

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

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Main results

Inflation and wage increase expectations are, by and large, at a stand still as compared to Prospera's latest survey. All changes are small and within established significance margins.

Money market players have revised their repo rate expectations significantly upwards for the three periods covered by the study. They also believe in a strengthened SEK/EUR but an almost flat SEK/USD exchange rate.

The interviewees' confidence in the Riksbank's ability to hold inflation within the tolerance band (1-3%) is just about in line with the previous survey.

On behalf of Sveriges Riksbank (Central Bank of Sweden) Prospera Research AB undertakes a series of surveys for a period of three years, 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 mandate also includes a survey on money market players' expectations of future repo rates, TCW-indices, SEK/EUR and SEK/USD rates. The second survey in the series, called 1/02, has now been completed.

The inflation/wage increase expectations surveys have been carried out by Prospera since 1995. The previous survey, named 4/01, was published on November 21, 2001. 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	
	1/02	4/01	1/02	4/01	1/02	4/01
Annual inflation, %						
All	2,6	2,6	2,6	2,5	2,4	2,4
Employees' organisations	2,8	2,9	2,7	2,6	2,5	2,4
Employers' organisations	2,6	2,8	2,5	2,6	2,3	2,4
Purchase M (Manufacturing)	2,7	2,7	2,7	2,7	2,5	2,5
Purchase T (Trading)	2,6	2,7	2,7	2,6	2,6	2,4
Money market players	2,3	2,2	2,2	2,2	2,1	2,1
Annual wage increase, %						
All	3,2	3,2	3,2	3,2	3,1	3,1
Employees' organisations	3,6	3,6	3,5	3,5	3,4	3,4
Employers' organisations	3,4	3,4	3,4	3,3	3,1	3,1
Purchase M (Manufacturing)	3,0	3,2	3,1	3,1	3,0	3,0
Purchase T (Trading)	3,1	3,1	3,0	3,1	3,0	3,0
	3 months		12 months		24 months	
Money market expectations of;	1/02	4/01	1/02	4/01	1/02	4/01
Repo rate, %	3,8	3,5	4,3	3,6	4,6	4,2
TCW-index	134	138	130	134	128	131
SEK/EUR	9,12	9,47	8,87	9,20	8,75	9,05
SEK/USD	10,37	10,38	10,03	9,93	9,87	9,78

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 carried out in the period February 18 – February 28, 2002³ (previous survey November 5 – November 16, 2001). The part of the survey comprising money market players' expectations of future repo rates, TCW-index, SEK/EUR and SEK/USD rates took place on February 20, 2002 (previous survey November 7, 2001). The interviewees constitute a "panel" which means that the same organisations/companies are approached for interview at all occasions. In all 309(312) members were included in the panel this time. 2(4) of the interviewees in the panel could not be reached, which means that there is an overall response rate of 99(99) 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 following years 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

181 purchasing managers of which 88 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.

68 money market 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.

³ Four interviews were completed on February 29, 2002.

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TABLE 1 - Inflationary and Wage Increase Expectations 1/02

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	2,584	2,500	0,300	4,000	0,586	0,033	307	2	99
Inflation Year 2	2,566	2,500	0,300	5,000	0,657	0,038	303	6	98
Inflation Year 3	2,476	2,500	0,000	5,000	0,663	0,039	294	15	95
Inflation Year 4	2,423	2,350	0,500	5,000	0,668	0,040	280	29	91
Inflation Year 5	2,406	2,275	0,700	5,000	0,638	0,038	280	29	91
Wage Increase Year 1	3,179	3,000	1,000	5,000	0,653	0,042	239	2	99
Wage Increase Year 2	3,173	3,000	1,000	5,000	0,671	0,044	237	4	98
Wage Increase Year 3	3,113	3,000	1,000	5,000	0,677	0,045	229	12	95
Wage Increase Year 4	3,068	3,000	1,000	5,000	0,696	0,047	219	22	91
Wage Increase Year 5	3,073	3,000	1,000	5,000	0,678	0,046	219	22	91
EMPLOYEES' ORGANISATIONS									
Inflation Year 1	2,768	2,800	1,500	3,800	0,475	0,085	31	0	100
Inflation Year 2	2,661	2,700	1,500	4,000	0,487	0,087	31	0	100
Inflation Year 3	2,558	2,500	1,000	4,000	0,568	0,102	31	0	100
Inflation Year 4	2,503	2,500	1,000	4,000	0,597	0,109	30	1	97
Inflation Year 5	2,493	2,500	1,500	4,000	0,566	0,103	30	1	97
Wage Increase Year 1	3,634	3,700	2,000	4,750	0,557	0,100	31	0	100
Wage Increase Year 2	3,494	3,500	1,500	4,750	0,613	0,110	31	0	100
Wage Increase Year 3	3,407	3,500	1,500	4,750	0,667	0,122	30	1	97
Wage Increase Year 4	3,420	3,500	2,000	4,750	0,621	0,113	30	1	97
Wage Increase Year 5	3,410	3,500	1,500	4,750	0,690	0,126	30	1	97
EMPLOYERS' ORGANISATIONS									
Inflation Year 1	2,600	2,700	2,000	3,400	0,432	0,083	27	1	96
Inflation Year 2	2,531	2,500	1,500	4,000	0,542	0,106	26	2	93
Inflation Year 3	2,300	2,200	1,500	3,000	0,370	0,074	25	3	89
Inflation Year 4	2,342	2,250	1,500	4,000	0,504	0,103	24	4	86
Inflation Year 5	2,304	2,050	1,500	4,000	0,524	0,107	24	4	86
Wage Increase Year 1	3,433	3,500	1,500	4,500	0,630	0,121	27	1	96
Wage Increase Year 2	3,369	3,250	2,000	4,000	0,543	0,107	26	2	93
Wage Increase Year 3	3,096	3,000	2,000	4,000	0,640	0,131	24	4	86
Wage Increase Year 4	3,065	3,000	2,000	4,000	0,587	0,122	23	5	82
Wage Increase Year 5	3,078	3,000	2,000	4,000	0,591	0,123	23	5	82

TABLE 1 (continued) - Inflationary and Wage Increase Expectations 1/02

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	2,665	2,800	1,000	4,000	0,593	0,061	93	0	100
Inflation Year 2	2,704	2,700	1,000	4,750	0,732	0,076	92	1	99
Inflation Year 3	2,606	2,500	0,000	4,000	0,741	0,078	90	3	97
Inflation Year 4	2,510	2,500	1,000	4,000	0,700	0,076	85	8	91
Inflation Year 5	2,472	2,500	1,000	4,000	0,708	0,077	85	8	91
Wage Increase Year 1	3,026	3,000	1,500	5,000	0,625	0,065	93	0	100
Wage Increase Year 2	3,144	3,000	1,500	4,500	0,678	0,070	93	0	100
Wage Increase Year 3	3,078	3,000	1,800	5,000	0,630	0,066	90	3	97
Wage Increase Year 4	2,979	3,000	1,500	5,000	0,596	0,065	85	8	91
Wage Increase Year 5	2,994	3,000	1,500	5,000	0,616	0,067	85	8	91
PURCHASING MANAGERS, Trading									
Inflation Year 1	2,644	2,725	0,300	4,000	0,683	0,073	88	1	99
Inflation Year 2	2,652	2,500	0,300	5,000	0,709	0,076	86	3	97
Inflation Year 3	2,574	2,500	0,500	5,000	0,758	0,083	84	5	94
Inflation Year 4	2,551	2,500	0,500	5,000	0,810	0,091	79	10	89
Inflation Year 5	2,556	2,500	0,700	5,000	0,719	0,081	79	10	89
Wage Increase Year 1	3,102	3,000	1,000	5,000	0,633	0,068	88	1	99
Wage Increase Year 2	3,032	3,000	1,000	5,000	0,676	0,072	87	2	98
Wage Increase Year 3	3,051	3,000	1,000	5,000	0,722	0,078	85	4	96
Wage Increase Year 4	3,033	3,000	1,000	5,000	0,811	0,090	81	8	91
Wage Increase Year 5	3,028	3,000	1,000	5,000	0,731	0,081	81	8	91
MONEY MARKET PLAYERS									
Inflation Year 1	2,307	2,300	1,000	4,000	0,448	0,054	68	0	100
Inflation Year 2	2,239	2,100	1,500	4,000	0,464	0,056	68	0	100
Inflation Year 3	2,192	2,000	1,400	3,500	0,413	0,052	64	4	94
Inflation Year 4	2,131	2,000	1,400	3,500	0,374	0,047	62	6	91
Inflation Year 5	2,119	2,000	1,500	3,500	0,362	0,046	62	6	91

TABLE 2 - Repo rates, TCW-index, SEK/Euro and SEK/USD

Expected Repo rates, TCW-index, SEK/Euro 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	3,772	3,750	3,250	4,250	0,114	0,014	63	5	93
12 months	4,254	4,250	3,250	5,250	0,366	0,046	63	5	93
24 months	4,559	4,500	3,000	5,500	0,485	0,062	62	6	91
TCW-index									
3 months	134,021	134,000	130,000	138,050	1,696	0,240	50	18	74
12 months	130,232	130,000	123,900	137,000	3,254	0,465	49	19	72
24 months	127,700	128,000	118,000	137,000	4,159	0,594	49	19	72
SEK/EUR									
3 months	9,115	9,100	8,870	9,400	0,110	0,014	61	7	90
12 months	8,873	8,800	8,400	9,700	0,207	0,027	61	7	90
24 months	8,751	8,700	8,200	9,500	0,207	0,027	59	9	87
SEK/USD									
3 months	10,369	10,500	8,190	10,950	0,405	0,052	61	7	90
12 months	10,033	10,200	8,500	11,000	0,585	0,075	61	7	90
24 months	9,874	10,000	8,400	11,000	0,602	0,079	58	10	85

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 respons	
	1/02	4/01	1/02	4/01	1/02	4/01	1/02	4/01
All	n	n	84	84	14	13	2	3
Employees' organisations	0	0	90	87	10	10	0	3
Employers' organisations	0	0	86	89	7	11	7	0
Purchase M	0	0	80	78	19	19	1	2
Purchase T	1	1	78	78	18	16	3	4
Money Market Players	0	0	96	96	4	1	0	3