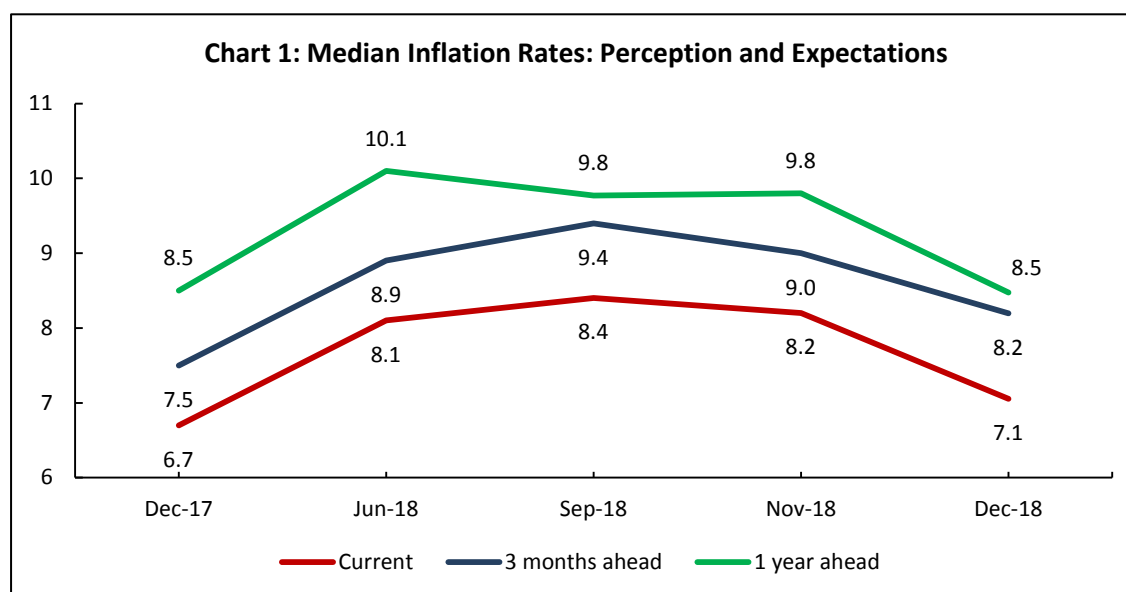


Households' Inflation Expectations Survey

Today, the Reserve Bank released the results of the December 2018 round of the Inflation Expectations Survey of Households (IESH)^{1 2}. The survey was conducted in 18 cities and the results are based on responses from 5,828 urban households.

Highlights:

- i. The proportion of respondents expecting general prices to rise in the next three months and one year ahead horizons fell sharply in relation to the November 2018 round with a similar pattern observed in respect of most of the product groups, and especially for food and non-food products (Table 1a and 1b).
- ii. Respondents also moderated their expectations with respect to the rate of future price changes. (Table 1a and 1b).
- iii. In quantitative terms, three months ahead and one year ahead median inflation expectations dropped by 80 and 130 basis points (bps), respectively, from their readings in the November 2018 round (Chart 1, Table 2).
- iv. The decline in quantitative expectations was observed across various groups of the respondents (Table 2).



Note: [Please see the excel file for time series data.](#)

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 own consumption pattern. Hence, these should not be treated as benchmarks for official measures of inflation.

² As approved by the Technical Advisory Committee on Surveys (TACS), a two-stage probability sampling scheme was implemented in place of quota sampling from the September 2018 round onwards. Consequent changes in reporting the results of the survey are stated in the footnote to the respective tables. Further, city-wise sample size was revised in proportion to number of households of each city as per Census 2011, keeping the overall sample size 6,000.

Table 1(a): Product-wise Expectations of Prices for Three Months ahead

(Percentage of Respondents)

Round			Sep-18		Nov-18		Dec-18	
Options: General	Dec-17	Jun-18	Estimate	SE	Estimate	SE	Estimate	SE
Prices will increase	80.6	83.8	80.4	0.92	77.9	0.91	72.9	1.04
Price increase more than current rate	49.8	50.1	49.1	1.15	47.4	1.12	46.2	1.14
Price increase similar to current rate	24.6	26.4	27.6	1.00	25.6	1.00	23.3	0.96
Price increase less than current rate	6.2	7.3	3.7	0.38	4.9	0.59	3.4	0.39
No change in prices	17.4	14.6	17.4	0.88	19.2	0.87	21.2	0.98
Decline in prices	2.0	1.6	2.2	0.31	2.9	0.33	5.8	0.46
Options: Food Product								
Prices will increase	78.1	81.4	79.5	0.89	77.2	0.89	70.7	0.98
Price increase more than current rate	45.8	47.8	48.9	1.12	46.4	1.03	42.7	1.08
Price increase similar to current rate	23.4	24.8	24.5	0.91	23.6	0.91	22.4	0.87
Price increase less than current rate	8.9	8.7	6.1	0.48	7.3	0.63	5.7	0.48
No change in prices	15.5	13.3	15.5	0.82	16.9	0.81	17.2	0.79
Decline in prices	6.4	5.3	4.9	0.40	5.9	0.46	12.0	0.65
Options: Non-Food Product								
Prices will increase	73.3	78.2	78.9	0.87	75.8	0.90	67.6	1.00
Price increase more than current rate	41.2	44.5	47.5	1.11	45.2	1.07	40.8	1.08
Price increase similar to current rate	23.3	24.4	25.3	0.91	24.1	0.94	21.6	0.89
Price increase less than current rate	8.8	9.3	6.1	0.48	6.5	0.61	5.3	0.47
No change in prices	21.9	17.7	17.1	0.81	18.5	0.79	20.5	0.85
Decline in prices	4.8	4.1	4.0	0.38	5.8	0.48	11.9	0.63
Options: Household Durables								
Prices will increase	60.0	58.7	56.6	1.05	57.9	1.06	56.8	1.08
Price increase more than current rate	35.0	32.6	32.4	1.05	33.8	1.03	34.8	1.08
Price increase similar to current rate	18.6	19.1	19.5	0.80	18.9	0.80	17.9	0.85
Price increase less than current rate	6.4	7.1	4.7	0.41	5.2	0.50	4.1	0.39
No change in prices	28.8	30.9	30.8	0.98	29.7	0.98	24.8	0.91
Decline in prices	11.3	10.4	12.5	0.66	12.4	0.66	18.4	0.77
Options: Housing Prices								
Prices will increase	69.5	71.6	67.1	0.92	68.7	0.96	69.1	1.03
Price increase more than current rate	45.9	45.3	45.2	1.02	44.5	1.05	46.5	1.06
Price increase similar to current rate	18.0	19.9	17.9	0.78	19.0	0.83	18.2	0.79
Price increase less than current rate	5.6	6.4	4.0	0.40	5.2	0.51	4.5	0.41
No change in prices	21.0	20.7	24.1	0.87	23.7	0.88	22.2	0.94
Decline in prices	9.5	7.7	8.8	0.59	7.6	0.54	8.6	0.57
Options: Cost of Services								
Prices will increase	71.5	70.8	67.7	1.04	68.2	0.99	65.7	1.10
Price increase more than current rate	41.4	40.8	41.8	1.15	40.4	1.06	40.2	1.11
Price increase similar to current rate	23.2	22.8	21.0	0.89	22.4	0.86	21.2	0.82
Price increase less than current rate	6.8	7.3	5.0	0.43	5.3	0.48	4.3	0.41
No change in prices	25.6	26.5	29.6	1.01	28.8	0.97	28.2	1.02
Decline in prices	3.0	2.6	2.7	0.33	3.0	0.35	6.1	0.45

1. The table provides estimates and standard errors for qualitative responses for the September, November and December 2018 rounds. For earlier rounds, the results are based on sample proportions.
2. Constituent items may not add up to the corresponding total, due to rounding off.

Table 1(b): Product-wise Expectations of Prices for One Year ahead

(Percentage of Respondents)

Round	Dec-17	Jun-18	Sep-18		Nov-18		Dec-18	
			Estimate	SE	Estimate	SE	Estimate	SE
Options: General								
Prices will increase	92.7	91.6	88.3	0.77	89.7	0.65	83.8	0.82
Price increase more than current rate	63.0	59.8	59.7	1.15	60.0	1.11	57.5	1.15
Price increase similar to current rate	23.9	25.8	25.3	0.97	26.4	0.97	23.3	1.00
Price increase less than current rate	5.8	6.0	3.3	0.35	3.4	0.43	3.0	0.37
No change in prices	5.3	6.5	9.1	0.69	7.6	0.57	11.3	0.73
Decline in prices	2.0	1.9	2.6	0.32	2.7	0.33	4.9	0.43
Options: Food Product								
Prices will increase	85.0	85.1	84.8	0.78	85.4	0.73	80.0	0.82
Price increase more than current rate	52.1	51.4	52.5	1.16	52.3	1.14	50.6	1.08
Price increase similar to current rate	24.9	26.5	27.0	0.96	27.5	0.96	24.7	0.93
Price increase less than current rate	8.1	7.1	5.3	0.45	5.7	0.51	4.7	0.43
No change in prices	10.4	9.7	9.7	0.64	9.4	0.60	12.1	0.68
Decline in prices	4.6	5.3	5.5	0.45	5.2	0.45	7.9	0.52
Options: Non-Food Product								
Prices will increase	80.5	83.3	82.3	0.79	82.4	0.78	76.4	0.92
Price increase more than current rate	48.8	49.1	51.0	1.18	51.6	1.10	47.5	1.09
Price increase similar to current rate	23.7	26.6	26.1	0.91	25.2	0.90	24.2	0.92
Price increase less than current rate	7.9	7.6	5.2	0.44	5.6	0.50	4.7	0.43
No change in prices	15.4	12.7	13.1	0.70	12.7	0.68	15.8	0.78
Decline in prices	4.2	4.0	4.6	0.40	4.9	0.43	7.7	0.54
Options: Household Durables								
Prices will increase	68.8	70.6	67.5	0.97	70.1	0.98	66.9	1.02
Price increase more than current rate	42.3	41.6	40.7	1.10	43.0	1.10	42.0	1.09
Price increase similar to current rate	19.8	21.8	22.0	0.83	22.0	0.88	20.4	0.84
Price increase less than current rate	6.7	7.2	4.8	0.42	5.1	0.47	4.5	0.40
No change in prices	21.7	21.2	22.6	0.84	20.4	0.85	20.1	0.91
Decline in prices	9.5	8.2	10.0	0.58	9.6	0.61	13.0	0.69
Options: Housing Prices								
Prices will increase	78.4	81.0	77.9	0.89	80.6	0.79	79.6	0.85
Price increase more than current rate	53.3	53.0	52.9	1.08	53.8	1.04	55.9	1.00
Price increase similar to current rate	19.2	21.5	21.0	0.87	22.5	0.91	19.8	0.78
Price increase less than current rate	5.9	6.5	4.0	0.38	4.3	0.44	3.9	0.39
No change in prices	14.0	13.3	15.1	0.74	13.3	0.68	13.7	0.74
Decline in prices	7.7	5.7	7.0	0.52	6.1	0.50	6.7	0.50
Options: Cost of Services								
Prices will increase	82.8	84.1	82.0	0.81	83.3	0.75	77.9	0.88
Price increase more than current rate	50.5	49.5	49.7	1.18	52.2	1.11	49.0	1.11
Price increase similar to current rate	24.3	26.6	27.3	0.96	25.7	0.92	24.1	0.90
Price increase less than current rate	8.0	8.0	5.0	0.44	5.4	0.48	4.8	0.44
No change in prices	14.2	13.7	15.6	0.76	13.5	0.68	17.1	0.82
Decline in prices	3.0	2.2	2.4	0.29	3.1	0.34	5.0	0.44

3. The table provides estimates and standard errors for qualitative responses for the September, November and December 2018 rounds. For earlier rounds, the results are based on sample proportions.

4. Constituent items may not add up to the corresponding total, due to rounding off.

Table 2: Inflation Expectations of Various Groups: December 2018

	Current				Three months ahead				One year ahead			
	Mean		Median		Mean		Median		Mean		Median	
	Estimate	SE	Estimate	SE	Estimate	SE	Estimate	SE	Estimate	SE	Estimate	SE
Overall	8.3	0.11	7.1	0.18	9.1	0.11	8.2	0.15	8.6	0.13	8.5	0.17
Gender-wise												
Male	8.4	0.14	7.1	0.20	9.1	0.14	8.1	0.21	8.6	0.17	8.2	0.22
Female	8.5	0.14	7.4	0.25	9.3	0.14	8.6	0.19	9.0	0.18	9.2	0.31
Category-wise												
Financial Sector Employees	8.1	0.54	7.2	0.73	9.0	0.62	8.1	0.79	7.8	0.67	7.6	0.73
Other Employees	8.2	0.19	6.9	0.25	8.9	0.20	7.8	0.24	8.5	0.23	8.1	0.27
Self Employed	8.7	0.21	7.6	0.30	9.2	0.21	8.5	0.31	8.4	0.26	8.3	0.31
Homemaker	8.4	0.16	7.3	0.26	9.2	0.16	8.6	0.21	8.9	0.22	9.1	0.34
Retired Persons	8.9	0.36	7.8	0.43	9.6	0.41	8.9	0.52	9.0	0.43	9.0	0.57
Daily Workers	8.6	0.22	7.2	0.45	9.5	0.23	8.7	0.32	9.1	0.28	9.4	0.50
Other category	8.0	0.22	6.9	0.28	8.7	0.23	7.8	0.26	8.7	0.27	8.3	0.32
Age Group-wise												
Up to 25 years	7.8	0.19	6.5	0.26	8.5	0.19	7.7	0.22	8.5	0.23	8.3	0.22
25 to 30 years	8.2	0.18	6.9	0.28	9.1	0.19	8.4	0.27	8.8	0.23	8.8	0.34
30 to 35 years	8.4	0.20	7.0	0.29	9.1	0.21	8.0	0.24	8.9	0.25	8.8	0.39
35 to 40 years	8.5	0.21	7.1	0.32	9.3	0.21	8.4	0.32	8.9	0.25	8.7	0.47
40 to 45 years	9.0	0.25	7.8	0.44	9.6	0.26	8.9	0.42	8.8	0.31	8.8	0.45
45 to 50 years	8.6	0.25	7.5	0.41	9.2	0.24	8.7	0.31	8.5	0.30	8.7	0.45
50 to 55 years	9.2	0.31	8.3	0.58	9.9	0.32	9.1	0.54	8.9	0.39	9.2	0.60
55 to 60 years	8.7	0.35	7.1	0.56	9.5	0.37	8.5	0.42	8.7	0.40	8.4	0.65
60 years and above	9.0	0.29	8.0	0.37	9.7	0.28	9.1	0.49	9.0	0.36	9.0	0.56
City-wise												
Ahmedabad	8.6	0.39	7.9	0.61	9.9	0.35	9.0	0.64	9.2	0.35	8.7	0.38
Bengaluru	6.0	0.31	5.3	0.12	7.6	0.32	7.1	0.48	8.5	0.35	8.4	0.63
Bhopal	7.8	0.66	6.1	0.59	8.0	0.63	6.9	0.85	6.5	0.61	5.5	1.26
Bhubaneswar	6.1	0.50	5.3	0.26	7.0	0.58	6.2	0.59	7.2	1.25	7.1	0.89
Chennai	9.0	0.36	8.7	0.68	10.1	0.39	9.9	0.61	11.4	0.43	11.0	0.70
Delhi	9.2	0.27	8.9	0.64	9.6	0.28	9.4	0.59	8.4	0.34	8.3	0.57
Guwahati	5.8	0.36	5.5	0.22	5.9	0.45	5.7	0.34	4.6	0.55	4.5	1.07
Hyderabad	9.1	0.54	7.2	0.92	9.9	0.53	8.7	1.05	9.8	0.56	9.6	1.16
Jaipur	6.4	0.28	5.9	0.20	6.4	0.28	6.0	0.22	4.2	0.34	3.6	1.68
Kolkata	9.5	0.37	8.4	0.82	10.2	0.38	9.3	0.78	10.4	0.42	10.1	0.52
Lucknow	8.8	0.46	8.4	0.49	9.6	0.46	9.4	0.56	9.7	0.69	10.5	0.47
Mumbai	8.5	0.26	7.6	0.37	9.1	0.26	8.4	0.39	8.0	0.30	8.0	0.42
Nagpur	7.7	0.48	6.3	0.65	8.1	0.50	7.0	0.76	6.6	0.68	6.2	0.90
Patna	7.3	0.38	6.8	0.62	7.7	0.40	7.5	0.50	7.0	0.47	6.8	0.69
Thiruvananthapuram	5.6	0.38	5.0	0.44	6.7	0.45	5.8	0.61	7.5	0.70	6.8	1.17
Chandigarh	8.7	1.02	8.5	1.36	7.8	0.63	7.5	1.12	7.8	0.86	7.7	1.07
Ranchi	10.1	0.63	9.4	0.74	10.7	0.51	10.6	0.49	10.5	0.69	11.6	1.29
Raipur	7.3	0.74	5.8	0.45	7.0	0.90	5.8	0.64	4.7	1.39	2.0	1.73

Note: The table provides estimates and standard errors for quantitative responses for the December 2018 round.

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)

Survey period ended	Food	Non-Food	Households durables	Housing	Cost of services
Three Months Ahead					
Dec-17	64.9	64.1	55.5	58.4	63.8
Jun-18	65.6	64.7	53.8	60.0	63.7
Sep-18	64.4	65.3	52.8	58.6	64.3
Nov-18	65.6	66.8	56.5	61.4	66.2
Dec-18	62.9	64.0	55.3	62.4	64.3
One Year Ahead					
Dec-17	70.1	69.0	58.8	65.1	70.5
Jun-18	71.9	71.4	60.9	67.4	71.9
Sep-18	72.2	71.5	60.0	66.5	71.4
Nov-18	73.5	72.3	62.7	67.7	73.2
Dec-18	72.5	71.7	62.5	70.3	72.9

Note: Figures are based on sample observations

Table 4(a): Cross-tabulation of Number of Respondents by Current Inflation Perception and Three Months Ahead Inflation Expectations: December 2018

		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	0	2	1	1	3	0	0	0	0	1	0	0	0	0	0	1	0	42
	1-<2	5	35	16	5	1	0	0	0	0	0	1	0	0	0	0	0	0	0	63
	2-<3	4	14	105	50	26	15	1	1	1	0	1	0	0	0	0	1	0	0	219
	3-<4	1	5	18	166	82	78	12	5	3	0	3	0	1	0	0	0	0	0	374
	4-<5	2	0	9	26	212	86	77	25	13	1	5	0	1	0	0	0	0	0	457
	5-<6	2	1	10	44	46	587	177	208	114	20	114	1	1	1	0	7	2	4	1339
	6-<7	0	0	1	3	11	19	201	114	63	9	16	1	2	1	0	0	1	0	442
	7-<8	0	0	1	4	3	18	15	180	83	55	33	6	4	2	1	1	0	0	406
	8-<9	0	0	1	3	3	4	7	6	153	58	90	5	11	1	0	1	2	0	345
	9-<10	0	0	1	0	0	3	1	1	4	80	39	15	11	1	1	3	2	0	162
	10-<11	2	0	0	0	1	24	4	8	23	11	407	46	151	27	9	124	36	4	877
	11-<12	0	1	0	0	0	1	1	1	2	0	3	32	14	12	4	6	3	0	80
	12-<13	0	0	0	0	0	0	1	1	2	1	7	2	37	12	7	16	6	0	92
	13-<14	0	0	0	0	0	0	0	0	0	0	1	1	0	7	7	9	7	0	32
	14-<15	0	0	0	0	0	2	0	0	0	0	0	0	1	0	9	5	16	0	33
	15-<16	1	0	0	0	0	0	1	2	2	0	13	0	3	1	0	69	70	2	164
	>=16	1	1	0	0	1	5	0	0	1	0	23	1	1	0	1	21	639	6	701
Total	51	57	164	302	387	845	498	552	464	235	757	110	238	65	39	263	785	16	5828	

Note: Figures are based on sample observations

Table 4(b): Cross-tabulation of Number of Respondents by Current Inflation Perception and One Year Ahead Inflation Expectations: December 2018

		One Year Ahead Inflation Rate (per cent)																			
Current 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	
	<1	30	3	1	1	1	2	1	0	0	0	0	0	0	0	0	0	1	1	1	42
	1-<2	16	16	9	13	6	1	1	0	0	0	1	0	0	0	0	0	0	0	0	63
	2-<3	42	0	47	35	54	19	8	2	1	0	6	1	1	0	0	1	2	0	219	
	3-<4	65	0	3	67	46	87	51	22	10	7	12	1	1	0	1	1	0	0	374	
	4-<5	99	0	0	1	102	61	77	45	26	8	27	2	4	2	0	2	0	1	457	
	5-<6	217	0	0	7	17	315	101	200	137	37	245	6	11	2	1	30	13	0	1339	
	6-<7	68	0	0	2	2	5	111	56	97	33	42	4	10	2	1	6	3	0	442	
	7-<8	58	0	0	1	2	3	6	102	54	55	80	9	15	2	5	9	5	0	406	
	8-<9	52	1	1	0	2	2	6	6	90	29	79	12	32	8	3	14	7	1	345	
	9-<10	33	0	0	0	1	1	0	1	3	40	25	18	13	9	2	13	3	0	162	
	10-<11	120	0	0	0	0	9	0	4	7	11	256	24	104	29	21	167	122	3	877	
	11-<12	9	0	0	0	0	1	0	1	0	1	1	17	7	9	10	13	11	0	80	
	12-<13	15	0	0	0	0	0	0	0	1	0	1	0	21	7	9	14	23	1	92	
	13-<14	2	0	0	0	0	0	0	0	0	2	0	1	0	3	3	13	8	0	32	
	14-<15	8	0	0	0	0	0	0	0	0	0	1	0	0	0	3	4	17	0	33	
	15-<16	28	0	0	0	0	0	0	0	1	0	6	0	2	0	0	43	84	0	164	
	>=16	108	0	0	0	0	1	0	1	1	0	4	0	0	2	0	14	566	4	701	
	Total	970	20	61	127	233	507	362	440	428	223	786	95	221	75	59	345	865	11	5828	

Note: Figures are based on sample observations