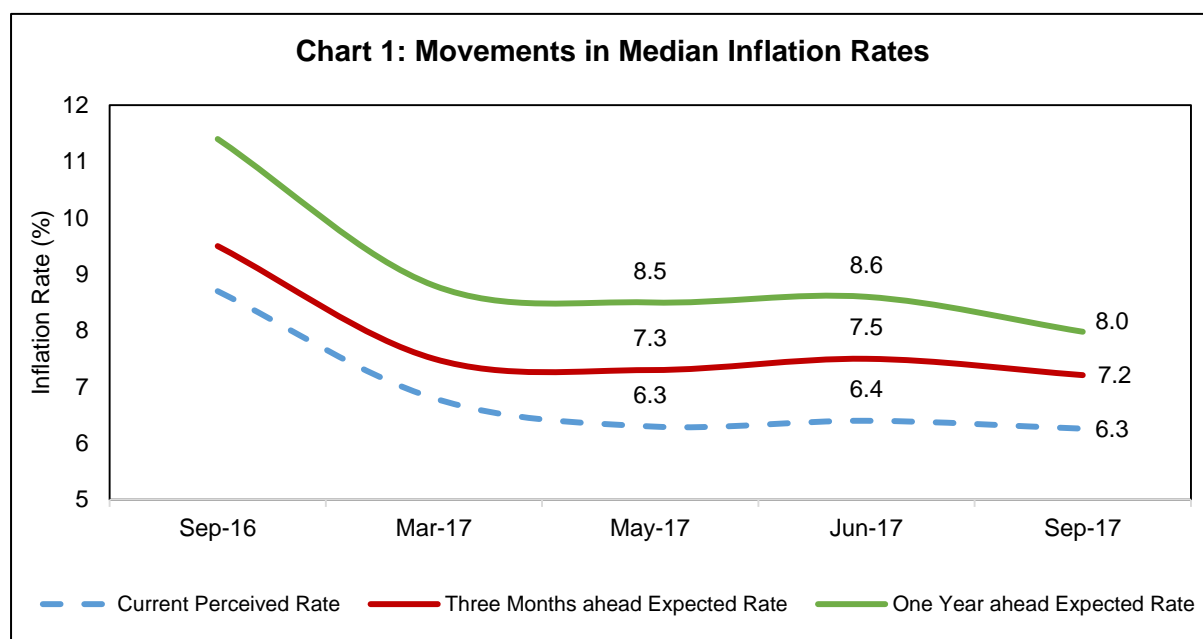


Households' Inflation Expectations Survey

Today, the Reserve Bank released the results of the September 2017 round of the Inflation Expectations Survey of Households (IESH)¹. The survey was conducted in 18 cities and the results are based on responses from 4,996 urban households covering various occupational categories (Table 1).

Highlights:

- i. The proportion of respondents expecting general prices to increase in the next three months went up further in the September 2017 round relative to the previous round of the survey, with more than half of the respondents expecting prices to rise by more than the current rate (Table 2).
- ii. Expectations of higher inflation in the near term strengthened across all product groups (Table 2).
- iii. Similar sentiment prevailed in the case of one year ahead expectations as well (Table 2).
- iv. From quantitative responses, however, it bears out that the median inflation expectations for three months ahead and one year ahead softened by 30 and 60 basis points, respectively, as compared with the June 2017 round, and by 230 and 340 basis points, respectively, from the September 2016 round (Chart 1).



¹ 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 - September 2017

Category of Respondents	Share in Total (%)	Target Share (%)
Financial Sector Employees	9.9	10.0
Other Employees	16.2	15.0
Self-employed	19.8	20.0
Housewives	28.9	30.0
Retired Persons	9.9	10.0
Daily Workers	9.9	10.0
Others	5.4	5.0

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

(Percentage of Respondents)

Round	Sep-16	Mar-17	May-17	Jun-17	Sep-17	Sep-16	Mar-17	May-17	Jun-17	Sep-17
Options: General	Three Months Ahead					One Year Ahead				
Prices will increase	78.6	73.8	70.2	77.2	81.3	86.2	81.0	80.9	82.4	93.5
Price increase more than current rate	47.0	37.9	35.9	39.9	50.5	55.0	44.5	46.3	44.1	61.2
Price increase similar to current rate	18.5	27.3	25.0	26.6	25.4	20.4	28.5	26.4	28.3	27.3
Price increase less than current rate	13.0	8.6	9.3	10.7	5.4	10.8	8.0	8.2	10.1	5.0
No change in prices	15.7	21.5	25.2	16.8	15.8	9.2	13.6	14.3	11.2	4.1
Decline in prices	5.8	4.7	4.6	6.0	2.9	4.6	5.4	4.8	6.4	2.5
Options: Food Product	Three Months Ahead					One Year Ahead				
Prices will increase	74.7	74.2	73.7	71.6	79.5	83.1	78.0	79.8	75.8	84.8
Price increase more than current rate	42.8	39.5	38.6	39.1	47.5	51.1	39.7	42.1	38.0	51.4
Price increase similar to current rate	19.3	24.7	23.6	21.8	24.8	20.5	29.0	27.2	26.8	27.5
Price increase less than current rate	12.6	9.9	11.5	10.7	7.3	11.5	9.3	10.6	11.0	6.0
No change in prices	16.6	16.5	18.2	14.2	13.3	10.8	12.8	11.9	12.4	9.3
Decline in prices	8.6	9.3	8.1	14.3	7.1	6.1	9.2	8.2	11.8	5.9
Options: Non-Food Product	Three Months Ahead					One Year Ahead				
Prices will increase	63.2	69.6	66.3	72.1	74.7	72.1	72.3	73.9	74.8	81.4
Price increase more than current rate	35.2	34.1	32.4	36.9	43.4	42.8	35.1	37.1	36.3	48.2
Price increase similar to current rate	16.7	25.1	23.4	23.6	24.8	18.3	27.5	25.7	27.3	26.7
Price increase less than current rate	11.3	10.4	10.6	11.6	6.6	11.0	9.7	11.1	11.2	6.5
No change in prices	29.3	23.6	26.9	18.1	19.3	20.5	20.3	19.1	16.3	13.8
Decline in prices	7.6	6.8	6.8	9.8	5.9	7.4	7.4	7.0	9.0	4.8
Options: Household Durables	Three Months Ahead					One Year Ahead				
Prices will increase	54.1	54.2	51.1	65.4	61.5	68.1	60.8	62.1	70.3	70.7
Price increase more than current rate	30.3	27.2	25.1	34.7	37.3	39.6	29.7	31.9	35.7	42.7
Price increase similar to current rate	13.9	19.3	17.1	20.6	19.1	17.8	22.8	21.5	24.3	22.6
Price increase less than current rate	9.9	7.6	8.9	10.1	5.1	10.8	8.3	8.8	10.3	5.4
No change in prices	32.3	30.8	33.6	20.6	25.3	21.8	25.3	24.9	17.5	19.1
Decline in prices	13.6	15.1	15.3	14.0	13.2	10.1	13.9	13.0	12.2	10.2
Options: Housing Prices	Three Months Ahead					One Year Ahead				
Prices will increase	68.7	56.7	57.3	64.3	68.9	79.1	68.7	69.7	73.4	78.9
Price increase more than current rate	44.4	32.4	33.2	37.1	44.9	54.8	39.3	39.7	42.2	53.0
Price increase similar to current rate	15.2	16.9	17.0	18.6	19.2	15.7	21.5	22.7	22.4	20.8
Price increase less than current rate	9.1	7.4	7.1	8.7	4.9	8.5	8.0	7.3	8.8	5.1
No change in prices	22.3	24.9	26.4	22.0	20.0	13.0	16.9	17.4	15.1	12.4
Decline in prices	9.1	18.4	16.2	13.6	11.1	7.9	14.3	12.9	11.5	8.8
Options: Cost of Services	Three Months Ahead					One Year Ahead				
Prices will increase	64.5	67.0	61.3	68.9	68.7	81.9	77.4	75.5	78.6	82.9
Price increase more than current rate	36.9	33.6	29.4	35.1	40.7	49.3	38.5	37.3	38.8	48.6
Price increase similar to current rate	17.6	23.8	21.7	23.7	22.5	21.3	28.5	26.8	27.8	27.9
Price increase less than current rate	10.0	9.7	10.2	10.2	5.5	11.4	10.4	11.4	12.0	6.4
No change in prices	30.3	27.5	33.0	25.3	27.3	13.6	17.4	19.1	15.6	13.5
Decline in prices	5.2	5.6	5.7	5.8	4.0	4.5	5.2	5.5	5.9	3.7

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						
45	Sep-16	62.6	52.2	46.2	50.1	49.3
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
49	Sep-17	66.8	65.8	56.8	60.1	64.9
One Year Ahead						
45	Sep-16	67.9	56.5	52.5	57.1	58.4
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
49	Sep-17	72.7	69.9	60.5	67.4	69.8

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.
45	Sep-16	9.2	8.7	4.0	9.7	9.5	4.4	11.6	11.4	3.9
47	Mar-17	7.8	6.8	4.0	8.2	7.5	4.1	9.3	8.8	4.2
47B	May-17	7.5	6.3	4.0	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
49	Sep-17	7.6	6.3	3.9	8.2	7.2	4.0	8.7	8.0	4.5

Table 5: Factors that Explain the Total Variability

Round No.	Survey Period Ended	Current	Three Months Ahead	One Year Ahead
45	Sep-16	City, Age-Group	City, Age-Group	City
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
49	Sep-17	City, Gender, Category	City, Age-Group, Category	City, Gender, Category

Table 6 : Various Group-wise Inflation Expectations: September 2017

	Current			Three Months Ahead			One Year Ahead		
	Mean	Median	Std. Dev.	Mean	Median	Std. Dev.	Mean	Median	Std. Dev.
Overall	7.6	6.3	3.9	8.2	7.2	4.0	8.7	8.0	4.5
Gender-wise									
Male	7.7	6.4	4.0	8.2	7.2	4.1	8.6	7.9	4.6
Female	7.5	6.1	3.8	8.2	7.2	3.9	8.8	8.0	4.3
Category-wise									
Financial Sector Employees	7.4	6.3	3.8	7.9	6.9	3.9	8.3	7.6	4.3
Other Employees	7.7	6.5	3.9	8.3	7.5	4.0	8.9	8.3	4.5
Self Employed	7.6	6.3	3.9	8.0	7.1	4.1	8.3	7.8	4.5
Housewives	7.5	6.1	3.8	8.2	7.2	3.9	8.9	8.0	4.2
Retired Persons	8.1	6.7	4.2	8.7	7.6	4.3	9.2	8.4	4.7
Daily Workers	7.8	6.2	4.2	8.2	7.1	4.2	8.7	8.0	4.7
Other category	7.2	6.0	3.4	7.8	7.1	3.6	8.3	7.9	4.2
Age Group-wise									
Up to 25 years	7.1	6.0	3.5	7.8	7.1	3.6	8.4	7.9	4.1
25 to 30 years	7.2	6.0	3.6	7.8	6.9	3.6	8.4	7.7	4.0
30 to 35 years	7.6	6.2	3.9	8.1	7.3	4.0	8.7	8.1	4.5
35 to 40 years	7.8	6.5	3.9	8.3	7.4	4.0	8.8	8.0	4.6
40 to 45 years	7.5	6.2	4.0	7.9	6.9	4.1	8.4	7.8	4.5
45 to 50 years	7.8	6.2	4.1	8.3	7.3	4.2	8.7	8.2	4.6
50 to 55 years	8.3	7.1	4.4	9.0	7.9	4.5	9.1	8.4	5.1
55 to 60 years	8.2	6.8	4.0	9.0	8.2	4.1	9.2	8.6	4.7
60 years and above	8.0	6.5	4.2	8.5	7.4	4.3	9.0	8.2	4.7
City-wise									
Ahmedabad	8.2	7.4	3.8	9.3	9.2	4.1	9.0	9.4	5.0
Bengaluru	4.4	4.3	1.8	4.9	4.7	2.2	5.0	5.1	2.9
Bhopal	7.9	6.5	4.3	8.3	7.5	4.4	7.6	6.9	5.5
Bhubaneswar	9.9	10.1	4.1	11.0	10.8	4.1	11.9	12.5	4.4
Chennai	9.3	8.1	4.2	10.8	10.3	4.0	12.4	12.5	3.7
Delhi	6.8	6.1	3.1	7.0	6.5	3.1	7.1	6.5	3.2
Guwahati	13.4	16.0	4.1	11.1	12.4	5.7	12.6	15.3	4.9
Hyderabad	5.8	5.7	0.7	6.8	6.7	0.8	8.0	7.9	1.1
Jaipur	6.7	5.9	2.0	6.6	6.0	3.3	6.5	6.5	4.0
Kolkata	9.4	8.3	4.3	10.2	9.3	4.1	11.1	10.4	4.2
Lucknow	7.5	5.8	4.7	8.1	6.7	4.7	8.9	8.1	4.8
Mumbai	6.8	6.6	3.0	7.5	7.4	3.1	7.9	7.8	3.8
Nagpur	7.4	6.0	3.9	8.0	6.8	4.0	8.1	7.6	4.4
Patna	6.4	6.2	2.0	7.0	6.8	2.3	7.5	7.4	2.8
Thiruvananthapuram	7.7	6.6	3.6	8.5	7.8	4.0	8.6	8.5	5.0
Chandigarh	5.8	5.5	1.7	6.0	5.9	1.7	6.2	6.5	2.6
Ranchi	5.3	5.4	1.4	5.8	5.6	1.5	6.7	6.0	2.1
Raipur	6.0	5.5	3.1	6.7	6.1	3.3	7.1	7.1	3.9

Table 7: Cross-tabulation of Current and Three Months Ahead Inflation Expectations: September 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	18	2	5	1	0	1	0	0	0	0	0	0	0	0	0	0	0	1	0	28
	1-<2	7	27	11	5	1	1	0	0	0	0	1	0	0	0	0	0	0	0	0	53
	2-<3	1	9	121	61	21	12	0	3	0	0	1	0	1	0	0	0	0	0	0	230
	3-<4	4	3	16	116	67	28	7	2	2	1	0	0	0	0	0	0	0	0	2	248
	4-<5	2	1	5	14	209	115	59	3	5	2	1	0	0	0	0	0	0	0	2	418
	5-<6	10	3	7	18	28	611	350	233	50	4	53	0	1	0	0	6	0	6	1380	
	6-<7	2	0	0	4	3	20	243	186	56	15	15	3	1	0	0	0	1	2	551	
	7-<8	4	0	1	3	3	3	9	213	113	63	32	4	5	0	1	0	0	1	455	
	8-<9	3	0	2	0	2	5	2	2	161	60	75	6	11	1	0	1	0	0	331	
	9-<10	0	0	0	0	0	0	2	0	0	51	38	17	11	3	3	2	0	0	127	
	10-<11	5	0	1	0	0	5	1	3	3	3	210	35	79	15	11	59	25	1	456	
	11-<12	2	1	0	1	0	1	0	2	1	0	1	19	9	16	3	7	0	0	63	
	12-<13	0	0	0	0	0	0	0	0	1	0	0	0	17	7	5	3	3	1	37	
	13-<14	0	0	0	0	0	0	0	0	0	1	1	0	1	6	2	5	4	0	20	
	14-<15	1	0	1	0	0	2	1	0	0	0	2	0	0	0	9	8	14	2	40	
	15-<16	0	0	0	0	0	2	0	0	2	0	4	1	0	1	0	48	39	4	101	
	>=16	17	0	4	5	0	3	0	0	1	0	18	0	0	0	0	7	388	15	458	
Total	76	46	174	228	334	809	674	647	395	200	452	85	136	49	34	146	475	36	4996		

Table 8: Cross-tabulation of Current and One Year Ahead Inflation Expectations: September 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	18	2	2	0	0	3	0	0	0	1	1	0	0	0	0	0	1	0	28
	1-<2	15	11	16	6	2	0	2	0	0	0	1	0	0	0	0	0	0	0	53
	2-<3	28	0	82	27	43	24	12	6	2	0	1	0	1	0	0	0	2	2	230
	3-<4	30	2	4	81	31	57	16	13	4	1	5	0	1	0	0	0	0	3	248
	4-<5	33	0	0	1	146	66	88	32	34	3	8	0	3	1	0	1	0	2	418
	5-<6	80	0	2	11	6	428	139	307	146	91	107	7	18	3	0	17	6	12	1380
	6-<7	20	0	0	0	1	2	201	94	123	36	41	4	14	2	1	2	5	5	551
	7-<8	27	0	0	1	0	1	7	159	79	54	69	15	13	10	7	6	3	4	455
	8-<9	16	0	1	0	0	3	2	1	109	38	71	22	32	8	8	14	6	0	331
	9-<10	5	0	0	0	0	0	1	2	1	43	13	15	16	4	11	11	5	0	127
	10-<11	20	0	0	0	0	5	0	0	5	1	152	16	45	22	19	81	87	3	456
	11-<12	0	1	0	0	0	1	0	1	1	2	1	19	3	3	7	15	9	0	63
	12-<13	3	0	0	0	0	0	0	0	0	0	0	0	13	0	4	9	5	3	37
	13-<14	1	0	0	0	0	0	0	0	0	0	0	0	1	4	2	1	11	0	20
	14-<15	1	0	0	0	0	1	0	0	0	0	3	0	0	0	10	3	20	2	40
	15-<16	3	0	0	0	0	1	0	1	2	0	1	0	0	0	1	37	53	2	101
	>=16	16	0	2	1	0	6	0	0	2	0	5	2	2	0	1	6	387	28	458
Total	316	16	109	128	229	598	468	616	508	270	479	100	162	57	71	203	600	66	4996	