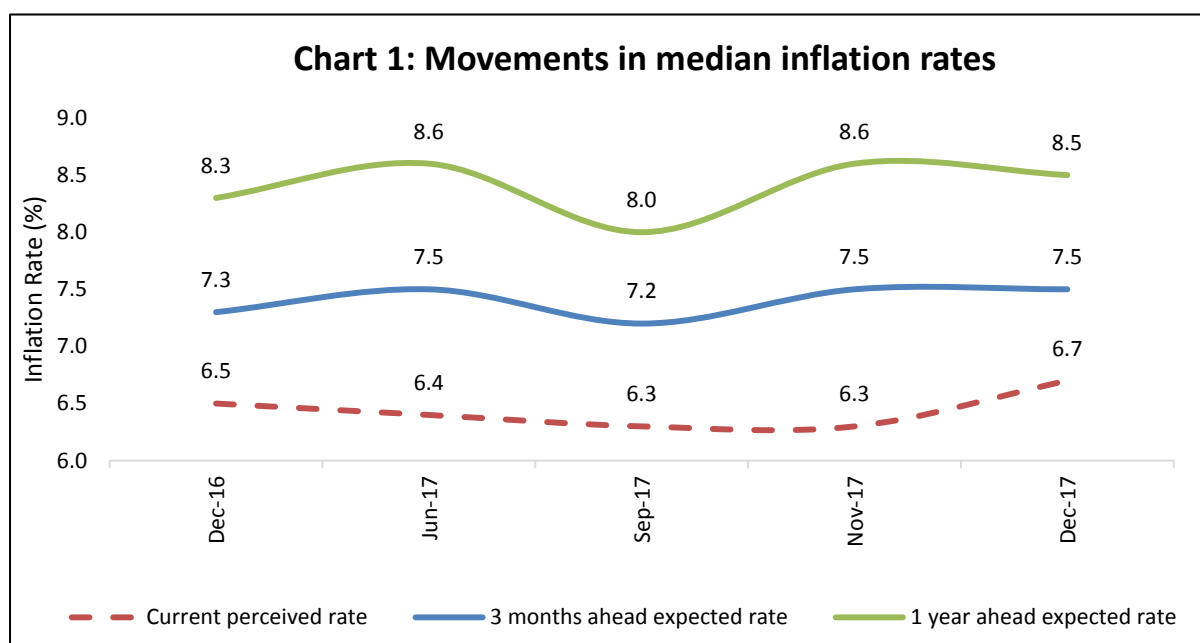


Households' Inflation Expectations Survey

Today, the Reserve Bank released the results of the December 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 5,321 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 declined in the December 2017 round across all product groups. (Table 2)
- ii. Expectations of the rate of price rise over the next one year period also moderated in a broad-based manner as compared with the preceding (November 2017) round of the survey.
- iii. Households' responses on general price movements were closely associated with those on food and non-food prices, as well as the cost of services. (Table 3)
- iv. Three months ahead median inflation expectations remained unchanged while for one year ahead, they declined by 10 basis points (bps) from the last survey round.
- v. From a year ago, i.e. vis-à-vis the December 2016 round of the survey, both three months ahead and one year ahead inflation expectations rose by 20 bps. (Table 4)



¹ 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 - December 2017

Category of Respondents	Share in Total (%)	Target Share (%)
Financial Sector Employees	9.9	10.0
Other Employees	15.2	15.0
Self-employed	19.7	20.0
Homemakers	30.3	30.0
Retired Persons	9.5	10.0
Daily Workers	9.5	10.0
Others	5.8	5.0

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

(Percentage of Respondents)

Round	Dec-16	Jun-17	Sep-17	Nov-17	Dec-17	Dec-16	Jun-17	Sep-17	Nov-17	Dec-17
Options: General	Three Months Ahead					One Year Ahead				
Prices will increase	59.9	77.2	81.3	81.4	80.6	68.1	82.4	93.5	92.8	92.7
Price increase more than current rate	28.9	39.9	50.5	53.2	49.8	35.2	44.1	61.2	64.1	63.0
Price increase similar to current rate	23.0	26.6	25.4	23.1	24.6	24.9	28.3	27.3	23.8	23.9
Price increase less than current rate	8.0	10.7	5.4	5.1	6.2	8.0	10.1	5.0	4.8	5.8
No change in prices	26.9	16.8	15.8	16.3	17.4	19.8	11.2	4.1	5.5	5.3
Decline in prices	13.3	6.0	2.9	2.3	2.0	12.2	6.4	2.5	1.8	2.0
Options: Food Product	Three Months Ahead					One Year Ahead				
Prices will increase	61.2	71.6	79.5	80.3	78.1	66.4	75.8	84.8	85.7	85.0
Price increase more than current rate	30.3	39.1	47.5	50.4	45.8	32.2	38.0	51.4	54	52.1
Price increase similar to current rate	19.6	21.8	24.8	23.2	23.4	24.1	26.8	27.5	25.2	24.9
Price increase less than current rate	11.3	10.7	7.3	6.7	8.9	10.1	11.0	6.0	6.5	8.1
No change in prices	17.1	14.2	13.3	12.9	15.5	16.6	12.4	9.3	9.0	10.4
Decline in prices	21.7	14.3	7.1	6.8	6.4	17.1	11.8	5.9	5.3	4.6
Options: Non-Food Product	Three Months Ahead					One Year Ahead				
Prices will increase	57.8	72.1	74.7	75.7	73.3	62.2	74.8	81.4	81.4	80.5
Price increase more than current rate	27.4	36.9	43.4	47.1	41.2	29.2	36.3	48.2	51.2	48.8
Price increase similar to current rate	20.6	23.6	24.8	21.9	23.3	23.3	27.3	26.7	23.5	23.7
Price increase less than current rate	9.7	11.6	6.6	6.7	8.8	9.7	11.2	6.5	6.8	7.9
No change in prices	26.2	18.1	19.3	19.5	21.9	23.5	16.3	13.8	14.4	15.4
Decline in prices	16.0	9.8	5.9	4.8	4.8	14.4	9.0	4.8	4.2	4.2
Options: Household Durables	Three Months Ahead					One Year Ahead				
Prices will increase	44.6	65.4	61.5	61.9	60.0	52.7	70.3	70.7	71	68.8
Price increase more than current rate	20.9	34.7	37.3	38.6	35.0	24.8	35.7	42.7	44.5	42.3
Price increase similar to current rate	16.4	20.6	19.1	17.4	18.6	18.9	24.3	22.6	20.7	19.8
Price increase less than current rate	7.3	10.1	5.1	5.8	6.4	9.0	10.3	5.4	5.8	6.7
No change in prices	32.5	20.6	25.3	26.8	28.8	27.0	17.5	19.1	20.3	21.7
Decline in prices	22.9	14.0	13.2	11.3	11.3	20.3	12.2	10.2	8.7	9.5
Options: Housing Prices	Three Months Ahead					One Year Ahead				
Prices will increase	44.6	64.3	68.9	70.5	69.5	54.0	73.4	78.9	78.8	78.4
Price increase more than current rate	24.8	37.1	44.9	48.4	45.9	29.6	42.2	53.0	54.5	53.3
Price increase similar to current rate	13.1	18.6	19.2	17	18.0	16.7	22.4	20.8	19.4	19.2
Price increase less than current rate	6.6	8.7	4.9	5.0	5.6	7.7	8.8	5.1	4.9	5.9
No change in prices	21.5	22.0	20.0	20.1	21.0	18.0	15.1	12.4	13.6	14.0
Decline in prices	33.9	13.6	11.1	9.5	9.5	28.0	11.5	8.8	7.7	7.7
Options: Cost of Services	Three Months Ahead					One Year Ahead				
Prices will increase	57.6	68.9	68.7	71.1	71.5	66.8	78.6	82.9	83.4	82.8
Price increase more than current rate	27.1	35.1	40.7	44.3	41.4	32.6	38.8	48.6	51.5	50.5
Price increase similar to current rate	21.0	23.7	22.5	20.7	23.2	23.7	27.8	27.9	25.2	24.3
Price increase less than current rate	9.5	10.2	5.5	6.2	6.8	10.5	12.0	6.4	6.7	8.0
No change in prices	29.8	25.3	27.3	25.8	25.6	22.3	15.6	13.5	14	14.2
Decline in prices	12.6	5.8	4.0	3.1	3.0	10.9	5.9	3.7	2.6	3.0

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
Three Months Ahead						
46	Dec-16	55.4	55.8	48.5	47.0	57.7
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
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
One Year Ahead						
46	Dec-16	62.2	59.7	52.8	51.7	62.3
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
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

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.
46	Dec-16	7.4	6.5	3.9	7.9	7.3	4.1	8.7	8.3	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
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

Table 5: Factors that Explain the Total Variability

Round No.	Survey Period Ended	Current	Three Months Ahead	One Year Ahead
46	Dec-16	City, Gender, Age-Group	City, Category, Age-Group	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
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

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

	Current			Three Months Ahead			One Year Ahead		
	Mean	Median	Std. Dev.	Mean	Median	Std. Dev.	Mean	Median	Std. Dev.
Overall	7.9	6.7	4.2	8.4	7.5	4.3	8.9	8.5	4.8
Gender-wise									
Male	8.0	6.9	4.3	8.4	7.4	4.4	8.8	8.3	4.8
Female	7.7	6.6	4.1	8.4	7.5	4.2	9.1	8.7	4.7
Category-wise									
Financial Sector Employees	7.4	6.6	3.7	7.8	7.3	4.0	8.4	8.0	4.4
Other Employees	7.9	6.6	4.4	8.3	7.4	4.5	8.7	8.3	4.9
Self Employed	7.9	6.9	4.2	8.3	7.4	4.3	8.6	8.3	4.9
Homemakers	7.9	6.8	4.2	8.5	7.6	4.2	9.3	8.9	4.7
Retired Persons	8.2	6.7	4.6	8.5	7.3	4.7	8.9	8.1	5.1
Daily Workers	8.3	7.0	4.3	8.8	7.9	4.3	9.6	9.4	4.9
Other category	7.5	6.5	3.8	8.0	7.3	3.9	8.5	8.1	4.3
Age Group-wise									
Up to 25 years	7.1	6.3	3.7	7.7	7.1	3.8	8.4	8.0	4.1
25 to 30 years	7.7	6.7	4.0	8.2	7.4	4.2	8.7	8.1	4.5
30 to 35 years	7.8	6.7	4.0	8.3	7.4	4.1	9.0	8.6	4.7
35 to 40 years	7.9	6.3	4.3	8.5	7.4	4.3	9.0	8.4	4.9
40 to 45 years	8.1	7.3	4.1	8.8	8.0	4.3	9.3	9.3	4.9
45 to 50 years	8.2	7.3	4.4	8.5	7.5	4.6	9.0	9.1	5.1
50 to 55 years	8.2	7.4	4.4	8.7	7.8	4.6	9.3	9.1	5.1
55 to 60 years	8.7	7.5	4.8	8.8	7.9	4.8	9.2	8.8	5.3
60 years and above	8.6	7.2	4.7	8.8	7.7	4.7	9.2	8.6	5.2
City-wise									
Ahmedabad	10.4	10.1	4.1	11.0	10.4	4.1	11.6	10.8	4.2
Bengaluru	3.1	3.0	1.0	3.9	3.8	1.3	4.5	4.5	1.5
Bhopal	8.1	6.9	4.2	8.0	7.4	4.8	8.1	7.8	4.9
Bhubaneswar	7.5	6.3	3.1	9.4	8.6	3.4	11.5	10.9	3.5
Chennai	10.1	10.3	4.2	11.2	10.9	4.5	12.4	15.0	4.6
Delhi	7.7	6.3	4.1	7.7	6.6	4.2	7.6	6.6	4.5
Guwahati	12.1	14.1	5.0	8.1	7.1	5.7	8.8	8.1	6.0
Hyderabad	9.1	7.8	3.9	9.8	8.5	3.9	10.7	9.7	3.7
Jaipur	8.0	7.4	3.2	8.1	7.6	3.4	8.7	8.4	4.1
Kolkata	10.3	10.2	4.8	11.1	10.6	4.6	11.8	11.3	4.5
Lucknow	6.7	6.2	2.7	7.1	6.8	2.8	6.9	7.2	3.7
Mumbai	8.1	7.6	3.1	8.6	8.3	3.3	8.8	9.0	4.1
Nagpur	6.7	5.9	3.6	7.6	7.2	3.8	8.0	8.0	4.0
Patna	6.0	5.7	2.3	6.3	5.9	2.5	6.9	6.3	3.2
Thiruvananthapuram	7.8	6.7	4.0	8.7	7.9	4.2	8.8	9.1	5.4
Chandigarh	5.4	4.7	3.4	6.6	5.9	3.5	7.9	7.6	4.0
Ranchi	5.9	5.3	2.5	6.6	6.3	3.0	6.5	6.3	3.7
Raipur	5.5	5.2	3.0	6.1	5.5	3.3	6.6	6.3	4.6

Table 7: Cross-tabulation of Current and Three Months Ahead Inflation Expectations: December 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	28	7	4	1	2	2	1	1	0	0	0	0	1	0	0	0	0	0	47
	1-<2	7	31	27	7	1	0	0	0	0	0	1	0	0	0	0	0	0	0	74
	2-<3	3	16	113	93	36	17	3	1	0	0	1	0	0	0	0	0	0	0	283
	3-<4	6	2	20	179	121	56	12	3	0	0	1	0	0	0	0	0	0	1	401
	4-<5	7	1	11	8	250	122	61	15	5	1	2	0	0	0	0	1	0	0	484
	5-<6	13	3	7	18	21	465	188	185	69	10	45	2	3	0	0	8	0	1	1038
	6-<7	0	2	0	4	0	14	222	128	58	12	9	0	1	0	0	0	0	2	452
	7-<8	6	1	4	4	1	7	6	231	118	45	36	2	4	1	0	0	0	0	466
	8-<9	6	1	3	0	0	5	4	3	139	88	59	8	16	2	0	0	3	1	338
	9-<10	2	0	1	1	1	1	0	2	5	82	55	24	18	2	3	2	0	0	199
	10-<11	9	1	2	7	0	26	2	7	17	5	270	57	98	35	9	102	21	4	672
	11-<12	2	2	2	0	0	0	0	1	0	1	0	20	10	4	1	3	2	3	51
	12-<13	1	0	0	0	1	0	0	0	1	1	2	1	20	9	6	4	3	0	49
	13-<14	1	0	0	0	0	0	0	0	1	0	0	1	1	6	0	3	5	0	18
	14-<15	0	1	0	2	0	0	0	0	0	0	0	0	1	0	8	3	8	1	24
	15-<16	4	0	0	0	0	2	3	0	0	0	5	0	1	1	3	66	58	5	148
	>=16	11	1	2	2	3	14	3	1	0	1	18	3	3	1	0	11	489	14	577
	Total	106	69	196	326	437	731	505	578	413	246	504	118	177	61	30	203	589	32	5321

Table 8: Cross-tabulation of Current and One Year Ahead Inflation Expectations: December 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	24	4	6	1	3	3	1	2	0	0	2	0	0	0	0	0	1	0	47
	1-<2	15	12	20	17	5	4	0	1	0	0	0	0	0	0	0	0	0	0	74
	2-<3	31	2	55	56	73	29	14	10	7	0	4	0	0	0	1	0	0	1	283
	3-<4	24	3	7	94	83	105	35	18	13	6	8	2	1	0	0	0	0	2	401
	4-<5	40	2	4	3	164	71	99	37	30	16	9	2	3	1	0	1	1	1	484
	5-<6	84	0	6	8	5	286	95	171	101	69	130	10	15	4	3	30	17	4	1038
	6-<7	38	0	2	0	1	7	122	68	104	43	46	1	8	4	0	4	0	4	452
	7-<8	37	0	0	1	2	1	8	133	67	85	68	17	21	3	6	12	4	1	466
	8-<9	16	0	0	0	0	2	4	2	93	37	101	20	35	9	5	7	6	1	338
	9-<10	18	0	0	0	0	2	0	1	2	53	24	37	23	10	11	13	3	2	199
	10-<11	35	0	4	0	0	17	0	6	9	7	203	27	71	15	25	109	138	6	672
	11-<12	4	1	2	0	0	2	0	1	0	0	2	15	2	3	2	9	5	3	51
	12-<13	1	0	1	0	0	0	0	0	1	0	0	0	21	2	1	13	9	0	49
	13-<14	2	0	0	0	0	1	0	1	0	0	0	0	0	4	2	2	6	0	18
	14-<15	1	0	0	1	0	1	0	0	0	0	0	0	1	0	7	2	10	1	24
	15-<16	9	0	0	0	0	2	0	0	0	0	3	2	0	2	1	45	79	5	148
	>=16	34	0	1	2	3	7	2	1	2	0	11	0	0	0	2	9	486	17	577
	Total	413	24	108	183	339	540	380	452	429	316	611	133	201	57	66	256	765	48	5321