

Inflation Expectations Survey of Households: December 2013 (Round 34)¹

The Inflation Expectations Survey of Households for the October-December 2013 quarter (34th round) captures the inflation expectations of 4,907 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 proportion of respondents expecting 'general' price rise, as also for all product groups, by '*more than current rate*' has substantially decreased for three-month ahead as well as one-year ahead period.
- ii. In terms of quantitative response, three-month ahead mean and median inflation expectations of households decreased in December 2013 round as compared to the previous round. In the case of one-year ahead period, the inflation expectation has remained at a similar level as observed in the previous round.
- iii. About 70 per cent (77 per cent in the previous round) and 80 per cent (same as previous round) of respondents expect double digit inflation rates for three-month ahead and one-year ahead period, respectively.
- iv. About 32 per cent of respondents (23 per cent in the previous round) felt that RBI is taking necessary action to control inflation. Among these 32 per cent, i.e. 19 per cent of all respondents (15 per cent in the previous round), reported that RBI's action has an impact on controlling inflation.
- v. While 72 per cent of respondents (68 per cent in previous 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 (same as the previous round).

¹ The survey data for the previous round was released on October 28, 2013 with the publication "Macro-economic and Monetary Developments: Second 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.

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	15.3	15.0
Self-employed	20.3	20.0
Housewives	29.9	30.0
Retired Persons	9.8	10.0
Daily Workers	10.1	10.0
Others	5.2	5.0

Note: The above sample proportion is for the quarter ended December 2013 survey.

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

(Percentage of respondents)

Round No./Survey period	31	32	33	34	31	32	33	34
(quarter ended) →	Mar-13	Jun-13	Sep-13	Dec-13	Mar-13	Jun-13	Sep-13	Dec-13
Options: General	Three-month ahead				One-year ahead			
Prices will increase	99.4	99.1	87.3	86.8	98.7	98.3	92.5	92.7
Price increase more than current rate	66.9	66.1	74.5	55.3	74.8	71.3	76.6	61.1
Price increase similar to current rate	24.2	25.6	11.3	24.0	17.0	18.7	13.0	25.1
Price increase less than current rate	8.2	7.5	1.5	7.5	6.9	8.3	2.9	6.5
No change in prices	0.5	0.8	7.8	9.5	1.2	1.7	4.6	4.0
Decline in price	0.1	0.1	4.9	3.7	0.1	0.1	2.9	3.3
Options: Food Product	Three-month ahead				One-year ahead			
Prices will increase	99.2	98.2	84.3	84.8	98.8	98	89	91.5
Price increase more than current rate	70.5	67.8	72.5	50.9	78.1	72.9	74.8	58.5
Price increase similar to current rate	22.8	24.4	10.6	25.5	15.9	17.9	11.5	26.2
Price increase less than current rate	6.0	6.0	1.3	8.4	4.8	7.2	2.7	6.8
No change in prices	0.7	1.7	10.1	9.9	1.1	1.9	7.1	5.0
Decline in price	0.1	0.1	5.6	5.3	0.1	0.1	3.9	3.5
Options: Non-Food Product	Three-month ahead				One-year ahead			
Prices will increase	98.5	97.9	77.5	78.8	99.1	97.9	80.9	87.4
Price increase more than current rate	58.6	59.0	66.1	44.6	71.6	68.2	67.8	50.4
Price increase similar to current rate	30.2	29.9	10.3	25.4	21.1	21.9	11.4	28.5
Price increase less than current rate	9.7	9.0	1.2	8.8	6.4	7.8	1.7	8.5
No change in prices	1.4	2.1	18	17.6	0.9	2.1	14.4	9.4
Decline in price	0.1	0.1	4.5	3.6	0.1	0.1	4.7	3.2
Options: Household Durables	Three-month ahead				One-year ahead			
Prices will increase	93.3	89.6	73.6	75.0	95.4	95.0	80.1	84.5
Price increase more than current rate	45.0	48.0	63.2	42.0	56.3	56.0	67.9	49.1
Price increase similar to current rate	34.1	30.0	9.2	24.0	27.8	26.1	10.7	26.2
Price increase less than current rate	14.2	11.6	1.2	9.0	11.3	12.9	1.5	9.2
No change in prices	6.3	9.9	19.7	19.4	4.2	4.8	14.6	10.9
Decline in price	0.4	0.5	6.6	5.6	0.4	0.1	5.4	4.6
Options: Housing Prices	Three-month ahead				One-year ahead			
Prices will increase	96.8	97.4	81.9	89.2	98.0	97.9	87.3	93.6
Price increase more than current rate	64.5	64.5	74.5	66.9	72.4	69.7	78.9	71.0
Price increase similar to current rate	22.7	25.3	6.9	17.9	19.7	21.5	7.6	18.5
Price increase less than current rate	9.6	7.6	0.5	4.4	5.9	6.7	0.8	4.1
No change in prices	3.1	2.4	11.9	8.0	1.8	1.9	7.5	3.8
Decline in price	0.1	0.2	6.2	2.8	0.1	0.1	5.3	2.6
Options: Cost of Services	Three-month ahead				One-year ahead			
Prices will increase	97.6	96.0	74.9	82.2	97.4	96.0	82.8	89.9
Price increase more than current rate	63.8	62.0	63.5	49.7	68.6	67.7	68.8	56.2
Price increase similar to current rate	24.7	27.1	10.5	25.7	23.1	21.1	11.8	26.2
Price increase less than current rate	9.1	6.9	0.9	6.8	5.7	7.2	2.2	7.4
No change in prices	2.3	3.8	20.6	15.3	2.5	3.8	13.2	7.6
Decline in price	0.1	0.2	4.5	2.5	0.1	0.1	3.9	2.6

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						
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
34	Dec-13	72.5	61.9	56.1	59.8	60.1
One-year ahead period						
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
34	Dec-13	77.8	68.8	65.2	69.7	70.0

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.
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
34	Dec-13	12.3	13.2	4.4	12.2	13.9	4.7	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
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
34	Dec-13	City, Gender, Age-group	City, Category	City, Category

Note: Results based on exercise using Analysis of Variance.

Table 6 : Various Group-wise Inflation Expectations for December, 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	12.6	14.4	4.2	12.2	14.1	4.8	13.6	16.0	4.0
Female	11.9	11.0	4.6	12.2	13.6	4.6	13.4	16.0	4.0
Category-wise									
Financial Sector Employees	12.3	12.8	4.3	12.1	13.3	4.7	13.2	15.7	4.2
Other Employees	12.3	13.4	4.4	11.9	12.7	4.6	13.4	15.8	4.0
Self Employed	12.3	12.2	4.3	11.9	13.4	5.0	13.5	16.0	4.0
Housewives	12.1	11.9	4.5	12.3	14.1	4.6	13.6	16.1	3.9
Retired Persons	13.0	15.4	4.2	12.6	15.3	4.7	13.8	16.1	4.1
Daily Workers	12.7	14.8	4.3	13.0	15.4	4.3	14.1	16.2	3.7
Other category	11.4	10.8	4.4	11.4	12.3	4.7	12.8	14.6	4.2
Age-wise									
Up to 25 years	11.8	10.9	4.4	12.1	12.9	4.5	13.3	15.5	4.0
25 to 30 years	11.5	10.7	4.6	11.8	12.3	4.7	13.0	15.2	4.1
30 to 35 years	12.3	13.6	4.4	12.1	14.1	4.8	13.6	16.0	4.0
35 to 40 years	12.3	12.6	4.4	12.3	14.2	4.6	13.6	16.0	3.9
40 to 45 years	12.5	14.0	4.3	12.1	14.0	4.7	13.6	16.0	4.0
45 to 50 years	13.2	16.0	4.3	12.7	15.3	4.7	14.3	16.2	3.9
50 to 55 years	12.8	15.4	4.4	12.0	14.4	5.0	13.8	16.1	4.1
55 to 60 years	13.2	15.4	3.9	12.4	14.1	4.6	14.0	16.2	3.8
60 years and above	13.1	15.4	4.1	12.3	15.0	4.8	13.9	16.1	3.9
City-wise									
Mumbai	12.0	11.0	3.4	11.3	10.8	4.1	12.4	12.3	3.7
Delhi	12.3	12.7	4.3	12.7	14.9	4.6	13.5	15.9	4.1
Chennai	10.5	10.5	5.4	11.5	12.4	5.1	12.9	16.0	4.9
Kolkata	13.6	16.1	3.9	11.5	12.8	5.2	13.5	16.1	4.3
Bangalore	8.9	8.3	4.2	8.7	8.8	3.6	11.1	10.2	3.2
Hyderabad	10.1	9.9	3.9	10.5	10.7	4.6	12.5	12.4	3.7
Ahmedabad	13.3	15.1	3.4	14.4	16.1	2.9	14.5	16.1	2.8
Lucknow	15.8	16.4	2.7	14.8	16.4	4.3	16.0	16.5	2.1
Jaipur	14.5	15.9	3.1	12.9	15.8	5.0	14.5	16.1	3.4
Bhopal	11.0	10.5	3.9	12.0	12.2	4.0	13.7	15.4	3.4
Patna	12.7	12.0	3.7	13.0	15.2	4.4	15.6	16.4	2.3
Guwahati	13.1	15.4	3.9	13.0	15.2	4.5	13.6	16.1	4.0
Thiruvananthapuram	13.0	13.9	3.1	9.9	10.4	4.2	13.3	15.1	3.8
Bhubaneswar	7.2	6.4	3.3	8.5	7.6	3.6	9.3	8.6	3.7
Nagpur	15.7	16.4	2.2	14.8	16.3	3.3	15.8	16.4	2.6
Kolhapur	13.9	16.2	4.2	14.8	16.3	3.4	15.0	16.3	3.5
All	12.3	13.2	4.4	12.2	13.9	4.7	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)																	Total	
		<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
Current inflation rate (per cent)	<1	4	2	3		1				1								1	5	17
	1-2	3	8	10	7	4	2	2			2							1	1	40
	2-3	1	4	7	10	14	9	6	2		1					1		1	7	63
	3-4	1	2	3	6	9	15	8	2	4	2	4						2	10	68
	4-5	1	6	11	10	8	28	29	13	8	14	5	1			2	1		51	188
	5-6	1	6	10	4	6	19	22	41	22	18	32	1	2	1	2	9	3	31	230
	6-7		2	3	1	3	5	12	20	23	6	6	4	2	1	1	1	1	27	118
	7-8	1		3	2	3	7	2	22	24	23	18		3	3	2			24	137
	8-9	2	2	1	2	3	8	9	6	19	30	27	13	10	4		5	4	26	171
	9-10	2	5	8	4	28	21	3	11	12	41	42	49	35	16	47	21	24	63	432
	10-11	3	4	9	19	11	39	4	14	17	11	98	53	77	39	42	117	117	95	769
	11-12		1	3		3		2	2	7	3	4	22	10	8	9	4	6	26	110
	12-13	1	1	1	2	3	3	1		1	7	6	2	20	7	11	9	11	18	104
	13-14		1	1		3	3				1	3	2	1	7	1	7	10	2	42
	14-15	4	2	3	1	3	5		1		3	6	7	1	2	18	22	59	37	174
	15-16	1		5	6	10	17		4		6	11	5	7	6	10	57	118	51	314
	>=16	29	7	11	6	30	49	10	5	13	56	116	11	10	12	23	62	1248	232	1930
Total	54	53	92	80	142	230	110	143	151	224	378	170	178	107	168	315	1606	706	4907	

Note: The shaded cells represent the number of respondents who expressed double digit current and three-month ahead inflation.

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

(Number of respondents)

		One-year ahead inflation rate (per cent)																	Total	
		<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
Current inflation rate (per cent)	<1	2	4	3		1												3	4	17
	1-2	5	7	8	4	5	2	2			2	3							2	40
	2-3		8	6	4	7	7	7	1	3	3	3		2			1	3	8	63
	3-4	2	1	2	12	4	3	6	3	4	3	4		2	1			6	15	68
	4-5	1	3	2	9	16	19	4	5	9	36	17	2	3		1	2	8	51	188
	5-6		1			14	35	32	8	6	28	41	1	4	1	6	10	14	29	230
	6-7	1	1			1	5	20	25	3	9	6	7	2		4	4	5	25	118
	7-8	0			1	2	4	4	36	24	15	9	1	5	2	5	9	6	14	137
	8-9	0				3	3	1	6	62	18	14	6	15	2	4	13	12	12	171
	9-10	2				2	2	2	6	16	102	64	16	14	11	29	16	112	38	432
	10-11	2	1			2	6	1	2	4	29	168	85	24	26	27	104	187	101	769
	11-12					1			1	1		5	42	11	5	5	9	18	12	110
	12-13						1			1		2	3	43	11	10	8	13	12	104
	13-14											1		1	6	10	6	11	7	42
	14-15	1					2		1		4	1			7	51	27	42	38	174
	15-16	3	1				2									12	78	150	68	314
	>=16	12	4	1	2	2	7	1	3	1	14	22		3		14	9	1572	263	1930
Total	31	31	22	32	60	98	80	97	134	263	360	163	129	72	178	296	2162	699	4907	

Note: The shaded cells represent the number of respondents who expressed double digit current and one-year ahead inflation.

Table 9:-Awareness of RBI's Action on controlling Inflation and their 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	28.3	17.6	1.7	47.5	42.6	9.9
Other Employees	20.0	12.8	1.7	34.5	46.7	18.8
Self-Employed	18.3	12.3	2.5	33.1	48.9	18.0
Housewives	15.5	7.4	1.6	24.5	46.0	29.5
Retired persons	24.8	12.0	2.1	38.9	44.3	16.8
Daily Workers	16.6	5.7	2.2	24.5	49.4	26.1
Other Categories	21.7	13.8	1.6	37.0	43.7	19.3
All	19.3	10.8	1.9	32.0	46.4	21.5

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	52.0	39.8	8.1	36.8	59.3	3.9	81.2	17.1	1.7
Other Employees	47.1	45.2	7.7	35.2	60.4	4.4	75.1	21.7	3.2
Total Employees	49.0	43.1	7.9	35.8	60.0	4.2	77.4	20.0	2.6
Self- Employed	37.1	46.4	16.5	32.2	57.9	9.9	64.9	28.9	6.2
Daily Workers	42.7	45.3	11.9	36.0	57.5	6.5	74.5	21.5	4.0
Total	43.5	44.7	11.8	34.5	58.8	6.7	72.3	23.5	4.2