

*Inflation Expectations Survey of Households; December 2011 (Round 26)**

The findings of 26th round of Inflation Expectations Survey of Households for the October-December 2011 quarter, conducted during the first fortnight of December 2011 are presented here. The survey captures the inflation expectations of 4,000 urban households across 12 cities for the next three-month and for the next one-year. 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. The survey results are those of the respondents and are not necessarily shared by the Reserve Bank of India.

The current round of the survey shows that the percentages of respondents expecting price rise in next three-month have gone down for all product groups (viz., food, non-food, household durables, housing and services); but these proportions have gone up for one-year ahead. Expectations on general price rise were mainly influenced by movements in food prices. The three-month ahead and one-year ahead inflation expectations of households have remained high at 12.4 per cent and 13.3 per cent, as compared with 12.2 per cent and 12.9 per cent respectively in the last round of the survey. Households expect inflation to rise further by 50 and 140 basis points during the next three-month and next one-year respectively from their perceived current rate of 11.9 per cent. As in the past rounds, daily-wage workers and housewives expect higher inflation rates compared to other categories. Across the cities, households in Bangalore and Jaipur expect the highest inflation while expectations were the lowest for Ahmedabad. On the awareness, 36.0 per cent of the

respondents felt that RBI is taking necessary action to control inflation, of which, 53.6 per cent felt that RBI's action is effective.

I. Introduction

Reserve Bank of India has been conducting Inflation Expectations Survey of Households (IESH) on a quarterly basis, since September 2005. The survey elicits qualitative and quantitative responses for short and long term indicated by three and twelve month period ahead on expected price changes and inflation. Inflation expectations of households (HHs) are subjective assessments and are based on their individual consumption baskets and therefore may be different from the official inflation numbers released periodically by the government. Again they may not be treated as forecast of any official measure of inflation, though these inflation expectations provide useful inputs on directional movements of future inflation.

II. Sample Coverage and Information Sought

The survey is conducted simultaneously in 12 cities that cover adult respondents of 18 years and above. The major metropolitan cities, viz., Delhi, Kolkata, Mumbai and Chennai are represented by 500 households each, while another eight cities, viz., Jaipur, Lucknow, Bhopal, Ahmedabad, Patna, Guwahati, Bangalore and Hyderabad are represented by 250 households each. The respondents are well spread across the cities to provide a good geographical coverage. The male and female respondents in the group are approximately in the ratio of 3:2. The sample coverage in terms of occupational category-wise representation is nearly as per the target (Table 1).

The single page survey schedule (Annex) is organised into seven blocks covering the respondent profile (block 1), general and product-wise short and long term price expectations (block 2 and 3), feedback on the Reserve Bank's action to control inflation (block

* Prepared in the Division of Household Surveys, Department of Statistics and Information Management. The previous article on the subject was published in December 2011 RBI Bulletin.

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

Category of Respondents	Share in Total (%)	Target Share (%)
Financial Sector Employees	9.3	10.0
Other Employees	16.0	15.0
Self-Employed	20.9	20.0
Housewives	30.6	30.0
Retired Persons	8.7	10.0
Daily Workers	8.8	10.0
Other categories	5.8	5.0
Total	100	100

Note : The above sample proportion is for the quarter ended December 2011 survey

4), current and expected short and long-term inflation rate (block 5), amount paid for the purchase of major food items during last one month (block 6) and the expectations on changes in income/wages (block 7).

The response options for price changes are (i) price increase more than current rate, (ii) price increase similar to current rate, (iii) price increase less than current rate, (iv) no change in prices and (v) decline in prices. The inflation rates are collected in intervals - the lowest being '*less than 1 per cent*' and the highest being '*16 per cent and above*' with 100 basis point size for all intermediate classes.

III. Survey Results

III.1 General Price Expectations

- The percentage of respondents expecting increase in general prices by '*more than the current rate*' for three-month ahead has gone down to 73.4 per cent from 75.8 per cent in the previous round (July-September 2011). As compared to the last round, more respondents expect prices to rise by '*less than the current rate*' (Table 2.1).
- In contrast, the proportion that expect prices to rise by '*more than the current rate*' in next one year has increased to 76.9 per cent from 73.5 per cent in the previous round.

III.2 Product Group wise Price Expectations

- Product group-wise price expectations reflect similar trend, *i.e.*, the percentage of respondents expecting *price increase* in next three months ahead has gone down *vis-à-vis* the last round for food products, non-food products, household durables, housing and services; while one-year ahead expectations have risen for all the product groups except household durables and cost of services (Table 2.2, 2.3, 2.4, 2.5 and 2.6).

Table 2: Percentage of Respondents - Product-wise Expectations of Prices for Three-month and One-year Ahead

Round No./survey period (quarter ended) →	17	18	19	20	21	22	23	24	25	26
	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11

Table 2.1: General

Options	Three-month ahead (percentage of respondents)									
Prices will increase	95.8	97.4	95.7	95.3	96.5	98.6	96.0	98.7	97.3	96.1
Price increase more than current rate	72.2	74.6	66.9	72.7	72.2	74.3	72.9	71.8	75.8	73.4
Price increase similar to current rate	18.4	16.6	20.0	20.0	21.0	22.0	20.4	19.8	15.4	13.2
Price increase less than current rate	5.1	6.2	8.8	2.6	3.3	2.3	2.7	7.1	6.0	9.6
No change in prices	3.7	2.4	3.4	4.2	2.9	1.1	3.5	1.2	2.2	3.0
Decline in price	0.6	0.3	0.9	0.5	0.6	0.4	0.5	0.1	0.6	0.9
Options	One-year ahead (percentage of respondents)									
Prices will increase	96.3	96.3	96.5	95.2	95.6	98.9	96.1	98.7	96.0	97.1
Price increase more than current rate	69.5	68.2	62.8	70.8	70.4	77.4	73.4	73.3	73.5	76.9
Price increase similar to current rate	17.3	15.2	19.8	18.7	19.7	17.9	18.6	18.0	16.7	12.6
Price increase less than current rate	9.5	12.9	13.9	5.7	5.6	3.6	4.2	7.4	5.9	7.6
No change in prices	3.1	3.1	2.6	3.8	3.5	0.9	3.5	1.3	3.3	2.5
Decline in price	0.7	0.6	0.9	1.1	0.9	0.3	0.3	0.0	0.7	0.4

Table 2: Percentage of Respondents - Product-wise Expectations of Prices for Three-month and One-year Ahead (Contd.)

Round No./survey period (quarter ended) →	17	18	19	20	21	22	23	24	25	26
	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11

Table 2.2: Food Products

Options	Three-month ahead (percentage of respondents)									
Prices will increase	96.3	98.0	95.9	95.8	96.7	98.1	95.4	98.6	97.3	95.3
Price increase more than current rate	76.1	81.1	70.4	74.9	74.7	73.1	69.4	72.0	74.2	70.4
Price increase similar to current rate	15.0	11.7	15.5	17.7	18.0	21.3	21.0	17.5	17.2	16.7
Price increase less than current rate	5.2	5.3	10.0	3.2	4.0	3.7	5.1	9.1	5.9	8.2
No change in prices	3.0	1.4	3.1	3.5	2.3	1.4	3.8	1.2	1.9	3.4
Decline in price	0.8	0.6	1.0	0.7	1.0	0.6	0.8	0.2	0.9	1.3
Options	One-year ahead (percentage of respondents)									
Prices will increase	96.2	96.5	96.8	95.6	95.7	98.6	95.9	98.6	95.8	96.8
Price increase more than current rate	71.0	72.1	65.9	72.8	71.7	76.4	75.5	73.6	72.0	73.7
Price increase similar to current rate	15.2	11.9	16.5	16.9	17.8	17.8	16.6	17.2	19.0	15.8
Price increase less than current rate	10.0	12.5	14.5	5.9	6.2	4.4	3.9	7.9	4.8	7.4
No change in prices	2.9	2.7	2.3	3.3	3.2	1.1	3.6	1.3	3.3	2.7
Decline in price	0.9	0.9	0.9	1.1	1.1	0.4	0.5	0.1	0.9	0.5

Table 2.3: Non Food Products

Options	Three-month ahead (percentage of respondents)									
Prices will increase	94.7	95.8	94.0	92.9	95.4	95.9	95.0	98.0	95.6	94.3
Price increase more than current rate	59.3	63.1	57.4	60.1	64.4	58.8	58.4	65.6	67.1	66.1
Price increase similar to current rate	27.1	24.8	28.0	29.4	27.3	33.2	31.3	25.0	21.5	18.3
Price increase less than current rate	8.3	7.9	8.7	3.4	3.7	3.9	5.3	7.4	7.0	9.9
No change in prices	4.7	3.7	4.8	6.3	3.9	0.5	4.4	1.9	3.8	4.9
Decline in price	0.7	0.5	1.2	0.9	0.7	0.7	0.6	0.1	0.7	0.9
Options	One-year ahead (percentage of respondents)									
Prices will increase	95.2	94.6	94.7	92.8	94.6	97.5	94.7	97.8	95.2	96.2
Price increase more than current rate	59.6	60.7	53.0	59.7	64.0	65.2	59.9	66.9	66.4	67.5
Price increase similar to current rate	23.6	20.7	27.6	26.4	24.9	28.1	29.2	24.0	22.7	20.8
Price increase less than current rate	12.1	13.2	14.1	6.7	5.7	4.2	5.6	7.0	6.1	8.0
No change in prices	4.0	4.6	4.2	5.9	4.4	2.2	4.6	2.0	4.1	3.3
Decline in price	0.8	0.8	1.1	1.3	1.0	0.4	0.7	0.1	0.8	0.5

Table 2.4: Household Durables

Options	Three-month ahead (percentage of respondents)									
Prices will increase	86.8	87.7	86.4	87.1	89.7	91.9	90.4	91.7	91.0	86.9
Price increase more than current rate	38.4	45.5	44.1	45.1	45.8	45.5	47.0	49.0	50.5	53.6
Price increase similar to current rate	30.5	23.4	27.2	30.5	32.9	28.9	28.0	30.6	26.4	19.5
Price increase less than current rate	18.0	18.9	15.1	11.6	11.0	17.5	15.4	12.1	14.1	13.8
No change in prices	11.0	9.5	8.8	9.1	6.3	5.9	5.9	6.7	5.8	10.8
Decline in price	2.2	2.9	4.8	3.8	4.1	2.4	3.8	1.7	3.3	2.3
Options	One-year ahead (percentage of respondents)									
Prices will increase	88.7	87.8	85.2	87.2	89.0	94.4	91.3	92.8	91.5	90.6
Price increase more than current rate	43.3	45.5	43.2	46.6	46.3	48.6	49.6	52.0	52.2	54.6
Price increase similar to current rate	28.2	22.1	25.4	30.1	31.8	32.5	29.0	25.7	26.0	22.6
Price increase less than current rate	17.3	20.3	16.6	10.6	11.0	13.3	12.8	15.1	13.3	13.4
No change in prices	9.1	8.5	9.6	8.0	6.7	3.8	5.7	5.4	6.2	7.8
Decline in price	2.2	3.7	5.3	4.8	4.3	1.9	3.0	1.9	2.3	1.7

Table 2: Percentage of Respondents - Product-wise Expectations of Prices for Three-month and One-year Ahead (Concl.)

Round No./survey period (quarter ended)→	17	18	19	20	21	22	23	24	25	26
	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11

Table 2.5: Housing Prices

Options	Three-month ahead (percentage of respondents)									
Prices will increase	93.8	96.1	95.2	96.1	96.0	97.0	94.5	95.2	97.0	95.5
Price increase more than current rate	64.4	70.8	60.4	70.8	64.6	73.1	73.5	65.4	73.5	67.4
Price increase similar to current rate	22.0	19.8	25.4	21.0	24.8	21.3	18.3	23.5	18.2	18.2
Price increase less than current rate	7.4	5.6	9.5	4.3	6.7	2.6	2.7	6.4	5.4	10.0
No change in prices	5.0	3.4	3.5	3.1	2.8	2.1	4.7	4.5	2.2	3.8
Decline in price	1.2	0.5	1.3	0.9	1.2	0.9	0.8	0.3	0.8	0.7
Options	One-year ahead (percentage of respondents)									
Prices will increase	94.9	96.4	94.1	96.1	95.3	97.9	94.8	97.6	95.8	96.1
Price increase more than current rate	66.0	73.4	61.0	72.0	65.9	75.5	72.1	70.4	70.2	67.3
Price increase similar to current rate	21.4	15.1	21.7	19.1	21.6	19.4	20.1	21.7	20.0	20.6
Price increase less than current rate	7.6	7.9	11.4	5.0	7.9	3.0	2.7	5.6	5.6	8.2
No change in prices	3.8	2.9	4.6	2.7	3.2	1.4	4.6	2.0	3.3	3.5
Decline in price	1.3	0.7	1.3	1.2	1.5	0.8	0.6	0.4	0.9	0.5

Table 2.6: Cost of Services

Options	Three-month ahead (percentage of respondents)									
Prices will increase	92.4	91.7	89.9	94.1	94.2	94.1	91.6	96.2	95.3	91.9
Price increase more than current rate	63.7	62.7	58.6	63.2	59.2	61.4	62.1	61.0	68.1	58.7
Price increase similar to current rate	22.9	21.2	23.9	26.2	28.6	28.9	26.4	26.2	20.3	21.2
Price increase less than current rate	5.8	7.8	7.5	4.8	6.4	3.8	3.1	9.1	6.8	12.1
No change in prices	6.3	7.0	6.7	4.8	5.2	4.5	7.7	3.8	4.0	7.4
Decline in price	1.3	1.4	3.4	1.1	0.6	1.4	0.7	0.0	0.8	0.7
Options	One-year ahead (percentage of respondents)									
Prices will increase	95.0	92.3	89.9	94.2	94.3	95.2	91.2	97.3	95.2	93.6
Price increase more than current rate	65.6	62.9	57.2	63.2	58.0	64.6	62.6	62.7	66.3	65.3
Price increase similar to current rate	21.5	18.5	23.0	24.9	29.5	25.7	24.4	25.3	23.4	18.6
Price increase less than current rate	7.9	10.9	9.8	6.1	6.8	4.9	4.2	9.3	5.4	9.8
No change in prices	4.1	6.0	6.9	4.6	4.9	4.1	8.2	2.6	4.2	5.9
Decline in price	1.0	1.8	3.2	1.2	0.9	0.7	0.7	0.1	0.7	0.5

- Proportion of households expecting price increase three-month ahead by 'more than the current rate' has declined to some extent for food products, housing and cost of services. In line, more respondents expect rise in prices at 'less than the current rate', particularly in respect of housing prices and cost of services.

III.3 Coherence between General and Product Group wise Price Expectations

- As in the past rounds, the general price expectations are observed to be more aligned with food price expectations than with other product groups. On an average, around 90 per cent of the respondents appeared to have been driven by expected changes in food prices for arriving at general price expectations (Table 3 and Table 4).
- The extent of coherence between general price expectations and that of other product groups has decreased considerably in the current survey round as compared with previous round. The association was the lowest with household durables prices (Table 3 and Table 4).

Table 3: Percentage of Respondents Expecting General Price Movements in Coherence with Movements in Price Expectations of Various Product Groups: Three-month Ahead

(percentage of respondents)						
Round No.	Survey Quarter ended	Food	Non-Food	Household Durables	Housing	Cost of services
17	Sep-09	89.1	81.3	56.5	78.1	82.2
18	Dec-09	88.3	83.6	62.3	82.7	79.3
19	Mar-10	87.4	81.4	66.5	78.1	76.6
20	Jun-10	89.9	82.4	63.6	80.2	80.8
21	Sep-10	91.4	86.1	64.8	79.2	76.7
22	Dec-10	92.3	77.3	58.9	82.5	76.6
23	Mar-11	85.5	78.9	62.5	82.5	76.4
24	Jun-11	88.5	83.0	68.1	80.4	80.0
25	Sep-11	88.8	86.2	68.0	84.4	85.2
26	Dec-11	88.5	83.1	69.6	74.8	74.6

Table 4: Percentage of Respondents Expecting General Price Movements in Coherence with Movements in Price Expectations of Various Product Groups: One-year Ahead

(percentage of respondents)						
Round No.	Survey Quarter ended	Food	Non-Food	Household Durables	Housing	Cost of services
17	Sep-09	91.9	85.8	65.0	78.9	82.3
18	Dec-09	91.1	88.4	69.0	82.8	79.3
19	Mar-10	89.9	83.6	67.3	79.7	76.2
20	Jun-10	91.7	83.2	67.2	79.4	81.1
21	Sep-10	93.4	88.0	66.8	81.0	76.3
22	Dec-10	91.7	83.5	62.4	83.0	78.8
23	Mar-11	89.8	81.6	68.1	82.4	80.6
24	Jun-11	94.8	86.6	70.4	81.6	81.6
25	Sep-11	92.4	87.2	71.1	85.7	86.3
26	Dec-11	92.6	84.8	69.7	78.4	80.9

III.4 Inflation Expectations

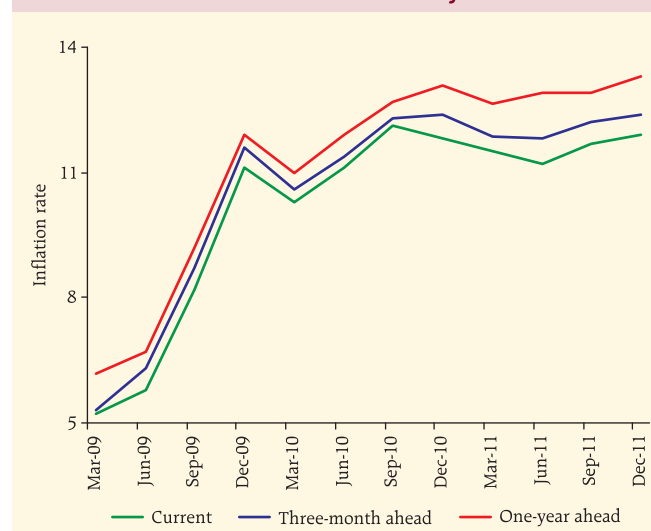
- The three-month ahead and one-year ahead inflation expectations based on mean inflation rate reported by 4,000 households have moved up to 12.4 per cent and 13.3 per cent respectively from 12.2 per cent and 12.9 per cent in the last round (Table 5 and Chart 1).
- According to the respondents' perception based on their respective consumption baskets, current perceived, three-month ahead and one-year ahead expected inflation have increased by 20, 20 and

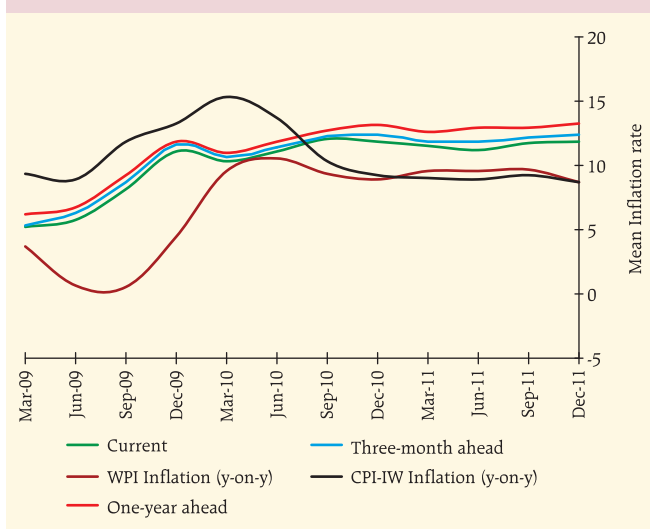
40 basis points respectively *vis-à-vis* corresponding average rates reported in the previous round.

- Households expect inflation to rise further by 50 and 140 basis points during next three-month and next one-year respectively from the perceived current rate of 11.9 per cent.
- For a large part of the survey history, the households' inflation expectations remained between the WPI and CPI-IW inflation rates. However, from September 2010 round of the survey, household inflation expectations are higher than the official inflation rates (Chart 2).

Table 5: Household Inflation Expectations - Current, Three-month Ahead and One-year Ahead

Survey Round	Survey Quarter ended	Three-month Expectation period	Inflation rate in Per cent		
			Current	Three-month ahead	One-year ahead
14	Dec-08	Jan-Mar 09	9.3	8.9	9.6
15	Mar-09	Apr-Jun 09	5.2	5.3	6.2
16	Jun-09	Jul-Sep 09	5.8	6.3	6.7
17	Sep-09	Oct-Dec 09	8.2	8.7	9.2
18	Dec-09	Jan-Mar 10	11.1	11.6	11.9
19	Mar-10	Apr-Jun 10	10.3	10.6	11.0
20	Jun-10	Jul-Sep 10	11.1	11.4	11.9
21	Sep-10	Oct-Dec 10	12.1	12.3	12.7
22	Dec-10	Jan-Mar 11	11.8	12.4	13.1
23	Mar-11	Apr-Jun 11	11.5	11.9	12.7
24	Jun-11	Jul-Sep 11	11.2	11.8	12.9
25	Sep-11	Oct-Dec 11	11.7	12.2	12.9
26	Dec-11	Jan-Mar 12	11.9	12.4	13.3

Chart 1: Households Inflation Expectations – Current, Three-month Ahead and One-year Ahead

**Chart 2: Households Inflation Expectations -
vis-à-vis Official Inflation Numbers**

- Based on 10,000 re-samples using simple random sampling with replacement, 99 per cent bootstrap confidence intervals worked out for mean for short-term and long-term period have small width indicating the precision of point estimates for the population means of households' expectations of inflation (Table 6).

III. 5 Variations in Responses

- Over different rounds of the survey, the variations in the responses in terms of standard deviation were observed to be lower for the perceived current inflation rate as compared to the expectations. However, in the current round of the survey, the variation in perceived current rate has been as much as that in the expectations (Table 7).
- Variation in consumption baskets and thereby the variability in responses for inflation expectations may partly be explained by different classificatory factors (*viz., gender, age-group, city and category*) of respondents over different rounds.

**Table 6: 99% Bootstrap Confidence Intervals (BCI)
based on 10,000 Resamples**

Current		Three-month ahead		One-year ahead	
99% BCI for Mean	Interval width	99% BCI for Mean	Interval width	99% BCI for Mean	Interval width
(11.72, 12.02)	0.30	(12.26, 12.55)	0.29	(13.12, 13.39)	0.27

Table 7: Variability in Responses in Various Rounds

Round No.	Survey Quarter ended	Inflation rate					
		Current		Three-month Ahead		One-year Ahead	
		Mean	Std. Dev.	Mean	Std. Dev.	Mean	Std. Dev.
16	Jun-09	5.8	4.4	6.3	4.6	6.7	4.7
17	Sep-09	8.2	6.0	8.7	6.0	9.2	5.9
18	Dec-09	11.1	4.9	11.6	4.9	11.9	5.1
19	Mar-10	10.3	4.4	10.6	4.7	11.0	4.8
20	Jun-10	11.1	3.6	11.4	4.1	11.9	4.2
21	Sep-10	12.1	3.2	12.3	3.6	12.7	3.8
22	Dec-10	11.8	3.5	12.4	3.7	13.1	3.6
23	Mar-11	11.5	3.1	11.9	3.7	12.7	3.6
24	Jun-11	11.2	3.4	11.8	3.3	12.9	3.3
25	Sep-11	11.7	3.1	12.2	3.4	12.9	3.7
26	Dec-11	11.9	3.5	12.4	3.4	13.3	3.4

- An Analysis of Variance (ANOVA) carried out over different rounds revealed that 'city' has always been a significant source of variation in each round followed by occupational 'category' (Table 8).
- Survey shows that housewives and daily workers tend to have higher inflation expectations. No visible pattern emerged from age-wise profile of respondents (Table 9).

Table 8: Factors that Explain the Total Variability

Round No.	Survey Quarter ended	Current	Three-month Ahead	One-year Ahead
16	Jun-09	City, Gender, Category, Age	City, Gender, Category	City, Category, Age
17	Sep-09	City, Age	City, Age	City, Age
18	Dec-09	City, Category, Age	City, Age	City
19	Mar-10	City, Category, Age	City, Category	City, Category
20	Jun-10	City, Category, Age	City, Category, Age	City, Category, Age
21	Sep-10	City, Gender, Category, Age	City, Gender, Category	City, Category
22	Dec-10	City, Category	City, Category	City, Category
23	Mar-11	City, Category	City, Category	City, Category, Age
24	Jun-11	City, Category	City, Category	City, Category
25	Sep-11	City, Gender, Category	City, Category	City, Gender, Category
26	Dec-11	City, Category	City, Category, Age	City, Category

Note: Results based on exercise using Analysis of Variance.

Table 9: Various Group-wise Inflation Expectations for December 2011 Survey Round

	Current		Three-month Ahead		One-year Ahead	
	Mean	Std. Dev	Mean	Std. Dev	Mean	Std. Dev
Gender-wise						
Male	11.6	3.6	12.2	3.5	13.1	3.3
Female	12.2	3.4	12.7	3.4	13.4	3.5
Category-wise						
Financial Sector Employees	11.4	3.3	11.8	3.5	12.8	3.4
Other Employees	11.8	3.4	12.4	3.3	13.1	3.5
Self-Employed	11.2	3.8	12.0	3.5	12.8	3.3
Housewives	12.3	3.5	12.8	3.3	13.7	3.3
Retired Persons	11.8	3.4	12.2	3.5	13.2	3.4
Daily Workers	12.5	3.6	12.9	3.6	13.8	3.4
Other category	11.9	3.4	12.4	3.4	13.2	3.3
Age-wise						
Up to 25 years	12.5	3.5	13.0	3.5	13.6	3.5
25 to 30 years	11.7	3.4	12.3	3.2	13.2	3.2
30 to 35 years	11.8	3.7	12.3	3.6	13.2	3.5
35 to 40 years	11.7	3.5	12.4	3.3	13.1	3.6
40 to 45 years	11.9	3.6	12.6	3.2	13.4	3.1
45 to 50 years	11.9	3.6	12.4	3.5	13.2	3.2
50 to 55 years	11.7	3.6	12.4	3.2	13.3	3.1
55 to 60 years	11.6	3.4	11.8	3.8	12.9	3.3
60 years and above	11.8	3.3	12.1	3.6	13.1	3.5
City-wise						
Mumbai	14.1	3.2	14.1	4.0	15.5	2.2
Delhi	11.4	3.0	11.9	3.5	12.8	3.1
Chennai	11.2	1.9	12.2	1.9	11.3	4.1
Kolkata	10.9	2.0	10.7	2.4	11.0	2.6
Bangalore	15.8	1.8	16.0	1.5	16.1	1.2
Hyderabad	11.9	2.8	12.4	2.8	12.7	2.7
Ahmedabad	8.4	2.6	9.8	2.2	11.2	2.3
Lucknow	12.9	3.0	13.9	2.7	14.7	2.3
Jaipur	16.0	1.8	15.0	3.0	16.3	1.2
Bhopal	8.4	2.5	10.5	2.5	13.0	2.9
Patna	10.8	5.9	11.7	5.4	13.0	4.6
Guwahati	10.4	0.6	11.6	1.4	13.7	1.8
All	11.9	3.5	12.4	3.4	13.3	3.4

- City-wise, inflation expectations were found the highest in Bangalore and Jaipur and the lowest in Ahmedabad (Table 9).

III.6 Cross-tabulation of Current Inflation and Future Expectations

- The proportions of respondents perceiving and expecting inflation at double digit for short and long term periods have increased as compared with those in the last round.

- In particular, 72.0 per cent (64.5 per cent in previous round) of respondents perceive double digit current inflation. Similarly, 78.3 per cent (77.5 per cent in previous round) and 84.2 per cent (83.9 per cent in previous round) of the respondents expect double digit inflation rates for three-month ahead and one-year ahead periods (Table 10, Table 11 and Chart 3).
- A cross tabulation of the current inflation perception with the future inflation expectations indicates that among the 72.0 per cent respondents

Table 10: 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	Total
Current inflation rate (per cent)	<1		1								1	1								3
	1-2	1	10	9	6	7														33
	2-3			3	12	7	4				2	2	3							33
	3-4				2	4	8	4			1								1	20
	4-5				1	8	6	6	12	2	3	1	1			1	1		1	43
	5-6					1	7	6	21	14	6	2			1					58
	6-7							9	45	26	20	2				1				103
	7-8	3					1	6	33	53	42	14	1	1	2	3	2	2		163
	8-9	1						1	16	43	106	25	1	1					1	195
	9-10	8		1		1				3	19	96	232	77	24	2	1	3	1	469
	10-11	10			1	1		1	2	3	61	211	324	137	36	16	2	2	8	815
	11-12	3									2	16	107	173	32	11	2	4	4	354
	12-13	5								1	1	4	5	61	193	23	4	6	5	308
	13-14	1										1	3	3	32	90	13	3	3	149
	14-15						1	1					1	4	3	28	64	42	2	146
	15-16	2						2				1				8	24	88		125
	>=16	14				4		2	2	4	8	2	5	5	3	18	24	889	3	983
	Total	48	11	13	22	33	27	38	134	165	349	514	528	409	304	200	137	1041	27	4000

Note: The shaded cells represent the number of respondents who perceived current inflation in double digit and also expressed double digit in the next three-month ahead.

who perceive the current inflation in double digit, around 95 per cent expect that it would remain at

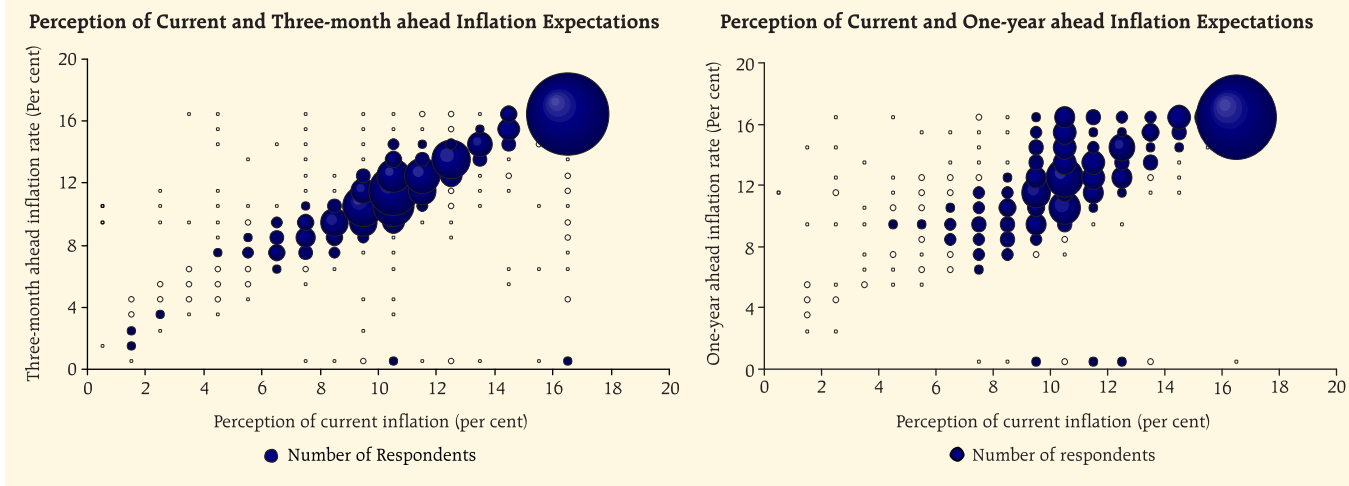
similar levels in next three months or in next one year (Table 10 and Table 11).

Table 11: 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	Total
Current inflation rate (per cent)	<1					1							2							3
	1-2	1		4	6	8	6				2		1			3	1	1		33
	2-3	1		2	1	7	3	1	1		4	1	5	2	1	2		2		33
	3-4					5	2	2		3	3	1	1	1	2		1			20
	4-5					1	3	3	10	1	12	5	2	2		1	1	2		43
	5-6						4	5	3	5	19	8	5	6	1		2			58
	6-7						1	8	8	22	24	18	8	8	4		2			103
	7-8	2					1	11	20	23	32	27	21	9	4	4	3	6		163
	8-9	2						1	22	33	33	50	26	18	3	1	2	2	2	195
	9-10	11							5	24	59	55	131	66	42	31	20	18	7	469
	10-11	10		1				1	2	8	36	152	55	211	81	93	90	61	14	815
	11-12	11							1		3	16	70	83	92	24	13	34	7	354
	12-13	17	1							1	4		16	64	40	111	17	26	11	308
	13-14	8									1	1	4	5	40	18	47	21	4	149
	14-15	1										1	2	2	3	16	33	85	3	146
	15-16														1	1	4	13	106	125
	>=16	4						1	1				1		1	1	12	959	3	983
	Total	68	1	7	7	17	23	33	75	117	232	337	350	478	315	309	257	1323	51	4000

Note: The shaded cells represent the number of respondents who perceived current inflation in double digit and also expressed double digit in the next one-year ahead.

Chart 3: Relationship in the Perception Level of Current Inflation with Future Expectations

III.7 Awareness on Reserve Bank of India's Action to Control Inflation

- On the feedback of the RBI action to control inflation and its impact, the survey finds that 68.2 per cent (62.6 per cent in previous round) of respondents are aware that RBI *takes action* to control inflation. Among these, 36.0 per cent (26.7 per cent in previous round) felt that RBI is taking *necessary* action (Chart 4), of which, 53.6 per cent think that the *action has an impact* on controlling inflation.

- While financial sector employees are mostly aware of RBI role in controlling inflation, daily workers are largely unaware (Chart 5).
- Among the respondents in each category who felt that RBI is taking necessary action to control inflation, most of them also felt that the action has an impact (Table 12).

III.8 Expectations in Change of Income/Wages

- Out of 2,198 respondents in the wage earners/self-employed/daily workers categories, 41.8 per

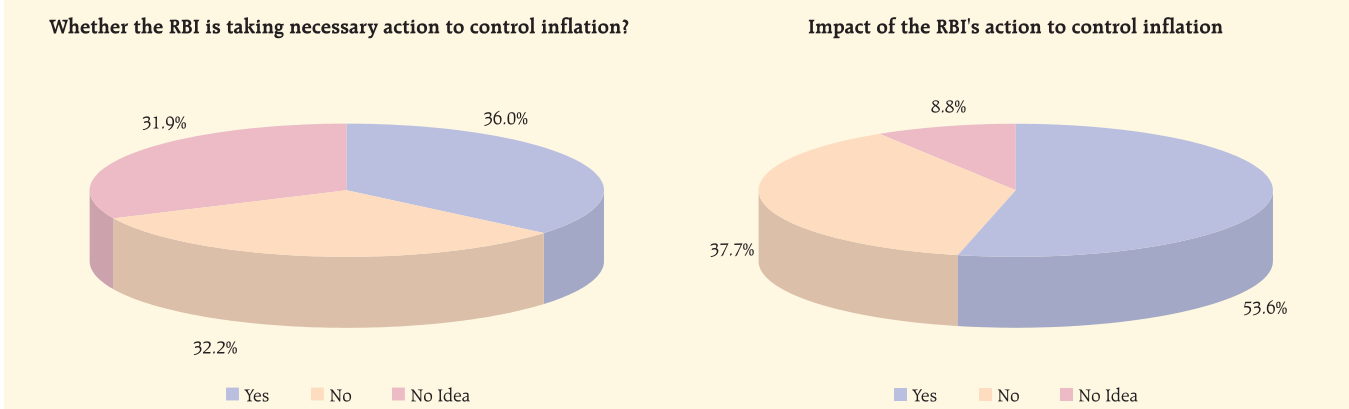
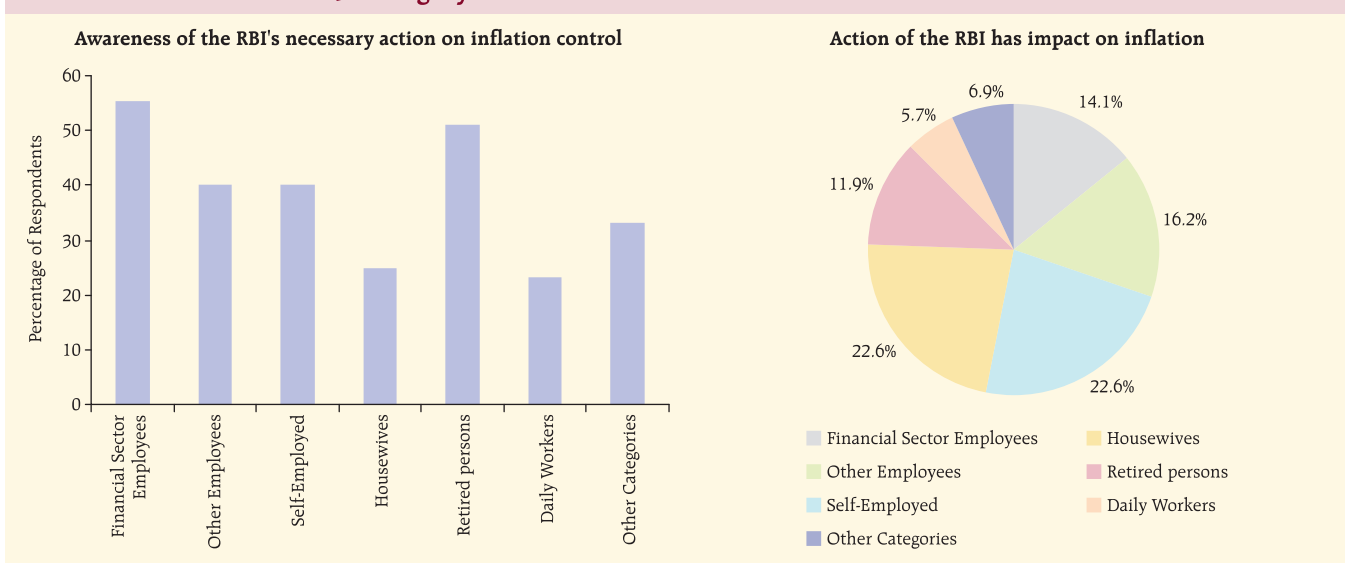
Chart 4: Respondents' view on RBI's Action to Control Inflation

Chart 5: Category-wise Awareness on RBI's Action on Inflation Control**Table 12: Category-wise Responses on the Impact of RBI's Action on Inflation Control**

Category of Respondents	Impact of RBI's action on inflation control (per cent of respondents*)		
	Yes	No	No Idea
Financial Sector Employees	52.9	40.3	6.8
Other Employees	48.6	40.1	11.3
Self-employed	51.9	40.0	8.1
Housewives	57.0	34.4	8.5
Retired Persons	51.7	39.9	8.4
Daily Workers	54.3	33.3	12.3
Other Category	68.8	24.7	6.5

*Respondents who felt that RBI is taking necessary action to control inflation

cent reported increase in wages/income in the past one year. Around 73 per cent do not see their income/wage increasing in next three months. However, 71.3 per cent expect their income/wages to rise in next one year (Table 13).

- Among the 41.8 per cent respondents who have reported wages/income increase in past one year, 47.2 per cent are from salaried class, 38.1 per cent are self-employed and 35.3 per cent are daily workers.
- 65.5 per cent of daily workers, 66.1 per cent of self-employed and 77.7 per cent of financial sector and other employees expect increase in income in next one year.

Table 13: Respondent's Expectation on Change in Wage/Income level

Category of Respondents	(Percentage of Response)								
	Change in income since last year			Change in income in three-month ahead period			Change in income in one-year ahead period		
	Increase	Same	Decrease	Increase	Same	Decrease	Increase	Same	Decrease
Financial Sector Employees	56.9	39.3	3.8	33.1	64.8	2.2	79.7	18.4	1.9
Other Employees	41.5	56.7	1.8	22.8	76.2	1.0	76.6	22.2	1.3
Total Employees	47.2	50.3	2.5	26.6	72.0	1.4	77.7	20.8	1.5
Self-Employed	38.1	52.2	9.7	23.9	71.7	4.4	66.1	30.1	3.8
Daily Workers	35.3	58.6	6.0	17.8	77.0	5.2	65.5	29.3	5.2
Total	41.8	52.4	5.8	24.2	72.7	3.1	71.3	25.7	2.9

Annex



RESERVE BANK OF INDIA
DEPARTMENT OF STATISTICS AND INFORMATION MANAGEMENT
INFLATION EXPECTATIONS SURVEY OF HOUSEHOLDS,
December 2011

Respondent's Code

Round No.	Zone	City	Gender	Age group	Category	Sr. No.
26						

Block 1: Identification of the Respondent

1. Name of the Respondent: _____
2. Address of the Respondent: _____

City		State		PIN					
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3. Telephone/Mobile No.: _____
4. Gender of the respondent (Please tick (✓) appropriate one) [1] Male [2] Female
5. Age of the respondent (in completed years, above 18 years): _____
6. Category of the respondent (Please tick (✓) appropriate one)

Financial Sector Employees	Other Employees	Self-Employed	House Wife	Retired Persons	Daily workers	Others
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Block 2: Expectations of respondent on prices in next 3 months: (Please tick (✓) the relevant cell for each Col.)

	OPTIONS	General	Food Products	Non-Food Products	Household durables	Housing	Services
i	Price increase more than current rate						
ii	Price increase similar to current rate						
iii	Price increase less than current rate						
iv	No change in prices						
v	Decline in prices						

Block 3: Expectations of respondent on prices in next one year: (Please tick (✓) the relevant cell for each Col.)

	OPTIONS	General	Food Products	Non-Food Products	Household durables	Housing	Services
i	Price increase more than current rate						
ii	Price increase similar to current rate						
iii	Price increase less than current rate						
iv	No change in prices						
v	Decline in prices						

Block 4: Respondent's feedback on Reserve Bank's Action on Price stability

Do you feel Reserve Bank of India is taking necessary action on controlling Inflation? Options-Yes/No/No idea
If Yes, do you think it has any impact on Inflation? Options- Yes/No/No idea

Block 5: Respondent's views on the following inflation rates: (Please tick (✓) the relevant cell)

Parameters	Options								
	Less than 1%	1 - 2 %	2 - 3 %	3 - 4 %	4 - 5 %	5 - 6 %	6 - 7%	7 - 8%	8 - 9%
Current inflation rate	9 - 10%	10 - 11%	11 - 12%	12 - 13%	13 - 14%	14 - 15%	15 - 16 %	16 % and above	No idea
Inflation rate after 3 months	9 - 10%	10 - 11%	11 - 12%	12 - 13%	13 - 14%	14 - 15%	15 - 16 %	16 % and above	No idea
Inflation rate after one year	9 - 10%	10 - 11%	11 - 12%	12 - 13%	13 - 14%	14 - 15%	15 - 16 %	16 % and above	No idea

Block 6: Please specify the amount you have paid for the purchases of the following major food items during the last one month

(1)	(2)	(3)	(4)	(5)
Milk (₹ per litre)	Wheat-atta (₹ per Kg.)	Rice (₹ per Kg.)	Chana-dal (₹ per Kg.)	Tur-dal (₹ per Kg.)

Block 7: Respondent's expectation on change in wage/income level in view of changes in price

Options	Change in wage/income from one year ago	Expected change in wage/income in next 3 months	Expected change in wage/income in next one year
Increase			
No change			
Decrease			

Name of the Investigator: _____ Signature of the Investigator: _____

Date of the Interview
(DD/MM/YYYY)
/ /2011

Annex (Concl.)**Description of Parameters**

Food Products	<ul style="list-style-type: none"> (i) Cereals (Wheat, Rice, Pulses, <i>etc.</i>), Fruits, Vegetables, Sugar, Edible oils, Dairy products and Bakery products, Tea, Coffee, <i>etc.</i> (ii) Meat, fish and sea food products (iii) Soft drinks carbonated and Mineral water, Beverages (iv) Bidi, cigarette and other tobacco products like zarda, pan masala and related products, <i>etc.</i>
Non-Food Products	<ul style="list-style-type: none"> (i) Clothes and wearing apparels (ii) Pharmaceutical and Medicines, Cleaning and polishing products, Soaps and detergents (iii) Rubber and rubber products, Tyres and tubes (iv) Plastic and plastic products (v) Leather and leather products (footwear, <i>etc.</i>) (vi) Paper and paper products (stationery, <i>etc.</i>) (vii) Petroleum and coal products (viii) Basic chemical and chemical products, Dyes and dyestuff (ix) Basic metal and non-metallic mineral products, <i>etc.</i>
Household Durables	<ul style="list-style-type: none"> (i) Audiovisual equipment (Radio, television, video camera, telephone microphone, mobile, <i>etc.</i>) (ii) Furniture, Wood and wood products (iii) Washing machines, Air cooler and Air conditioner (iv) Personal computer (v) Watches and clocks, <i>etc.</i>
Housing	<ul style="list-style-type: none"> (i) Construction and maintenance of residential/office premises (ii) Site preparation (iii) House rent
Services	<ul style="list-style-type: none"> (v) Transport and Communication (vi) Education, recreation and amusement (vii) Medical care (viii) IT Services (ix) Personal care and effects (x) Banking/postal/courier services