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Inflation Expectations Survey¹

Nepal Rastra Bank has released the results of Inflation Expectations Survey (IES) for the first quarter of FY 2078/79. The survey was conducted during Ashwin 17 to Ashwin 22, 2078 among individual respondents from 10 market areas of seven cities through field interviews. The results are based on responses from 510 urban individuals.

Highlights:

- i. Mean and median inflation perception for current period remained at 9.4 percent and 8 percent respectively [Table 2].
- ii. Mean and median inflation expectations for three months ahead remained at 9.6 percent and 8 percent respectively [Table 2].
- iii. Mean and median inflation expectations for one year ahead remained at 10.3 percent and 9 percent respectively [Table 2].
- iv. 87.1 percent of respondents have expected price level to increase in next three months. Likewise, 96.3 percent of respondents have expected price level to increase over the next one year [Table 1a and 1b].
- v. Expectations of respondents on prices for next three months and next one year vary across age. Among respondents up to 25 years of age, mean inflation expectations for three months ahead and one year ahead are found to be 10.6 percent and 11.3 percent respectively. On the other hand, among respondents more than 56 years of age, the mean inflation expectations for three months ahead and one year ahead are found to be 11.2 percent and 12.4 percent respectively [Table 2].
- vi. There are also variations in mean inflation expectations for three months ahead and one year ahead across cities. Mean inflation expectation for next three months varies from 12.5 percent for respondents from Birgunj to 5.9 percent for respondents from Nepalgunj. Likewise, mean inflation expectation for next one year varies from 13.4 percent for respondents from Birgunj to 5.9 percent for respondents from Nepalgunj [Table 2]. Differences by gender and employment sector are less noticeable.

¹ Methodology of the survey is explained in detail in the first report released on July 18, 2021



Table1(a): Product-wise Expectations of Prices for Three Months Ahead

		Percentage of Respondents			
S.N.	Survey Period ended	2078 Ashwin		2077 Magh	
1	General	Estimate	SE	Estimate	SE
	Price increases	87.1	4.07	86.9	1.71
	At more than current rate	19.6	6.39	35.9	4.20
	At similar to current rate	47.4	5.14	36.9	3.31
	At less than current rate	20.2	5.24	14.1	1.97
	No changes in prices	11.5	3.91	10.2	2.06
	Decline in prices	1.4	0.42	2.9	0.92
1.1	Food Product				
	Price increases	89.2	5.00	86.1	1.20
	At more than current rate	12.5	2.47	20.3	3.38
	At similar to current rate	48.9	6.58	41.9	2.75
	At less than current rate	27.8	2.95	23.9	2.51
	No changes in prices	9.6	4.55	13.1	1.33
	Decline in prices	1.2	1.12	0.8	0.43
1.1.1	Cereal grains, pulses, sugar and Spices				
	Price increases	89.0	2.48	81.5	2.04
	At more than current rate	23.7	5.63	30.1	3.63
	At similar to current rate	43.1	5.67	36.3	2.59
	At less than current rate	22.3	5.06	15.1	1.79
	No changes in prices	7.8	1.70	16.6	2.49
	Decline in prices	3.1	2.13	1.9	0.67
1.1.2	Vegetables and Fruits				
	Price increases	77.5	9.26	84.4	1.36
	At more than current rate	19.8	5.71	38.2	4.02
	At similar to current rate	37.6	6.38	29.3	3.16
	At less than current rate	20.2	4.16	17.0	1.62
	No changes in prices	8.8	2.70	10.4	1.04
	Decline in prices	13.7	7.50	5.2	1.05
1.1.3	Fish, Meat, Milk, Ghee and Oil				
	Price increases	80.4	3.51	73.0	2.10



Percentage of Respondents					
S.N.	Survey Period ended	2078 Ashwin		2077 Magh	
		Estimate	SE	Estimate	SE
	At more than current rate	20.2	4.02	26.8	2.80
	At similar to current rate	39.7	5.14	32.2	1.73
	At less than current rate	20.5	3.43	14.1	1.62
	No changes in prices	17.4	3.50	20.3	1.45
	Decline in prices	2.2	0.66	6.6	1.39
1.1.4	Drinks and Tobacco				
	Price increases	62.4	4.89	66.6	5.67
	At more than current rate	13.3	3.08	31.5	4.98
	At similar to current rate	28.6	3.34	26.3	1.27
	At less than current rate	20.5	2.83	8.7	0.95
	No changes in prices	36.6	5.09	32.4	6.12
	Decline in prices	1.0	0.34	1.0	0.52
1.1.5	Hotel and restaurant				
	Price increases	54.6	5.22	71.8	4.91
	At more than current rate	11.2	4.23	35.5	6.64
	At similar to current rate	27.6	3.70	24.3	3.32
	At less than current rate	15.9	1.87	12.0	1.33
	No changes in prices	44.8	5.03	24.1	3.45
	Decline in prices	0.6	0.23	4.1	1.78
1.2	Non-Food and Services				
	Price increases	66.1	8.28	78.0	3.17
	At more than current rate	3.3	1.69	33.8	4.39
	At similar to current rate	37.4	6.44	31.5	1.67
	At less than current rate	25.4	3.72	12.7	1.72
	No changes in prices	33.5	8.02	19.7	3.38
	Decline in prices	0.4	0.31	2.3	0.88
1.3	Real Estate (Housing) prices				
	Price increases	79.1	10.56	76.1	7.42
	At more than current rate	35.6	11.23	43.6	7.37
	At similar to current rate	29.4	5.96	23.4	3.92
	At less than current rate	14.1	7.05	9.1	1.58
	No changes in prices	19.8	9.80	19.1	5.84
	Decline in prices	1.2	0.84	4.8	1.65



Table 1(b): Product-wise Expectations of Prices for One Year Ahead

Percentage of Respondents					
S.N.	Survey Period ended	2078 Ashwin		2077 Magh	
1	General	Estimate	SE	Estimate	SE
	Price increases	96.3	2.33	94.0	1.59
	At more than current rate	36.8	7.14	48.3	2.19
	At similar to current rate	38.7	4.46	36.7	3.85
	At less than current rate	20.7	4.40	8.9	1.89
	No changes in prices	3.5	2.40	3.3	0.84
	Decline in prices	0.2	0.12	2.7	0.84
1.1	Food Product				
	Price increases	97.3	1.83	95.2	1.35
	At more than current rate	22.3	3.96	31.3	2.76
	At similar to current rate	53.6	5.34	46.5	2.58
	At less than current rate	21.3	4.57	17.4	2.60
	No changes in prices	2.7	1.83	3.7	0.95
	Decline in prices	-	-	1.0	0.48
1.1.1	Cereal grains, pulses, sugar and Spices				
	Price increases	96.3	2.20	94.2	1.62
	At more than current rate	34.8	5.01	39.4	3.80
	At similar to current rate	44.0	3.10	40.5	3.60
	At less than current rate	17.4	4.90	14.3	2.79
	No changes in prices	3.5	2.00	3.3	0.84
	Decline in prices	0.2	0.22	2.5	0.81
1.1.2	Vegetables and Fruits				
	Price increases	93.9	1.96	89.8	2.54
	At more than current rate	25.4	3.58	35.9	3.51
	At similar to current rate	45.4	4.52	38.6	3.20
	At less than current rate	23.1	5.62	15.4	1.88
	No changes in prices	5.3	2.11	7.3	1.84
	Decline in prices	0.8	0.31	2.7	1.01
1.1.3	Fish, Meat, Milk, Ghee and Oil				
	Price increases	93.7	2.24	91.5	1.24
	At more than current rate	24.5	4.89	36.1	3.08
	At similar to current rate	42.5	3.47	40.2	2.93
	At less than current rate	26.8	5.95	15.1	2.64
	No changes in prices	5.9	2.33	6.8	0.79
	Decline in prices	0.4	0.24	1.7	0.67
1.1.4	Drinks and Tobacco				
	Price increases	88.3	1.70	91.3	1.58



Percentage of Respondents					
S.N.	Survey Period ended	2078 Ashwin		2077 Magh	
		Estimate	SE	Estimate	SE
	At more than current rate	27.6	6.49	52.9	2.55
	At similar to current rate	38.7	5.66	29.0	3.34
	At less than current rate	21.9	3.36	9.3	1.19
	No changes in prices	11.7	1.70	7.5	1.45
	Decline in prices	-	-	1.2	0.68
1.1.5	Hotel and restaurant				
	Price increases	85.9	1.63	90.9	2.08
	At more than current rate	14.3	3.81	46.7	3.93
	At similar to current rate	42.3	3.30	31.5	4.26
	At less than current rate	29.4	3.81	12.7	2.18
	No changes in prices	13.7	1.59	7.9	1.62
	Decline in prices	0.4	0.24	1.0	0.55
1.2	Non-Food and Services				
	Price increases	91.8	2.41	90.9	1.21
	At more than current rate	14.1	5.55	39.6	3.14
	At similar to current rate	44.4	4.06	39.0	3.54
	At less than current rate	33.3	6.03	12.2	1.21
	No changes in prices	8.2	2.41	6.6	0.77
	Decline in prices	-	-	2.5	0.74
1.3	Real Estate (Housing) prices				
	Price increases	95.5	1.80	91.3	4.16
	At more than current rate	54.6	11.47	62.0	7.10
	At similar to current rate	25.6	3.66	20.5	3.49
	At less than current rate	15.3	7.71	8.7	2.17
	No changes in prices	4.3	1.79	6.8	3.60
	Decline in prices	0.2	0.23	1.9	0.64



Table 2: Inflation Expectations of Various Groups: 2078 Ashwin

	Current Perception				Three Months ahead Expectation				One Year ahead Expectation			
	Mean		Median		Mean		Median		Mean		Median	
	Estimate	SE	Estimate	SE	Estimate	SE	Estimate	SE	Estimate	SE	Estimate	SE
Overall	9.4	0.71	8.0	1.42	9.6	0.65	8.0	1.14	10.3	0.73	9.0	1.03
Gender-wise												
Male	9.6	0.76	8.0	1.66	9.5	0.75	9.0	1.14	10.2	0.82	9.0	0.89
Female	9.0	0.69	8.0	1.46	9.8	0.73	8.0	1.29	10.5	0.91	9.0	0.87
Employment sector-wise												
Financial	7.8	0.85	6.5	0.62	8.6	0.85	8.0	1.42	9.1	0.91	8.0	0.71
Industrial	7.9	0.88	6.5	1.65	9.4	1.49	7.0	0.93	9.1	0.68	8.0	0.37
Agriculture	10.4	1.50	10.0	2.46	10.5	1.19	10.0	1.30	11.5	1.90	12.0	2.91
Education	8.9	0.74	7.0	0.91	8.6	0.69	8.0	0.75	9.9	0.95	8.0	0.85
Health	10.2	2.14	10.0	3.40	8.9	2.08	8.0	3.41	10.8	1.76	10.0	2.50
Other sector	9.5	0.68	10.0	2.20	9.3	0.50	9.0	1.06	10.4	0.78	9.0	0.86
Self-employed	9.8	0.92	9.0	1.19	10.4	0.73	10.0	1.31	10.7	0.79	9.0	0.94
Retired	10.3	0.91	10.0	2.17	11.5	1.05	12.0	2.07	10.9	1.36	10.0	2.11
Unemployed	9.5	1.08	8.0	1.16	10.2	1.04	10.0	1.73	10.3	0.94	10.0	1.36
Age group-wise												
Up to 25 years	10.6	1.06	10.0	1.65	10.6	0.93	10.0	1.97	11.3	1.23	10.0	1.81
26 to 35 years	9.6	0.68	10.0	1.60	9.6	0.87	8.0	1.26	10.5	0.78	9.0	1.11
36 to 45 years	8.6	0.78	7.0	0.84	9.3	0.71	8.0	1.34	9.5	0.73	8.0	0.93
46 to 55 years	9.4	0.68	7.5	0.60	9.1	0.75	8.0	0.91	10.2	0.74	8.0	0.46
More than 56 years	11.1	1.06	10.0	2.31	11.2	0.75	11.0	1.83	12.4	1.11	12.0	2.13
City-wise												
Biratnagar	9.7	0.70	8.0	1.17	11.0	0.59	10.0	1.04	10.5	0.67	9.0	1.04
Birgunj	12.3	0.41	12.0	0.52	12.5	0.33	13.0	0.39	13.4	0.47	13.0	0.52
Kathmandu	9.3	0.34	8.0	0.31	9.4	0.34	9.0	0.41	10.3	0.30	9.0	0.21
Pokhara	6.2	0.05	6.2	0.02	7.0	0.10	7.0	0.13	7.2	0.13	7.0	0.13
Nepalgunj	6.0	0.05	6.2	0.06	5.9	0.04	5.9	0.06	5.9	0.05	5.9	0.09
Birendranagar	11.3	1.29	10.0	6.57	11.8	1.14	10.0	4.82	12.2	1.24	10.0	7.01
Dhangadhi	13.0	0.35	12.0	0.58	11.2	0.27	12.0	0.29	13.1	0.40	13.0	0.58



Table 3: Household Inflation Expectations - Current Perception, Three Months and One Year Ahead Expectations

	Current Perception				Three Months ahead Expectation				One Year ahead Expectation			
	Mean		Median		Mean		Median		Mean		Median	
	Estimate	SE	Estimate	SE	Estimate	SE	Estimate	SE	Estimate	SE	Estimate	SE
2078 Ashwin	9.4	0.71	8.0	1.42	9.6	0.65	8.0	1.14	10.3	0.73	9.0	1.03
2077 Magh	8.0	2.85	5.5	2.32	8.7	2.68	7.0	3.40	10.0	2.72	8.0	3.44