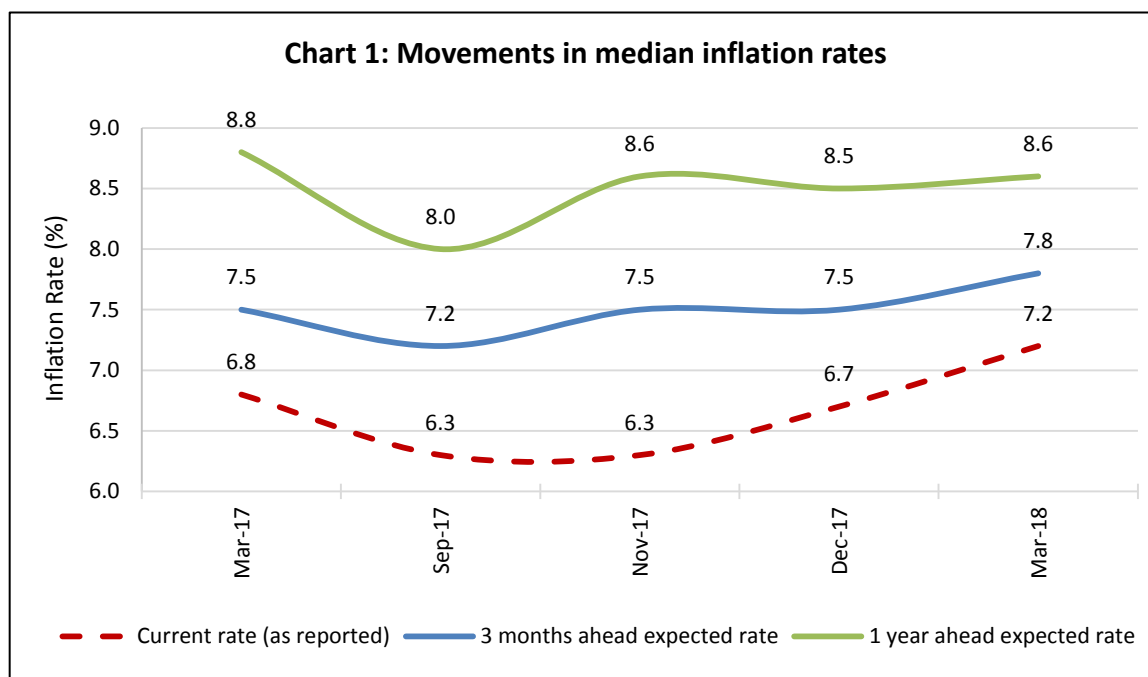


## Households' Inflation Expectations Survey

Today, the Reserve Bank released the results of the March 2018 round of the Inflation Expectations Survey of Households (IESH)<sup>1</sup>. The survey was conducted in 18 cities and the results are based on responses from 5,150 urban households covering various occupational categories (Table 1).

### Highlights:

- i. The proportion of respondents expecting prices to increase in the next three months at more than the current rate further declined in the March 2018 round across all product groups (Table 2).
- ii. Similar sentiments prevailed in respect of expectations on prices over the year ahead.
- iii. Three months ahead and one year ahead median inflation expectations increased by 30 basis points (bps) and 10 bps, respectively, as compared with the December 2017 round (Chart1, Table 4).
- iv. The perceived inflation rate reported by the respondents also rose by 50 bps between the two periods.
- v. Three months ahead median inflation expectations increased by 30 bps when compared with the March 2017 round, while one year ahead median inflation expectations softened by 20 bps.



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

**Table 1: Respondents' Profile (Category): Share in Total Sample – March 2018**

Category of Respondents	Share in Total (%)	Target Share (%)
Financial Sector Employees	9.9	10.0
Other Employees	15.1	15.0
Self-employed	20.2	20.0
Homemakers	29.3	30.0
Retired Persons	9.7	10.0
Daily Workers	10.3	10.0
Others	5.5	5.0

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

(Percentage of Respondents)

Round	Mar-17	Sep-17	Nov-17	Dec-17	Mar-18	Mar-17	Sep-17	Nov-17	Dec-17	Mar-18
<b>Options: General</b>	<b>Three Months Ahead</b>					<b>One Year Ahead</b>				
<b>Prices will increase</b>	<b>73.8</b>	<b>81.3</b>	<b>81.4</b>	<b>80.6</b>	<b>80.2</b>	<b>81.0</b>	<b>93.5</b>	<b>92.8</b>	<b>92.7</b>	<b>90.8</b>
Price increase more than current rate	37.9	50.5	53.2	49.8	45.4	44.5	61.2	64.1	63.0	56.7
Price increase similar to current rate	27.3	25.4	23.1	24.6	27.2	28.5	27.3	23.8	23.9	28.0
Price increase less than current rate	8.6	5.4	5.1	6.2	7.5	8.0	5.0	4.8	5.8	6.2
<b>No change in prices</b>	<b>21.5</b>	<b>15.8</b>	<b>16.3</b>	<b>17.4</b>	<b>17.8</b>	<b>13.6</b>	<b>4.1</b>	<b>5.5</b>	<b>5.3</b>	<b>7.1</b>
<b>Decline in prices</b>	<b>4.7</b>	<b>2.9</b>	<b>2.3</b>	<b>2.0</b>	<b>2.1</b>	<b>5.4</b>	<b>2.5</b>	<b>1.8</b>	<b>2.0</b>	<b>2.2</b>
<b>Options: Food Product</b>	<b>Three Months Ahead</b>					<b>One Year Ahead</b>				
<b>Prices will increase</b>	<b>74.2</b>	<b>79.5</b>	<b>80.3</b>	<b>78.1</b>	<b>79.6</b>	<b>78.0</b>	<b>84.8</b>	<b>85.7</b>	<b>85.0</b>	<b>85.0</b>
Price increase more than current rate	39.5	47.5	50.4	45.8	44.0	39.7	51.4	54.0	52.1	47.4
Price increase similar to current rate	24.7	24.8	23.2	23.4	24.9	29.0	27.5	25.2	24.9	28.9
Price increase less than current rate	9.9	7.3	6.7	8.9	10.7	9.3	6.0	6.5	8.1	8.7
<b>No change in prices</b>	<b>16.5</b>	<b>13.3</b>	<b>12.9</b>	<b>15.5</b>	<b>15.4</b>	<b>12.8</b>	<b>9.3</b>	<b>9.0</b>	<b>10.4</b>	<b>10.2</b>
<b>Decline in prices</b>	<b>9.3</b>	<b>7.1</b>	<b>6.8</b>	<b>6.4</b>	<b>5.0</b>	<b>9.2</b>	<b>5.9</b>	<b>5.3</b>	<b>4.6</b>	<b>4.8</b>
<b>Options: Non-Food Product</b>	<b>Three Months Ahead</b>					<b>One Year Ahead</b>				
<b>Prices will increase</b>	<b>69.6</b>	<b>74.7</b>	<b>75.7</b>	<b>73.3</b>	<b>75.0</b>	<b>72.3</b>	<b>81.4</b>	<b>81.4</b>	<b>80.5</b>	<b>80.0</b>
Price increase more than current rate	34.1	43.4	47.1	41.2	39.6	35.1	48.2	51.2	48.8	44.2
Price increase similar to current rate	25.1	24.8	21.9	23.3	25.4	27.5	26.7	23.5	23.7	26.8
Price increase less than current rate	10.4	6.6	6.7	8.8	10.0	9.7	6.5	6.8	7.9	9.0
<b>No change in prices</b>	<b>23.6</b>	<b>19.3</b>	<b>19.5</b>	<b>21.9</b>	<b>20.8</b>	<b>20.3</b>	<b>13.8</b>	<b>14.4</b>	<b>15.4</b>	<b>15.8</b>
<b>Decline in prices</b>	<b>6.8</b>	<b>5.9</b>	<b>4.8</b>	<b>4.8</b>	<b>4.2</b>	<b>7.4</b>	<b>4.8</b>	<b>4.2</b>	<b>4.2</b>	<b>4.3</b>
<b>Options: Household Durables</b>	<b>Three Months Ahead</b>					<b>One Year Ahead</b>				
<b>Prices will increase</b>	<b>54.2</b>	<b>61.5</b>	<b>61.9</b>	<b>60.0</b>	<b>63.7</b>	<b>60.8</b>	<b>70.7</b>	<b>71.0</b>	<b>68.8</b>	<b>71.1</b>
Price increase more than current rate	27.2	37.3	38.6	35.0	34.7	29.7	42.7	44.5	42.3	40.1
Price increase similar to current rate	19.3	19.1	17.4	18.6	20.7	22.8	22.6	20.7	19.8	23.4
Price increase less than current rate	7.6	5.1	5.8	6.4	8.3	8.3	5.4	5.8	6.7	7.7
<b>No change in prices</b>	<b>30.8</b>	<b>25.3</b>	<b>26.8</b>	<b>28.8</b>	<b>26.2</b>	<b>25.3</b>	<b>19.1</b>	<b>20.3</b>	<b>21.7</b>	<b>19.9</b>
<b>Decline in prices</b>	<b>15.1</b>	<b>13.2</b>	<b>11.3</b>	<b>11.3</b>	<b>10.1</b>	<b>13.9</b>	<b>10.2</b>	<b>8.7</b>	<b>9.5</b>	<b>9.0</b>
<b>Options: Housing Prices</b>	<b>Three Months Ahead</b>					<b>One Year Ahead</b>				
<b>Prices will increase</b>	<b>56.7</b>	<b>68.9</b>	<b>70.5</b>	<b>69.5</b>	<b>70.0</b>	<b>68.7</b>	<b>78.9</b>	<b>78.8</b>	<b>78.4</b>	<b>80.2</b>
Price increase more than current rate	32.4	44.9	48.4	45.9	43.9	39.3	53.0	54.5	53.3	50.9
Price increase similar to current rate	16.9	19.2	17.0	18.0	18.8	21.5	20.8	19.4	19.2	22.5
Price increase less than current rate	7.4	4.9	5.0	5.6	7.3	8.0	5.1	4.9	5.9	6.8
<b>No change in prices</b>	<b>24.9</b>	<b>20.0</b>	<b>20.1</b>	<b>21.0</b>	<b>22.4</b>	<b>16.9</b>	<b>12.4</b>	<b>13.6</b>	<b>14.0</b>	<b>13.9</b>
<b>Decline in prices</b>	<b>18.4</b>	<b>11.1</b>	<b>9.5</b>	<b>9.5</b>	<b>7.7</b>	<b>14.3</b>	<b>8.8</b>	<b>7.7</b>	<b>7.7</b>	<b>5.9</b>
<b>Options: Cost of Services</b>	<b>Three Months Ahead</b>					<b>One Year Ahead</b>				
<b>Prices will increase</b>	<b>67.0</b>	<b>68.7</b>	<b>71.1</b>	<b>71.5</b>	<b>70.2</b>	<b>77.4</b>	<b>82.9</b>	<b>83.4</b>	<b>82.8</b>	<b>82.6</b>
Price increase more than current rate	33.6	40.7	44.3	41.4	38.3	38.5	48.6	51.5	50.5	45.3
Price increase similar to current rate	23.8	22.5	20.7	23.2	23.5	28.5	27.9	25.2	24.3	28.6
Price increase less than current rate	9.7	5.5	6.2	6.8	8.3	10.4	6.4	6.7	8.0	8.7
<b>No change in prices</b>	<b>27.5</b>	<b>27.3</b>	<b>25.8</b>	<b>25.6</b>	<b>26.6</b>	<b>17.4</b>	<b>13.5</b>	<b>14.0</b>	<b>14.2</b>	<b>14.9</b>
<b>Decline in prices</b>	<b>5.6</b>	<b>4.0</b>	<b>3.1</b>	<b>3.0</b>	<b>3.3</b>	<b>5.2</b>	<b>3.7</b>	<b>2.6</b>	<b>3.0</b>	<b>2.5</b>

Note: Constituent items may not add up to totals, due to rounding off.

**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
<b>Three Months Ahead</b>						
47	Mar-17	57.1	56.7	48.1	48.3	57.7
49	Sep-17	66.8	65.8	56.8	60.1	64.9
49B	Nov-17	66.6	67.4	57.1	60.3	65.7
50	Dec-17	64.9	64.1	55.5	58.4	63.8
51	Mar-18	63.7	63.2	55.6	57.8	62.7
<b>One Year Ahead</b>						
47	Mar-17	62.3	60.4	51.5	54.6	64.1
49	Sep-17	72.7	69.9	60.5	67.4	69.8
49B	Nov-17	72.7	70.5	60.9	66.2	71.3
50	Dec-17	70.1	69.0	58.8	65.1	70.5
51	Mar-18	69.0	66.3	59.6	64.3	69.2

**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.
47	Mar-17	7.8	6.8	4.0	8.2	7.5	4.1	9.3	8.8	4.2
49	Sep-17	7.6	6.3	3.9	8.2	7.2	4.0	8.7	8.0	4.5
49B	Nov-17	7.7	6.3	4.1	8.4	7.5	4.2	8.9	8.6	4.6
50	Dec-17	7.9	6.7	4.2	8.4	7.5	4.3	8.9	8.5	4.8
50	Mar-18	8.2	7.2	4.0	8.6	7.8	4.1	8.9	8.6	4.7

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

Round No.	Survey Period Ended	Current	Three Months Ahead	One Year Ahead
47	Mar-17	City, Age-Group	City, Category	City, Category
49	Sep-17	City, Gender, Category	City, Age-Group, Category	City, Gender, Category
49B	Nov-17	City, Category, Age-Group	City, Category	City, Category
50	Dec-17	City, Category, Age-Group, Gender	City, Category, Age-Group	City, Category
51	Mar-18	City, Age-Group, Gender	City, Category, Age-Group, Gender	City, Category

**Table 6 : Various Group-wise Inflation Expectations: March 2018**

	Current			Three Months Ahead			One Year Ahead		
	Mean	Median	Std. Dev.	Mean	Median	Std. Dev.	Mean	Median	Std. Dev.
Overall	8.2	7.2	4.0	8.6	7.8	4.1	8.9	8.6	4.7
<b>Gender-wise</b>									
Male	8.2	7.3	4.0	8.6	7.8	4.2	8.8	8.5	4.7
Female	8.1	7.0	3.9	8.6	7.8	4.1	9.0	8.9	4.7
<b>Category-wise</b>									
Financial Sector Employees	7.8	6.8	3.8	8.2	7.4	3.8	8.4	8.1	4.5
Other Employees	8.1	7.2	4.0	8.6	7.9	4.1	8.7	8.5	4.9
Self Employed	8.3	7.4	4.1	8.7	7.9	4.2	8.9	8.8	4.8
Homemakers	8.1	7.1	3.9	8.6	7.8	4.2	9.0	8.7	4.7
Retired Persons	8.4	7.3	4.2	8.7	7.8	4.3	8.8	8.3	4.8
Daily Workers	8.3	7.4	4.0	8.8	8.3	4.1	9.3	9.6	4.7
Other category	7.8	6.8	3.4	8.4	7.6	3.7	8.8	8.2	4.2
<b>Age Group-wise</b>									
Up to 25 years	7.4	6.6	3.4	7.9	7.4	3.6	8.5	8.3	4.2
25 to 30 years	8.1	7.2	3.8	8.4	7.8	4.1	9.0	8.9	4.6
30 to 35 years	8.0	7.2	3.8	8.6	7.9	4.0	9.1	9.0	4.6
35 to 40 years	8.3	7.3	4.0	8.6	7.8	4.3	8.9	8.5	4.8
40 to 45 years	8.6	7.5	4.1	9.0	7.9	4.3	9.1	9.0	5.0
45 to 50 years	8.3	7.2	4.3	8.7	7.8	4.4	8.8	8.7	5.0
50 to 55 years	8.7	7.6	4.2	9.1	8.4	4.3	8.8	8.6	5.3
55 to 60 years	8.6	7.3	4.3	9.0	7.9	4.4	8.7	8.2	5.1
60 years and above	8.4	7.4	4.2	8.8	8.0	4.3	8.9	8.5	4.8
<b>City-wise</b>									
Ahmedabad	9.3	8.9	4.4	10.2	10.1	4.3	10.7	10.5	4.5
Bengaluru	6.1	5.5	3.2	6.2	5.8	3.0	4.6	4.8	3.7
Bhopal	7.5	5.8	4.0	7.5	5.9	4.7	7.0	5.7	5.2
Bhubaneswar	8.3	7.7	3.3	9.9	9.1	3.7	11.5	10.8	3.7
Chennai	8.8	7.6	4.3	9.9	9.1	4.3	11.5	11.1	4.5
Delhi	8.7	8.1	3.5	8.5	8.0	3.7	8.7	8.4	4.0
Guwahati	10.7	11.4	5.4	9.3	10.2	5.7	9.5	10.3	5.7
Hyderabad	7.6	6.8	3.0	8.3	7.6	3.2	9.2	8.8	3.4
Jaipur	8.3	7.5	4.1	7.9	6.9	4.4	7.4	7.2	4.9
Kolkata	9.8	9.5	4.5	10.4	10.1	4.6	10.8	10.4	4.7
Lucknow	6.9	6.3	2.6	7.4	7.0	2.8	7.6	7.5	3.7
Mumbai	8.4	8.0	3.7	8.3	8.1	4.0	8.4	8.7	4.4
Nagpur	6.6	5.7	3.5	7.4	7.0	3.7	7.2	7.5	4.3
Patna	7.4	6.9	2.7	7.8	7.3	2.8	8.2	8.1	3.4
Thiruvananthapuram	8.6	7.8	4.1	9.7	10.0	4.3	9.3	10.1	5.7
Chandigarh	7.7	6.2	4.1	8.2	7.0	4.1	8.4	7.6	4.5
Ranchi	6.9	6.4	2.8	7.6	7.1	3.1	7.4	7.4	4.1
Raipur	5.8	5.4	2.7	6.5	5.7	3.1	7.0	6.8	4.5

**Table 7: Cross-tabulation of Current and Three Months Ahead Inflation Expectations: March 2018**

(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	31	0	1	2	0	1	1	0	1	0	1	0	0	0	0	0	0	0	38
	1-<2	3	23	9	4	2	2	0	0	0	0	0	0	0	0	0	0	0	0	43
	2-<3	4	10	114	40	34	8	0	2	1	0	0	0	0	0	0	0	0	2	215
	3-<4	6	1	10	101	66	43	10	1	1	4	1	0	0	0	0	0	0	4	248
	4-<5	8	0	8	13	164	70	28	9	7	1	3	0	0	0	0	0	0	1	312
	5-<6	13	5	20	17	20	604	148	162	64	8	54	0	0	0	0	4	0	6	1125
	6-<7	2	1	4	4	6	16	254	105	63	22	15	0	3	0	0	0	0	3	498
	7-<8	7	3	1	6	7	15	12	265	105	43	33	3	2	0	1	0	0	2	505
	8-<9	5	1	5	1	1	7	7	3	159	92	64	3	11	0	1	1	1	5	367
	9-<10	0	1	2	1	4	4	0	3	6	99	60	23	7	2	0	2	0	5	219
	10-<11	4	0	2	6	2	29	1	12	8	6	336	52	110	34	7	97	22	7	735
	11-<12	3	0	0	1	0	1	0	1	1	1	2	36	10	12	3	2	2	7	82
	12-<13	1	0	0	0	0	3	0	0	1	0	2	1	29	9	16	12	6	1	81
	13-<14	0	0	1	0	0	0	0	0	0	0	1	0	0	9	1	4	1	4	21
	14-<15	0	0	0	0	0	0	0	0	1	0	1	0	1	1	17	1	8	0	30
	15-<16	0	0	2	2	0	1	1	1	2	0	8	1	2	1	0	68	53	4	146
	>=16	2	1	0	1	1	9	1	1	1	2	13	0	3	1	1	18	417	13	485
	Total	89	46	179	199	307	813	463	565	421	278	594	119	178	69	47	209	510	64	5150

**Table 8: Cross-tabulation of Current and One Year Ahead Inflation Expectations: March 2018**

(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	25	3	0	0	2	3	0	1	0	0	1	1	0	0	0	0	2	0	38
	1-<2	10	16	5	4	3	3	1	1	0	0	0	0	0	0	0	0	0	0	43
	2-<3	23	5	68	32	36	18	14	8	4	1	4	0	1	0	0	0	0	1	215
	3-<4	27	2	4	57	32	68	17	14	6	5	7	2	1	1	0	1	0	4	248
	4-<5	34	0	2	5	109	47	50	22	14	7	10	1	5	0	0	1	0	5	312
	5-<6	123	2	4	15	11	371	87	163	94	50	122	14	19	3	0	29	9	9	1125
	6-<7	46	1	0	2	2	3	162	66	91	42	39	11	14	1	0	3	5	10	498
	7-<8	39	1	2	2	2	4	5	172	65	70	66	21	22	1	4	11	4	14	505
	8-<9	26	0	2	1	1	7	1	3	100	39	115	19	26	8	1	8	4	6	367
	9-<10	6	0	1	1	2	2	1	3	6	66	45	29	26	9	4	11	3	4	219
	10-<11	59	0	1	3	1	12	2	4	7	7	263	36	67	13	16	109	122	13	735
	11-<12	5	0	0	2	0	2	0	0	0	2	2	27	7	8	6	4	7	10	82
	12-<13	4	0	0	0	0	0	0	0	1	0	0	0	21	6	10	9	28	2	81
	13-<14	0	0	0	0	1	0	0	0	0	0	0	0	0	9	1	3	3	4	21
	14-<15	2	0	0	0	0	0	2	0	0	0	1	0	0	1	16	3	5	0	30
	15-<16	10	1	1	1	0	3	0	2	0	1	5	0	0	2	0	56	62	2	146
	>=16	39	0	1	0	0	5	0	0	2	1	12	1	1	0	2	11	392	18	485
	Total	478	31	91	125	202	548	342	459	390	291	692	162	210	62	60	259	646	102	5150