

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

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Main results

All interviewee categories revise their 1, 2 and 5 year inflation expectations significantly upwards and significantly above the Riksbank's inflation target of 2 per cent annually. Wage increase expectations are, by and large, unchanged.

Money market players expect lower repo rates for the next 3 and 12 months than they did about half a year ago. Compared in the same manner they also believe in a weaker SEK, in general as well as against EUR and USD, for the coming 3, 12 and 24 months.

Prospera Research AB has, for the second time, been commissioned by Sveriges Riksbank (Central Bank of Sweden) to undertake 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 first survey in the series, called 4/01 below, has now been completed.

The survey, as described, has been carried out by Prospera, in its own regime, since 1998. The last "own regime survey", named 2/01 below, was published on April 27, 2001. A comparison of the two surveys' results can be summarised as follows (rounded off figures)^{1,2};

Expectations of;	1 year		2 years		5 years	
	4/01	2/01	4/01	2/01	4/01	2/01
Annual average inflation, %						
All	2,6	2,0	2,6	2,1	2,5	2,1
Employers' organisations	2,8	1,9	2,7	1,9	2,6	2,0
Employees' organisations	2,9	1,9	2,7	1,9	2,6	2,0
Purchase T (Trading)	2,7	2,1	2,7	2,1	2,5	2,2
Purchase M (Manufacturing)	2,7	2,2	2,7	2,2	2,6	2,3
Money market players	2,2	1,9	2,2	1,9	2,1	2,0
Annual average wage increase, %						
All	3,2	3,2	3,2	3,2	3,1	3,1
Employers' organisations	3,4	3,4	3,4	3,3	3,2	3,2
Employees' organisations	3,6	3,5	3,5	3,5	3,5	3,4
Purchase T (Trading)	3,1	3,1	3,1	3,1	3,1	3,1
Purchase M (Manufacturing)	3,2	3,1	3,1	3,1	3,0	3,1
Money market expectations of;						
	3 months		12 months		24 months	
	4/01	2/01	4/01	2/01	4/01	2/01
Repo rate, %	3,5	3,9	3,6	3,9	4,2	4,2
TCW-index	138	131	134	129	131	127
SEK/EUR	9,47	8,97	9,20	8,79	9,05	8,70
SEK/USD	10,38	9,95	9,93	9,53	9,78	9,31

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 November 5 – November 16, 2001 (previous survey April 11 – April 25, 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 November 7, 2001 (previous survey April 18, 2001). The interviewees constitute a "panel" which means that the same organisations/companies are approached for interview at all occasions. In all 312(317) members were included in the panel this time. 4(7) of the interviewees in the panel could not be reached, which means that there is an overall response rate of 99(98) per cent. The response rate for individual questions concerning inflation and wage increase expectations is 96 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

181 purchasing managers of which 90 represent the trading industry (T) and 91 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.

69 money market players, 52 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 28 on the employers' side and 30 on the employees' side have participated in the survey.

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TABLE 1 - Inflationary and wage increase expectations 4/01

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	2,630	2,500	0,200	6,000	0,735	0,042	308	4	99
Inflation 2 years	2,590	2,599	0,250	6,000	0,674	0,039	303	9	97
Inflation 5 years	2,472	2,399	0,320	4,190	0,585	0,035	275	37	88
Wage increase 1 year	3,217	3,000	1,250	5,000	0,679	0,044	238	5	98
Wage increase 2 years	3,199	3,050	1,499	4,750	0,597	0,039	235	8	97
Wage increase 5 years	3,129	3,100	1,399	4,500	0,539	0,037	211	32	87
EMPLOYERS' ORGANISATIONS									
Inflation 1 year	2,789	2,800	1,500	5,000	0,653	0,123	28	0	100
Inflation 2 years	2,709	2,725	1,750	3,750	0,506	0,096	28	0	100
Inflation 5 years	2,553	2,500	1,600	3,299	0,438	0,088	25	3	89
Wage increase 1 year	3,411	3,250	2,700	4,500	0,486	0,092	28	0	100
Wage increase 2 years	3,354	3,225	2,700	4,750	0,494	0,093	28	0	100
Wage increase 5 years	3,231	3,100	2,419	4,000	0,418	0,084	25	3	89
EMPLOYEES' ORGANISATIONS									
Inflation 1 year	2,853	3,000	1,500	4,000	0,603	0,110	30	1	97
Inflation 2 years	2,745	2,775	1,250	3,600	0,572	0,104	30	1	97
Inflation 5 years	2,551	2,600	1,100	3,400	0,524	0,097	29	2	94
Wage increase 1 year	3,577	3,700	2,000	5,000	0,646	0,118	30	1	97
Wage increase 2 years	3,544	3,700	2,200	4,500	0,537	0,098	30	1	97
Wage increase 5 years	3,501	3,497	2,280	4,500	0,500	0,093	29	2	94
PURCHASING MANAGERS, Trading									
Inflation 1 year	2,722	2,750	0,200	6,000	0,842	0,089	90	1	99
Inflation 2 years	2,683	2,750	0,250	6,000	0,786	0,084	87	4	96
Inflation 5 years	2,541	2,480	0,320	4,190	0,633	0,071	80	11	88
Wage increase 1 year	3,099	3,000	1,250	5,000	0,683	0,072	89	2	98
Wage increase 2 years	3,095	3,000	1,499	4,750	0,603	0,065	87	4	96
Wage increase 5 years	3,059	3,050	1,399	4,399	0,528	0,059	79	12	87
PURCHASING MANAGERS, Manufacturing									
Inflation 1 year	2,747	3,000	1,000	4,000	0,766	0,080	91	2	98
Inflation 2 years	2,717	2,750	1,000	4,000	0,697	0,073	91	2	98
Inflation 5 years	2,605	2,600	1,000	3,998	0,673	0,076	78	15	84
Wage increase 1 year	3,154	3,000	1,500	5,000	0,693	0,073	91	2	98
Wage increase 2 years	3,135	3,000	1,850	4,500	0,597	0,063	90	3	97
Wage increase 5 years	3,029	3,000	1,699	4,299	0,543	0,061	78	15	84
MONEY MARKET PLAYERS									
Inflation 1 year	2,196	2,200	1,000	3,100	0,396	0,048	69	0	100
Inflation 2 years	2,175	2,100	1,000	3,100	0,372	0,045	67	2	97
Inflation 5 years	2,150	2,100	1,599	3,100	0,317	0,040	63	6	91

TABLE 2 - Money market expectations 4/01

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	3,481	3,500	2,750	3,750	0,223	0,029	60	9	87
12 months	3,634	3,625	2,500	4,500	0,447	0,058	60	9	87
24 months	4,202	4,250	2,500	5,500	0,563	0,075	56	13	81
TCW-index									
3 months	138,260	139,000	130,000	145,000	2,798	0,417	45	24	65
12 months	133,981	133,500	123,600	145,000	4,578	0,682	45	24	65
24 months	131,406	130,000	115,000	150,000	6,478	0,966	45	24	65
SEK/EUR									
3 months	9,472	9,480	8,840	9,800	0,181	0,024	57	12	83
12 months	9,205	9,200	8,500	10,380	0,344	0,046	57	12	83
24 months	9,052	9,000	8,400	10,000	0,370	0,051	52	17	75
SEK/USD									
3 months	10,385	10,400	9,400	11,410	0,289	0,038	57	12	83
12 months	9,935	10,000	8,000	11,300	0,592	0,078	57	12	83
24 months	9,779	9,775	8,100	11,250	0,624	0,086	52	17	75