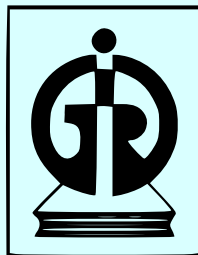


Inflation Expectations of Indian Households: A Better Way to Measure, and Behavioral Consequences

Roshin Paul P and Taniya Ghosh



INDIRA GANDHI INSTITUTE OF DEVELOPMENT RESEARCH

May 2026

Inflation Expectations of Indian Households: A Better Way to Measure, and Behavioral Consequences

Roshin Paul P and Taniya Ghosh

Email (corresponding author): roshin@igidr.ac.in

ABSTRACT

The causes and consequences of Indian households' Inflation Expectations (IE) are investigated using an ad-hoc survey covering 1010 urban households across Delhi, Mumbai, Chennai and Kolkata. This paper verifies the reason for upward bias in the IE of households by collecting their item-wise IE an approach not previously employed in Indian surveys and proposes an alternate method to derive an overall IE with less bias. A significant reduction in the overall IE of households and the disagreement among them was observed when it is calculated as a weighted average of their item-wise IE. Policymakers may adopt this approach as the weighted average of item-level expectations yields a more representative and less biased IE of households. The reduction was more noticeable among women, as well as individuals with lower income and less education. The investigation on the behavior of respondents anticipating higher future inflation found that most households plan to seek higher income, stockpile non-perishable essential goods, and draw down their savings actions that are likely to increase both current inflation and inflation in the near future. Effective expectations management through clear, credible, and forward-looking communication is vital to anchor inflation and ensure macroeconomic stability.

Keywords: Cross Sectional Survey, Household Data; Expectations; Consumer Price Index; Inflation; Monetary Policy

JEL Code: C83, D84, E31, E52

Inflation Expectations of Indian Households: A Better Way to Measure, and Behavioral Consequences

Roshin Paul P¹ and Taniya Ghosh²

¹Reserve Bank of India (RBI), Central Office, Shahid Bhagat Singh Rd, Fort, Mumbai, Maharashtra 400001, India, Email: roshin@igidr.ac.in

²Indira Gandhi Institute of Development Research (IGIDR), Gen. A. K. Vaidya Marg, Filmcity Road, Mumbai, 400065, India, Email: taniya@igidr.ac.in , Phone: 91-22-28426536 , ORCID ID: <https://orcid.org/0000-0002-9792-0967>

Inflation Expectations of Indian Households: A Better Way to Measure, and Behavioral Consequences

Roshin Paul P and Taniya Ghosh ¹

May 11, 2026

Abstract

The causes and consequences of Indian households' Inflation Expectations (IE) are investigated using an ad-hoc survey covering 1010 urban households across Delhi, Mumbai, Chennai and Kolkata. This paper verifies the reason for upward bias in the IE of households by collecting their item-wise IE — an approach not previously employed in Indian surveys — and proposes an alternate method to derive an overall IE with less bias. A significant reduction in the overall IE of households and the disagreement among them was observed when it is calculated as a weighted average of their item-wise IE. Policymakers may adopt this approach as the weighted average of item-level expectations yields a more representative and less biased IE of households. The reduction was more noticeable among women, as well as individuals with lower income and less education. The investigation on the behavior of respondents anticipating higher future inflation found that most households plan to seek higher income, stockpile non-perishable essential goods, and draw down their savings — actions that are likely to increase both current inflation and inflation in the near future. Effective expectations management — through clear, credible, and forward-looking communication — is vital to anchor inflation and ensure macroeconomic stability.

Keywords: Cross Sectional Survey, Household Data; Expectations; Consumer Price Index; Inflation; Monetary Policy

JEL Classification: C83, D84, E31, E52

¹ Roshin Paul P is the Assistant Adviser in the RBI, and Dr. Taniya Ghosh is the Associate Professor in IGIDR. The views expressed in the article are those of the authors and do not represent the views of the institutions to which they belong.

1. Introduction

Inflation expectations (IE), according to the New Keynesian framework, play a critical role in determining inflation (Gali, 2008). In addition to that, IE act as an unconventional monetary policy tool during situations when conventional monetary policy tools fail to control inflation (Aßhoff et al., 2021). Household expectations about future inflation directly influence consumption and savings decisions. For instance, if households anticipate higher inflation, they may prefer to spend rather than save to avoid future price increases, thereby amplifying demand-pull inflation. Conversely, expectations of lower inflation could dampen near-term consumption. Additionally, these expectations affect wage-setting behavior, as workers may demand higher wages to offset perceived future price rises, potentially triggering a wage-price spiral. Therefore, it is essential to monitor and anchor households' inflation expectations to control inflation and safeguard macroeconomic stability. However, in India, the studies shows that household IE are persistently upward biased and have a limited influence on macroeconomic aggregates such as wages and prices (Goyal and Parab, 2023; Pattanaik et al., 2020). In such a scenario, this paper proposes an alternative method to derive households' IE with less bias and examines the consequences of elevated IE on households' behavior.

In India, empirical literature establishes that households' inflation expectations (IE) are predominantly backward-looking, adaptive in nature, and exhibit an upward bias, falling short of rationality due to incomplete incorporation of publicly available inflation information (Shaw, 2019; Pattanaik et al., 2020; Muduli et al., 2022; Singh et al., 2022). Inflation perception has a greater impact than actual inflation on forming inflation expectations, and these perceptions and expectations remain unchanged regardless of monetary policy adjustments (Kalpana and Dash, 2025). Muduli et al. (2022) suggests that the upward bias in the IE of Indian households may be attributable to the influence of their own consumption basket, a lack of awareness about actual inflation, one's income and employment outlook, and ability to sustain consumption and savings. Paul and Ghosh (2025) tried to verify this by studying the item-wise IE of Indian households which is available only in qualitative terms. However, the item-wise IE available from the inflation expectation survey of households (IESH) conducted the Reserve Bank of India (RBI) is not suitable for the present study as the item classification does not align with the CPI-urban framework, and they are captured in qualitative terms rather

than quantitative terms. Investigating these sources of bias empirically requires item-wise quantitative IE — data that are currently not readily available in India. To bridge this gap and empirically investigate the sources of the upward bias, this study collects item-specific inflation expectations from households and constructs an aggregate IE as a weighted average² of these item-level expectations. Thereby, we propose an alternative methodological approach to estimate household-level aggregate IE that reduces measurement bias.

International literature also indicates that household inflation expectations are largely backward-looking and adaptive, rather than rational in the full-information sense (Easaw et al., 2013; Blanchflower and Mac Coille, 2009; Ranyard et al., 2008; Nam and Go, 2018; Reid et al., 2021). Moreover, these expectations tend to exhibit a systematic upward bias relative to lagged realized inflation, accompanied by considerable disagreement and high uncertainty among households (Weber et al., 2022). Cavallo et al. (2017) observed that individuals often rely on personal recollections of supermarket prices when forming inflation expectations, yet these memories are frequently imprecise, resulting in significant forecasting errors. Later, D’Acunto et al. (2021) provided causal evidence that households base their inflation expectations primarily on price changes for frequently purchased goods—such as groceries and petrol—rather than on the weighted average of price changes across their entire consumption basket. Notably, households assign greater weight to positive price changes than to negative ones, which helps explain the persistent upward bias in their expectations. Dietrich (2024) also highlights that households pay limited attention to different consumption categories, instead placing disproportionate emphasis on more volatile, non-core items. These studies align with Muduli et al. (2022)’s proposal for India, though they were unable to validate it due to the absence of item-level data. This study addresses this gap by comparing households’ expectations for specific items and overall inflation. Moreover, D’Acunto et al. (2023) identified consistent variations in inflation expectations based on gender, income, education, and race in both the U.S. and the EU. Similarly, Reid et al. (2021) demonstrated analogous patterns in household’s IE in South Africa. The present study also examines whether these same demographic patterns hold for urban India.

² Item weights are derived from the CPI-Urban (2012) basket, reflecting the consumption patterns of urban households in India.

Beyond the formation and bias of IE, this paper addresses two further gaps in the Indian literature. First, while existing studies using aggregate IE find that household's IE have no effect on any macroeconomic aggregates (Goyal and Parab, 2023), and no evidence of expectations-induced wage pressures influencing CPI inflation (Pattanaik et al., 2020). Nevertheless, these studies were carried out using aggregate IE and macro-economic aggregates and there is a lack of studies that gather information directly from respondents regarding their decision-making processes when they anticipate high inflation expectations in the future. Accordingly, this study aims to collect first-hand information from respondents about the actions they take when expecting high inflation. Second, under an inflation-targeting regime, long-term household IE reflect the central bank's credibility — when these expectations are firmly anchored, it indicates that the public trusts the central bank's ability and resolve to meet its inflation target (Blinder, 2000; Leveuge et al., 2018). Although long-term inflation expectations serve as an indicator of central bank credibility, no existing survey captures Indian households' long-term inflation expectations—that is, expectations beyond one year, such as five years ahead. This study fills that gap by eliciting five-years-ahead IE for the first time, providing insights into the central bank credibility.

This paper makes three original contributions. First, it is the first study in India, to explore the item-wise quantitative one-year-ahead IE of households' and propose an alternative method to derive overall IE of households with less bias. Second, it is the first to elicit long-term (five-years-ahead) inflation expectations from Indian households. Third, it is the first to directly document the behavioural responses of Indian households to anticipated high inflation.

As the data related to the above mentioned issues are not readily available for Indian scenario, we conducted an ad hoc survey to collect the information from Indian households. The survey was conducted in various parts of Mumbai, Delhi, Kolkata and Chennai interviewing 1010 urban respondents during February and March 2025, with the assistance of trained investigators.

The key insights from the survey are summarized below. First, households form their IE based on their inflation perceptions (IP), and their perceptions and expectations are higher than the actual level. Further, households have distinct IE on different items and females, the respondents with low income and lower education qualification, have higher IP/IE as compared to other categories. Moreover, the overall one-year-ahead IE of households is mainly formed based on their IE on miscellaneous items, followed by their IE on fuel and light, food products

and beverages, and housing. Second, when overall IE are calculated as a weighted average of item-wise IE, a significant reduction is observed in the one-year-ahead IE on comparison with their respective overall IE. The decline was more pronounced among female respondents, as well as those with lower income and less education. This indicates that households' do not consider these weights when forming IE and instead report IE based on the price volatility of the items which they purchase frequently. To some extent, this justifies the upward bias in the reported IE. Additionally, the standard deviation of the derived IE is smaller than that of the directly reported IE, suggesting that the weighted aggregation method not only lowers the overall IE level but also reduces variation in IE estimates across households. Third, with regard to long-run IE, households' five-years-ahead IE is similar to their one-year-ahead IE in magnitude, and both remain well above actual inflation and considerably higher than the RBI's stated 4 per cent target. Fourth, respondents anticipating higher future inflation plan predominantly to seek higher income, stockpile non-perishable essential goods, and draw down their savings — pre-emptive behavioural responses that are likely to amplify current and near-term inflationary pressures, reinforcing the importance of anchoring household IE.

The findings of this study carry clear implications for monetary policy. First, the significant reduction in IE under the weighted aggregation approach suggests that households' overall IE may be collected as a weighted average of their item-wise IE in order to obtain a more accurate and less biased measure. Second, the finding that expectational bias is most pronounced among females and respondents with lower income and educational qualification points to the need for targeted financial literacy initiatives to anchor IE of these groups. Third, the close alignment of five-years-ahead IE with one-year-ahead IE — both well above the RBI's 4 per cent target — indicates that households do not expect inflation to moderate over the medium term, signalling that the central bank's inflation objective is not yet fully credible at the household level and calling for more effective communication of the RBI's policy stance. Finally, the pre-emptive behavioural responses documented in this study — income-seeking, precautionary stockpiling, and saving drawdowns — demonstrate that unanchored IE translate directly into demand-amplifying actions, underscoring the urgency of clear and credible forward guidance by the central bank to anchor expectations before these responses contribute to inflation persistence.

The rest of the paper is organized as follows: Section 2 describes the data, and the methodology used in the study. Section 3 presents a discussion of the findings, while Section 4 presents the conclusions.

2. Data and Methodology

2.1 Survey Design and Data Collection

The empirical analysis draws on original household-level data collected through a purpose-built ad hoc survey administered across four major Indian metropolitan areas — Mumbai, Delhi, Kolkata, and Chennai — during February–March 2025. The total sample comprises 1,010 households, allocated roughly proportionally across cities: 251 in Mumbai, 248 in Delhi, 261 in Kolkata, and 250 in Chennai. Trained field investigators administered the survey using Computer-Assisted Personal Interviewing (CAPI) in the respective regional languages of each city, ensuring linguistic accessibility. Data quality was assured through a multi-layered verification protocol encompassing on-site supervision, audio-recorded interviews, and telephonic verification.

2.2 Questionnaire Structure

The questionnaire is organised into four substantive modules, each designed to elicit a distinct dimension of household economic cognition and behaviour. The layout of the questionnaire³ is discussed below. The questionnaire is also included in the Appendix.

Module I: Sociodemographic Characteristics. The opening module records respondent-level attributes including name, residential address, PIN code, gender, age, occupation, educational qualification, and monthly household income. These characteristics serve as controls in subsequent regression analyses and permit examination of demographic heterogeneity in inflation expectations.

Module II: Household Perceptions of Macroeconomic Conditions. The second module elicits subjective assessments of experienced macroeconomic conditions over the preceding twelve months. Specifically, respondents report both the direction and the perceived magnitude of changes in the aggregate price level, household income, total expenditure and savings intentions.

Module III: One-Year-Ahead and Five-Year-Ahead Expectations. In this module, respondents report directional and quantitative assessments of expected changes in the overall price level

³ A pilot survey was conducted during February 2023 by covering 200 households to test the efficacy of the questionnaire.

as well as item-specific price changes across key consumption categories over the next twelve months. The module further elicits one year ahead anticipated changes in income, expenditure, and savings.

Additionally, to capture the evolution of inflation expectations at longer horizons, respondents are asked to report their average expected inflation rate over the subsequent five-year period. Eliciting expectations at multiple horizons allows us to examine whether short- and long-run beliefs are mutually consistent and anchored around the Reserve Bank of India's (RBI) stated inflation target.

Module IV: Behavioural Responses to Anticipated Inflation. This module investigates the behavioural implications of inflation expectations by posing the following scenario-based question: "Suppose you expect that your expenditure will increase in the coming months due to higher inflation — how do you manage your expenditure?" Respondents choose from a pre-specified set of strategies: (i) I may get a higher income⁴, (ii) I will purchase household essential items which are non-perishable (Rice, wheat, dals, Onion, potato, oils, medicines etc) and store it, (iii) I will purchase of household durable items (furniture, tv, refrigerator etc.) immediately, (iv) Reducing Savings, (v) Borrowing from other sources and (vi) I will do not act, I will adjust the expenses with the available income.

2.3. Determinants of Overall Inflation Expectations

To identify which item-specific inflation expectations most strongly drive the respondent's overall reported expectation, we first compute pairwise correlations between each category-level expectation and the overall reported expectation. Further, the impact of item-wise IE and current inflation perception on their overall IE will be verified through OLS by using the following equation.

$$\begin{aligned} \pi_i^{overall} = & \alpha + \beta_1 Inflation\ Perception_i + \\ & \beta_2 \pi_i^{Food\ products\ and\ Beverages} + \beta_3 \pi_i^{Clothing\ and\ Footwear} + \beta_4 \pi_i^{Fuel\ and\ Light} + \beta_5 \pi_i^{Housing} + \\ & \beta_6 \pi_i^{Miscellaneous} + \beta_7 X_i + \varepsilon_i \end{aligned} \quad (1)$$

Where $\pi_i^{overall}$ is the quantitative overall IE reported by the respondent, $\pi_i^{Food\ products\ and\ Beverages}$ is the reported IE for Food products and beverages by each respondent, $\pi_i^{Clothing\ and\ Footwear}$ is the reported IE for Clothing and Footwear,

⁴ It means that my income may increase due to any of the following reasons - a) my salary may be revised with inflation adjustment (DA) ; b) I may negotiate with employer to get a higher salary; c) I may do overtime job/search for another job with a high salary/wage; d) I may increase the price of the product/service which I am providing]

$\pi_i^{Fuel\ and\ Light}$ is the reported IE for Fuel and light, $\pi_i^{Housing}$ is the reported IE for Housing and $\pi_i^{Miscellaneous}$ is the reported IE for Miscellaneous. $Inflation\ Perception_i$ is the current inflation perception of the respondent, and X_i is the vector of household characteristics like their gender, education, income and occupation.

The estimated coefficient β_1 portrays the marginal contribution of the respondent's current perception to the overall expectation, conditional on the item-wise IE and the demographic characteristics of the respondent. While the estimated coefficients β_2, \dots, β_6 capture the marginal contribution of each category's expected inflation to the respondent's overall expectation, conditional on the other categories, on current perception and the demographic characteristics of the respondent.

2.4. Bias in Reported Overall Inflation Expectations and an Alternative Measure

Research in household inflation expectations consistently shows that households do not form inflation expectations by tracking changes in a representative consumption bundle. Instead, they give higher weightage to the prices of items they buy often and in substantial amounts (D'Acunto et al., 2023; Brachinger, 2008). For example, supermarket shoppers often base their views on inflation on the prices of everyday items like groceries and fuel, while overlooking changes in the cost of less frequently bought goods such as housing or durable goods. This biased focus creates a gap between how people subjectively perceive inflation and what their expectations would be if they considered a broader, objectively weighted basket of consumption — a discrepancy that significantly affects the monetary policy transmission (Weber et al., 2022; Cavallo et al., 2017).

To test whether this phenomenon characterises households in the Indian urban context, we compare each respondent's directly reported overall inflation expectation with a calculated expectation constructed as a weighted average of their item-specific inflation expectations, where the weights correspond to the official CPI-Urban weight assigned to each consumption category. Formally, for respondent i , the calculated inflation expectation is given by:

$$\pi_i^{Calculated} = 0.3629 * \pi_i^{Food\ products\ and\ Beverages} + 0.0557 * \pi_i^{Clothing\ and\ Foot\ wear} + 0.0558 * \pi_i^{Fuel\ and\ Light} + 0.2167 * \pi_i^{Housing} + 0.3089 * \pi_i^{Miscellaneous} \quad (2)$$

Where $\pi_i^{Calculated}$ is the calculated IE for each respondent, $\pi_i^{Food\ products\ and\ Beverages}$ is the reported IE for Food products and beverages by each respondent, $\pi_i^{Clothing\ and\ Foot\ wear}$ is the reported IE for Clothing and Footwear, $\pi_i^{Fuel\ and\ Light}$ is the reported IE for Fuel and light,

$\pi_i^{Housing}$ is the reported IE for Housing and $\pi_i^{Miscellaneous}$ is the reported IE for Miscellaneous⁵.

To assess whether the directly reported overall inflation expectation differs systematically from the calculated expectation, we employ a paired t-test on the one-year-ahead horizon. The null and alternative hypotheses are:

H₀: There is no difference between the calculated IE and the reported IE by the respondent

H₁: There is difference between the calculated IE and the reported IE by the respondent

A rejection of H₀ would constitute evidence that respondents do not aggregate item-level price signals in proportion to their budget shares when forming overall inflation expectations, consistent with the inattention and salience mechanisms documented in Coibion and Gorodnichenko (2015) and D'Acunto et al. (2021a).

2.5. Heterogeneity Across Demographic Groups

The magnitude of the gap between reported and calculated expectations may itself vary systematically with household characteristics, reflecting differences in shopping baskets, financial literacy, or media exposure across demographic groups (Bruine de Bruin et al., 2010). To investigate this, we stratify the sample along four dimensions — gender, income, educational qualification, and occupation — and conduct separate paired t-tests of H₀ within each subgroup. Systematic variation in the direction or magnitude of the gap across groups would suggest that the salience of particular price signals is shaped by socioeconomic circumstances, with implications for the distributional effects of inflation communication policies.

3) Results

3.1 Descriptive Statistics of Inflation Perceptions and Expectations

The descriptive statistics of the current inflation perception, one-year-ahead item-wise IE, one-year-ahead and five-year-ahead overall IE are displayed in Figure 1 and Table 1A in the annexure; the demographic statistics displayed in the Table 2A of annexure. The results show that households' inflation perceptions and expectations are highly upward biased, with item-specific expectations revealing considerable heterogeneity across consumption categories, and demographic analysis showing that females, low-income respondents, and those with lower

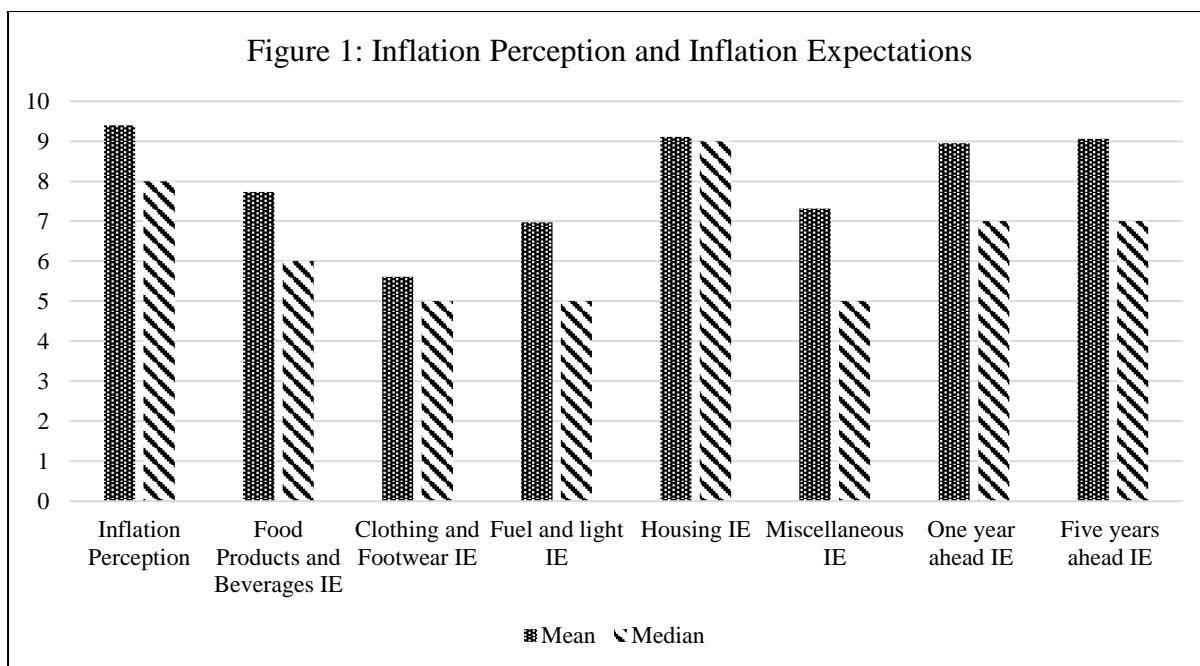
⁵ Miscellaneous includes Pan, tobacco and intoxicants, Household goods and services, Health, Transport and communication, Recreation and amusement, Education and Personal care and effects

education qualifications exhibit higher inflation perceptions/expectations compared to other groups.

The mean and median of IP of respondents were 9.4% and 8.0% respectively. Similarly, the mean and median of one-year-ahead IE were 9.0% and 7.0% respectively. The mean and median of average five-years-ahead IE were 9.1% and 7.0% respectively. It was observed that while households' one-year-ahead and five-year-ahead inflation expectations are broadly similar to each other, both are lower than their current inflation perception. However, these figures stand in sharp contrast to realised urban CPI inflation of 3.4% in February 2025 and 3.3% in March 2025 — a gap of approximately six percentage points between perceived and actual inflation. This systematic upward bias in household IP and IE is well documented in the Indian context and corroborates the findings of Shaw (2019), Pattanaik et al. (2020), Muduli et al. (2022), and Singh et al. (2022), as well as the broader international evidence that households consistently overestimate inflation relative to official price indices (Weber et al., 2022; Bruine de Bruin et al., 2010; D'Acunto et al., 2025).

Item-specific expectations reveal considerable heterogeneity across consumption categories. Households report the highest IE for housing, accompanied by the greatest cross-sectional disagreement, followed by food products and beverages. Clothing and footwear elicits the lowest category-level expectations. This pattern is broadly consistent with the salience hypothesis: categories that feature large, visible, or frequently encountered price changes tend to receive disproportionate weight in the formation of overall expectations (D'Acunto et al., 2021a; Cavallo et al., 2017).

On analysing the demographic statistics displayed in the Table 2A of annexure, it was realised that females, the respondents with low income and lower education qualification, have higher IP/IE as compared to other categories. This is in line with the findings of Goyal and Parab (2019), Bruine de Bruin et al. (2010) and D'Acunto et al.(2021b). Among occupational groups, daily wage earners, other salaried employees, the self-employed, and homemakers report comparatively elevated IP and IE, while financial sector employees exhibit the lowest expectations across all occupation categories, plausibly reflecting greater exposure to macroeconomic and financial information.



3.2 Determinants of Inflation Expectations

To identify the impact of item-wise IE on overall IE, we first examine pairwise correlations between item-level and overall one-year-ahead expectations (Table 3A, Annexure). The results indicate that overall IE is most strongly correlated with expectations for miscellaneous items, followed by food products and beverages, and fuel and light — categories that are encountered with high frequency and tend to feature salient price variation in the daily consumption experience of urban Indian households.

Table 1 reports the results of the OLS regression specified in equation (1), in which overall one-year-ahead IE is regressed on current IP, the full set of item-specific expectations, and demographic controls. The model achieves a high explanatory fit, with an R^2 of 0.703, suggesting that item-level expectations and contemporaneous perceptions together account for the large majority of variation in households' aggregate expectational beliefs. The findings revealed that the current inflation perception has a significant impact on the formation of overall one-year-ahead IE, which has a regression coefficient of 0.115. At the same time, the IE on miscellaneous items also has a significantly higher impact on forming overall IE, which has a regression coefficient of 0.388. While the regression coefficient of fuel and light was 0.289, followed by the IE on food products and beverages, and housing, with coefficients of 0.187 and 0.160, respectively. However, the IE on clothing and footwear does not have a significant impact on overall IE. This confirms that the overall one-year-ahead IE of households is mainly formed based on their IE on miscellaneous items, followed by their IE

on fuel and light, food products and beverages, and housing. This is broadly consistent with Paul and Ghosh (2025), who examine item-wise qualitative inflation expectations, and with Goyal and Parab (2020), who find that core CPI inflation has a significant influence on the long-run IE of households. Taken together, these findings establish that urban Indian households do not aggregate item-level price signals in proportion to their objective budget shares. Instead, they over-weight categories that are purchased frequently or whose price changes are particularly visible as documented by D'Acunto et al. (2021a).

3.3 Bias in Reported Overall Inflation Expectations and an Alternative Measure

Table 2 reports paired t-test results comparing the derived and reported overall IE. The findings demonstrate that the weighted aggregation of item-specific expectations produces an overall IE that is materially lower, less biased, and characterized by lower cross-sectional disagreement than respondents' directly reported aggregate inflation figures.

Given the systematic upward bias in household IE documented above, we propose and evaluate an alternative aggregate expectation measure constructed as the CPI-Urban weighted average of item-specific IE, as detailed in equation (2) of Section 2.3. Accordingly, we calculated the overall one year ahead IE as a weighted (CPI-U) average of item-wise one year ahead IE. Later, we conducted paired t-test to check whether any difference between the derived and reported overall IE. Table 2 depicts the results of a paired t-test and the results showed that there is a significant difference of -1.22 between the derived and reported one-year-ahead IE. This finding indicates that the weighted aggregation of item-specific expectations yields a materially lower and less biased overall IE than the figure respondents report when asked directly about aggregate inflation.

Notably, the standard deviation of the derived IE is also lower than that of the directly reported IE (Table 1A), indicating that the weighted aggregation approach not only reduces the level of overall IE but also attenuates cross-sectional disagreement among households. This dual reduction — in both the mean and the dispersion of inflation expectations — suggests that the proposed methodology yields a more stable and less noisy measure of aggregate household IE than conventional direct elicitation of overall IE.

In general, while forming overall IE, households do not assign proper weightage to individual items, and they form an overall IE based on the items that they purchase frequently. This leads to an upward bias in the overall IE of households. This reiterates the findings of D'Acunto et al. (2021a) and Cavallo et al. (2017). However, collecting item-wise IE of households and

deriving overall IE by giving proper weightage will help us to get a clear picture of households' IE and to derive an overall IE with lower bias. Policy makers should therefore consider supplementing direct survey elicitation of overall IE with a weighted aggregation of item-specific expectations, as proposed in this paper, to obtain a less biased and more reliable measure of household inflation expectations for use in monetary policy deliberations.

Table 1: The impact of current inflation perception and item-wise IE on overall IE

Item	One year ahead IE
Current Inflation Perception	0.115*** (0.021)
Food Products and Beverages	0.187*** (0.031)
Clothing and footwear	0.048 (0.029)
Fuel and Light	0.289*** (0.029)
Housing	0.160*** (0.024)
Miscellaneous	0.388*** (0.031)
Controls for demographics	Yes
Observations	1010
R square	0.703

* (p<0.05),**(p<0.01),***(p<0.001) ; Standard errors are reported in parentheses.

3.4 Demographic Heterogeneity in Expectational Bias

Table 2 further presents category-wise paired t-test results to examine heterogeneity in the difference between derived and reported IE. The findings reveal that the difference is more pronounced among female respondents, lower education groups, lower income groups, and daily wage earners, while financial sector employees show no significant difference between their derived and reported IE.

To check the heterogeneity in the difference between the derived and reported IE, the category-wise paired t-tests were conducted which provided more insights about the difference. The results displayed in Table 2 revealed that the difference was higher for female respondents as compared to male participants. While comparing the results of the occupation category, the difference was higher for daily wages, followed by other salaried employees, self-employed, and homemakers. It was evident that there was no significant difference between the derived and reported values of financial sector employees. Further, the difference was higher for the respondents with an education qualification of 12th standard or below, as compared to graduates and post-graduates. Similar pattern was observed for income categories too. The difference was higher for lower income groups as compared to higher income groups.

The pronounced demographic heterogeneity suggests that a one-size-fits-all communication strategy is unlikely to be effective across all population segments. Lower-income households, daily wage earners, and respondents with lower educational qualification exhibit the largest divergence between reported and calculated IE, indicating that salience-driven biases are most acute among groups with limited financial literacy and restricted access to economic information. Targeted financial literacy programmes could meaningfully reduce expectational bias among these vulnerable groups, consistent with the evidence in Lusardi and Mitchell (2014) and Coibion et al. (2022). Digital and community-based outreach in regional languages may be especially effective in reaching these populations, given the linguistic diversity of the urban Indian household surveyed in this study.

Table 2: Results of the paired t-test between calculated and reported values

	Mean Difference	95 per cent confidence interval of the difference		Number of observations
		Lower	Upper	
All	-1.22***	-1.56	-0.87	1010
Male	-1.19***	-1.68	-0.69	545
Female	-1.25***	-1.74	-0.77	465
Daily wages	-2.46***	-3.67	-1.24	49
Financial sector employees	0.20	-0.47	0.87	150
Homemaker	-1.36***	-1.97	-0.76	247
Other Salaried Employees	-1.72***	-2.54	-0.90	243
Self-employed	-1.44***	-2.27	-0.61	250
Others	-0.36	-1.23	0.51	71
Below 10th Std	-1.47***	-2.52	-0.41	159
12th Std	-1.48***	-2.24	-0.73	240
Graduate	-1.09***	-1.60	-0.58	391
Postgraduate	-0.98***	-1.67	-0.28	220
Less than ₹ 25 thousand	-1.55***	-0.69	-2.41	199
₹ 25000 - ₹ 49,999	-1.42***	-0.68	-2.15	284
₹ 50000 - ₹ 99,999	-1.15***	-0.43	-1.87	232
₹ 100000 - ₹ 49,99,999	-0.82***	-0.25	-1.40	230
₹ 5 Lakh and above	-0.95*	0.15	-2.04	64

* (p<0.05), ** (p<0.01), *** (p<0.001)

3.5. Household Behavioural Responses to Anticipated Inflation

Figure 2 highlights the underlying reasons for households' higher inflation expectations, and Figure 3 illustrates the behavioural responses of households when they anticipate higher inflation. The results indicate that households anticipating higher inflation predominantly expect rising expenditure driven by higher costs of goods and services, and respond through income-seeking behavior, precautionary stockpiling of essentials, drawing down savings, and accelerating consumer durable purchases.

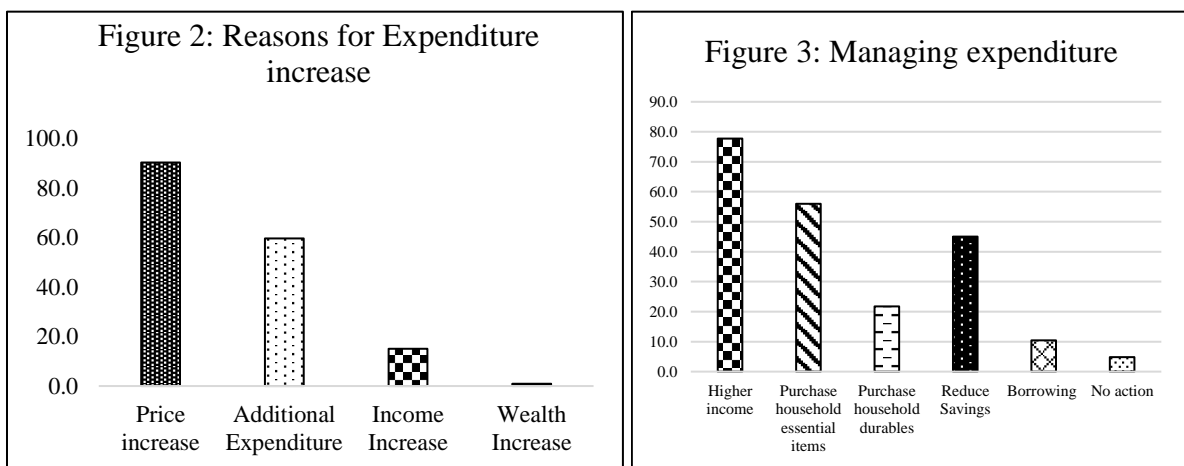
A distinctive feature of this survey is its direct elicitation of the behavioural strategies households intend to adopt in response to anticipated high future inflation — a dimension of the expectations-behaviour nexus that remains relatively underexplored in the Indian context. A large majority of respondents — 86% — expect their total expenditure to rise over the next twelve months. Among these, 90% attribute the anticipated increase primarily to rising costs of goods and services, reflecting the direct pass-through of inflation expectations into household budget assessments (Figure 2). In addition to the price increase, around 60% of them have reported they may incur additional expenditure for education, marriage, purchasing large ticket items like real estate, car, consumer durables etc. in the next one year. This suggests that households' near-term expenditure outlook is shaped by the confluence of both inflationary pressures and lifecycle expenditure commitments.

Among respondents expecting higher expenditure, 78% report that they intend to seek higher income — through wage negotiation, supplementary employment, dearness allowance adjustments, or price increases for self-supplied goods and services — as their primary adjustment mechanism. This behavioural response is consistent with the wage-price spiral channel, whereby widespread inflation expectations generate endogenous upward pressure on wages and input costs, potentially validating and amplifying the initial inflationary impulse (Blanchard, 1986; Benigno and Eggertsson, 2023).

A substantial share of respondents — 56% — report intentions to engage in precautionary stockpiling of non-perishable essential goods, including staple foodstuffs (rice, wheat, pulses, onions, potatoes, cooking oils) and medicines. This forward-buying behaviour represents a demand-pull inflationary mechanism: by bringing forward consumption in anticipation of future price increases, households collectively generate a surge in current demand that exerts immediate upward pressure on prices. Approximately 45% of respondents indicate a willingness to draw down savings to sustain consumption in the face of higher prices, implying a reduction in the household saving rate that further amplifies aggregate demand. Finally, 22%

of respondents report intentions to accelerate the purchase of consumer durables — a classic intertemporal substitution response to anticipated price increases that has been documented in advanced market contexts (D'Acunto et al., 2022).

The behavioural responses of the households documented above — income-seeking, precautionary stockpiling, saving drawdowns, and front-loaded durable purchases — collectively constitute a powerful demand-side amplification mechanism. Each channel, individually and in combination, exerts upward pressure on current and near-term inflation. These findings underscore the critical importance of expectations management as a core instrument of monetary policy. To the extent that unanchored or elevated inflation expectations translate into contemporaneous demand pressures through the behavioural channels identified above, the Reserve Bank of India's ability to maintain price stability depends not only on conventional interest rate policy but also on its effectiveness in shaping and anchoring household inflation expectations through credible communication and transparent forward guidance (Bernanke, 2007; Coibion et al., 2022; Weber et al., 2022). Failure to anchor expectations in a timely manner, the anticipatory behaviours documented above — stockpiling, front-loaded purchases, and saving drawdowns — can themselves become a source of inflationary persistence.



4. Conclusion

Household inflation expectations are pivotal in influencing macroeconomic dynamics and informing monetary policy. However, existing research indicates that such expectations often exhibit an upward bias. In the Indian context, aggregate household inflation expectations have been found to exert limited influence on broader macroeconomic indicators. Researchers suggest this bias may stem from households forming their expectations based primarily on

prices of frequently purchased goods. Yet, item-specific inflation expectations are not readily available in India. This study — to the best of our knowledge the first in India to do so — gathered both item-level and overall inflation expectations from Indian households and introduced an alternative approach to compute aggregate inflation expectations as a weighted average of item-wise expectations. Additionally, the study explored how these expectations influence household decision-making, and elicited long-term inflation expectations from Indian households for the first time, enabling an assessment of the extent to which the RBI's inflation target is credible at the household level.

The results indicate a significant decline in households' overall inflation expectations (IE) when computed as a weighted average of item-wise IE, relative to their directly reported aggregate IE. This indicates that households do not assign proper weightage to individual items when forming overall IE; instead, they place disproportionate weight on the prices of items they purchase frequently, which tends to be more volatile — and this, to a significant extent, justifies the upward bias observed in their directly reported IE. Moreover, the variation in IE estimates across households is also lower under the weighted aggregation approach, suggesting that this method not only produces a lower and less biased measure of aggregate IE but also a more stable one. The decline in IE upon weighted aggregation was more pronounced among women and individuals with lower income and educational qualification, indicating that salience-driven biases are most acute among financially vulnerable segments of the population. With respect to long-run expectations, households' five-years-ahead IE are broadly similar to their one-year-ahead IE, and both remain considerably higher than actual inflation and the RBI's stated inflation target — suggesting that households do not anticipate inflation moderating over the medium term, and raising questions about the credibility of the central bank's inflation objective at the household level.

Most respondents expecting higher future inflation plan to seek higher income — through wage negotiation, supplementary employment, or price increases for self-supplied goods — while a substantial share intend to purchase and store non-perishable household essentials in advance, and a considerable proportion plan to draw down their savings to sustain consumption. These pre-emptive behavioral responses by households — driven by inflation expectations — can inadvertently amplify current price pressures and contribute to persistent inflationary momentum in the coming months. These findings underscore the critical importance of expectations management as a core instrument of monetary policy, highlighting the need for

clear, credible, and forward-looking communication to anchor inflation expectations and preserve macroeconomic stability.

The findings carry two broad policy implications. First, on measurement, policymakers and survey agencies may benefit from complementing direct survey-based assessments of overall IE with a weighted aggregation of item-level expectations — as demonstrated in this study — to generate a more accurate and less biased metric for monetary policy decision-making. Second, the pronounced expectational bias among females, lower-income households, and those with lower educational qualification — the groups whose IE declined most sharply under weighted aggregation — points to the need for targeted financial literacy initiatives to help these segments form more accurate inflation expectations. Additionally, the finding that households' long-run IE remain well above the RBI's stated target, mirroring their short-run expectations, underscores the importance of credible and transparent forward communication by the central bank to anchor expectations across all horizons and prevent the pre-emptive behavioural responses documented in this study from becoming a persistent driver of inflation.

Several important limitations warrant careful consideration. First, our analysis is confined to four major metropolitan areas, thereby excluding rural households — which operate under markedly distinct informational ecosystems and allocate a significantly larger proportion of their household budgets to essential food expenditures. Second, the metrics employed in this study are based on self-reported intentions, which may not fully capture or accurately reflect actual consumer behaviour, potentially introducing a gap between stated preferences and real-world decision-making. Future research should aim to broaden geographic coverage and integrate household-level transactional data to enhance the robustness and generalizability of findings.

References

1. Abhoff, S., Belke, A. & Osowski, T. (2021), "Unconventional monetary policy and inflation expectations in the Euro area.", *Economic Modelling*, 102, 105564.
2. Bernanke, B. S. (2007). "Inflation Expectations and Inflation Forecasting." Remarks at the Monetary Economics Workshop of the National Bureau of Economic Research Summer Institute, Cambridge, Massachusetts, July 10, 2007
3. Blanchflower, D.G. & Mac Coille, C. (2009). "The formation of inflation expectations: an empirical analysis for the UK.", NBER working paper series, Working Paper 15388.
4. Blinder, A. (2000), "Central-bank credibility: Why do we care? How do we build it?", *American Economic Review*, 90(5), 1421–1431.
5. Brachinger, H. W. (2008). "A New Index of Perceived Inflation: Assumptions, Method, and Application to Germany." *Journal of Economic Psychology*, 29(4), 433–457.
6. Bruine de Bruin, Wändi, Wilbert van der Klaauw, Julie S. Downs, Baruch Fischhoff, Giorgio Topa, and Olivier Armantier. 2010. "Expectations of Inflation: The Role of Demographic Variables, Expectation Formation, and Financial Literacy." *Journal of Consumer Affairs* 44 (2): 381–402.
7. Cavallo, A., Cruces, G., & Perez-Truglia, R. (2017). "Inflation expectations, learning, and supermarket prices: Evidence from survey experiments", *American Economic Journal: Macroeconomics*, 9(3), 1-35.
8. Coibion, O., and Y. Gorodnichenko (2015). "Information Rigidity and the Expectations Formation Process: A Simple Framework and New Facts." *American Economic Review*, 105(8), 2644–2678.
9. Coibion, O., Gorodnichenko, Y. & Weber, M. (2022), "Monetary policy communications and their effects on household inflation expectations.", *Journal of Political Economy*, volume 130, number 6, June 2022.
10. D'Acunto, F., U. Malmendier, and M. Weber (2023). "What Do the Data Tell Us About Inflation Expectations?", *Handbook of Economic Expectations*, Chapter 5, Pages 133-161, ISBN 9780128229279
11. D'Acunto, F., Malmendier, U., Ospina, J. & Weber, M. (2021a), "Exposure to grocery prices and IE.", *Journal of Political Economy*, 129 (5), 1615–1639.
12. D'Acunto, F., Malmendier, U. & Weber, M. (2021b). "Gender roles produce divergent economic expectations," *Proceedings of the National Academy of Sciences* 118(21): 1-10.

13. D'Acunto, F., Fiore, F.D., Sandri, D. & Weber, M. (2025). "A global survey of household perceptions and expectations", BIS Quarterly Review, 15 September.
14. D'Acunto, F., Hoang, D., Weber, M. (2022). "Managing Households' Expectations with Unconventional Policies", *The Review of Financial Studies*, Volume 35, Issue 4, April 2022, Pages 1597–1642, <https://doi.org/10.1093/rfs/hhab083>
15. Easaw, J., Golinelli, R. & Malgarini, M. (2013), "What determines household's inflation expectations? Theory and evidence from a household survey", *European Economic Review*, 61, 1–13.
16. Galí, J. (2008), "Monetary Policy, Inflation, and the Business Cycle. An Introduction to the New Keynesian Framework.", Princeton, Princeton University Press.
17. Goyal, A., & Parab, P. (2019), "Modelling Consumers' Confidence and Inflation Expectations.", Indira Gandhi Institute of Development Research, WP-2019-025.
18. Goyal, A., & Parab, P. (2020), "Inflation Convergence and Anchoring of Expectations in India", *Economic and Political Weekly*, November 28, LV (47): 37-46.
19. Goyal, A., & Parab, P. (2023). "Working of Expectations Channel of Monetary Policy Transmission in India", *Journal of International Commerce, Economics and Policy* , Vol. 14, No. 02, 2350012 .
20. Kalpana, R. & Dash, P. (2025). "Households' inflation perceptions, expectations, and the monetary policy in India", *Journal of Asian Economics*, 101.
21. Kiley, Michael T. (2008), "Monetary Policy Actions and Long-Run Inflation Expectations.", FEDS Working Paper No. 2008-3
22. Levieuge, G., Lucotte, Y. & Ringuedé, S. (2018), "Central bank credibility and the expectations channel: evidence based on a new credibility index", *Review of World Economics*, 154, 493–535, <https://doi.org/10.1007/s10290-018-0308-6>.
23. Lusardi, A., & Mitchell, O. S. (2014). "The Economic Importance of Financial Literacy: Theory and Evidence", *Journal of Economic Literature*, 52(1), 5–44.
24. Muduli, S., Nadhanael, G.V., & Pattanaik, S. (2022), "Assessing Inflation Expectations Adjusting for Households' Biases, *RBI Bulletin* December 2022, 97-107.
25. Nam, M. and Go, M. (2018). "Nexus between Inflation, Inflation Perceptions and Expectations", *KDI Journal of Economic Policy* 2018, 40(3):45–68.
26. Pattanaik, S., Muduli, S. & Ray, S. (2020), "Inflation Expectations of households: do they influence wage-price dynamics in India?", *Macroeconomics and Finance in Emerging Market Economies*, 13(3): 244-263.

27. Paul R. & Ghosh T. (2025), “Insights from Indian households’ qualitative inflation expectations”, Indira Gandhi Institute of Development Research, WP-2025-001
28. Ranyard, R., Missier F.D., Bonini, N., Duxbury, D. & Summers, B. (2008), “Perceptions and Expectations of Price Changes and Inflation: A Review and Conceptual Framework.”, *Journal of Economic Psychology*, 29(4): 378-400.
29. Reid, M., & Siklos, P. (2020), “Building Credibility and Influencing Expectations-The Evolution of Central Bank Communication.”, Working Paper No. 10141. South Africa Reserve Bank Working Paper Series.
30. Shaw, P. (2019), “Using Rational Expectations to Predict Inflation”, *RBI Occasional Papers*, Vol. 40(1).
31. Singh, D. P., Mishra, A., & Shaw, P. (2022). “Taking Cognisance of Households’ Inflation Expectations in India.”, Reserve Bank of India, Working Paper Series 2/2022.
32. Weber, M., D’Acunto, F., Gorodnichenko, Y. & Coibion, O. (2022), “Reality check: How people form IE and why you should care.”, University of Chicago, Becker Friedman Institute for Economics, Working Paper 40

Annexure

Table 1A: Descriptive Statistics

	Mean	Median	Std Deviation
Inflation Perception	9.4	8.00	9.72
Food Products and Beverages IE	7.73	6.00	8.16
Clothing and Footwear IE	5.61	5.00	8.13
Fuel and light IE	6.97	5.00	7.82
Housing IE	9.11	9.00	10.26
Miscellaneous IE	7.32	5.00	8.02
Reported one year ahead IE	8.95	7.00	9.46
Calculated one year ahead IE	7.73	6.40	7.17
Five years ahead IE	9.06	7.00	7.88

Table 2A: Descriptive Statistics

Item	Current Inflation Perception			One year ahead IE			Five years ahead IE			
	Mean	Median	Standard Deviation	Mean	Median	Standard Deviation	Mean	Median	Standard Deviation	
Occupation	Daily Wages	12.0	10.0	11.3	9.8	8.0	6.8	9.1	7.0	6.3
	Financial Sector employees	6.9	6.0	4.3	7.3	7.0	3.9	7.9	6.0	4.4
	Homemaker	8.9	8.0	9.3	8.4	8.0	9.0	9.0	8.0	6.9
	Other Salaried employees	10.7	8.0	10.6	10.2	7.0	11.8	9.5	6.0	10.7
	Others	6.2	5.0	8.4	8.4	6.0	9.5	7.1	5.0	4.6
	Self employed	10.6	8.0	11.1	9.3	6.5	9.9	10.0	7.0	8.0
Gender	Male	9.3	6.0	10.3	8.8	7.0	9.3	8.9	6.0	7.9
	Female	9.5	9.0	9.0	9.2	8.0	9.7	9.3	8.0	7.9
Educational Qualification	10th and below	12.1	10.0	12.1	10.3	10.0	11.5	9.9	10.0	9.0
	12th standard	9.8	9.0	10.0	10.1	8.0	10.2	9.6	8.0	8.3
	Graduation	8.7	7.0	7.8	8.9	7.0	9.0	8.5	6.0	6.1
	Post-graduation and above	8.2	6.0	10.3	6.9	5.0	7.3	8.8	6.0	9.2
Average household Monthly Income	Less than Rs. 25000	11.7	10.0	12.1	10.8	8.0	11.6	9.3	7.0	8.3
	Between Rs. 25000 and Rs. 50000	9.9	8.0	8.9	10.1	8.0	11.0	10.0	8.0	9.3
	Rs. 50000 – Rs. 100000	8.2	6.0	8.8	7.9	6.0	7.8	8.4	7.0	5.7
	Between Rs. 1 Lakh and Rs. 5 Lakhs	8.7	6.0	9.7	7.7	6.0	7.2	9.0	6.0	8.2
	Rs. 5 lakhs and above	7.0	6.0	5.8	6.5	5.0	4.8	6.9	6.0	3.5

Table 3A: Correlation coefficients for overall and item-wise one-year ahead inflation expectations

	Overall
Overall	1
Food Products and Beverages	0.6791***
Clothing and Footwear	0.5871***
Fuel and Light	0.6643***
Housing	0.6457***
Miscellaneous	0.7337***

Questionnaire

I. Details of the respondent

1. Name and other details of the respondents

2. Gender:

[1] Male <input type="checkbox"/>	[2] Female <input type="checkbox"/>
-----------------------------------	-------------------------------------

3. Age of the respondents: (Should be above 21 years)

4. What is your occupation (occupation of the respondent):

[1] Financial sector employees <input type="checkbox"/>	[2] Other salaried employees <input type="checkbox"/>	[3] Self-employed <input type="checkbox"/>
[4] Daily wages <input type="checkbox"/>	[5] Retired <input type="checkbox"/>	[6] Homemaker <input type="checkbox"/>
[7] Others <input type="checkbox"/>		

5. Educational Qualification of the respondent

[1] Below 10th std. <input type="checkbox"/>	[2] 12th Std <input type="checkbox"/>	[3] Graduate <input type="checkbox"/>	[4] Postgraduate and above <input type="checkbox"/>
--	---------------------------------------	---------------------------------------	---

6. What is your average household monthly Income?

[1] Less than ₹ 25 thousand <input type="checkbox"/>	[2] ₹ 25,000 - ₹ 49,999 <input type="checkbox"/>	[3] ₹ 50,000 - ₹ 99,999 <input type="checkbox"/>
[4] ₹ 1,00,000 - ₹ 4,99,999 <input type="checkbox"/>	[5] ₹ 5 lakhs and above <input type="checkbox"/>	

II. Household perceptions

7. During the last one year, what do you think about the overall prices in the economy?

Whether prices have

Increased <input type="checkbox"/>	Remained same <input type="checkbox"/>	Decreased <input type="checkbox"/>
------------------------------------	--	------------------------------------

8. During the last one year, by how much do you think prices have changed overall in the economy? (In percent)

9. During the last one year, what do you think about your overall expenditure? Has it

Increased <input type="checkbox"/>	Remained same <input type="checkbox"/>	Decreased <input type="checkbox"/>
------------------------------------	--	------------------------------------

10. During the last one year, by how much do you think your expenditure have changed? (In percent)

III. Household's one-year and five-year ahead expectations

11. During the next one year what do you think about the prices of **food products and beverages** in the economy? Whether the prices of **food products and beverages** will

Increase	<input type="checkbox"/>	Remain the same	<input type="checkbox"/>	Decrease	<input type="checkbox"/>
----------	--------------------------	-----------------	--------------------------	----------	--------------------------

12. During the next one year, by how much do you think the prices of **food products and beverages** will change in the economy? (In percent)

13. During next one year what do you think about the prices of **clothing and footwear** in the economy? Whether prices of **clothing and footwear** will

Increase	<input type="checkbox"/>	Remain the same	<input type="checkbox"/>	Decrease	<input type="checkbox"/>
----------	--------------------------	-----------------	--------------------------	----------	--------------------------

14. During the next one year, by how much do you think the prices of **clothing and footwear** will change in the economy? (In percent)

15. During the next one year what do you think about the prices of **fuel and light (petrol, diesel, electricity etc.)** in the economy? Whether prices of **fuel and light** will

Increase	<input type="checkbox"/>	Remain the same	<input type="checkbox"/>	Decrease	<input type="checkbox"/>
----------	--------------------------	-----------------	--------------------------	----------	--------------------------

16. During the next one year, by how much do you think the prices of **fuel and light** will change in the economy? (In percent)

17. During the next one year, what do you think about the prices of **housing** in the economy? Whether prices of housing will

Increase	<input type="checkbox"/>	Remain the same	<input type="checkbox"/>	Decrease	<input type="checkbox"/>
----------	--------------------------	-----------------	--------------------------	----------	--------------------------

18. During the next one year, by how much do you think the prices of **housing** will change in the economy? (In percent)

19. During the next one year, what do you think about the prices of **Miscellaneous (Furniture, health, transport, education etc.)** in the economy? Whether prices of **Miscellaneous** will

Increase	<input type="checkbox"/>	Remain the same	<input type="checkbox"/>	Decrease	<input type="checkbox"/>
----------	--------------------------	-----------------	--------------------------	----------	--------------------------

20. During the next one year, by how much do you think the prices of **Miscellaneous** will change in the economy? (In percent)

21. During the next one year do you think about the **overall prices** in the economy? Whether **overall prices** will

Increase	<input type="checkbox"/>	Remain the same	<input type="checkbox"/>	Decrease	<input type="checkbox"/>
----------	--------------------------	-----------------	--------------------------	----------	--------------------------

22. During the next one year, by how much do you think prices will change overall in the economy? (In percent)

IV. Behavioural Responses to Anticipated Inflation

23. During the next one year, what do you think about your overall expenditure? Whether your overall expenditure will

Increase <input type="checkbox"/>	Remain the same <input type="checkbox"/>	Decrease <input type="checkbox"/>
-----------------------------------	--	-----------------------------------

24. During the next one year, by how much do you think your overall expenditure will change? (In percent)

If increase in overall expenditure

25. Why do you think your expenditure will increase in next one year? (Multiple choice)

Due to increase in the cost of goods and services <input type="checkbox"/>	Additional expenditure for education, marriage, purchasing large ticket items like real estate, car, consumer durables etc. <input type="checkbox"/>
Due to increase in income <input type="checkbox"/>	Due to increase in the value of investments/wealth <input type="checkbox"/>

If increase in overall expenditure is due to increase in the cost of goods and services,

26. You have said that your expenditure will increase in next one year, due to an increase in the cost of goods and services. In such a scenario, how are you planning to manage your expenses? (Multiple choice)

1. I may get a higher income [My salary may be revised with inflation adjustment (DA), I may negotiate with employer to get a higher salary, I may do overtime job/search for another job with a high salary/wage, I will increase the price of the product/service which I am providing] <input type="checkbox"/>
2. I will purchase household essential items which are non-perishable (Rice, wheat, dals, Onion, potato, oils, medicines etc) and store it
3. I will purchase of household durable items (furniture, tv, refrigerator etc.) immediately <input type="checkbox"/>
4. By Reducing Savings <input type="checkbox"/>
5. Borrowing from other sources <input type="checkbox"/>
6. I will do not act, I will adjust the expenses with the available income <input type="checkbox"/>

27. During the next 5 years, what will be the **average inflation rate** in our country? (In percent)