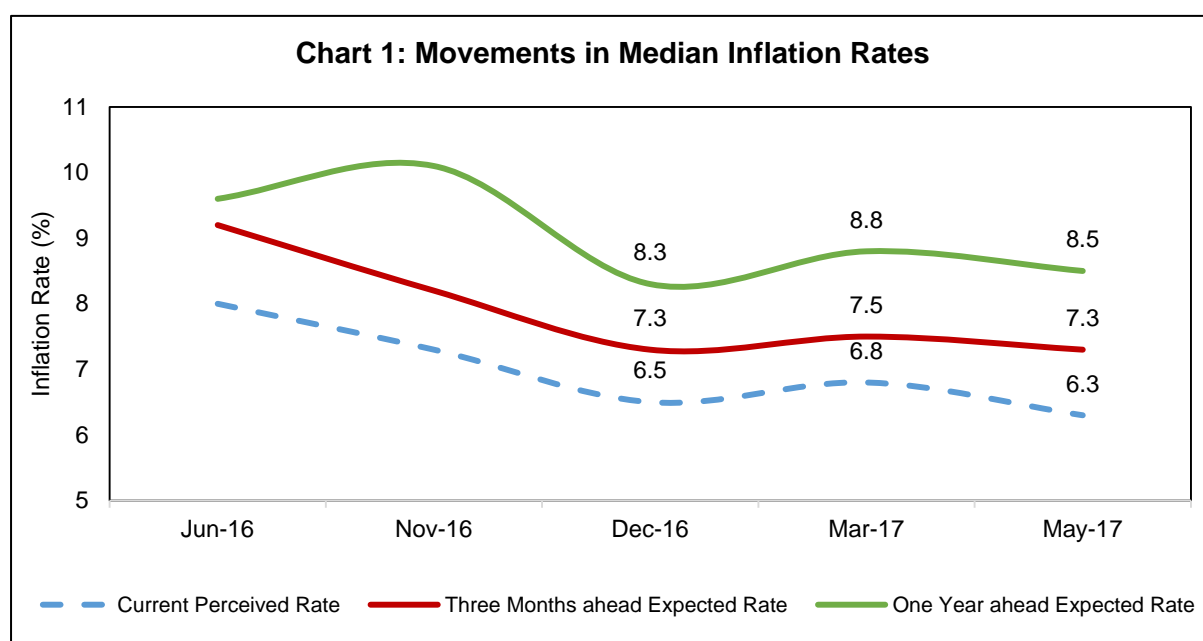


Households' Inflation Expectations Survey

The May 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 4,732 urban households covering various occupational categories (Table 1).

Highlights:

- i. The proportion of respondents expecting prices to increase in the next three months declined across all product groups barring housing. One year ahead inflation expectations increased for all product groups, except services (Table 2).
- ii. Among the respondents who expect the general level of prices to increase in the next three months (around 70 per cent), the proportion expecting it to rise by more than the current rate declined marginally. Similar sentiment prevailed across all the product groups, except housing. For one year ahead, this proportion rose for the general price level and also for various product groups, except housing and services (Table 2).
- iii. Three months ahead and one year ahead median inflation rates declined by 20 and 30 basis points, respectively, with lower inflation expectations spanning across all occupation groups and most cities and markedly so in Thiruvananthapuram (Table 4 and Chart 1).



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 - May 2017

Category of Respondents	Share in Total (%)	Target Share (%)
Financial Sector Employees	10.0	10.0
Other Employees	15.0	15.0
Self-employed	20.7	20.0
Housewives	29.0	30.0
Retired Persons	9.5	10.0
Daily Workers	10.0	10.0
Others	5.9	5.0

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

(Percentage of respondents)

Round	Jun-16	Nov-16	Dec-16	Mar-17	May-17	Jun-16	Nov-16	Dec-16	Mar-17	May-17
Options: General	Three Months Ahead					One Year Ahead				
Prices will increase	85.2	76.0	59.9	73.8	70.2	90.4	86.3	68.1	81.0	80.9
Price increase more than current rate	37.7	40.1	28.9	37.9	35.9	44.8	49.8	35.2	44.5	46.3
Price increase similar to current rate	28.7	23.9	23.0	27.3	25.0	27.6	25.1	24.9	28.5	26.4
Price increase less than current rate	18.8	12.0	8.0	8.6	9.3	18.0	11.4	8.0	8.0	8.2
No change in prices	11.4	18.8	26.9	21.5	25.2	6.3	10.0	19.8	13.6	14.3
Decline in prices	3.4	5.2	13.3	4.7	4.6	3.4	3.7	12.2	5.4	4.8
Options: Food Product	Three Months Ahead					One Year Ahead				
Prices will increase	86.5	71.2	61.2	74.2	73.7	90.1	82.0	66.4	78.0	79.8
Price increase more than current rate	38.3	35.2	30.3	39.5	38.6	44.7	43.0	32.2	39.7	42.1
Price increase similar to current rate	29.3	23.2	19.6	24.7	23.6	28.4	26.5	24.1	29.0	27.2
Price increase less than current rate	18.9	12.9	11.3	9.9	11.5	17.1	12.5	10.1	9.3	10.6
No change in prices	9.1	21.2	17.1	16.5	18.2	5.5	13.3	16.6	12.8	11.9
Decline in prices	4.4	7.6	21.7	9.3	8.1	4.3	4.6	17.1	9.2	8.2
Options: Non-Food Product	Three Months Ahead					One Year Ahead				
Prices will increase	72.7	57.9	57.8	69.6	66.3	82.5	70.9	62.2	72.3	73.9
Price increase more than current rate	27.7	28.4	27.4	34.1	32.4	33.6	34.5	29.2	35.1	37.1
Price increase similar to current rate	26.3	19.2	20.6	25.1	23.4	29.2	24.0	23.3	27.5	25.7
Price increase less than current rate	18.6	10.3	9.7	10.4	10.6	19.7	12.3	9.7	9.7	11.1
No change in prices	23.0	36.3	26.2	23.6	26.9	13.8	24.0	23.5	20.3	19.1
Decline in prices	4.4	5.8	16.0	6.8	6.8	3.7	5.2	14.4	7.4	7.0
Options: Household Durables	Three Months Ahead					One Year Ahead				
Prices will increase	66.6	51.5	44.6	54.2	51.1	79.9	67.6	52.7	60.8	62.1
Price increase more than current rate	26.3	24.9	20.9	27.2	25.1	34.1	33.9	24.8	29.7	31.9
Price increase similar to current rate	23.4	16.8	16.4	19.3	17.1	27.3	22.3	18.9	22.8	21.5
Price increase less than current rate	16.9	9.9	7.3	7.6	8.9	18.6	11.4	9.0	8.3	8.8
No change in prices	25.7	36.9	32.5	30.8	33.6	14.2	22.9	27.0	25.3	24.9
Decline in prices	7.8	11.6	22.9	15.1	15.3	5.9	9.4	20.3	13.9	13.0
Options: Housing Prices	Three Months Ahead					One Year Ahead				
Prices will increase	77.3	65.4	44.6	56.7	57.3	86.6	79.6	54.0	68.7	69.7
Price increase more than current rate	43.8	38.4	24.8	32.4	33.2	52.2	49.6	29.6	39.3	39.7
Price increase similar to current rate	20.6	17.9	13.1	16.9	17.0	21.8	20.5	16.7	21.5	22.7
Price increase less than current rate	12.9	9.0	6.6	7.4	7.1	12.5	9.6	7.7	8.0	7.3
No change in prices	16.2	26.4	21.5	24.9	26.4	8.5	13.9	18.0	16.9	17.4
Decline in prices	6.6	8.2	33.9	18.4	16.2	4.9	6.5	28.0	14.3	12.9
Options: Cost of Services	Three Months Ahead					One Year Ahead				
Prices will increase	78.4	61.3	57.6	67.0	61.3	88.8	80.7	66.8	77.4	75.5
Price increase more than current rate	33.7	30.6	27.1	33.6	29.4	42.8	41.5	32.6	38.5	37.3
Price increase similar to current rate	26.9	19.8	21.0	23.8	21.7	28.5	26.9	23.7	28.5	26.8
Price increase less than current rate	17.9	10.8	9.5	9.7	10.2	17.5	12.3	10.5	10.4	11.4
No change in prices	19.0	36.0	29.8	27.5	33.0	8.5	16.7	22.3	17.4	19.1
Decline in prices	2.6	2.8	12.6	5.6	5.7	2.8	2.6	10.9	5.2	5.5

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						
44	Jun-16	69.8	60.0	54.5	55.7	59.2
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
47B	May-17	59.8	59.7	51.0	52.5	60.3
One Year Ahead						
44	Jun-16	74.7	64.5	60.6	61.5	65.9
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
47B	May-17	66.8	64.4	56.4	58.7	67.3

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.
44	Jun-16	8.8	8.0	4.4	9.7	9.2	4.4	10.0	9.6	4.7
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
47B	May-17	7.5	6.3	4.0	8.1	7.3	4.2	9.2	8.5	4.3

Table 5: Factors that Explain the Total Variability

Round No.	Survey Period Ended	Current	Three Months Ahead	One Year Ahead
44	Jun-16	City, Age-Group, Category	City, Category	City, Category
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
47B	May-17	City, Gender, Category	City, Category	City, Category

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

	Current			Three Months Ahead			One Year Ahead		
	Mean	Median	Std. Dev.	Mean	Median	Std. Dev.	Mean	Median	Std. Dev.
Overall	7.5	6.3	4.0	8.1	7.3	4.2	9.2	8.5	4.3
Gender-wise									
Male	7.7	6.5	4.1	8.3	7.4	4.3	9.3	8.5	4.4
Female	7.2	6.1	3.8	7.8	7.2	4.0	9.1	8.6	4.2
Category-wise									
Financial Sector Employees	7.2	6.2	3.7	7.8	7.0	3.9	8.7	8.0	4.1
Other Employees	7.7	6.4	4.1	8.3	7.4	4.2	9.4	8.7	4.4
Self Employed	7.7	6.6	4.1	8.2	7.5	4.3	9.3	8.5	4.5
Housewives	7.2	6.0	3.8	7.9	7.3	4.0	9.1	8.7	4.2
Retired Persons	7.6	6.5	4.0	8.2	7.4	4.3	9.2	8.4	4.4
Daily Workers	7.9	6.7	4.3	8.6	7.6	4.4	9.6	9.0	4.5
Other category	7.0	6.1	3.6	7.5	6.9	3.8	8.8	8.1	4.0
Age Group-wise									
Up to 25 years	7.2	6.2	3.6	7.9	7.3	3.7	9.1	8.5	4.0
25 to 30 years	7.3	6.2	3.7	7.8	7.1	3.9	8.9	8.3	4.1
30 to 35 years	7.5	6.2	4.1	7.9	7.2	4.3	9.1	8.4	4.4
35 to 40 years	7.7	6.6	4.1	8.2	7.5	4.2	9.5	9.0	4.4
40 to 45 years	7.4	6.1	4.2	8.2	7.3	4.5	9.1	8.4	4.6
45 to 50 years	7.6	6.6	4.0	8.2	7.5	4.2	9.3	8.7	4.4
50 to 55 years	7.9	6.8	4.4	8.4	7.8	4.5	9.6	9.2	4.5
55 to 60 years	7.6	6.4	4.1	8.2	7.7	4.3	9.0	8.7	4.4
60 years and above	7.9	6.5	4.3	8.5	7.4	4.5	9.5	8.6	4.6
City-wise									
Ahmedabad	9.6	8.7	3.9	10.6	10.1	3.8	11.8	10.9	3.8
Bengaluru	4.6	4.6	1.6	4.6	4.6	1.7	5.3	5.2	2.2
Bhopal	6.6	5.4	4.1	8.0	7.7	4.0	8.7	8.4	4.1
Bhubaneswar	6.5	5.4	4.1	7.7	7.2	4.7	8.8	8.5	5.2
Chennai	8.3	7.5	4.1	9.9	9.2	4.1	11.5	10.9	3.9
Delhi	7.2	6.6	2.9	8.3	7.8	3.1	9.2	8.7	3.2
Guwahati	11.6	14.3	5.7	8.4	9.5	6.8	10.0	10.8	6.6
Hyderabad	6.4	6.3	1.0	6.9	6.9	1.2	8.0	8.0	1.2
Jaipur	8.8	7.8	3.4	9.7	8.8	3.5	10.5	9.7	3.9
Kolkata	9.0	7.8	4.5	9.8	8.3	4.4	11.0	10.3	4.3
Lucknow	7.1	5.8	5.5	7.5	6.2	5.7	8.0	6.9	5.9
Mumbai	6.6	5.9	3.0	6.5	6.3	3.3	7.2	6.7	3.6
Nagpur	6.6	5.6	3.6	7.0	6.0	4.0	7.7	7.1	4.2
Patna	6.1	6.1	1.0	6.9	6.8	1.2	8.2	8.2	1.4
Thiruvananthapuram	8.0	6.2	4.2	8.6	7.9	4.2	10.3	10.1	4.2
Chandigarh	9.8	8.6	4.6	9.8	8.9	4.3	11.0	10.6	3.9
Ranchi	4.9	4.9	1.5	5.5	5.4	2.0	6.4	6.2	2.4
Raipur	7.8	7.2	3.1	9.0	8.6	3.5	10.5	10.4	3.6

Table 7: Cross-tabulation of Current and Three Months Ahead Inflation Expectations: May 2017

(Number of respondents)

		Three Months 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	57	7	9	2	1	5	0	0	0	0	3	0	0	0	1	0	1	0	86
	1-<2	2	25	14	2	3	0	0	0	0	0	0	0	0	0	0	0	0	1	47
	2-<3	8	18	87	76	32	21	1	2	0	0	0	0	0	0	0	0	0	1	246
	3-<4	2	5	23	117	76	53	5	1	2	0	1	0	0	0	0	1	0	2	288
	4-<5	7	8	12	25	135	146	66	17	8	4	3	0	2	0	0	0	0	6	439
	5-<6	11	2	15	18	32	279	330	203	101	13	39	2	2	0	0	4	1	10	1062
	6-<7	6	1	3	7	7	21	196	240	81	24	20	1	3	0	0	0	0	5	615
	7-<8	4	1	4	2	2	8	10	155	166	59	37	2	3	0	1	1	2	7	464
	8-<9	4	0	3	2	1	2	3	10	75	72	52	8	10	5	1	2	2	2	254
	9-<10	3	0	0	1	1	1	1	1	1	36	38	24	9	2	6	1	2	8	135
	10-<11	6	0	1	2	2	14	2	1	6	4	99	53	83	21	7	63	31	17	412
	11-<12	4	0	0	0	0	0	0	1	0	0	2	9	27	11	5	7	6	4	76
	12-<13	1	0	0	0	0	0	0	0	1	1	1	1	9	2	3	8	4	0	31
	13-<14	1	0	0	0	0	0	0	0	0	0	2	0	0	2	7	4	5	0	21
	14-<15	3	0	0	0	0	1	0	0	0	0	0	0	0	0	6	13	13	5	41
	15-<16	2	0	0	1	0	1	0	0	0	0	1	0	0	0	2	45	60	3	115
	>=16	25	1	1	3	0	6	0	0	0	2	15	1	0	0	5	6	298	37	400
	Total	146	68	172	258	292	558	614	631	441	215	313	101	148	43	44	155	425	108	4732

Table 8: Cross-tabulation of Current and One Year Ahead Inflation Expectations: May 2017

(Number of respondents)

		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	49	6	7	3	5	6	0	0	0	0	4	0	0	1	0	0	5	0	86
	1-<2	4	13	14	8	2	3	0	0	1	0	1	0	0	0	0	0	0	1	47
	2-<3	4	15	51	51	58	28	14	10	4	2	3	0	2	0	1	0	0	3	246
	3-<4	2	6	21	64	62	55	25	23	10	3	5	1	2	0	0	1	0	8	288
	4-<5	7	8	14	15	74	83	85	46	44	18	17	3	4	1	1	2	4	13	439
	5-<6	7	2	16	21	23	150	135	233	161	53	175	9	13	9	2	19	8	26	1062
	6-<7	0	3	5	6	5	25	65	156	198	54	55	11	9	2	7	8	2	4	615
	7-<8	1	1	5	4	4	5	9	64	128	92	74	19	17	9	6	9	9	8	464
	8-<9	1	1	3	2	2	7	7	5	31	36	76	8	31	6	6	13	16	3	254
	9-<10	2	0	0	0	0	1	1	1	2	16	21	22	19	11	10	10	11	8	135
	10-<11	4	0	0	3	3	7	2	5	5	2	55	19	46	25	27	95	92	22	412
	11-<12	3	0	0	1	0	1	0	0	1	1	0	4	13	10	12	9	16	5	76
	12-<13	0	0	0	0	0	0	0	0	0	1	2	1	2	1	2	11	9	2	31
	13-<14	0	0	0	0	0	0	0	0	0	0	2	0	0	1	2	5	11	0	21
	14-<15	0	0	1	0	0	0	0	0	1	1	0	1	1	1	0	9	22	4	41
	15-<16	2	0	0	0	0	1	0	0	0	0	2	0	0	1	1	26	72	10	115
	>=16	16	0	1	4	5	3	0	0	1	2	11	0	1	0	2	5	315	34	400
	Total	102	55	138	182	243	375	343	543	587	281	503	98	160	78	79	222	592	151	4732