

Inflation Expectations Survey of Households: March 2014 (Round 35)¹

The Inflation Expectations Survey of Households for the January-March 2014 quarter (35th round) captures the inflation expectations of 4,926 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*' decreased for three-month ahead as well as one-year ahead period (except for 'food products' for three-month ahead period).
- ii. In terms of quantitative response, three-month ahead and one-year ahead median inflation expectations of households decreased in March 2014 round as compared to the previous round.
- iii. Households expect median inflation to rise further by 200 basis points during next one-year from the perceived current rate of 13.3 per cent. However, for next three-month, the same has declined by 40 basis points.
- iv. Survey shows that daily workers and retired persons have marginally higher level of inflation expectations based on median inflation rate. No visible pattern emerged from age-wise profile of respondents.
- v. About 75 per cent (70 per cent in the last round) and 77 per cent (80 per cent in the last round) of respondents expect double digit inflation rates for three-month ahead and one-year ahead period, respectively.

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

Category of Respondents	Share in Total (%)	Target Share (%)
Financial Sector Employees	9.9	10.0
Other Employees	15.6	15.0
Self-employed	19.9	20.0
Housewives	30.3	30.0
Retired Persons	9.3	10.0
Daily Workers	9.8	10.0
Others	5.2	5.0

Note: The above sample proportion is for the quarter ended March 2014 survey.

¹ The survey data for the previous round was released on January 28, 2014 with the publication "Macroeconomic and Monetary Developments: Third 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.

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

Round No./survey period	32	33	34	35	32	33	34	35
(quarter ended) →	Jun-13	Sep-13	Dec-13	Mar-14	Jun-13	Sep-13	Dec-13	Mar-14
Options: General	Three-month ahead				One-year ahead			
Prices will increase	99.1	87.3	86.8	89.2	98.3	92.5	92.7	94.1
Price increase more than current rate	66.1	74.5	55.3	51.2	71.3	76.6	61.1	59.0
Price increase similar to current rate	25.6	11.3	24.0	28.4	18.7	13.0	25.1	25.7
Price increase less than current rate	7.5	1.5	7.5	9.6	8.3	2.9	6.5	9.3
No change in prices	0.8	7.8	9.5	8.3	1.7	4.6	4.0	3.5
Decline in price	0.1	4.9	3.7	2.5	0.1	2.9	3.3	2.4
Options: Food Product	Three-month ahead				One-year ahead			
Prices will increase	98.2	84.3	84.8	88.6	98.0	89.0	91.5	93.8
Price increase more than current rate	67.8	72.5	50.9	51.9	72.9	74.8	58.5	57.6
Price increase similar to current rate	24.4	10.6	25.5	26.3	17.9	11.5	26.2	26.3
Price increase less than current rate	6.0	1.3	8.4	10.4	7.2	2.7	6.8	9.9
No change in prices	1.7	10.1	9.9	8.7	1.9	7.1	5.0	4.0
Decline in price	0.1	5.6	5.3	2.7	0.1	3.9	3.5	2.2
Options: Non-Food Product	Three-month ahead				One-year ahead			
Prices will increase	97.9	77.5	78.8	80.6	97.9	80.9	87.4	87.5
Price increase more than current rate	59.0	66.1	44.6	42.5	68.2	67.8	50.4	48.1
Price increase similar to current rate	29.9	10.3	25.4	27.2	21.9	11.4	28.5	28.5
Price increase less than current rate	9.0	1.2	8.8	10.8	7.8	1.7	8.5	10.8
No change in prices	2.1	18.0	17.6	16.5	2.1	14.4	9.4	9.7
Decline in price	0.1	4.5	3.6	3.0	0.1	4.7	3.2	2.9
Options: Household Durables	Three-month ahead				One-year ahead			
Prices will increase	89.6	73.6	75.0	70.5	95.0	80.1	84.5	81.5
Price increase more than current rate	48.0	63.2	42.0	35.4	56.0	67.9	49.1	44.2
Price increase similar to current rate	30.0	9.2	24.0	23.1	26.1	10.7	26.2	25.6
Price increase less than current rate	11.6	1.2	9.0	12.0	12.9	1.5	9.2	11.7
No change in prices	9.9	19.7	19.4	21.1	4.8	14.6	10.9	12.4
Decline in price	0.5	6.6	5.6	8.4	0.1	5.4	4.6	6.0
Options: Housing Prices	Three-month ahead				One-year ahead			
Prices will increase	97.4	81.9	89.2	85.5	97.9	87.3	93.6	91.6
Price increase more than current rate	64.5	74.5	66.9	58.0	69.7	78.9	71.0	66.2
Price increase similar to current rate	25.3	6.9	17.9	21.1	21.5	7.6	18.5	19.2
Price increase less than current rate	7.6	0.5	4.4	6.4	6.7	0.8	4.1	6.3
No change in prices	2.4	11.9	8.0	10.2	1.9	7.5	3.8	4.4
Decline in price	0.2	6.2	2.8	4.4	0.1	5.3	2.6	4.0
Options: Cost of Services	Three-month ahead				One-year ahead			
Prices will increase	96.0	74.9	82.2	83.1	96.0	82.8	89.9	90.4
Price increase more than current rate	62.0	63.5	49.7	48.0	67.7	68.8	56.2	54.8
Price increase similar to current rate	27.1	10.5	25.7	26.5	21.1	11.8	26.2	25.4
Price increase less than current rate	6.9	0.9	6.8	8.7	7.2	2.2	7.4	10.2
No change in prices	3.8	20.6	15.3	14.5	3.8	13.2	7.6	7.2
Decline in price	0.2	4.5	2.5	2.4	0.1	3.9	2.6	2.4

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						
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
35	Mar-14	72.0	61.6	51.7	60.3	60.8
One-year ahead period						
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
35	Mar-14	77.9	67.7	61.3	69.4	69.9

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.
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
35	Mar-14	12.2	13.3	4.3	12.3	12.9	4.1	13.1	15.3	4.3

Table 5: Factors that Explain the Total Variability

Round No.	Survey Quarter	Current	Three-month ahead	One-year ahead
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
35	Mar-14	City, Category, Gender, Age-group	City, Category, Gender	City, Category, Gender

Note: Results based on exercise using Analysis of Variance.

Table 6: Various Group-wise Inflation Expectations for March 2014 Survey Round

	Current			Three-month ahead			One-year ahead		
	Mean	Median	Std. Dev.	Mean	Median	Std. Dev.	Mean	Median	Std. Dev.
Gender-wise									
Male	12.3	14.1	4.2	12.5	13.4	4.1	13.2	15.4	4.2
Female	12.0	12.3	4.4	12.1	12.4	4.2	12.9	15.2	4.3
Category-wise									
Financial Sector Employees	12.4	14.2	4.2	12.2	12.6	4.2	12.7	15.2	4.6
Other Employees	11.5	11.0	4.5	11.7	12.1	4.3	12.3	14.2	4.5
Self Employed	12.2	12.9	4.2	12.4	12.9	4.0	13.1	15.3	4.3
Housewives	12.4	14.1	4.2	12.4	13.0	4.1	13.3	15.4	4.1
Retired Persons	12.8	14.6	3.9	13.0	14.4	3.9	14.0	16.0	3.7
Daily Workers	12.6	14.4	4.1	13.0	14.5	4.0	13.8	16.1	4.0
Other category	10.7	10.3	4.5	11.3	11.6	4.4	12.2	13.4	4.4
Age-wise									
Up to 25 years	11.3	10.7	4.4	11.7	11.8	4.3	12.5	14.3	4.4
25 to 30 years	12.0	12.2	4.4	12.1	12.3	4.2	12.7	14.8	4.6
30 to 35 years	12.0	11.9	4.3	12.1	12.5	4.2	12.9	15.2	4.3
35 to 40 years	12.1	12.1	4.3	12.4	13.0	4.0	13.1	15.3	4.2
40 to 45 years	12.2	13.9	4.5	12.3	13.5	4.4	13.0	15.4	4.5
45 to 50 years	13.0	15.0	4.1	12.9	14.4	3.9	13.4	15.7	4.2
50 to 55 years	13.0	14.8	3.9	12.7	14.0	3.9	13.6	16.0	3.8
55 to 60 years	12.6	14.4	4.1	12.9	14.5	4.1	13.6	15.8	4.0
60 years and above	13.1	14.8	3.8	13.0	14.3	3.7	14.1	16.1	3.5
City-wise									
Mumbai	11.8	11.4	4.4	11.7	11.3	4.1	12.4	13.8	4.1
Delhi	10.4	10.2	5.0	10.6	11.0	5.1	11.0	10.8	5.1
Chennai	12.9	15.3	4.3	13.2	14.8	3.8	13.3	16.1	4.7
Kolkata	13.4	15.1	3.7	13.7	15.4	3.6	14.0	16.1	3.9
Bangalore	11.5	10.8	3.9	10.4	10.5	3.8	11.5	10.7	4.2
Hyderabad	7.6	5.4	4.7	7.9	5.9	4.6	8.5	6.6	4.8
Ahmedabad	13.3	15.3	3.5	13.8	15.2	3.1	14.3	16.0	3.3
Lucknow	13.3	14.5	3.6	12.0	14.1	4.2	13.9	15.2	3.5
Jaipur	13.6	15.4	3.7	12.3	11.6	3.7	14.0	15.6	3.8
Bhopal	10.3	9.7	4.1	12.0	11.7	3.8	12.6	13.9	3.9
Patna	12.8	12.0	3.3	13.2	13.3	2.9	14.3	16.1	3.1
Guwahati	12.6	13.6	4.0	14.1	16.0	3.3	15.2	16.3	2.5
Thiruvananthapuram	13.1	14.3	3.1	12.2	11.7	3.2	13.9	15.6	3.2
Bhubaneswar	10.3	10.2	3.7	10.5	10.7	3.6	12.0	11.6	3.7
Nagpur	15.3	15.7	1.7	14.6	14.8	2.3	15.2	16.2	2.6
Kolhapur	13.7	15.2	3.1	14.4	15.9	2.7	14.2	16.1	3.2
All	12.2	13.3	4.3	12.3	12.9	4.1	13.1	15.3	4.3

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

(Number of respondents)

		Three-month ahead inflation rate (per cent)																	No idea	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		
Current inflation rate (per cent)	<1	16		2	4	1	1					1							3	28
	1-2		11	14	6	3	1				1								2	38
	2-3	2	9	14	24	15	3	3		1		1							3	75
	3-4	3	4	10	14	13	14	2	2	2		1							3	68
	4-5	2	7	14	6	76	26	16	10	5	11	2		1					8	184
	5-6	1	5	9	6	6	41	29	38	12	14	14	3		3	1	5		13	200
	6-7			4	6	5	7	21	11	16	26	5	1			2		1	13	118
	7-8	1	2	4	1			6	22	16	27	9	1	2	1		1	5	2	100
	8-9				3	2	3	2	6	17	17	20	10	6	1	1		4	11	103
	9-10							4	3	6	161	62	114	43	15	44	11	53	79	595
	10-11	1						5	1	3	12	249	148	94	17	26	31	49	62	698
	11-12	1						3	1	1	4	15	24	29	14	12	10	16	15	145
	12-13	2						1	2		2	4	12	13	18	13	12	5	7	91
	13-14							2	1		1	1	5	4	10	14	5	8	7	58
	14-15	9						2	2	3	14	10	10	10	13	117	95	63	63	411
	15-16	1						5	1	2	7	16	13	15	21	147	72	165	31	496
	>=16							8	6	4	56	111	5	4	6	54	98	884	282	1518
Total	39	38	71	70	121	96	109	106	88	353	521	346	221	119	431	340	1253	604	4926	

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)																	No idea	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		
Current inflation rate (per cent)	<1	9	7		2	1	2	1		1		1						1	3	28
	1-2	10	10	4	4	1	2	1	1		2			2					1	38
	2-3		6	26	7	9	8	4	3		3	1		1		2			5	75
	3-4	2	2		17	16		10	6	3	2	3	1					1	5	68
	4-5		4	2	12	47	46	11	12	5	10	7	2		1		1	7	17	184
	5-6			2		11	61	23	14	7	22	19	4	2	4	4	5	10	12	200
	6-7	2					10	32	12	8	21	10	2	1	1	4	2	4	9	118
	7-8		1			2		8	18	9	11	10	11	6	1	3	4	8	8	100
	8-9		1			1	1	1	9	24	15	7	5	6	2	5	7	11	8	103
	9-10	2	1	1	1	3	3	2		35	139	91	18	13	12	38	21	137	78	595
	10-11	1	1	1		1	3	2	1	2	60	165	128	15	17	26	66	142	67	698
	11-12	4				1			1			15	29	20	3	9	10	27	26	145
	12-13	1	2					1				2	9	17	14	2	17	16	10	91
	13-14	1	4					1				1		3	10	10	8	13	7	58
	14-15	2	3				1	4			1	2	2		27	104	81	117	67	411
	15-16	2	3	1		2	4	6	3	1	1	2	2	3	6	59	133	231	37	496
	>=16	5	1		1	2	3	23	1		4	11			2	15	14	1158	278	1518
Total	41	46	37	44	97	144	130	81	95	291	347	213	89	100	281	369	1883	638	4926	

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