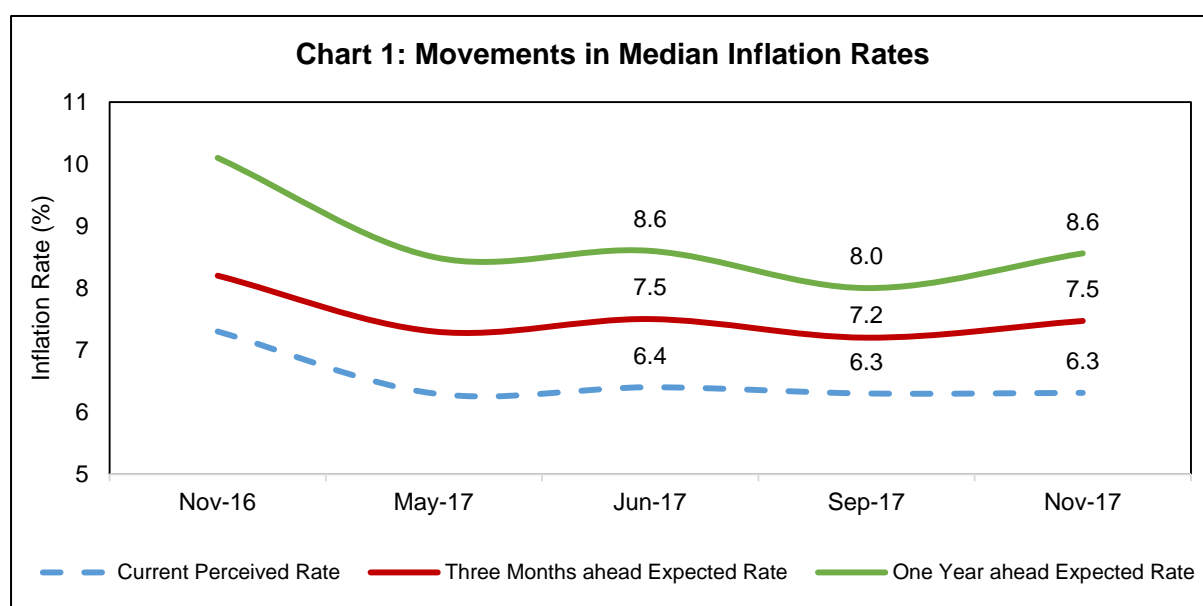


Households' Inflation Expectations Survey

Today, the Reserve Bank released the results of the November 2017 round of the Inflation Expectations Survey of Households (IESH)¹. The survey was conducted in 18 cities and the results are based on responses from 5,100 urban households covering various occupational categories (Table 1).

Highlights:

- i. Over 80 per cent of the respondents expected general prices to increase over the next quarter and over half of them also anticipated higher inflation. (Table 2)
- ii. There was a marginal increase in inflation expectation for all product groups over both three months ahead and one year ahead horizons, when compared with the last survey round.
- iii. Expectations of the one year ahead price levels of various product groups as well as the general price level remained elevated as observed in the previous round of the survey.
- iv. The share of respondents with higher inflation expectations exceeded the proportions observed in the surveys conducted during the last one year for all product groups.
- v. Among product groups, expectations on food prices had the highest coherence with general prices movements, for both the one quarter ahead and one year ahead horizons. (Table 3)
- vi. Three month ahead and one year ahead median inflation expectations increased by 30 basis points (bps) and 60 bps, respectively, over the previous survey round; compared to the November 2016 round of the survey, however, inflation expectations softened by 70 bps and 150 bps, respectively. (Table 4)



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 own consumption pattern. Hence, these should not be treated as benchmarks for official measures of inflation.

Table 1: Respondents' Profile (Category): Share in Total Sample - November 2017

Category of Respondents	Share in Total (%)	Target Share (%)
Financial Sector Employees	9.9	10.0
Other Employees	15.1	15.0
Self-employed	19.8	20.0
Homemakers	29.8	30.0
Retired Persons	9.2	10.0
Daily Workers	10.7	10.0
Others	5.7	5.0

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

(Percentage of Respondents)

Round	Nov-16	May-17	Jun-17	Sep-17	Nov-17	Nov-16	May-17	Jun-17	Sep-17	Nov-17
Options: General	Three Months Ahead					One Year Ahead				
Prices will increase	76.0	70.2	77.2	81.3	81.4	86.3	80.9	82.4	93.5	92.8
Price increase more than current rate	40.1	35.9	39.9	50.5	53.2	49.8	46.3	44.1	61.2	64.1
Price increase similar to current rate	23.9	25.0	26.6	25.4	23.1	25.1	26.4	28.3	27.3	23.8
Price increase less than current rate	12.0	9.3	10.7	5.4	5.1	11.4	8.2	10.1	5.0	4.8
No change in prices	18.8	25.2	16.8	15.8	16.3	10.0	14.3	11.2	4.1	5.5
Decline in prices	5.2	4.6	6.0	2.9	2.3	3.7	4.8	6.4	2.5	1.8
Options: Food Product	Three Months Ahead					One Year Ahead				
Prices will increase	71.2	73.7	71.6	79.5	80.3	82.0	79.8	75.8	84.8	85.7
Price increase more than current rate	35.2	38.6	39.1	47.5	50.4	43.0	42.1	38.0	51.4	54.0
Price increase similar to current rate	23.2	23.6	21.8	24.8	23.2	26.5	27.2	26.8	27.5	25.2
Price increase less than current rate	12.9	11.5	10.7	7.3	6.7	12.5	10.6	11.0	6.0	6.5
No change in prices	21.2	18.2	14.2	13.3	12.9	13.3	11.9	12.4	9.3	9.0
Decline in prices	7.6	8.1	14.3	7.1	6.8	4.6	8.2	11.8	5.9	5.3
Options: Non-Food Product	Three Months Ahead					One Year Ahead				
Prices will increase	57.9	66.3	72.1	74.7	75.7	70.9	73.9	74.8	81.4	81.4
Price increase more than current rate	28.4	32.4	36.9	43.4	47.1	34.5	37.1	36.3	48.2	51.2
Price increase similar to current rate	19.2	23.4	23.6	24.8	21.9	24.0	25.7	27.3	26.7	23.5
Price increase less than current rate	10.3	10.6	11.6	6.6	6.7	12.3	11.1	11.2	6.5	6.8
No change in prices	36.3	26.9	18.1	19.3	19.5	24.0	19.1	16.3	13.8	14.4
Decline in prices	5.8	6.8	9.8	5.9	4.8	5.2	7.0	9.0	4.8	4.2
Options: Household Durables	Three Months Ahead					One Year Ahead				
Prices will increase	51.5	51.1	65.4	61.5	61.9	67.6	62.1	70.3	70.7	71.0
Price increase more than current rate	24.9	25.1	34.7	37.3	38.6	33.9	31.9	35.7	42.7	44.5
Price increase similar to current rate	16.8	17.1	20.6	19.1	17.4	22.3	21.5	24.3	22.6	20.7
Price increase less than current rate	9.9	8.9	10.1	5.1	5.8	11.4	8.8	10.3	5.4	5.8
No change in prices	36.9	33.6	20.6	25.3	26.8	22.9	24.9	17.5	19.1	20.3
Decline in prices	11.6	15.3	14.0	13.2	11.3	9.4	13.0	12.2	10.2	8.7
Options: Housing Prices	Three Months Ahead					One Year Ahead				
Prices will increase	65.4	57.3	64.3	68.9	70.5	79.6	69.7	73.4	78.9	78.8
Price increase more than current rate	38.4	33.2	37.1	44.9	48.4	49.6	39.7	42.2	53.0	54.5
Price increase similar to current rate	17.9	17.0	18.6	19.2	17.0	20.5	22.7	22.4	20.8	19.4
Price increase less than current rate	9.0	7.1	8.7	4.9	5.0	9.6	7.3	8.8	5.1	4.9
No change in prices	26.4	26.4	22.0	20.0	20.1	13.9	17.4	15.1	12.4	13.6
Decline in prices	8.2	16.2	13.6	11.1	9.5	6.5	12.9	11.5	8.8	7.7
Options: Cost of Services	Three Months Ahead					One Year Ahead				
Prices will increase	61.3	61.3	68.9	68.7	71.1	80.7	75.5	78.6	82.9	83.4
Price increase more than current rate	30.6	29.4	35.1	40.7	44.3	41.5	37.3	38.8	48.6	51.5
Price increase similar to current rate	19.8	21.7	23.7	22.5	20.7	26.9	26.8	27.8	27.9	25.2
Price increase less than current rate	10.8	10.2	10.2	5.5	6.2	12.3	11.4	12.0	6.4	6.7
No change in prices	36.0	33.0	25.3	27.3	25.8	16.7	19.1	15.6	13.5	14.0
Decline in prices	2.8	5.7	5.8	4.0	3.1	2.6	5.5	5.9	3.7	2.6

Note: Constituent items may not add up to totals, due to rounding off.

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						
45B	Nov-16	62.1	50.2	43.2	45.7	46.8
47B	May-17	59.8	59.7	51.0	52.5	60.3
48	Jun-17	62.0	64.3	57.2	57.6	63.4
49	Sep-17	66.8	65.8	56.8	60.1	64.9
49B	Nov-17	66.6	67.4	57.1	60.3	65.7
One Year Ahead						
45B	Nov-16	65.0	55.0	50.4	53.7	56.9
47B	May-17	66.8	64.4	56.4	58.7	67.3
48	Jun-17	68.2	67.7	62.0	63.2	70.0
49	Sep-17	72.7	69.9	60.5	67.4	69.8
49B	Nov-17	72.7	70.5	60.9	66.2	71.3

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.
45B	Nov-16	8.3	7.3	4.3	9.1	8.2	4.5	10.5	10.1	4.3
47B	May-17	7.5	6.3	4.0	8.1	7.3	4.2	9.2	8.5	4.3
48	Jun-17	7.3	6.4	3.8	8.1	7.5	3.9	9.1	8.6	4.1
49	Sep-17	7.6	6.3	3.9	8.2	7.2	4.0	8.7	8.0	4.5
49B	Nov-17	7.7	6.3	4.1	8.4	7.5	4.2	8.9	8.6	4.6

Table 5: Factors that Explain the Total Variability

Round No.	Survey Period Ended	Current	Three Months Ahead	One Year Ahead
45B	Nov-16	City, Category, Age-Group	City, Category	City, Category
47B	May-17	City, Gender, Category	City, Category	City, Category
48	Jun-17	City, Age-Group, Category	City, Age-Group, Category	City, Age-Group, Category
49	Sep-17	City, Gender, Category	City, Age-Group, Category	City, Gender, Category
49B	Nov-17	City, Category, Age-Group	City, Category	City, Category

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

	Current			Three Months Ahead			One Year Ahead		
	Mean	Median	Std. Dev.	Mean	Median	Std. Dev.	Mean	Median	Std. Dev.
Overall	7.7	6.3	4.1	8.4	7.5	4.2	8.9	8.6	4.6
Gender-wise									
Male	7.7	6.5	4.1	8.4	7.5	4.2	8.8	8.4	4.7
Female	7.7	6.1	4.0	8.5	7.5	4.1	9.2	8.7	4.6
Category-wise									
Financial Sector Employees	7.3	6.3	3.8	7.9	7.2	4.0	8.4	8.3	4.6
Other Employees	7.6	6.0	4.1	8.4	7.4	4.1	8.6	8.1	4.6
Self Employed	7.9	6.7	4.1	8.4	7.6	4.1	9.0	8.8	4.7
Homemakers	7.7	6.1	4.0	8.5	7.4	4.1	9.2	8.8	4.6
Retired Persons	8.4	6.7	4.6	9.1	7.9	4.6	9.4	8.9	5.0
Daily Workers	7.6	6.2	4.0	8.4	7.5	4.1	8.8	8.7	4.7
Other category	7.3	6.4	3.9	8.0	7.3	4.0	8.5	8.3	4.6
Age Group-wise									
Up to 25 years	6.9	6.1	3.5	7.7	7.1	3.5	8.4	8.3	4.2
25 to 30 years	7.3	6.0	3.7	8.1	7.2	3.8	8.6	8.1	4.4
30 to 35 years	7.5	6.1	4.0	8.3	7.3	4.2	8.8	8.2	4.5
35 to 40 years	8.0	6.4	4.2	8.6	7.5	4.4	9.0	8.6	4.8
40 to 45 years	7.7	6.1	3.9	8.4	7.6	4.0	9.0	8.9	4.5
45 to 50 years	8.4	7.1	4.4	9.0	8.1	4.5	9.4	9.5	5.1
50 to 55 years	8.3	7.0	4.5	8.8	8.1	4.5	9.0	8.9	4.9
55 to 60 years	8.3	6.8	4.4	9.0	8.1	4.4	9.4	9.0	4.8
60 years and above	8.4	6.8	4.6	9.2	8.0	4.6	9.6	9.3	5.0
City-wise									
Ahmedabad	8.8	8.5	3.7	9.3	9.0	3.8	9.7	10.0	3.9
Bengaluru	4.2	4.1	1.5	5.0	4.8	1.9	5.2	5.2	2.5
Bhopal	7.1	5.7	4.0	7.5	6.4	4.7	7.4	6.5	5.0
Bhubaneswar	9.4	10.1	4.2	10.7	10.7	4.4	11.6	12.3	4.7
Chennai	8.3	6.6	4.0	9.6	8.3	3.9	11.1	10.5	4.0
Delhi	7.2	6.0	4.1	7.5	6.4	4.1	7.5	6.5	4.3
Guwahati	13.7	16.1	4.1	12.5	15.4	4.9	13.2	16.1	5.1
Hyderabad	7.0	6.5	2.1	7.7	7.1	2.2	9.0	8.4	2.3
Jaipur	7.4	5.9	3.0	8.1	6.8	3.6	7.8	7.1	4.5
Kolkata	9.8	9.0	4.4	10.5	9.8	4.4	11.2	10.6	4.4
Lucknow	7.3	6.4	3.3	8.1	7.7	3.5	8.9	9.5	4.3
Mumbai	6.9	6.7	3.3	7.9	7.8	3.4	8.3	8.4	4.5
Nagpur	6.5	5.5	3.8	7.4	6.5	3.6	7.1	6.8	4.0
Patna	6.2	5.9	2.3	6.9	6.6	2.3	7.5	7.6	3.0
Thiruvananthapuram	8.9	8.1	4.2	9.9	9.6	4.8	10.2	10.6	5.9
Chandigarh	8.3	6.2	5.1	8.6	7.0	5.3	7.7	6.3	5.9
Ranchi	5.7	5.6	1.9	6.3	6.2	2.0	7.2	7.3	2.7
Raipur	5.0	5.1	1.9	6.6	6.2	2.7	8.1	8.0	3.2

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

(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	24	3	4	0	0	1	1	0	1	0	0	0	0	0	0	0	0	0	34
	1-<2	1	26	10	5	0	0	1	0	0	0	0	0	0	0	0	0	0	0	43
	2-<3	2	12	132	53	41	15	3	0	0	0	0	0	0	0	0	0	0	1	259
	3-<4	5	2	8	169	88	53	15	8	1	1	1	0	0	0	0	0	0	2	353
	4-<5	7	0	5	6	199	106	64	16	6	3	6	0	0	0	0	0	1	1	420
	5-<6	14	3	6	17	21	530	278	278	70	10	50	0	2	0	0	5	1	1	1286
	6-<7	6	2	2	2	3	8	213	148	76	22	9	1	3	0	0	0	0	0	495
	7-<8	6	1	0	1	2	5	10	171	129	74	46	2	6	0	0	0	0	0	453
	8-<9	3	0	0	0	1	4	8	1	105	74	73	4	9	1	0	0	3	0	286
	9-<10	0	0	0	0	0	1	0	4	5	74	41	24	12	2	1	1	2	1	168
	10-<11	0	0	0	1	1	7	0	5	5	6	233	22	92	23	5	89	23	0	512
	11-<12	0	0	0	0	0	1	0	0	1	0	1	21	9	12	3	4	3	2	57
	12-<13	0	0	0	0	0	0	0	0	0	1	4	0	14	6	4	5	3	0	37
	13-<14	0	0	0	0	0	0	1	1	1	0	0	0	0	2	2	7	3	1	18
	14-<15	0	0	0	0	1	1	0	2	0	0	2	1	2	1	12	4	9	1	36
	15-<16	0	0	0	0	0	1	0	2	0	0	3	0	1	0	0	37	39	1	84
	>=16	0	0	0	4	1	7	4	2	0	0	12	0	0	0	0	14	503	12	559
	Total	68	49	167	258	358	740	598	638	400	265	481	75	150	47	27	166	591	22	5100

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

(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	23	1	5	0	0	2	0	2	0	1	0	0	0	0	0	0	0	0	34
	1-<2	6	20	3	8	3	2	0	0	0	0	0	0	0	0	0	0	0	1	43
	2-<3	40	4	76	45	47	16	15	6	4	1	3	0	0	0	1	0	1	0	259
	3-<4	36	1	2	115	59	66	20	20	13	9	7	0	3	0	0	0	1	1	353
	4-<5	31	0	0	1	131	66	76	28	43	15	19	1	6	0	1	1	0	1	420
	5-<6	90	1	2	6	9	340	134	218	141	134	146	15	23	1	1	14	8	3	1286
	6-<7	31	0	2	0	2	4	129	65	111	45	50	11	23	5	5	10	1	1	495
	7-<8	22	0	0	0	1	1	1	113	76	79	74	12	26	5	9	26	4	4	453
	8-<9	16	0	1	0	2	2	3	2	71	26	77	26	30	5	9	11	4	1	286
	9-<10	6	0	0	1	0	0	0	3	1	52	29	28	20	6	7	9	4	2	168
	10-<11	26	0	0	0	0	4	1	6	2	1	169	18	52	19	15	87	108	4	512
	11-<12	2	0	0	0	0	1	0	1	0	1	0	14	0	10	2	13	12	1	57
	12-<13	2	0	0	0	0	0	0	0	0	0	1	0	11	3	5	8	7	0	37
	13-<14	0	0	0	0	0	0	0	0	1	0	1	0	0	5	1	1	8	1	18
	14-<15	2	0	0	0	0	1	0	0	0	0	1	1	3	1	8	3	14	2	36
	15-<16	3	0	0	0	0	0	0	0	0	0	3	0	1	0	1	30	45	1	84
	>=16	35	0	0	1	1	2	0	0	0	0	6	1	0	0	0	16	478	19	559
	Total	371	27	91	177	255	507	379	464	463	364	586	127	198	60	65	229	695	42	5100