

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

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### Main results

The ongoing discussion of a more or less imminent rise in inflation and wage levels is not matched by the results of this survey. On the contrary, as compared to Prospera's last survey(1/04), the inflation and wage increase expectations are mainly downward bound. Furthermore, the money market players believe in lower, albeit increasing, repo rates than they did in the 1/04 survey. The Riksbank's repo rate cut is of course a fundamental explanation to this result. This cut is however believed to be resumed during the coming one year period.

The EUR and USD rate expectations have moved marginally, but with a weak tendency of a successively strengthened SEK against these currencies over the next two year period.

93(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 eleventh survey in the series, 2/04, has now been completed. The previous survey, 1/04, was published on March 17, 2004. A comparison of the results of the two surveys can be summarised as follows (rounded off figures)<sup>1,2</sup>;

Expectations of;	Year 1		Year 2		Year 5	
	2/04	1/04	2/04	1/04	2/04	1/04
<b>Annual inflation, %</b>						
All	1,8	1,9	2,0	2,2	2,2	2,2
Employees' organisations	1,5	1,8	1,8	1,9	2,2	2,2
Employers' organisations	1,8	1,8	1,9	2,0	1,9	2,0
Purchase managers Manufacturing	2,0	2,2	2,2	2,4	2,4	2,4
Purchase managers Trading	1,9	2,1	2,1	2,3	2,3	2,3
Money market players	1,4	1,5	1,9	1,9	2,0	2,0
<b>Annual wage increase, %</b>						
All	2,7	2,9	2,8	2,9	2,8	2,9
Employees' organisations	2,8	3,1	3,0	3,1	3,2	3,2
Employers' organisations	2,9	2,8	2,9	2,9	2,9	2,8
Purchase managers Manufacturing	2,6	2,8	2,7	2,7	2,7	2,8
Purchase managers Trading	2,7	2,9	2,8	2,9	2,8	2,9
	3 months		12 months		24 months	
<b>Money market expectations of;</b>	2/04	1/04	2/04	1/04	2/04	1/04
Repo rate, %	2,0	2,4	2,5	2,7	3,2	3,3
TCW	126	126	125	125	124	125
EUR	9,05	9,11	8,92	8,99	8,87	8,96
USD	7,57	7,33	7,47	7,40	7,45	7,60

<sup>1</sup> 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).

<sup>2</sup> **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 April 26 – May 6, 2004 (previous survey March 1 – March 11, 2004). The part of the survey regarding money market players' expectations of future repo rates, TCW, EUR and USD rates took place on April 28, 2004 (previous survey March 3, 2004).

### *About the Interviewees & Response Rate*

In all 296(297) organisations/companies were approached for interview. 11(10) of the persons in the panel could not be reached, which means that there is an overall response rate of 96(97) 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 173 purchasing managers 86 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 65 players, 49 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, 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 (%)
<b>ALL</b>									
Inflation Year 1	1,767	1,700	0,000	4,000	0,632	0,037	285	11	96
Inflation Year 2	2,041	2,000	0,750	4,000	0,564	0,033	284	12	96
Inflation Year 3	2,163	2,000	1,000	5,000	0,571	0,035	271	25	92
Inflation Year 4	2,198	2,000	1,000	5,000	0,548	0,034	259	37	88
Inflation Year 5	2,208	2,000	1,000	4,000	0,562	0,035	259	37	88
Wage Increase Year 1	2,723	2,800	0,500	5,000	0,581	0,039	221	10	96
Wage Increase Year 2	2,817	3,000	1,000	5,000	0,597	0,040	220	11	95
Wage Increase Year 3	2,842	3,000	1,000	5,000	0,617	0,042	212	19	92
Wage Increase Year 4	2,848	3,000	1,500	5,000	0,637	0,045	199	32	86
Wage Increase Year 5	2,842	3,000	1,500	5,000	0,659	0,047	199	32	86
<b>EMPLOYEES' ORGANISATIONS</b>									
Inflation Year 1	1,545	1,500	1,000	2,000	0,340	0,063	29	2	94
Inflation Year 2	1,836	1,900	1,000	3,000	0,446	0,083	29	2	94
Inflation Year 3	1,970	2,000	1,000	3,000	0,489	0,092	28	3	90
Inflation Year 4	2,118	2,000	1,000	3,000	0,511	0,102	25	6	81
Inflation Year 5	2,174	2,000	1,300	3,500	0,521	0,104	25	6	81
Wage Increase Year 1	2,779	3,000	1,500	3,500	0,572	0,106	29	2	94
Wage Increase Year 2	3,000	3,000	1,900	4,500	0,554	0,103	29	2	94
Wage Increase Year 3	2,986	3,000	2,000	4,500	0,636	0,120	28	3	90
Wage Increase Year 4	3,124	3,000	2,000	4,500	0,675	0,135	25	6	81
Wage Increase Year 5	3,180	3,000	2,000	4,500	0,707	0,141	25	6	81
<b>EMPLOYERS' ORGANISATIONS</b>									
Inflation Year 1	1,770	1,700	0,500	4,000	0,799	0,167	23	4	85
Inflation Year 2	1,939	2,000	1,000	3,500	0,568	0,118	23	4	85
Inflation Year 3	1,977	2,000	1,000	3,000	0,471	0,100	22	5	81
Inflation Year 4	1,914	2,000	1,000	3,000	0,446	0,095	22	5	81
Inflation Year 5	1,927	2,000	1,000	4,000	0,627	0,134	22	5	81
Wage Increase Year 1	2,865	2,800	1,800	3,700	0,490	0,102	23	4	85
Wage Increase Year 2	2,935	2,800	1,900	4,000	0,544	0,113	23	4	85
Wage Increase Year 3	2,977	2,900	2,200	4,000	0,498	0,106	22	5	81
Wage Increase Year 4	2,936	3,000	1,800	4,000	0,592	0,126	22	5	81
Wage Increase Year 5	2,914	3,000	2,000	4,000	0,591	0,126	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 (%)
<b>PURCHASING MANAGERS, Manufacturing</b>									
Inflation Year 1	1,974	2,000	0,500	3,500	0,647	0,070	86	1	99
Inflation Year 2	2,197	2,000	1,000	4,000	0,683	0,074	86	1	99
Inflation Year 3	2,355	2,275	1,000	5,000	0,726	0,079	84	3	97
Inflation Year 4	2,368	2,500	1,000	4,000	0,640	0,072	79	8	91
Inflation Year 5	2,396	2,200	1,000	4,000	0,685	0,077	79	8	91
Wage Increase Year 1	2,640	2,600	0,500	4,000	0,590	0,064	86	1	99
Wage Increase Year 2	2,723	2,950	1,000	4,000	0,617	0,067	86	1	99
Wage Increase Year 3	2,763	3,000	1,000	5,000	0,658	0,072	84	3	97
Wage Increase Year 4	2,758	3,000	1,500	4,000	0,642	0,073	78	9	90
Wage Increase Year 5	2,746	2,900	1,500	4,000	0,645	0,073	78	9	90
<b>PURCHASING MANAGERS, Trading</b>									
Inflation Year 1	1,886	2,000	0,000	4,000	0,683	0,075	83	3	97
Inflation Year 2	2,120	2,000	1,000	3,500	0,552	0,061	83	3	97
Inflation Year 3	2,213	2,000	1,000	4,000	0,528	0,060	78	8	91
Inflation Year 4	2,271	2,000	1,000	5,000	0,573	0,067	74	12	86
Inflation Year 5	2,251	2,000	1,000	4,000	0,503	0,059	74	12	86
Wage Increase Year 1	2,749	2,600	1,500	5,000	0,594	0,065	83	3	97
Wage Increase Year 2	2,818	3,000	1,500	5,000	0,593	0,065	82	4	95
Wage Increase Year 3	2,837	2,800	1,500	5,000	0,590	0,067	78	8	91
Wage Increase Year 4	2,824	2,675	1,500	5,000	0,614	0,071	74	12	86
Wage Increase Year 5	2,807	2,675	1,500	5,000	0,649	0,075	74	12	86
<b>MONEY MARKET PLAYERS</b>									
Inflation Year 1	1,436	1,500	0,000	2,100	0,379	0,047	64	1	98
Inflation Year 2	1,856	1,900	0,750	2,500	0,324	0,041	63	2	97
Inflation Year 3	1,983	2,000	1,000	2,500	0,287	0,037	59	6	91
Inflation Year 4	2,018	2,000	1,000	2,500	0,281	0,037	59	6	91
Inflation Year 5	2,022	2,000	1,000	3,000	0,290	0,038	59	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 (%)
<b>REPO RATE</b>									
3 months	2,014	2,000	2,000	2,300	0,060	0,008	57	8	88
12 months	2,539	2,500	1,500	3,500	0,380	0,050	57	8	88
24 months	3,197	3,250	2,000	4,250	0,450	0,060	57	8	88
<b>TCW</b>									
3 months	126,002	126,000	122,000	128,000	1,489	0,224	44	21	68
12 months	124,545	124,000	118,000	130,000	2,381	0,359	44	21	68
24 months	123,807	123,500	118,000	130,000	2,957	0,446	44	21	68
<b>EUR</b>									
3 months	9,051	9,050	8,850	9,300	0,083	0,011	57	8	88
12 months	8,922	8,900	8,500	9,300	0,176	0,023	57	8	88
24 months	8,870	8,800	8,000	9,300	0,234	0,032	53	12	82
<b>USD</b>									
3 months	7,566	7,620	5,480	8,040	0,347	0,046	57	8	88
12 months	7,466	7,500	5,310	8,400	0,530	0,070	57	8	88
24 months	7,453	7,500	4,710	8,600	0,731	0,100	53	12	82

**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	
	2/04	1/04	2/04	1/04	2/04	1/04	2/04	1/04
All	n	1	93	93	3	3	4	4
Employees' organisations	0	3	94	90	0	3	6	3
Employers' organisations	0	0	81	85	4	0	15	15
Purchase M	0	0	92	93	7	7	1	0
Purchase T	0	1	94	94	2	1	3	3
Money Market Players	2	2	95	94	0	0	3	5