

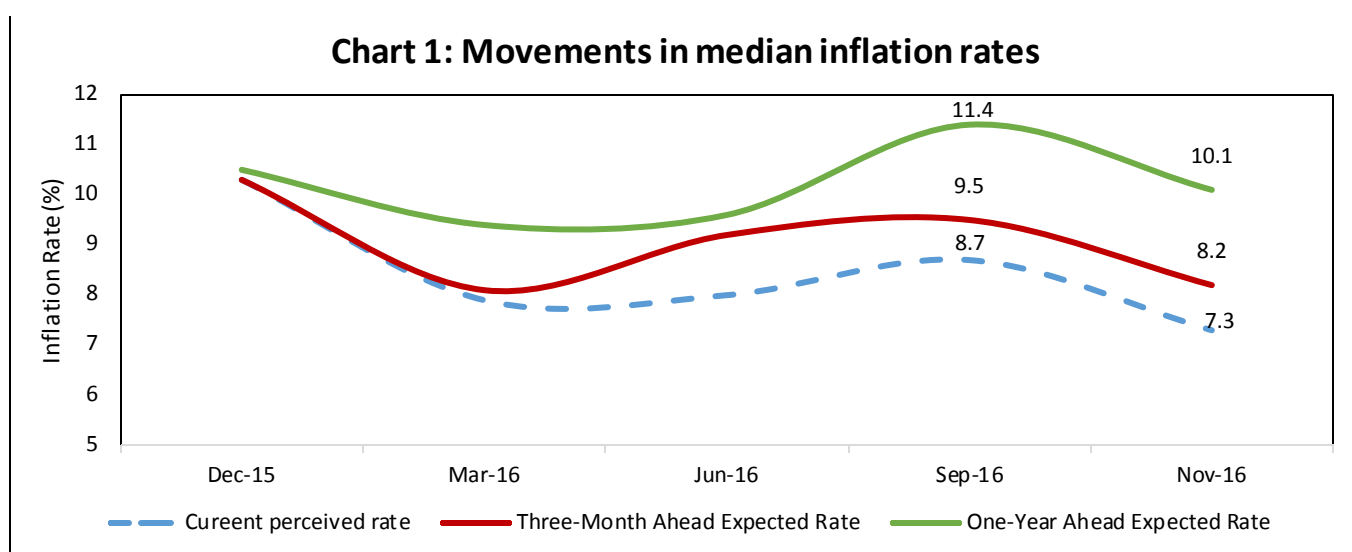
RBI's Households' Inflation Expectations - November 2016¹

Households' Inflation Expectations fell in November 2016

Households' inflation expectations for three-month as well as one-year ahead period moved down in November 2016 as per the Inflation Expectations Survey of Households conducted by the Reserve Bank of India (RBI) in November 2016 (45B round). Conducted at regular intervals, the Inflation Expectations Survey of Households of the Reserve Bank provides useful directional information on near-term inflationary pressures and supplements other economic indicators. These expectations are formed by individuals based on their consumption basket and should not be treated as benchmark for official measure of inflation. The November 2016 round of the survey was conducted across 18 cities and covered 5,233 urban households from various categories (Table 1).

Highlights:

- I. The proportion of respondents expecting general prices to rise by '*more than current rate*' in three-month and one-year ahead declined sharply in November 2016 round. Similar sentiments were observed across all product groups (Table 2).
- II. Three-month and one-year ahead median inflation rates declined sharply by 130 basis points in this round compared to September 2016 round (Table 4 and Chart-1).



¹Besides the quarterly rounds of the survey, two additional rounds (May & November) were introduced in 2014 on a pilot basis to align the survey with bi-monthly monetary policy. As the surveys have now stabilized, the results are being placed in the public domain for the first time. The field work was carried out between October 22, 2016 and November 08, 2016.

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

Category of Respondents	Share in Total (%)	Target Share (%)
Financial Sector Employees	9.8	10.0
Other Employees	15.7	15.0
Self-employed	20.1	20.0
Housewives	29.0	30.0
Retired Persons	10.1	10.0
Daily Workers	9.8	10.0
Others	5.4	5.0

Table 2: Product Group-wise Price Expectations for Three-Month and One-Year Ahead

(Percentage of respondents)

Round No./survey period	42	43	44	45	45B	42	43	44	45	45B
(Round ended) →	Dec-15	Mar-16	Jun-16	Sep-16	Nov-16	Dec-15	Mar-16	Jun-16	Sep-16	Nov-16
Options: General	Three-Month Ahead					One-Year Ahead				
Prices will increase	85.4	79.7	85.2	78.6	76.0	90.0	89.5	90.4	86.2	86.3
Price increase more than current rate	31.5	31.4	37.7	47.0	40.1	36.2	37.4	44.8	55.0	49.8
Price increase similar to current rate	31.3	26.4	28.7	18.5	23.9	30.0	31.6	27.6	20.4	25.1
Price increase less than current rate	22.6	21.9	18.8	13.0	12.0	23.8	20.6	18.0	10.8	11.4
No change in prices	9.8	16.6	11.4	15.7	18.8	5.9	7.5	6.3	9.2	10.0
Decline in price	4.8	3.7	3.4	5.8	5.2	4.0	2.9	3.4	4.6	3.7
Options: Food Product	Three-Month Ahead					One-Year Ahead				
Prices will increase	84.6	81.1	86.5	74.7	71.2	89.8	88.3	90.1	83.1	82.0
Price increase more than current rate	31.5	30.3	38.3	42.8	35.2	36.8	34.7	44.7	51.1	43.0
Price increase similar to current rate	31.7	29.0	29.3	19.3	23.2	30.4	32.8	28.4	20.5	26.5
Price increase less than current rate	21.4	21.8	18.9	12.6	12.9	22.6	20.9	17.1	11.5	12.5
No change in prices	9.3	14.3	9.1	16.6	21.2	5.9	8.5	5.5	10.8	13.3
Decline in price	6.0	4.6	4.4	8.6	7.6	4.3	3.2	4.3	6.1	4.6
Options: Non-Food Product	Three-Month Ahead					One-Year Ahead				
Prices will increase	72.7	70.8	72.7	63.2	57.9	80.7	81.4	82.5	72.1	70.9
Price increase more than current rate	21.9	23.4	27.7	35.2	28.4	26.1	26.6	33.6	42.8	34.5
Price increase similar to current rate	29.2	26.6	26.3	16.7	19.2	29.8	32.1	29.2	18.3	24.0
Price increase less than current rate	21.7	20.8	18.6	11.3	10.3	24.8	22.7	19.7	11.0	12.3
No change in prices	21.8	24.6	23.0	29.3	36.3	15.0	14.9	13.8	20.5	24.0
Decline in price	5.5	4.6	4.4	7.6	5.8	4.4	3.7	3.7	7.4	5.2
Options: Household Durables	Three-Month Ahead					One-Year Ahead				
Prices will increase	67.9	70.9	66.6	54.1	51.5	77.0	80.0	79.9	68.1	67.6
Price increase more than current rate	20.6	22.5	26.3	30.3	24.9	26.1	28.7	34.1	39.6	33.9
Price increase similar to current rate	26.9	27.0	23.4	13.9	16.8	29.2	30.2	27.3	17.8	22.3
Price increase less than current rate	20.4	21.4	16.9	9.9	9.9	21.6	21.1	18.6	10.8	11.4
No change in prices	22.6	20.5	25.7	32.3	36.9	15.2	13.7	14.2	21.8	22.9
Decline in price	9.5	8.6	7.8	13.6	11.6	7.8	6.3	5.9	10.1	9.4
Options: Housing Prices	Three-Month Ahead					One-Year Ahead				
Prices will increase	79.6	78.3	77.3	68.7	65.4	87.7	86.0	86.6	79.1	79.6
Price increase more than current rate	38.6	40.7	43.8	44.4	38.4	45.4	47.8	52.2	54.8	49.6
Price increase similar to current rate	26.1	22.7	20.6	15.2	17.9	25.8	24.2	21.8	15.7	20.5
Price increase less than current rate	14.9	15.0	12.9	9.1	9.0	16.5	14.0	12.5	8.5	9.6
No change in prices	13.2	14.8	16.2	22.3	26.4	7.0	8.1	8.5	13.0	13.9
Decline in price	7.2	6.8	6.6	9.1	8.2	5.3	6.0	4.9	7.9	6.5
Options: Cost of Services	Three-Month Ahead					One-Year Ahead				
Prices will increase	80.2	76.1	78.4	64.5	61.3	89.8	87.0	88.8	81.9	80.7
Price increase more than current rate	33.2	29.6	33.7	36.9	30.6	38.1	37.4	42.8	49.3	41.5
Price increase similar to current rate	28.3	26.8	26.9	17.6	19.8	29.8	29.5	28.5	21.3	26.9
Price increase less than current rate	18.8	19.7	17.9	10.0	10.8	21.9	20.1	17.5	11.4	12.3
No change in prices	16.3	20.2	19.0	30.3	36.0	7.2	10.0	8.5	13.6	16.7
Decline in price	3.5	3.7	2.6	5.2	2.8	3.0	3.1	2.8	4.5	2.6

Table 3: Households Expecting General Price Movements in Coherence with Movements in Price Expectations of Various Product Groups: Three-Month 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	72.6	58.6	51.1	52.8	59.1
43	Mar-16	69.6	63.2	59.1	58.7	64.6
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
One-year Ahead						
42	Dec-15	76.8	63.2	58.8	60.2	65.8
43	Mar-16	73.1	67.4	66.6	63.9	69.2
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

Table 4: Household Inflation Expectations – Current, Three-Month 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.
42	Dec-15	11.0	10.3	4.2	10.9	10.3	4.1	11.2	10.5	4.3
43	Mar-16	8.9	7.9	4.4	8.8	8.1	4.6	9.7	9.4	4.6
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

Table 5: Factors that Explain the Total Variability

Round No.	Survey period ended	Current	Three-month Ahead	One-year Ahead
42	Dec-15	City, Age-Group	City, Category, Age-Group	City, Age-Group
43	Mar-16	City, Age-Group	City	City, Category
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

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

	Current			Three-month Ahead			One-year Ahead		
	Mean	Median	Std. Dev.	Mean	Median	Std. Dev.	Mean	Median	Std. Dev.
Overall	8.3	7.3	4.3	9.1	8.2	4.5	10.5	10.1	4.3
Gender-wise									
Male	8.5	7.5	4.3	9.1	8.3	4.4	10.5	10.1	4.2
Female	8.2	6.9	4.3	9.1	8.1	4.5	10.4	10.0	4.3
Category-wise									
Financial Sector Employees	8.0	6.9	4.1	8.5	7.6	4.3	10.0	9.2	4.1
Other Employees	8.5	7.4	4.5	9.3	8.5	4.5	10.7	10.3	4.3
Self Employed	8.5	7.5	4.3	9.1	8.4	4.4	10.4	10.1	4.2
Housewives	8.2	6.9	4.2	9.1	8.1	4.5	10.4	10.0	4.3
Retired Persons	8.9	7.9	4.4	9.3	8.5	4.6	10.9	10.5	4.3
Daily Workers	8.6	7.6	4.3	9.4	8.7	4.4	10.8	10.4	4.2
Other category	7.5	6.7	3.7	8.4	7.4	4.2	9.9	9.0	4.0
Age Group-wise									
Up to 25 years	7.8	7.0	3.7	8.7	7.9	4.1	10.1	9.7	4.0
25 to 30 years	8.3	7.2	4.2	9.0	8.1	4.3	10.4	10.0	4.2
30 to 35 years	8.1	6.9	4.3	8.9	8.0	4.5	10.3	10.0	4.3
35 to 40 years	8.6	7.2	4.5	9.2	8.1	4.6	10.5	10.0	4.4
40 to 45 years	8.3	7.0	4.4	9.2	8.3	4.5	10.5	10.0	4.3
45 to 50 years	8.6	7.8	4.3	9.2	8.9	4.6	10.8	10.6	4.3
50 to 55 years	8.7	7.6	4.6	9.4	8.9	4.8	10.7	10.6	4.6
55 to 60 years	8.8	7.8	4.5	9.2	8.6	4.6	10.6	10.0	4.3
60 years and above	9.0	8.0	4.6	9.5	8.5	4.7	10.9	10.6	4.4
City-wise									
Ahmadabad	14.5	16.1	3.0	15.0	16.3	2.7	15.6	16.4	2.0
Bengaluru	5.0	4.8	2.3	6.0	5.6	2.4	7.1	6.7	2.8
Bhopal	8.4	7.1	4.6	9.6	8.8	4.8	10.3	10.1	4.7
Bhubaneswar	9.0	9.6	4.1	11.3	11.7	4.3	12.4	15.0	4.3
Chennai	7.6	6.8	3.9	8.4	8.0	4.0	10.5	10.0	4.2
Delhi	7.5	6.1	3.2	8.5	7.5	3.5	9.3	8.5	3.6
Guwahati	13.1	16.2	5.7	13.9	16.3	4.9	15.2	16.4	3.5
Hyderabad	6.7	6.5	2.1	7.1	6.9	2.4	7.8	7.3	2.7
Jaipur	9.4	10.0	4.1	9.7	9.7	4.1	11.5	11.3	4.1
Kolkata	10.5	10.2	4.4	11.1	10.7	4.2	12.5	12.8	3.9
Lucknow	7.7	6.2	4.0	9.0	8.0	4.1	10.4	10.2	4.3
Mumbai	6.6	5.8	3.3	7.4	6.9	3.5	8.5	7.8	3.9
Nagpur	5.8	5.3	2.5	6.7	6.1	2.7	8.3	7.8	3.2
Patna	6.2	5.9	1.6	6.9	6.7	1.8	8.1	8.3	1.7
Thiruvananthapuram	7.0	5.9	3.5	6.4	5.6	4.5	8.4	7.4	3.5
Chandigarh	10.4	10.1	3.8	12.0	11.6	3.5	13.1	13.2	3.3
Ranchi	8.1	8.1	1.3	9.1	9.1	1.4	10.6	10.5	1.5
Raipur	6.2	5.6	3.3	4.3	2.9	3.6	8.3	7.3	3.5

Table 7: Cross-tabulation of Current and Three-month Ahead Inflation Expectations: November 2016

(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	17	7	14	2	2	1	0	0	0	0	1	0	0	2	1	3	15	1	66
	1-2	2	22	15	6	2	0	1	0	1	0	1	0	0	0	0	0	3	1	54
	2-3	2	9	66	78	34	7	2	0	1	0	1	0	0	0	0	0	0	4	204
	3-4	4	15	19	69	114	72	4	3	2	1	2	0	0	1	0	0	2	1	309
	4-5	3	6	30	14	117	145	64	16	6	2	4	0	0	0	1	0	1	3	412
	5-6	5	16	59	29	22	252	283	187	52	12	46	1	2	0	0	5	2	2	975
	6-7	3	4	9	4	7	14	162	173	66	24	18	1	4	0	0	0	0	0	489
	7-8	0	3	6	5	3	6	10	109	166	48	37	6	5	1	2	1	3	0	411
	8-9	2	1	4	1	2	4	6	11	91	141	71	12	13	3	0	2	4	1	369
	9-10	0	3	0	4	2	0	2	7	10	40	70	24	7	4	13	2	7	0	195
	10-11	2	8	8	10	1	24	3	6	9	2	163	104	183	60	27	114	33	3	760
	11-12	2	1	0	0	1	3	1	0	0	0	3	9	5	9	5	2	9	0	50
	12-13	3	0	1	0	0	1	1	1	1	0	1	0	23	10	8	13	3	2	68
	13-14	0	0	0	0	0	0	0	0	0	1	1	0	1	10	4	3	5	0	25
	14-15	0	0	0	0	0	1	1	0	0	0	0	2	1	1	11	4	6	0	27
	15-16	0	1	0	0	0	3	0	1	1	1	6	1	1	3	4	56	79	1	158
	>=16	9	2	2	2	2	6	1	2	1	4	28	5	7	3	1	13	558	15	661
Total	54	98	233	224	309	539	541	516	407	276	453	165	252	107	77	218	730	34	5233	

Table 8: Cross-tabulation of Current and One-year Ahead Inflation Expectations: November 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	10	2	7	5	6	4	0	0	0	2	2	0	0	1	0	1	20	6	66
	1-2	3	11	15	5	6	4	0	0	0	0	4	0	0	0	1	1	4	0	54
	2-3	2	12	26	51	44	38	11	5	5	1	2	0	1	1	0	0	1	4	204
	3-4	0	1	10	25	90	80	47	25	12	5	5	1	1	2	2	2	1	0	309
	4-5	0	0	0	18	49	138	97	44	31	9	14	1	6	1	1	1	1	1	412
	5-6	0	1	0	3	28	81	229	208	171	39	139	9	15	7	2	27	15	1	975
	6-7	0	0	0	2	1	12	87	136	103	57	53	12	11	3	1	6	4	1	489
	7-8	0	0	1	0	0	2	20	44	98	103	81	18	18	6	7	6	5	2	411
	8-9	0	0	0	0	1	0	2	7	38	84	122	42	29	7	5	23	9	0	369
	9-10	0	0	0	0	1	0	0	0	2	17	63	37	23	13	10	19	10	0	195
	10-11	0	0	0	0	1	2	1	2	1	14	61	144	104	39	46	207	134	4	760
	11-12	0	0	0	0	0	0	0	0	0	0	0	4	14	8	0	14	10	0	50
	12-13	1	0	0	0	0	0	0	0	0	1	1	3	6	13	16	21	6	0	68
	13-14	0	0	0	0	0	0	0	0	0	0	0	0	0	2	7	9	7	0	25
	14-15	0	0	0	0	0	0	1	0	0	0	0	0	1	0	2	14	9	0	27
	15-16	0	0	1	0	0	0	0	0	0	1	1	2	2	0	0	12	136	3	158
	>=16	3	0	0	0	0	1	0	0	1	0	2	0	0	0	1	3	637	13	661
Total	19	27	60	109	227	362	495	471	462	333	550	273	231	103	101	366	1009	35	5233	