Inflation Expectations Survey of Households: September 2013 (Round 33) [1]

The Inflation Expectations Survey of Households for the July-September 2013 quarter (33rd round) captures the inflation expectations of 4,765 urban households across 16 cities, for the next three-month and the next one-year period. These expectations are based on their individual consumption baskets and hence these rates should not be considered as predictors of any official measure of inflation. The households' inflation expectations provide useful directional information on near-term inflationary pressures and also supplement other economic indicators to get a better indication of future inflation.

Highlights:

i. The three-month ahead and one-year ahead mean and median inflation expectations of households increased in September 2013 round as compared to the previous round.

ii. The proportion of respondents expecting 'general' price rise by 'more than current rate' has increased for three-month ahead as well as one-year ahead period.

iii. The proportion of respondents expecting price increase by 'more than current rate' in three-month ahead period has increased for all products-groups. The same trend has been seen in one-year ahead period for all products-groups, except non-food products for which proportion of respondents expecting price increase by 'more than current rate' has marginally decreased.

iv. There was no major variation in the inflation expectations across gender and occupation category of respondents. However, age-group wise and city-wise inflation expectations varied to some extent for three-month ahead period. For one-year ahead period inflation expectation only cities were the significant source of variation.

v. About 77 per cent (65 per cent in the last round) and 80 per cent (73 per cent in the last round) of respondents expect double digit inflation rates for three-month ahead and one-year ahead period, respectively.

vi. On the awareness of the RBI's action to control inflation and its impact, 33 per cent (56 per cent in the last round) of the respondents were aware of the role of RBI in controlling inflation; 23 per cent (36 per cent in the last round) felt that RBI is taking necessary action. Among these 33 per cent, 63 per cent (49 per cent in the last round) reported that RBI's action has an impact on controlling inflation.

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[1] The previous round of the survey data was released on July 29, 2013 with the publication "Macro-economic and Monetary Developments: First Quarter Review 2013-14" on the RBI website. The survey results are those of the respondents and are not necessarily shared by the Reserve Bank of India.

vii. While 68 per cent of respondents (75 per cent in last round) expected that their income/wages would increase in the next one-year period, 35 per cent of respondents expected an increase in next three-month period which is relatively high as compared with 21 per cent in the previous round.

Tables

Table 1: Respondents' Profile (Category): Share in Total Sample

Category of Respondents	Share in Total (%)	Target Share (%)
Financial Sector Employees	9.5	10.0
Other Employees	18.0	15.0
Self-employed	19.8	20.0
Housewives	28.8	30.0
Retired Persons	8.9	10.0
Daily Workers	8.7	10.0
Others	6.3	5.0

Note: The above sample proportion is for the quarter ended September **2013** survey

Table 2: Product-wise Expectations of Prices for Three-month ahead and One-year ahead

(Percentage of respondents)

Round No./survey period	30	31	32	33	30	31	32	33
(quarter ended) →	Dec-12	Mar-13	Jun-13	Sep-13	Dec-12	Mar-13	Jun-13	Sep-13
Options: **General**	Three-month ahead				One-year ahead			
Prices will increase	**98.5**	**99.4**	**99.1**	**87.3**	**98.8**	**98.7**	**98.2**	**92.5**
Price increase more than current rate	75.7	66.9	66.1	74.5	84.7	74.8	71.3	76.6
Price increase similar to current rate	17.9	24.2	25.6	11.3	10.1	17.0	18.7	13.0
Price increase less than current rate	4.9	8.2	7.5	1.5	4.1	6.9	8.3	2.9
No change in prices	**1.4**	**0.5**	**0.8**	**7.8**	**1.1**	**1.2**	**1.7**	**4.6**
Decline in price	**0.1**	**0.1**	**0.1**	**4.9**	**0.1**	**0.1**	**0.1**	**2.9**
Options: **Food Product**	Three-month ahead				One-year ahead			
Prices will increase	**98.4**	**99.2**	**98.2**	**84.3**	**98.8**	**98.8**	**98.0**	**89.0**
Price increase more than current rate	74.4	70.5	67.8	72.5	82.5	78.1	72.9	74.8
Price increase similar to current rate	19.8	22.8	24.4	10.6	12.8	15.9	17.9	11.5
Price increase less than current rate	4.2	6.0	6.0	1.3	3.5	4.8	7.2	2.7
No change in prices	**1.4**	**0.7**	**1.7**	**10.1**	**1.1**	**1.1**	**1.9**	**7.1**
Decline in price	**0.2**	**0.1**	**0.1**	**5.6**	**0.1**	**0.1**	**0.1**	**3.9**
Options: **Non-Food Product**	Three-month ahead				One-year ahead			
Prices will increase	**96.7**	**98.5**	**97.9**	**77.5**	**98.1**	**99.0**	**97.8**	**80.9**
Price increase more than current rate	63.3	58.6	59.0	66.1	78.0	71.6	68.2	67.8
Price increase similar to current rate	25.3	30.2	29.9	10.3	16.0	21.1	21.9	11.4
Price increase less than current rate	8.1	9.7	9.0	1.2	4.1	6.4	7.8	1.7
No change in prices	**3.0**	**1.4**	**2.1**	**18.0**	**1.8**	**0.9**	**2.1**	**14.4**
Decline in price	**0.2**	**0.1**	**0.1**	**4.5**	**0.1**	**0.1**	**0.1**	**4.7**
Options: **Household Durables**	Three-month ahead				One-year ahead			
Prices will increase	**90.2**	**93.3**	**89.6**	**73.6**	**96.2**	**95.4**	**95.1**	**80.0**
Price increase more than current rate	50.7	45.0	48.0	63.2	61.7	56.3	56.0	67.9
Price increase similar to current rate	27.8	34.1	30.0	9.2	23.8	27.8	26.1	10.7
Price increase less than current rate	11.7	14.2	11.6	1.2	10.7	11.3	12.9	1.5

No change in prices	**9.2**	**6.3**	**9.9**	**19.7**	**3.4**	**4.2**	**4.8**	**14.6**
Decline in price	**0.6**	**0.4**	**0.5**	**6.6**	**0.4**	**0.4**	**0.1**	**5.4**
Options: **Housing Prices**	Three-month ahead				One-year ahead			
Prices will increase	**96.3**	**96.8**	**97.4**	**81.9**	**98.0**	**98.0**	**98.0**	**87.2**
Price increase more than current rate	72.8	64.5	64.5	74.5	79.5	72.4	69.7	78.9
Price increase similar to current rate	17.7	22.7	25.3	6.9	12.5	19.7	21.5	7.6
Price increase less than current rate	5.7	9.6	7.6	0.5	6.0	5.9	6.7	0.8
No change in prices	**3.6**	**3.1**	**2.4**	**11.9**	**1.8**	**1.8**	**1.9**	**7.5**
Decline in price	**0.1**	**0.1**	**0.2**	**6.2**	**0.2**	**0.1**	**0.1**	**5.3**
Options: **Cost of Services**	Three-month ahead				One-year ahead			
Prices will increase	**94.4**	**97.6**	**96.0**	**74.9**	**96.8**	**97.4**	**96.1**	**82.8**
Price increase more than current rate	68.8	63.8	62.0	63.5	73.9	68.6	67.7	68.8
Price increase similar to current rate	18.7	24.7	27.1	10.5	16.3	23.1	21.1	11.8
Price increase less than current rate	6.9	9.1	6.9	0.9	6.6	5.7	7.2	2.2
No change in prices	**5.4**	**2.3**	**3.8**	**20.6**	**3.0**	**2.5**	**3.8**	**13.2**
Decline in price	**0.2**	**0.1**	**0.2**	**4.5**	**0.2**	**0.1**	**0.1**	**3.9**

Table 3: Expecting General Price Movements in Coherence with Movements in Price Expectations of Various Product Groups: Three-month ahead and One-year ahead

(Percentage of Respondents)

Round No.	Survey Quarter ended	Food	Non-Food	Households durables	Housing	Cost of services
Three-month Ahead period						
30	Dec-12	89.5	82.6	67.2	84.2	83.6
31	Mar-13	85.5	83.7	68.1	80.0	82.5
32	Jun-13	85.0	83.5	69.6	83.8	83.8
33	Sep-13	77.9	69.2	65.9	69.4	64.2
One-year Ahead period						
30	Dec-12	95.4	88.2	74.0	89.7	87.2
31	Mar-13	90.7	88.3	76.9	85.3	85.6
32	Jun-13	89.9	88.7	77.4	86.8	87.7
33	Sep-13	81.6	73.2	70.9	74.8	71.8

Table 4: Household Inflation Expectations -Current, Three-month Ahead and One-year Ahead

Survey Round	Survey Quarter Ended	Inflation rate in Per cent								
		Current			Three-month ahead			One-year ahead		
		Mean	Median	Std. Dev.	Mean	Median	Std. Dev.	Mean	Median	Std. Dev.
30	Dec-12	11.0	10.4	3.4	11.9	11.9	3.4	13.3	14.4	3.4
31	Mar-13	10.7	10.3	3.7	11.3	11.3	3.6	12.5	13.0	3.6
32	Jun-13	11.0	10.5	3.9	11.7	11.4	3.7	12.4	12.7	3.8
33	Sep-13	11.8	11.0	4.3	12.8	14.5	4.0	13.5	16.0	4.0

Table 5: Factors that Explain the Total Variability

Round No.	Survey Quarter	Current	Three-month ahead	One-year ahead
30	Dec-12	City, Category, Age group,	City, Category	City, Category, Age-group
31	Mar-13	City, Category	City, Category	City, Category, Age-group
32	Jun-13	City, Category	City	City
33	Sep-13	City, Age group	City, Age group	City

Note: Results based on exercise using Analysis of Variance.

Table 6: Various Group-wise Inflation Expectations for September, 2013 Survey Round

	Current			Three-month Ahead			One-year Ahead		
	Mean	Median	Std. Dev.	Mean	Median	Std. Dev.	Mean	Median	Std. Dev
Gender-wise									
Male	12.1	11.9	4.2	13.0	14.7	3.9	13.6	16.0	4.0
Female	11.5	10.8	4.4	12.6	14.1	4.2	13.4	16.0	4.1
Category-wise									
Financial Sector Employees	11.8	11.3	4.3	12.6	14.0	4.0	13.2	15.6	4.3
Other Employees	11.8	11.0	4.5	12.8	14.2	4.0	13.6	16.0	3.9
Self Employed	12.0	11.6	4.2	13.0	14.7	3.9	13.6	16.0	4.0
Housewives	11.5	10.8	4.4	12.7	14.3	4.1	13.4	16.0	4.1
Retired Persons	13.0	15.0	3.8	13.6	15.5	3.6	14.2	16.2	3.7
Daily Workers	12.0	11.0	4.3	13.1	15.1	4.0	13.6	16.1	4.0
Other category	11.4	10.7	4.5	12.3	12.5	4.1	13.3	15.6	4.0
Age-wise									
Up to 25 years	11.1	10.6	4.5	12.3	12.6	4.1	13.1	15.4	4.1
25 to 30 years	11.5	10.8	4.3	12.5	13.7	4.1	13.2	15.7	4.1
30 to 35 years	11.7	11.0	4.4	12.5	13.7	4.1	13.4	16.0	4.1
35 to 40 years	11.8	11.0	4.4	13.0	15.0	4.1	13.6	16.1	4.0
40 to 45 years	12.1	11.8	4.4	13.2	15.4	3.9	13.7	16.1	4.0
45 to 50 years	12.2	11.9	4.2	13.3	15.4	3.9	14.0	16.1	3.9
50 to 55 years	12.5	12.8	4.1	13.4	14.9	3.7	14.0	16.1	3.7
55 to 60 years	12.5	12.9	3.9	13.4	15.2	3.7	13.9	16.1	3.9
60 years and above	12.9	14.7	4.0	13.6	15.5	3.7	14.2	16.2	3.7
City-wise									
Mumbai	11.9	11.7	4.3	12.3	12.2	4.0	13.5	15.6	4.0
Delhi	11.3	10.7	4.4	12.2	12.8	4.2	12.9	15.8	4.4
Chennai	10.7	10.4	4.3	12.9	14.5	3.9	13.4	15.8	4.1
Kolkata	12.0	10.9	4.1	13.7	15.8	3.5	14.0	16.1	3.8
Bangalore	8.8	8.6	3.5	9.2	9.4	3.6	10.3	10.2	4.0
Hyderabad	10.9	10.5	3.7	11.6	10.8	3.5	12.2	11.6	3.5
Ahmedabad	9.6	9.4	4.5	10.3	10.2	4.3	11.0	10.4	4.2
Lucknow	14.7	16.2	3.0	15.7	16.4	2.0	16.3	16.5	1.2
Jaipur	13.0	14.9	3.8	13.5	15.2	3.4	14.6	16.1	3.2
Bhopal	11.2	10.2	4.3	13.1	14.1	3.6	13.7	15.3	3.5

Patna	13.6	15.6	3.3	13.9	15.4	3.0	15.1	16.3	2.7
Guwahati	12.8	12.9	3.7	13.0	13.2	3.5	14.6	16.3	3.7
Thiruvananthapuram	13.0	14.0	3.2	14.7	16.0	2.5	14.9	16.1	2.6
Bhubaneswar	7.0	6.7	2.7	8.1	7.9	3.1	9.0	9.0	3.4
Nagpur	15.3	16.3	2.5	15.9	16.4	1.7	16.2	16.5	1.2
Kolhapur	15.4	16.4	2.8	15.6	16.4	2.7	15.1	16.4	4.0
All	**11.8**	**11.0**	**4.3**	**12.8**	**14.5**	**4.0**	**13.5**	**16.0**	**4.0**

Table 7: Cross-tabulation of Current and Three-month Ahead Inflation Expectations

(Number of respondents)

		Three-month ahead inflation rate (per cent)																		
		<1	1-2	2-3	3-4	4-5	5-6	6-7	7-8	8-9	9-10	10-11	11-12	12-13	13-14	14-15	15-16	>=16	No idea	**Total**
Current inflation rate (per cent)	<1																			
	1-2	1	7	17	9	1					1						1	1	2	**40**
	2-3		1	32	17	11	11	3	1		1	2		2				1	9	**91**
	3-4			1	17	9	11	7	4		1	1						1	5	**57**
	4-5				12	47	27	25	20	5	13	12	1	1		3		1	8	**175**
	5-6		1		14	13	68	35	36	17	11	20		6	2	2	8	9	12	**254**
	6-7		1		5	7	6	23	30	32	15	13	4	1	1	6	3	2	5	**154**
	7-8				1	7	7	8	33	42	42	21	7	4	2	2	6	10	12	**204**
	8-9					1	2	2	3	26	39	42	15	7	5	4	1	10	5	**162**
	9-10						2		6	8	90	83	61	41	15	48	20	39	29	**442**
	10-11						2		2	7	21	254	50	110	28	36	94	76	129	**809**
	11-12						1		1	2	3	15	19	21	14	19	10	17	17	**139**
	12-13									1	1	17	1	12	20	15	18	24	9	**118**
	13-14								1		2	3	1		6	14	9	10	2	**48**
	14-15								1		7	20	2	3	6	42	33	88	9	**211**
	15-16										2	20		3	4	7	149	155	11	**351**
	>=16								1	1	44	73	10	4	4	29	42	1283	19	**1510**
	Total	**1**	**10**	**50**	**75**	**96**	**137**	**103**	**139**	**141**	**293**	**596**	**171**	**215**	**107**	**227**	**394**	**1727**	**283**	**4765**

Note: The shaded cells represent the number of respondents who perceived current inflation in double digit and also expected double digit inflation in the next three-month ahead.

Table 8: Cross-tabulation of Current and One-year Ahead Inflation Expectations

(Number of respondents)

Current inflation rate (per cent)	One-year ahead inflation rate (per cent)																		
		<1	1-2	2-3	3-4	4-5	5-6	6-7	7-8	8-9	9-10	10-11	11-12	12-13	13-14	14-15	15-16	>=16	No idea	**Total**
	<1																			
	1-2	1	5	13	3	3	2	2	1	1		2			1	1	1	1	3	**40**
	2-3	1	1	3	23	17	11	5	6	1	5	3	1		3	1		1	9	**91**
	3-4	2	1		7	10	8	4	2	2	2	7	1	1				3	7	**57**
	4-5		1		2	23	48	13	17	11	14	6	3	7	3	7	8	5	7	**175**
	5-6	1		1	1	3	23	63	18	17	18	42	2	5	3	6	13	18	20	**254**
	6-7	2	1			4	4	22	35	16	18	17	4	1	3	5	10	8	4	**154**
	7-8	3					1	6	37	38	33	26	1	6	6	6	8	19	14	**204**
	8-9		1	1				2	6	40	29	16	8	11	4	14	12	11	7	**162**
	9-10	1				4	3	2	2	8	62	88	22	12	9	35	43	109	42	**442**
	10-11	7	15	2		3	4	3	3	3	9	91	151	37	17	22	80	210	152	**809**
	11-12		3			1			1	1	4	1	14	35	4	8	15	35	17	**139**
	12-13		1					1		1	0	3		11	27	10	18	34	12	**118**
	13-14	1	1	1							1	2		1	3	9	11	13	5	**48**
	14-15		1		1	1					2				2	21	75	86	22	**211**
	15-16		1				1				1	4				5	32	269	38	**351**
	>=16	1	2	1	1	2	4	1	5		2	11	1	2		6	12	1417	42	**1510**
	Total	**20**	**34**	**22**	**38**	**71**	**109**	**124**	**133**	**139**	**200**	**319**	**208**	**129**	**85**	**156**	**338**	**2239**	**401**	**4765**

Note: The shaded cells represent the number of respondents who perceived current inflation in double digit and also expected double digit inflation in the next one-year ahead.

Table 9:-Awareness of RBI's Action on controlling Inflation and its Impact

(Percentage of respondents)

Category	**Whether RBI is taking action to control inflation**					
	Yes				**No**	**No Idea**
	Impact of RBI's action to control inflation					
	Yes	**No**	**No Idea**	**Total**		
Financial Sector	27.5	13.9	2.0	43.4	13.0	43.6
Other Employees	15.2	8.9	1.3	25.3	9.2	65.5
Self-Employed	17.0	7.5	0.6	25.1	8.4	66.5
Housewives	7.9	3.6	1.2	12.6	8.1	79.3
Retired persons	22.9	9.9	1.9	34.8	10.6	54.6
Daily Workers	6.5	5.1	1.0	12.6	11.6	75.8
Other Categories	18.3	9.3	0.7	28.2	9.3	62.5
All	**14.7**	**7.3**	**1.2**	**23.3**	**9.4**	**67.3**

Table 10: Respondent's Expectation on Change in Wage/Income level

(Percentage of respondents)

Category of Respondents	Change in income since last year			Change in income in three-month ahead period			Change in income in one-year ahead period		
	Increase	Same	Decrease	Increase	Same	Decrease	Increase	Same	Decrease
Financial Sector Employees	55.9	37.7	6.4	36.6	58.6	4.8	74.9	21.6	3.5
Other Employees	48.5	41.5	10.0	35.0	60.8	4.2	70.9	26.6	2.6
Total Employees	**51.1**	**40.2**	**8.8**	**35.5**	**60.1**	**4.4**	**72.3**	**24.8**	**2.9**
Self- Employed	39.9	40.7	19.4	34.7	53.7	11.7	63.0	30.1	6.9
Daily Workers	40.9	49.6	9.4	32.9	59.8	7.3	62.7	32.0	5.3
Total	**45.5**	**41.8**	**12.6**	**34.8**	**57.8**	**7.4**	**67.5**	**27.8**	**4.7**