

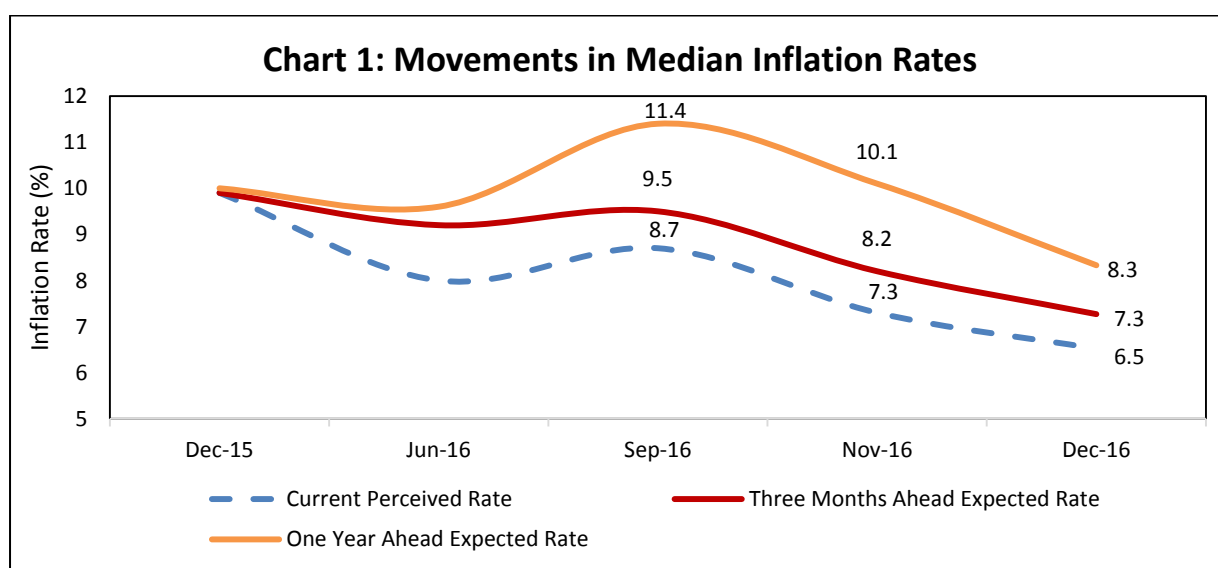
Households' Inflation Expectations Survey

Households' Inflation Expectations fell sharply in [December 2016](#)

Both three months ahead and one year ahead inflation expectations polled in the Inflation Expectations Survey of Households (IESH)¹ conducted by the Reserve Bank in December 2016 (46th round) moved down sharply. The survey was conducted across 18 cities and obtained responses from 5,162 urban households in various occupational categories (Table 1).

Highlights:

- i. The proportion of respondents expecting the general level of prices to increase three months ahead and one year ahead declined sharply in the December 2016 round as compared with both the September and November 2016 rounds and the shift was towards 'decline' in prices. This was observed across all product groups, but was most prominent in food products and housing (Table 2).
- ii. Among the respondents expecting the general level of prices to increase, the proportion expecting prices to rise at more than the current rate declined sharply in the December 2016 round compared with both the September and November 2016 rounds. This fall was observed across all product groups (Table 2).
- iii. Three months and one year ahead median inflation rates declined sharply by 90 and 180 basis points, respectively, in the December 2016 round relative to the immediately preceding round. Relative to the September 2016 round, however, the decline was much higher – by 220 and 310 basis points, respectively (Table 4 and Chart 1). This fall was observed across all occupation categories and in most cities, especially in Ahmedabad.



¹ The survey is conducted at regular intervals by the Reserve Bank and it provides useful directional information on near-term inflationary pressures and it also supplements other economic indicators. These expectations are formed by individuals based on their consumption baskets and should not be treated as benchmarks for official measures of inflation.

Table 1: Respondents' Profile (Category): Share in Total Sample - December 2016

Category of Respondents	Share in Total (%)	Target Share (%)
Financial Sector Employees	10.0	10.0
Other Employees	15.4	15.0
Self-employed	19.2	20.0
Housewives	29.3	30.0
Retired Persons	9.8	10.0
Daily Workers	10.3	10.0
Others	6.0	5.0

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

(Percentage of respondents)

(Round ended) →	Dec-15	Jun-16	Sep-16	Nov-16	Dec-16	Dec-15	Jun-16	Sep-16	Nov-16	Dec-16
Options: General	Three Months Ahead					One Year Ahead				
Prices will increase	86.7	85.2	78.6	76.0	59.9	90.9	90.4	86.2	86.3	68.1
Price increase more than current	35.7	37.7	47.0	40.1	28.9	41.6	44.8	55.0	49.8	35.2
Price increase similar to current rate	29.5	28.7	18.5	23.9	23.0	28.5	27.6	20.4	25.1	24.9
Price increase less than current rate	21.5	18.8	13.0	12.0	8.0	20.9	18.0	10.8	11.4	8.0
No change in prices	9.0	11.4	15.7	18.8	26.9	5.6	6.3	9.2	10.0	19.8
Decline in price	4.3	3.4	5.8	5.2	13.3	3.5	3.4	4.6	3.7	12.2
Options: Food Product	Three Months Ahead					One Year Ahead				
Prices will increase	85.9	86.5	74.7	71.2	61.2	90.6	90.1	83.1	82.0	66.4
Price increase more than current	34.9	38.3	42.8	35.2	30.3	41.2	44.7	51.1	43.0	32.2
Price increase similar to current rate	30.1	29.3	19.3	23.2	19.6	29.2	28.4	20.5	26.5	24.1
Price increase less than current rate	20.9	18.9	12.6	12.9	11.3	20.2	17.1	11.5	12.5	10.1
No change in prices	8.8	9.1	16.6	21.2	17.1	5.6	5.5	10.8	13.3	16.6
Decline in price	5.3	4.4	8.6	7.6	21.7	3.9	4.3	6.1	4.6	17.1
Options: Non-Food Product	Three Months Ahead					One Year Ahead				
Prices will increase	74.3	72.7	63.2	57.9	57.8	81.9	82.5	72.1	70.9	62.2
Price increase more than current	23.7	27.7	35.2	28.4	27.4	29.2	33.6	42.8	34.5	29.2
Price increase similar to current rate	29.1	26.3	16.7	19.2	20.6	29.6	29.2	18.3	24.0	23.3
Price increase less than current rate	21.5	18.6	11.3	10.3	9.7	23.1	19.7	11.0	12.3	9.7
No change in prices	20.8	23.0	29.3	36.3	26.2	13.8	13.8	20.5	24.0	23.5
Decline in price	5.0	4.4	7.6	5.8	16.0	4.3	3.7	7.4	5.2	14.4
Options: Household Durables	Three Months Ahead					One Year Ahead				
Prices will increase	68.6	66.6	54.1	51.5	44.6	78.9	79.9	68.1	67.6	52.7
Price increase more than current	22.1	26.3	30.3	24.9	20.9	29.2	34.1	39.6	33.9	24.8
Price increase similar to current rate	26.3	23.4	13.9	16.8	16.4	29.4	27.3	17.8	22.3	18.9
Price increase less than current rate	20.2	16.9	9.9	9.9	7.3	20.3	18.6	10.8	11.4	9.0
No change in prices	22.5	25.7	32.3	36.9	32.5	14.0	14.2	21.8	22.9	27.0
Decline in price	8.8	7.8	13.6	11.6	22.9	7.2	5.9	10.1	9.4	20.3
Options: Housing Prices	Three Months Ahead					One Year Ahead				
Prices will increase	80.2	77.3	68.7	65.4	44.6	88.4	86.6	79.1	79.6	54.0
Price increase more than current	39.9	43.8	44.4	38.4	24.8	48.7	52.2	54.8	49.6	29.6
Price increase similar to current rate	25.1	20.6	15.2	17.9	13.1	24.9	21.8	15.7	20.5	16.7
Price increase less than current rate	15.3	12.9	9.1	9.0	6.6	14.8	12.5	8.5	9.6	7.7
No change in prices	13.3	16.2	22.3	26.4	21.5	6.9	8.5	13.0	13.9	18.0
Decline in price	6.5	6.6	9.1	8.2	33.9	4.7	4.9	7.9	6.5	28.0
Options: Cost of Services	Three Months Ahead					One Year Ahead				
Prices will increase	81.6	78.4	64.5	61.3	57.6	90.4	88.8	81.9	80.7	66.8
Price increase more than current	35.9	33.7	36.9	30.6	27.1	42.0	42.8	49.3	41.5	32.6
Price increase similar to current rate	27.2	26.9	17.6	19.8	21.0	28.6	28.5	21.3	26.9	23.7
Price increase less than current rate	18.5	17.9	10.0	10.8	9.5	19.9	17.5	11.4	12.3	10.5
No change in prices	15.4	19.0	30.3	36.0	29.8	7.0	8.5	13.6	16.7	22.3
Decline in price	3.0	2.6	5.2	2.8	12.6	2.6	2.8	4.5	2.6	10.9

Table 3: Households Expecting General Price Movements in Coherence with Movements in Price Expectations of Various Product Groups: Three Months and One Year Ahead

(Percentage of respondents)

Round No.	Survey period ended	Food	Non-Food	Households durables	Housing	Cost of services
Three Months Ahead						
42	Dec-15 (18 cities)	73.2	59.4	51.4	54.4	60.9
44	Jun-16	69.8	60.0	54.5	55.7	59.2
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
One Year Ahead						
42	Dec-15 (18 cities)	77.8	63.9	60.2	61.6	67.2
44	Jun-16	74.7	64.5	60.6	61.5	65.9
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

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.
42	Dec-15 (18 cities)	10.5	9.9	4.2	10.5	9.9	4.1	10.7	10.0	4.3
44	Jun-16	8.8	8.0	4.4	9.7	9.2	4.4	10.0	9.6	4.7
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

Table 5: Factors that Explain the Total Variability

Round No.	Survey period ended	Current	Three Months Ahead	One Year Ahead
42	Dec-15 (18 cities)	City, Age-Group	City, Age-Group	City, Age-Group
44	Jun-16	City, Age-Group, Category	City, Category	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

Table 6 : Various Group-wise Inflation Expectations: December 2016

	Current			Three Months Ahead			One Year Ahead		
	Mean	Median	Std. Dev.	Mean	Median	Std. Dev.	Mean	Median	Std. Dev.
Overall	7.4	6.5	3.9	7.9	7.3	4.1	8.7	8.3	4.3
Gender-wise									
Male	7.7	6.8	4.0	8.0	7.4	4.1	8.7	8.4	4.3
Female	7.2	6.1	3.8	7.8	7.1	4.0	8.7	8.3	4.2
Category-wise									
Financial Sector Employees	7.3	6.4	3.9	7.5	7.0	3.9	8.3	7.9	4.0
Other Employees	7.6	6.8	3.9	7.9	7.3	4.1	9.0	8.5	4.2
Self Employed	7.4	6.5	4.1	7.7	7.1	4.2	8.3	7.9	4.4
Housewives	7.3	6.2	3.9	7.9	7.3	4.0	8.8	8.3	4.2
Retired Persons	7.8	7.0	4.1	8.2	7.6	4.2	9.1	8.8	4.5
Daily Workers	7.6	6.7	3.9	8.3	7.7	4.1	9.0	9.0	4.4
Other category	7.4	6.6	3.8	7.8	7.1	3.8	8.9	8.5	4.1
Age Group-wise									
Up to 25 years	7.2	6.5	3.6	7.6	7.1	3.6	8.7	8.3	4.0
25 to 30 years	7.3	6.6	3.7	7.9	7.3	3.9	8.7	8.3	4.0
30 to 35 years	7.0	6.0	3.9	7.5	6.9	4.0	8.3	7.9	4.3
35 to 40 years	7.3	6.5	3.9	8.0	7.5	4.1	8.9	8.4	4.3
40 to 45 years	7.3	6.1	3.9	7.7	7.1	4.1	8.4	8.1	4.3
45 to 50 years	7.6	6.8	4.0	8.1	7.5	4.2	8.8	8.5	4.4
50 to 55 years	7.8	6.7	4.5	8.1	7.3	4.5	8.9	8.4	4.7
55 to 60 years	8.3	7.3	4.5	8.6	7.6	4.5	9.0	8.5	4.7
60 years and above	8.0	7.0	4.3	8.4	7.7	4.2	9.1	8.9	4.4
City-wise									
Ahmedabad	9.8	10.1	4.4	10.5	10.1	4.2	11.6	11.0	4.3
Bengaluru	4.3	4.2	1.4	5.3	5.3	2.0	6.5	6.5	2.7
Bhopal	6.5	5.5	4.0	7.4	6.3	4.3	8.3	7.3	4.7
Bhubaneswar	7.6	6.6	4.5	8.9	8.0	4.8	9.5	9.4	5.1
Chennai	7.1	5.9	3.9	8.1	7.4	4.1	9.7	9.9	4.5
Delhi	5.5	5.1	2.3	6.1	5.6	3.0	6.3	5.9	3.3
Guwahati	10.1	11.9	6.8	10.8	13.8	6.4	10.7	13.4	6.5
Hyderabad	7.3	7.3	1.8	7.4	7.3	1.8	8.0	7.9	2.0
Jaipur	8.3	8.1	3.3	8.8	8.6	3.6	10.0	10.0	4.0
Kolkata	8.8	7.9	4.1	8.3	7.7	4.5	9.1	9.3	4.5
Lucknow	5.1	5.3	3.5	5.5	5.5	3.5	6.4	6.3	3.9
Mumbai	7.9	7.5	2.9	8.9	8.6	3.2	10.0	10.1	3.6
Nagpur	7.0	5.7	3.7	7.6	6.8	3.8	8.8	8.0	4.0
Patna	6.0	6.0	1.2	6.9	7.0	1.6	7.9	8.0	1.8
Thiruvananthapuram	8.2	7.1	4.6	8.4	7.3	4.6	8.8	8.4	4.5
Chandigarh	9.1	7.8	4.8	8.2	7.0	4.3	8.2	7.3	4.4
Ranchi	7.7	7.4	1.6	8.3	8.1	1.7	9.5	9.5	1.9
Raipur	7.5	6.8	3.4	6.9	6.2	3.8	8.2	8.0	3.8

Table 7: Cross-tabulation of Current and Three Months Ahead Inflation Expectations: December 2016

(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	99	15	3	15	2	4	1	1	1	3	9	2	2	0	2	1	10	1	171	
	1-2	11	22	15	10	1	4	0	1	0	0	1	0	0	0	0	0	0	0	1	66
	2-3	10	15	70	66	27	32	5	5	0	0	3	0	0	0	0	0	0	0	0	233
	3-4	4	13	48	72	105	57	14	11	4	0	3	1	1	0	0	1	0	1	1	335
	4-5	1	2	26	39	102	120	71	21	10	6	4	0	0	1	0	1	0	4	4	408
	5-6	9	8	34	47	75	298	279	201	49	16	60	2	4	0	0	5	2	14	1103	
	6-7	4	2	11	6	15	39	137	205	50	17	13	0	1	0	0	0	2	5	507	
	7-8	5	4	5	5	9	38	43	164	167	57	36	4	3	1	5	2	1	8	557	
	8-9	6	1	5	4	5	8	17	29	105	105	60	7	3	4	0	1	1	5	366	
	9-10	1	0	2	3	4	6	2	7	5	42	33	12	9	4	4	2	5	6	147	
	10-11	5	1	5	10	6	38	5	9	23	13	212	85	98	23	9	55	21	5	623	
	11-12	2	0	1	0	0	0	1	0	1	0	5	12	6	2	1	4	8	3	46	
	12-13	0	0	0	0	0	2	0	2	2	0	3	1	6	7	5	7	5	0	40	
	13-14	0	0	0	0	0	0	0	0	0	0	0	0	0	6	4	5	0	0	15	
	14-15	1	0	0	2	0	1	0	0	2	0	1	0	0	2	6	6	5	1	27	
	15-16	0	0	1	0	0	4	0	1	1	0	12	1	2	1	2	51	52	9	137	
	>=16	6	0	2	5	5	18	3	6	3	5	15	2	4	2	3	21	269	12	381	
	Total	164	83	228	284	356	669	578	663	423	264	470	129	139	53	41	162	381	75	5162	

Table 8: Cross-tabulation of Current and One Year Ahead Inflation Expectations: December 2016

(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	79	11	16	10	5	9	2	0	2	1	6	2	1	0	0	2	25	0	171
	1-2	7	19	15	8	2	3	2	3	1	1	1	0	0	0	0	2	0	2	66
	2-3	9	15	47	29	39	44	11	8	13	2	15	0	0	0	0	1	0	0	233
	3-4	10	20	35	40	60	69	36	20	11	7	13	4	4	2	0	0	0	4	335
	4-5	6	6	22	33	52	78	77	48	34	13	20	5	2	2	3	5	0	2	408
	5-6	19	9	24	37	63	175	144	232	127	50	137	10	14	6	3	30	8	15	1103
	6-7	4	1	7	6	14	34	52	106	145	51	53	4	11	3	2	6	3	5	507
	7-8	3	2	2	6	5	37	45	74	116	104	86	19	9	5	8	20	8	8	557
	8-9	3	0	2	2	4	7	19	24	47	62	119	16	25	6	3	14	8	5	366
	9-10	0	1	1	2	2	7	1	7	5	21	32	20	14	6	7	9	5	7	147
	10-11	15	2	6	4	4	33	10	10	19	16	105	42	102	27	15	150	54	9	623
	11-12	1	1	1	1	0	0	1	0	2	1	5	8	5	2	3	2	11	2	46
	12-13	0	1	0	0	0	2	0	0	1	2	6	0	5	4	5	9	5	0	40
	13-14	0	0	0	0	0	0	0	0	0	0	0	2	0	4	0	6	3	0	15
	14-15	3	1	0	0	1	1	1	1	0	0	0	0	1	0	6	3	8	1	27
	15-16	1	0	1	0	1	3	1	2	1	1	11	2	2	3	0	44	48	16	137
	>=16	24	1	4	1	9	10	10	4	6	5	20	3	2	3	4	16	248	11	381
	Total	184	90	183	179	261	512	412	539	530	337	629	137	197	73	59	319	434	87	5162