

Inflation Expectations Survey of Households: September - 2014¹

The Inflation Expectations Survey of Households for September 2014 (37th round) captures the inflation expectations of 4,933 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. The proportion of respondents expecting general price level to rise by '*more than current rate*' has increased marginally as compared with the previous round of survey for both three-month ahead period and one-year ahead period. However, these shares are much lower when compared to the position prevailing till March 2014 round of survey. At the product level, respondents expect some moderation in the price increase in the case of household durables and services.
- ii. In terms of quantitative response, both three-month ahead as well as one-year ahead median inflation expectations of households remained at elevated level.
- iii. The survey shows that housewives and retired persons have marginally higher level of inflation expectations based on median inflation rates. Respondents from Guwahati, Lucknow and Nagpur cities expect relatively higher inflation.
- iv. About 72.8 per cent (72.0 per cent in the last round) and 78.7 per cent (74.0 per cent in the last round) of respondents expect double digit inflation rates for three-month ahead and one-year ahead period, respectively.

¹ The previous round of the survey data was published on August 5, 2014 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	9.7	10.0
Other Employees	16.1	15.0
Self-employed	20.1	20.0
Housewives	29.2	30.0
Retired Persons	9.8	10.0
Daily Workers	9.7	10.0
Others	5.5	5.0

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

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

Round No./survey period	34	35	36	37	34	35	36	37
(Round ended) →	Dec-13	Mar-14	Jun-14	Sep-14	Dec-13	Mar-14	Jun-14	Sep-14
Options: General	Three-month ahead				One-year ahead			
Prices will increase	86.8	89.2	77.5	86.4	92.7	94.1	83.6	90.0
Price increase more than current rate	55.3	51.2	41.2	43.9	61.1	59.0	47.4	48.0
Price increase similar to current rate	24.0	28.4	21.5	28.8	25.1	25.7	22.0	27.4
Price increase less than current rate	7.5	9.6	14.8	13.7	6.5	9.3	14.2	14.6
No change in prices	9.5	8.3	12.7	9.0	4.0	3.5	7.4	5.5
Decline in price	3.7	2.5	9.8	4.6	3.3	2.4	9.0	4.5
Options: Food Product	Three-month ahead				One-year ahead			
Prices will increase	84.8	88.6	77.2	85.9	91.5	93.8	82.8	89.5
Price increase more than current rate	50.9	51.9	42.3	41.9	58.5	57.6	47.0	46.2
Price increase similar to current rate	25.5	26.3	21.5	28.1	26.2	26.3	21.3	27.7
Price increase less than current rate	8.4	10.4	13.4	15.8	6.8	9.9	14.5	15.5
No change in prices	9.9	8.7	13.9	9.0	5.0	4.0	7.9	5.8
Decline in price	5.3	2.7	8.9	5.1	3.6	2.2	9.3	4.7
Options: Non-Food Product	Three-month ahead				One-year ahead			
Prices will increase	78.8	80.6	73.1	78.5	87.5	87.5	79.5	83.8
Price increase more than current rate	44.6	42.5	37.3	34.7	50.4	48.1	42.0	36.3
Price increase similar to current rate	25.4	27.2	21.7	27.2	28.5	28.5	22.3	29.0
Price increase less than current rate	8.8	10.8	14.1	16.5	8.5	10.8	15.3	18.4
No change in prices	17.7	16.5	18.9	17.4	9.4	9.7	12.7	12.1
Decline in price	3.6	3.0	8.0	4.2	3.2	2.9	7.8	4.1
Options: Household Durables	Three-month ahead				One-year ahead			
Prices will increase	75.0	70.5	68.9	64.0	84.4	81.5	76.9	76.8
Price increase more than current rate	42.0	35.4	35.3	27.2	49.1	44.2	42.1	33.9
Price increase similar to current rate	24.0	23.1	20.0	22.7	26.2	25.6	20.7	26.1
Price increase less than current rate	9.0	12.0	13.6	14.1	9.2	11.7	14.1	16.9
No change in prices	19.4	21.1	20.9	24.3	10.9	12.4	13.9	15.0
Decline in price	5.6	8.4	10.2	11.7	4.6	6.0	9.2	8.2
Options: Housing Prices	Three-month ahead				One-year ahead			
Prices will increase	89.2	85.5	82.2	84.6	93.6	91.6	87.2	91.5
Price increase more than current rate	66.9	58.0	55.4	55.5	71.0	66.2	59.7	60.8
Price increase similar to current rate	17.9	21.1	17.0	20.3	18.5	19.2	17.8	22.5
Price increase less than current rate	4.4	6.4	9.8	8.8	4.1	6.3	9.7	8.2
No change in prices	8.1	10.2	11.1	11.4	3.8	4.4	6.0	5.0
Decline in price	2.8	4.4	6.7	4.0	2.6	4.0	6.8	3.5
Options: Cost of Services	Three-month ahead				One-year ahead			
Prices will increase	82.2	83.1	78.5	79.1	89.9	90.4	84.9	87.5
Price increase more than current rate	49.7	48.0	46.4	38.8	56.2	54.8	50.6	45.4
Price increase similar to current rate	25.7	26.5	19.4	25.3	26.3	25.4	20.7	26.9
Price increase less than current rate	6.8	8.7	12.6	15.0	7.4	10.2	13.6	15.2
No change in prices	15.3	14.5	16.2	18.0	7.6	7.2	9.3	9.8
Decline in price	2.5	2.4	5.3	2.9	2.6	2.4	5.8	2.8

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
37	Sep-14	65.1	53.9	43.9	50.1	51.7
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

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

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

Note: Results based on exercise using Analysis of Variance.

Table 6 : Various Group-wise Inflation Expectations for September- 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	12.7	13.8	3.9	12.5	14.3	4.5	13.3	15.8	4.1
Female	12.7	14.0	4.0	12.9	15.1	4.3	13.8	16.1	3.8
Category-wise									
Financial Sector Employees	12.4	13.0	4.0	12.4	14.1	4.5	13.1	15.2	4.0
Other Employees	12.7	13.9	4.0	12.4	14.4	4.5	13.4	16.0	4.1
Self Employed	12.6	13.7	3.9	12.5	14.3	4.4	13.4	15.7	4.0
Housewives	12.9	14.2	3.9	13.0	15.3	4.2	14.0	16.1	3.7
Retired Persons	13.1	14.4	3.7	13.1	15.0	4.1	13.5	16.0	4.1
Daily Workers	12.8	14.2	4.1	12.7	15.2	4.6	13.5	16.1	4.3
Other category	11.6	10.8	4.1	11.9	12.0	4.6	12.7	14.0	4.0
Age-wise									
Up to 25 years	11.8	10.9	4.1	12.1	12.8	4.5	13.0	14.8	4.1
25 to 30 years	12.2	12.5	4.1	12.1	12.8	4.5	13.3	15.4	4.0
30 to 35 years	12.7	14.1	4.0	12.5	14.4	4.5	13.6	16.0	4.0
35 to 40 years	12.8	13.9	3.9	13.0	15.5	4.2	13.5	16.0	4.0
40 to 45 years	13.4	14.9	3.6	13.3	15.7	4.0	14.1	16.1	3.5
45 to 50 years	13.1	14.5	3.9	13.0	15.2	4.3	13.8	16.1	3.8
50 to 55 years	13.4	14.8	3.7	13.0	15.9	4.4	14.0	16.1	3.7
55 to 60 years	13.5	14.6	3.4	13.1	15.3	4.3	13.7	16.1	4.1
60 years and above	13.1	14.7	3.8	12.9	15.3	4.3	13.5	16.1	4.3
City-wise									
Ahmadabad	12.1	13.8	4.1	13.1	15.1	4.2	13.4	15.8	4.1
Bangalore	8.7	9.1	4.1	8.1	6.7	4.3	9.8	9.4	4.5
Bhopal	10.6	9.7	4.0	11.7	10.9	3.7	13.0	14.2	3.6
Bhubaneswar	11.7	11.0	4.1	11.7	12.2	4.6	13.1	14.5	3.8
Chennai	12.8	15.5	4.4	13.0	16.0	4.4	13.6	16.1	4.2
Delhi	13.2	15.5	3.9	13.3	16.1	4.5	14.3	16.2	3.5
Guwahati	15.6	16.3	2.0	15.6	16.4	2.5	15.0	16.4	3.9
Hyderabad	10.3	10.4	3.1	12.1	12.0	3.2	13.1	14.3	3.4
Jaipur	12.3	11.6	3.6	12.4	13.7	4.0	13.8	15.7	3.6
Kolhapur	13.8	13.9	3.0	13.6	16.1	4.1	13.1	16.0	4.4
Kolkata	14.1	15.4	3.0	12.5	15.6	4.9	14.1	16.2	3.8
Lucknow	14.2	16.2	3.6	14.8	16.3	3.4	14.7	16.3	3.5
Mumbai	11.5	10.8	3.6	10.6	10.6	4.4	11.4	10.8	4.0
Nagpur	15.4	16.2	2.2	15.6	16.4	2.2	15.6	16.4	2.4
Patna	11.3	10.5	3.0	12.3	11.9	2.8	13.1	13.4	3.1
Thiruvananthapuram	14.5	16.1	3.0	12.1	14.5	4.8	14.8	16.3	3.5
All	12.7	13.8	4.0	12.7	14.6	4.4	13.5	16.0	4.0

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	4			1						1							1	1	8
	1-2		9	6	4	2	1											1	3	26
	2-3		2	9	3	9	3	1				1	1	1			1	1	3	35
	3-4		3	4	8	7	8	4	1		1	1								37
	4-5		5	4	6	36	17	19	8	2	9	2			1	5		1	7	122
	5-6		1	1	9	13	19	29	32	12	15	10	2	1		1	1	3	7	156
	6-7			1	2	9	5	16	28	18	14	3	1		1	2	1	1	4	106
	7-8				2	3	7	11	31	37	33	19	4	2	1	1			8	159
	8-9				1	7	6	4	12	11	37	33	7	4	3	1	2	4	8	140
	9-10			2	9	40	17	5	8	12	84	51	94	39	13	52	14	43	37	520
	10-11		13	17	14	16	36	5	11	12	15	117	65	95	39	38	55	65	40	653
	11-12		7	5	2	1	2	1	1	1	6	3	16	16	20	22	12	11	2	128
	12-13		1	6	5	8	3		3	1	2	13	31	17	18	18	15	31	10	182
	13-14		2	4	5	4	7	1			6	15	2	33	7	12	31	86	18	233
	14-15		5	3	3	11	8	4	3		14	11	6	3	3	30	28	164	44	340
	15-16			11	3	1	10			1	3	11		4		1	51	97	21	214
	>=16						36	5	7	5	76	59	7	6	1	14	23	1446	189	1874
Total	4	48	73	77	167	185	105	145	112	316	349	236	221	107	197	234	1955	402	4933	

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	5				1										1			1	8
	1-2	6	5	5	4	1			1			1				1			2	26
	2-3		4	6	3	4	3		2	1		3				1			2	35
	3-4		1	6	8	8		1	2	1	5	1				1			1	37
	4-5	1		1	5	33	18	8	9		17	7		1		3	2	5	12	122
	5-6			3	2	19	37	14	4	8	14	18	2	5	2	2	5	7	14	156
	6-7				2	4	5	23	18	5	10	14	3	2		4	1	6	9	106
	7-8					1	4	18	32	15	16	17	8	17	4	6	4	3	14	159
	8-9	1				2		6	13	37	19	14	9	8	3	3	8	5	12	140
	9-10		2	2	2	4	7	2	7	41	138	44	22	25	10	66	26	81	41	520
	10-11	3		3	4	5	16	4	3	8	62	144	67	27	22	47	74	99	65	653
	11-12	1	1			1	2		2	2	3	12	23	12	5	10	22	28	4	128
	12-13	2	1	1		3	1		1	3	31	7	7	35	13	8	12	50	7	182
	13-14	5	1	1	1	1	4		3	1	6	10	35	4	9	11	20	108	13	233
	14-15	5	2			1	4	1			12	6	3	4	20	64	25	158	35	340
	15-16			1		3	1		1	1	2	8	1	2		15	59	104	16	214
	>=16	4	1	1	1	2	4	1	1	1	10	11		1		11	20	1621	184	1874
Total	33	18	30	32	93	106	78	99	124	345	317	180	143	88	254	278	2278	437	4933	

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