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Inflation expectations of households: do they influence wage-price dynamics in India?

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Disclosure statement

No potential conflict of interest was reported by the authors.

Supplementary material

Supplemented data of this article can be accessed [here](#).

Notes

1. Expectations induced wage-price spiral requires a tight labour market condition. Along with high inflation expectations as per the household survey, one should also look at household survey results on the outlook for income and employment and actual wage/compensation growth data to assess risks to inflation from high inflation expectations.

2. In employment, the survey data shows that the labour market is tight, which could reflect the high inflation expectations. The survey data also shows that the restrictive monetary policy could be a proxy for the high inflation expectations. The survey data also shows that the restrictive monetary policy of marginally higher interest rates could be a proxy for the high inflation expectations. The survey data also shows that the restrictive monetary policy with no change in the current inflation rate could be a proxy for the high inflation expectations. The survey data also shows that the restrictive monetary policy assessed by firms on the current inflation rate could be a proxy for the high inflation expectations. The survey data also shows that the restrictive monetary policy committed by firms on the current inflation rate could be a proxy for the high inflation expectations. The survey data also shows that the restrictive monetary policy possible for firms on the current inflation rate could be a proxy for the high inflation expectations.

3. Sharmistha et al. (2022) show that the inflation (for the same period) and CPI-CPI (for the same period) are highly correlated. The survey data also shows that the household inflation expectations in India.

4. According to Das, Lahiri, and Zhao ([2016](#)), the RBI's first survey started in September 2005, and only qualitative information was the focus in the first two rounds, collected from four major cities. From the third round in 2006, quantitative information (3 months ahead and 1-year ahead) from 12 cities started being collected. Since the 30th round in December 2012, data are being collected from 16 cities. Since the data would have taken some time to stabilize, it may be appropriate to use these data after 2008 for drawing relevant empirical inferences.

5. Monetary Policy Report, RBI, April 2019.

6. In India, unlike household inflation expectations (assumed as expectations of employees) which have remained persistently higher than actual inflation, inflation expectations of professional forecasters (whose analysis may matter to firms for their investment and pricing decisions) are closer to the inflation trajectory projected by the RBI and importantly, inflation expectations of firms (as per the Business Inflation Expectations Survey of IIM, Ahmedabad) are closer to actual inflation. This experience is similar to that in Poland where anchoring of forward looking expectations of financial analysts and enterprises is found to be much higher than backward-looking inflation expectations of consumers (Lyziak [2016](#)).

7. These data relate to non-government non-financial companies (growth in per employee staff costs) and are sourced from

<https://www.rbi.org.in/press/monetarypolicy/monetarypolicy.htm> and [see RBI's](#) [Monetary Policy Report](#) on wages, these data

8. CPI-C and CPI-W are used to revise the CPI. Such back-casting is required wherever the underlying



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