

Inflation Expectations Survey of Households: June - 2014¹

The Inflation Expectations Survey of Households for April-June 2014 quarter (36th round) captures the inflation expectations of 4,931 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 predictors of any official measure of inflation. The households' inflation expectations provide useful directional information on near-term inflationary pressures and also supplement other economic indicators to get a better indication of future inflation.

Highlights:

- i. In terms of qualitative response, the proportion of respondents expecting price rise by '*more than current rate*' for overall prices as well as prices of all product groups have decreased as compared with the previous round of survey for both three-month ahead period and one-year ahead period.
- ii. In terms of quantitative response, current perceived median inflation rate is 13.3 per cent, whereas median inflation expectations are 14.0 per cent for three-month ahead period and 15.0 per cent for one-year ahead period.
- iii. The short-term inflation expectations in terms of median for next three months witnessed marginal increase whereas for the one-year ahead inflation expectations decreased marginally as compared to March 2014.
- iv. The proportion of respondents expecting double digit inflation in next three-month period have declined marginally to about 72.0 per cent (75.0 per cent in the March 2014 round) and for the next one year period to 74.0 per cent (77.0 per cent in the March 2014 round).
- v. The survey shows that retired persons and daily workers have marginally higher level of inflation expectations based on median inflation rates. Respondents from Chennai, Guwahati, Lucknow and Nagpur cities have relatively higher expectation for inflation.

¹ The survey results of the previous round were published on April 1, 2014 with the publication "Macroeconomic and Monetary Developments in 2014-15 (An Update)" on the RBI website. The survey results are those of the respondents and 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	10.0	10
Other Employees	15.4	15
Self-employed	20.1	20
Housewives	29.6	30
Retired Persons	9.4	10
Daily Workers	10.0	10
Others	5.6	5

Note: The above sample proportion is for the quarter ended June 2014 survey.

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

(Percentage of respondents)

Round No./survey period	33	34	35	36	33	34	35	36
(Round ended) →	Sep-13	Dec-13	Mar-14	Jun-14	Sep-13	Dec-13	Mar-14	Jun-14
Options: General	Three-month ahead				One-year ahead			
Prices will increase	87.3	86.8	89.2	77.5	92.5	92.7	94.1	83.6
Price increase more than current rate	74.5	55.3	51.2	41.2	76.6	61.1	59.0	47.4
Price increase similar to current rate	11.3	24.0	28.4	21.5	13.0	25.1	25.7	22.0
Price increase less than current rate	1.5	7.5	9.6	14.8	2.9	6.5	9.3	14.2
No change in prices	7.8	9.5	8.3	12.7	4.6	4.0	3.5	7.4
Decline in price	4.9	3.7	2.5	9.8	2.9	3.3	2.4	9.0
Options: Food Product	Three-month ahead				One-year ahead			
Prices will increase	84.3	84.8	88.6	77.2	89.0	91.5	93.8	82.8
Price increase more than current rate	72.5	50.9	51.9	42.3	74.8	58.5	57.6	47.0
Price increase similar to current rate	10.6	25.5	26.3	21.5	11.5	26.2	26.3	21.3
Price increase less than current rate	1.3	8.4	10.4	13.4	2.7	6.8	9.9	14.5
No change in prices	10.1	9.9	8.7	13.9	7.1	5.0	4.0	7.9
Decline in price	5.6	5.3	2.7	8.9	3.9	3.6	2.2	9.3
Options: Non-Food Product	Three-month ahead				One-year ahead			
Prices will increase	77.5	78.8	80.6	73.1	80.9	87.5	87.5	79.5
Price increase more than current rate	66.1	44.6	42.5	37.3	67.8	50.4	48.1	42.0
Price increase similar to current rate	10.3	25.4	27.2	21.7	11.4	28.5	28.5	22.3
Price increase less than current rate	1.2	8.8	10.8	14.1	1.7	8.5	10.8	15.3
No change in prices	18.0	17.7	16.5	18.9	14.4	9.4	9.7	12.7
Decline in price	4.5	3.6	3.0	8.0	4.7	3.2	2.9	7.8
Options: Household Durables	Three-month ahead				One-year ahead			
Prices will increase	73.6	75.0	70.5	68.9	80.1	84.4	81.5	76.9
Price increase more than current rate	63.2	42.0	35.4	35.3	67.9	49.1	44.2	42.1
Price increase similar to current rate	9.2	24.0	23.1	20.0	10.7	26.2	25.6	20.7
Price increase less than current rate	1.2	9.0	12.0	13.6	1.5	9.2	11.7	14.1
No change in prices	19.7	19.4	21.1	20.9	14.6	10.9	12.4	13.9
Decline in price	6.6	5.6	8.4	10.2	5.4	4.6	6.0	9.2
Options: Housing Prices	Three-month ahead				One-year ahead			
Prices will increase	81.9	89.2	85.5	82.2	87.3	93.6	91.6	87.2
Price increase more than current rate	74.5	66.9	58.0	55.4	78.9	71.0	66.2	59.7
Price increase similar to current rate	6.9	17.9	21.1	17.0	7.6	18.5	19.2	17.8
Price increase less than current rate	0.5	4.4	6.4	9.8	0.8	4.1	6.3	9.7
No change in prices	11.9	8.1	10.2	11.1	7.5	3.8	4.4	6.0
Decline in price	6.2	2.8	4.4	6.7	5.3	2.6	4.0	6.8
Options: Cost of Services	Three-month ahead				One-year ahead			
Prices will increase	74.9	82.2	83.1	78.5	82.8	89.9	90.4	84.9
Price increase more than current rate	63.5	49.7	48.0	46.4	68.8	56.2	54.8	50.6
Price increase similar to current rate	10.5	25.7	26.5	19.4	11.8	26.3	25.4	20.7
Price increase less than current rate	0.9	6.8	8.7	12.6	2.2	7.4	10.2	13.6
No change in prices	20.6	15.3	14.5	16.2	13.2	7.6	7.2	9.3
Decline in price	4.5	2.5	2.4	5.3	3.9	2.6	2.4	5.8

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 period						
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
One-year Ahead period						
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

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

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

Note: Results based on exercise using Analysis of Variance.

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

	Current			Three-month Ahead			One-year Ahead		
	Mean	Median	Std. Dev.	Mean	Median	Std. Dev.	Mean	Median	Std. Dev.
Gender-wise									
Male	12.6	13.3	3.9	12.5	14.0	4.3	12.8	14.8	4.3
Female	12.4	13.3	4.2	12.5	14.0	4.4	12.9	15.2	4.3
Category-wise									
Financial Sector Employees	12.6	12.8	4.0	12.4	13.3	4.3	13	14.7	4.0
Other Employees	12.5	12.9	4.0	12.3	13.6	4.4	12.6	14.8	4.5
Self Employed	12.7	13.5	3.9	12.5	14.3	4.5	12.9	15.0	4.2
Housewives	12.6	14.1	4.2	12.5	14.2	4.4	12.8	15.2	4.3
Retired Persons	12.9	14.5	3.9	12.9	14.9	4.2	12.9	15.2	4.4
Daily Workers	12.6	12.9	3.9	12.8	14.5	4.2	13.1	15.4	4.3
Other category	11.8	10.8	4.0	11.8	12.6	4.5	12.3	13.4	4.4
Age-wise									
Up to 25 years	11.8	10.9	4.1	12.1	13.0	4.4	12.5	14.2	4.3
25 to 30 years	12.5	12.8	4.1	12.6	14.3	4.3	12.9	15.1	4.3
30 to 35 years	12.7	14.0	3.9	12.7	14.0	4.2	12.8	15.0	4.3
35 to 40 years	12.5	12.8	4.0	12.4	14.1	4.5	12.7	14.8	4.3
40 to 45 years	13.0	14.7	3.9	12.5	14.3	4.4	13.1	15.1	4.1
45 to 50 years	12.7	14.4	4.1	12.5	14.8	4.5	13.0	15.6	4.3
50 to 55 years	12.6	14.3	4.1	12.1	13.5	4.5	12.4	14.5	4.6
55 to 60 years	12.8	14.0	3.9	12.7	14.2	4.1	13.4	15.7	4.0
60 years and above	13.3	15.4	3.8	12.8	14.8	4.1	13.0	15.6	4.4
City-wise									
Mumbai	9.5	9.7	3.0	9.6	8.9	3.8	9.8	9.3	3.7
Delhi	13.4	14.1	3.1	14.4	15.7	2.8	14.8	16.1	2.8
Chennai	13.9	16.2	4.2	14.3	16.3	4.0	14.0	16.3	4.2
Kolkata	13.6	16.0	3.6	13.5	16.1	4.3	13.6	16.1	3.8
Bangalore	8.9	9.0	4.8	7.7	6.5	5.0	10.9	10.4	4.3
Hyderabad	10.4	10.0	2.4	12.0	12.0	3.3	12.1	12.0	3.2
Ahmadabad	11.8	12.9	4.5	12.0	13.3	4.4	12.6	14.4	4.2
Lucknow	15.8	16.4	2.1	14.8	16.3	3.4	14.1	16.2	4.2
Jaipur	12.5	14.2	4.0	11.2	11.4	5.2	12.3	14.1	4.6
Bhopal	10.4	10.3	3.7	11.3	12.1	4.1	11.7	12.3	4.5
Patna	11.3	10.7	2.2	12.3	12.7	3.0	11.9	11.2	3.0
Guwahati	14.4	16.2	3.8	14.3	16.2	3.7	13.0	16.1	5.3
Thiruvananthapuram	15.4	16.2	2.0	11.8	10.9	4.1	15.5	16.3	2.5
Bhubaneswar	11.6	10.7	3.7	9.4	9.9	4.6	12.0	11.8	4.0
Nagpur	14.6	16.2	3.2	15.0	16.2	2.9	14.6	16.3	3.5
Kolhapur	13.5	16.1	4.0	13.8	16.1	3.6	12.1	16.0	5.8
All	12.6	13.3	4.0	12.5	14.0	4.4	12.8	15.0	4.3

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

(Number of respondents)

		Three-month ahead inflation rate (per cent)																	No idea	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		
Current inflation rate (per cent)	<1	2			1	1				1		2				1		1	1	10
	1-2	2	3	4	3	3	1	1	1			1						1		20
	2-3		5	5	5	13	2	1	2			1				1			4	39
	3-4	2	4	2	4	6	1	3	2	1	1	1						2	2	31
	4-5	11	18	17	6	21	11	12	4	1	7	2				1		3	15	129
	5-6	5	6	5	10	12	28	22	25	14	9	19				1	2	4	9	171
	6-7	3		5	1	5	9	67	17	16	4	4			1			3	7	142
	7-8	2	2	6	3	3	10	19	29	20	12	5		1	1	2	1	3	7	126
	8-9	2	11	3		2	11	11	17	46	26	30	2	8	3	1	1	4	16	194
	9-10		2	4	2	15	13	10	22	22	92	47	58	38	14	40	6	48	54	487
	10-11	1	3	7	4	6	26	16	18	38	22	111	78	138	55	28	82	74	56	763
	11-12		2	1		1	3	1	4	4	5	8	21	30	24	21	13	13	6	157
	12-13		1	2			2		1	3	2	8	3	25	28	22	55	12	9	173
	13-14					1	1		1	1	1	2	1	3	12	15	15	9	13	75
	14-15					11	3	2	1	1	6	3	5	5	14	36	42	69	24	222
	15-16					9	7	2	2		11	25	4	17	14	15	93	98	40	337
	>=16			1		33	38	12	8	8	48	82	9	13	11	27	54	1317	194	1855
Total	30	57	62	39	142	166	179	154	176	246	351	181	279	176	211	364	1661	457	4931	

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)																	No idea	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		
Current inflation rate (per cent)	<1						1				1						1	4	3	10
	1-2	4	1	3		3	1		1	1	2	2						2		20
	2-3	2	1	5	5	6	2	1	1	3	3	1		1				4	4	39
	3-4		1	5	7	4	3		2	1	2	1					2		3	31
	4-5	3	2	2	4	26	29	5	7	4	19	1	2			4	2	5	14	129
	5-6	3	1	7	5	27	26	12	11	3	14	19	1	4	1	1	8	3	25	171
	6-7	1	1		1	4	20	54	32	3	7	9	1	3	1		1	2	2	142
	7-8	3	3	2	1	2	8	21	38	15	8	4	2	1	1	1	3	5	8	126
	8-9	1	1		2	2	5	13	24	48	29	13	8	11	3	4	11	4	15	194
	9-10	1			3	6	9	6	13	48	128	86	17	16	8	32	13	43	58	487
	10-11	3	3	3	2	4	20	5	8	12	57	167	101	42	19	33	112	79	93	763
	11-12	2		2		1	3	3		2	4	20	32	27	8	16	14	15	8	157
	12-13	1				1	1	2		6	1	10	21	30	16	13	18	10	43	173
	13-14							3	1			1		9	12	13	8	7	21	75
	14-15	1					1			2	7	1	3	4	22	36	61	58	26	222
	15-16	3		2		1	3	2	1	1	4	15	5	6	2	22	63	167	40	337
	>=16	56	3	2	1		7	3	5	3	38	31	8	9	10	23	36	1433	187	1855
Total	84	17	33	31	87	139	130	144	152	324	381	201	163	103	198	353	1841	550	4931	

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