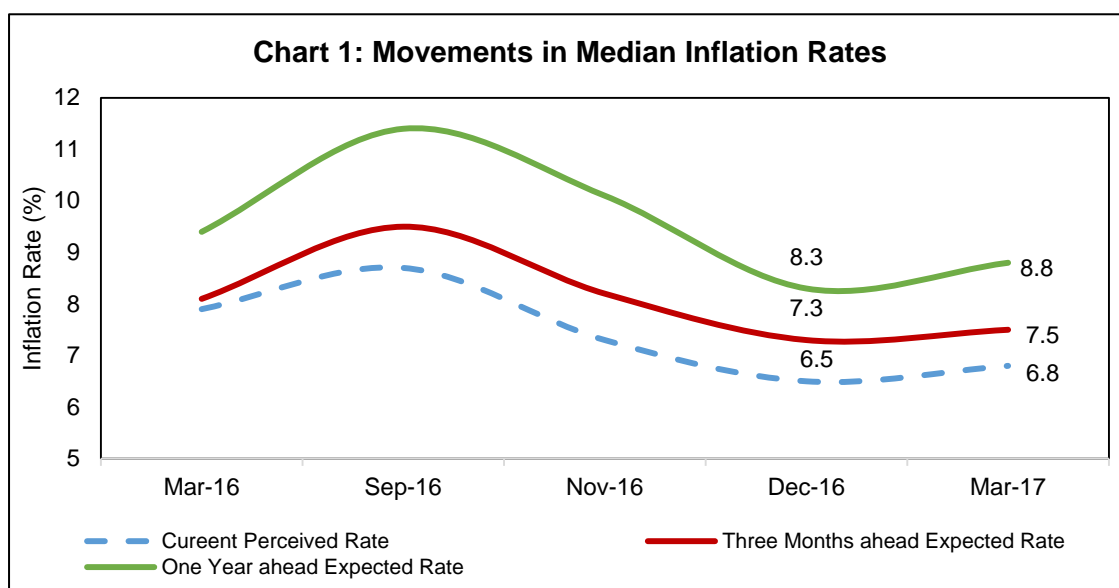


Households' Inflation Expectations Survey

The March 2017 round of the Inflation Expectations Survey of Households (IESH)¹ was conducted by the Reserve Bank in 18 cities. The results are based on responses received from 5,084 urban households covering various occupational categories (Table 1).

Highlights:

- i. A higher proportion of respondents expect the general level of prices to increase in the next three months and over one year ahead as compared with the December 2016 round across all product groups (Table 2).
- ii. Among the respondents (around 74 per cent) who expect the general level of prices to increase in the next three months, nearly half of them expect prices to rise at more than the current rate across all product groups (Table 2).
- iii. Across occupation categories, three months ahead and one year ahead median inflation rates moved up by 20 and 50 basis points, respectively, in contrast to the sharp decline observed in the two preceding rounds (Table 4 and Chart 1).
- iv. Inflation expectations fell sharply in Guwahati and Ranchi, whereas they rose markedly in Raipur and Thiruvananthapuram.



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 - March 2017

Category of Respondents	Share in Total (%)	Target Share (%)
Financial Sector Employees	9.6	10.0
Other Employees	15.4	15.0
Self-employed	20.4	20.0
Housewives	29.2	30.0
Retired Persons	9.5	10.0
Daily Workers	10.4	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	Mar-16	Sep-16	Nov-16	Dec-16	Mar-17	Mar-16	Sep-16	Nov-16	Dec-16	Mar-17
Options: General	Three Months Ahead					One Year Ahead				
Prices will increase	79.7	78.6	76.0	59.9	73.8	89.5	86.2	86.3	68.1	81.0
Price increase more than current rate	31.4	47.0	40.1	28.9	37.9	37.4	55.0	49.8	35.2	44.5
Price increase similar to current rate	26.4	18.5	23.9	23.0	27.3	31.6	20.4	25.1	24.9	28.5
Price increase less than current rate	21.9	13.0	12.0	8.0	8.6	20.6	10.8	11.4	8.0	8.0
No change in prices	16.6	15.7	18.8	26.9	21.5	7.5	9.2	10.0	19.8	13.6
Decline in prices	3.7	5.8	5.2	13.3	4.7	2.9	4.6	3.7	12.2	5.4
Options: Food Product	Three Months Ahead					One Year Ahead				
Prices will increase	81.1	74.7	71.2	61.2	74.2	88.3	83.1	82.0	66.4	78.0
Price increase more than current rate	30.3	42.8	35.2	30.3	39.5	34.7	51.1	43.0	32.2	39.7
Price increase similar to current rate	29.0	19.3	23.2	19.6	24.7	32.8	20.5	26.5	24.1	29.0
Price increase less than current rate	21.8	12.6	12.9	11.3	9.9	20.9	11.5	12.5	10.1	9.3
No change in prices	14.3	16.6	21.2	17.1	16.5	8.5	10.8	13.3	16.6	12.8
Decline in prices	4.6	8.6	7.6	21.7	9.3	3.2	6.1	4.6	17.1	9.2
Options: Non-Food Product	Three Months Ahead					One Year Ahead				
Prices will increase	70.8	63.2	57.9	57.8	69.6	81.4	72.1	70.9	62.2	72.3
Price increase more than current rate	23.4	35.2	28.4	27.4	34.1	26.6	42.8	34.5	29.2	35.1
Price increase similar to current rate	26.6	16.7	19.2	20.6	25.1	32.1	18.3	24.0	23.3	27.5
Price increase less than current rate	20.8	11.3	10.3	9.7	10.4	22.7	11.0	12.3	9.7	9.7
No change in prices	24.6	29.3	36.3	26.2	23.6	14.9	20.5	24.0	23.5	20.3
Decline in prices	4.6	7.6	5.8	16.0	6.8	3.7	7.4	5.2	14.4	7.4
Options: Household Durables	Three Months Ahead					One Year Ahead				
Prices will increase	70.9	54.1	51.5	44.6	54.2	80.0	68.1	67.6	52.7	60.8
Price increase more than current rate	22.5	30.3	24.9	20.9	27.2	28.7	39.6	33.9	24.8	29.7
Price increase similar to current rate	27.0	13.9	16.8	16.4	19.3	30.2	17.8	22.3	18.9	22.8
Price increase less than current rate	21.4	9.9	9.9	7.3	7.6	21.1	10.8	11.4	9.0	8.3
No change in prices	20.5	32.3	36.9	32.5	30.8	13.7	21.8	22.9	27.0	25.3
Decline in prices	8.6	13.6	11.6	22.9	15.1	6.3	10.1	9.4	20.3	13.9
Options: Housing Prices	Three Months Ahead					One Year Ahead				
Prices will increase	78.3	68.7	65.4	44.6	56.7	86.0	79.1	79.6	54.0	68.7
Price increase more than current rate	40.7	44.4	38.4	24.8	32.4	47.8	54.8	49.6	29.6	39.3
Price increase similar to current rate	22.7	15.2	17.9	13.1	16.9	24.2	15.7	20.5	16.7	21.5
Price increase less than current rate	15.0	9.1	9.0	6.6	7.4	14.0	8.5	9.6	7.7	8.0
No change in prices	14.8	22.3	26.4	21.5	24.9	8.1	13.0	13.9	18.0	16.9
Decline in prices	6.8	9.1	8.2	33.9	18.4	6.0	7.9	6.5	28.0	14.3
Options: Cost of Services	Three Months Ahead					One Year Ahead				
Prices will increase	76.1	64.5	61.3	57.6	67.0	87.0	81.9	80.7	66.8	77.4
Price increase more than current rate	29.6	36.9	30.6	27.1	33.6	37.4	49.3	41.5	32.6	38.5
Price increase similar to current rate	26.8	17.6	19.8	21.0	23.8	29.5	21.3	26.9	23.7	28.5
Price increase less than current rate	19.7	10.0	10.8	9.5	9.7	20.1	11.4	12.3	10.5	10.4
No change in prices	20.2	30.3	36.0	29.8	27.5	10.0	13.6	16.7	22.3	17.4
Decline in prices	3.7	5.2	2.8	12.6	5.6	3.1	4.5	2.6	10.9	5.2

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						
43	Mar-16	69.6	63.2	59.1	58.7	64.6
45	Sep-16	62.6	52.2	46.2	50.1	49.3
45B	Nov-16	62.1	50.2	43.2	45.7	46.8
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
One Year Ahead						
43	Mar-16	73.1	67.4	66.6	63.9	69.2
45	Sep-16	67.9	56.5	52.5	57.1	58.4
45B	Nov-16	65.0	55.0	50.4	53.7	56.9
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

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.
43	Mar-16	8.9	7.9	4.4	8.8	8.1	4.6	9.7	9.4	4.6
45	Sep-16	9.2	8.7	4.0	9.7	9.5	4.4	11.6	11.4	3.9
45B	Nov-16	8.3	7.3	4.3	9.1	8.2	4.5	10.5	10.1	4.3
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	4.0	8.2	7.5	4.1	9.3	8.8	4.2

Table 5: Factors that Explain the Total Variability

Round No.	Survey Period Ended	Current	Three Months Ahead	One Year Ahead
43	Mar-16	City, Age-Group	City	City, Category
45	Sep-16	City, Age-Group	City, Age-Group	City
45B	Nov-16	City, Category, Age-Group	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

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

	Current			Three Months Ahead			One Year Ahead		
	Mean	Median	Std. Dev.	Mean	Median	Std. Dev.	Mean	Median	Std. Dev.
Overall	7.8	6.8	4.0	8.2	7.5	4.1	9.3	8.8	4.2
Gender-wise									
Male	7.9	6.9	4.0	8.3	7.6	4.1	9.2	8.7	4.3
Female	7.6	6.5	4.0	8.1	7.4	4.1	9.4	8.9	4.1
Category-wise									
Financial Sector Employees	7.5	6.7	3.6	7.9	7.3	3.7	8.8	8.2	4.0
Other Employees	7.8	6.9	4.0	8.2	7.5	4.2	9.3	8.8	4.3
Self Employed	7.9	6.9	4.1	8.2	7.5	4.3	9.2	8.7	4.4
Housewives	7.7	6.6	4.1	8.1	7.4	4.1	9.3	8.9	4.0
Retired Persons	8.0	6.9	4.2	8.5	7.8	4.2	9.6	9.3	4.2
Daily Workers	7.9	6.9	4.1	8.4	7.8	4.1	9.6	9.4	4.3
Other category	7.4	6.4	3.9	7.8	7.2	4.0	9.1	8.6	4.3
Age Group-wise									
Up to 25 years	7.2	6.4	3.6	7.7	7.3	3.7	8.9	8.6	3.9
25 to 30 years	7.7	6.6	4.0	8.0	7.4	4.1	9.1	8.6	4.1
30 to 35 years	7.8	6.9	4.0	8.2	7.5	4.2	9.3	8.9	4.3
35 to 40 years	7.7	6.6	4.0	8.1	7.4	4.2	9.3	8.9	4.2
40 to 45 years	7.8	6.7	4.2	8.5	7.7	4.2	9.5	8.9	4.4
45 to 50 years	8.0	6.9	4.0	8.3	7.5	4.0	9.5	8.9	4.0
50 to 55 years	8.6	7.6	4.3	8.8	8.0	4.3	9.7	9.4	4.4
55 to 60 years	8.2	7.1	4.3	8.6	7.9	4.4	9.4	9.0	4.5
60 years and above	8.0	7.0	4.2	8.5	7.7	4.4	9.7	9.2	4.3
City-wise									
Ahmedabad	8.9	8.5	3.5	10.0	9.8	3.6	11.2	10.7	3.9
Bengaluru	4.7	5.0	1.7	3.7	3.2	2.1	5.3	5.3	2.0
Bhopal	6.9	5.7	3.8	8.6	7.8	3.7	10.3	10.4	3.9
Bhubaneswar	6.5	5.6	3.9	7.3	6.8	4.5	8.0	7.4	4.8
Chennai	8.0	6.7	4.4	9.5	8.8	4.1	11.5	10.9	3.8
Delhi	6.6	6.2	2.4	6.9	6.8	2.4	7.9	7.7	2.8
Guwahati	11.1	11.8	5.7	9.1	8.9	6.0	9.8	10.9	6.3
Hyderabad	6.8	6.7	1.3	7.4	7.3	1.4	8.4	8.3	1.9
Jaipur	8.3	8.0	3.4	9.1	8.9	3.7	10.2	10.2	3.8
Kolkata	9.4	8.5	4.6	10.0	9.1	4.4	10.7	10.1	4.1
Lucknow	6.5	6.2	4.2	7.7	7.4	4.7	8.5	8.3	4.6
Mumbai	7.7	6.9	3.2	8.2	7.5	3.2	8.5	8.0	3.6
Nagpur	7.4	5.9	3.9	7.8	7.2	4.1	9.4	9.0	4.4
Patna	6.4	6.1	1.7	6.8	6.8	2.0	8.1	8.2	2.2
Thiruvananthapuram	10.6	10.4	4.3	10.0	10.3	4.4	11.7	12.4	4.5
Chandigarh	9.5	7.9	4.1	9.2	8.5	4.4	9.8	9.2	4.4
Ranchi	4.8	4.6	1.6	5.0	5.0	2.2	6.8	6.6	2.3
Raipur	9.3	9.3	4.1	9.6	9.7	4.5	10.0	10.1	4.4

Table 7: Cross-tabulation of Current and Three Months Ahead Inflation Expectations: March 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	33	13	18	7	4	10	0	1	0	1	4	0	0	0	0	0	0	1	92
	1-<2	2	16	32	10	2	0	0	1	0	0	0	0	0	0	0	0	0	0	63
	2-<3	4	21	64	68	29	27	4	0	0	0	1	0	0	0	0	0	0	0	218
	3-<4	5	13	22	67	88	52	20	2	1	1	1	1	0	0	0	0	0	5	278
	4-<5	8	15	29	23	86	130	82	29	9	3	1	0	0	0	0	0	0	3	418
	5-<6	9	23	44	41	41	274	266	229	69	11	51	1	4	0	0	2	2	9	1076
	6-<7	2	8	17	6	7	29	170	184	71	14	9	2	3	0	0	0	0	1	523
	7-<8	8	5	8	5	3	7	19	194	203	73	47	5	3	3	2	0	0	6	591
	8-<9	1	3	1	1	1	6	3	9	99	109	68	14	5	3	1	2	1	5	332
	9-<10	3	3	0	1	3	5	3	6	11	50	57	23	18	1	3	2	2	9	200
	10-<11	4	7	6	3	2	23	2	9	8	4	123	60	103	29	4	89	17	2	495
	11-<12	3	1	2	1	1	0	0	1	0	0	1	22	27	10	6	5	4	5	89
	12-<13	2	0	0	0	1	0	0	0	0	1	1	0	8	8	10	6	3	0	40
	13-<14	0	0	2	1	0	0	0	0	1	0	0	0	1	9	7	8	3	1	33
	14-<15	1	1	2	0	0	0	0	0	0	0	0	0	0	0	17	12	5	3	41
	15-<16	2	1	1	3	1	4	1	0	0	0	9	1	1	2	0	44	37	14	121
>=16	3	2	7	6	3	9	4	4	2	0	23	0	2	0	1	10	350	48	474	
Total	90	132	255	243	272	576	574	669	474	267	396	129	175	65	51	180	424	112	5084	

Table 8: Cross-tabulation of Current and One Year Ahead Inflation Expectations: March 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	12	7	10	7	15	1	2	0	1	7	0	2	0	0	1	2	2	92
	1-<2	2	14	25	8	3	4	2	1	0	1	2	0	1	0	0	0	0	0	63
	2-<3	2	14	30	48	44	31	17	11	5	1	12	0	1	0	0	1	0	1	218
	3-<4	2	3	17	36	55	58	36	25	16	6	8	0	7	1	1	0	0	7	278
	4-<5	2	6	11	18	51	85	75	59	52	24	18	3	8	0	0	1	1	4	418
	5-<6	18	17	15	26	35	141	182	178	140	61	167	12	20	5	5	30	9	15	1076
	6-<7	1	4	3	9	9	39	76	127	104	59	54	9	11	3	1	6	5	3	523
	7-<8	8	5	4	7	13	16	16	76	157	114	97	20	19	5	6	12	6	10	591
	8-<9	1	3	3	2	5	5	4	6	40	61	103	20	33	13	8	14	8	3	332
	9-<10	2	1	1	2	1	1	4	9	5	27	44	31	28	12	7	9	7	9	200
	10-<11	5	5	1	4	2	11	3	8	7	9	81	35	60	25	21	118	87	13	495
	11-<12	3	0	0	1	1	0	0	1	0	3	1	10	25	10	8	8	13	5	89
	12-<13	1	0	0	0	0	0	1	0	1	0	1	0	8	3	6	8	10	1	40
	13-<14	0	0	0	0	0	0	0	0	1	0	0	1	0	2	7	7	12	3	33
	14-<15	1	0	0	1	1	1	0	0	0	0	0	0	0	1	8	14	9	5	41
	15-<16	2	2	0	0	0	2	1	1	0	2	8	1	3	0	1	30	47	21	121
>=16	7	0	5	3	5	9	2	1	1	4	12	0	0	0	3	13	353	56	474	
Total	80	86	122	175	232	418	420	505	529	373	615	142	226	80	82	272	569	158	5084	