

Press Release

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Main results

1, 2 and 5 year inflation and wage increase expectations have been revised marginally, although upwards, or not at all since last survey. Inflation expectations are also this time close to the Riksbank's inflation target of 2 per cent annually.

Money market players believe in lower repo rates and a weaker SEK for the 3, 12 and 24 months to come, especially as compared to the USD, than was the case in last 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/EUR and SEK/USD rates. The latest survey, called 4/00 below, has now been completed. The previous one, 3/00, was published on August 30, 2000. The results can be summarised as in the following tables (rounded off figures)^{1,2}:

Expectations of	1 year		2 years		5 years	
	4/00	3/00	4/00	3/00	4/00	3/00
Annual average inflation, %						
All	1,9	1,8	2,0	1,9	2,1	2,0
Employers' organisations	1,9	1,7	2,0	1,9	2,1	2,0
Employees' organisations	1,9	1,8	2,0	1,9	2,1	2,0
Purchase T (Trading)	2,1	2,0	2,2	2,0	2,3	2,1
Purchase M (Manufacturing)	2,0	1,9	2,1	2,0	2,2	2,0
Money market players	1,7	1,7	1,8	1,8	1,9	1,9
Annual average wage increase, %						
All	3,3	3,2	3,3	3,2	3,3	3,2
Employers' organisations	3,3	3,1	3,3	3,1	3,2	3,0
Employees' organisations	3,7	3,4	3,7	3,4	3,7	3,4
Purchase T (Trading)	3,2	3,1	3,2	3,1	3,2	3,1
Purchase M (Manufacturing)	3,4	3,2	3,3	3,2	3,3	3,2
	3 months		12 months		24 months	
	4/00	3/00	4/00	3/00	4/00	3/00
Money market expectations of						
Repo rate, %	4,0	4,1	4,5	4,7	4,5	4,8
TCW-index	127	123	124	122	123	121
SEK/EUR	8,46	8,37	8,43	8,35	8,39	8,33
SEK/USD	9,92	9,03	9,33	8,64	8,95	8,46

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.

About the survey

Prospera's survey was carried out by telephone. The part of the survey that encompasses inflationary and wage increase expectations was performed in the period October 23 – November 2, 2000 (previous survey August 14 – 24, 2000). The part of the survey comprising money market players' expectations of future repo rates, TCW-index, SEK/EUR and SEK/USD rates was carried out on October 25, 2000 (previous survey August 16, 2000). The interviewees constitute a "panel" which means that the same organisations/companies are approached for interview at all occasions. In all 332(335) members were included in the panel this time. 12(7) of the interviewees in the panel could not be reached, which means that there is an overall response rate of 96(98) per cent. The response rate for individual questions concerning inflation and wage increase expectations is 87 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 EUR and the USD is lower (Table 2).

About the interviewees

180 purchasing managers of which 87 represent the trading industry (T) and 93 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.

80 money market players, 57 Swedish and 23 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.

60 Swedish labour market organisations, of which 29 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 4/00

Expected annual increase in CPI and expected annual wage increase the coming 12, 24 and 60 months

	Mean (%)	Median (%)	Lowest (%)	Highest (%)	Standard Deviation	Standard Error	Responses (numbers)	No Resp. (numbers)	Response Rate (%)
ALL									
Inflation 1 year	1,926	2,000	0,100	5,000	0,631	0,035	320	12	96
Inflation 2 years	2,024	2,000	0,150	4,000	0,597	0,034	315	17	95
Inflation 5 years	2,139	2,000	0,020	4,499	0,605	0,036	283	49	85
Wage increase 1 year	3,349	3,500	1,000	5,000	0,674	0,044	237	12	95
Wage increase 2 years	3,345	3,499	1,000	5,000	0,614	0,040	235	14	94
Wage increase 5 years	3,308	3,299	1,000	4,599	0,598	0,042	204	45	82
EMPLOYERS' ORGANISATIONS									
Inflation 1 year	1,897	1,900	0,500	3,200	0,562	0,104	29	0	100
Inflation 2 years	1,964	1,950	0,250	3,250	0,580	0,108	29	0	100
Inflation 5 years	2,071	2,020	0,200	3,400	0,587	0,117	25	4	86
Wage increase 1 year	3,290	3,200	2,500	4,000	0,430	0,080	29	0	100
Wage increase 2 years	3,288	3,350	2,250	4,250	0,507	0,094	29	0	100
Wage increase 5 years	3,240	3,200	2,100	4,460	0,571	0,114	25	4	86
EMPLOYEES' ORGANISATIONS									
Inflation 1 year	1,866	1,900	1,100	2,900	0,338	0,061	31	0	100
Inflation 2 years	1,964	2,000	1,200	2,900	0,335	0,060	31	0	100
Inflation 5 years	2,072	2,030	1,320	2,880	0,350	0,066	28	3	90
Wage increase 1 year	3,729	3,800	3,000	4,500	0,398	0,071	31	0	100
Wage increase 2 years	3,711	3,750	3,000	4,500	0,377	0,068	31	0	100
Wage increase 5 years	3,655	3,710	2,999	4,499	0,377	0,071	28	3	90
PURCHASING MANAGERS, Trading									
Inflation 1 year	2,094	2,000	0,200	5,000	0,759	0,081	87	7	93
Inflation 2 years	2,155	2,000	0,300	4,000	0,688	0,075	84	10	89
Inflation 5 years	2,318	2,200	0,520	4,397	0,665	0,079	71	23	76
Wage increase 1 year	3,229	3,350	1,500	5,000	0,694	0,076	84	10	89
Wage increase 2 years	3,226	3,250	1,750	5,000	0,647	0,071	82	12	87
Wage increase 5 years	3,224	3,210	1,699	4,597	0,637	0,076	70	24	74
PURCHASING MANAGERS, Manufacturing									
Inflation 1 year	2,006	2,000	0,500	4,000	0,693	0,072	93	2	98
Inflation 2 years	2,117	2,000	0,500	4,000	0,662	0,069	92	3	97
Inflation 5 years	2,217	2,100	0,500	4,499	0,697	0,077	82	13	86
Wage increase 1 year	3,351	3,300	1,000	5,000	0,748	0,078	93	2	98
Wage increase 2 years	3,347	3,399	1,000	5,000	0,639	0,066	93	2	98
Wage increase 5 years	3,282	3,199	1,000	4,599	0,603	0,067	81	14	85
MONEY MARKET PLAYERS									
Inflation 1 year	1,684	1,700	0,100	2,900	0,408	0,046	80	3	96
Inflation 2 years	1,823	1,800	0,150	3,075	0,429	0,048	79	4	95
Inflation 5 years	1,936	1,940	0,020	3,000	0,446	0,051	77	6	93

TABLE 2 - Money market expectations 4/00

Repo rates, TCW-index, SEK/Euro and SEK/USD

	Mean	Median	Lowest	Highest	Standard Deviation	Standard Error	Responses (numbers)	No Resp. (numbers)	Response Rate (%)
REPO RATE									
3 months	3,999	4,000	3,500	5,000	0,232	0,029	66	17	80
12 months	4,493	4,500	3,750	5,400	0,343	0,043	65	18	78
24 months	4,540	4,500	3,500	6,000	0,488	0,061	63	20	76
TCW-index									
3 months	126,954	127,000	123,000	130,000	1,715	0,243	50	33	60
12 months	124,475	124,250	118,000	135,000	3,506	0,496	50	33	60
24 months	122,985	123,000	116,000	135,000	4,169	0,596	49	34	59
SEK/EUR									
3 months	8,461	8,450	8,100	8,750	0,119	0,015	63	20	76
12 months	8,431	8,420	7,800	9,100	0,217	0,027	63	20	76
24 months	8,392	8,400	7,700	9,700	0,303	0,039	60	23	72
SEK/USD									
3 months	9,922	10,000	8,800	10,650	0,313	0,040	62	21	75
12 months	9,334	9,450	8,000	10,700	0,567	0,072	62	21	75
24 months	8,953	8,900	7,600	10,500	0,689	0,090	59	24	71