

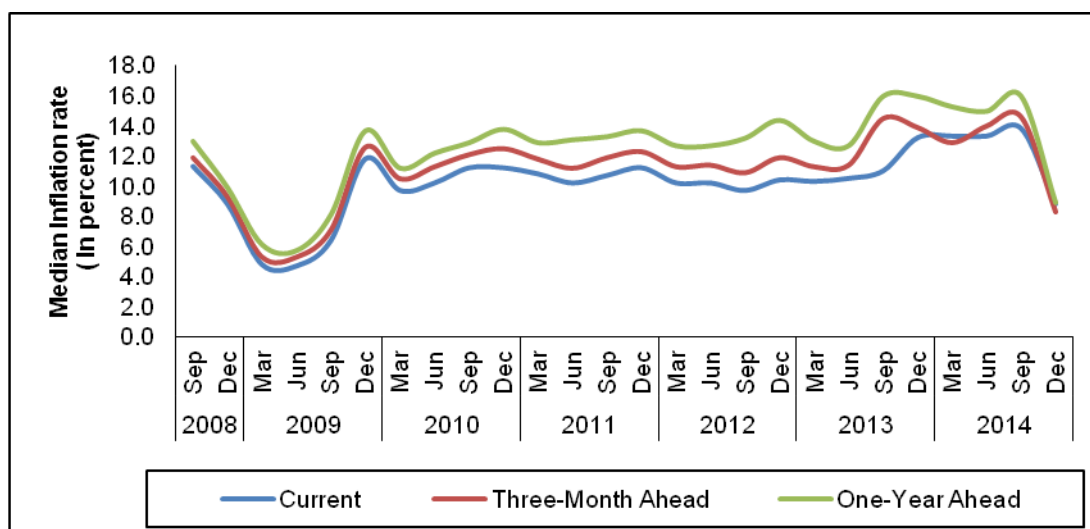
## Inflation Expectations Survey of Households: December 2014<sup>1</sup>

The Inflation Expectations Survey of Households for December 2014 (38<sup>th</sup> round) captures the inflation expectations of 5,000 urban households across 16 cities, for the next three-month 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. Qualitative response from survey suggests that fewer respondents are expecting general prices to rise by '*more than current rate*' (*i.e.*, fewer respondents expect higher inflation) during the next three-months and next one-year, possibly reflecting adaptive response to the decline in headline inflation in recent months. Across product-groups too, the share of respondents expecting higher inflation has declined for both the horizons.
- II. In terms of quantitative response, current inflation perceptions and inflation expectations (both three-month ahead as well as one-year ahead) have moderated noticeably in the current round and reached to single digits (Chart 1).

**Chart 1: Trends in Inflation Perceptions and Expectations**



- III. The survey shows that housewives and daily workers have comparatively higher level of inflation expectations based on median inflation rates. Respondents from Bhopal, Thiruvananthapuram and Bhubaneswar cities expect relatively higher inflation.

<sup>1</sup> The previous round of the survey data was published on [September 30, 2014](#) on the 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	15.2	15.0
Self-employed	20.0	20.0
Housewives	30.0	30.0
Retired Persons	10.0	10.0
Daily Workers	10.0	10.0
Others	4.9	5.0

Note: The above sample proportion is for the round ended December 2014 survey.

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

(Percentage of respondents)

Round No./survey period	35	36	37	38	35	36	37	38
(Round ended) →	Mar-14	Jun-14	Sep-14	Dec-14	Mar-14	Jun-14	Sep-14	Dec-14
<b>Options: General</b>	<b>Three-month ahead</b>				<b>One-year ahead</b>			
<b>Prices will increase</b>	<b>89.2</b>	<b>77.5</b>	<b>86.4</b>	<b>72.4</b>	<b>94.1</b>	<b>83.6</b>	<b>90.0</b>	<b>79.8</b>
Price increase more than current rate	51.2	41.2	43.9	25.7	59.0	47.4	48.0	32.1
Price increase similar to current rate	28.4	21.5	28.8	27.0	25.7	22.0	27.4	29.9
Price increase less than current rate	9.6	14.8	13.7	19.8	9.3	14.2	14.6	17.8
<b>No change in prices</b>	<b>8.3</b>	<b>12.7</b>	<b>9.0</b>	<b>16.5</b>	<b>3.5</b>	<b>7.4</b>	<b>5.5</b>	<b>11.2</b>
<b>Decline in price</b>	<b>2.5</b>	<b>9.8</b>	<b>4.6</b>	<b>11.0</b>	<b>2.4</b>	<b>9.0</b>	<b>4.5</b>	<b>9.0</b>
<b>Options: Food Product</b>	<b>Three-month ahead</b>				<b>One-year ahead</b>			
<b>Prices will increase</b>	<b>88.6</b>	<b>77.2</b>	<b>85.9</b>	<b>72.3</b>	<b>93.8</b>	<b>82.8</b>	<b>89.5</b>	<b>79.9</b>
Price increase more than current rate	51.9	42.3	41.9	25.2	57.6	47.0	46.2	30.7
Price increase similar to current rate	26.3	21.5	28.1	28.5	26.3	21.3	27.7	30.5
Price increase less than current rate	10.4	13.4	15.8	18.5	9.9	14.5	15.5	18.7
<b>No change in prices</b>	<b>8.7</b>	<b>13.9</b>	<b>9.0</b>	<b>17.1</b>	<b>4.0</b>	<b>7.9</b>	<b>5.8</b>	<b>11.3</b>
<b>Decline in price</b>	<b>2.7</b>	<b>8.9</b>	<b>5.1</b>	<b>10.6</b>	<b>2.2</b>	<b>9.3</b>	<b>4.7</b>	<b>8.9</b>
<b>Options: Non-Food Product</b>	<b>Three-month ahead</b>				<b>One-year ahead</b>			
<b>Prices will increase</b>	<b>80.6</b>	<b>73.1</b>	<b>78.5</b>	<b>65.1</b>	<b>87.5</b>	<b>79.5</b>	<b>83.8</b>	<b>75.1</b>
Price increase more than current rate	42.5	37.3	34.7	21.2	48.1	42.0	36.3	26.1
Price increase similar to current rate	27.2	21.7	27.2	26.1	28.5	22.3	29.0	30.6
Price increase less than current rate	10.8	14.1	16.5	17.8	10.8	15.3	18.4	18.4
<b>No change in prices</b>	<b>16.5</b>	<b>18.9</b>	<b>17.4</b>	<b>25.6</b>	<b>9.7</b>	<b>12.7</b>	<b>12.1</b>	<b>16.6</b>
<b>Decline in price</b>	<b>3.0</b>	<b>8.0</b>	<b>4.2</b>	<b>9.3</b>	<b>2.9</b>	<b>7.8</b>	<b>4.1</b>	<b>8.3</b>
<b>Options: Household Durables</b>	<b>Three-month ahead</b>				<b>One-year ahead</b>			
<b>Prices will increase</b>	<b>70.5</b>	<b>68.9</b>	<b>64.0</b>	<b>59.7</b>	<b>81.5</b>	<b>76.9</b>	<b>76.8</b>	<b>72.1</b>
Price increase more than current rate	35.4	35.3	27.2	20.4	44.2	42.1	33.9	27.5
Price increase similar to current rate	23.1	20.0	22.7	23.8	25.6	20.7	26.1	27.8
Price increase less than current rate	12.0	13.6	14.1	15.6	11.7	14.1	16.9	16.8
<b>No change in prices</b>	<b>21.1</b>	<b>20.9</b>	<b>24.3</b>	<b>27.3</b>	<b>12.4</b>	<b>13.9</b>	<b>15.0</b>	<b>16.5</b>
<b>Decline in price</b>	<b>8.4</b>	<b>10.2</b>	<b>11.7</b>	<b>13.0</b>	<b>6.0</b>	<b>9.2</b>	<b>8.2</b>	<b>11.4</b>
<b>Options: Housing Prices</b>	<b>Three-month ahead</b>				<b>One-year ahead</b>			
<b>Prices will increase</b>	<b>85.5</b>	<b>82.2</b>	<b>84.6</b>	<b>78.4</b>	<b>91.6</b>	<b>87.2</b>	<b>91.5</b>	<b>86.1</b>
Price increase more than current rate	58.0	55.4	55.5	39.5	66.2	59.7	60.8	47.9
Price increase similar to current rate	21.1	17.0	20.3	24.9	19.2	17.8	22.5	25.6
Price increase less than current rate	6.4	9.8	8.8	13.9	6.3	9.7	8.2	12.6
<b>No change in prices</b>	<b>10.2</b>	<b>11.1</b>	<b>11.4</b>	<b>13.7</b>	<b>4.4</b>	<b>6.0</b>	<b>5.0</b>	<b>6.6</b>
<b>Decline in price</b>	<b>4.4</b>	<b>6.7</b>	<b>4.0</b>	<b>7.9</b>	<b>4.0</b>	<b>6.8</b>	<b>3.5</b>	<b>7.3</b>
<b>Options: Cost of Services</b>	<b>Three-month ahead</b>				<b>One-year ahead</b>			
<b>Prices will increase</b>	<b>83.1</b>	<b>78.5</b>	<b>79.1</b>	<b>71.6</b>	<b>90.4</b>	<b>84.9</b>	<b>87.5</b>	<b>81.8</b>
Price increase more than current rate	48.0	46.4	38.8	28.4	54.8	50.6	45.4	34.7
Price increase similar to current rate	26.5	19.4	25.3	26.6	25.4	20.7	26.9	30.0
Price increase less than current rate	8.7	12.6	15.0	16.6	10.2	13.6	15.2	17.2
<b>No change in prices</b>	<b>14.5</b>	<b>16.2</b>	<b>18.0</b>	<b>21.7</b>	<b>7.2</b>	<b>9.3</b>	<b>9.8</b>	<b>11.6</b>
<b>Decline in price</b>	<b>2.4</b>	<b>5.3</b>	<b>2.9</b>	<b>6.7</b>	<b>2.4</b>	<b>5.8</b>	<b>2.8</b>	<b>6.6</b>

**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
<b>Three-month ahead period</b>						
33	Sep-13	77.9	69.2	65.9	69.4	64.2
34	Dec-13	72.5	61.9	56.1	59.8	60.1
35	Mar-14	72.0	61.6	51.7	60.3	60.8
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
<b>One-year ahead period</b>						
33	Sep-13	81.6	73.2	70.9	74.8	71.8
34	Dec-13	77.8	68.8	65.2	66.7	70.0
35	Mar-14	77.9	67.7	61.3	69.4	69.9
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

**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.
33	Sep-13	11.8	11.0	4.3	12.8	14.5	4.0	13.5	16.0	4.0
34	Dec-13	12.3	13.2	4.4	12.2	13.9	4.7	13.5	16.0	4.0
35	Mar-14	12.2	13.3	4.3	12.3	12.9	4.1	13.1	15.3	4.3
36	Jun-14	12.6	13.3	4.0	12.5	14.0	4.4	12.8	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

**Table 5: Factors that Explain the Total Variability**

Round No.	Survey period ended	Current	Three-month ahead	One-year ahead
33	Sep-13	City, Age group	City, Age group	City
34	Dec-13	City, Gender, Age-group	City, Category	City, Category
35	Mar-14	City, Category, Gender, Age-group	City, Category, Gender	City, Category, Gender
36	Jun-14	City	City	City
37	Sep-14	City, Age-Group	City, Age-Group	City
38	Dec-14	City, Category	City, Category	City, Category

**Note:** Results based on exercise using Analysis of Variance.

**Table 6: Various Group-wise Inflation Expectations for December- 2014 Survey Round**

	Current			Three-month ahead			One-year ahead		
	Mean	Median	Std. Dev.	Mean	Median	Std. Dev.	Mean	Median	Std. Dev.
<b>Gender-wise</b>									
Male	8.8	8.7	4.2	8.6	8.2	4.6	9.0	8.6	4.6
Female	9.2	8.9	4.1	9.1	8.5	4.4	9.6	9.2	4.6
<b>Occupational</b>									
Financial Sector Employees	9.0	8.7	4.3	8.8	7.8	4.8	9.5	9.1	4.7
Other Employees	8.5	8.3	4.1	8.4	8.1	4.4	8.7	8.2	4.5
Self Employed	8.6	8.6	4.0	8.4	7.8	4.5	8.8	8.3	4.4
Housewives	9.3	9.1	4.1	9.2	8.9	4.4	9.8	9.5	4.6
Retired Persons	9.3	9.1	4.4	8.8	7.9	4.8	9.3	8.9	4.8
Daily Workers	9.2	8.9	4.4	9.1	8.9	4.5	9.6	9.2	4.8
Other category	8.3	8.1	3.9	8.5	8.1	4.2	8.8	8.2	4.5
<b>Age-wise</b>									
Up to 25 years	8.6	8.4	4.0	8.8	8.3	4.4	9.2	8.5	4.7
25 to 30 years	8.8	8.6	4.2	8.7	7.9	4.5	9.1	8.4	4.7
30 to 35 years	8.7	8.6	4.0	8.6	8.2	4.4	9.0	8.6	4.5
35 to 40 years	9.1	8.9	4.2	8.8	8.3	4.6	9.4	9.1	4.6
40 to 45 years	9.1	9.2	4.3	8.8	8.3	4.6	9.6	9.4	4.7
45 to 50 years	9.2	9.0	4.2	8.9	8.4	4.3	9.4	9.2	4.5
50 to 55 years	9.0	9.1	4.0	8.8	8.2	4.6	9.2	9.0	4.3
55 to 60 years	9.3	9.2	4.3	9.0	8.4	4.9	9.3	8.9	4.7
60 years and above	9.4	9.2	4.3	9.0	8.8	4.5	9.5	9.3	4.6
<b>City-wise</b>									
Ahmadabad	9.6	9.7	5.3	9.1	9.4	5.5	10.9	10.1	4.9
Bangalore	4.9	4.8	2.1	5.5	5.3	2.8	4.9	4.6	2.5
Bhopal	9.7	9.7	3.4	11.2	11.6	3.6	11.9	12.2	3.8
Bhubaneswar	9.0	9.4	3.2	10.5	11.0	3.9	10.6	10.9	4.3
Chennai	9.5	8.9	3.6	8.8	5.9	4.8	9.0	6.8	4.5
Delhi	7.9	6.0	4.8	8.8	7.2	4.8	8.2	6.5	5.4
Guwahati	9.1	8.3	4.0	7.7	6.0	4.2	8.5	6.5	4.5
Hyderabad	4.9	3.3	3.6	5.7	3.9	4.2	5.8	3.9	4.4
Jaipur	10.3	9.4	4.5	7.6	6.3	4.3	10.2	9.0	4.5
Kolhapur	10.4	8.7	4.1	9.7	8.2	5.2	9.6	7.4	4.9
Kolkata	10.4	9.6	4.1	9.6	8.9	4.7	10.4	9.7	4.7
Lucknow	10.4	9.8	4.7	10.0	11.0	5.4	10.9	10.8	5.0
Mumbai	9.9	9.7	3.6	8.5	9.0	4.1	9.8	9.7	3.7
Nagpur	6.2	5.7	2.5	6.9	6.7	2.7	6.5	6.0	2.9
Patna	9.0	8.8	1.9	9.9	9.9	2.3	10.0	10.2	2.7
Thiruvananthapuram	10.2	9.9	2.1	10.9	11.0	2.7	11.6	11.8	2.4
<b>All</b>	9.0	8.8	4.2	8.8	8.3	4.5	9.3	8.9	4.6

**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	26	5	2	4					1	3	1							10	<b>52</b>	
	1-2	5	27	18	11	4	1	2		7	8								10	<b>93</b>	
	2-3	5	30	54	54	18	9	5	1	3	1								7	<b>187</b>	
	3-4	2	6	31	48	76	30	4	3	2	3					1			1	<b>207</b>	
	4-5	7	16	14	36	52	76	51	24	7	24	3						2	2	12	<b>326</b>
	5-6	4	5	20	24	62	115	120	66	31	5	8		1				2	2	15	<b>480</b>
	6-7	2	2	4	9	33	119	32	55	44	19	4	4	1					3	3	<b>334</b>
	7-8			8		59	89	98	41	88	57	18	5	4	2	2			2	4	<b>477</b>
	8-9		3	3	2	59	37	37	67	48	90	43	14	4	2	1				3	<b>413</b>
	9-10	10	11	24	4	25	11	5	17	11	86	93	142	57	23	80	14	41	24	<b>678</b>	
	10-11	10	5	21	17	17	31	2	6	9	13	111	95	111	36	23	54	34	44	<b>639</b>	
	11-12	3	4	2	2	1	3	1		6	4	7	36	23	18	10	6	2		<b>128</b>	
	12-13	2		1	1	2			2	3		3	2	11	8	21	6	3	2	<b>67</b>	
	13-14						1			1	1	1		3	6	8	5	2		<b>28</b>	
	14-15				3	12	3	2	1	3	9	3	3	2		17	31	58	22	<b>169</b>	
	15-16	2	1	2	2	7	8	1	1		5	7	2	1		2	24	49	15	<b>129</b>	
	>=16	2			12	28	21	8	7	10	35	22	3	4	1	15	12	338	75	<b>593</b>	
	Total	<b>80</b>	<b>115</b>	<b>204</b>	<b>229</b>	<b>455</b>	<b>554</b>	<b>368</b>	<b>291</b>	<b>274</b>	<b>363</b>	<b>324</b>	<b>306</b>	<b>222</b>	<b>96</b>	<b>180</b>	<b>156</b>	<b>536</b>	<b>247</b>	<b>5000</b>	

**Note:** The shaded cells represent the number of respondents who expressed double digit current and three-month ahead inflations.

**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	22	5	1		1	2				3							3	15	<b>52</b>
	1-2	14	32	23	5	5				5									9	<b>93</b>
	2-3		32	63	56	12	5	2			5	4		1					7	<b>187</b>
	3-4		2	58	84	39	7	2	2	2	4	2				1			4	<b>207</b>
	4-5		2	9	95	115	26	13	8	6	18	4		2		5	1	6	16	<b>326</b>
	5-6			6	7	148	163	57	22	18	11	21	1	1			4	5	16	<b>480</b>
	6-7				4	77	69	73	46	12	15	15	4	3	2	2		2	10	<b>334</b>
	7-8	2			3	43	96	142	87	28	26	13	14	7	2	5	2	2	5	<b>477</b>
	8-9					30	133	15	67	69	23	29	17	11	2	4	5	1	7	<b>413</b>
	9-10			1	2	13	8	9	10	135	184	52	46	33	16	66	18	62	23	<b>678</b>
	10-11					3	9	5	6	10	63	210	66	44	21	18	71	61	52	<b>639</b>
	11-12				1			3	3	1	8	9	27	44	7	14	5	3	3	<b>128</b>
	12-13				1		1		1			2	12	14	15	2	12	3	4	<b>67</b>
	13-14									1				5	10	5	2	4	1	<b>28</b>
	14-15					4	1		2	4	9	2	2	2	21	45	17	43	17	<b>169</b>
	15-16										3	4	2			29	30	49	12	<b>129</b>
	>=16				1	2	5		2	3	13	8	7	1	1	8	13	486	43	<b>593</b>
	Total	<b>38</b>	<b>73</b>	<b>161</b>	<b>259</b>	<b>492</b>	<b>525</b>	<b>321</b>	<b>256</b>	<b>289</b>	<b>390</b>	<b>375</b>	<b>198</b>	<b>168</b>	<b>97</b>	<b>204</b>	<b>180</b>	<b>730</b>	<b>244</b>	<b>5000</b>

**Note:** The shaded cells represent the number of respondents who expressed double digit current and one-year ahead inflations.