

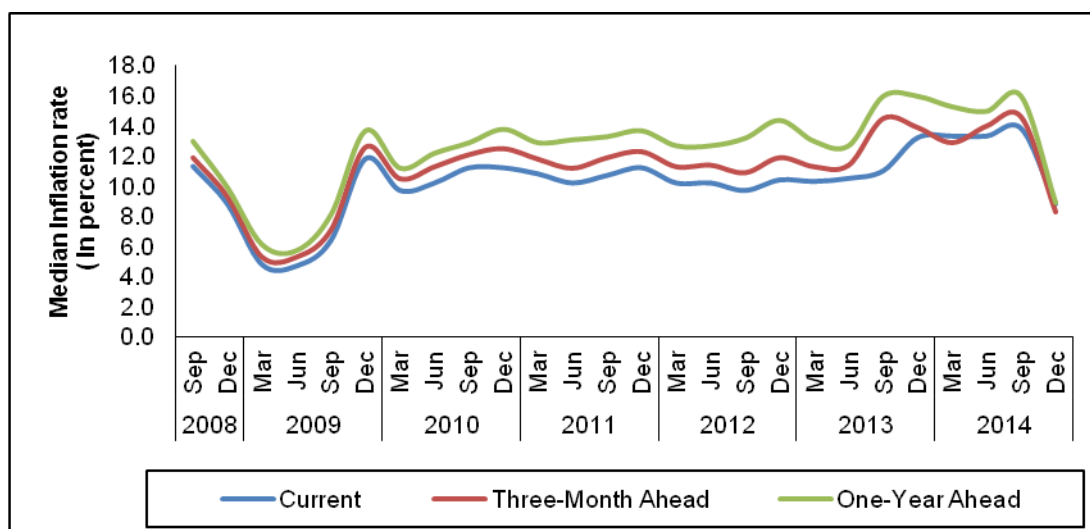
Inflation Expectations Survey of Households: December 2014¹

The Inflation Expectations Survey of Households for December 2014 (38th round) captures the inflation expectations of 5,000 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 benchmark of official measure of inflation. The households' inflation expectations provide useful directional information on near-term inflationary pressures and also supplement other economic indicators.

Highlights:

- I. Qualitative response from survey suggests that fewer respondents are expecting general prices to rise by '*more than current rate*' (*i.e.*, fewer respondents expect higher inflation) during the next three-months and next one-year, possibly reflecting adaptive response to the decline in headline inflation in recent months. Across product-groups too, the share of respondents expecting higher inflation has declined for both the horizons.
- II. In terms of quantitative response, current inflation perceptions and inflation expectations (both three-month ahead as well as one-year ahead) have moderated noticeably in the current round and reached to single digits (Chart 1).

Chart 1: Trends in Inflation Perceptions and Expectations



- III. The survey shows that housewives and daily workers have comparatively higher level of inflation expectations based on median inflation rates. Respondents from Bhopal, Thiruvananthapuram and Bhubaneswar cities expect relatively higher inflation.

¹ The previous round of the survey data was published on [September 30, 2014](#) on the RBI website. The survey results are based on views of the respondents which 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	9.9	10.0
Other Employees	15.2	15.0
Self-employed	20.0	20.0
Housewives	30.0	30.0
Retired Persons	10.0	10.0
Daily Workers	10.0	10.0
Others	4.9	5.0

Note: The above sample proportion is for the round ended December 2014 survey.

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

(Percentage of respondents)

Round No./survey period	35	36	37	38	35	36	37	38
(Round ended) →	Mar-14	Jun-14	Sep-14	Dec-14	Mar-14	Jun-14	Sep-14	Dec-14
Options: General	Three-month ahead				One-year ahead			
Prices will increase	89.2	77.5	86.4	72.4	94.1	83.6	90.0	79.8
Price increase more than current rate	51.2	41.2	43.9	25.7	59.0	47.4	48.0	32.1
Price increase similar to current rate	28.4	21.5	28.8	27.0	25.7	22.0	27.4	29.9
Price increase less than current rate	9.6	14.8	13.7	19.8	9.3	14.2	14.6	17.8
No change in prices	8.3	12.7	9.0	16.5	3.5	7.4	5.5	11.2
Decline in price	2.5	9.8	4.6	11.0	2.4	9.0	4.5	9.0
Options: Food Product	Three-month ahead				One-year ahead			
Prices will increase	88.6	77.2	85.9	72.3	93.8	82.8	89.5	79.9
Price increase more than current rate	51.9	42.3	41.9	25.2	57.6	47.0	46.2	30.7
Price increase similar to current rate	26.3	21.5	28.1	28.5	26.3	21.3	27.7	30.5
Price increase less than current rate	10.4	13.4	15.8	18.5	9.9	14.5	15.5	18.7
No change in prices	8.7	13.9	9.0	17.1	4.0	7.9	5.8	11.3
Decline in price	2.7	8.9	5.1	10.6	2.2	9.3	4.7	8.9
Options: Non-Food Product	Three-month ahead				One-year ahead			
Prices will increase	80.6	73.1	78.5	65.1	87.5	79.5	83.8	75.1
Price increase more than current rate	42.5	37.3	34.7	21.2	48.1	42.0	36.3	26.1
Price increase similar to current rate	27.2	21.7	27.2	26.1	28.5	22.3	29.0	30.6
Price increase less than current rate	10.8	14.1	16.5	17.8	10.8	15.3	18.4	18.4
No change in prices	16.5	18.9	17.4	25.6	9.7	12.7	12.1	16.6
Decline in price	3.0	8.0	4.2	9.3	2.9	7.8	4.1	8.3
Options: Household Durables	Three-month ahead				One-year ahead			
Prices will increase	70.5	68.9	64.0	59.7	81.5	76.9	76.8	72.1
Price increase more than current rate	35.4	35.3	27.2	20.4	44.2	42.1	33.9	27.5
Price increase similar to current rate	23.1	20.0	22.7	23.8	25.6	20.7	26.1	27.8
Price increase less than current rate	12.0	13.6	14.1	15.6	11.7	14.1	16.9	16.8
No change in prices	21.1	20.9	24.3	27.3	12.4	13.9	15.0	16.5
Decline in price	8.4	10.2	11.7	13.0	6.0	9.2	8.2	11.4
Options: Housing Prices	Three-month ahead				One-year ahead			
Prices will increase	85.5	82.2	84.6	78.4	91.6	87.2	91.5	86.1
Price increase more than current rate	58.0	55.4	55.5	39.5	66.2	59.7	60.8	47.9
Price increase similar to current rate	21.1	17.0	20.3	24.9	19.2	17.8	22.5	25.6
Price increase less than current rate	6.4	9.8	8.8	13.9	6.3	9.7	8.2	12.6
No change in prices	10.2	11.1	11.4	13.7	4.4	6.0	5.0	6.6
Decline in price	4.4	6.7	4.0	7.9	4.0	6.8	3.5	7.3
Options: Cost of Services	Three-month ahead				One-year ahead			
Prices will increase	83.1	78.5	79.1	71.6	90.4	84.9	87.5	81.8
Price increase more than current rate	48.0	46.4	38.8	28.4	54.8	50.6	45.4	34.7
Price increase similar to current rate	26.5	19.4	25.3	26.6	25.4	20.7	26.9	30.0
Price increase less than current rate	8.7	12.6	15.0	16.6	10.2	13.6	15.2	17.2
No change in prices	14.5	16.2	18.0	21.7	7.2	9.3	9.8	11.6
Decline in price	2.4	5.3	2.9	6.7	2.4	5.8	2.8	6.6

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
37	Sep-14	65.1	53.9	43.9	50.1	51.7
38	Dec-14	62.0	51.9	48.5	48.3	49.5
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
37	Sep-14	69.1	59.0	53.3	57.7	59.7
38	Dec-14	66.8	57.8	53.5	53.3	56.6

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
37	Sep-14	12.7	13.8	4.0	12.7	14.6	4.4	13.5	16.0	4.0
38	Dec-14	9.0	8.8	4.2	8.8	8.3	4.5	9.3	8.9	4.6

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
37	Sep-14	City, Age-Group	City, Age-Group	City
38	Dec-14	City, Category	City, Category	City, Category

Note: Results based on exercise using Analysis of Variance.

Table 6: Various Group-wise Inflation Expectations for December- 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	8.8	8.7	4.2	8.6	8.2	4.6	9.0	8.6	4.6
Female	9.2	8.9	4.1	9.1	8.5	4.4	9.6	9.2	4.6
Occupational Group-wise									
Financial Sector Employees	9.0	8.7	4.3	8.8	7.8	4.8	9.5	9.1	4.7
Other Employees	8.5	8.3	4.1	8.4	8.1	4.4	8.7	8.2	4.5
Self Employed	8.6	8.6	4.0	8.4	7.8	4.5	8.8	8.3	4.4
Housewives	9.3	9.1	4.1	9.2	8.9	4.4	9.8	9.5	4.6
Retired Persons	9.3	9.1	4.4	8.8	7.9	4.8	9.3	8.9	4.8
Daily Workers	9.2	8.9	4.4	9.1	8.9	4.5	9.6	9.2	4.8
Other category	8.3	8.1	3.9	8.5	8.1	4.2	8.8	8.2	4.5
Age Group-wise									
Up to 25 years	8.6	8.4	4.0	8.8	8.3	4.4	9.2	8.5	4.7
25 to 30 years	8.8	8.6	4.2	8.7	7.9	4.5	9.1	8.4	4.7
30 to 35 years	8.7	8.6	4.0	8.6	8.2	4.4	9.0	8.6	4.5
35 to 40 years	9.1	8.9	4.2	8.8	8.3	4.6	9.4	9.1	4.6
40 to 45 years	9.1	9.2	4.3	8.8	8.3	4.6	9.6	9.4	4.7
45 to 50 years	9.2	9.0	4.2	8.9	8.4	4.3	9.4	9.2	4.5
50 to 55 years	9.0	9.1	4.0	8.8	8.2	4.6	9.2	9.0	4.3
55 to 60 years	9.3	9.2	4.3	9.0	8.4	4.9	9.3	8.9	4.7
60 years and above	9.4	9.2	4.3	9.0	8.8	4.5	9.5	9.3	4.6
City-wise									
Ahmadabad	9.6	9.7	5.3	9.1	9.4	5.5	10.9	10.1	4.9
Bangalore	4.9	4.8	2.1	5.5	5.3	2.8	4.9	4.6	2.5
Bhopal	9.7	9.7	3.4	11.2	11.6	3.6	11.9	12.2	3.8
Bhubaneswar	9.0	9.4	3.2	10.5	11.0	3.9	10.6	10.9	4.3
Chennai	9.5	8.9	3.6	8.8	5.9	4.8	9.0	6.8	4.5
Delhi	7.9	6.0	4.8	8.8	7.2	4.8	8.2	6.5	5.4
Guwahati	9.1	8.3	4.0	7.7	6.0	4.2	8.5	6.5	4.5
Hyderabad	4.9	3.3	3.6	5.7	3.9	4.2	5.8	3.9	4.4
Jaipur	10.3	9.4	4.5	7.6	6.3	4.3	10.2	9.0	4.5
Kolhapur	10.4	8.7	4.1	9.7	8.2	5.2	9.6	7.4	4.9
Kolkata	10.4	9.6	4.1	9.6	8.9	4.7	10.4	9.7	4.7
Lucknow	10.4	9.8	4.7	10.0	11.0	5.4	10.9	10.8	5.0
Mumbai	9.9	9.7	3.6	8.5	9.0	4.1	9.8	9.7	3.7
Nagpur	6.2	5.7	2.5	6.9	6.7	2.7	6.5	6.0	2.9
Patna	9.0	8.8	1.9	9.9	9.9	2.3	10.0	10.2	2.7
Thiruvananthapuram	10.2	9.9	2.1	10.9	11.0	2.7	11.6	11.8	2.4
All	9.0	8.8	4.2	8.8	8.3	4.5	9.3	8.9	4.6

Table 7: 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		
Current inflation rate (per cent)	<1	26	5	2	4					1	3	1							10	52	
	1-2	5	27	18	11	4	1	2		7	8								10	93	
	2-3	5	30	54	54	18	9	5	1	3	1								7	187	
	3-4	2	6	31	48	76	30	4	3	2	3					1			1	207	
	4-5	7	16	14	36	52	76	51	24	7	24	3						2	2	12	326
	5-6	4	5	20	24	62	115	120	66	31	5	8		1				2	2	15	480
	6-7	2	2	4	9	33	119	32	55	44	19	4	4	1					3	3	334
	7-8			8		59	89	98	41	88	57	18	5	4	2	2			2	4	477
	8-9		3	3	2	59	37	37	67	48	90	43	14	4	2	1				3	413
	9-10	10	11	24	4	25	11	5	17	11	86	93	142	57	23	80	14	41	24	678	
	10-11	10	5	21	17	17	31	2	6	9	13	111	95	111	36	23	54	34	44	639	
	11-12	3	4	2	2	1	3	1		6	4	7	36	23	18	10	6	2		128	
	12-13	2		1	1	2			2	3		3	2	11	8	21	6	3	2	67	
	13-14						1			1	1	1		3	6	8	5	2		28	
	14-15				3	12	3	2	1	3	9	3	3	2		17	31	58	22	169	
	15-16	2	1	2	2	7	8	1	1		5	7	2	1		2	24	49	15	129	
	>=16	2			12	28	21	8	7	10	35	22	3	4	1	15	12	338	75	593	
	Total	80	115	204	229	455	554	368	291	274	363	324	306	222	96	180	156	536	247	5000	

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)																		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	22	5	1		1	2				3							3	15	52
	1-2	14	32	23	5	5				5									9	93
	2-3		32	63	56	12	5	2			5	4		1					7	187
	3-4		2	58	84	39	7	2	2	2	4	2				1			4	207
	4-5		2	9	95	115	26	13	8	6	18	4		2		5	1	6	16	326
	5-6			6	7	148	163	57	22	18	11	21	1	1			4	5	16	480
	6-7				4	77	69	73	46	12	15	15	4	3	2	2		2	10	334
	7-8	2			3	43	96	142	87	28	26	13	14	7	2	5	2	2	5	477
	8-9					30	133	15	67	69	23	29	17	11	2	4	5	1	7	413
	9-10			1	2	13	8	9	10	135	184	52	46	33	16	66	18	62	23	678
	10-11					3	9	5	6	10	63	210	66	44	21	18	71	61	52	639
	11-12				1			3	3	1	8	9	27	44	7	14	5	3	3	128
	12-13				1		1		1			2	12	14	15	2	12	3	4	67
	13-14									1				5	10	5	2	4	1	28
	14-15					4	1		2	4	9	2	2	2	21	45	17	43	17	169
	15-16										3	4	2			29	30	49	12	129
	>=16				1	2	5		2	3	13	8	7	1	1	8	13	486	43	593
	Total	38	73	161	259	492	525	321	256	289	390	375	198	168	97	204	180	730	244	5000

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