

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 (3/03), changes in inflation(CPI) as well as wage increase expectations are marginal.

91(91) 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").

The repo rate is expected to keep up in a short range perspective and to increase in a 12 and 24 month range. The SEK is expected to grow in value against the EUR and, above all, against the USD. These findings might perhaps be interpreted as a belief in an increased interest rate spread between the SEK on the one hand and the EUR and USD on the other. The TCW is however expected to move largely sideways.

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 ninth survey in the series, 4/03, has now been completed. The previous survey, 3/03, was published on October 1, 2003. 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	
Annual inflation, %	4/03	3/03	4/03	3/03	4/03	3/03
All	2,2	2,2	2,4	2,3	2,4	2,3
Employees' organisations	2,0	2,1	2,1	2,2	2,2	2,3
Employers' organisations	2,1	2,2	2,2	2,3	2,2	2,1
Purchase managers Manufacturing	2,5	2,4	2,6	2,5	2,6	2,5
Purchase managers Trading	2,4	2,3	2,4	2,3	2,5	2,3
Money market players	1,8	1,8	2,1	2,0	2,1	2,1
Annual wage increase, %						
All	3,1	3,0	3,1	3,0	3,0	3,0
Employees' organisations	3,4	3,2	3,4	3,2	3,3	3,2
Employers' organisations	3,2	3,3	3,3	3,2	3,1	3,2
Purchase managers Manufacturing	3,0	2,9	3,0	3,0	2,9	2,9
Purchase managers Trading	3,1	3,0	3,0	3,0	3,0	3,0
Money market expectations of;	3 months		12 months		24 months	
Repo rate, %	4/03	3/03	4/03	3/03	4/03	3/03
Repo rate, %	2,7	2,7	3,2	3,0	3,8	3,6
TCW	125	126	124	125	124	124
EUR	8,95	9,04	8,86	8,91	8,81	8,87
USD	7,79	8,07	7,69	7,93	7,81	7,97

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 3 - November 13, 2003 (previous survey September 15 - September 24, 2003). The part of the survey regarding money market players' expectations of future repo rates, TCW, EUR and USD rates took place on November 5, 2003 (previous survey September 17, 2003).

About the Interviewees & Response Rate

In all 300(302) 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 96 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, TCW, EUR and USD rates the response rate is generally lower (Table 2).

Of the 175 purchasing managers 87 represent the trading industry and 88 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 67 players, 50 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, EUR and 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.

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	2,221	2,000	0,500	5,000	0,578	0,034	295	5	98
Inflation Year 2	2,355	2,200	0,500	5,000	0,557	0,033	294	6	98
Inflation Year 3	2,365	2,200	1,000	5,000	0,553	0,033	283	17	94
Inflation Year 4	2,367	2,100	1,000	5,000	0,557	0,034	269	31	90
Inflation Year 5	2,359	2,050	0,500	5,000	0,560	0,034	268	32	89
Wage Increase Year 1	3,107	3,000	1,500	5,000	0,555	0,037	231	2	99
Wage Increase Year 2	3,100	3,000	1,000	5,000	0,563	0,037	231	2	99
Wage Increase Year 3	3,062	3,000	1,000	5,000	0,588	0,040	221	12	95
Wage Increase Year 4	3,043	3,000	1,000	5,000	0,594	0,041	208	25	89
Wage Increase Year 5	3,033	3,000	1,500	4,750	0,580	0,040	207	26	89
EMPLOYEES' ORGANISATIONS									
Inflation Year 1	2,003	2,000	0,500	3,000	0,485	0,087	31	0	100
Inflation Year 2	2,061	2,000	0,500	3,500	0,526	0,094	31	0	100
Inflation Year 3	2,165	2,000	1,000	4,000	0,572	0,103	31	0	100
Inflation Year 4	2,168	2,000	1,000	3,200	0,510	0,096	28	3	90
Inflation Year 5	2,157	2,000	0,500	3,200	0,541	0,102	28	3	90
Wage Increase Year 1	3,369	3,500	1,500	4,500	0,467	0,084	31	0	100
Wage Increase Year 2	3,384	3,500	1,000	4,500	0,548	0,098	31	0	100
Wage Increase Year 3	3,315	3,500	1,000	4,000	0,529	0,095	31	0	100
Wage Increase Year 4	3,270	3,500	1,000	4,500	0,604	0,114	28	3	90
Wage Increase Year 5	3,277	3,500	1,500	4,500	0,536	0,101	28	3	90
EMPLOYERS' ORGANISATIONS									
Inflation Year 1	2,135	2,000	1,200	3,800	0,438	0,086	26	1	96
Inflation Year 2	2,204	2,000	1,400	3,700	0,511	0,100	26	1	96
Inflation Year 3	2,232	2,050	1,000	3,000	0,476	0,102	22	5	81
Inflation Year 4	2,164	2,000	1,200	3,000	0,432	0,092	22	5	81
Inflation Year 5	2,177	2,000	1,500	3,000	0,405	0,086	22	5	81
Wage Increase Year 1	3,188	3,100	2,500	4,200	0,373	0,073	26	1	96
Wage Increase Year 2	3,269	3,100	2,500	4,000	0,492	0,097	26	1	96
Wage Increase Year 3	3,168	3,100	2,000	4,000	0,476	0,102	22	5	81
Wage Increase Year 4	3,123	3,000	2,000	4,000	0,490	0,104	22	5	81
Wage Increase Year 5	3,105	3,000	2,000	4,000	0,551	0,117	22	5	81

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	2,456	2,500	1,000	5,000	0,636	0,068	87	1	99
Inflation Year 2	2,626	2,500	1,500	5,000	0,628	0,067	87	1	99
Inflation Year 3	2,589	2,500	1,500	5,000	0,666	0,073	84	4	95
Inflation Year 4	2,599	2,500	1,500	5,000	0,628	0,071	78	10	89
Inflation Year 5	2,552	2,500	1,500	5,000	0,624	0,071	77	11	88
Wage Increase Year 1	3,024	3,000	1,500	4,500	0,569	0,061	87	1	99
Wage Increase Year 2	3,025	3,000	1,500	4,000	0,532	0,057	87	1	99
Wage Increase Year 3	3,017	3,000	2,000	4,500	0,590	0,064	84	4	95
Wage Increase Year 4	2,983	3,000	2,000	5,000	0,611	0,069	78	10	89
Wage Increase Year 5	2,925	3,000	1,500	4,000	0,574	0,065	77	11	88
PURCHASING MANAGERS, Trading									
Inflation Year 1	2,381	2,500	1,000	4,000	0,563	0,061	86	1	99
Inflation Year 2	2,440	2,500	1,500	3,500	0,487	0,052	86	1	99
Inflation Year 3	2,441	2,500	1,500	4,000	0,486	0,053	84	3	97
Inflation Year 4	2,453	2,450	1,500	5,000	0,586	0,066	80	7	92
Inflation Year 5	2,483	2,500	1,500	5,000	0,607	0,068	80	7	92
Wage Increase Year 1	3,072	3,000	1,500	5,000	0,591	0,063	87	0	100
Wage Increase Year 2	3,024	3,000	1,700	5,000	0,582	0,062	87	0	100
Wage Increase Year 3	2,988	3,000	1,500	5,000	0,612	0,067	84	3	97
Wage Increase Year 4	2,999	3,000	1,700	4,200	0,588	0,066	80	7	92
Wage Increase Year 5	3,033	3,000	2,000	4,750	0,591	0,066	80	7	92
MONEY MARKET PLAYERS									
Inflation Year 1	1,835	1,800	1,000	2,500	0,316	0,039	65	2	97
Inflation Year 2	2,077	2,000	1,200	3,000	0,331	0,041	64	3	96
Inflation Year 3	2,105	2,000	1,500	3,000	0,283	0,036	62	5	93
Inflation Year 4	2,121	2,000	1,700	3,000	0,261	0,033	61	6	91
Inflation Year 5	2,111	2,000	1,700	3,000	0,260	0,033	61	6	91

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	2,748	2,750	2,500	3,000	0,077	0,010	57	10	85
12 months	3,214	3,250	2,500	4,250	0,352	0,047	56	11	84
24 months	3,823	4,000	2,500	5,000	0,490	0,066	55	12	82
TCW									
3 months	125,398	125,750	120,000	130,000	1,930	0,291	44	23	66
12 months	124,225	124,000	118,000	135,000	3,288	0,496	44	23	66
24 months	123,970	124,000	115,000	140,000	4,311	0,650	44	23	66
EUR									
3 months	8,947	8,975	8,500	9,150	0,121	0,016	56	11	84
12 months	8,858	8,800	8,300	9,400	0,197	0,027	55	12	82
24 months	8,810	8,800	8,200	9,400	0,239	0,033	52	15	78
USD									
3 months	7,786	7,800	7,000	8,150	0,239	0,032	56	11	84
12 months	7,691	7,700	6,600	8,750	0,467	0,063	55	12	82
24 months	7,809	7,700	6,600	9,300	0,626	0,087	52	15	78

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	
	4/03	3/03	4/03	3/03	4/03	3/03	4/03	3/03
All	0	0	91	91	6	6	2	2
Employees' organisations	3	0	94	90	3	6	0	3
Employers' organisations	0	0	89	85	7	11	4	4
Purchase M	0	0	84	88	15	11	1	1
Purchase T	0	0	95	91	3	5	1	5
Money Market Players	0	0	96	100	0	0	4	0