

Anchored for Whom? Household Inflation Expectations after a Decade of Inflation Targeting

Pushpendu Ghosh and Aditi Singh¹

Centre for Advanced Financial Research and Learning (CAFRAL)

Abstract

India has completed a decade of flexible inflation targeting, and headline inflation has spent most of that decade inside the 2–6% tolerance band. Whether household expectations have become similarly anchored remains an open question. Using 65 waves of the Reserve Bank of India’s Inflation Expectations Survey of Households (IESH) — approximately 335,000 responses collected between 2014 and 2025 — we examine how broadly anchoring extends across Indian households. Around three salient shocks, one-year-ahead expectations moved in the direction the shock would predict: they fell by about 2 percentage points after demonetisation, rose by 1.8 points after the COVID-19 lockdown, and moved little on impact after the Russia–Ukraine war. Beneath the aggregate, expectations differ systematically across demographic groups. Older respondents, retired individuals, and residents of Tier 1 cities report higher expected inflation, as do women at the one-year horizon. The gap between the demographic profile with the highest predicted expectations and the profile with the lowest is on the order of two percentage points, half the width of the tolerance band. The pandemic reshuffled this heterogeneity, narrowing age differences and widening occupational ones. These patterns suggest that anchoring is better read as a distribution than as a single measure, and they help identify the household groups for whom targeted central-bank communication may yield the greatest gains.

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1. Introduction

India adopted flexible inflation targeting in 2016. The Reserve Bank committed to a 4 percent headline inflation target with a symmetric tolerance band of 2 percent on either side. A decade later, the framework has met its main goal on the price side. Headline CPI inflation has spent most of the period inside the 2 to 6 percent band. Whether it has anchored household expectations is a harder question. According to the May 2026 round of the RBI's Inflation Expectations Survey of Households (IESH), the average urban household expects inflation of around 9.2 percent over the coming year. A gap of this size between the target and the survey mean is not unique to India. Household surveys in the United States and Europe show the same upward tilt relative to realised inflation (Coibion et al., 2018). But this gap raises a question aggregate statistics cannot answer: when we say expectations are anchored, anchored for whom?

Standard macroeconomic models make this question invisible by assumption. Under rational expectations, all agents share one information set and one forecasting rule. Expectations are homogeneous, and disagreement has no meaning. Survey data reject this description wherever it has been tested. Deviations from full-information rational expectations are pervasive in the short run (Coibion et al., 2018). Expectations differ across demographic groups in ways that persist over decades (Bryan and Venkatu, 2001a; Bruine de Bruin et al., 2010). For a central bank, the distribution of expectations matters as much as the mean. When expectations are anchored, temporary supply shocks pass through short-term inflation without shifting the medium-term outlook, reducing the likelihood of a wage-price spiral. If some groups revise sharply while others do not, aggregate measures can conceal the households whose expectations are least anchored.

We use the RBI's Inflation Expectations Survey of Households (IESH) to study whether expectations in India are anchored, and if so, for which groups? We examine the anchoring of expectations in three steps. First, we trace expectations at the three-month and one-year horizons around three major shocks: the November 2016 demonetisation, the COVID-19 lockdown, and the Russia and Ukraine war. Second, we regress reported expectations on gender, age group, occupation, and city tier, controlling for the timing of the survey wave.

Third, we split the sample around COVID-19 to ask whether the pandemic changed the demographic map of anchoring.

The three shocks moved expectations in different directions, each consistent with the shock's economics. Demonetisation was a contraction in demand, and lowered one-year-ahead expectations by 2 percentage points. The COVID-19 lockdown was a supply disruption, and raised them by 1.8 percentage points. The increase persisted well beyond the initial shock. The Russia and Ukraine war barely moved three-month expectations, which were already elevated, but raised one-year expectations modestly. Beneath the aggregate, expectations differ systematically. Older respondents expect 0.4 to 0.7 percentage points more inflation than younger ones. Retirees expect 0.4 points more than homemakers at the one-year horizon. Residents of Tier 3 cities expect 0.9 to 1.2 points less than residents of Tier 1. A gender gap of 0.26 points appears at the one-year horizon, though not at three months. Stacking these coefficients, the gap between the most and least inflation-wary demographic profiles is about two percentage points, roughly half the width of the tolerance band.

Three caveats bound what these data can establish. First, because the IESH is a repeated cross-section, we track groups rather than individuals over time. Second, although the survey collects information on respondents' education and income—variables that strongly predict inflation expectations—it does not release these data (Bruine de Bruin et al., 2010; Hayo and Neumeier, 2021). Third, we cannot distinguish genuine expectations from systematic reporting biases. Paul and Ghosh (2026), for example, show that the elevated level of Indian households' stated expectations largely reflects the salience of frequently purchased items rather than beliefs about aggregate inflation.

We therefore interpret our results with appropriate caution. The elevated level of household expectations and their sensitivity to salient price shocks are common features of household surveys worldwide; they do not, by themselves, constitute evidence against India's inflation-targeting framework. Indeed, expectations remained notably stable from 2016 to 2020, when inflation stayed within the target band. Our contribution is instead to document which groups respond most strongly to inflationary shocks and which remain anchored. The next section situates these patterns within the broader literature on disagreement in inflation expectations.

1.1 Review of Literature

Two strands of literature shape our analysis. The first explains disagreement in inflation expectations through information rigidities. Mankiw et al. (2003) document substantial disagreement among US households and show that the sticky-information model of Mankiw and Reis (2002) captures its main features; Coibion et al. (2018) find similar rigidities across advanced economies. The second strand shows that expectations vary systematically across demographic groups. Women, lower-income and less-educated respondents, and those with limited macroeconomic knowledge typically report higher expectations or update them differently (Bryan and Venkatu, 2001a, 2001b; Bruine de Bruin et al., 2010; Easaw et al., 2013; Ballantyne et al., 2016; Hayo and Neumeier, 2021). Clearer central-bank communication can reduce the resulting disagreement (Galvis-Ciro and Anzoategui Zapata, 2019). Together, these studies suggest that disagreement reflects differences in information, attention, and exposure to prices rather than random forecasting error.

The Indian evidence identifies similar heterogeneity but does not always agree on its direction. Muduli et al. (2022) link disagreement to consumption baskets, occupation, income, age, and location, while Singh and Bandyopadhyay (2023) find less disagreement among women and younger respondents. Bhasin et al. (2025) show that perceptions become more dispersed as inflation rises and attribute demographic and regional gaps to consumption patterns, unpaid domestic work, and local economic conditions. Goyal and Parab (2019) obtain the opposite ranking across city tiers, although both studies find higher expectations among older and retired respondents. Paul and Ghosh (2026) show that households' direct aggregate forecasts exceed aggregates reconstructed from item-level expectations because respondents overweight frequently purchased goods; this salience bias is largest among women and lower-income households.

We contribute to the literature in three ways. First, we study the period from 2014 to 2025, covering the introduction of inflation targeting and three major shocks: demonetisation, COVID-19, and the Russia–Ukraine war. Second, we split the sample around COVID-19 to test whether the demographic pattern of anchoring changes across macroeconomic conditions. Third, we treat anchoring as a distribution across groups rather than a single aggregate statistic. This approach identifies whose expectations respond most strongly to shocks and which groups the RBI's communication reaches least effectively.

2. Data

The IESH has been conducted by the Reserve Bank of India since 2005. It elicits household inflation expectations at two horizons: three months ahead and one year ahead. The survey ran quarterly until 2013, and moved to a bi-monthly schedule from 2014 onwards. Our analysis uses the bi-monthly rounds covering March 2014 to November 2025.

The survey collects both qualitative and quantitative information on inflation expectations from urban households. Respondents are classified by age, gender, occupation, and city of residence. Educational qualifications and income levels are also collected but are not released in the public data. The survey initially covered Mumbai, Delhi, Chennai, and Kolkata. It has since been expanded multiple times, and now covers 19 urban centres.

The questionnaire is organised into four sections. The first section captures respondents' demographic profiles. The second and third sections elicit qualitative expectations of price movements over three-month and one-year horizons, with responses categorised into five ordered outcomes ranging from price decline to a sharper rate of price increase than in the previous year. These expectations are recorded for both overall inflation and major consumption categories such as food, non-food items, household durables, services, and housing. The final section gathers quantitative estimates of current inflation perceptions as well as forward-looking expectations over three-month and one-year horizons. Respondents choose from pre-defined intervals of one percentage point width, running from below 1 percent to above 16 percent. Respondents who select the above-16-percent bin are asked to provide a specific numerical estimate, which reduces top-coding.

3. Trends in Inflation Expectations

With the adoption of the inflation targeting framework in 2016, anchoring inflation expectations has emerged as a central objective of monetary policy. Expectations are anchored when temporary price shocks cause only short-lived revisions, followed by a return toward their previous level. Persistent shifts, by contrast, can signal a loss of central-bank credibility and make inflation more difficult to stabilise. This section examines whether household expectations reverted after India's three most visible shocks: demonetisation in November 2016, the COVID-19 lockdown in March 2020, and the Russia–Ukraine war in February 2022.

Figure 1 shows the evolution of median inflation expectations over the two horizons. The solid line shows three-month-ahead expectations. The dashed line shows one-year-ahead

expectations. Vertical lines mark the three shocks: the announcement of demonetisation in November 2016, the onset of the COVID-19 pandemic in March 2020, and the outbreak of the Russia and Ukraine war in February 2022.

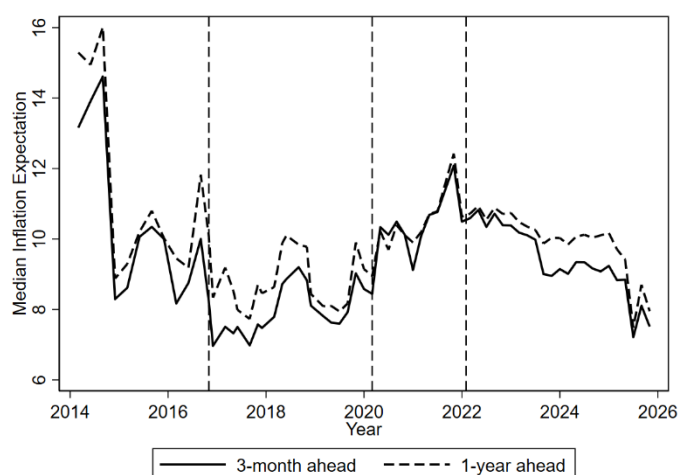


Figure 1: Median Inflation Expectations

Each shock moved household expectations in the direction its economics would suggest, but the persistence differed. Demonetisation was a large contraction in cash circulation. It compressed household demand, and expectations declined in the survey rounds that followed. The COVID-19 lockdown was a supply disruption. Expectations initially dipped as demand collapsed, then rose as supply chains broke and food and fuel prices climbed. The elevated level persisted for several waves. The Russia and Ukraine war raised global commodity prices at a moment when Indian inflation was already elevated. One-year expectations rose while three-month expectations barely moved.

These movements show that household expectations respond to large, salient shocks. Sensitivity of this kind is a standard feature of household survey data in both advanced and emerging economies (Coibion et al., 2018), and it does not by itself imply that expectations are unanchored. What matters is whether the shift reverts once the shock has passed. The event comparisons in Table 1 therefore ask not only whether expectations moved, but by how much and for how long.

Table 1: Impact of Major Events on Inflation Expectations

MAJOR EVENTS	3-MONTH-AHEAD INFLATION EXPECTATIONS	1-YEAR-AHEAD INFLATION EXPECTATIONS
PRE- DEMONETISATION	9.69 (4.46)	10.56 (4.66)
POST- DEMONETISATION	7.41 (4.01)	8.59 (4.46)
PRE-COVID	8.06 (4.36)	8.49 (5.29)
POST-COVID	10.23 (4.52)	10.21 (5.56)
PRE-RUSSIA–UKRAINE WAR	10.49 (4.48)	10.59 (5.51)
POST-RUSSIA– UKRAINE WAR	10.49 (4.37)	10.72 (5.23)

Notes: Entries are median inflation expectations (%); standard deviations in parentheses. For each event, the pre-event window covers the year ending with the last survey wave before the event, and the post-event window covers the year beginning with the first survey wave after the event.

Table 1 puts numbers on the shocks visible in Figure 1. Each row reports the median expectation in the year before and the year after the shock, at both horizons, with the dispersion of responses in parentheses. Reading the rows against each other lets us judge how far a shock moved expectations, and how much households disagreed once it had.

The demonetisation window is the clearest example of a shock that expectations absorbed and moved past. Three-month-ahead expectations fell from about 9.6 percent to 7.4 percent, and one-year expectations fell from 10.5 percent to 8.5 percent. The direction is what a demand contraction would predict. The dispersion barely changed, so households did not disagree more

about the outlook after demonetisation than before. In anchoring terms, the framework absorbed the shock without a lasting shift in either the level or the spread of expectations.

The COVID-19 window looks different. Three-month expectations rose from 8.0 percent to 10.2 percent. One-year expectations rose from 8.4 percent to 10.2 percent. The dispersion of expectations widened at both horizons, suggesting more disagreement across households about where prices were headed. The Russia and Ukraine war shifted one-year expectations only modestly, from 10.5 percent to 10.7 percent, while three-month expectations stayed essentially unchanged. Dispersion narrowed slightly after the war, so households converged in view even as the level stayed elevated.

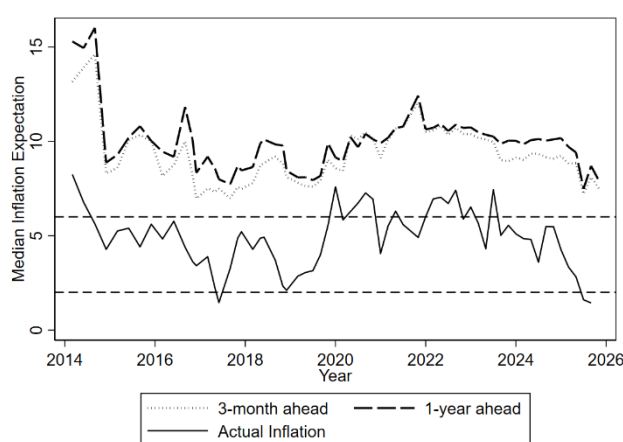


Figure 2: Median Inflation Expectations and CPI Inflation

Figure 2 overlays median household expectations at the two horizons with actual CPI headline inflation, together with the RBI's 2 to 6 percent tolerance band. Between the adoption of inflation targeting in 2016 and early 2020, CPI inflation stayed mostly inside the band. Household expectations over the same period were relatively stable, with occasional spikes that reverted to earlier levels. This pattern is consistent with the notion of anchored expectations: transient responses to news, followed by a return to a slow-moving baseline.

The COVID-19 lockdown looks different. Actual CPI inflation temporarily breached the upper edge of the band. Household expectations rose and stayed high through the subsequent survey rounds. Earlier spikes had reverted within a few waves; this one did not. We read the episode as a stress test of anchoring. Household expectations moved in a way that earlier shocks had

not, and the coming survey rounds will tell us whether that shift finally reverts as inflation settles back into the band.

4. Heterogeneity in Inflation Expectations

Aggregate anchoring can hide variation across households. Even when the aggregate is stable, individual groups may respond very differently to the same shock. For a central bank, that variation matters. Aggregate measures can conceal the households whose expectations are the most fragile (Muduli et al., 2022). We examine heterogeneity along four demographic dimensions: gender, age group, occupation, and city tier.

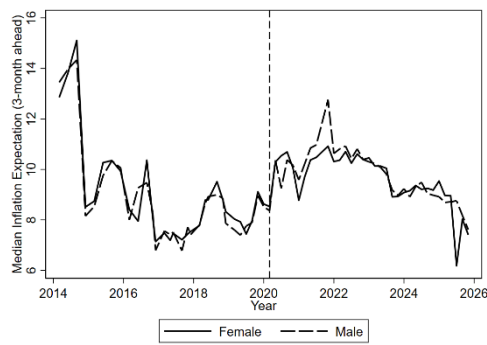


Figure 3a: 3-month ahead Inflation Expectations

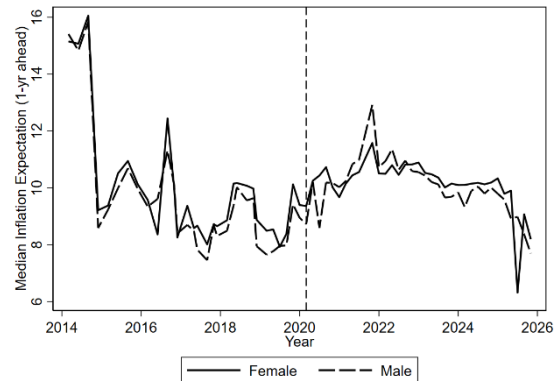


Figure 3b: 1-year ahead Inflation Expectations

4.1 Gender

Figure 3 shows median inflation expectations by gender at the two horizons. Across the sample, male and female respondents report broadly similar medians, without a persistent gap between the two groups. This is largely in line with the international finding that any gender difference in medians is small (Bryan and Venkatu, 2001a; Bruine de Bruin et al., 2010). Where a gender gap has been found in India, it has typically emerged in regression estimates rather than in raw medians (Goyal and Parab, 2019; Bhasin et al., 2025). We return to this in the regression results, where a statistically significant gender gap emerges at the one-year horizon after controlling for other demographic characteristics.

The clearest departure from the flat pattern is around the COVID-19 lockdown. Median expectations rose sharply for both groups. Male respondents' median rose slightly more, and

the gap between the two closed again once the immediate disruption passed. This mirrors the anchoring pattern in the aggregate: households of both genders re-anchored, but at a higher level than before the pandemic.

4.2 Age Group

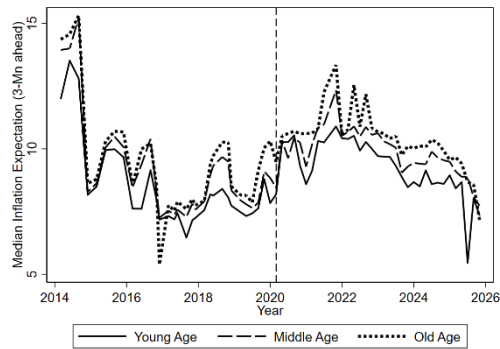


Figure 4a: 3-month ahead Inflation Expectations

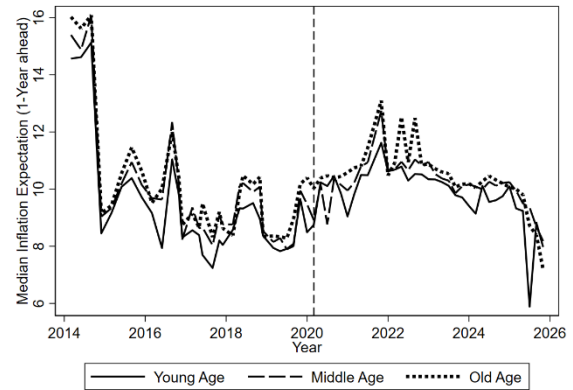


Figure 4b: 1-year ahead Inflation Expectations

Figure 4 shows median inflation expectations by age. Older respondents report the highest expectations at both horizons, and their responses are the most sensitive to news, visible in sharper spikes around shocks. Young and middle-aged respondents' expectations cluster more tightly. The pattern is consistent with Goyal and Parab (2019), who point to older cohorts' accumulated exposure to earlier high-inflation episodes and to concerns about limited social security and pension income. Singh and Bandyopadhyay (2023) similarly find that older respondents disagree more about inflation than younger ones. The Indian age pattern differs from the Italian pattern in Easaw et al. (2013), where age matters less directly.

After the COVID-19 lockdown, expectations rose across all age groups. The rise was largest for older respondents. This is consistent with the interpretation that older households, who tend to be less insulated from adverse conditions, reacted most sharply to pandemic-era uncertainty. The relative ordering across age groups (older highest, young lowest) did not change through the sample.

4.3 Occupation

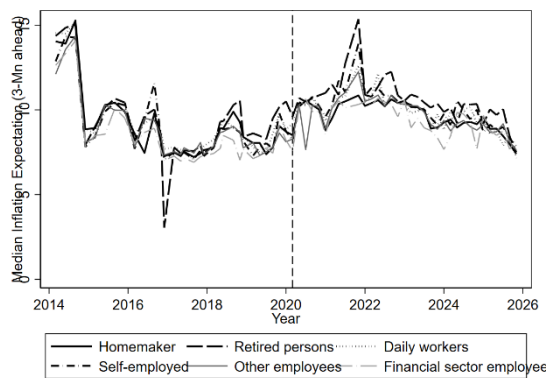


Figure 5a: 3-month ahead Inflation Expectations

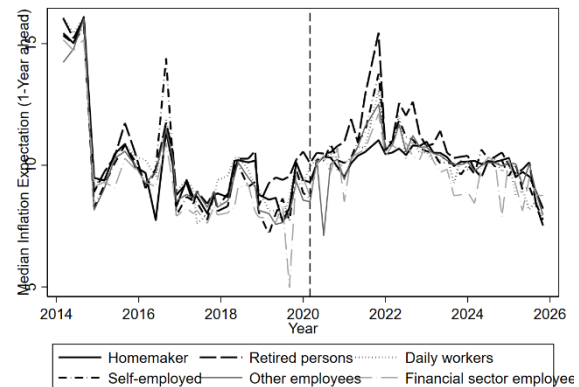


Figure 5b: 1-year ahead Inflation Expectations

Figure 5 plots median inflation expectations by occupation. At the three-month horizon, most occupational groups follow similar paths, suggesting that job-specific information plays a limited role in short-run forecasts. Retired respondents are the clear exception: they report consistently higher expectations and the sharpest increases around major shocks, a pattern also documented by Goyal and Parab (2019). One possible explanation is that limited pension and social-security coverage leaves retirees' real incomes particularly exposed to inflation.

The pandemic widened these occupational differences. Expectations rose across all groups after the COVID-19 lockdown, but the increase was largest and most persistent among retirees and smallest among financial-sector respondents. The latter report the lowest expectations through most of the sample, possibly because their work provides greater exposure to market and inflation data. Their one-year expectations nevertheless spike occasionally, which may reflect the greater uncertainty associated with the longer forecast horizon. Overall, occupations closest to formal price and inflation information look the most anchored, and occupations furthest from it look the least.

4.4 City Tier

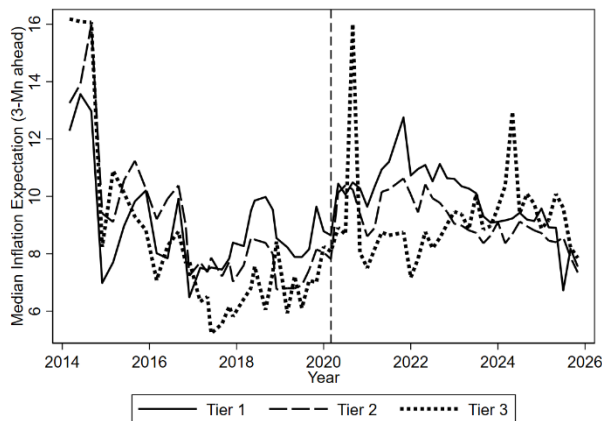


Figure 6a: 3-month ahead Inflation Expectations

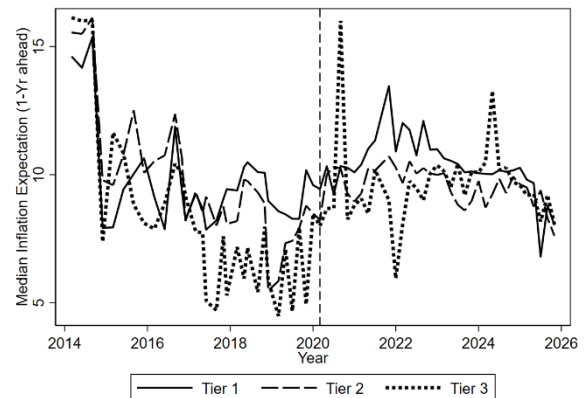


Figure 6b: 1-year ahead Inflation Expectations

Figure 6 shows median inflation expectations by city tier. Tier 1 cities consistently report the highest median expectations at both horizons. Tier 2 and Tier 3 cities report lower medians. The pattern lines up with Bhasin et al. (2025), who attribute the tier gap to stronger aggregate demand and tighter labour markets in India's largest cities, both of which put upward pressure on local prices. Household inflation experience differs across tiers, and the expectations gap reflects that experience.

The one exception is a large but short-lived spike in Tier 3 expectations right after the COVID-19 lockdown. A plausible explanation is the reverse migration of workers from metros back to smaller towns, which disrupted local labour markets and household budgets. Once those conditions stabilised, Tier 3 medians returned to a level below Tier 1 and comparable with pre-pandemic values.

Overall, city-tier differences in expectations look demand-driven and persistent. The transient Tier 3 spike is the exception. It shows that large disruptions can move expectations even in cities that normally report lower ones, but that once the disruption passes, the earlier tier ordering returns.

5. Determinants of Household Inflation Expectations

The trend evidence in the previous section suggests that anchoring is best read as a distribution across households, not a single number. To characterise that distribution, we estimate how household expectations vary with demographic characteristics using the pooled cross-section

of IESH waves. We regress reported one-year-ahead and three-month-ahead expectations on age group, occupation, city tier, and gender indicators. We include survey-wave fixed effects to absorb aggregate movements and shocks. Standard errors are clustered at the survey-wave level. We estimate:

$$I\pi_{i,t}^e = \alpha + \beta_1 \text{AgeGroup}_{i,t} + \beta_2 \text{Occupation}_{i,t} + \beta_3 \text{CityTier}_{i,t} + \beta_4 \text{Gender}_{i,t} + \gamma_t + \varepsilon_{i,t}$$

Table 2 reports the coefficients. Reference categories are Young (age), Homemaker (occupation), Tier 1 (city), and Female (gender). Most coefficients are statistically significant relative to the reference. A notable exception is gender, which is not statistically significant at the three-month horizon. Similarly, within the occupation category, individuals classified as retired or belonging to the “Other Employees” group do not display statistically significant differences relative to the reference group of homemakers at the three-month horizon.

Table 2: Demographic Determinants of Household Inflation Expectations

Variable	3-Month Ahead	1-Year Ahead
<i>Age Group</i>		
Middle Age	0.382*** (0.041)	0.179*** (0.046)
Old Age	0.703*** (0.051)	0.356*** (0.063)
<i>Occupation Category</i>		
Retired Persons	0.102 (0.124)	0.398*** (0.085)
Daily Workers	0.166*** (0.058)	0.155** (0.067)
Self-Employed	0.223** (0.094)	0.177* (0.093)
Other Employees	0.079 (0.060)	0.160*** (0.060)
Financial Sector Employees	-0.180*** (0.064)	-0.126* (0.074)

<i>City Tier Level</i>		
Tier 2	-0.386*** (0.107)	-0.367*** (0.122)
Tier 3	-0.930*** (0.214)	-1.205*** (0.225)
<i>Gender</i>		
Male	-0.045 (0.068)	-0.258*** (0.070)
Constant	12.29*** (0.05)	13.14*** (0.07)
Observations	334,647	333,059
R ²	0.066	0.046
Clusters (Survey Wave)	65	65

Notes: The dependent variable is household inflation expectations. The omitted categories are Young Age, Homemaker, Tier 1 city, and Female respondents. Standard errors clustered at the survey wave level are reported in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$.

A significant gender gap appears only at the one-year horizon. Female respondents expect 0.26 percentage points more inflation than male respondents. This is consistent with Goyal and Parab (2019) and Bhasin et al. (2025), who attribute the gap to the greater share of unpaid domestic and shopping activity done by Indian women. The 2019 NSS Time Use Survey documents that Indian women spend substantially more time than men on activities such as shopping and meal preparation (Bhasin et al. (2025)). That exposure to salient prices raises the level of the group's expectations, and (at longer horizons) their sensitivity to news. In anchoring terms, the group that spends the most time facing food and household prices is also the least insulated from inflation salience, and their one-year expectations move most.

Age and occupation shift expectations more sharply than gender does. Older respondents expect 0.36 percentage points more inflation than young respondents at the one-year horizon, and 0.70 more at three months. Retirees expect 0.40 points more than homemakers at the one-year horizon. Both patterns are consistent with the interpretation in Goyal and Parab (2019) that groups with limited buffers against price shocks report higher expected inflation. Financial-sector employees, on the other hand, expect 0.13 to 0.18 points less inflation than

homemakers, and their expectations move less across the sample. In anchoring terms, the households closest to formal inflation information are the best-anchored. Retirees and older respondents, who are furthest from it, are the least.

Residents of Tier 1 cities report significantly higher expected inflation than those in Tier 2 (0.37 to 0.39 points lower) or Tier 3 (0.93 to 1.21 points lower). This is consistent with Bhasin et al. (2025), who attribute the tier gap to stronger demand and tighter labour markets in India's largest cities. Goyal and Parab (2019) find the opposite ranking, with Tier 1 lower. Their sample ends in early 2019. One candidate explanation is that the tier gap in expectations widened or flipped over the post-2019 period, particularly through the pandemic. We test this directly in Table 3.

Table 3: Demographic Determinants of Household Inflation Expectations: Pre- and Post-COVID Periods

Variable	3-Month Ahead, Pre-COVID	3-Month Ahead, Post-COVID	1-Year Ahead, Pre-COVID	1-Year Ahead, Post-COVID
<i>Age Group</i>				
Middle Age	0.457*** (0.058)	0.318*** (0.056)	0.326*** (0.060)	0.053 (0.059)
Old Age	0.822*** (0.080)	0.580*** (0.060)	0.594*** (0.094)	0.136** (0.066)
<i>Occupation Category</i>				
Retired Persons	-0.206 (0.189)	0.491*** (0.084)	0.105 (0.126)	0.706*** (0.089)
Daily Workers	0.155* (0.089)	0.170** (0.077)	0.202* (0.103)	0.100 (0.089)
Self-Employed	0.032 (0.158)	0.403*** (0.101)	-0.019 (0.143)	0.357*** (0.111)
Other Employees	-0.026 (0.104)	0.154** (0.066)	-0.002 (0.106)	0.274*** (0.061)

Financial Sector	-0.254** (0.097)	-0.111 (0.103)	-0.233** (0.107)	0.050 (0.105)
Employees				
<i>City Tier Level</i>				
Tier 2	-0.091 (0.174)	-0.729*** (0.080)	-0.023 (0.205)	-0.760*** (0.080)
Tier 3	-1.042*** (0.321)	-0.691** (0.274)	-1.378*** (0.353)	-0.865*** (0.267)
<i>Gender</i>				
Male	-0.084 (0.105)	-0.014 (0.085)	-0.275*** (0.096)	-0.246** (0.097)
Constant	12.23*** (0.09)	10.32*** (0.04)	13.00*** (0.14)	9.67*** (0.05)
Observations	154,095	175,303	152,511	175,298
R ²	0.080	0.040	0.081	0.022
Clusters (Year-Month)	31	33	31	33

Notes: The dependent variable is household inflation expectations. The omitted categories are Young Age, Homemaker, Tier 1 city, and Female respondents. Standard errors clustered at the year-month level are reported in parentheses. Pre-COVID refers to March 2014–January 2020 and Post-COVID refers to May 2020–November 2025. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$.

Table 3 splits the sample around COVID-19, using the same specification. If the demographic map of anchoring is stable, coefficients should be similar in both windows. If the pandemic reshuffled who is anchored, coefficients should shift.

The most striking change is across age groups. Before COVID-19, both middle-aged and older respondents reported significantly higher expectations than young respondents at both horizons. After COVID-19, these age-based differences narrowed substantially. The middle-aged coefficient at the one-year horizon lost statistical significance. The older-respondent coefficient at the same horizon fell from 0.59 to 0.14. In anchoring terms, the age groups converged. The young caught up to the older cohorts' baseline concern about inflation.

Occupational differences moved in the opposite direction. Retirees' coefficient rose from a statistically insignificant 0.11 at the one-year horizon before COVID-19 to a large and

significant 0.71 after. Self-employed and Other Employees also became more distinct from homemakers post-COVID. The pandemic widened the occupational anchoring gap. Financial-sector employees, however, converged with homemakers. Their pre-COVID expectations were 0.23 points lower at the one-year horizon. After COVID-19 the gap became statistically indistinguishable from zero.

City-tier patterns are mixed. Tier 2 respondents were indistinguishable from Tier 1 before COVID-19 but reported significantly lower expectations after. Tier 3 respondents reported significantly lower expectations in both periods, but the gap with Tier 1 narrowed after COVID-19. Taken together, the tier map became sharper for Tier 2 and softer for Tier 3.

The gender gap at the one-year horizon narrowed slightly after COVID-19, from 0.28 to 0.25 percentage points, but remained significant. The three-month gender gap remained insignificant in both windows.

Taken together, the results suggest that the pandemic did not uniformly increase or decrease demographic heterogeneity in inflation expectations. Instead, it reduced differences across age groups and gender, while amplifying heterogeneity across occupational groups. Spatial patterns were mixed: Tier 2 cities diverged from Tier 1 cities, whereas Tier 3 cities partially converged. The demographic pattern of anchoring is therefore state-dependent. Estimates based only on the pre-COVID period would fail to identify the groups whose expectations become most fragile after a large shock. This is precisely the information a central bank needs when such a shock occurs.

6. Conclusion

A decade into inflation targeting, how anchored are Indian households' inflation expectations, and whose? The evidence in this article has three parts. First, the framework's early years look like a success on the household side. Between 2016 and 2020, with headline CPI inside the 2 to 6 percent band, expectations were comparatively stable, and occasional spikes reverted quickly. Second, large shocks still move expectations in the direction each shock's economics would predict. Demonetisation lowered one-year expectations by 1.7 percentage points. The COVID-19 lockdown raised them by 1.2 points, with unusual persistence. The Russia and Ukraine war added a modest amount to an already elevated level. Third, the level of expectations remains well above both the target and realised inflation. Paul and Ghosh (2026) show that much of this level gap reflects the salience of frequently purchased goods, and household surveys worldwide display the same tilt.

Beneath these aggregates, anchoring is uneven. Older respondents expect 0.4 to 0.7 percentage points more inflation than the young. Retirees expect 0.4 points more than homemakers at the one-year horizon. Residents of Tier 1 cities expect 0.9 to 1.2 points more than those in Tier 3. Women expect 0.26 points more than men at the one-year horizon. Financial-sector employees, the group with the closest engagement with inflation data, report the lowest expectations of any occupation. The pandemic reshuffled this map. Age gaps narrowed. Occupational gaps widened. Retirees' excess expectation rose from an insignificant 0.11 points before COVID-19 to 0.71 points after.

The policy implication is direct. The households whose expectations respond most to shocks (older respondents, retirees, and at longer horizons women) are the same households furthest from the financial-sector channels through which policy communication most easily travels. Communication that reaches them, in accessible language and through the channels they use, is where anchoring gains are largest. Our findings show that aggregate stability can coexist with pockets of weak anchoring and identify where targeted communication may be most valuable.

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