

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

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Main results

As compared to Prospera's last survey (3/02), changes in inflationary expectations are small, but mainly downsloping.

Money market players believe in lower repo rates for all three coming time periods covered by the study. As was the case in the last survey money market players also believe in a strengthened SEK the 24 months to come.

The "Confidence Indicator" is calculated at 89(92), i.e. 89(92) per cent of the interviewees are of the opinion that inflation the second year from now will stay within the Riksbank's tolerance band(1-3 per cent annually), primarily a result of an increased spread in opinions among employees' organisations.

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 rates, TCW-indices, SEK/EUR and SEK/USD rates.

The fifth survey in the series, 4/02, has now been completed. The previous survey, 3/02, was published on October 2, 2002. 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 | |
|--------------------------------------|----------|------|-----------|------|-----------|------|
| | 4/02 | 3/02 | 4/02 | 3/02 | 4/02 | 3/02 |
| Annual inflation, % | | | | | | |
| All | 2,3 | 2,4 | 2,4 | 2,4 | 2,3 | 2,4 |
| Employees' organisations | 2,3 | 2,3 | 2,3 | 2,3 | 2,2 | 2,4 |
| Employers' organisations | 2,2 | 2,4 | 2,2 | 2,4 | 2,2 | 2,2 |
| Purchase managers Manufacturing | 2,5 | 2,5 | 2,6 | 2,6 | 2,5 | 2,6 |
| Purchase managers Trading | 2,3 | 2,4 | 2,4 | 2,4 | 2,5 | 2,4 |
| Money market players | 2,0 | 2,2 | 2,1 | 2,1 | 2,1 | 2,1 |
| Annual wage increase, % | | | | | | |
| All | 3,2 | 3,2 | 3,2 | 3,2 | 3,1 | 3,1 |
| Employees' organisations | 3,4 | 3,4 | 3,5 | 3,4 | 3,4 | 3,5 |
| Employers' organisations | 3,4 | 3,6 | 3,3 | 3,5 | 3,2 | 3,3 |
| Purchase managers Manufacturing | 3,2 | 3,1 | 3,2 | 3,2 | 3,0 | 3,1 |
| Purchase managers Trading | 3,1 | 3,0 | 3,1 | 3,0 | 3,1 | 3,1 |
| | 3 months | | 12 months | | 24 months | |
| Money market expectations of; | 4/02 | 3/02 | 4/02 | 3/02 | 4/02 | 3/02 |
| Repo rate, % | 4,0 | 4,2 | 4,1 | 4,5 | 4,4 | 4,6 |
| TCW-index | 130 | 130 | 128 | 127 | 126 | 125 |
| SEK/EUR | 9,01 | 9,02 | 8,85 | 8,78 | 8,79 | 8,70 |
| SEK/USD | 9,05 | 9,16 | 8,88 | 8,90 | 8,85 | 8,87 |

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 4 - November 14, 2002 (previous survey September 16 - September 26, 2002). The part of the survey regarding money market players' expectations of future repo rates, TCW-index, SEK/EUR and SEK/USD rates took place on November 6, 2002 (previous survey September 18, 2002).

About the Interviewees & Response Rate

In all 305(308) organisations/companies were approached for interview. 4(5) of the persons 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 regarding inflation and wage increase expectations is 97 per cent or more for the one year and two years assessments. For the three, four and five years assessments (Table 1) as well as the questions regarding repo rates, TCW-index, SEK/EUR and SEK/USD the response rate is generally lower (Table 2).

Of the 177 purchasing managers 87 represent the trading industry and 90 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 66 players, 50 Swedish and 16 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.

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 | 2,280 | 2,200 | 0,000 | 4,000 | 0,598 | 0,034 | 301 | 4 | 99 |
| Inflation Year 2 | 2,377 | 2,200 | 0,500 | 5,000 | 0,654 | 0,038 | 300 | 5 | 98 |
| Inflation Year 3 | 2,381 | 2,200 | 0,500 | 4,000 | 0,601 | 0,035 | 292 | 13 | 96 |
| Inflation Year 4 | 2,360 | 2,100 | 1,000 | 5,000 | 0,577 | 0,034 | 281 | 24 | 92 |
| Inflation Year 5 | 2,335 | 2,000 | 0,500 | 5,000 | 0,584 | 0,035 | 281 | 24 | 92 |
| | | | | | | | | | |
| Wage Increase Year 1 | 3,216 | 3,200 | 1,000 | 5,000 | 0,645 | 0,042 | 235 | 3 | 99 |
| Wage Increase Year 2 | 3,244 | 3,100 | 1,000 | 6,000 | 0,659 | 0,043 | 234 | 4 | 98 |
| Wage Increase Year 3 | 3,162 | 3,000 | 1,000 | 5,000 | 0,664 | 0,044 | 225 | 13 | 95 |
| Wage Increase Year 4 | 3,133 | 3,000 | 1,000 | 6,000 | 0,685 | 0,047 | 215 | 23 | 90 |
| Wage Increase Year 5 | 3,140 | 3,000 | 1,000 | 6,000 | 0,671 | 0,046 | 215 | 23 | 90 |
| EMPLOYEES' ORGANISATIONS | | | | | | | | | |
| Inflation Year 1 | 2,302 | 2,200 | 0,800 | 3,800 | 0,641 | 0,117 | 30 | 1 | 97 |
| Inflation Year 2 | 2,328 | 2,275 | 0,800 | 3,500 | 0,641 | 0,117 | 30 | 1 | 97 |
| Inflation Year 3 | 2,324 | 2,250 | 1,000 | 3,500 | 0,647 | 0,120 | 29 | 2 | 94 |
| Inflation Year 4 | 2,284 | 2,200 | 1,000 | 3,500 | 0,635 | 0,118 | 29 | 2 | 94 |
| Inflation Year 5 | 2,236 | 2,200 | 0,500 | 3,500 | 0,646 | 0,120 | 29 | 2 | 94 |
| | | | | | | | | | |
| Wage Increase Year 1 | 3,448 | 3,500 | 2,000 | 4,500 | 0,498 | 0,091 | 30 | 1 | 97 |
| Wage Increase Year 2 | 3,512 | 3,500 | 2,000 | 4,500 | 0,573 | 0,105 | 30 | 1 | 97 |
| Wage Increase Year 3 | 3,440 | 3,500 | 2,000 | 4,100 | 0,592 | 0,110 | 29 | 2 | 94 |
| Wage Increase Year 4 | 3,395 | 3,500 | 2,500 | 4,000 | 0,512 | 0,095 | 29 | 2 | 94 |
| Wage Increase Year 5 | 3,388 | 3,500 | 2,500 | 4,000 | 0,516 | 0,096 | 29 | 2 | 94 |
| EMPLOYERS' ORGANISATIONS | | | | | | | | | |
| Inflation Year 1 | 2,221 | 2,100 | 1,500 | 3,000 | 0,398 | 0,075 | 28 | 0 | 100 |
| Inflation Year 2 | 2,246 | 2,100 | 1,500 | 3,100 | 0,432 | 0,082 | 28 | 0 | 100 |
| Inflation Year 3 | 2,281 | 2,000 | 1,500 | 4,000 | 0,572 | 0,110 | 27 | 1 | 96 |
| Inflation Year 4 | 2,254 | 2,050 | 1,500 | 3,500 | 0,505 | 0,099 | 26 | 2 | 93 |
| Inflation Year 5 | 2,231 | 2,000 | 1,500 | 3,500 | 0,524 | 0,103 | 26 | 2 | 93 |
| | | | | | | | | | |
| Wage Increase Year 1 | 3,418 | 3,500 | 2,000 | 4,000 | 0,493 | 0,093 | 28 | 0 | 100 |
| Wage Increase Year 2 | 3,343 | 3,350 | 2,000 | 4,000 | 0,552 | 0,104 | 28 | 0 | 100 |
| Wage Increase Year 3 | 3,265 | 3,250 | 1,800 | 5,000 | 0,716 | 0,140 | 26 | 2 | 93 |
| Wage Increase Year 4 | 3,188 | 3,200 | 1,500 | 4,000 | 0,723 | 0,145 | 25 | 3 | 89 |
| Wage Increase Year 5 | 3,212 | 3,000 | 1,500 | 4,100 | 0,741 | 0,148 | 25 | 3 | 89 |

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 | 2,492 | 2,500 | 0,000 | 4,000 | 0,742 | 0,078 | 90 | 0 | 100 |
| Inflation Year 2 | 2,640 | 2,500 | 1,000 | 5,000 | 0,810 | 0,085 | 90 | 0 | 100 |
| Inflation Year 3 | 2,567 | 2,500 | 1,000 | 4,000 | 0,688 | 0,074 | 87 | 3 | 97 |
| Inflation Year 4 | 2,522 | 2,500 | 1,000 | 4,000 | 0,615 | 0,068 | 82 | 8 | 91 |
| Inflation Year 5 | 2,471 | 2,500 | 1,000 | 4,000 | 0,626 | 0,069 | 82 | 8 | 91 |
| Wage Increase Year 1 | 3,178 | 3,000 | 1,800 | 5,000 | 0,704 | 0,074 | 90 | 0 | 100 |
| Wage Increase Year 2 | 3,218 | 3,000 | 1,500 | 5,000 | 0,664 | 0,070 | 90 | 0 | 100 |
| Wage Increase Year 3 | 3,068 | 3,000 | 1,500 | 4,500 | 0,604 | 0,065 | 86 | 4 | 96 |
| Wage Increase Year 4 | 3,038 | 3,000 | 2,000 | 4,500 | 0,588 | 0,066 | 80 | 10 | 89 |
| Wage Increase Year 5 | 3,030 | 3,000 | 1,500 | 4,500 | 0,575 | 0,064 | 80 | 10 | 89 |
| PURCHASING MANAGERS, Trading | | | | | | | | | |
| Inflation Year 1 | 2,289 | 2,200 | 0,300 | 4,000 | 0,574 | 0,062 | 87 | 2 | 98 |
| Inflation Year 2 | 2,410 | 2,450 | 0,500 | 4,000 | 0,633 | 0,068 | 86 | 3 | 97 |
| Inflation Year 3 | 2,454 | 2,500 | 0,500 | 4,000 | 0,603 | 0,066 | 84 | 5 | 94 |
| Inflation Year 4 | 2,457 | 2,300 | 1,400 | 5,000 | 0,638 | 0,071 | 81 | 8 | 91 |
| Inflation Year 5 | 2,462 | 2,300 | 1,500 | 5,000 | 0,651 | 0,072 | 81 | 8 | 91 |
| Wage Increase Year 1 | 3,109 | 3,000 | 1,000 | 5,000 | 0,642 | 0,069 | 87 | 2 | 98 |
| Wage Increase Year 2 | 3,146 | 3,000 | 1,000 | 6,000 | 0,693 | 0,075 | 86 | 3 | 97 |
| Wage Increase Year 3 | 3,132 | 3,000 | 1,000 | 5,000 | 0,708 | 0,077 | 84 | 5 | 94 |
| Wage Increase Year 4 | 3,118 | 3,000 | 1,000 | 6,000 | 0,793 | 0,088 | 81 | 8 | 91 |
| Wage Increase Year 5 | 3,138 | 3,000 | 1,000 | 6,000 | 0,765 | 0,085 | 81 | 8 | 91 |
| MONEY MARKET PLAYERS | | | | | | | | | |
| Inflation Year 1 | 1,994 | 2,000 | 1,250 | 2,700 | 0,247 | 0,030 | 66 | 1 | 99 |
| Inflation Year 2 | 2,054 | 2,000 | 1,250 | 2,800 | 0,267 | 0,033 | 66 | 1 | 99 |
| Inflation Year 3 | 2,106 | 2,000 | 1,500 | 3,000 | 0,286 | 0,035 | 65 | 2 | 97 |
| Inflation Year 4 | 2,105 | 2,000 | 1,500 | 3,000 | 0,283 | 0,036 | 63 | 4 | 94 |
| Inflation Year 5 | 2,084 | 2,000 | 1,500 | 3,000 | 0,255 | 0,032 | 63 | 4 | 94 |

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

Expected Repo rates, TCW-index, SEK/EUR 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 | 4,026 | 4,000 | 3,750 | 4,250 | 0,131 | 0,017 | 57 | 10 | 85 |
| 12 months | 4,133 | 4,250 | 3,000 | 4,750 | 0,348 | 0,046 | 57 | 10 | 85 |
| 24 months | 4,401 | 4,500 | 3,000 | 5,250 | 0,452 | 0,062 | 54 | 13 | 81 |
| TCW-index | | | | | | | | | |
| 3 months | 130,193 | 130,000 | 125,000 | 140,000 | 2,452 | 0,350 | 49 | 18 | 73 |
| 12 months | 127,508 | 128,000 | 118,000 | 135,000 | 3,313 | 0,473 | 49 | 18 | 73 |
| 24 months | 126,338 | 127,000 | 110,000 | 135,000 | 4,637 | 0,676 | 47 | 20 | 70 |
| SEK/EUR | | | | | | | | | |
| 3 months | 9,014 | 9,000 | 8,750 | 9,200 | 0,098 | 0,013 | 54 | 13 | 81 |
| 12 months | 8,848 | 8,800 | 8,600 | 9,300 | 0,159 | 0,022 | 54 | 13 | 81 |
| 24 months | 8,786 | 8,750 | 8,400 | 9,300 | 0,178 | 0,024 | 53 | 14 | 79 |
| SEK/USD | | | | | | | | | |
| 3 months | 9,053 | 9,100 | 8,370 | 9,470 | 0,201 | 0,028 | 53 | 14 | 79 |
| 12 months | 8,882 | 8,900 | 7,850 | 9,650 | 0,402 | 0,056 | 52 | 15 | 78 |
| 24 months | 8,850 | 8,800 | 7,900 | 9,800 | 0,418 | 0,058 | 51 | 16 | 76 |

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 | |
|--------------------------|--------------|------|-------------------------|------|--------------|------|-------------|------|
| | 4/02 | 3/02 | 4/02 | 3/02 | 4/02 | 3/02 | 4/02 | 3/02 |
| All | 1 | n | 89 | 92 | 9 | 6 | 2 | 2 |
| Employees' organisations | 3 | 0 | 84 | 97 | 10 | 0 | 3 | 3 |
| Employers' organisations | 0 | 0 | 96 | 96 | 4 | 4 | 0 | 0 |
| Purchase M | 0 | 0 | 80 | 87 | 20 | 13 | 0 | 0 |
| Purchase T | 1 | 1 | 89 | 90 | 7 | 4 | 3 | 4 |
| Money Market Players | 0 | 0 | 99 | 96 | 0 | 1 | 1 | 3 |