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Does Gender Matter?**

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ABSTRACT

We explore the evolution of inflation expectations of households in response to a change in monetary policy and whether there is a differential impact across gender. Relatedly, we also segregate this behaviour in terms of extensive versus intensive margins and the evolution of such behaviour during periods of key policy changes. The findings indicate that food and housing inflation play an important role in driving inflation expectations of women households at the longer end. As well, the evidence appears to suggest that it is extensive margin that drives inflation expectations of women in the short-term, whereas over the longer-term, it is intensive margin that dominates. We undertake several robustness tests of the results and find that not all policy actions exert a differential impact on inflation expectations of women.

Key Words: Inflation expectations; household; monetary policy; extensive margin; intensive margin; India; Gender.

JEL Classifications: E44; E52; G21

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Household Inflationary Expectations and Monetary Policy: Does Gender Matter?

1. Introduction

Inflation expectations play an important role in the conduct of monetary policy. First, they provide useful inputs as to how inflation is likely to evolve and thereby, determine the price and wage setting decisions of producers and consumers. Second, they provide important insights into how the central bank focuses on its inflation objective. Policymakers and central banks in particular keep a close watch on the proximate path of inflation to avoid deflationary spirals that could jeopardize economic activity. In this respect, forward guidance that seeks to stimulate aggregate demand through lower interest rates is a recent instrument that constitutes an important part of the central banks' ever expanding policy toolkit. Although these policy actions seek to influence the expectations of different categories of economic agents, it is not altogether obvious as to how far is it effective in impacting inflation expectations of households.

A study of households' inflation expectations is different from those of other economic agents in a few distinct ways. While professional forecasters form their expectations in a rational manner based on a multitude of information sources, households are typically subject to bounded rationality and imperfect information acquisition issues while forming their expectations. Their views on expected inflation are largely influenced by the basket of goods and services they consume, which might (or, might not) necessarily coincide with the official reported indices. As a result, there could be a lot of discrepancy between expected and actual inflation figures, with a significant fraction of them reporting inflation expectations that are well beyond acceptable ranges of inflation realisations (Coibion et al., 2018). Further, households may be subject to 'rational inattention' (Sims, 2010; Mackowiak et al., 2021) due to their limited information processing capacity.

An issue that has largely bypassed the attention of researchers in this regard is the differential inflation expectations across gender. Despite being sceptical about attributing certain decisions to a particular gender, one is invariably reminded of the famous quip by the Advertising Guru, David Ogilvy in 1955, "The Consumer is not a moron. She is your wife". In a April 2020 study, the Market Research Firm Roy Morgan of Australia noted that Inflation expectations are higher for women than men of all ages.¹ A recent study on gender-specific price expectations for the US observes the following:

"Complying with traditional gender roles, women still undertake the majority of grocery shopping for their households, ... which exposes them to grocery-price changes more frequently than men. Grocery-price inflation, in turn, is highly volatile—so much so that the Core consumer price index excludes food (and energy) to better identify inflation trends Since consumers focus disproportionately on

¹ <http://www.roymorgan.com/findings/8390-australian-inflation-expectations-april-2020-gender-age-202005110559>

price increases rather than decreases, ... women's exposure to volatile price changes can generate upward bias in their perception of current inflation and in their expectations of future inflation, giving rise to the gender expectations gap" (D'Acunto, et. al, 2020; pp. 1-2).

The differential inflation expectations across gender, thus, emerges as an important issue. To illustrate, the evidence reveals that during 2010-2020 in India, 61% of women expected overall prices to increase during the next three months as compared with 57% of men. When looked at from a longer-term perspective, 62% of women expected prices to increase over the next 12 months as compared with 59% of men. In terms of evolution of inflation, women expect average inflation to be anywhere between 5-6% higher as compared with men, at both the immediate (current inflation outlook) and longer (12 months ahead inflation) ends. As a consequence, whether and how far gender matters for inflation expectations, after controlling for other relevant factors, remains a moot issue.

To contribute to this debate, we use data from a rich survey of Indian households covering 4,000 respondents on a quarterly basis. Initiated during the latter half of 2005, the scope and coverage of the survey has been gradually expanded over time. The data includes information aggregated on various demographic parameters such as age, gender, occupation, and the city in which survey was undertaken. Also, quantitative data (point estimates) of expected inflation rate – current perception, three-month ahead forecast and one-year ahead forecast – and qualitative data of future price movements are reported for the entire period. We consider the period beginning end-March 2010 coinciding with the post-global financial crisis and ending in March 2020, the latest period for reporting consistent data. We control for changes in sampling design and regulatory changes and analyse the impact of key policy developments as well as exogenous shocks (e.g., Covid19) that occurred during this period.

The analysis addresses several key questions. First, does monetary policy exert a differential effect on household inflation expectations across gender? Second and relatedly, does this effect differ across key commodity groups, such as food, clothing (non-food) and shelter (housing)? This assumes importance since on average, these commodities account for anywhere between half to three-fourths of the consumption basket. Third, how did this response evolve during phases of major policy developments such as post inflation targeting and post demonetisation? Finally, how did this behavior evolve during the Covid-19 period?

Our key focus is how the household expectations channel, particularly its differential effect across gender, is affected by monetary policy changes and to what extent it influences the broad inflation regime – rather than the precise inflation rate – *per se*. Towards this end, we disaggregate the city-wise variation in inflation expectations into *extensive margin* – which defines the variation in the share of households expecting positive inflation – and *intensive margin* – which defines the average expected inflation for households expecting positive inflation. Relatedly, for each city, we examine the share of women households expecting positive inflation and their expectations of inflation. Without loss of generality, at the shorter end, extensive margin tends to overwhelm across most cities to keep inflation upbeat, although the reverse appears to be the case at the longer end.

Next, we assess how such inflation expectations are driven by changes in monetary policy and the relevance of gender in this regard. Towards this end, we utilise a codification of monetary policy akin to Romer and Romer (1989) and interact it with gender to ascertain the impact while controlling for other relevant factors. This accounts for the fact that inflation expectations are formed based on current prices and as a result, the positive correlation might emanate from decisions to buy causing individual perception of current inflation to increase and alongside, lift individual inflation expectations. Relatedly, we also examine the relevance of extensive versus intensive margins. We take into account other respondent characteristics, including age and occupation profile as well as city fixed effects.

A careful study of this issue of the Indian context is important for several reasons. First, like several other economies, the Reserve Bank of India (RBI), the Indian central bank, seeks to maintain price stability as one of its key objectives as the monetary authority.² In this respect, anchoring inflation expectations falls within the ambit of the RBI's core functions.³ Second, while other facets of inflation have been examined, the study of households' inflation expectations has been limited, due mainly to paucity of information. This assumes relevance since private final consumption expenditure – a major portion of which is household consumption – accounted for on average for nearly 60% of GDP during 2010-2020.⁴ Third, given the history of weakly anchored inflation expectations and episodes of sharp and sudden spikes in inflation, India moved towards a flexible inflation targeting framework in May 2016. The initial assessment suggests that the framework has been largely successful in lowering the volatility of a range of inflation-related outcomes and ensured stronger anchoring of inflation expectations (Eichengreen et al., 2020). How far does this evidence at the macroeconomic level manifest itself in microeconomic (household-level) data remains to be explored. And finally, with nearly half of India's population being women, any policy with regard to such crucial macroeconomic variable needs to take on board this hitherto unattended segment.

The rest of the paper is organised as follows. Section 2 briefly discusses the related literature, focusing broadly on empirical work. In section 3, we explain the motivation behind this study, where we discuss the basic premise and highlight its relevance. Section 4 describes the dataset, followed by the empirical strategy (Section 5) and a discussion of the results, including robustness checks (Section 6). The final section teases the broad policy inferences and highlights the concluding remarks.

²The preamble of the Reserve Bank of India describes its basic functions as: “to regulate the issue of Bank notes and keeping of reserves with a view to securing monetary stability in India and generally to operate the currency and credit system of the country to its advantage; to have a modern monetary policy framework to meet the challenge of an increasingly complex economy, to maintain price stability while keeping in mind the objective of growth (Reserve Bank of India, 2021).

³ Indeed, to underscore the importance of inflation expectations, the Reserve Bank of India (2012) had observed that: “A central premise of monetary policy is that low and stable inflation and well-anchored inflation expectations contribute to a conducive investment climate and consumer confidence, which is key to sustained growth on a higher trajectory in the medium-term.”

⁴ Private final consumption expenditure (PFCE) is defined as the expenditure incurred by resident households and non-profit institutions serving households (NPISH) on final consumption of goods and services, whether made within or outside the economic territory (Government of India, 2007).

2. Received evidence

There is a substantial literature on the formation and importance of inflation expectations.

In an early exercise, Mankiw et al. (2004) demonstrate that there is always a considerable amount of disagreement on inflation expectations and posits that this disagreement in itself might be an interesting variable for assessing its relevance as an input in monetary policymaking.⁵ In the Indian case, using a computationally intensive approach, Patra and Ray (2010) study the determinants of inflation expectations by estimating a new-Keynesian type Phillips curve. Their findings imply that high and rising inflation impacts people's anticipation of future inflation, in turn, driving it up permanently. Thereafter, utilising quarterly data covering both the pre- and post-reforms period, Hutchison et al (2013) assesses monetary policy change in India using a univariate Markov switching model and uncover two distinct phases in monetary policymaking, which they term "Hawk" and "Dove" regimes. More recently, Mohan and Ray (2019) provide a narrative of monetary policy including the inflation targeting framework.

Subsequent research in India has sought to employ more granular microeconomic data to discern households' expectation formation regarding inflation. Using Inflation Expectations Survey of Households (IESH) data during 2008:q3 to 2015:q1, Das et al (2016) report that food and energy shocks significantly impact inflation, even after taking into account observed household characteristics. Thereafter, Kumar and Bichhal (2018) exploit this data to ascertain the inflationary expectations of households and show that unlike Wholesale Price Index (WPI) inflation, the expectations formation regarding Consumer Price Index (CPI) inflation are adaptive in nature. More recently, Das et al (2019) show that the qualitative responses of households regarding the future path of inflation are less prone to bias than quantitative responses. Shaw (2019) also highlights the weaknesses inherent in households' inflation expectations as gleaned from IESH data and examines what statistical techniques can help improve the information content of such data. Goyal and Parab (2021) utilise statistical models to show that food inflation has a significant short-term impact on expectations, over the longer-run, a contractionary monetary policy hardens the expectations of households.

Specifically, in terms of the gender dimension of inflationary expectation, there is by now a large literature on various facets of gender inequality, including political (Chattopadhyay and Duflo, 2004; Iyer et al., 2012), financial (Demirguc Kunt et al., 2018; Sahay and Cihak, 2018), corporate (Adams and Ferreira, 2009; Huang and Kisgen, 2013; Faccio et al., 2016) and social (Pounder and Coleman, 2002) aspects. A more recent stream of research examines how greater diversity affects monetary policymaking and finds that gender-diverse committees are much more hawkish towards inflation than all-male

⁵ In a related exercise, Mankiw and Reis (2002) study whether such divergence in inflation expectations is able to capture the extent of disagreement in the survey data. See also, Coibion and Gorodnichenko (2012), Ehrmann et al., (2012); Beckmann and Czudaj (2018); Ciro and Zapata (2019) and Montes et al. (2016). The evidence also indicates that other factors such as heterogeneity in the coverage of the print and electronic media regarding inflation also affect disagreements (Lamla and Maag 2012).

committees (Masciandaro et al., 2016). Das et al (2016) observe that older and female respondents or those working in non-financial sectors were more pessimistic and generally reported higher inflation expectations in India.

Insofar as inflation is concerned, empirically it has been found that women tended to have persistently higher expectations than men. In one of the earlier studies, Detmeister et al. (2016) found that inflation expectations varied among gender in the US. Using unique data on the participation of men and women in household grocery chores, their resulting exposure to price signals, and their inflation expectations, D'Acunto et al. (2021) documented for the US that there seemed to be a tight link between the gender expectations gap and the distribution of grocery shopping duties on account of volatility of grocery prices.

3. Database

We utilise three data sources in the study. The first is the survey data on Inflation Expectations Survey of Households (IESH), the second is data on CPI and its major categories (e.g., food, clothing and housing) and the third is data on monetary policy. Let us delve into each of these databases.

IESH: Recognising the importance of inflation expectations as input for policymaking, in September 2005, the Indian central bank initiated the inflation expectations survey of households for eliciting responses on the price and inflation expectations of Indian households at quarterly frequency. The initial couple of survey rounds were conducted in the four metro cities (see fn.3) and covered 500 households in each city, entailing a total of 2000 households in each round (Das et al., 2016). Beginning March 2006, the survey was expanded to cover eight additional cities, expanding the coverage to 12 cities using quota sampling to obtain adequate representation of gender, age, and occupational categories.⁶ Effective December 2012, four more cities were included with 250 households in each of these cities, leading to a total of 5000 respondents from 16 cities.⁷ Two additional rounds of the survey (in May and November) were included from 2014 to align with the Indian central bank's bi-monthly monetary policy. The male and female respondents are usually in the ratio of 3:2 and respondents are over 18 years (Reserve Bank of India, 2010). Following from the recommendations of the Indian central bank's Technical Advisory Committee on Surveys, three more cities were included in the list, while deleting one (Reserve Bank of India, 2016), entailing an unbalanced panel of 19 cities.⁸ The survey is not a balanced panel but is in the nature of cross-sectional data representative at the city-level. The sample is chosen in a way to cover the city uniformly and different areas of cities are chosen for each survey round.

In the first few rounds, the survey questionnaire underwent a considerable number of changes. A Standing Committee in the Indian central bank documented several internal inconsistencies with the dataset. Taking on board their feedback, September 2008 onwards, the dataset exhibited satisfactory improvements in quality and was hence recommended to be placed in the public domain. Till June 2018 round, quota sampling was used wherein

⁶ Besides the four metro cities, this included eight other cities – Ahmedabad, Bangalore, Bhopal, Guwahati, Hyderabad, Jaipur, Lucknow and Patna, – represented by 250 households each.

⁷ These include Bhubaneswar, Kolhapur, Nagpur and Thiruvananthapuram.

⁸ Chandigarh, Ranchi and Raipur were included and Kolhapur was deleted from the list.

respondents were chosen from seven categories, viz., financial sector employees (10%), other employees (15%), self-employed (20%), housewives (30%), retired persons (10%), daily workers (10%), others (5%). Beginning September 2018, a two-stage probability sampling design is being used.

The questionnaire is classified into four blocks, comprising of both quantitative as well as qualitative responses. The first two blocks identify the demographic characteristics of the respondent such as age, gender, profession and the city of residence. The third block tracks the qualitative responses of the respondents about their views on the inflation expectations three months and one-year-ahead. These responses are collected not only for overall inflation, but also for sub-categories such as food and non-food items as also housing prices. A qualitative question asks households the direction of future inflation – whether prices might increase: (i) more than; (ii) equal to; or (iii) lower than the current rate; or whether there would be (iv) no change in prices, or whether (v) prices might decline. A quantitative question asks households their point estimate for future inflation – three-month ahead and one-year ahead expectations.

The final block records quantitative responses. These responses are collected for the perceptions of current period, three-month ahead and one-year ahead inflation expectations. However, a challenge with the responses is that the quantitative and qualitative responses taken together can be discordant. In other words, while a qualitative response might indicate a decline in prices, the corresponding quantitative response might be double-digit inflation, entailing significant bias (Kumar and Bichhal, 2018). Taking this consideration on board, we primarily exploit the qualitative responses for purposes of analysis, since prior evidence suggests that these responses are typically less prone to bias (Das et al., 2019).

CPI data: Using monthly publications of *Indian Labour Journal*, we code city-wise information on CPI for Industrial Workers (CPI-IW) General Index and its key sub-categories such as food, clothing and housing.⁹ In some instances, the sample city is not part of the CPI included in the *Labour Bureau* database. In such cases, we consider the city nearest to the sample city within the same state for purposes of analysis.¹⁰ Taken together, these three items account for on average 69% of the CPI index across these cities, ranging from a minimum of 64% (in Lucknow) to a maximum of 73% (in Ahmedabad). Out of this, food accounts for the overwhelming majority, between 39-55% of the share across cities. Additionally, it is likely that individuals compare the prices of various products with an overall basket. Taking into consideration on board, we work with relative prices rather than with absolute prices. Thus, we focus on the relative price of food, clothing and housing respectively vis-vis the overall CPI.

⁹ The CPI for industrial workers covers seven sectors such as factories, mines, plantations, railways, public motor transport undertakings, electricity generation and distribution establishments, and ports and docks. It is compiled for industrial workers residing in 70 centres (typically major cities), selected on the basis of industrial importance. The use of CPI-IW is relevant in the current situation since the IESH survey focuses on major cities in the country.

¹⁰ To provide an example, Bhubaneswar is part of the RBI sample, but not included in the *Labour Bureau* CPI database. We consider the relevant CPI numbers for Angul-Talcher in such a case.

Monetary policy: The third piece of data we employ is a monetary policy variable. We employ the Repo Rate as the indicator of monetary policy. This is the interest rate at which the Indian central bank engages in liquidity operations with the market players, depending on prevailing liquidity conditions, with the reverse repo rate being a fixed distance ("corridor") under the repo rate. This corridor has gradually been narrowed over time, although this corridor has been broadened after the Covid-19 pandemic (See, for example, Ghosh, 2020)

We employ a codification of monetary policy. Thus, an increase in the Repo Rate of 50 basis points or more between two successive quarters is coded as 0.5. Monetary policy in this case is deemed as contractionary. An increase in excess of 50 basis points is coded as one and in this case, monetary policy is deemed as strongly contractionary. Reverse is the case when there is a decline in the Repo Rate between two successive periods. Monetary policy is deemed neutral if there is no change in the Repo Rate between two successive periods. During our sample period of 48 quarters, we have 20 instances of neutral monetary policy, 14 (resp., 10) instances where monetary policy is expansionary (resp., contractionary) and 3 (resp., 1) instances where monetary policy is strongly expansionary (resp., contractionary).

Tables 1 -3 encapsulates the respondent profile across city-years. The tables also depict the share of women across these categories. In Table 1, we find that women account for 13-100% of the respondent category across occupational profile. Among occupational categories, the average share of women is the highest among 'Others' and the lowest in 'Retired' and 'Other' categories (Table 2). Among cities, the share of women is close to 50% or higher in four cities, it is the lowest at 31% in Jaipur. Finally, when looked at by age bucket, Table 3 shows that women constitute 50% or more in the mid-age buckets (25-45 years); the lowest share of women is in the age bucket of 'Over 60 years'.

Appendix 1 describes the key variables, including empirical definition and summary statistics. We find that the average share of women across city-years is 44%, consistent with the sample selection. Among the controls, we find that the differences in gender across categories is statistically significant in all instances. By way of example, the highest percentage of women is in the age bucket of 25-30 years and equal to 17% as compared with 15% for men. This difference is statistically significant at the 0.01 level. Of interest is the indicator for monetary policy. The average value of the index as perceived by women equals -0.05, roughly double the value as perceived by men. In other words, women expect monetary policy to be far more expansionary than men. This difference is statistically significant as well.

Among the dependent variables, we find that on average, women expect prices to be typically lower at both the short- and longer ends as compared with men: based on our codification, we find that women expect general price level to be anywhere between 2-5.5% lower as compared with men. This and the differences across other sub-categories of price indices are statistically significant at conventional levels.

Our analysis covers the period beginning March 2010, post the global financial crisis and ending in March 2020, the latest period for which consistent data is reported. With an

average of 12717 individuals per quarter for a maximum of 19 cities, we have a maximum of 241,615 individual city-periods.

4. Empirical Analysis

Using data from the IESH program and city level CPI-IW inflation, we construct an unbalanced panel of observations ranging across 19 cities and 48 time points. Comparing inflation expectations with the city-level inflation rate derived from CPI-IW series is justified for two reasons. Firstly, households face prices that prevail in their immediate environment, which would be within the city they live in. As a result, even when forming expectations, one could argue that households will be basing them on prices prevailing in their own cities. Secondly, consumption habits, most of which are closely related to cultures, can be assumed to be broadly homogenous within cities and hence the basket of goods consumed by households would be relatively similar within cities.

Following Andrade et al. (2020), we decompose the household expectations into an intensive and extensive margin as follows. Let $\pi_{i,t|t+1}^e$ be household i 's inflation expectations at time t for time $t+1$ and let $I_{i,t}=1$ if $\pi_{i,t|t+1}^e > 0$, else zero. The average of household expectations can be decomposed into two components:

$$\pi_{t|t+1}^e = fr_t * dp_{t|t+1}^e$$

where fr is the fraction of household with positive inflation expectations and dp being the average among households with non-zero inflation expectations. Using a first-order approximation around the average inflation, we can write the change in inflation expectations into an extensive margin and an intensive margin, according as:

$$\pi_{t|t+1}^e - \pi_{avg}^e = (fr_t - fr_{avg})dp_{avg}^e + (dp_{t|t+1}^e - dp_{avg}^e)fr_{avg} \quad (1)$$

where the first term on the RHS denotes the *extensive margin* and the second term is the *intensive margin*.

We aggregate the data across periods for each city to understand the relevance of extensive and intensive margins in driving inflation expectations. Without loss of generality, the evidence suggests that it is extensive margin that drives inflation expectations in the short-term, whereas over the longer-term, it is intensive margin that dominates. It is also of note that the fraction of women expecting positive inflation is slightly lower over the longer-term.

Two possible reasons for the same could be as follows. First, men and women have different shopping habits or purchase different bundles of goods (Jonung, 1981). Perhaps a more convincing explanation could be statistical: using the mean as a metric could be misleading, since it is susceptible to outlier responses. Instead, if we compare the median inflation expectations, the differences might not be compelling. This is illustrated in Figure 2, which compares the mean and median inflation by gender over the short-term (Table 2A) and long-term (Table 2B). What these charts reveal is consistent with *a priori* conjecture, to a large extent. It is also pertinent to note that in Chart 2B, the average (non-zero) expected inflation expectations are generally higher than Chart 2A, reiterating the importance of intensive margin over the longer-run.

Although this graphic evidence appears to suggest limited differential between inflation expectations of men and women, a more rigorous framework is necessary in order to gain better traction of the process.

To implement this empirically, for household in city i at time t , we estimate specifications of the following form:

$$\begin{aligned} \pi_{i,t}^e = & \alpha_i + \beta \text{ Women}_{i,t} + \gamma \text{ MPI}_t + \mu \left(\frac{\text{Food}}{\text{CPI}} \right)_{i,t} \delta_1 (\text{ MPI}_t * \text{ Women}_{i,t}) + \delta_2 [\text{ MPI}_t * \\ & \left(\frac{\text{Food}}{\text{CPI}} \right)_{i,t}] + \delta_3 [\text{ Women}_{i,t} * \left(\frac{\text{Food}}{\text{CPI}} \right)_{i,t}] + +\delta [\text{ MPI}_t * \left(\frac{\text{Food}}{\text{CPI}} \right)_{i,t} * \text{ Women}_{i,t}] + \\ & \lambda_1 \text{ Controls}_{i,t} + \lambda_2 \text{ Regulatory}_{it} + \text{ City}_{it} + \varepsilon_{i,t} \end{aligned} \quad (2)$$

In Eq.(2), π^e is the outcome variable of interest, defined variously as household expectations of 3-month and 12-month ahead inflation (which can be either general inflation, food inflation, clothing inflation or housing inflation). Among the independent variables, the average impact of women on the outcome variable is captured by β , while γ and μ capture the average impact of monetary policy and relative food price. *Controls* take on board the set of control variables, whereas *Regulatory* considers key regulatory changes that occurred during this period, as mentioned earlier. In subsequent regressions, we analyse the impact of major policy changes on the outcome variable. All regressions control for *City* fixed effects and takes in consideration the survey nature of the data. Finally, ε is the idiosyncratic error term.

Our coefficient of interest is δ : it captures the differential response of women to a change in monetary policy on the outcome variable amidst changing relative food prices across cities. Provided monetary policy exerts a discernible impact on the outcome variable, δ would be statistically significant. Throughout, results are based on robust standard errors.

As illustrated in the descriptive statistics, the outcome variable expresses the *intensity* of feeling regarding inflation expectations that depends on observable factors and several unobservable ones represented by ε . Since households are typically concerned with private (and not social) outcomes, a scale of 1-5 translates this spectrum of subjective feeling into an ordinal scale, with 1 implying a 'price increase more than current' (worst) and 5 proxying for 'decline in prices' (best). Akin to prior research (Das et al., 2019), we employ the ordered logit model to estimate the model.

5. Results and Discussion

Baseline results

Table 4 presents the regression results for the ordered logit model, separately for 3-months inflation expectations and its sub-categories (columns 1-4) and likewise for 12-months inflation expectations, including its sub-categories (columns 5-8). In column 1, the first cut point informs us that the log-odds of having less than current, similar to current, no change or decline in the 3-month ahead inflation expectations relative to 'more than current' is 2.12: it follows that the probability of having 'more than current' increase in 3-month

inflation expectations is roughly 11%.¹¹ Similar interpretations can be provided for the other cut-off points. The model fit is good and the McFadden R-squared ranges from 2.1-2.4% across specifications.

Regarding some of the key independent variables, we find that the coefficient on Women in column (1) equals -0.78, so that women are 55% ($=\exp(-0.78)-1$) less likely to expect higher generalised inflation 3-months ahead as compared with men.

To facilitate better interpretation of the interaction terms, we report the Average Marginal Effects (AMEs) for the key coefficient with the dummy variable for women equal to one (Greene, 2010). We report the Average Marginal Effects (AMEs) because they provide a summary statistic that reflects the full distribution of independent variables. In addition, AMEs have the advantage in that they respect not only the distribution of the original data but also better capture the variability of each covariate on the outcome (Bartus, 2005; Cameron and Trivedi 2010; Leeper, 2017). Therefore, in subsequent regressions, we report only the AMEs for the key coefficients.

Table 5 presents the AMEs for the key interaction term corresponding to Table 5 for the five ordinal response categories, for the short-run (i.e., 3-months ahead) and long-run (i.e., 12-months ahead) inflation expectations Panels A and B, respectively. With general inflation as the dependent variable, we find that under a contractionary monetary policy, notwithstanding an increase in non-food (clothing) prices, women are 8% less likely to expect price increase to be more than current levels. In contrast, women are between 0.8-3.6% more likely to expect price increases to be less than or similar to current levels within the next 3-months, despite an increase in clothing prices under a contractionary monetary policy. In a similar vein, women are 2.7% likely to expect prices to remain unchanged under a monetary contraction, despite a rise in clothing prices.

When we look at the sub-components, women are nearly 2% more likely on average to expect food price increases to feed into higher food inflation 3-months ahead under a monetary contraction. Likewise, women are about 1% more likely on average to expect clothing price increases to feed into higher clothing inflation 3-months ahead under a monetary contraction. And finally, women are about 1% more likely on average to expect higher clothing increases to lead to a 'more than current' increase in housing inflation 3-months ahead under a monetary contraction. Interestingly, the findings also suggest that on average, women are 11% more likely to expect housing inflation to decline 3-months ahead under a monetary contraction, despite an increase in relative clothing prices.

When we look at the longer-term (i.e., 12-months ahead), we find that women are on average, 6.5% less likely to expect an increase in food inflation and 2.9% less likely to increase an increase in housing inflation to feed into a 'more than current' increase in general inflation, under a monetary contraction. On the other hand, women are 22.6% more likely to expect an increase in food inflation to lead to a decline in general inflation, notwithstanding a monetary contraction. These results are broadly echoed in case of housing inflation, but are much less so in case of clothing inflation. It is also interest to note that over the longer-term, movements in housing inflation appear to have a perceptible influence on

¹¹ This is calculated as $1 - \frac{\exp(2.119)}{1 + \exp(2.119)}$

expectations of food inflation and to a much lesser extent, on clothing inflation, in case of women.

Collectively, these findings would suggest that under a contractionary monetary policy, food and housing inflation have an important role to play in driving the overall inflation expectations of women households at the longer-end, whereas at the shorter end, inflation in non-food (clothing) items drive the clothing and housing inflation expectations of women.

Intensive vs. extensive margin

The previous findings indicate that inflation expectations of women households at the longer-end under a monetary contraction are influenced mainly by food and housing inflation. It does not inform us how this inflation expectations are impacted by extensive and intensive margins. To investigate this further, we repeat regressions similar to earlier, except for the fact that we include the terms *Extensive* and *Intensive* and their interaction with *Women* as additional regressors. The dependent variable is as earlier. We report the AMEs for each of the categories of response in Table 6 with the dummy for the women equal to one.

Two key findings are of interest. First, in the short-run, inflation expectations of women households are driven entirely by intensive margin in response to a monetary contraction, although these magnitudes are small. To illustrate, women households are 0.03% more likely on average to expect price rise over the next 3-months to be less than current levels, in response to a monetary contraction. As compared to this, the proportion of women households expecting a price rise is much higher over the longer term, which keeps inflation elevated. The magnitudes in this case are relatively higher as compared with those under intensive margins. Thus, we find that women households are 0.2% more likely to expect price increases over the next 12-months to be less than current levels, owing to a monetary contraction. These findings are consistent with the previous graphical evidence and highlights the relative importance of intensive and extensive margins in driving inflation expectations.

Inflation targeting and inflation expectations

Next, we analyze how far has the flexible inflation targeting strategy been effective in anchoring household inflation expectations at both the short- and long-ends. To investigate this, we estimate our baseline framework, separately for the pre- and post-inflation targeting periods and as earlier, report the AMEs for the different categories of responses, with the value for the dummy variable for women equal to one (Table 7).

In the pre-inflation targeting regime, it is observed that under a monetary contraction, women were over 40% less likely to expect general price increase to be more than current levels at the shorter end, in spite of an increase in relative food prices. In contrast, in response to a food price increase, women were anywhere between 8-20% more likely to expect general price increases to be either less than or similar to current. At the other end of the scale, women were 4-9% more likely to expect general prices to remain unchanged or even decline, in spite of an increase in food prices. A broadly similar trend is

also manifest in respect of clothing and housing inflation, although in these cases, the magnitudes are uniformly lower.

As compared to this, in the post-inflation targeting phase, there does not appear to exist very significant expectations of women as regards the evolution of general inflation, in response to changes in food and non-food prices, reflecting limited anchoring of inflation expectations.

When looked at from a longer term, the results are weakly reversed. More specifically, women households are nearly 30% less likely to expect price increases to be more than current over the next 12-months in response to a clothing price increase, consequent upon a monetary contraction, in the post-inflation targeting period. As compared to this, as clothing prices increase in response to a monetary contraction, women are 2.5-13% less likely to expect general price increases to occur over the longer-term and relatedly, they are 5-7.5% more likely to expect prices to remain either unchanged or even decline. There appears to be no anchoring of inflation expectations over the longer-term in the pre-inflation targeting phase.

The key takeaway from the analysis is that inflation expectations of women households were much better anchored over the short-run in the pre-inflation targeting period; inflation expectations of women appear to be weakly anchored in the post-inflation targeting phase in either the short- or even the longer run.

Demonetization and inflation expectations

The next aspect we analyze is the impact of demonetization on inflation expectations of women households. In Table 8, we find that in the post demonetization phase, there has been no discernible impact on inflation expectations of women households, either in the short- or in the long-run.

Covid-19 and inflation expectations

The final issue of interest is the inflation expectations in the post-Covid-19 period. Based on the estimated regression, the AMEs with the dummy for Women equal to one are reported in Table 9.

The results indicate that consequent upon a monetary contraction, women households are 29% less likely to expect price increases in the short-term to be more than current over the next 12-months in response to a food price increase, although their expectations of overall price increases being similar to current levels is about 13%. Compared to this, they are 12% more likely to expect prices to remain unchanged and 2% more likely to expect prices to decline.

Over the longer-term, women households are nearly 20% less likely to expect overall prices to increase in response to a food price rise, roughly 9 percentage points lower as compared with the short run; their expectations of price increases being similar to current is of the order of 10% (3 percentage points lower than the short-term expectations). They are also 3-5% more likely to expect prices to decline or even remain unchanged.

It is of interest to note that either in the short- or in the long-run, there is no noticeable impact of either clothing or even housing prices on general inflation in the post-Covid 19 phase, highlighting the importance of food prices in influencing the overall price level in response to an exogenous shock.

Intuitively, a non-financial supply shock such as Covid19 led to a sharp contraction in demand, driven by massive job losses, in both the formal and informal sectors. Faced with rapidly evaporating demand, households readjusted their consumption to suit their dwindling budgets. With food comprising a major part of their consumption basket and women being the major homemakers, they expected overall prices to decline as demand pressures for food eased significantly, although their uncertain evolving environment meant that their expectations of a longer-term impact was lower.

Collectively, the findings indicate that non-financial supply shocks play a significant role in affecting inflation expectations of women households, both in the short as well as the longer-run and that this effect plays out primarily through its impact on food prices.

6. Policy inference and conclusions

Using rich survey data, we analyze households' inflation expectations with focus on gender. The findings suggest that inflation expectations of women households differ markedly in both the short- and the long-run, and during episodes of severe shocks.

These findings hold useful implications for the use of inflation expectations as a tool of policy guidance. To be more specific, the observed large and significant dispersion of households' inflation expectations needs to be viewed 'through the cycle' instead of a 'point in the cycle' since it could suggest that the intensive and extensive margin differs not only among households across cities and over time, but also across gender. These findings are not unique to India, but have also been reported for developed economies (Jonung, 1981; Jonung and Laidler, 1988; Bryan and Venkatu, 2001; Meyer and Venkatu, 2011). In addition, the findings also support the fact that households can discretize their views regarding the evolution of future path of inflation.

From a macroeconomic standpoint, the analysis provides two useful insights. First, policies regarding forward guidance need to nudge households who expect prices to remain stable towards a positive inflation regime to modulate aggregate demand. Second, it is feasible for inflation expectations to de-anchor if a critical mass of households expect prices to remain broadly unchanged. This would put a persistent drag on current aggregate demand. From an Indian perspective, since women are often responsible for a disproportionate share of shopping, it is important to carefully analyze this segment separately in order to holistically evaluate and predict price behavior.

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<i>Respondent category</i>	<i>Target share</i>	<i>Women share</i>
Financial sector employees (FSE)	10	20
Other employees (OE)	15	22
Self-employed (SE)	20	15
Housewives (HW)	30	100
Retired persons (Retd.)	10	13
Daily workers (DW)	10	23
Others (Oth.)	5	30

Source: Authors' compilation

<i>City</i>	<i>FSE</i>	<i>OE</i>	<i>SE</i>	<i>HW</i>	<i>Retd.</i>	<i>DW</i>	<i>Oth.</i>	<i>All cities</i>
Ahmedabad	15	8	13	100	8	24	23	43
Bangalore	20	20	17	100	20	32	35	49
Bhopal	9	11	13	100	11	18	27	42
Bhubaneswar	29	12	17	100	12	23	36	45
Chandigarh	16	8	13	100	8	11	38	42
Chennai	37	32	32	100	32	46	48	55
Delhi	20	11	12	100	11	15	29	42
Guwahati	17	9	19	100	9	16	34	43
Hyderabad	10	11	11	100	11	23	15	37
Jaipur	6	3	5	100	3	4	12	31
Kolhapur	15	9	20	100	9	22	32	44
Kolkata	16	7	14	100	7	23	36	43
Lucknow	12	5	9	100	5	9	22	35
Mumbai	22	16	14	100	16	27	33	47
Nagpur	35	17	28	100	17	41	56	56
Patna	13	7	10	100	7	11	17	37
Raipur	11	18	16	100	18	22	35	44
Ranchi	19	12	13	100	12	17	18	39
Thiruvananthapuram	43	22	23	100	22	15	31	49
All occupations	20	13	15	100	13	23	30	44

Source: Authors' compilation

Table 3: Women share (%) by age and occupational category								
<i>Age bucket (in years)</i>	<i>FSE</i>	<i>OE</i>	<i>SE</i>	<i>HW</i>	<i>Retd.</i>	<i>DW</i>	<i>Oth.</i>	<i>All occupations</i>
Upto 25	24	21	14	100	12	15	32	38
25 - 30	23	20	16	100	50	22	29	48
30 - 35	21	23	18	100	37	25	22	51
35 - 40	22	26	20	100	43	30	27	54
40 - 45	17	24	16	100	30	25	24	49
45 - 50	16	23	14	100	34	23	19	47
50 - 55	14	15	11	100	22	18	11	40
55 - 60	11	16	12	100	22	20	17	37
60 and above	10	12	9	100	11	15	13	21
Source: Authors' compilation								

Table 4: Ordered logit model – Regression estimates

<i>Variable</i>	<i>Dep var = 3-month ahead inflation</i>				<i>Dep var = 12-month ahead inflation</i>			
	<i>General inflation</i>	<i>Food inflation</i>	<i>Clothing inflation</i>	<i>Housing inflation</i>	<i>General inflation</i>	<i>Food inflation</i>	<i>Clothing inflation</i>	<i>Housing inflation</i>
(Food/CPI)*Women*MPI	0.335 (0.341)	-0.472** (0.221)	-0.271 (0.335)	0.511 (0.344)-	1.002*** (0.351)	0.423** (0.203)	0.379 (0.339)	1.228*** (0.349)
(Clothing/CPI)*Women*MPI	0.361* (0.201)	-0.052 (0.199)	-0.390** (0.193)	0.476* (0.193)	0.112 (0.206)	0.282 (0.199)	-0.217 (0.189)	0.011 (0.201)
(Housing/CPI)*Women*MPI	-0.042 (0.109)	0.077 (0.108)	0.048 (0.106)	0.169 (0.107)	0.446*** (0.112)	0.438*** (0.109)	0.175* (0.107)	0.314*** (0.110)
(Food/CPI)*MPI	1.870*** (0.242)	-1.680*** (0.247)	-1.628*** (0.239)	-2.646*** (0.243)	-2.923*** (0.252)	-2.829*** (0.245)	-1.323*** (0.241)	-3.589*** (0.249)
(Clothing/CPI)*MPI	1.187*** (0.133)	-1.327*** (0.133)	-0.934*** (0.128)	0.168 (0.127)	-1.277*** (0.138)	-0.762*** (0.132)	-0.277** (0.125)	-0.047 (0.134)
(Housing/CPI)*MPI	0.238*** (0.075)	-0.251*** (0.075)	-0.125* (0.078)	-0.137* (0.074)	-0.561*** (0.077)	-0.334*** (0.075)	-0.106 (0.073)	-0.419*** (0.076)
(Food/CPI)*Women	0.505*** (0.176)	-0.616*** (0.174)	-0.639*** (0.171)	-0.423*** (0.174)	0.929*** (0.178)	0.460*** (0.174)	-0.113 (0.173)	0.402** (0.176)
(Clothing/CPI)*Women	-0.040 (0.086)	0.061 (0.087)	-0.108 (0.084)	-0.135* (0.083)	-0.511*** (0.089)	-0.389*** (0.086)	-0.474*** (0.084)	-0.479*** (0.087)
(Housing/CPI)*Women	0.117*** (0.049)	-0.025 (0.049)	-0.092** (0.048)	-0.129*** (0.049)	0.151*** (0.051)	0.094** (0.049)	-0.024 (0.049)	0.017 (0.050)
Women*MPI	-0.497 (0.511)	0.354*** (0.509)	0.519 (0.502)	-0.425 (0.512)	-1.720*** (0.528)	-1.207*** (0.513)	-0.506 (0.508)	-1.694*** (0.525)
MPI	-3.701*** (0.359)	3.592*** (0.365)	3.057*** (0.352)	3.300*** (0.359)	5.168*** (0.376)	4.465*** (0.364)	2.139*** (0.357)	4.691*** (0.371)
Food/CPI	1.984*** (0.142)	-1.494*** (0.143)	-2.206*** (0.139)	-2.107*** (0.141)	-1.925*** (0.146)	-2.509*** (0.143)	-1.839*** (0.142)	-1.579*** (0.144)
Clothing/ CPI	-1.436*** (0.098)	1.531*** (0.098)	1.992*** (0.095)	1.605*** (0.095)	1.771*** (0.101)	2.223*** (0.098)	1.349*** (0.096)	1.389*** (0.144)

<i>Variable</i>	<i>Dep var = 3-month ahead inflation</i>				<i>Dep var = 12-month ahead inflation</i>			
	<i>General inflation</i>	<i>Food inflation</i>	<i>Clothing inflation</i>	<i>Housing inflation</i>	<i>General inflation</i>	<i>Food inflation</i>	<i>Clothing inflation</i>	<i>Housing inflation</i>
Housing/ CPI	0.137*** (0.058)	-0.029 (0.058)	0.082 (0.057)	0.025 (0.056)	-0.282*** (0.059)	-0.179*** (0.058)	0.033 (0.058)	-0.029 (0.059)
Women	-0.782*** (0.262)	0.768*** (0.261)	0.808*** (0.255)	0.864*** (0.259)	-0.753*** (0.267)	-0.259 (0.260)	0.317 (0.258)	-0.016 (0.264)
Cut 1	2.119	-4.239	-4.366	-5.049	-5.093	-5.162	-4.243	-4.811
Cut 2	2.505	-3.019	-2.621	-2.835	-4.005	-3.658	-2.912	-3.126
Cut 3	3.774	-1.798	-1.462	-1.770	-2.577	-2.371	-1.817	-1.752
Cut 4	5.483	-1.375	-1.044	-1.393	-2.168	-1.951	-1.397	-1.346
Log likelihood	-299896	-309091	-325081	-315909	-290139	-308769	-334630	-296165
Wald Chi-sq. (p-Value)	14758 (0.00)	14912 (0.00)	13805 (0.00)	15273 (0.00)	13923 (0.00)	12975 (0.00)	13059 (0.00)	12438 (0.00)
McFadden R-sq.	0.025	0.024	0.021	0.024	0.024	0.021	0.019	0.022
Observations	241,615	241,615	241,614	241,615	241,615	241,615	241,615	241,615
Notes:								
1. The regressions include Age, Occupation, Narrowing corridor, Expanding corridor, Sampling design, GDP , City FE as additional variables.								
2. Robust standard errors in brackets								
3. ***, ** and * denote statistical significance at the 1, 5 and 10%, respectively								
Source: Authors' estimation								

Table 5: Average Marginal Effects										
	Panel A: 3-month ahead inflation					Panel B: 12-month ahead inflation				
	General inflation					General inflation				
Variable	More than current	Less than current	Similar to current	No change	Decline	More than current	Less than current	Similar to current	No change	Decline
	(1)	(2)	(3)	(4)	(5)	(1)	(2)	(3)	(4)	(5)
(Food/CPI)*Women*MPI	-0.074 (0.073)	0.007 (0.008)	0.034 (0.033)	0.025 (0.024)	0.007 (0.005)	-0.065** (0.030)	-0.076*** (0.029)	-0.086*** (0.023)	0.0008 (0.005)	0.226*** (0.074)
(Clothing/CPI)*Women*MPI	-0.080* (0.043)	0.008** (0.004)	0.036* (0.020)	0.027* (0.014)	0.008** (0.004)	-0.007 (0.014)	-0.008 (0.016)	-0.009 (0.017)	0.0009 (0.0007)	0.025 (0.046)
(Housing/CPI)*Women*MPI	0.009 (0.024)	-0.0009 (0.002)	-0.004 (0.011)	-0.003 (0.008)	-0.0009 (0.003)	-0.029*** (0.010)	-0.034*** (0.009)	-0.038*** (0.009)	0.0003 (0.002)	0.101*** (0.024)
	Food inflation					Food inflation				
(Food/CPI)*Women*MPI	0.017** (0.008)	0.030* (0.019)	0.046 (0.032)	0.011 (0.009)	-0.105 (0.073)	-0.019 (0.017)	-0.042 (0.035)	-0.038 (0.027)	-0.001 (0.002)	0.099 (0.079)
(Clothing/CPI)*Women*MPI	0.001 (0.007)	0.003 (0.013)	0.005* (0.002)	0.001 (0.005)	-0.012*** (0.004)	-0.012 (0.009)	-0.028 (0.020)	-0.025 (0.017)	-0.0007 (0.002)	0.066 (0.047)
(Housing/CPI)*Women*MPI	-0.003 (0.004)	-0.005 (0.007)	0.007 (0.011)	-0.002 (0.002)	-0.017 (0.024)	-0.019*** (0.006)	-0.043*** (0.012)	-0.039*** (0.008)	-0.001 (0.002)	0.103*** (0.025)

	<i>Panel A: 3-month ahead inflation</i>					<i>Panel B: 12-month ahead inflation</i>				
	<i>General inflation</i>					<i>General inflation</i>				
<i>Variable</i>	<i>More than current</i>	<i>Less than current</i>	<i>Similar to current</i>	<i>No change</i>	<i>Decline</i>	<i>More than current</i>	<i>Less than current</i>	<i>Similar to current</i>	<i>No change</i>	<i>Decline</i>
	<i>(1)</i>	<i>(2)</i>	<i>(3)</i>	<i>(4)</i>	<i>(5)</i>	<i>(1)</i>	<i>(2)</i>	<i>(3)</i>	<i>(4)</i>	<i>(5)</i>
	<i>Clothing inflation</i>					<i>Clothing inflation</i>				
(Food/CPI)*Women*MPI	0.008 (0.009)	0.025 (0.030)	0.024 (0.029)	0.004 (0.006)	-0.063 (0.076)	-0.022 (0.021)	-0.037 (0.034)	-0.029 (0.025)	-0.002 (0.001)	0.090 (0.081)
(Clothing/CPI)*Women*MPI	0.012** (0.005)	0.037** (0.018)	0.035** (0.017)	0.006* (0.003)	-0.089** (0.044)	0.013 (0.011)	0.021 (0.018)	0.017 (0.015)	0.001 (0.002)	-0.52 (0.045)
(Housing/CPI)*Women*MPI	-0.001 (0.003)	-0.005 (0.010)	-0.004 (0.009)	-0.0007 (0.002)	0.011 (0.025)	-0.010 (0.007)	-0.016 (0.011)	-0.013* (0.007)	-0.0009 (0.0009)	0.042* (0.025)
	<i>Housing inflation</i>					<i>Housing inflation</i>				
(Food/CPI)*Women*MPI	-0.011 (0.008)	-0.056 (0.041)	-0.042 (0.028)	-0.008* (0.004)	0.116 (0.081)	-0.036*** (0.014)	-0.109*** (0.038)	-0.132*** (0.033)	-0.014*** (0.005)	0.291*** (0.083)
(Clothing/CPI)*Women*MPI	0.009*** (0.003)	0.052*** (0.020)	0.039*** (0.015)	0.007** (0.003)	-0.108*** (0.043)	-0.0003 (0.006)	-0.0009 (0.018)	-0.001 (0.022)	-0.0001 (0.002)	0.002 (0.048)
(Housing/CPI)*Women*MPI	-0.004 (0.003)	-0.018 (0.012)	0.013 (0.008)	-0.002* (0.001)	0.039 (0.025)	-0.009** (0.004)	-0.028*** (0.011)	-0.034*** (0.011)	-0.004** (0.002)	0.075** (0.026)
***, ** and * denote statistical significance at the 1, 5 and 10%, respectively										
The Average Marginal Effects (AMEs) for each specification are computed based on an underlying Ordered Logit Model with robust standard errors										
Source: Authors' estimation										

Table 6: Extensive vs. Intensive margins – Average Marginal Effects					
	3-month ahead general inflation				
Variable	More than current	Less than current	Similar to current	No change	Decline
	(1)	(2)	(3)	(4)	(5)
Extensive*Women*MPI	0.0006 (0.002)	0.002 (0.006)	0.002 (0.006)	0.0004 (0.001)	-0.005 (0.016)
Intensive*Women *MPI	0.0009 (0.0005)	0.0003*** (0.0001)	0.0003* (0.0002)	0.0005 (0.0004)	-0.0008** (0.0004)
	12-month ahead general inflation				
Extensive*Women*MPI	-0.026** (0.012)	0.002* (0.001)	0.013* (0.007)	0.007** (0.003)	0.005* (0.002)
Intensive*Women *MPI	-0.0003 (0.0004)	-0.0002 (0.0002)	0.0001 (0.0002)	-0.0008 (0.0009)	0.0006 (0.0007)
***, ** and * denote statistical significance at the 1, 5 and 10%, respectively					
The Average Marginal Effects (AMEs) for each specification are computed based on an underlying Ordered Logit Model with robust standard errors					
Source: Authors' estimation					

Table 7: Inflation targeting - Average Marginal Effects										
Panel A	3-month ahead general inflation									
	Pre- inflation targeting					Post inflation targeting				
Variable	More than current	Less than current	Similar to current	No change	Decline	More than current	Less than current	Similar to current	No change	Decline
	(1)	(2)	(3)	(4)	(5)	(1)	(2)	(3)	(4)	(5)
(Food/CPI)*Women*MPI	- 0.422*** (0.110)	0.081*** (0.023)	0.210*** (0.055)	0.087*** (0.022)	0.043*** (0.011)	-0.086 (0.070)	0.007 (0.006)	0.036 (0.029)	0.035 (0.028)	0.008 (0.007)
(Cloth/CPI)*Women*MPI	- 0.172*** (0.047)	0.033*** (0.010)	0.085*** (0.023)	0.035*** (0.009)	0.018*** (0.009)	-0.109* (0.060)	0.008* (0.005)	0.046* (0.025)	0.044* (0.024)	0.010* (0.006)
(Housing/CPI)*Women*MPI	- 0.072*** (0.028)	0.013*** (0.006)	0.036*** (0.014)	0.015*** (0.005)	0.007*** (0.002)	-0.015 (0.027)	0.001 (0.002)	0.006 (0.011)	0.006 (0.010)	0.001 (0.002)
	12-month ahead general inflation									
	Pre inflation targeting					Post inflation targeting				
	More than current	Less than current	Similar to current	No change	Decline	More than current	Less than current	Similar to current	No change	Decline
(Food/CPI)*Women*MPI	-0.209 (0.133)	0.042 (0.027)	0.116 (0.074)	0.031 (0.020)	0.019 (0.013)	0.013 (0.082)	-0.001 (0.007)	-0.006 (0.038)	-0.003 (0.022)	-0.002 (0.014)
(Cloth/CPI)*Women*MPI	0.026 (0.059)	-0.005 (0.012)	-0.014 (0.033)	-0.004 (0.009)	-0.002 (0.006)	-0.284*** (0.066)	0.025*** (0.006)	0.133*** (0.031)	0.075*** (0.018)	0.049*** (0.012)
(Housing/CPI)*Women*MPI	0.049 (0.039)	-0.009 (0.008)	-0.027 (0.022)	-0.007 (0.006)	-0.005 (0.004)	0.024 (0.029)	-0.002 (0.003)	-0.011 (0.014)	-0.006 (0.008)	-0.004 (0.005)

Source: Authors' estimation

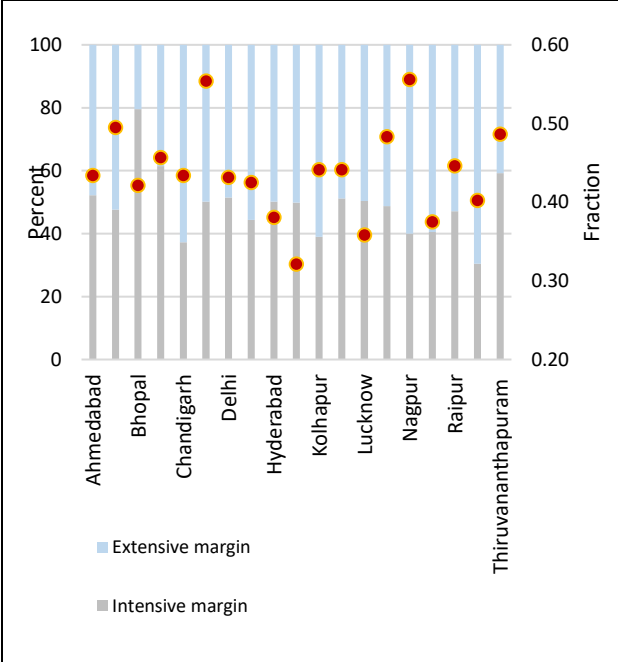
<i>Variable</i>	<i>3-month ahead inflation</i>					<i>12-month ahead inflation</i>				
	<i>More than current</i>	<i>Less than current</i>	<i>Similar to current</i>	<i>No change</i>	<i>Decline</i>	<i>More than current</i>	<i>Less than current</i>	<i>Similar to current</i>	<i>No change</i>	<i>Decline</i>
	<i>(1)</i>	<i>(2)</i>	<i>(3)</i>	<i>(4)</i>	<i>(5)</i>	<i>(1)</i>	<i>(2)</i>	<i>(3)</i>	<i>(4)</i>	<i>(5)</i>
(Food/CPI)*Women*MPI	0.086 (0.671)	-0.0009 (0.008)	-0.027 (0.206)	-0.043 (0.241)	-0.015 (0.119)	0.436 (0.618)	0.015 (0.042)	-0.121 (0.165)	-0.151 (0.221)	-0.178 (0.289)
(Cloth/CPI)*Women*MPI	-0.112 (0.272)	0.001 (0.008)	0.035 (0.088)	0.056 (0.135)	0.019 (0.046)	0.058 (0.258)	0.002 (0.010)	-0.016 (0.071)	-0.020 (0.091)	-0.024 (0.108)
(Housing/CPI)*Women*MPI	-0.013 (0.163)	0.0001 (0.002)	0.004 (0.051)	0.006 (0.082)	0.002 (0.028)	0.127 (0.153)	0.004 (0.012)	-0.035 (0.042)	-0.044 (0.055)	-0.052 (0.073)

Source: Authors' estimation

<i>Variable</i>	<i>3-month ahead inflation</i>					<i>12-month ahead inflation</i>				
	<i>More than current</i>	<i>Less than current</i>	<i>Similar to current</i>	<i>No change</i>	<i>Decline</i>	<i>More than current</i>	<i>Less than current</i>	<i>Similar to current</i>	<i>No change</i>	<i>Decline</i>
	<i>(1)</i>	<i>(2)</i>	<i>(3)</i>	<i>(4)</i>	<i>(5)</i>	<i>(1)</i>	<i>(2)</i>	<i>(3)</i>	<i>(4)</i>	<i>(5)</i>
(Food/CPI)*Women*MPI	-0.285** (0.131)	0.012 (0.012)	0.129** (0.068)	0.124** (0.057)	0.021** (0.010)	-0.192* (0.110)	0.016* (0.009)	0.097* (0.056)	0.052* (0.030)	0.027* (0.010)
(Cloth/CPI)*Women*MPI	0.101 (0.226)	-0.004 (0.008)	-0.046 (0.098)	-0.044 (0.104)	-0.007 (0.017)	-0.032 (0.181)	0.002 (0.015)	0.016 (0.091)	0.009 (0.049)	0.004 (0.026)
(Housing/CPI)*Women*MPI	-0.018 (0.086)	0.0007 (0.004)	0.008 (0.039)	0.008 (0.037)	0.001 (0.006)	0.080 (0.075)	-0.007 (0.006)	-0.041 (0.038)	-0.022 (0.021)	-0.011 (0.010)

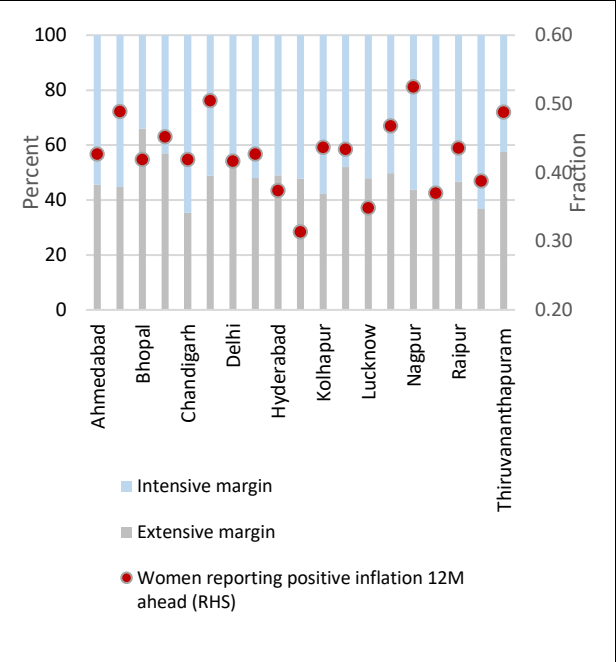
Source: Authors' estimation

Chart 1A: Intensive and Extensive Margin - 3M ahead



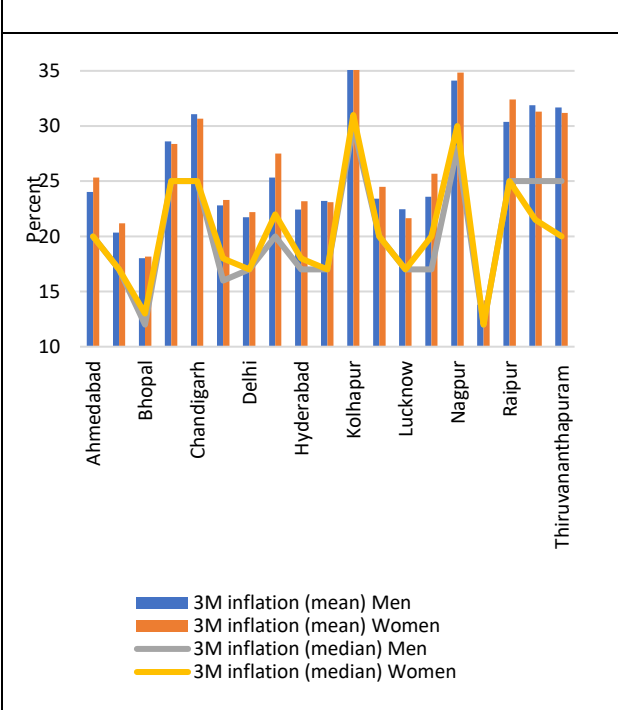
Source: Derived from RBI data

Chart 1B: Intensive and Extensive Margin - 12M ahead



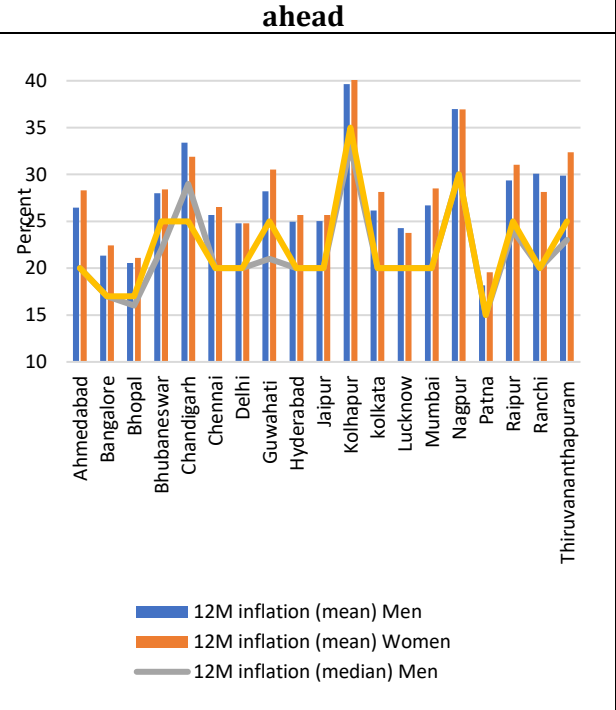
Source: Derived from RBI data

Chart 2A: Inflation expectations - 3M ahead



Source: Derived from RBI data

Chart 2B: Inflation expectations - 12M ahead



Source: Derived from RBI data

Appendix: Variable definition and summary statistics						
<i>Variable</i>	<i>Empirical definition</i>	<i>Women</i>		<i>Men</i>		<i>t-test of diff.</i>
		<i>Obs.</i>	<i>Mean (SD)</i>	<i>Obs.</i>	<i>Mean (SD)</i>	
Women	Share of women among survey respondents	241,615	0.439 (0.496)			
<i>Controls: Age (in years) & Occupation</i>						
Age: Upto 25	Dummy=1, if respondent age is upto 25 years, else zero	106,051	0.146 (0.353)	135,564	0.184 (0.388)	- 25.141***
Age: 25-30	Dummy=1, if respondent age is 25-30 years, else zero	106,051	0.174 (0.379)	135,564	0.149 (0.357)	16.113***
Age: 30-35	Dummy=1, if respondent age is 30-35 years, else zero	106,051	0.160 (0.367)	135,564	0.122 (0.327)	27.047***
Age: 35-40	Dummy=1, if respondent age is 35-40 years, else zero	106,051	0.168 (0.374)	135,564	0.113 (0.317)	38.342***
Age: 40-45	Dummy=1, if respondent age is 40-45 years, else zero	106,051	0.113 (0.316)	135,564	0.092 (0.289)	16.258***
Age: 45-50	Dummy=1, if respondent age is 45-50 years, else zero	106,051	0.094 (0.291)	135,564	0.081 (0.273)	10.759***
Age: 45-50	Dummy=1, if respondent age is 50-55 years, else zero	106,051	0.053 (0.225)	135,564	0.063 (0.244)	- 10.564***
Age: 55-60	Dummy=1, if respondent age is 55-60 years, else zero	106,051	0.045 (0.206)	135,564	0.059 (0.236)	- 16.308***
Age: Above 60	Dummy=1, if respondent age is above 60 years, else zero	106,051	0.047 (0.211)	135,564	0.135 (0.342)	-8.047***
Occupation: FSE	Dummy=1, if respondent is financial sector employee, else zero	106,051	0.036 (0.187)	135,564	0.112 (0.315)	-7.193***
Occupation: SE	Dummy=1, if respondent is self-employed, else zero	106,051	0.071 (0.256)	135,564	0.301 (0.359)	- 11.227***
Occupation: HW	Dummy=1, if respondent is housewife, else zero	106,051	0.686 (0.464)	135,564	0.0002 (0.015)	48.880***
Occupation: Retd.	Dummy=1, if respondent is retired, else zero	106,051	0.026 (0.159)	135,564	0.130 (0.336)	- 12.039***
Occupation: DW	Dummy=1, if respondent is daily wage earner, else zero	106,051	0.052 (0.221)	135,564	0.138 (0.344)	- 74.479***

Appendix: Variable definition and summary statistics						
<i>Variable</i>	<i>Empirical definition</i>	<i>Women</i>		<i>Men</i>		<i>t-test of diff.</i>
		<i>Obs.</i>	<i>Mean (SD)</i>	<i>Obs.</i>	<i>Mean (SD)</i>	
Occupation: OE	Dummy=1, if respondent occupational category is "other employee", else zero	106,051	0.083 (0.275)	135,564	0.232 (0.422)	- 11.021***
Occupation: Oth.	Dummy=1, if respondent is "Other category, else zero	106,051	0.047 (0.211)	135,564	0.087 (0.282)	- 40.139***
<i>Controls: Others</i>						
Food/CPI	Food price index/ General price index	106,051	1.087 (0.081)	135,564	1.084 (0.078)	10.104***
Clothing/ CPI	Food price index/ General price index	106,051	0.764 (0.104)	135,564	0.772 (0.104)	- 19.735***
Housing /CPI	Food price index/ General price index	106,051	1.055 (0.257)	135,564	1.066 (0.255)	- 10.851***
Extensive (3M)	Fraction of households expecting positive inflation 3-month ahead	106,051	0.839 (0.118)	135,564	0.840 (0.123)	-3.258***
Intensive (3M)	Average expected inflation for households expecting positive inflation 3-month ahead	90,346	27.197 (7.902)	113,013	26.725 (8.191)	13.165***
Extensive (12M)	Fraction of households expecting positive inflation 12-month ahead	106,051	0.875 (0.092)	135,564	0.877 (0.095)	-5.473***
Intensive (12M)	Average expected inflation for households expecting positive inflation 12-month ahead	88,476	32.166 (10.984)	114,217	31.041 (11.299)	22.583***
Regulatory						
Narrow	Dummy=1, if the corridor between Repo and Reverse Repo rate is lowered to 25 bps, else zero	241615	0.384 (0.486)			
Expand	Dummy=1, if the corridor between Repo and Reverse Repo rate is greater than 25 bps, else zero	241615	0.024 (0.154)			
Design	Dummy=1, beginning from the quarter the sampling design is revised, else zero	241615	0.240 (0.427)			

Appendix: Variable definition and summary statistics						
<i>Variable</i>	<i>Empirical definition</i>	<i>Women</i>		<i>Men</i>		<i>t-test of diff.</i>
		<i>Obs.</i>	<i>Mean (SD)</i>	<i>Obs.</i>	<i>Mean (SD)</i>	
Policy						
IT-framework	Dummy=1, beginning from 2016:q2 coinciding with the introduction of Inflation Targeting (IT) framework, else zero	241615	0.517 (0.499)			
Demon_3M	Dummy=1 for the 6 months post demonetization, else zero	241615	0.042 (0.202)			
Covid	Dummy=1 for the 6 months post demonetization, else zero	241615	0.024 (0.154)			
MYP	Narrative indicator of monetary policy, as explained in the text	106,051	-0.051 (0.441)	135,564	-0.027 (0.448)	- 13.180***
Macroeconomic						
GDPGR	Year-on-year quarterly real GDP growth	241,615	4.912 (3.624)			
Dependent						
Price_3M_Gen	Coded=1 if over the next 3 months, respondent expects general price increase to be more than current level, 2 if general price increase is less than current level, 3 if general price increase is equal or similar to current level, 4 if there is no change in general prices and 5 is there is a decline in general prices	106,051	2.009 (1.229)	135,564	2.118 (1.259)	- 21.357***
Price_3M_Food	Coded=1 if over the next 3 months, respondent expects the food price increase to be more than current level, 2 if food price increase is less than current level, 3 if food price increase is equal or similar to current level, 4 if there is no change in food prices	106,051	2.036 (1.261)	135,564	2.152 (1.312)	- 22.042***

Appendix: Variable definition and summary statistics						
<i>Variable</i>	<i>Empirical definition</i>	<i>Women</i>		<i>Men</i>		<i>t-test of diff.</i>
		<i>Obs.</i>	<i>Mean (SD)</i>	<i>Obs.</i>	<i>Mean (SD)</i>	
	and 5 is there is a decline in food prices					
Price_3M_Clothing	Coded=1 if over the next 3 months, respondent expects the clothing price increase to be more than current level, 2 if clothing price increase is less than current level, 3 if clothing price increase is equal or similar to current level, 4 if there is no change in clothing prices and 5 is there is a decline in clothing prices	106,051	2.214 (1.296)	135,564	2.312 (1.311)	- 18.319***
Price_3M_Housing	Coded=1 if over the next 3 months, respondent expects the housing price increase to be more than current level, 2 if housing price increase is less than current level, 3 if housing price increase is equal or similar to current level, 4 if there is no change in housing prices and 5 is there is a decline in housing prices	106,051	2.184 (1.297)	135,564	2.310 (1.305)	- 23.577***
Price_12M_Gen	Coded=1 if over the next 12 months, respondent expects general price increase to be more than current level, 2 if general price increase is less than current level, 3 if general price increase is equal or similar to current level, 4 if there is no change in general prices and 5 is there is a decline in general prices	106,051	1.958 (1.219)	135,564	1.998 (1.234)	-8.125***
Price_12M_Food	Coded=1 if over the next 12 months, respondent expects the food price increase to be more than current level, 2 if food price	106,051	2.076 (1.252)	135,564	2.129 (1.263)	- 10.502***

Appendix: Variable definition and summary statistics						
<i>Variable</i>	<i>Empirical definition</i>	<i>Women</i>		<i>Men</i>		<i>t-test of diff.</i>
		<i>Obs.</i>	<i>Mean (SD)</i>	<i>Obs.</i>	<i>Mean (SD)</i>	
	increase is less than current level, 3 if food price increase is equal or similar to current level, 4 if there is no change in food prices and 5 is there is a decline in food prices					
Price_12M_Clothing	Coded=1 if over the next 12 months, respondent expects the clothing price increase to be more than current level, 2 if clothing price increase is less than current level, 3 if clothing price increase is equal or similar to current level, 4 if there is no change in clothing prices and 5 is there is a decline in clothing prices	106,051	2.281 (1.359)	135,564	2.359 (1.362)	- 14.023***
Price_12M_Housing	Coded=1 if over the next 12 months, respondent expects the housing price increase to be more than current level, 2 if housing price increase is less than current level, 3 if housing price increase is equal or similar to current level, 4 if there is no change in housing prices and 5 is there is a decline in housing prices	241615	1.994 (1.205)	106,051	2.056 (1.221)	- 12.418***