

Households' Inflation Expectations Rise in June 2016

Households' inflation expectations for the next three-month as well as for the next one-year period have risen. This was indicated in the inflation expectations survey conducted by the Reserve Bank of India in June 2016 (44th round). This survey is conducted by RBI at regular intervals and it 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 June 2016 round of survey was conducted across 18 cities among 5360 urban households from various categories (Table 1).

Highlights:

- I. The proportion of respondents expecting general prices to rise by '*more than current rate*' in the next three-month and one-year period has increased in June 2016 round compared to March 2016 round (Table 2). Similar sentiments prevailed across the selected product groups also.
- II. Three-month ahead median inflation rate increased sharply from 8.1 per cent to 9.2 per cent and one year ahead median inflation rate moved marginally from 9.4 per cent to 9.6 per cent between March 2016 and June 2016 rounds (Table 4 and Chart-1).
- III. Median inflation expectations rose across most of the categories, age-groups and cities.

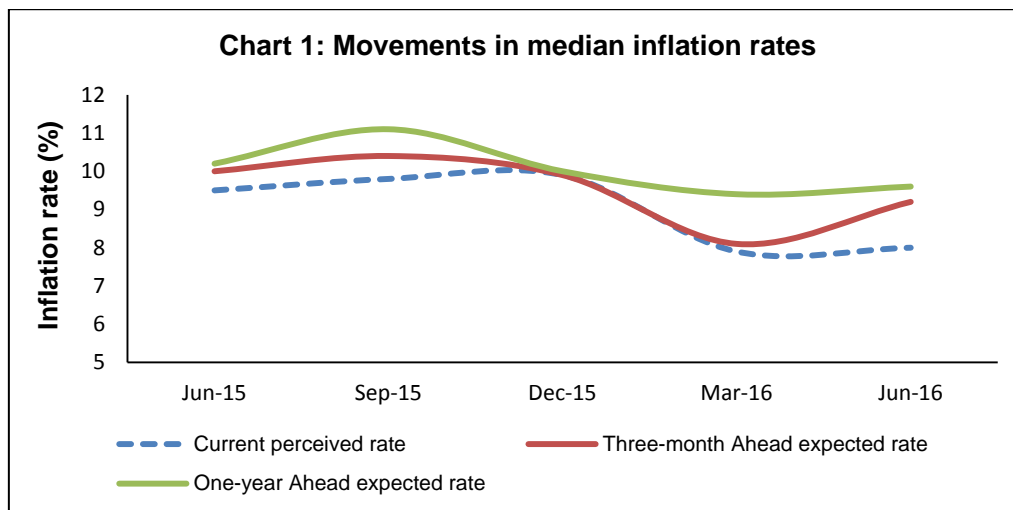


Table 1: Respondents' Profile (Category): Share in Total Sample

Category of Respondents	Share in Total (%)	Target Share (%)
Financial Sector Employees	10.0	10.0
Other Employees	15.2	15.0
Self-employed	19.9	20.0
Housewives	29.2	30.0
Retired Persons	10.1	10.0
Daily Workers	9.8	10.0
Others	5.8	5.0

Note: The above sample proportion is for June 2016 round

Table 2: Product-wise Expectations of Prices for Three-Month and One-Year Ahead
(Percentage of respondents)

Round No./survey period	40	41	42	43	44	40	41	42	43	44
(Round ended) →	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16
Options: General	Three-Month Ahead					One-Year Ahead				
Prices will increase	81.9	82.8	86.7	79.7	85.2	91.0	90.6	90.9	89.5	90.4
Price increase more than current rate	34.5	36.3	35.7	31.4	37.7	41.2	43.6	41.6	37.4	44.8
Price increase similar to current rate	25.3	21.2	29.5	26.4	28.7	29.3	23.8	28.5	31.6	27.6
Price increase less than current rate	22.1	25.4	21.5	21.9	18.8	20.6	23.2	20.9	20.6	18.0
No change in prices	13.4	12.3	9.0	16.6	11.4	5.8	5.5	5.6	7.5	6.3
Decline in price	4.7	4.8	4.3	3.7	3.4	3.1	3.9	3.5	2.9	3.4
Options: Food Product	Three-Month Ahead					One-Year Ahead				
Prices will increase	84.1	84.1	85.9	81.1	86.5	92.3	89.6	90.6	88.3	90.1
Price increase more than current rate	35.2	37.5	34.9	30.3	38.3	39.5	42.8	41.2	34.7	44.7
Price increase similar to current rate	26.8	23.2	30.1	29.0	29.3	31.0	24.2	29.2	32.8	28.4
Price increase less than current rate	22.1	23.3	20.9	21.8	18.9	21.8	22.6	20.2	20.9	17.1
No change in prices	11.1	10.4	8.8	14.3	9.1	5.0	6.1	5.6	8.5	5.5
Decline in price	4.8	5.5	5.3	4.6	4.4	2.7	4.3	3.9	3.2	4.3
Options: Non-Food Product	Three-Month Ahead					One-Year Ahead				
Prices will increase	76.8	73.5	74.3	70.8	72.7	86.2	82.8	81.9	81.4	82.5
Price increase more than current rate	27.7	26.8	23.7	23.4	27.7	32.1	32.1	29.2	26.6	33.6
Price increase similar to current rate	27.2	23.2	29.1	26.6	26.3	30.7	24.4	29.6	32.1	29.2
Price increase less than current rate	21.8	23.5	21.5	20.8	18.6	23.5	26.3	23.1	22.7	19.7
No change in prices	20.0	21.4	20.8	24.6	23.0	10.9	12.8	13.8	14.9	13.8
Decline in price	3.2	5.2	5.0	4.6	4.4	2.9	4.4	4.3	3.7	3.7
Options: Household Durables	Three-Month Ahead					One-Year Ahead				
Prices will increase	70.1	65.7	68.6	70.9	66.6	83.0	78.4	78.9	80.0	79.9
Price increase more than current rate	26.0	24.6	22.1	22.5	26.3	32.4	32.0	29.2	28.7	34.1
Price increase similar to current rate	24.9	19.1	26.3	27.0	23.4	28.9	22.8	29.4	30.2	27.3
Price increase less than current rate	19.2	22.1	20.2	21.4	16.9	21.7	23.6	20.3	21.1	18.6
No change in prices	22.9	25.0	22.5	20.5	25.7	12.2	14.7	14.0	13.7	14.2
Decline in price	7.1	9.2	8.8	8.6	7.8	4.9	7.0	7.2	6.3	5.9
Options: Housing Prices	Three-Month Ahead					One-Year Ahead				
Prices will increase	81.3	79.8	80.2	78.3	77.3	90.2	89.4	88.4	86.0	86.6
Price increase more than current rate	42.8	42.2	39.9	40.7	43.8	50.1	52.4	48.7	47.8	52.2
Price increase similar to current rate	23.9	20.3	25.1	22.7	20.6	24.5	19.2	24.9	24.2	21.8
Price increase less than current rate	14.7	17.4	15.3	15.0	12.9	15.5	17.9	14.8	14.0	12.5
No change in prices	14.0	14.2	13.3	14.8	16.2	6.5	6.2	6.9	8.1	8.5
Decline in price	4.7	6.0	6.5	6.8	6.6	3.4	4.3	4.7	6.0	4.9
Options: Cost of Services	Three-Month Ahead					One-Year Ahead				
Prices will increase	80.5	74.2	81.6	76.1	78.4	89.8	87.0	90.4	87.0	88.8
Price increase more than current rate	33.5	31.5	35.9	29.6	33.7	39.1	40.3	42.0	37.4	42.8
Price increase similar to current rate	27.6	20.5	27.2	26.8	26.9	30.2	22.1	28.6	29.5	28.5
Price increase less than current rate	19.5	22.2	18.5	19.7	17.9	20.6	24.6	19.9	20.1	17.5
No change in prices	17.6	22.4	15.4	20.2	19.0	8.2	9.8	7.0	10.0	8.5
Decline in price	1.9	3.5	3.0	3.7	2.6	2.0	3.3	2.6	3.1	2.8

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						
40	Jun-15	68.7	52.3	48.5	49.3	52.8
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
One-year Ahead						
40	Jun-15	71.0	63.3	59.4	59.6	62.9
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

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.
40	Jun-15	9.9	9.5	4.0	10.1	10.0	4.4	10.7	10.2	4.4
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

Table 5: Factors that Explain the Total Variability

Round No.	Survey period ended	Current	Three-month Ahead	One-year Ahead
40	Jun-15	City, Category	City, Category, Age-Group	City, Category
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

Table 6 : Various Group-wise Inflation Expectations for June 2016 Survey Round

	Current			Three-month Ahead			One-year Ahead		
	Mean	Median	Std. Dev.	Mean	Median	Std. Dev.	Mean	Median	Std. Dev.
Gender-wise									
Male	8.9	8.1	4.3	9.7	9.3	4.4	10.0	9.6	4.6
Female	8.6	7.7	4.5	9.6	9.1	4.5	9.9	9.5	4.8
Category-wise									
Financial Sector Employees	8.4	7.7	4.1	9.2	8.7	4.1	9.5	9.1	4.4
Other Employees	8.8	8.2	4.3	9.8	9.5	4.5	10.1	9.7	4.6
Self Employed	9.1	8.6	4.4	9.8	9.4	4.5	10.1	9.8	4.7
Housewives	8.6	7.7	4.4	9.6	9.1	4.5	10.0	9.5	4.7
Retired Persons	9.3	8.1	4.6	10.1	9.6	4.6	10.4	9.8	4.6
Daily Workers	8.7	7.9	4.5	9.8	9.2	4.5	10.0	9.5	4.8
Other category	8.2	7.4	4.3	9.1	8.4	4.3	9.2	8.9	4.5
Age Group-wise									
Up to 25 years	8.1	7.4	4.0	9.2	8.8	4.1	9.5	9.3	4.5
25 to 30 years	8.3	7.4	4.2	9.2	8.5	4.3	9.7	9.4	4.6
30 to 35 years	8.7	8.1	4.2	9.5	9.1	4.5	9.9	9.6	4.6
35 to 40 years	8.8	8.0	4.5	9.8	9.3	4.6	10.1	9.5	4.9
40 to 45 years	9.0	8.4	4.4	9.8	9.4	4.4	10.0	9.6	4.6
45 to 50 years	9.3	8.8	4.6	9.9	9.6	4.4	10.0	9.7	4.9
50 to 55 years	9.5	9.1	4.7	10.3	9.8	4.6	10.6	9.9	4.7
55 to 60 years	9.2	8.2	4.7	9.9	9.6	4.6	10.3	9.9	4.7
60 years and above	9.9	9.2	4.6	10.5	10.2	4.6	10.7	10.1	4.7
City-wise									
Ahmadabad	13.4	16.0	4.1	13.7	16.2	4.4	14.1	16.2	3.9
Bengaluru	5.0	5.1	2.8	5.7	5.2	3.3	5.1	4.4	3.5
Bhopal	6.8	5.8	3.2	8.8	8.0	3.6	9.0	8.3	4.5
Bhubaneswar	9.1	9.1	3.9	11.0	11.0	3.9	11.5	11.9	4.5
Chennai	8.6	7.7	3.9	10.8	10.1	4.1	10.0	9.5	4.7
Delhi	6.5	5.8	2.4	8.2	7.6	2.8	7.4	6.5	3.4
Guwahati	14.0	16.2	4.5	14.0	16.2	4.7	13.9	16.2	4.5
Hyderabad	7.1	6.5	2.8	6.9	6.5	2.9	9.0	8.7	2.8
Jaipur	9.1	9.4	3.3	10.9	10.9	3.5	11.8	12.6	4.2
Kolkata	11.7	10.6	4.2	11.9	12.6	4.8	12.5	14.3	4.4
Lucknow	8.3	7.8	4.1	7.6	6.5	4.7	8.7	9.0	4.1
Mumbai	7.8	7.1	3.5	8.9	8.1	3.6	8.3	7.7	3.7
Nagpur	4.3	3.6	3.1	5.4	4.7	3.2	6.0	5.3	3.4
Patna	9.0	8.7	1.5	10.1	10.0	1.5	10.9	10.8	2.0
Thiruvananthapuram	11.5	12.7	4.9	10.0	10.3	5.2	11.3	12.1	5.0
Chandigarh	12.3	13.3	4.1	12.4	14.1	4.6	14.2	16.0	3.5
Ranchi	7.9	8.1	2.4	9.0	9.4	2.5	10.0	10.3	3.2
Raipur	5.9	5.0	3.0	7.2	6.8	3.3	7.1	5.8	4.1
All	8.8	8.0	4.4	9.7	9.2	4.4	10.0	9.6	4.7

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

(Number of respondents)																				
		Three-month ahead inflation rate (per cent)																		
		<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	Total
Current inflation rate (per cent)	<1	17	16	9	2			1											4	49
	1-2	9	18	47	11	6	2	2											1	96
	2-3	2	10	21	42	42	12		2	1										132
	3-4		4	9	26	63	57	19	8	2		1							2	191
	4-5	4	10	26	25	77	106	151	69	18	22	7	1	3		5	2		11	537
	5-6	3	3	9	17	24	135	276	231	76	34	23	3	1		2	2	1	15	855
	6-7	4	5	6	7	4	11	62	117	105	44	18	7	1	1	2	1	2	12	409
	7-8	4	2	2	12	3	5	6	49	128	129	53	12	9	3	2	3	2	4	428
	8-9		3	5	6	6	6	8	4	32	141	105	28	9	9	3	8	3	4	380
	9-10	3	19	15	10	16	16	2	11	5	57	118	116	57	16	61	12	23	6	563
	10-11	1	3	6	3	7	12		6	3	6	45	96	91	47	27	79	35	11	478
	11-12					1					1	2	6	20	24	15	6	11		86
	12-13							1				2	1	6	18	18	14	5		65
	13-14						1					2		2	4	11	2	5		27
	14-15		2		1	2	1		1		6	2		2	1	22	23	64	3	130
	15-16	1	2	1		2	2	1		1	6	7	1	2	1	5	50	78	4	164
	>=16	4	7	10	4	12	6	4	2	1	24	22	4	3	4	6	20	610	27	770
Total	52	104	166	166	265	372	533	500	372	470	407	275	206	128	179	222	839	104	5360	

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

(Number of respondents)																				
		One-year ahead inflation rate (per cent)																		
		<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	Total
Current inflation rate (per cent)	<1	11	13	5	5	2	2												11	49
	1-2	14	37	12	16	6	5	1	1		2								2	96
	2-3	1	20	37	13	16	18	13	4	5	1	1	1	2						132
	3-4	1	4	27	65	25	28	13	9	6	6	2		2	1				1	191
	4-5		4	11	95	203	37	34	34	24	44	10	10	6		1	6	10	8	537
	5-6	2	2	11	10	198	278	43	88	62	62	51	12	5	2	7	8	2	12	855
	6-7	1	1	4	3	4	56	111	36	41	45	33	16	15	7	8	12	4	12	409
	7-8		6	2	1	3	4	42	125	32	58	48	20	15	14	24	20	10	4	428
	8-9		2	4	2	3	4	6	35	95	16	68	35	18	14	27	29	10	12	380
	9-10	1	2	2	2	6	4	5	1	57	175	29	73	34	17	44	33	71	7	563
	10-11	1		1	1	1	10	2	1	4	64	116	25	36	22	20	81	74	19	478
	11-12						1				1	18	18	3	9	10	8	18		86
	12-13								1		1	1	13	16	2	13	6	8	4	65
	13-14									1			1	3	8	1	6	7		27
	14-15					1	1				2	1	1	2	13	40	17	49	3	130
	15-16		1	1		2	1			3	1	8	1	2	1	20	42	74	7	164
	>=16	7		2		2	1	2	1	1	12	10	2	3	2	5	16	652	52	770
Total	39	92	119	213	472	450	272	336	331	490	396	228	162	112	220	284	990	154	5360	