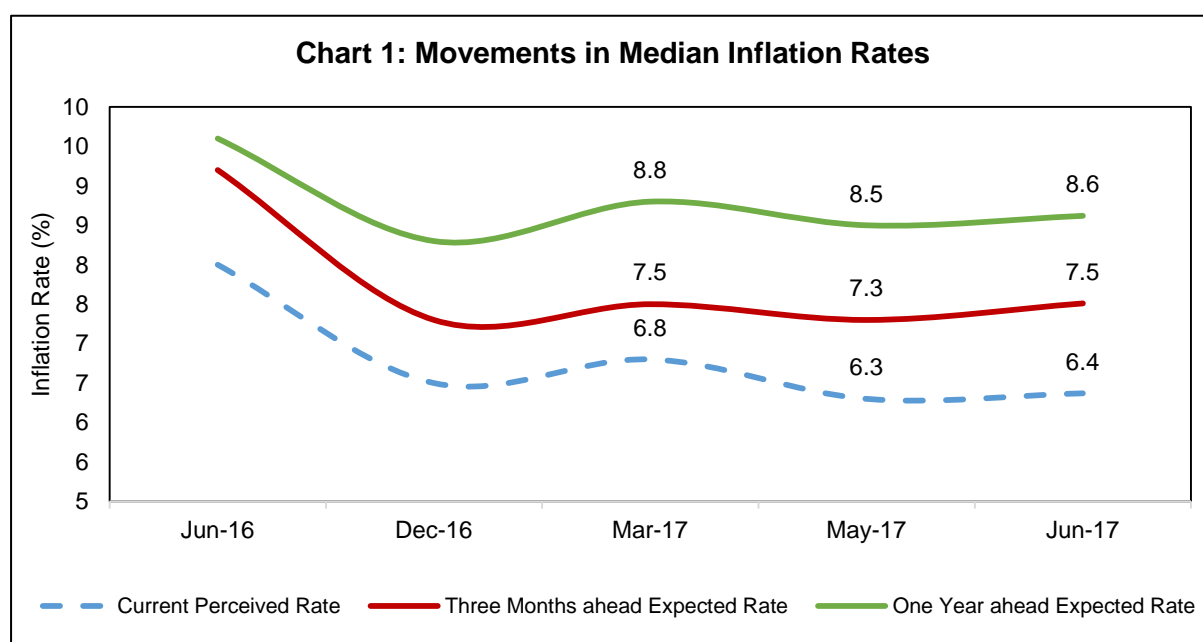


## Households' Inflation Expectations Survey

Today, the Reserve Bank released the June 2017 round of the Inflation Expectations Survey of Households (IESH)<sup>1</sup> conducted in 18 cities. The results are based on responses from 4,737 urban households covering various occupational categories (Table 1).

### Highlights:

- i. The proportion of respondents expecting general prices to increase in the next three months was slightly higher than in the previous two rounds and this was reflected across product groups, barring food products (Table 2).
- ii. Around half of the respondents who expected the general price level to increase in the next three months also felt that prices would rise by more than the current rate; this proportion has also increased marginally over the May 2017 round of the survey.
- iii. The rise in inflation expectations was reflected across all product groups, except housing.
- iv. While a higher proportion of respondents expected the general prices to increase over the year ahead, the proportion of respondents who expected the general prices to rise at more than current rate (i.e., implying higher inflation) was lower than in the May 2017 round.
- v. Three months ahead and one year ahead median inflation expectations are stable since the March 2017 round (Chart 1); however, as compared with the June 2016 round, they declined by 170 and 100 basis points, respectively, in the June 2017 round,



<sup>1</sup> The survey is conducted at regular intervals by the Reserve Bank of India. It provides useful directional information on near-term inflationary pressures and also supplements other economic indicators. However, these expectations are formed by the respondents and may reflect their consumption pattern. Hence, it should not be treated as benchmarks for official measures of inflation.

**Table 1: Respondents' Profile (Category): Share in Total Sample - June 2017**

Category of Respondents	Share in Total (%)	Target Share (%)
Financial Sector Employees	10.7	10.0
Other Employees	14.4	15.0
Self-employed	19.4	20.0
Housewives	29.5	30.0
Retired Persons	9.9	10.0
Daily Workers	10.3	10.0
Others	5.7	5.0

**Table 2: Product-wise Expectations of Prices for Three Months ahead and One Year ahead**

(Percentage of respondents)

Round	Jun-16	Dec-16	Mar-17	May-17	Jun-17	Jun-16	Dec-16	Mar-17	May-17	Jun-17
<b>Options: General</b>	<b>Three Months Ahead</b>					<b>One Year Ahead</b>				
<b>Prices will increase</b>	85.2	59.9	73.8	70.2	77.2	90.4	68.1	81.0	80.9	82.4
Price increase more than current rate	37.7	28.9	37.9	35.9	39.9	44.8	35.2	44.5	46.3	44.1
Price increase similar to current rate	28.7	23.0	27.3	25.0	26.6	27.6	24.9	28.5	26.4	28.3
Price increase less than current rate	18.8	8.0	8.6	9.3	10.7	18.0	8.0	8.0	8.2	10.1
<b>No change in prices</b>	11.4	26.9	21.5	25.2	16.8	6.3	19.8	13.6	14.3	11.2
<b>Decline in prices</b>	3.4	13.3	4.7	4.6	6.0	3.4	12.2	5.4	4.8	6.4
<b>Options: Food Product</b>	<b>Three Months Ahead</b>					<b>One Year Ahead</b>				
<b>Prices will increase</b>	86.5	61.2	74.2	73.7	71.6	90.1	66.4	78.0	79.8	75.8
Price increase more than current rate	38.3	30.3	39.5	38.6	39.1	44.7	32.2	39.7	42.1	38.0
Price increase similar to current rate	29.3	19.6	24.7	23.6	21.8	28.4	24.1	29.0	27.2	26.8
Price increase less than current rate	18.9	11.3	9.9	11.5	10.7	17.1	10.1	9.3	10.6	11.0
<b>No change in prices</b>	9.1	17.1	16.5	18.2	14.2	5.5	16.6	12.8	11.9	12.4
<b>Decline in prices</b>	4.4	21.7	9.3	8.1	14.3	4.3	17.1	9.2	8.2	11.8
<b>Options: Non-Food Product</b>	<b>Three Months Ahead</b>					<b>One Year Ahead</b>				
<b>Prices will increase</b>	72.7	57.8	69.6	66.3	72.1	82.5	62.2	72.3	73.9	74.8
Price increase more than current rate	27.7	27.4	34.1	32.4	36.9	33.6	29.2	35.1	37.1	36.3
Price increase similar to current rate	26.3	20.6	25.1	23.4	23.6	29.2	23.3	27.5	25.7	27.3
Price increase less than current rate	18.6	9.7	10.4	10.6	11.6	19.7	9.7	9.7	11.1	11.2
<b>No change in prices</b>	23.0	26.2	23.6	26.9	18.1	13.8	23.5	20.3	19.1	16.3
<b>Decline in prices</b>	4.4	16.0	6.8	6.8	9.8	3.7	14.4	7.4	7.0	9.0
<b>Options: Household Durables</b>	<b>Three Months Ahead</b>					<b>One Year Ahead</b>				
<b>Prices will increase</b>	66.6	44.6	54.2	51.1	65.4	79.9	52.7	60.8	62.1	70.3
Price increase more than current rate	26.3	20.9	27.2	25.1	34.7	34.1	24.8	29.7	31.9	35.7
Price increase similar to current rate	23.4	16.4	19.3	17.1	20.6	27.3	18.9	22.8	21.5	24.3
Price increase less than current rate	16.9	7.3	7.6	8.9	10.1	18.6	9.0	8.3	8.8	10.3
<b>No change in prices</b>	25.7	32.5	30.8	33.6	20.6	14.2	27.0	25.3	24.9	17.5
<b>Decline in prices</b>	7.8	22.9	15.1	15.3	14.0	5.9	20.3	13.9	13.0	12.2
<b>Options: Housing Prices</b>	<b>Three Months Ahead</b>					<b>One Year Ahead</b>				
<b>Prices will increase</b>	77.3	44.6	56.7	57.3	64.3	86.6	54.0	68.7	69.7	73.4
Price increase more than current rate	43.8	24.8	32.4	33.2	37.1	52.2	29.6	39.3	39.7	42.2
Price increase similar to current rate	20.6	13.1	16.9	17.0	18.6	21.8	16.7	21.5	22.7	22.4
Price increase less than current rate	12.9	6.6	7.4	7.1	8.7	12.5	7.7	8.0	7.3	8.8
<b>No change in prices</b>	16.2	21.5	24.9	26.4	22.0	8.5	18.0	16.9	17.4	15.1
<b>Decline in prices</b>	6.6	33.9	18.4	16.2	13.6	4.9	28.0	14.3	12.9	11.5
<b>Options: Cost of Services</b>	<b>Three Months Ahead</b>					<b>One Year Ahead</b>				
<b>Prices will increase</b>	78.4	57.6	67.0	61.3	68.9	88.8	66.8	77.4	75.5	78.6
Price increase more than current rate	33.7	27.1	33.6	29.4	35.1	42.8	32.6	38.5	37.3	38.8
Price increase similar to current rate	26.9	21.0	23.8	21.7	23.7	28.5	23.7	28.5	26.8	27.8
Price increase less than current rate	17.9	9.5	9.7	10.2	10.2	17.5	10.5	10.4	11.4	12.0
<b>No change in prices</b>	19.0	29.8	27.5	33.0	25.3	8.5	22.3	17.4	19.1	15.6
<b>Decline in prices</b>	2.6	12.6	5.6	5.7	5.8	2.8	10.9	5.2	5.5	5.9

**Table 3: Households Expecting General Price Movements in Coherence with Movements in Price Expectations of Various Product Groups: Three Months Ahead and One Year Ahead**

(Percentage of respondents)

Round No.	Survey period ended	Food	Non-Food	Households durables	Housing	Cost of services
Three Months Ahead						
44	Jun-16	69.8	60.0	54.5	55.7	59.2
46	Dec-16	55.4	55.8	48.5	47.0	57.7
47	Mar-17	57.1	56.7	48.1	48.3	57.7
47B	May-17	59.8	59.7	51.0	52.5	60.3
48	Jun-17	62.0	64.3	57.2	57.6	63.4
One Year Ahead						
44	Jun-16	74.7	64.5	60.6	61.5	65.9
46	Dec-16	62.2	59.7	52.8	51.7	62.3
47	Mar-17	62.3	60.4	51.5	54.6	64.1
47B	May-17	66.8	64.4	56.4	58.7	67.3
48	Jun-17	68.2	67.7	62.0	63.2	70.0

**Table 4: Household Inflation Expectations – Current, Three Months and One Year Ahead**

Survey Round	Survey Period Ended	Inflation rate in Per cent								
		Current			Three Months Ahead			One Year Ahead		
		Mean	Median	Std. Dev.	Mean	Median	Std. Dev.	Mean	Median	Std. Dev.
44	Jun-16	8.8	8	4.4	9.7	9.2	4.4	10	9.6	4.7
46	Dec-16	7.4	6.5	3.9	7.9	7.3	4.1	8.7	8.3	4.3
47	Mar-17	7.8	6.8	4	8.2	7.5	4.1	9.3	8.8	4.2
47B	May-17	7.5	6.3	4	8.1	7.3	4.2	9.2	8.5	4.3
48	Jun-17	7.3	6.4	3.8	8.1	7.5	3.9	9.1	8.6	4.1

**Table 5: Factors that Explain the Total Variability**

Round No.	Survey Period Ended	Current	Three Months Ahead	One Year Ahead
44	Jun-16	City, Age-Group, Category	City, Category	City, Category
46	Dec-16	City, Gender, Age-Group	City, Category, Age-Group	City, Category
47	Mar-17	City, Age-Group	City, Category	City, Category
47B	May-17	City, Gender, Category	City, Category	City, Category
48	Jun-17	City, Age-Group, Category	City, Age-Group, Category	City, Age-Group, Category

**Table 6 : Various Group-wise Inflation Expectations: June 2017**

	Current			Three Months Ahead			One Year Ahead		
	Mean	Median	Std. Dev.	Mean	Median	Std. Dev.	Mean	Median	Std. Dev.
Overall	7.3	6.4	3.8	8.1	7.5	3.9	9.1	8.6	4.1
<b>Gender-wise</b>									
Male	7.4	6.5	3.8	8.2	7.5	4.0	9.1	8.6	4.2
Female	7.3	6.2	3.8	8.0	7.5	3.9	9.1	8.7	4.0
<b>Category-wise</b>									
Financial Sector Employees	7.0	6.0	3.6	7.7	7.2	3.8	8.6	8.2	4.0
Other Employees	7.6	6.7	3.9	8.4	7.8	3.9	9.4	8.9	4.1
Self Employed	7.5	6.5	3.8	8.1	7.5	4.0	9.0	8.5	4.1
Housewives	7.3	6.2	3.8	8.1	7.5	3.8	9.1	8.7	4.1
Retired Persons	7.5	6.5	3.9	8.2	7.6	4.2	9.2	8.9	4.2
Daily Workers	7.5	6.7	3.8	8.2	7.7	4.0	9.1	8.9	4.2
Other category	6.8	5.9	3.8	7.6	7.1	3.8	8.5	8.2	4.2
<b>Age Group-wise</b>									
Up to 25 years	7.0	6.2	3.5	7.6	7.2	3.5	8.7	8.4	3.8
25 to 30 years	7.0	6.2	3.6	7.8	7.4	3.7	8.7	8.4	4.0
30 to 35 years	7.4	6.2	4.0	8.1	7.5	4.0	9.0	8.5	4.1
35 to 40 years	7.4	6.5	3.8	8.0	7.6	4.0	9.0	8.7	4.2
40 to 45 years	7.5	6.3	4.0	8.2	7.5	4.1	9.2	8.6	4.2
45 to 50 years	7.4	6.3	4.0	8.3	7.7	4.2	9.1	8.8	4.3
50 to 55 years	7.9	7.0	3.9	8.7	7.8	4.1	9.5	9.0	4.1
55 to 60 years	7.9	6.9	3.9	8.8	8.2	4.0	10.1	10.0	4.0
60 years and above	7.7	6.8	4.0	8.5	7.7	4.3	9.4	9.1	4.4
<b>City-wise</b>									
Ahmedabad	7.9	7.6	2.7	8.9	8.3	2.7	9.2	8.7	2.8
Bengaluru	4.9	4.8	2.0	6.0	5.4	3.0	7.1	5.8	3.9
Bhopal	5.9	5.5	2.3	7.7	7.9	2.8	9.4	9.7	3.7
Bhubaneswar	7.8	6.0	3.7	9.5	8.7	4.1	10.9	10.6	4.5
Chennai	7.5	5.9	3.8	8.0	7.5	4.0	10.4	10.6	3.9
Delhi	6.3	5.7	2.9	7.0	6.6	2.9	7.4	7.1	3.0
Guwahati	9.9	10.6	5.9	9.1	10.1	6.1	9.4	10.1	5.9
Hyderabad	6.3	6.3	0.9	6.9	6.9	1.1	7.6	7.8	1.4
Jaipur	8.2	7.9	3.1	9.3	9.0	3.5	10.7	10.7	3.9
Kolkata	9.4	8.3	4.3	10.5	9.6	4.1	11.6	10.9	4.1
Lucknow	6.4	5.8	2.7	7.4	7.2	3.1	8.1	7.8	3.5
Mumbai	8.4	8.5	3.4	8.3	8.6	3.8	8.9	9.5	4.0
Nagpur	5.6	5.0	4.0	6.4	5.7	4.0	7.6	6.7	4.1
Patna	6.3	6.2	1.1	7.0	7.0	1.4	8.2	8.2	1.7
Thiruvananthapuram	9.4	8.3	4.5	10.5	9.8	4.3	11.9	12.3	4.3
Chandigarh	8.0	7.2	3.9	8.4	7.9	3.8	8.8	8.1	3.9
Ranchi	3.8	3.4	2.0	4.4	4.0	2.1	5.6	5.5	2.5
Raipur	6.2	5.7	3.3	7.5	7.1	3.9	7.7	7.8	4.1

**Table 7: Cross-tabulation of Current and Three Months Ahead Inflation Expectations: June 2017**

(Number of respondents)

		Three Months 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	28	19	10	5	1	6	0	0	1	0	6	0	0	0	1	0	2	2	<b>81</b>
	1-<2	4	37	32	10	1	3	1	2	0	0	0	0	0	0	0	1	0	4	<b>95</b>
	2-<3	2	12	89	86	25	21	2	0	2	0	0	0	2	0	0	1	0	4	<b>246</b>
	3-<4	0	8	33	114	73	84	15	8	4	1	3	0	0	0	0	1	0	4	<b>348</b>
	4-<5	0	3	10	14	106	123	67	38	13	3	4	0	0	0	0	0	0	7	<b>388</b>
	5-<6	7	4	34	21	33	247	255	237	98	11	54	1	1	0	0	3	2	8	<b>1016</b>
	6-<7	2	1	1	6	6	18	135	226	83	19	12	0	5	0	0	1	0	9	<b>524</b>
	7-<8	2	1	0	1	2	13	25	108	129	76	43	1	6	0	0	1	0	0	<b>408</b>
	8-<9	1	1	7	2	6	4	3	9	113	95	72	9	7	2	1	3	1	3	<b>339</b>
	9-<10	0	0	0	0	0	4	1	2	5	43	44	26	15	1	1	2	2	7	<b>153</b>
	10-<11	4	3	4	10	4	28	3	8	12	6	151	57	125	23	11	73	24	11	<b>557</b>
	11-<12	7	0	0	1	1	1	0	0	0	2	2	22	12	11	3	9	3	4	<b>78</b>
	12-<13	0	0	0	0	0	1	0	0	1	1	1	0	16	10	8	12	5	0	<b>55</b>
	13-<14	1	0	0	0	2	0	0	0	0	0	0	0	0	3	1	8	3	1	<b>19</b>
	14-<15	1	0	0	0	0	0	0	0	1	0	0	0	0	0	3	3	6	1	<b>15</b>
	15-<16	1	0	0	0	1	13	3	0	0	1	7	0	3	1	0	41	48	2	<b>121</b>
	>=16	9	0	0	4	0	9	0	0	0	0	14	0	4	1	0	10	217	26	<b>294</b>
	Total	<b>69</b>	<b>89</b>	<b>220</b>	<b>274</b>	<b>261</b>	<b>575</b>	<b>510</b>	<b>638</b>	<b>462</b>	<b>258</b>	<b>413</b>	<b>116</b>	<b>196</b>	<b>52</b>	<b>29</b>	<b>169</b>	<b>313</b>	<b>93</b>	<b>4737</b>

**Table 8: Cross-tabulation of Current and One Year Ahead Inflation Expectations: June 2017**

(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	23	4	14	4	7	11	1	0	2	3	7	0	0	0	0	2	2	1	<b>81</b>
	1-<2	1	26	20	16	9	12	3	0	1	0	0	0	1	0	0	2	1	3	<b>95</b>
	2-<3	5	6	70	38	47	38	19	4	3	2	5	0	1	0	0	2	2	4	<b>246</b>
	3-<4	1	13	22	88	44	56	37	23	27	7	12	2	4	0	0	2	0	10	<b>348</b>
	4-<5	0	2	10	14	74	63	66	47	37	20	20	8	7	0	0	3	0	17	<b>388</b>
	5-<6	2	2	12	23	32	161	131	208	112	55	160	33	22	5	5	24	12	17	<b>1016</b>
	6-<7	0	2	2	4	7	28	73	123	142	41	51	11	17	4	1	8	1	9	<b>524</b>
	7-<8	2	1	1	2	4	14	12	73	81	90	66	12	16	6	8	12	1	7	<b>408</b>
	8-<9	2	0	4	4	5	6	8	8	55	66	100	21	27	6	6	11	7	3	<b>339</b>
	9-<10	0	0	0	0	1	3	1	2	5	23	35	27	23	7	7	12	3	4	<b>153</b>
	10-<11	8	1	1	3	2	28	3	4	15	6	123	32	64	28	30	100	88	21	<b>557</b>
	11-<12	4	0	1	0	1	2	0	0	0	1	2	16	10	11	2	9	10	9	<b>78</b>
	12-<13	0	0	0	0	0	0	0	0	0	1	2	0	10	6	1	20	14	1	<b>55</b>
	13-<14	0	0	0	2	0	1	0	0	0	0	0	0	0	1	1	2	11	1	<b>19</b>
	14-<15	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	9	3	<b>15</b>
	15-<16	1	1	1	0	0	6	1	1	1	0	7	0	4	1	1	29	58	9	<b>121</b>
	>=16	9	0	0	4	1	9	0	0	1	1	14	0	2	2	1	11	215	24	<b>294</b>
	Total	<b>59</b>	<b>58</b>	<b>158</b>	<b>202</b>	<b>234</b>	<b>438</b>	<b>355</b>	<b>493</b>	<b>482</b>	<b>316</b>	<b>604</b>	<b>162</b>	<b>208</b>	<b>77</b>	<b>63</b>	<b>251</b>	<b>434</b>	<b>143</b>	<b>4737</b>