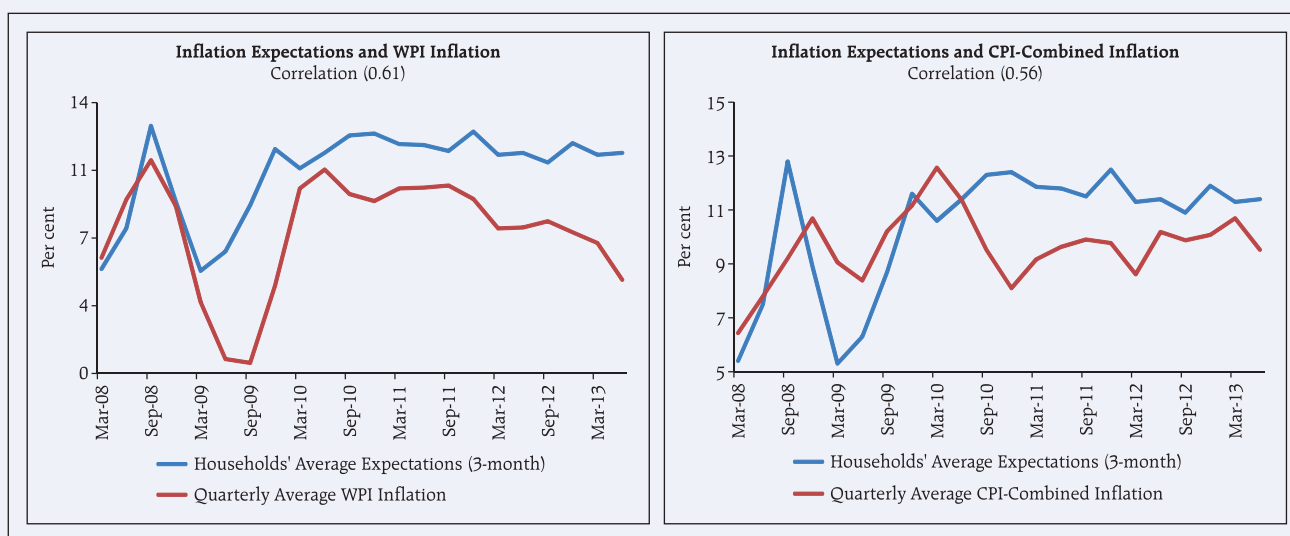### Correlation Between Measures of Inflation and Inflation Expectations

Both WPI and CPI-Combined series are highly correlated with 3-month ahead inflation expectations. However, in both cases, movement has been directionally different at times.

Inflation Expectations and WPI Inflation
Correlation (0.61)

— Households' Average Expectations (3-month)
— Quarterly Average WPI Inflation

Inflation Expectations and CPI-Combined Inflation
Correlation (0.56)

— Households' Average Expectations (3-month)
— Quarterly Average CPI-Combined Inflation

1-year ahead and 3-month ahead inflation expectations and their relationship with food and fuel inflation

CPI-IW Inflation and Household Inflation Expectations (IESH)

Sample period: 2008:Q3 to 2013:Q2

Total panel (balanced) observations: 140

Dependent Variable	IESH 1-year ahead	IESH 3-month ahead
Constant	0.16 (1.17)	0.16 (1.15)
CPI-IW Food	0.11** (2.01)	0.13** (2.22)
CPI-IW Fuel and Lighting	0.18* (4.18)	0.16* (3.83)
CPI-IW excluding Food and Fuel	0.13*** (1.70)	0.09 (1.15)
Adjusted R-squared	0.12	0.10
S.E. of regression	1.60	1.60
F-statistic	7.33	6.22
Prob(F-statistic)	0.00	0.00

Note : Figures in parentheses denote t-values.
Coefficient significant at *1 per cent ** 5 per cent and ***10 per cent levels.

Note: All the panel regressions were carried out using first differences of the variables.

WPI Inflation and Household Inflation Expectations (IESH)
Sample period: 2008:Q3 to 2013:Q2
Total panel (balanced) observations: 140

Dependent Variable	IESH 1-year ahead	IESH 3-month ahead
Constant	0.24**	0.22***
	(2.05)	(1.83)
WPI- Food Items	0.02	0.03
	(0.42)	(0.53)
WPI-Fuel Group	0.22*	0.24*
	(5.16)	(5.46)
WPI-Non-food Manufactured Products	-0.15	-0.23***
	(-1.09)	(-1.76)
Adjusted R-squared	0.34	0.32
S.E. of regression	1.39	1.39
F-statistic	24.64	22.65
Prob(F-statistic)	0.00	0.00

Note: Figures in parentheses denote t-values.
Coefficient significant at *1 per cent ** 5 per cent and ***10 per cent levels.

Note: All the panel regressions were carried out using first differences of the variables.