

Press Release

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Main results

The upward trend of the inflationary expectations for Sweden sustains. The trend is however not very strong and expectations are still mainly at or below the Riksbank's inflationary goal of 2 per cent annual average inflation.

Wage increase expectations have changed marginally or not at all.

Money market players believe in a higher repo rate, a weaker Euro and a stronger USD than they did in the previous 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/ Euro and SEK/USD rates. The latest survey, called 1/00 below, has now been completed. The previous one, 4/99, was published on October 27, 1999. The results can be summarised as in the following tables (rounded off figures)^{1,2};

| Expectations of | 1 year | | 2 years | | 5 years | |
|--|----------|------|-----------|------|-----------|------|
| | 4/99 | 1/00 | 4/99 | 1/00 | 4/99 | 1/00 |
| Annual average inflation, % | | | | | | |
| All | 1,6 | 1,8 | 1,8 | 1,9 | 2,0 | 2,0 |
| Employers' organisations | 1,4 | 1,7 | 1,5 | 1,7 | 1,7 | 1,8 |
| Employees' organisations | 1,5 | 1,7 | 1,6 | 1,8 | 1,7 | 1,9 |
| Purchase T (Trading) | 1,7 | 1,9 | 1,9 | 2,0 | 2,1 | 2,1 |
| Purchase M (Manufacturing) | 1,9 | 1,9 | 2,0 | 2,0 | 2,1 | 2,1 |
| Money market players | 1,4 | 1,7 | 1,6 | 1,9 | 1,8 | 1,9 |
| Annual average wage increase, % | | | | | | |
| All | 3,1 | 3,1 | 3,1 | 3,1 | 3,0 | 3,1 |
| Employers' organisations | 3,1 | 3,1 | 3,2 | 3,1 | 3,1 | 3,1 |
| Employees' organisations | 3,3 | 3,3 | 3,3 | 3,3 | 3,3 | 3,3 |
| Purchase T (Trading) | 3,0 | 3,1 | 3,0 | 3,1 | 2,9 | 3,0 |
| Purchase M (Manufacturing) | 3,1 | 3,0 | 3,1 | 3,1 | 3,0 | 3,1 |
| Money market expectations of | | | | | | |
| | 3 months | | 12 months | | 24 months | |
| | 4/99 | 1/00 | 4/99 | 1/00 | 4/99 | 1/00 |
| Repo rate, % | 3,2 | 3,7 | 3,9 | 4,3 | 4,4 | 4,8 |
| TCW-index | 123 | 123 | 121 | 121 | 120 | 120 |
| SEK/Euro | 8,67 | 8,51 | 8,58 | 8,47 | 8,56 | 8,46 |
| SEK/USD | 7,97 | 8,35 | 7,74 | 8,06 | 7,67 | 7,96 |

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 in-crease* 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.

Commentary

The upward trend of the market's annual average inflation expectations for Sweden that was observed in the previous survey is dominant also in this one, at least so for the next year and the next two years to come. As measured over all interviewee categories, "All", the changes, as compared to the previous survey, are found in the region of 0,2 percentage units for the coming year, 0,1 for the next two years and nil for the next five years. The one and two year forecast adjustments in the labour market organisations' and money market players' categories can be regarded as significant.

The survey was, one interview excepted, completed *before* the Riksbank's repo rate raise as of February 4.

All inflationary expectations are found mainly at or below the Riksbank's inflationary goal of 2 per cent annual average inflation. The market, also this time, believes in a successively increasing annual average inflation for the five year period but the annual increments are small.

The market's assessments of the future annual average wage increases have, by and large, not been revised at all. All changes clearly stay within the statistical error margin.

Money market players anticipate a higher repo rate, a weaker Euro and a stronger USD than they did in the previous survey for all forecast periods. Still the USD is in both surveys believed to weaken over the two year period. These changes can be defined as statistically significant. The TCW-index development is believed to be almost identical with that of the last survey.

About the survey

Prospera's survey was carried out by telephone. The part of the survey that encompasses inflationary and wage increase expectations was carried out in the period January 24 – February 3, 2000³(previous survey October 11 – 21, 1999). The part of the survey comprising money market players' expectations of future repo rates, TCW-index, SEK/Euro and SEK/USD rates was carried out on January 26, 2000 (previous survey October 13 1999). The interviewees constitute a "panel" which means that the same organisations/companies are approached for interview at all occasions. In all 336(338) members were included in the panel this time. 7(9) of the interviewees in the panel could not be reached, which means that there is an overall response rate of 98(97) per cent. The response rate for individual questions concerning inflation and wage increase expectations is 93 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 Euro and the USD is lower (Table 2).

About the interviewees

188 purchasing managers of which 93 represent the trading industry (T) and 95 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.

84 money market players, 58 Swedish and 26 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/Euro and SEK/USD rates.

57 Swedish labour market organisations, of which 29 on the employers' side and 28 on the employees' side have participated in the survey.

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³ One interview was completed on February 4, 2000.

Table 1; Inflationary and wage increase expectations 1/00

Summary of results

Tables show expected annual increase in CPI and expected annual wage increase the coming year, the coming two years and the coming five years respectively(% , three decimals).

All

| Annual average; | Mean | Median | Lowest | Highest | Std. dev. | Std. error | Resp. | No resp. | Rate % |
|--------------------|-------|--------|--------|---------|-----------|------------|-------|----------|--------|
| Inflation 1 year | 1,811 | 1,800 | 0,000 | 5,000 | 0,687 | 0,038 | 328 | 8 | 98 |
| Inflation 2 years | 1,921 | 1,900 | 0,000 | 3,995 | 0,664 | 0,037 | 325 | 11 | 97 |
| Inflation 5 years | 2,022 | 1,998 | 0,100 | 3,900 | 0,628 | 0,036 | 302 | 34 | 90 |
| Wage incr. 1 year | 3,100 | 3,000 | 0,500 | 7,000 | 0,739 | 0,047 | 245 | 6 | 98 |
| Wage incr. 2 years | 3,108 | 3,000 | 0,500 | 5,995 | 0,672 | 0,043 | 242 | 9 | 96 |
| Wage incr. 5 years | 3,087 | 3,000 | 0,500 | 5,397 | 0,641 | 0,043 | 220 | 31 | 88 |

Employers' organisations

Annual average;

| | | | | | | | | | |
|--------------------|-------|-------|-------|-------|-------|-------|----|---|-----|
| Inflation 1 year | 1,659 | 1,700 | 0,000 | 3,000 | 0,663 | 0,123 | 29 | 0 | 100 |
| Inflation 2 years | 1,729 | 1,850 | 0,125 | 2,750 | 0,605 | 0,112 | 29 | 0 | 100 |
| Inflation 5 years | 1,822 | 1,740 | 0,100 | 2,900 | 0,638 | 0,123 | 27 | 2 | 93 |
| Wage incr. 1 year | 3,110 | 3,000 | 2,400 | 4,000 | 0,397 | 0,074 | 29 | 0 | 100 |
| Wage incr. 2 years | 3,077 | 3,000 | 2,400 | 3,750 | 0,374 | 0,069 | 29 | 0 | 100 |
| Wage incr. 5 years | 3,083 | 3,000 | 2,199 | 4,199 | 0,401 | 0,077 | 27 | 2 | 93 |

Employees' organisations

Annual average;

| | | | | | | | | | |
|--------------------|-------|-------|-------|-------|-------|-------|----|---|----|
| Inflation 1 year | 1,736 | 1,650 | 0,900 | 3,000 | 0,568 | 0,107 | 28 | 2 | 93 |
| Inflation 2 years | 1,834 | 1,825 | 0,950 | 3,499 | 0,524 | 0,099 | 28 | 2 | 93 |
| Inflation 5 years | 1,940 | 1,940 | 1,100 | 3,199 | 0,507 | 0,098 | 27 | 3 | 90 |
| Wage incr. 1 year | 3,311 | 3,500 | 2,000 | 4,500 | 0,613 | 0,116 | 28 | 2 | 93 |
| Wage incr. 2 years | 3,312 | 3,474 | 2,000 | 4,250 | 0,530 | 0,100 | 28 | 2 | 93 |
| Wage incr. 5 years | 3,303 | 3,399 | 2,000 | 4,197 | 0,533 | 0,103 | 27 | 3 | 90 |

Purchasing managers, trading

Annual average;

| | | | | | | | | | |
|--------------------|-------|-------|-------|-------|-------|-------|----|----|----|
| Inflation 1 year | 1,880 | 1,800 | 0,000 | 5,000 | 0,867 | 0,090 | 92 | 3 | 97 |
| Inflation 2 years | 1,976 | 1,849 | 0,000 | 3,995 | 0,818 | 0,086 | 91 | 4 | 96 |
| Inflation 5 years | 2,082 | 2,000 | 0,540 | 3,593 | 0,700 | 0,078 | 80 | 15 | 84 |
| Wage incr. 1 year | 3,098 | 3,000 | 0,500 | 7,000 | 0,869 | 0,090 | 93 | 2 | 98 |
| Wage incr. 2 years | 3,076 | 3,100 | 0,500 | 5,995 | 0,767 | 0,080 | 91 | 4 | 96 |
| Wage incr. 5 years | 3,027 | 3,000 | 0,500 | 5,397 | 0,662 | 0,074 | 80 | 15 | 84 |

Purchasing managers, manufacturing

Annual average;

| | | | | | | | | | |
|--------------------|-------|-------|-------|-------|-------|-------|----|----|----|
| Inflation 1 year | 1,871 | 2,000 | 0,500 | 4,000 | 0,676 | 0,069 | 95 | 2 | 98 |
| Inflation 2 years | 1,988 | 2,000 | 0,500 | 3,995 | 0,691 | 0,071 | 94 | 3 | 97 |
| Inflation 5 years | 2,136 | 2,049 | 0,600 | 3,900 | 0,687 | 0,074 | 86 | 11 | 89 |
| Wage incr. 1 year | 3,036 | 3,000 | 1,500 | 5,000 | 0,712 | 0,073 | 95 | 2 | 98 |
| Wage incr. 2 years | 3,089 | 3,000 | 1,750 | 5,000 | 0,680 | 0,070 | 94 | 3 | 97 |
| Wage incr. 5 years | 3,076 | 3,000 | 1,199 | 5,290 | 0,704 | 0,076 | 86 | 11 | 89 |

Money market players

Annual average;

| | | | | | | | | | |
|-------------------|-------|-------|-------|-------|-------|-------|----|---|----|
| Inflation 1 year | 1,745 | 1,700 | 0,300 | 3,500 | 0,489 | 0,053 | 84 | 1 | 99 |
| Inflation 2 years | 1,881 | 1,900 | 0,400 | 3,250 | 0,473 | 0,052 | 83 | 2 | 98 |
| Inflation 5 years | 1,937 | 1,940 | 0,100 | 3,400 | 0,490 | 0,054 | 82 | 3 | 96 |

**Table 2; Money market expectations
Repo rates, TCW-index, SEK/Euro and SEK/USD 1/00**

Summary of results

| | Mean | Median | Lowest | Highest | Std.dev. | Std.error | Resp. | No resp. | Rate % |
|------------------|---------|---------|---------|---------|----------|-----------|-------|----------|--------|
| Repo rate 3 mo. | 3,708 | 3,750 | 3,250 | 4,500 | 0,196 | 0,023 | 72 | 13 | 85 |
| Repo rate 12 mo. | 4,347 | 4,250 | 3,250 | 5,250 | 0,372 | 0,044 | 72 | 13 | 85 |
| Repo rate 24 mo. | 4,758 | 4,750 | 3,250 | 6,000 | 0,589 | 0,070 | 71 | 14 | 84 |
| TCW-index 3 mo. | 122,935 | 123,000 | 117,000 | 125,000 | 1,662 | 0,228 | 53 | 32 | 62 |
| TCW-index 12 mo. | 121,245 | 121,500 | 115,000 | 128,000 | 2,557 | 0,351 | 53 | 32 | 62 |
| TCW-index 24 mo. | 120,334 | 120,000 | 115,000 | 130,000 | 3,305 | 0,458 | 52 | 33 | 61 |
| SEK/Euro 3 mo. | 8,511 | 8,500 | 8,300 | 8,720 | 0,083 | 0,010 | 71 | 14 | 84 |
| SEK/Euro 12 mo. | 8,470 | 8,470 | 8,000 | 9,000 | 0,167 | 0,020 | 71 | 14 | 84 |
| SEK/Euro 24 mo. | 8,456 | 8,500 | 8,000 | 9,050 | 0,201 | 0,025 | 67 | 18 | 79 |
| SEK/USD 3 mo. | 8,348 | 8,350 | 7,500 | 8,950 | 0,246 | 0,029 | 70 | 15 | 82 |
| SEK/USD 12 mo. | 8,064 | 8,100 | 7,000 | 9,510 | 0,440 | 0,053 | 70 | 15 | 82 |
| SEK/USD 24 mo. | 7,958 | 8,000 | 7,000 | 9,510 | 0,484 | 0,060 | 66 | 19 | 78 |