

**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 (2/03), changes in inflation (CPI) as well as wage increase expectations mostly point downwards. In a one year perspective it is only the labour market parties' wage increase expectations that have not changed significantly.

91(85) per cent of the interviewees 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 higher confidence is primarily explained by fewer "more than 3% inflation"-believers.

The money market players believe in rising but, in the short run, clearly lower repo rates than was the case in 2/03. The TCW index is expected to move sideways the forthcoming two year period, while the EUR as well as the USD is believed to become somewhat more expensive. It should however be stressed that the money market interviews were carried out *before* the Dubai G7-meeting (but *after* the EMU referendum).

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, EUR and USD rates. The eighth survey in the series, 3/03, has now been completed. The previous survey, 2/03, was published on May 21, 2003. A comparison of the results of the two surveys can be summarised as follows (rounded off figures)<sup>1,2</sup>:

Expectations of;	Year 1		Year 2		Year 5	
	3/03	2/03	3/03	2/03	3/03	2/03
<b>Annual inflation, %</b>						
All	2,2	2,4	2,3	2,4	2,3	2,4
Employees' organisations	2,1	2,5	2,2	2,6	2,3	2,5
Employers' organisations	2,2	2,4	2,3	2,4	2,1	2,3
Purchase managers Manufacturing	2,4	2,6	2,5	2,7	2,5	2,5
Purchase managers Trading	2,3	2,4	2,3	2,4	2,3	2,4
Money market players	1,8	2,0	2,0	2,1	2,1	2,1
<b>Annual wage increase, %</b>						
All	3,0	3,3	3,0	3,2	3,0	3,0
Employees' organisations	3,2	3,3	3,2	3,3	3,2	3,3
Employers' organisations	3,3	3,3	3,2	3,2	3,2	3,0
Purchase managers Manufacturing	2,9	3,3	3,0	3,2	2,9	3,0
Purchase managers Trading	3,0	3,2	3,0	3,1	3,0	3,0
	3 months		12 months		24 months	
<b>Money market expectations of;</b>	3/03	2/03	3/03	2/03	3/03	2/03
Repo rate, %	2,7	3,3	3,0	3,3	3,6	3,7
TCW-index	126	126	125	124	124	124
EUR	9,04	9,03	8,91	8,88	8,87	8,84
USD	8,07	7,99	7,93	7,84	7,97	7,91

<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 September 15 - September 24, 2003 (previous survey May 5 - May 15, 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 September 17, 2003 (previous survey May 7, 2003).

### *About the Interviewees & Response Rate*

In all 302(303) organisations/companies were approached for interview. 5(3) 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 95 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 68 players, 51 Swedish and 17 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 27 on the employers' side and 31 on the employees' side have participated in the survey.

### *Earlier Prospera inflationary expectations surveys*

You can download all earlier (starting in 1995) Prospera inflation reports, releases and tables, from our homepage [prospera.se](http://prospera.se).

**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>									
Inflation Year 1	2,204	2,000	0,000	5,000	0,593	0,034	296	6	98
Inflation Year 2	2,295	2,100	1,000	4,000	0,548	0,032	295	7	98
Inflation Year 3	2,315	2,000	1,000	4,000	0,572	0,034	283	19	94
Inflation Year 4	2,293	2,000	1,000	5,000	0,577	0,035	272	30	90
Inflation Year 5	2,289	2,000	1,000	5,000	0,579	0,035	271	31	90
Wage Increase Year 1	3,016	3,000	1,500	5,000	0,633	0,042	228	6	97
Wage Increase Year 2	3,042	3,000	1,500	5,000	0,615	0,041	227	7	97
Wage Increase Year 3	3,043	3,000	1,000	5,000	0,639	0,043	218	16	93
Wage Increase Year 4	3,007	3,000	1,000	5,000	0,622	0,043	206	28	88
Wage Increase Year 5	2,990	3,000	1,000	5,000	0,643	0,045	206	28	88
<b>EMPLOYEES' ORGANISATIONS</b>									
Inflation Year 1	2,147	2,000	1,000	3,500	0,580	0,106	30	1	97
Inflation Year 2	2,173	2,000	1,000	3,500	0,591	0,108	30	1	97
Inflation Year 3	2,238	2,000	1,200	4,000	0,628	0,117	29	2	94
Inflation Year 4	2,256	2,000	1,200	4,000	0,602	0,116	27	4	87
Inflation Year 5	2,263	2,000	1,200	4,000	0,621	0,119	27	4	87
Wage Increase Year 1	3,228	3,200	2,000	4,000	0,504	0,092	30	1	97
Wage Increase Year 2	3,175	3,250	2,000	4,000	0,516	0,094	30	1	97
Wage Increase Year 3	3,167	3,000	1,500	4,000	0,553	0,103	29	2	94
Wage Increase Year 4	3,152	3,000	1,500	4,000	0,542	0,104	27	4	87
Wage Increase Year 5	3,152	3,000	2,000	4,000	0,485	0,093	27	4	87
<b>EMPLOYERS' ORGANISATIONS</b>									
Inflation Year 1	2,200	2,000	1,500	3,800	0,618	0,121	26	1	96
Inflation Year 2	2,317	2,050	1,500	3,700	0,555	0,109	26	1	96
Inflation Year 3	2,236	2,000	1,000	4,000	0,612	0,122	25	2	93
Inflation Year 4	2,088	2,000	1,200	4,000	0,534	0,109	24	3	89
Inflation Year 5	2,083	2,000	1,200	4,000	0,535	0,109	24	3	89
Wage Increase Year 1	3,327	3,450	2,000	4,200	0,492	0,096	26	1	96
Wage Increase Year 2	3,231	3,200	1,500	4,200	0,616	0,121	26	1	96
Wage Increase Year 3	3,229	3,100	1,500	4,500	0,682	0,139	24	3	89
Wage Increase Year 4	3,174	3,000	1,500	4,500	0,666	0,139	23	4	85
Wage Increase Year 5	3,178	3,000	1,500	4,500	0,661	0,138	23	4	85

**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>									
Inflation Year 1	2,447	2,500	1,500	5,000	0,601	0,064	88	1	99
Inflation Year 2	2,475	2,500	1,500	4,000	0,589	0,063	88	1	99
Inflation Year 3	2,509	2,500	1,000	4,000	0,632	0,069	85	4	96
Inflation Year 4	2,515	2,500	1,000	4,000	0,664	0,074	80	9	90
Inflation Year 5	2,480	2,500	1,000	4,000	0,657	0,073	80	9	90
Wage Increase Year 1	2,884	3,000	1,500	5,000	0,647	0,069	88	1	99
Wage Increase Year 2	2,982	3,000	1,800	4,500	0,603	0,064	88	1	99
Wage Increase Year 3	3,016	3,000	1,500	5,000	0,615	0,066	86	3	97
Wage Increase Year 4	2,959	3,000	1,500	5,000	0,638	0,071	80	9	90
Wage Increase Year 5	2,919	3,000	1,500	5,000	0,663	0,074	80	9	90
<b>PURCHASING MANAGERS, Trading</b>									
Inflation Year 1	2,265	2,000	0,000	4,000	0,615	0,067	84	3	97
Inflation Year 2	2,345	2,300	1,000	3,500	0,541	0,059	83	4	95
Inflation Year 3	2,322	2,000	1,000	4,000	0,598	0,067	79	8	91
Inflation Year 4	2,302	2,000	1,000	5,000	0,605	0,069	77	10	89
Inflation Year 5	2,306	2,000	1,000	5,000	0,622	0,071	77	10	89
Wage Increase Year 1	2,981	3,000	1,500	5,000	0,654	0,071	84	3	97
Wage Increase Year 2	2,998	3,000	1,500	5,000	0,652	0,072	83	4	95
Wage Increase Year 3	2,969	3,000	1,000	5,000	0,673	0,076	79	8	91
Wage Increase Year 4	2,955	3,000	1,000	4,500	0,612	0,070	76	11	87
Wage Increase Year 5	2,951	3,000	1,000	5,000	0,655	0,075	76	11	87
<b>MONEY MARKET PLAYERS</b>									
Inflation Year 1	1,840	1,800	1,000	3,000	0,325	0,039	68	0	100
Inflation Year 2	2,047	2,000	1,200	3,000	0,355	0,043	68	0	100
Inflation Year 3	2,118	2,000	1,400	3,000	0,270	0,033	65	3	96
Inflation Year 4	2,096	2,000	1,600	3,000	0,255	0,032	64	4	94
Inflation Year 5	2,117	2,000	1,800	3,000	0,269	0,034	63	5	93

**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>									
3 months	2,733	2,750	2,500	3,000	0,079	0,010	58	10	85
12 months	3,024	3,000	2,250	3,500	0,283	0,037	58	10	85
24 months	3,629	3,725	2,500	5,000	0,449	0,061	54	14	79
<b>TCW-index</b>									
3 months	125,988	126,400	112,000	132,000	3,050	0,455	45	23	66
12 months	124,680	125,000	117,000	136,000	3,376	0,503	45	23	66
24 months	123,676	125,000	115,000	130,000	3,805	0,574	44	24	65
<b>SEK/EUR</b>									
3 months	9,039	9,000	8,800	9,300	0,103	0,014	55	13	81
12 months	8,908	8,900	8,100	9,250	0,188	0,025	55	13	81
24 months	8,873	8,800	8,100	9,500	0,248	0,035	51	17	75
<b>SEK/USD</b>									
3 months	8,073	8,080	7,600	8,500	0,196	0,026	55	13	81
12 months	7,930	8,000	6,500	9,000	0,502	0,068	55	13	81
24 months	7,965	8,000	6,200	9,500	0,670	0,095	50	18	74

**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	
	3/03	2/03	3/03	2/03	3/03	2/03	3/03	2/03
All	0	1	91	85	6	12	2	3
Employees' organisations	0	0	90	81	6	16	3	3
Employers' organisations	0	0	85	93	11	4	4	4
Purchase M	0	0	88	76	11	24	1	0
Purchase T	0	2	91	84	5	10	5	3
Money Market Players	0	0	100	96	0	0	0	4