

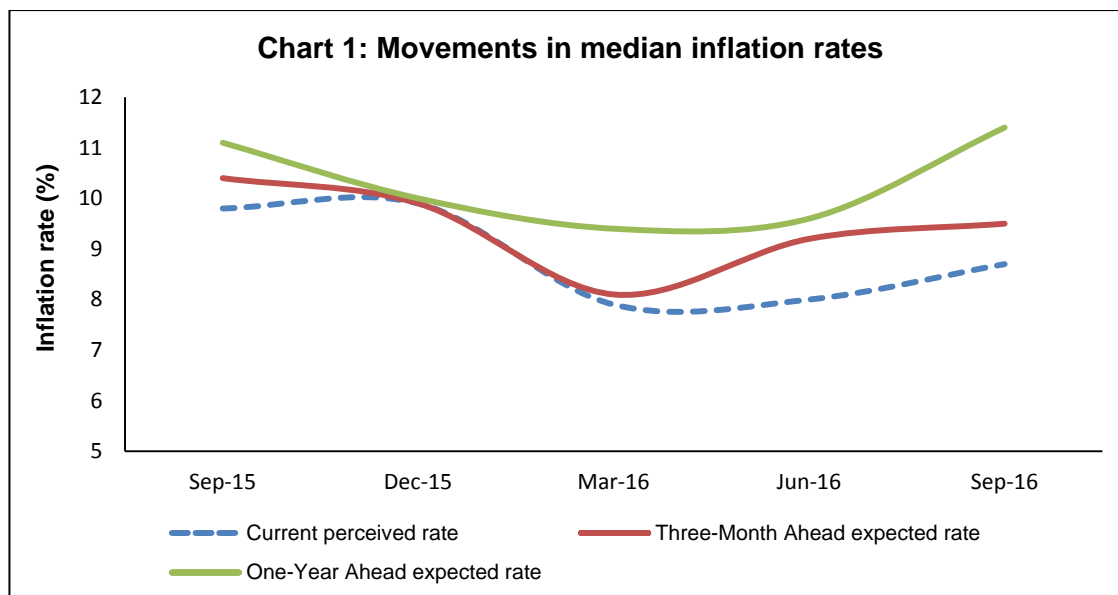
# RBI's Households' Inflation Expectations - September 2016

## Households' Inflation Expectations continued to rise in September 2016

Households' inflation expectations for three-month as well as one-year ahead period continued to be on the rise in September 2016 as per the Inflation Expectations Survey of Households conducted by the Reserve Bank of India (RBI) in September 2016 (45<sup>th</sup> round). Conducted at regular intervals, the Household Inflation Expectations Survey of the Reserve Bank provides useful directional information on near-term inflationary pressures and supplements other economic indicators. These expectations are formed by individuals based on their consumption basket and should not be treated as benchmark for official measure of inflation. The September 2016 round of the survey was conducted across 18 cities and covered about 5,300 urban households from various categories (Table 1).

### Highlights:

- I. The proportion of respondents expecting general prices to rise by '*more than current rate*' in three months and one year ahead increased in September 2016 round. Similar sentiments prevailed across the selected product groups also (Table 2).
- II. Three-month ahead median inflation rate increased *marginally* from 9.2 per cent to 9.5 per cent. However, one-year ahead median inflation rate increased *sharply* from 9.6 per cent to 11.4 per cent between June 2016 and September 2016 rounds (Table 4 and Chart-1).



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

Category of Respondents	Share in Total (%)	Target Share (%)
Financial Sector Employees	9.7	10.0
Other Employees	15.7	15.0
Self-employed	19.4	20.0
Housewives	29.8	30.0
Retired Persons	9.7	10.0
Daily Workers	9.8	10.0
Others	6.0	5.0

**Note:** The above sample proportion is for September 2016 round

**Table 2: Product-wise Expectations of Prices for Three-Month and One-Year Ahead**

(Percentage of respondents)

Round No./survey period	41	42	43	44	45	41	42	43	44	45
(Round ended) →	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16
<b>Options: General</b>	<b>Three-Month Ahead</b>					<b>One-Year Ahead</b>				
<b>Prices will increase</b>	<b>82.8</b>	<b>86.7</b>	<b>79.7</b>	<b>85.2</b>	<b>78.6</b>	<b>90.6</b>	<b>90.9</b>	<b>89.5</b>	<b>90.4</b>	<b>86.2</b>
Price increase more than current rate	36.3	35.7	31.4	37.7	47.0	43.6	41.6	37.4	44.8	55.0
Price increase similar to current rate	21.2	29.5	26.4	28.7	18.5	23.8	28.5	31.6	27.6	20.4
Price increase less than current rate	25.4	21.5	21.9	18.8	13.0	23.2	20.9	20.6	18.0	10.8
<b>No change in prices</b>	<b>12.3</b>	<b>9.0</b>	<b>16.6</b>	<b>11.4</b>	<b>15.7</b>	<b>5.5</b>	<b>5.6</b>	<b>7.5</b>	<b>6.3</b>	<b>9.2</b>
<b>Decline in price</b>	<b>4.8</b>	<b>4.3</b>	<b>3.7</b>	<b>3.4</b>	<b>5.8</b>	<b>3.9</b>	<b>3.5</b>	<b>2.9</b>	<b>3.4</b>	<b>4.6</b>
<b>Options: Food Product</b>	<b>Three-Month Ahead</b>					<b>One-Year Ahead</b>				
<b>Prices will increase</b>	<b>84.1</b>	<b>85.9</b>	<b>81.1</b>	<b>86.5</b>	<b>74.7</b>	<b>89.6</b>	<b>90.6</b>	<b>88.3</b>	<b>90.1</b>	<b>83.1</b>
Price increase more than current rate	37.5	34.9	30.3	38.3	42.8	42.8	41.2	34.7	44.7	51.1
Price increase similar to current rate	23.2	30.1	29.0	29.3	19.3	24.2	29.2	32.8	28.4	20.5
Price increase less than current rate	23.3	20.9	21.8	18.9	12.6	22.6	20.2	20.9	17.1	11.5
<b>No change in prices</b>	<b>10.4</b>	<b>8.8</b>	<b>14.3</b>	<b>9.1</b>	<b>16.6</b>	<b>6.1</b>	<b>5.6</b>	<b>8.5</b>	<b>5.5</b>	<b>10.8</b>
<b>Decline in price</b>	<b>5.5</b>	<b>5.3</b>	<b>4.6</b>	<b>4.4</b>	<b>8.6</b>	<b>4.3</b>	<b>3.9</b>	<b>3.2</b>	<b>4.3</b>	<b>6.1</b>
<b>Options: Non-Food Product</b>	<b>Three-Month Ahead</b>					<b>One-Year Ahead</b>				
<b>Prices will increase</b>	<b>73.5</b>	<b>74.3</b>	<b>70.8</b>	<b>72.7</b>	<b>63.2</b>	<b>82.8</b>	<b>81.9</b>	<b>81.4</b>	<b>82.5</b>	<b>72.1</b>
Price increase more than current rate	26.8	23.7	23.4	27.7	35.2	32.1	29.2	26.6	33.6	42.8
Price increase similar to current rate	23.2	29.1	26.6	26.3	16.7	24.4	29.6	32.1	29.2	18.3
Price increase less than current rate	23.5	21.5	20.8	18.6	11.3	26.3	23.1	22.7	19.7	11.0
<b>No change in prices</b>	<b>21.4</b>	<b>20.8</b>	<b>24.6</b>	<b>23.0</b>	<b>29.3</b>	<b>12.8</b>	<b>13.8</b>	<b>14.9</b>	<b>13.8</b>	<b>20.5</b>
<b>Decline in price</b>	<b>5.2</b>	<b>5.0</b>	<b>4.6</b>	<b>4.4</b>	<b>7.6</b>	<b>4.4</b>	<b>4.3</b>	<b>3.7</b>	<b>3.7</b>	<b>7.4</b>
<b>Options: Household Durables</b>	<b>Three-Month Ahead</b>					<b>One-Year Ahead</b>				
<b>Prices will increase</b>	<b>65.7</b>	<b>68.6</b>	<b>70.9</b>	<b>66.6</b>	<b>54.1</b>	<b>78.4</b>	<b>78.9</b>	<b>80.0</b>	<b>79.9</b>	<b>68.1</b>
Price increase more than current rate	24.6	22.1	22.5	26.3	30.3	32.0	29.2	28.7	34.1	39.6
Price increase similar to current rate	19.1	26.3	27.0	23.4	13.9	22.8	29.4	30.2	27.3	17.8
Price increase less than current rate	22.1	20.2	21.4	16.9	9.9	23.6	20.3	21.1	18.6	10.8
<b>No change in prices</b>	<b>25.0</b>	<b>22.5</b>	<b>20.5</b>	<b>25.7</b>	<b>32.3</b>	<b>14.7</b>	<b>14.0</b>	<b>13.7</b>	<b>14.2</b>	<b>21.8</b>
<b>Decline in price</b>	<b>9.2</b>	<b>8.8</b>	<b>8.6</b>	<b>7.8</b>	<b>13.6</b>	<b>7.0</b>	<b>7.2</b>	<b>6.3</b>	<b>5.9</b>	<b>10.1</b>
<b>Options: Housing Prices</b>	<b>Three-Month Ahead</b>					<b>One-Year Ahead</b>				
<b>Prices will increase</b>	<b>79.8</b>	<b>80.2</b>	<b>78.3</b>	<b>77.3</b>	<b>68.7</b>	<b>89.4</b>	<b>88.4</b>	<b>86.0</b>	<b>86.6</b>	<b>79.1</b>
Price increase more than current rate	42.2	39.9	40.7	43.8	44.4	52.4	48.7	47.8	52.2	54.8
Price increase similar to current rate	20.3	25.1	22.7	20.6	15.2	19.2	24.9	24.2	21.8	15.7
Price increase less than current rate	17.4	15.3	15.0	12.9	9.1	17.9	14.8	14.0	12.5	8.5
<b>No change in prices</b>	<b>14.2</b>	<b>13.3</b>	<b>14.8</b>	<b>16.2</b>	<b>22.3</b>	<b>6.2</b>	<b>6.9</b>	<b>8.1</b>	<b>8.5</b>	<b>13.0</b>
<b>Decline in price</b>	<b>6.0</b>	<b>6.5</b>	<b>6.8</b>	<b>6.6</b>	<b>9.1</b>	<b>4.3</b>	<b>4.7</b>	<b>6.0</b>	<b>4.9</b>	<b>7.9</b>
<b>Options: Cost of Services</b>	<b>Three-Month Ahead</b>					<b>One-Year Ahead</b>				
<b>Prices will increase</b>	<b>74.2</b>	<b>81.6</b>	<b>76.1</b>	<b>78.4</b>	<b>64.5</b>	<b>87.0</b>	<b>90.4</b>	<b>87.0</b>	<b>88.8</b>	<b>81.9</b>
Price increase more than current rate	31.5	35.9	29.6	33.7	36.9	40.3	42.0	37.4	42.8	49.3
Price increase similar to current rate	20.5	27.2	26.8	26.9	17.6	22.1	28.6	29.5	28.5	21.3
Price increase less than current rate	22.2	18.5	19.7	17.9	10.0	24.6	19.9	20.1	17.5	11.4
<b>No change in prices</b>	<b>22.4</b>	<b>15.4</b>	<b>20.2</b>	<b>19.0</b>	<b>30.3</b>	<b>9.8</b>	<b>7.0</b>	<b>10.0</b>	<b>8.5</b>	<b>13.6</b>
<b>Decline in price</b>	<b>3.5</b>	<b>3.0</b>	<b>3.7</b>	<b>2.6</b>	<b>5.2</b>	<b>3.3</b>	<b>2.6</b>	<b>3.1</b>	<b>2.8</b>	<b>4.5</b>

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

(Percentage of respondents)

Round No.	Survey period ended	Food	Non-Food	Households durables	Housing	Cost of services
Three-months Ahead						
41	Sep-15	70.0	58.1	50.6	54.0	56.1
42	Dec-15	73.2	59.4	51.4	54.4	60.9
43	Mar-16	69.6	63.2	59.1	58.7	64.6
44	Jun-16	69.8	60.0	54.5	55.7	59.2
45	Sep-16	62.6	52.2	46.2	50.1	49.3
One-year Ahead						
41	Sep-15	70.3	59.5	55.4	60.8	60.6
42	Dec-15	77.8	63.9	60.2	61.6	67.2
43	Mar-16	73.1	67.4	66.6	63.9	69.2
44	Jun-16	74.7	64.5	60.6	61.5	65.9
45	Sep-16	67.9	56.5	52.5	57.1	58.4

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

Survey Round	Survey period 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.
41	Sep-15	10.4	9.8	4.3	10.6	10.4	4.3	11.2	11.1	4.5
42	Dec-15	10.5	9.9	4.2	10.5	9.9	4.1	10.7	10.0	4.3
43	Mar-16	8.9	7.9	4.4	8.8	8.1	4.6	9.7	9.4	4.6
44	Jun-16	8.8	8.0	4.4	9.7	9.2	4.4	10.0	9.6	4.7
45	Sep-16	9.2	8.7	4.0	9.7	9.5	4.4	11.6	11.4	3.9

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

Round No.	Survey period ended	Current	Three-month Ahead	One-year Ahead
41	Sep-15	City, Age-Group, Gender	City, Age-Group, Gender	City, Age-Group, Gender
42	Dec-15	City, Age-Group	City, Age-Group	City, Age-Group
43	Mar-16	City, Age-Group	City	City, Category
44	Jun-16	City, Age-Group, Category	City, Category	City, Category
45	Sep-16	City, Age-Group	City, Age-Group	City

**Table 6 : Various Group-wise Inflation Expectations: September 2016**

	Current			Three-month Ahead			One-year Ahead		
	Mean	Median	Std. Dev.	Mean	Median	Std. Dev.	Mean	Median	Std. Dev.
Overall	9.2	8.7	4.0	9.7	9.5	4.4	11.6	11.4	3.9
<b>Gender-wise</b>									
Male	9.2	8.6	4.0	9.7	9.5	4.4	11.5	11.3	4.0
Female	9.3	8.8	4.1	9.8	9.6	4.5	11.8	11.5	3.9
<b>Category-wise</b>									
Financial Sector Employees	9.1	8.2	4.0	9.4	8.9	4.3	11.3	10.9	4.0
Other Employees	9.0	8.4	3.9	9.6	9.4	4.4	11.6	11.5	3.9
Self Employed	9.3	8.7	4.2	9.7	9.6	4.5	11.5	11.2	4.0
Housewives	9.3	8.9	4.0	9.9	9.8	4.4	11.7	11.4	3.9
Retired Persons	9.7	8.9	4.3	10.0	10.0	4.5	11.8	11.8	4.1
Daily Workers	9.3	9.1	4.0	9.5	9.5	4.6	11.8	11.9	4.0
Other category	8.6	8.1	3.5	9.4	9.3	4.0	11.5	11.3	3.8
<b>Age Group-wise</b>									
Up to 25 years	8.6	8.1	3.6	9.4	9.1	4.2	11.4	11.2	3.7
25 to 30 years	8.9	8.4	4.0	9.4	9.2	4.4	11.4	10.9	3.9
30 to 35 years	9.0	8.5	3.9	9.7	9.4	4.4	11.6	11.3	3.9
35 to 40 years	9.3	8.8	4.0	9.8	9.8	4.4	11.6	11.5	4.0
40 to 45 years	9.7	9.9	4.2	10.3	10.3	4.5	11.9	11.9	4.1
45 to 50 years	9.4	8.9	4.2	9.4	9.1	4.6	11.8	11.6	4.0
50 to 55 years	9.9	9.3	4.4	10.1	10.1	4.6	11.7	11.5	4.1
55 to 60 years	9.9	9.9	4.2	10.0	10.1	4.6	12.2	12.3	3.9
60 years and above	10.0	10.1	4.3	10.2	10.3	4.6	11.9	11.8	4.2
<b>City-wise</b>									
Ahmadabad	13.2	15.6	4.0	13.9	16.1	3.8	15.0	16.3	3.0
Bengaluru	7.2	6.8	2.0	6.2	6.6	2.9	8.4	7.9	2.6
Bhopal	8.7	8.9	4.0	9.6	9.5	4.6	11.5	11.4	4.0
Bhubaneswar	13.2	15.6	3.9	14.5	16.2	3.4	14.9	16.3	3.3
Chennai	9.2	8.5	4.4	9.6	8.6	4.9	13.2	15.2	3.7
Delhi	8.8	7.7	3.7	10.2	9.7	3.8	11.1	10.7	3.8
Guwahati	12.3	15.4	5.6	13.0	15.7	5.2	14.6	16.3	3.9
Hyderabad	7.2	6.7	2.7	6.7	6.4	3.5	9.1	9.3	2.9
Jaipur	10.0	10.3	3.5	10.3	10.6	4.0	11.9	12.1	3.8
Kolkata	9.6	9.8	3.9	10.4	10.3	4.1	12.2	12.2	3.7
Lucknow	8.4	7.3	4.3	6.6	5.4	4.4	10.1	10.0	4.7
Mumbai	7.6	7.2	3.3	8.7	8.4	3.2	10.3	10.3	3.5
Nagpur	8.2	8.2	3.1	8.1	8.2	4.1	10.2	10.3	3.6
Patna	9.5	9.0	1.7	10.6	10.3	1.9	12.0	11.9	2.0
Thiruvananthapuram	11.2	10.7	4.8	9.5	10.1	5.2	12.6	14.9	4.3
Chandigarh	9.0	8.3	3.0	10.4	9.7	3.3	12.2	12.3	3.0
Ranchi	9.2	9.1	2.1	10.3	10.2	2.2	11.6	11.4	2.5
Raipur	6.3	5.7	2.6	6.3	5.9	3.2	8.6	8.3	3.2

**Table 7: Cross-tabulation of Current and Three-month Ahead Inflation Expectations:  
September 2016**

(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	14	1	3		2	2	1				2		2		1	2	11		<b>41</b>
	1-2	4	8	7	8	2	1										1			<b>31</b>
	2-3	3	5	24	29	24	12	2	4											<b>103</b>
	3-4	4	2	20	31	46	42	13	3	2	1	1		1					2	<b>168</b>
	4-5	5	6	16	9	39	57	71	23	8	4	1		5			1	1	4	<b>250</b>
	5-6	8	13	63	36	20	99	132	223	73	14	51	3	4			11	3	15	<b>768</b>
	6-7	3	4	22	13	12	10	72	110	89	27	23	4	2		1	1		5	<b>398</b>
	7-8	4	7	28	17	5	10	20	85	175	96	72	4	6	2	1	2	2	4	<b>540</b>
	8-9	3	9	32	11	6	5	5	15	63	190	119	19	22	4	4	1	1	4	<b>513</b>
	9-10	1	2	15	9	2		1	4	4	27	88	28	33	3	5	4	6	3	<b>235</b>
	10-11	7	2	40	56	21	66	5	9	15	9	158	168	197	79	16	124	67	28	<b>1067</b>
	11-12	1		1			2		2	2	3	9	10	35	4	4	6	10		<b>89</b>
	12-13	1		1	3		1					5	1	30	25	16	14	6		<b>103</b>
	13-14					1						1			2	16	10	6		<b>36</b>
	14-15	1					1	1				2			2		15	12	1	<b>35</b>
	15-16	1		3	3		4	1	2	1	2	12	1	6	1	5	86	129	7	<b>264</b>
	>=16	5	2	3	3	2	25	3	4	1	4	42	3	4	1	6	13	514	24	<b>659</b>
Total	<b>65</b>	<b>61</b>	<b>278</b>	<b>228</b>	<b>182</b>	<b>337</b>	<b>327</b>	<b>484</b>	<b>433</b>	<b>377</b>	<b>586</b>	<b>241</b>	<b>347</b>	<b>123</b>	<b>75</b>	<b>291</b>	<b>768</b>	<b>97</b>	<b>5300</b>	

**Table 8: Cross-tabulation of Current and One-year Ahead Inflation Expectations:  
September 2016**

(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	5	2	1	2		1	1	1			3		1	1		3	12	8	<b>41</b>
	1-2	5	3	5	3	2	5	1	1		2	1		1			2			<b>31</b>
	2-3		13	5	16	17	20	11	2	3		9		3			2	1	1	<b>103</b>
	3-4			16	9	20	36	24	15	11	10	16		2	3		3	1	2	<b>168</b>
	4-5			1	29	14	46	44	23	35	17	22	3	7		1	2	4	2	<b>250</b>
	5-6	1		7	4	63	29	141	94	85	54	169	14	18	5	9	38	16	21	<b>768</b>
	6-7			1	2	1	34	17	101	50	43	70	19	22	4	2	16	5	11	<b>398</b>
	7-8			1		2	7	39	25	99	69	134	56	46	11	12	13	20	6	<b>540</b>
	8-9						2	1	28	18	69	172	61	64	16	14	34	20	14	<b>513</b>
	9-10								1	17	5	59	40	46	15	12	20	15	5	<b>235</b>
	10-11		2	2			8	2	3	3	72	44	195	151	58	66	216	203	42	<b>1067</b>
	11-12	2						1				2	8	15	21	7	15	18		<b>89</b>
	12-13						1					3	6	5	20	18	27	17	6	<b>103</b>
	13-14													1		7	16	12		<b>36</b>
	14-15				1										1	3	16	10	4	<b>35</b>
	15-16	1				1				2	1		2			17	13	217	10	<b>264</b>
	>=16	1		2	1		2	2			1	2	1	1			5	607	34	<b>659</b>
Total	<b>15</b>	<b>20</b>	<b>41</b>	<b>67</b>	<b>120</b>	<b>191</b>	<b>284</b>	<b>296</b>	<b>322</b>	<b>342</b>	<b>708</b>	<b>403</b>	<b>383</b>	<b>155</b>	<b>168</b>	<b>441</b>	<b>1178</b>	<b>166</b>	<b>5300</b>	