

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

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Main results

The overall reappraisal of the interviewees' inflation and wage increase expectations is, as compared to Prospera's last survey (3/04), kept within very small margins. Notable is however a systematic trend of higher inflation and wage increase expectations among the labour market organisations.

The money market players do not expect higher repo rates than they did in the 3/04 survey, not even in the short run. Clearly however this category has baised the Dollar quite dramatically while the Euro and the TCW-index is left by and large unaltered.

91(92) per cent of all the interviewees think that the inflation the second year from now will stay within the Riksbank's 1-3 per cent tolerance band (the "Confidence Indicator").

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, TCW, EUR and USD rates. The thirteenth survey in the series, 4/04, has now been completed. The previous survey, 3/04, was published on September 29, 2004. 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	
	4/04	3/04	4/04	3/04	4/04	3/04
Annual inflation, %						
All	2,0	1,9	2,1	2,1	2,2	2,2
Employees' organisations	1,8	1,7	2,0	1,9	2,1	2,1
Employers' organisations	1,8	1,6	2,0	1,8	2,2	2,0
Purchase managers Manufacturing	2,2	2,2	2,3	2,3	2,4	2,3
Purchase managers Trading	2,0	2,0	2,1	2,1	2,2	2,2
Money market players	1,7	1,6	2,0	2,0	2,0	2,0
Annual wage increase, %						
All	2,8	2,7	2,8	2,8	2,8	2,7
Employees' organisations	3,0	2,8	3,1	2,9	3,2	3,0
Employers' organisations	2,9	2,7	3,0	2,9	3,0	2,8
Purchase managers Manufacturing	2,7	2,8	2,8	2,8	2,8	2,7
Purchase managers Trading	2,8	2,6	2,7	2,6	2,7	2,7
	3 months		12 months		24 months	
Money market expectations of;	4/04	3/04	4/04	3/04	4/04	3/04
Repo rate, %	2,1	2,1	2,8	2,8	3,3	3,4
TCW	124	125	123	124	123	123
EUR	9,04	9,05	8,96	8,94	8,93	8,93
USD	6,98	7,41	6,94	7,28	6,99	7,29

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 November 8 - November 22, 2004 (previous survey September 13 - September 27, 2004). The part of the survey regarding money market players' expectations of future repo rates, TCW, EUR and USD rates took place on November 10, 2004 (previous survey September 15, 2004).

About the Interviewees & Response Rate

In all 293(292) organisations/companies were approached for interview. 7(6) of the persons in the panel could not be reached or have denied participation, 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 94 per cent or more for the one year and two years assessments, except for the employers' organisations. For the three, four and five years assessments (Table 1) as well as the questions regarding repo, TCW, EUR and USD rates the response rate is generally lower (Table 2).

Of the 171 purchasing managers 85 represent the trading industry and 86 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 64 players, 49 Swedish and 15 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, EUR and USD rates.

58 Swedish labour market organisations, of which 27 on the employers' side and 31 on the employees' side have been approached.

Earlier Prospera inflationary expectations surveys

Earlier (starting in 1995) Prospera inflation reports, releases and tables can be downloaded from the site address below.

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	1,951	2,000	0,500	3,500	0,558	0,033	286	7	98
Inflation Year 2	2,137	2,000	0,500	4,000	0,556	0,033	284	9	97
Inflation Year 3	2,201	2,000	0,800	3,500	0,503	0,030	275	18	94
Inflation Year 4	2,205	2,000	0,800	4,000	0,531	0,033	263	30	90
Inflation Year 5	2,194	2,000	0,800	5,000	0,551	0,034	262	31	89
Wage Increase Year 1	2,802	3,000	1,500	4,500	0,507	0,034	222	7	97
Wage Increase Year 2	2,826	3,000	1,500	4,500	0,554	0,037	221	8	97
Wage Increase Year 3	2,821	3,000	1,500	4,000	0,538	0,037	214	15	93
Wage Increase Year 4	2,841	3,000	1,500	4,000	0,531	0,037	202	27	88
Wage Increase Year 5	2,817	3,000	1,500	4,000	0,535	0,038	202	27	88
EMPLOYEES' ORGANISATIONS									
Inflation Year 1	1,786	1,700	1,000	2,900	0,449	0,083	29	2	94
Inflation Year 2	2,029	2,000	1,400	3,100	0,432	0,080	29	2	94
Inflation Year 3	2,145	2,000	1,500	3,200	0,473	0,089	28	3	90
Inflation Year 4	2,092	2,000	1,500	3,200	0,380	0,078	24	7	77
Inflation Year 5	2,073	2,000	1,500	3,200	0,412	0,084	24	7	77
Wage Increase Year 1	3,031	3,000	2,200	4,000	0,488	0,091	29	2	94
Wage Increase Year 2	3,134	3,000	2,200	4,500	0,531	0,099	29	2	94
Wage Increase Year 3	3,136	3,000	2,300	4,000	0,479	0,091	28	3	90
Wage Increase Year 4	3,154	3,100	2,300	4,000	0,500	0,102	24	7	77
Wage Increase Year 5	3,175	3,100	2,300	4,000	0,495	0,101	24	7	77
EMPLOYERS' ORGANISATIONS									
Inflation Year 1	1,774	1,900	0,600	2,500	0,414	0,086	23	4	85
Inflation Year 2	2,048	2,000	1,000	3,000	0,382	0,080	23	4	85
Inflation Year 3	2,152	2,000	1,500	3,000	0,348	0,072	23	4	85
Inflation Year 4	2,217	2,000	1,200	4,000	0,556	0,116	23	4	85
Inflation Year 5	2,209	2,000	1,200	4,000	0,578	0,120	23	4	85
Wage Increase Year 1	2,889	3,000	1,500	4,000	0,537	0,112	23	4	85
Wage Increase Year 2	2,978	3,000	1,800	4,000	0,537	0,112	23	4	85
Wage Increase Year 3	2,970	3,000	2,000	4,000	0,488	0,102	23	4	85
Wage Increase Year 4	2,987	3,000	2,000	4,000	0,498	0,104	23	4	85
Wage Increase Year 5	2,970	3,000	2,000	3,500	0,458	0,095	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 (%)
PURCHASING MANAGERS, Manufacturing									
Inflation Year 1	2,201	2,000	0,600	3,500	0,563	0,061	86	0	100
Inflation Year 2	2,336	2,350	0,700	4,000	0,606	0,065	86	0	100
Inflation Year 3	2,354	2,450	0,900	3,500	0,549	0,060	84	2	98
Inflation Year 4	2,417	2,500	0,900	4,000	0,580	0,064	81	5	94
Inflation Year 5	2,408	2,500	0,900	5,000	0,620	0,069	81	5	94
Wage Increase Year 1	2,741	2,850	1,500	4,000	0,493	0,053	86	0	100
Wage Increase Year 2	2,774	3,000	2,000	4,000	0,546	0,059	86	0	100
Wage Increase Year 3	2,756	3,000	2,000	4,000	0,531	0,058	84	2	98
Wage Increase Year 4	2,777	3,000	2,000	4,000	0,528	0,059	81	5	94
Wage Increase Year 5	2,767	3,000	2,000	4,000	0,524	0,058	81	5	94
PURCHASING MANAGERS, Trading									
Inflation Year 1	2,014	2,000	0,500	3,000	0,592	0,065	84	1	99
Inflation Year 2	2,134	2,000	0,500	3,500	0,633	0,069	83	2	98
Inflation Year 3	2,207	2,000	0,800	3,500	0,600	0,068	79	6	93
Inflation Year 4	2,176	2,000	0,800	3,500	0,611	0,071	74	11	87
Inflation Year 5	2,154	2,000	0,800	3,500	0,622	0,072	74	11	87
Wage Increase Year 1	2,762	2,850	1,500	4,500	0,502	0,055	84	1	99
Wage Increase Year 2	2,731	2,800	1,500	4,000	0,538	0,059	83	2	98
Wage Increase Year 3	2,734	2,750	1,500	4,000	0,539	0,061	79	6	93
Wage Increase Year 4	2,764	2,950	1,500	4,000	0,517	0,060	74	11	87
Wage Increase Year 5	2,709	2,700	1,500	4,000	0,531	0,062	74	11	87
MONEY MARKET PLAYERS									
Inflation Year 1	1,670	1,700	0,700	2,500	0,421	0,053	64	0	100
Inflation Year 2	1,953	2,000	1,000	3,000	0,378	0,048	63	1	98
Inflation Year 3	2,025	2,000	1,250	2,500	0,242	0,031	61	3	95
Inflation Year 4	2,001	2,000	1,250	2,500	0,228	0,029	61	3	95
Inflation Year 5	1,995	2,000	1,500	2,500	0,198	0,026	60	4	94

TABLE 2 - Repo, TCW, EUR and USD rates

Expected Repo, TCW, EUR and USD rates 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	2,136	2,250	2,000	2,500	0,134	0,017	59	5	92
12 months	2,775	2,750	2,250	4,000	0,321	0,042	59	5	92
24 months	3,272	3,375	2,000	4,250	0,546	0,073	56	8	88
TCW									
3 months	123,773	124,000	120,000	126,000	1,378	0,208	44	20	69
12 months	123,007	123,500	117,000	127,000	2,094	0,316	44	20	69
24 months	122,855	123,000	115,000	130,000	3,015	0,455	44	20	69
EUR									
3 months	9,040	9,000	8,900	9,200	0,075	0,010	58	6	91
12 months	8,958	9,000	8,500	9,300	0,164	0,022	57	7	89
24 months	8,930	8,900	8,250	9,500	0,204	0,027	55	9	86
USD									
3 months	6,978	7,000	6,670	7,300	0,158	0,021	58	6	91
12 months	6,937	6,900	6,160	7,700	0,345	0,046	57	7	89
24 months	6,987	7,000	6,000	8,000	0,466	0,063	55	9	86

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	
	4/04	3/04	4/04	3/04	4/04	3/04	4/04	3/04
All	2	2	91	92	4	3	3	2
Employees' organisations	0	6	90	87	3	0	6	6
Employers' organisations	0	0	85	88	0	0	15	12
Purchase M	2	1	90	92	8	6	0	1
Purchase T	5	2	89	93	4	4	2	1
Money Market Players	0	0	98	97	0	3	2	0