

**भारतीय रिज़र्व बैंक**  
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**RBI Working Paper No. 02/2022: Taking Cognisance of Households' Inflation Expectations in India**

Today the Reserve Bank of India placed on its website a Working Paper titled "[Taking Cognisance of Households' Inflation Expectations in India](#)" under the Reserve Bank of India Working Paper Series<sup>1</sup>. The Paper is authored by Devendra Pratap Singh, Aditya Mishra and Purnima Shaw.

This paper emphasises the importance of capturing households' inflation expectations. Based on the definition of rational expectations, it studies the characteristics of inflation expectations of households in India *vis-à-vis* those of households or consumers in developed and emerging economies. The study indicates that the properties of inflation expectations in India are similar to those in other countries *viz.*, USA, England, Japan, New Zealand, South Africa, the Czech Republic, the Philippines and Russia, except for the relatively higher bias in India than for most other economies. While acknowledging the objectives of capturing households' inflation expectations, this paper studies the challenges in forecasting inflation using inflation expectations data. It further posits that price shock in various consumer items, irrespective of their weights in the consumption basket, may result in a disproportionate impact on households' inflation views. Further, the study throws light on how households alter their savings behaviour and portfolio based on several factors, one of them is their sentiments about future inflation. The analysis opens vistas for further research in this area.

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**(Yogesh Dayal)**  
Chief General Manager

<sup>1</sup> The Reserve Bank of India (RBI) introduced the RBI Working Papers series in March 2011. These papers present research in progress of the staff members of the RBI and at times also those of external co-authors when the research is jointly undertaken. They are disseminated to elicit comments and further debate. The views expressed in these papers are those of the authors and not necessarily those of the institution(s) to which they belong. Comments and observations may please be forwarded to the authors. Citation and use of such papers should take into account its provisional character.