

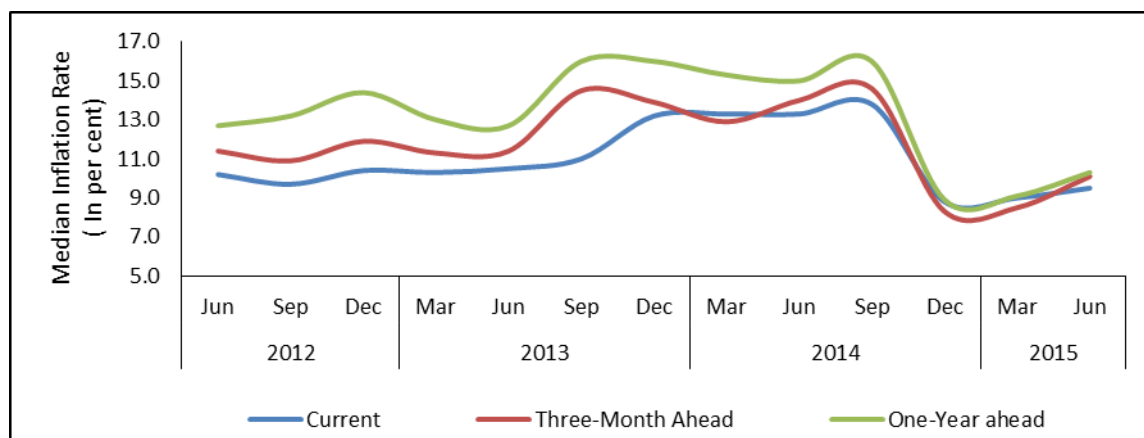
Inflation Expectations Survey of Households: June 2015¹

The Inflation Expectations Survey of Households for June 2015 (40th round) captures the inflation expectations of 4,994 urban households across 16 cities, for the next three-month period and the next one-year period. These expectations are based on their individual consumption baskets and hence these rates should not be considered as benchmark of official measure of inflation. The households' inflation expectations provide useful directional information on near-term inflationary pressures and also supplement other economic indicators.

Highlights:

- I. In terms of qualitative response, the proportion of respondents expecting prices to rise by '*more than current rate*' has increased as compared to the previous round of survey for both three-month and one-year ahead period for most of the product groups except Housing prices. However, majority of the respondents continues to expect similar or lower rate of price change or expects the prices to remain unchanged or even fall. The overall sentiment is mainly driven by expectations for prices of food products and cost of services (Table 2).
- II. A similar pattern is witnessed in terms of quantitative responses. Current perceived inflation as well as expected inflation for next-three month and next one-year ahead period increased marginally in June 2015 round (Chart1).

Chart 1: Trends in Inflation Perceptions and Expectations



- III. The survey shows that other employees (other than those from financial sector), housewives and retired persons have comparatively higher inflation expectations for three-month ahead period based on median inflation rates. Respondents from Guwahati, Jaipur, Ahmedabad, and Bhopal cities expect relatively higher inflation for next three months.

¹ The previous round of the survey data was published on [April 7, 2015](#) on RBI website. The survey results are based on views of the respondents which are not necessarily shared by the Reserve Bank of India.

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

Category of Respondents	Share in Total (%)	Target Share (%)
Financial Sector Employees	9.9	10.0
Other Employees	15.8	15.0
Self-employed	19.3	20.0
Housewives	29.7	30.0
Retired Persons	9.9	10.0
Daily Workers	10.0	10.0
Others	5.4	5.0

Note: The above sample proportion is for the round ended June 2015 survey.

Table 2: Product-wise Expectations of Prices for Three-month ahead and One-year ahead

(Percentage of respondents)

Round No./survey period	36	37	38	39	40	36	37	38	39	40
(Round ended) →	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15
Options: General	Three-month ahead					One-year ahead				
Prices will increase	77.5	86.4	72.4	73.6	81.0	83.6	90.0	79.8	82.2	90.9
Price increase more than current rate	41.2	43.9	25.7	28.3	34.4	47.4	48.0	32.1	32.9	41.7
Price increase similar to current rate	21.5	28.8	27.0	24.0	24.3	22.0	27.4	29.9	28.8	28.8
Price increase less than current rate	14.8	13.7	19.8	21.2	22.3	14.2	14.6	17.8	20.6	20.4
No change in prices	12.7	9.0	16.5	15.4	13.9	7.4	5.5	11.2	10.0	5.8
Decline in price	9.8	4.6	11.0	11.1	5.2	9.0	4.5	9.0	7.8	3.3
Options: Food Product	Three-month ahead					One-year ahead				
Prices will increase	77.2	85.9	72.3	74.4	83.1	82.8	89.5	79.9	82.4	91.9
Price increase more than current rate	42.3	41.9	25.2	27.9	35.1	47.0	46.2	30.7	32.0	39.1
Price increase similar to current rate	21.5	28.1	28.5	25.2	25.7	21.3	27.7	30.5	29.2	30.5
Price increase less than current rate	13.4	15.8	18.5	21.3	22.3	14.5	15.5	18.7	21.1	22.3
No change in prices	13.9	9.0	17.1	15.0	11.7	7.9	5.8	11.3	9.9	5.2
Decline in price	8.9	5.1	10.6	10.6	5.3	9.3	4.7	8.9	7.7	3.0
Options: Non-Food Product	Three-month ahead					One-year ahead				
Prices will increase	73.1	78.5	65.1	64.2	76.0	79.5	83.8	75.1	76.0	85.6
Price increase more than current rate	37.3	34.7	21.2	21.7	27.7	42	36.3	26.1	25.8	31.7
Price increase similar to current rate	21.7	27.2	26.1	24.0	26.3	22.3	29.0	30.6	28.4	30.3
Price increase less than current rate	14.1	16.5	17.8	18.5	21.9	15.3	18.4	18.4	21.7	23.6
No change in prices	18.9	17.4	25.6	24.6	20.6	12.7	12.1	16.6	16.3	11.2
Decline in price	8.0	4.2	9.3	11.2	3.4	7.8	4.1	8.3	7.7	3.1
Options: Household Durables	Three-month ahead					One-year ahead				
Prices will increase	68.9	64.0	59.7	68.2	69.1	76.9	76.8	72.1	77.6	82.2
Price increase more than current rate	35.3	27.2	20.4	25.4	25.9	42.1	33.9	27.5	29.2	31.8
Price increase similar to current rate	20.0	22.7	23.8	24.4	24.2	20.7	26.1	27.8	29.2	28.7
Price increase less than current rate	13.6	14.1	15.6	18.4	19.0	14.1	16.9	16.8	19.2	21.7
No change in prices	20.9	24.3	27.3	21.6	23.5	13.9	15.0	16.5	15.5	12.7
Decline in price	10.2	11.7	13.0	10.2	7.4	9.2	8.2	11.4	6.9	5.2
Options: Housing Prices	Three-month ahead					One-year ahead				
Prices will increase	82.2	84.6	78.4	83.2	81.4	87.2	91.5	86.1	90.3	90.1
Price increase more than current rate	55.4	55.5	39.5	46.7	43.1	59.7	60.8	47.9	53.1	50.3
Price increase similar to current rate	17	20.3	24.9	21.5	23.7	17.8	22.5	25.6	23.0	24.3
Price increase less than current rate	9.8	8.8	13.9	14.9	14.5	9.7	8.2	12.6	14.2	15.5
No change in prices	11.1	11.4	13.7	11.8	13.8	6.0	5.0	6.6	5.4	6.5
Decline in price	6.7	4.0	7.9	5.0	4.8	6.8	3.5	7.3	4.4	3.4
Options: Cost of Services	Three-month ahead					One-year ahead				
Prices will increase	78.5	79.1	71.6	78.5	79.9	84.9	87.5	81.8	86.9	89.7
Price increase more than current rate	46.4	38.8	28.4	32.7	34.2	50.6	45.4	34.7	37.6	39.5
Price increase similar to current rate	19.4	25.3	26.6	25.7	26.7	20.7	26.9	30.0	29.5	29.7
Price increase less than current rate	12.6	15.0	16.6	20.0	19.1	13.6	15.2	17.2	19.9	20.5
No change in prices	16.2	18.0	21.7	17.9	18.0	9.3	9.8	11.6	9.7	8.2
Decline in price	5.3	2.9	6.7	3.6	2.1	5.8	2.8	6.6	3.3	2.1

Table 3: Households Expecting General Price Movements in Coherence with Movements in Price Expectations of Various Product Groups: Three-month ahead and One-year ahead
(Percentage of respondents)

Round No.	Survey period ended	Food	Non-Food	Households durables	Housing	Cost of services
Three-month ahead						
36	Jun-14	67.8	57.8	54.0	53.1	55.2
37	Sep-14	65.1	53.9	43.9	50.1	51.7
38	Dec-14	62.0	51.9	48.5	48.3	49.5
39	Mar-15	68.8	57.3	43.3	43.1	47.5
40	Jun-15	67.8	51.3	47.2	48.4	52.2
One-year ahead						
36	Jun-14	74.0	66.5	64.3	62.1	65.1
37	Sep-14	69.1	59.0	53.3	57.7	59.7
38	Dec-14	66.8	57.8	53.5	53.3	56.6
39	Mar-15	70.5	61.8	51.5	52.0	55.8
40	Jun-15	70.2	62.2	58.5	59.8	62.8

Table 4: Household Inflation Expectations - Current, Three-month ahead 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.
36	Jun-14	12.6	13.3	4.0	12.5	14.0	4.4	13.8	15.0	4.3
37	Sep-14	12.7	13.8	4.0	12.7	14.6	4.4	13.5	16.0	4.0
38	Dec-14	9.0	8.8	4.2	8.8	8.3	4.5	9.3	8.9	4.6
39	Mar-15	9.1	9.0	4.0	9.0	8.5	4.3	9.6	9.1	4.5
40	Jun-15	10.0	9.5	4.1	10.1	10.1	4.5	10.8	10.3	4.4

Table 5: Factors that Explain the Total Variability

Round No.	Survey period ended	Current	Three-month ahead	One-year ahead
37	Sep-14	City, Age-Group	City, Age-Group	City
38	Dec-14	City, Category	City, Category	City, Category
39	Mar-15	City	City	City
40	Jun-15	City, Category, Age-Group	City, Category, Age-Group	City, Category, Gender

Note: Results based on exercise using Analysis of Variance.

Table 6 : Various Group-wise Inflation Expectations for June 2015 Survey Round

	Current			Three-month ahead			One-year ahead		
	Mean	Median	Std. Dev.	Mean	Median	Std. Dev.	Mean	Median	Std. Dev.
Gender-wise									
Male	9.9	9.4	4.2	10.0	9.8	4.5	10.5	10.0	4.4
Female	10.1	9.6	4.1	10.3	10.3	4.5	11.1	10.6	4.4
Occupational									
Financial Sector Employees	9.1	8.7	4.1	9.3	8.6	4.4	9.7	9.2	4.4
Other Employees	10.3	9.7	4.1	10.4	10.4	4.5	11.0	10.4	4.4
Self Employed	10.1	9.6	4.2	10.1	10.0	4.5	10.7	10.2	4.5
Housewives	10.1	9.6	4.0	10.3	10.3	4.4	11.1	10.5	4.4
Retired Persons	10.4	9.8	4.4	10.3	10.2	4.7	10.8	10.4	4.7
Daily Workers	9.9	9.5	4.0	10.0	10.1	4.4	10.8	10.4	4.3
Other category	9.8	9.3	4.2	9.4	9.0	4.5	10.7	10.2	4.4
Age-wise									
Up to 25 years	9.6	9.4	3.8	9.8	10.0	4.4	10.6	10.2	4.2
25 to 30 years	9.7	9.3	4.0	9.9	10.0	4.3	10.5	10.0	4.4
30 to 35 years	9.9	9.5	4.0	10.2	10.1	4.5	10.8	10.4	4.4
35 to 40 years	9.8	9.4	4.1	9.8	10.0	4.5	10.7	10.1	4.4
40 to 45 years	10.4	9.8	4.1	10.6	10.5	4.3	11.3	10.8	4.5
45 to 50 years	10.1	9.5	4.1	9.9	9.7	4.5	10.4	10.0	4.7
50 to 55 years	10.5	9.7	4.3	10.3	10.4	4.9	11.0	10.3	4.5
55 to 60 years	10.2	9.7	4.6	9.9	9.5	4.7	10.8	10.2	4.7
60 years and above	11.0	10.2	4.3	10.8	10.6	4.6	11.2	10.8	4.6
City-wise									
Ahmadabad	11.3	11.9	5.1	11.2	12.3	5.4	12.4	13.8	4.3
Bangalore	7.1	5.6	3.8	7.7	6.8	3.5	8.0	7.5	4.0
Bhopal	10.9	10.2	3.0	12.2	12.0	3.0	12.3	11.7	3.4
Bhubaneswar	10.7	9.7	3.5	11.6	11.6	3.7	12.7	14.0	3.7
Chennai	11.3	10.3	4.2	11.2	10.6	4.6	12.1	13.6	4.5
Delhi	6.8	6.5	2.2	5.9	5.6	3.2	6.5	6.0	2.6
Guwahati	12.3	11.5	3.8	12.3	12.7	4.1	12.5	12.3	3.9
Hyderabad	10.4	10.3	3.5	11.4	11.5	3.8	12.5	14.3	4.0
Jaipur	11.1	9.9	3.5	12.5	12.7	3.6	12.1	11.9	3.8
Kolhapur	9.5	8.3	4.1	10.9	10.6	4.2	11.4	11.1	4.2
Kolkata	12.4	11.8	4.1	11.3	11.5	4.7	12.0	13.2	4.7
Lucknow	11.8	10.8	3.7	11.5	11.5	4.6	12.7	13.9	3.9
Mumbai	8.4	8.0	3.4	8.7	7.9	4.0	9.1	8.9	4.1
Nagpur	8.0	6.5	3.6	8.3	7.5	4.0	8.1	7.3	4.0
Patna	8.2	8.2	2.1	9.0	8.9	2.4	10.1	10.3	2.4
Thiruvananthapuram	11.4	10.8	4.3	9.2	9.7	4.4	11.3	11.5	4.6
All	10.0	9.5	4.1	10.1	10.1	4.5	10.8	10.3	4.4

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

(Number of respondents)

		Three-month 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	3	2	3	1	2	1	1	0	0	0	0	0	0	0	0	0	0	3	16
	1-2	3	9	6	2	2	0	1	1	1	0	0	0	0	0	0	0	0	2	27
	2-3	1	9	16	23	9	3	2	1	1	0	0	0	0	0	0	0	0	0	65
	3-4	1	11	14	19	27	10	2	0	0	0	0	0	0	0	0	0	0	1	85
	4-5	3	12	9	80	71	58	70	8	4	2	2	8	1	0	0	0	0	11	339
	5-6	5	10	14	20	29	100	95	65	29	3	11	5	2	0	1	0	0	6	395
	6-7	3	10	15	34	35	44	72	90	37	12	21	11	2	0	1	0	9	2	398
	7-8	7	8	11	8	33	39	39	101	58	4	46	15	3	1	3	1	8	3	388
	8-9	4	8	5	6	2	4	1	43	109	10	84	27	8	3	2	0	7	4	327
	9-10	3	6	5	6	10	11	41	52	92	90	195	96	75	21	76	13	38	23	853
	10-11	2	4	9	5	4	28	5	6	28	37	155	58	71	20	53	38	33	7	563
	11-12	3	1	0	2	1	0	0	3	2	13	12	33	16	24	29	8	9	2	158
	12-13	0	0	2	0	0	1	0	1	1	3	2	7	8	10	16	12	1	0	64
	13-14	0	0	1	0	0	0	0	0	0	1	1	1	1	8	4	10	4	1	32
	14-15	0	0	0	5	10	8	2	5	0	13	11	9	12	9	42	31	84	5	246
	15-16	0	0	0	4	6	5	5	2	3	3	11	0	1	2	14	47	77	12	192
	>=16	0	0	0	6	7	11	11	12	10	41	32	12	13	12	16	22	616	25	846
Total	38	90	110	221	248	323	347	390	375	232	583	282	213	110	257	182	886	107	4994	

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

(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	5	0	2	0	1	1	1	1	1	1	0	0	0	0	0	0	0	2	16
	1-2	4	4	4	4	2	0	2	0	0	2	0	0	0	0	0	0	0	5	27
	2-3	0	12	13	5	7	5	4	2	2	2	0	0	0	1	0	0	0	12	65
	3-4	4	0	26	23	9	6	4	5	1	1	1	0	0	1	0	0	0	4	85
	4-5	2	3	3	103	82	24	16	18	16	28	10	2	1	0	6	1	3	21	339
	5-6	3	1	5	5	101	130	21	25	24	37	29	1	2	1	1	2	2	5	395
	6-7	0	0	9	3	7	117	125	21	31	36	20	8	3	1	4	1	6	6	398
	7-8	0	0	0	4	7	2	47	147	27	44	50	9	15	4	8	6	9	9	388
	8-9	9	2	3	9	13	6	5	13	98	24	62	25	18	6	6	9	10	9	327
	9-10	2	1	1	1	15	5	3	8	174	259	46	37	29	27	89	32	88	36	853
	10-11	1	1	0	0	5	2	12	7	5	51	194	56	39	19	34	58	67	12	563
	11-12	0	1	0	1	4	0	3	11	0	1	16	52	17	9	12	14	17	0	158
	12-13	0	0	0	0	0	0	1	1	0	4	0	8	19	1	5	11	10	4	64
	13-14	0	0	0	0	0	0	0	1	0	0	1	0	1	9	4	2	9	5	32
	14-15	0	1	1	2	6	0	1	1	0	12	5	2	2	34	62	22	75	20	246
	15-16	0	0	1	0	0	0	1	1	0	0	3	1	1	1	15	66	90	12	192
	>=16	4	0	1	0	2	2	0	7	5	16	5	2	2	0	14	11	715	60	846
Total	34	26	69	160	261	300	246	269	384	518	443	203	149	114	260	235	1101	222	4994	