

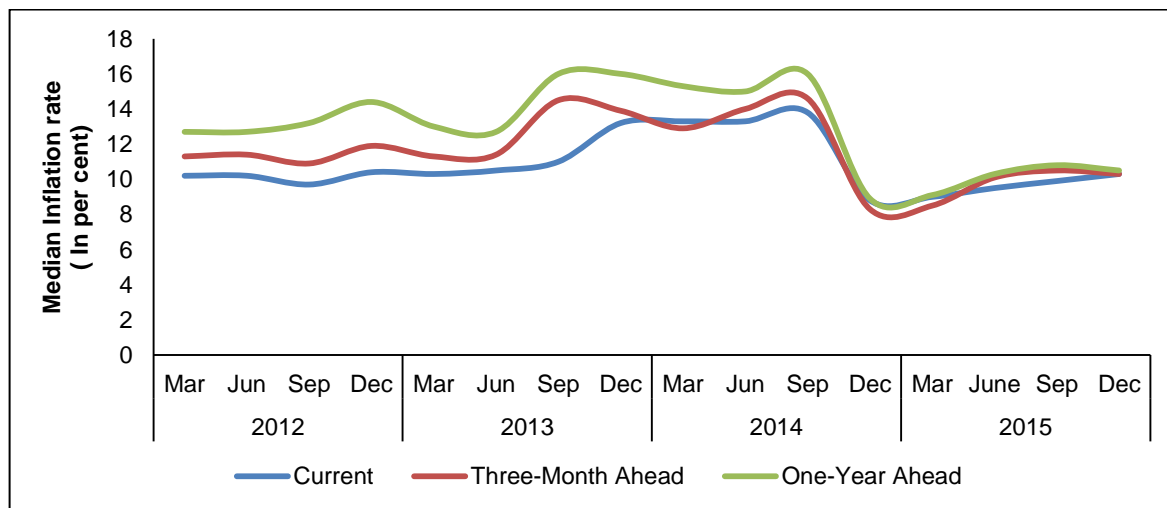
Inflation Expectations Survey of Households: December 2015¹

The Inflation Expectations Survey of Households for December - 2015 (42nd round) captures the inflation expectations of 4,828 urban households across 16 cities, for the next three month period 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. In terms of qualitative response, the proportion of respondents expecting price rise by '*more than current rate*' for prices in general as well as prices in all product groups (except cost of services) have decreased marginally as compared with previous round of survey for both three-month ahead period and one-year ahead period (Table 2). However, proportion of respondents expecting price rise by '*similar to current rate*' for prices in general as well as prices in all product groups have increased as compared with previous round of survey for both three-month ahead period and one-year ahead period.
- II. In terms of quantitative responses, common respondents' expect similar level of inflation as their current inflation perceptions, for three-month ahead period based on their own consumption and buying experiences (Chart1).

Chart 1: Trends in Inflation Perceptions and Expectations



- III. The survey shows that self-employed, retired persons and daily workers have comparatively higher inflation expectations for three month ahead period based on median inflation rates. Respondents from Guwahati, Ahmedabad, Chennai, Jaipur and Bhubaneswar expect relatively higher inflation for next three months.

¹ The previous round of the survey data was published on [September 29, 2015](#) on 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	10.4	10.0
Other Employees	15.4	15.0
Self-employed	20.0	20.0
Housewives	29.5	30.0
Retired Persons	9.5	10.0
Daily Workers	9.7	10.0
Others	5.5	5.0

Note: The above sample proportion is for the round ended December, 2015 survey

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

(Percentage of respondents)

Round No./survey period	38	39	40	41	42	38	39	40	41	42
(Round ended) →	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15
Options: General	Three month Ahead					One year Ahead				
Prices will increase	72.4	73.6	81.0	81.1	85.4	79.8	82.2	90.9	89.0	90.0
Price increase more than current rate	25.7	28.3	34.4	32.1	31.5	32.1	32.9	41.7	38.8	36.2
Price increase similar to current rate	27.0	24.0	24.3	22.1	31.3	29.9	28.8	28.8	24.8	30.0
Price increase less than current rate	19.8	21.2	22.3	26.9	22.6	17.8	20.6	20.4	25.4	23.8
No change in prices	16.5	15.4	13.9	12.8	9.8	11.2	10.0	5.8	5.8	5.9
Decline in price	11.0	11.1	5.2	6.1	4.8	9.0	7.8	3.3	5.2	4.0
Options: Food Product	Three month Ahead					One year Ahead				
Prices will increase	72.3	74.4	83.1	82.0	84.6	79.9	82.4	91.9	87.6	89.8
Price increase more than current rate	25.2	27.9	35.1	33.7	31.5	30.7	32.0	39.1	38.2	36.8
Price increase similar to current rate	28.5	25.2	25.7	24.2	31.7	30.5	29.2	30.5	25.3	30.4
Price increase less than current rate	18.5	21.3	22.3	24.1	21.4	18.7	21.1	22.3	24.0	22.6
No change in prices	17.1	15.0	11.7	11.2	9.3	11.3	9.9	5.2	6.6	5.9
Decline in price	10.6	10.6	5.3	6.9	6.0	8.9	7.7	3.0	5.8	4.3
Options: Non-Food Product	Three month Ahead					One year Ahead				
Prices will increase	65.1	64.2	76.0	71.3	72.7	75.1	76.0	85.6	80.4	80.7
Price increase more than current rate	21.2	21.7	27.7	24.7	21.9	26.1	25.8	31.7	29.0	26.1
Price increase similar to current rate	26.1	24.0	26.3	22.7	29.2	30.6	28.4	30.3	23.6	29.8
Price increase less than current rate	17.8	18.5	21.9	23.9	21.7	18.4	21.7	23.6	27.7	24.8
No change in prices	25.6	24.6	20.6	22.4	21.8	16.6	16.3	11.2	13.8	15.0
Decline in price	9.3	11.2	3.4	6.3	5.5	8.3	7.7	3.1	5.8	4.4
Options: Household Durables	Three month Ahead					One year Ahead				
Prices will increase	59.7	68.2	69.1	63.3	67.9	72.1	77.6	82.2	75.5	77.0
Price increase more than current rate	20.4	25.4	25.9	22.1	20.6	27.5	29.2	31.8	28.6	26.1
Price increase similar to current rate	23.8	24.4	24.2	18.9	26.9	27.8	29.2	28.7	22.1	29.2
Price increase less than current rate	15.6	18.4	19.0	22.3	20.4	16.8	19.2	21.7	24.8	21.6
No change in prices	27.3	21.6	23.5	26.3	22.6	16.5	15.5	12.7	15.9	15.2
Decline in price	13.0	10.2	7.4	10.5	9.5	11.4	6.9	5.2	8.6	7.8
Options: Housing Prices	Three month Ahead					One year Ahead				
Prices will increase	78.4	83.2	81.4	77.8	79.6	86.1	90.3	90.1	87.3	87.7
Price increase more than current rate	39.5	46.7	43.1	38.7	38.6	47.9	53.1	50.3	48.7	45.4
Price increase similar to current rate	24.9	21.5	23.7	20.8	26.1	25.6	23.0	24.3	19.4	25.8
Price increase less than current rate	13.9	14.9	14.5	18.3	14.9	12.6	14.2	15.5	19.2	16.5
No change in prices	13.7	11.8	13.8	14.9	13.2	6.6	5.4	6.5	7.0	7.0
Decline in price	7.9	5.0	4.8	7.3	7.2	7.3	4.4	3.4	5.8	5.3
Options: Cost of Services	Three month Ahead					One year Ahead				
Prices will increase	71.6	78.5	79.9	72.0	80.2	81.8	86.9	89.7	84.9	89.8
Price increase more than current rate	28.4	32.7	34.2	28.4	33.2	34.7	37.6	39.5	36.9	38.1
Price increase similar to current rate	26.6	25.7	26.7	20.7	28.3	30.0	29.5	29.7	22.1	29.8
Price increase less than current rate	16.6	20.0	19.1	22.9	18.8	17.2	19.9	20.5	25.8	21.9
No change in prices	21.7	17.9	18.0	23.4	16.3	11.6	9.7	8.2	10.6	7.2
Decline in price	6.7	3.6	2.1	4.7	3.5	6.6	3.3	2.1	4.5	3.0

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						
38	Dec-14	62.0	51.9	48.5	48.3	49.5
39	Mar-15	68.8	57.3	43.3	43.1	47.5
40	Jun-15	67.8	51.3	47.2	48.4	52.2
41	Sep-15	70.0	58.9	50.8	53.0	55.9
42	Dec-15	72.6	58.6	51.1	52.8	59.1
One-year Ahead						
38	Dec-14	66.8	57.8	53.5	53.3	56.6
39	Mar-15	70.5	61.8	51.5	52.0	55.8
40	Jun-15	70.2	62.2	58.5	59.8	62.8
41	Sep-15	69.5	60.4	54.7	59.0	60.0
42	Dec-15	76.8	63.2	58.8	60.2	65.8

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.
38	Dec-14	9.0	8.8	4.2	8.8	8.3	4.5	9.3	8.9	4.6
39	Mar-15	9.1	9.0	4.0	9.0	8.5	4.3	9.6	9.1	4.5
40	Jun-15	10.0	9.5	4.1	10.1	10.1	4.5	10.8	10.3	4.4
41	Sep-15	10.6	9.9	4.4	10.7	10.5	4.5	11.1	10.8	4.6
42	Dec-15	11.0	10.3	4.2	10.9	10.3	4.1	11.2	10.5	4.3

Table 5: Factors that Explain the Total Variability

Round No.	Survey period ended	Current	Three-month Ahead	One-year Ahead
38	Dec-14	City, Category	City, Category	City, Category
39	Mar-15	City	City	City
40	Jun-15	City, Category, Age-Group	City, Category, Age-Group	City, Category, Gender
41	Sep-15	City, Age-Group	City, Age-Group	City, Age-Group, Gender
42	Dec-15	City, Age-Group	City, Category, Age-Group	City, Age-Group

Note: Results based on exercise using Analysis of Variance.

Table 6 : Various Group-wise Inflation Expectations for December 2015 Survey Round

	Current			Three-month Ahead			One-year Ahead		
	Mean	Median	Std. Dev.	Mean	Median	Std. Dev.	Mean	Median	Std. Dev.
Gender-wise									
Male	10.9	10.4	4.2	10.8	10.3	4.2	11.0	10.4	4.3
Female	11.1	10.3	4.2	10.9	10.2	4.1	11.4	10.6	4.3
Financial Sector Employees	10.8	10.0	4.2	10.5	9.7	4.2	11.1	10.2	4.3
Other Employees	11.1	10.4	4.2	10.8	10.2	4.2	11.2	10.4	4.2
Self Employed	11.2	10.6	4.2	11.1	10.6	4.2	11.3	10.7	4.3
Housewives	10.9	10.2	4.2	10.9	10.2	4.1	11.1	10.4	4.4
Retired Persons	11.3	10.5	4.2	11.1	10.6	4.2	11.5	11.0	4.4
Daily Workers	11.2	10.5	4.1	11.1	10.6	4.1	11.4	10.9	4.2
Other category	10.1	9.7	3.9	10.0	9.5	3.9	10.3	9.6	4.2
Up to 25 years	10.2	9.7	4.0	10.2	9.7	3.9	10.4	9.7	4.1
25 to 30 years	10.9	10.3	4.1	10.9	10.3	4.2	11.2	10.5	4.3
30 to 35 years	10.9	10.2	4.2	10.9	10.2	4.2	11.2	10.5	4.3
35 to 40 years	10.9	10.3	4.3	10.7	10.1	4.3	11.0	10.3	4.3
40 to 45 years	11.3	10.6	4.3	11.2	10.6	4.2	11.6	10.8	4.4
45 to 50 years	11.7	10.7	4.2	11.3	10.6	4.2	11.7	11.1	4.4
50 to 55 years	11.4	10.9	4.1	11.0	10.6	3.9	11.5	11.2	4.2
55 to 60 years	11.5	10.9	4.2	11.2	10.9	4.2	11.2	10.9	4.5
60 years and above	11.7	11.1	4.3	11.5	11.0	4.2	11.9	11.5	4.4
Ahmadabad	13.8	15.8	3.6	14.2	16.2	3.6	14.4	16.3	3.6
Bangalore	9.9	9.7	3.6	8.3	9.0	2.9	9.6	9.4	3.7
Bhopal	6.7	5.9	2.9	6.6	6.0	3.0	6.5	5.8	2.9
Bhubaneswar	11.8	11.6	4.1	12.7	13.3	3.7	13.3	16.1	4.0
Chennai	14.8	16.3	3.1	12.9	16.0	4.3	14.9	16.3	3.1
Delhi	7.5	6.3	3.2	8.5	7.6	3.4	7.7	6.6	3.7
Guwahati	14.9	16.3	3.3	14.5	16.3	3.6	15.4	16.3	2.7
Hyderabad	9.2	9.1	2.8	9.2	9.3	2.6	10.0	9.6	3.0
Jaipur	12.7	12.9	3.4	13.0	13.9	3.4	13.1	14.1	3.5
Kolhapur	11.5	10.8	2.9	11.5	10.7	3.2	10.6	10.0	3.4
Kolkata	11.9	10.8	3.8	12.0	11.8	4.2	11.8	10.5	4.0
Lucknow	11.3	10.9	4.3	11.3	11.5	4.5	10.8	10.1	4.4
Mumbai	11.1	10.6	3.2	11.2	10.6	3.2	11.2	10.7	3.4
Nagpur	7.0	6.4	2.4	7.4	7.2	2.3	7.1	6.8	2.2
Patna	9.5	9.4	1.8	10.2	10.0	1.8	10.2	10.0	1.7
Thiruvananthapuram	11.8	12.5	4.8	10.0	10.5	4.5	11.6	11.9	4.9
All	11.0	10.3	4.2	10.9	10.3	4.1	11.2	10.5	4.3

Table 7: Cross-tabulation of Current and Three-month Ahead Inflation Expectations

(Number of respondents)

	Three-month Ahead inflation rate (per cent)																			
		<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	5	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	2	0	8
	1-2	2	2	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	7
	2-3	4	6	11	2	1	1	0	1	0	1	0	0	0	0	0	0	0	0	27
	3-4	0	0	10	17	8	2	3	0	2	2	0	0	0	0	0	0	0	1	45
	4-5	0	0	17	22	45	30	45	13	5	11	0	0	1	0	2	0	1	4	196
	5-6	0	0	10	18	48	124	88	92	29	28	9	4	0	0	2	3	0	12	467
	6-7	0	0	0	10	35	45	62	47	47	19	6	1	0	0	1	2	1	3	279
	7-8	0	0	0	1	14	38	39	84	62	57	10	6	1	1	1	1	2	3	320
	8-9	0	0	0	7	2	13	12	34	69	72	25	10	3	1	5	5	1	3	262
	9-10	0	0	0	3	3	13	11	47	54	208	54	70	23	8	43	3	36	29	605
	10-11	0	0	0	2	5	22	6	11	26	43	207	63	63	20	22	18	29	30	567
	11-12	0	0	0	0	1	1	1	5	8	30	31	65	17	23	12	5	10	13	222
	12-13	0	0	0	0	0	0	2	1	4	10	36	6	28	15	16	7	3	1	129
	13-14	0	0	0	0	0	0	1	1	3	3	18	7	8	11	3	4	9	3	71
	14-15	0	0	0	0	4	2	1	4	4	14	25	13	9	10	47	26	55	10	224
	15-16	0	0	0	2	5	2	2	3	1	8	32	2	8	11	7	54	47	11	195
	>=16	0	0	0	3	14	11	6	7	13	61	61	2	19	6	15	50	861	75	1204
	Total	11	8	50	87	185	304	279	350	327	567	514	249	180	107	176	178	1057	199	4828

Table 8: Cross-tabulation of Current and One-year Ahead Inflation Expectations

(Number of respondents)

	One-year Ahead inflation rate (per cent)																			
		<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	5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3	0	8
	1-2	0	4	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	1	7
	2-3	0	2	14	9	0	0	0	0	0	0	0	0	0	0	0	0	0	2	27
	3-4	0	0	6	18	13	0	0	0	0	0	0	0	0	0	0	0	0	8	45
	4-5	0	0	5	16	52	64	2	1	0	0	0	0	0	0	0	0	2	54	196
	5-6	0	0	11	18	57	126	199	3	0	0	0	0	0	0	0	0	1	52	467
	6-7	0	0	0	5	33	44	60	108	0	0	0	0	0	0	0	0	6	23	279
	7-8	0	0	1	1	11	22	40	80	133	1	0	0	2	0	0	0	4	25	320
	8-9	0	1	0	0	5	7	10	28	45	127	6	3	2	0	0	1	5	22	262
	9-10	0	0	0	1	4	8	5	36	44	199	171	1	1	0	0	1	56	78	605
	10-11	0	0	0	0	3	4	4	27	46	64	177	161	1	1	0	2	43	34	567
	11-12	0	0	0	0	0	0	3	3	10	21	16	57	56	0	0	0	35	21	222
	12-13	0	0	0	0	0	0	1	4	4	24	13	10	28	25	0	1	5	14	129
	13-14	0	0	0	0	0	0	0	1	1	9	5	7	1	25	8	0	9	5	71
	14-15	0	0	0	0	0	0	0	1	4	24	6	4	4	19	47	12	82	21	224
	15-16	0	0	0	0	0	1	0	0	0	21	3	12	9	6	22	48	55	18	195
	>=16	0	0	0	0	0	0	0	1	3	14	6	7	3	5	19	9	1038	99	1204
	Total	5	7	38	68	179	276	324	293	290	504	403	262	107	81	96	74	1344	477	4828