

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

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Main results

The revision of the interviewees' inflation and wage increase expectations are, as compared to Prospera's last survey(2/04), small and also somewhat scattered, although the over all inflationary expectations result for the next coming two years is a revision upwards.

The money market players generally expect higher repo rates than they did in the 2/04 survey. Again referring to 2/04, this category's exchange rate expectations have moved in the direction of a stronger SEK/USD but an unchanged or weakened SEK/EUR over the next two year period.

92(93) 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").

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 twelfth survey in the series, 3/04, has now been completed. The previous survey, 2/04, was published on May 12, 2004. A comparison of the results of the two surveys can be summarised as follows (rounded off figures)^{1,2};

Expectations of;	Y	ear 1	Ye	ear 2	Y	ear 5
Annual inflation, %	3/04	2/04	3/04	2/04	3/04	2/04
All	1,9	1,8	2,1	2,0	2,2	2,2
Employees' organisations	1,7	1,5	1,9	1,8	2,1	2,2
Employers' organisations	1,6	1,8	1,8	1,9	2,0	1,9
Purchase managers Manufacturing	2,2	2,0	2,3	2,2	2,3	2,4
Purchase managers Trading	2,0	1,9	2,1	2,1	2,2	2,3
Money market players	1,6	1,4	2,0	1,9	2,0	2,0
Annual wage increase, %						
All	2,7	2,7	2,8	2,8	2,7	2,8
Employees' organisations	2,8	2,8	2,9	3,0	3,0	3,2
Employers' organisations	2,7	2,9	2,9	2,9	2,8	2,9
Purchase managers Manufacturing	2,8	2,6	2,8	2,7	2,7	2,7
Purchase managers Trading	2,6	2,7	2,6	2,8	2,7	2,8
	3 m	onths	12 m	onths	24 r	nonths
Money market expectations of;	3/04	2/04	3/04	2/04	3/04	2/04
Reporate, %	2,1	2,0	2,8	2,5	3,4	3,2
TCW	125	126	124	125	123	124
EUR	9,05	9,05	8,94	8,92	8,93	8,87
USD	7,41	7,57	7,28	7,47	7,29	7,45

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.



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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 September 13 – September 27, 2004 (previous survey April 26 – May 6, 2004). The part of the survey regarding money market players' expectations of future repo rates, TCW, EUR and USD rates took place on September 15, 2004 (previous survey April 28, 2004).

About the Interviewees & Response Rate

In all 292(296) organisations/companies were approached for interview. 6(11) of the persons in the panel could not be reached, which means that there is an overall response rate of 98(96) per cent. The response rate for individual questions regarding inflation and wage increase expectations is 94 per cent or more for the one year and two years assessments, except for the employers' organisations. 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 172 purchasing managers 85 represent the trading industry and 87 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 63 players, 49 Swedish and 14 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 reporates, TCW, EUR and USD rates.

57 Swedish labour market organisations, of which 26 on the employers' side and 31 on the employees' side have been approached.

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	Standard	Responses	No Resp.	Response
	(%)	(%)	(%)	(%)	Deviation	Error	(numbers)	(numbers)	Rate (%)
ALL									
Inflation Year 1	1,917	1,900	0,500	4,000	0,650	0,038	286	6	98
Inflation Year 2	2,105	2,000	0,500	6,500	0,639	0,038	285	7	98
Inflation Year 3	2,127	2,000	-0,500	4,000	0,569	0,034	275	17	94
Inflation Year 4	2,172	2,000	1,000	5,000	0,558	0,035	260	32	89
Inflation Year 5	2,177	2,000	0,500	4,000	0,546	0,034	260	32	89
TAT T 2/ 4	2 (0)	2 (00	1 000	F 000	0.500	0.040	222	_	07
Wage Increase Year 1	2,696	2,600	1,000	5,000	0,592	0,040	223 222	6 7	97 97
Wage Increase Year 2	2,768	2,850	1,000	4,500	0,598	0,040			97
Wage Increase Year 3	2,754	3,000	0,000	4,500	0,607	0,041	216	13	
Wage Increase Year 4	2,753	3,000	1,000	5,000	0,623	0,044	202	27	88
Wage Increase Year 5	2,738	3,000	1,000	5,000	0,644	0,045	202	27	88
EMPLOYEES' ORGAN	NISATION	S							
Inflation Year 1	1,707	1,800	0,800	2,500	0,507	0,094	29	2	94
Inflation Year 2	1,890	2,000	0,500	2,500	0,533	0,099	29	2	94
Inflation Year 3	1,993	2,000	1,000	3,000	0,441	0,083	28	3	90
Inflation Year 4	2,102	2,100	1,000	3,000	0,542	0,106	26	5	84
Inflation Year 5	2,117	2,200	0,500	3,000	0,622	0,122	26	5	84
Wage Increase Year 1	2,790	2,700	1,200	4,000	0,583	0,108	29	2	94
Wage Increase Year 2	2,910	3,000	1,000	4,100	0,689	0,128	29	2	94
Wage Increase Year 3	2,946	3,000	1,000	4,000	0,650	0,123	28	3	90
Wage Increase Year 4	3,015	3,000	1,200	4,000	0,689	0,135	26	5	84
Wage Increase Year 5	3,042	3,000	1,000	4,000	0,753	0,148	26	5	84
EMPLOYERS' ORGAN	IIC ATION	IC.							
Inflation Year 1	1,583	1,500	0,700	2,200	0,431	0,090	23	3	88
Inflation Year 2	1,800	2,000	1,000	2,500	0,394	0,082	23	3	88
Inflation Year 3	2,017	2,000	1,300	3,000	0,491	0,102	23	3	88
Inflation Year 4	2,024	2,000	1,200	3,000	0,534	0,116	21	5	81
Inflation Year 5	2,000	2,000	1,200	3,000	0,524	0,114	21	5	81
minuton real o	2,000	2,000	1,200	3,000	0,024	0,114	21	3	01
Wage Increase Year 1	2,722	2,700	1,600	3,600	0,521	0,109	23	3	88
Wage Increase Year 2	2,948	3,000	2,000	4,500	0,640	0,133	23	3	88
Wage Increase Year 3	2,976	3,000	2,000	4,500	0,608	0,127	23	3	88
Wage Increase Year 4	2,825	2,850	2,000	4,000	0,564	0,126	20	6	77
Wage Increase Year 5	2,790	2,950	1,500	3,500	0,588	0,131	20	6	77



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	Standard	Responses	No Resp.	Response
	(%)	(%)	(%)	(%)	Deviation	Error	(numbers)	(numbers)	Rate (%)
PURCHASING MANA	AGERS, M	anufactur	ing						
Inflation Year 1	2,245	2,100	0,500	4,000	0,669	0,072	86	1	99
Inflation Year 2	2,328	2,200	0,500	6,500	0,768	0,083	86	1	99
Inflation Year 3	2,242	2,000	-0,500	4,000	0,656	0,071	85	2	98
Inflation Year 4	2,336	2,250	1,000	4,000	0,554	0,062	79	8	91
Inflation Year 5	2,345	2,200	1,000	4,000	0,561	0,063	79	8	91
Wage Increase Year 1	2,751	3,000	1,000	4,000	0,588	0,063	86	1	99
Wage Increase Year 2	2,792	3,000	1,500	4,000	0,566	0,061	86	1	99
Wage Increase Year 3	2,701	2,700	0,000	4,070	0,633	0,069	85	2	98
Wage Increase Year 4	2,755	2,800	1,000	4,500	0,624	0,070	79	8	91
Wage Increase Year 5	2,703	2,600	1,000	4,070	0,605	0,068	79	8	91
PURCHASING MANA	AGERS, Tr	ading							
Inflation Year 1	2,010	2,000	0,800	4,000	0,681	0,074	85	0	100
Inflation Year 2	2,140	2,000	0,800	4,000	0,643	0,070	84	1	99
Inflation Year 3	2,174	2,000	0,000	4,000	0,648	0,072	80	5	94
Inflation Year 4	2,206	2,000	1,000	5,000	0,668	0,076	77	8	91
Inflation Year 5	2,213	2,000	1,000	4,000	0,616	0,070	77	8	91
Wage Increase Year 1	2,602	2,500	1,200	5,000	0,613	0,067	85	0	100
Wage Increase Year 2	2,644	2,500	1,000	4,000	0,568	0,062	84	1	99
Wage Increase Year 3	2,678	2,850	1,500	4,000	0,542	0,061	80	5	94
Wage Increase Year 4	2,642	2,800	1,500	5,000	0,595	0,068	77	8	91
Wage Increase Year 5	2,658	2,800	1,000	5,000	0,639	0,073	77	8	91
MONEY MARKET PL									
Inflation Year 1	1,565	1,500	0,500	3,000	0,411	0,052	63	0	100
Inflation Year 2	1,965	2,000	1,000	3,500	0,421	0,053	63	0	100
Inflation Year 3	2,003	2,000	1,000	3,000	0,314	0,041	59	4	94
Inflation Year 4	1,985	2,000	1,000	2,750	0,294	0,039	57	6	90
Inflation Year 5	1,989	2,000	1,000	2,500	0,250	0,033	57	6	90



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	Standard	Responses	No Resp.	Response
				Deviation	Error	(numbers)	(numbers)	Rate (%)
2,104	2,000	2,000	2,500	0,134	0,018	53	10	84
2,792	2,750	2,000	3,500	0,321	0,044	53	10	84
3,351	3,500	2,000	4,500	0,538	0,075	52	11	83
125,020	125,250	122,000	127,000	1,331	0,205	42	21	67
123,527	124,000	117,000	128,000	2,727	0,426	41	22	65
123,471	124,000	117,000	130,000	3,415	0,533	41	22	65
9,052	9,050	8,800	9,200	0,077	0,011	52	11	83
8,942	8,950	8,500	9,200	0,176	0,024	52	11	83
8,930	8,900	8,500	9,500	0,234	0,033	51	12	81
7,406	7,400	6,800	7,800	0,194	0,027	52	11	83
7,281	7,250	6,200	8,200	0,425	0,059	52	11	83
7,292	7,300	6,030	8,500	0,510	0,071	51	12	81
	2,104 2,792 3,351 125,020 123,527 123,471 9,052 8,942 8,930 7,406 7,281	2,104 2,000 2,792 2,750 3,351 3,500 125,020 125,250 123,527 124,000 123,471 124,000 9,052 9,050 8,942 8,950 8,942 8,950 8,930 8,900 7,406 7,400 7,281 7,250	2,104 2,000 2,000 2,792 2,750 2,000 3,351 3,500 2,000 125,020 125,250 122,000 123,527 124,000 117,000 123,471 124,000 117,000 9,052 9,050 8,800 8,942 8,950 8,500 8,930 8,900 8,500 7,406 7,400 6,800 7,281 7,250 6,200	2,104 2,000 2,000 2,500 2,792 2,750 2,000 3,500 3,351 3,500 2,000 4,500 125,020 125,250 122,000 127,000 123,527 124,000 117,000 128,000 123,471 124,000 117,000 130,000 9,052 9,050 8,800 9,200 8,942 8,950 8,500 9,200 8,942 8,950 8,500 9,500 7,406 7,400 6,800 7,800 7,281 7,250 6,200 8,200	2,104 2,000 2,000 2,500 0,134 2,792 2,750 2,000 3,500 0,321 3,351 3,500 2,000 4,500 0,538 125,020 125,250 122,000 127,000 1,331 123,527 124,000 117,000 128,000 2,727 123,471 124,000 117,000 130,000 3,415 9,052 9,050 8,800 9,200 0,077 8,942 8,950 8,500 9,200 0,176 8,930 8,900 8,500 9,500 0,234 7,406 7,400 6,800 7,800 0,194 7,281 7,250 6,200 8,200 0,425	2,104 2,000 2,000 2,500 0,134 0,018 2,792 2,750 2,000 3,500 0,321 0,044 3,351 3,500 2,000 4,500 0,538 0,075 125,020 125,250 122,000 127,000 1,331 0,205 123,527 124,000 117,000 128,000 2,727 0,426 123,471 124,000 117,000 130,000 3,415 0,533 9,052 9,050 8,800 9,200 0,077 0,011 8,942 8,950 8,500 9,200 0,176 0,024 8,930 8,900 8,500 9,500 0,234 0,033 7,406 7,400 6,800 7,800 0,194 0,027 7,281 7,250 6,200 8,200 0,425 0,059	2,104 2,000 2,000 2,500 0,134 0,018 53 2,792 2,750 2,000 3,500 0,321 0,044 53 3,351 3,500 2,000 4,500 0,538 0,075 52 125,020 125,250 122,000 127,000 1,331 0,205 42 123,527 124,000 117,000 128,000 2,727 0,426 41 123,471 124,000 117,000 130,000 3,415 0,533 41 9,052 9,050 8,800 9,200 0,077 0,011 52 8,942 8,950 8,500 9,200 0,176 0,024 52 8,930 8,900 8,500 9,500 0,234 0,033 51 7,406 7,400 6,800 7,800 0,194 0,027 52 7,281 7,250 6,200 8,200 0,425 0,059 52	2,104 2,000 2,000 2,500 0,134 0,018 53 10 2,792 2,750 2,000 3,500 0,321 0,044 53 10 3,351 3,500 2,000 4,500 0,538 0,075 52 11 125,020 125,250 122,000 127,000 1,331 0,205 42 21 123,527 124,000 117,000 128,000 2,727 0,426 41 22 123,471 124,000 117,000 130,000 3,415 0,533 41 22 9,052 9,050 8,800 9,200 0,077 0,011 52 11 8,942 8,950 8,500 9,200 0,176 0,024 52 11 8,930 8,900 8,500 9,500 0,234 0,033 51 12 7,406 7,400 6,800 7,800 0,194 0,027 52 11 7,281 7,250 6,200 8,200 0,425 0,059 52 11

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 th	Less than 1%		Confidence		More than 3%		No response	
		Indicator							
	3/04	2/04	3/04	2/04	3/04	2/04	3/04	2/04	
All	2	n	92	93	3	3	2	4	
Employees' organisations	6	0	87	94	0	0	6	6	
Employers' organisations	0	0	88	81	0	4	12	15	
Purchase M	1	0	92	92	6	7	1	1	
Purchase T	2	0	93	94	4	2	1	3	
Money Market Players	0	2	97	95	3	0	0	3	