000	0,418	0,084	25	3	89
Wage Increase Year 1	3,568	3,500	2,000	4,500	0,504	0,095	28	0	100
Wage Increase Year 2	3,482	3,500	2,400	4,500	0,544	0,103	28	0	100
Wage Increase Year 3	3,304	3,000	2,400	4,500	0,603	0,121	25	3	89
Wage Increase Year 4	3,272	3,000	2,200	4,500	0,588	0,118	25	3	89
Wage Increase Year 5	3,272	3,000	2,200	4,500	0,623	0,125	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 (%)
PURCHASING MANAGERS, Manufacturing									
Inflation Year 1	2,526	2,500	1,000	4,000	0,625	0,065	92	0	100
Inflation Year 2	2,602	2,500	1,000	4,500	0,617	0,064	92	0	100
Inflation Year 3	2,612	2,500	1,000	4,500	0,663	0,070	90	2	98
Inflation Year 4	2,607	2,500	1,000	4,500	0,639	0,071	82	10	89
Inflation Year 5	2,607	2,500	1,000	4,500	0,679	0,075	81	11	88
Wage Increase Year 1	3,105	3,000	0,000	4,500	0,675	0,070	92	0	100
Wage Increase Year 2	3,186	3,050	0,000	4,500	0,693	0,072	92	0	100
Wage Increase Year 3	3,126	3,000	0,000	4,500	0,687	0,072	90	2	98
Wage Increase Year 4	3,109	3,000	0,000	4,500	0,697	0,077	82	10	89
Wage Increase Year 5	3,058	3,000	0,000	4,500	0,768	0,085	81	11	88
PURCHASING MANAGERS, Trading									
Inflation Year 1	2,356	2,400	0,000	5,000	0,670	0,072	86	3	97
Inflation Year 2	2,416	2,500	0,320	4,000	0,581	0,063	85	4	96
Inflation Year 3	2,412	2,500	0,320	4,000	0,602	0,066	83	6	93
Inflation Year 4	2,400	2,500	0,370	5,000	0,682	0,077	79	10	89
Inflation Year 5	2,396	2,500	0,370	4,000	0,646	0,073	79	10	89
Wage Increase Year 1	3,031	3,000	1,500	4,500	0,601	0,065	86	3	97
Wage Increase Year 2	3,021	3,000	1,500	5,000	0,690	0,075	85	4	96
Wage Increase Year 3	3,077	3,000	1,000	6,000	0,812	0,089	83	6	93
Wage Increase Year 4	3,094	3,000	1,000	6,000	0,823	0,093	79	10	89
Wage Increase Year 5	3,070	3,000	1,000	6,000	0,817	0,092	79	10	89
MONEY MARKET PLAYERS									
Inflation Year 1	2,179	2,200	1,300	3,000	0,312	0,038	67	1	99
Inflation Year 2	2,130	2,050	1,500	3,500	0,352	0,043	66	2	97
Inflation Year 3	2,143	2,000	1,250	3,200	0,340	0,043	64	4	94
Inflation Year 4	2,145	2,000	1,250	3,000	0,323	0,041	62	6	91
Inflation Year 5	2,118	2,000	1,250	3,000	0,326	0,041	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 (%)
REPO RATE									
3 months	4,233	4,250	3,750	4,500	0,130	0,017	59	9	87
12 months	4,472	4,500	3,500	5,000	0,350	0,046	58	10	85
24 months	4,649	4,750	3,000	5,670	0,504	0,069	54	14	79
TCW-index									
3 months	130,352	130,000	127,000	135,000	1,535	0,231	44	24	65
12 months	126,719	127,000	120,000	131,000	2,772	0,423	43	25	63
24 months	125,195	125,000	117,000	131,000	3,095	0,472	43	25	63
SEK/EUR									
3 months	9,018	9,000	8,700	9,700	0,135	0,018	56	12	82
12 months	8,778	8,800	8,500	9,100	0,143	0,019	55	13	81
24 months	8,696	8,700	8,500	9,000	0,133	0,019	51	17	75
SEK/USD									
3 months	9,163	9,200	8,600	10,100	0,245	0,033	55	13	81
12 months	8,901	8,950	7,600	9,900	0,490	0,067	54	14	79
24 months	8,874	8,900	7,400	10,000	0,546	0,079	48	20	71

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	
	3/02	2/02	3/02	2/02	3/02	2/02	3/02	2/02
All	n	0	92	82	6	15	2	3
Employees' organisations	0	0	97	74	0	26	3	0
Employers' organisations	0	0	96	93	4	7	0	0
Purchase M	0	0	87	76	13	23	0	1
Purchase T	1	0	90	83	4	12	4	4
Money Market Players	0	0	96	88	1	7	3	4