

## CONSUMER PRICE INDEX

CPI inflation expectedly rose to 3.2% in February 2026; geopolitical uncertainty reinforces likelihood of pause in policy rates in April MPC review

MARCH 2026





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*As expected, CPI inflation accelerated to 3.2% in February 2026 from the revised 2.7% in January 2026.*

*The inflation prints have risen for F&B, paan, tobacco & intoxicants, and precious metals between these months.*

*Escalation of West Asia conflict poses risks to India's GDP (ICRA p: +7.1%) and CPI (+4.0%) projections for FY2027; uncertainty reinforces our expectation that the MPC will hold rates steady in April 2026.*

The year-on-year (YoY) headline CPI inflation (base year: 2024) edged up to 3.2% in February 2026 from 2.7% in January 2026, while printing in line with ICRA's forecast for the month. As expected, the uptick was almost entirely driven by the food and beverages (F&B) segment, which accounted for 44 bps of the 47 bps rise in the headline print between these months. Core (CPI excluding F&B and electricity, gas & other fuels) remained stable at 3.4% in these months. In March 2026 so far, while the prices of domestic and commercial LPG cylinders have been hiked, average gold prices have trended higher on a sequential basis, which is expected to push up headline CPI inflation to ~3.3-3.5% in the month, even as the F&B inflation may witness a modest cooling compared to February 2026. The ongoing tensions in West Asia, and the rise in global energy prices pose material risks to India's growth and inflation outlook. In ICRA's view, the ongoing uncertainty has boosted the likelihood of a status quo on policy rates in the Monetary Policy Committee's (MPC) April 2026 meeting.

- **CPI inflation rose to 3.2% in February 2026, in line with ICRA's forecast:** CPI inflation accelerated to 3.2% in February 2026 from 2.7% in January 2026, amid hardening in the prints for F&B (to +3.4% from +2.1%), as well as paan, tobacco and intoxicants (to +3.5% from +2.9%) divisions, with the latter reflecting the GoI imposing additional excise duties and cesses on such items from February 1, 2026 onwards, on top of the 40% GST rate. Besides, the inflation for gold/diamond/platinum jewellery remained elevated at 48.2% in the month (vs. +46.8% in January 2026).
- **CPI inflation to increase further to 3.3-3.5% in March 2026:** ICRA expects the YoY inflation in the F&B segment to ease marginally in March 2026. However, the hike in prices of domestic (non-subsidised) and commercial LPG cylinder prices in early-March 2026 amid global energy supply disruptions would exert upward pressure on inflation prints for the electricity, gas & other fuels, and restaurant & accommodation divisions in the month. These, along with continued hardening in average prices of precious metals such as gold would push up the headline CPI inflation to 3.3-3.5% in March 2026.
- **Status quo expected in April 2026 MPC review:** The ongoing geopolitical tensions in West Asia pose upside risks to the CPI inflation forecast of 4.0% for FY2027, if sustained for an extended period; as per ICRA's analysis, every 10% increase in average crude oil price increases the CPI inflation by 40-60 bps, assuming full transmission into retail selling prices (RSPs) of auto fuels. Additionally, elevated fuel prices would weigh on India Inc.'s profitability and household spending, posing a downside risk to our GDP growth forecast of 7.1% for FY2027. Heightened uncertainty transmitting from geopolitics into India's growth and inflation outcomes supports the case for a pause in the upcoming April 2026 MPC meeting.

# CPI inflation expectedly rose to 3.2% in February 2026 from 2.7% in January 2026

EXHIBIT: YoY trends in headline and division-wise CPI indices in January 2026 (base: 2024)

Division name	Weights (%)	General		Rural		Urban	
		Jan-2026	Feb-2026	Jan-2026	Feb-2026	Jan-2026	Feb-2026
Food and beverages	36.75	2.1%	3.4%	2.0%	3.4%	2.4%	3.3%
Paan, tobacco and intoxicants	2.99	2.9%	3.5%	2.7%	3.5%	3.2%	3.6%
Clothing & footwear	6.38	3.0%	2.8%	3.4%	3.2%	2.3%	2.1%
Housing, water, electricity, gas and other fuels	17.66	1.5%	1.5%	1.3%	1.3%	1.7%	1.6%
Furnishings, household equipment and routine household maintenance	4.47	1.4%	1.4%	1.6%	1.6%	1.3%	1.2%
Health	6.10	2.2%	1.9%	2.1%	1.8%	2.3%	2.1%
Transport	8.80	0.1%	-0.05%	0.1%	-0.1%	0.1%	-0.1%
Information and communication	3.61	0.2%	0.2%	0.2%	0.3%	0.1%	0.2%
Recreation, sport and culture	1.52	2.3%	2.2%	2.1%	2.0%	2.6%	2.4%
Education services	3.33	3.3%	3.3%	3.1%	3.0%	3.5%	3.5%
Restaurants and accommodation services	3.35	2.9%	2.7%	2.0%	2.0%	3.7%	3.4%
Personal care, social protection & miscellaneous goods & services	5.04	19.1%	19.7%	19.6%	20.6%	18.3%	18.4%
<b>All India</b>	<b>100</b>	<b>2.7%</b>	<b>3.2%</b>	<b>2.7%</b>	<b>3.4%</b>	<b>2.8%</b>	<b>3.0%</b>

Source: NSO; CEIC; ICRA Research

- As per the new CPI 2024 series, the YoY CPI inflation inched up to 3.2% in February 2026 from the revised 2.7% in January 2026, while remaining below the mid-point of the MPC's target range of 2%-6%. Moreover, on a sequential basis, the headline CPI inflation was up by 0.1% in February 2026, slightly lower than 0.3% seen in January 2026, albeit in contrast to the 0.3% decline seen in February 2025.
- This uptick in the headline YoY CPI inflation in February 2026 vis-à-vis January 2026 was led by four of the 12 divisions of the CPI including food and beverages (to +3.4% from +2.1%), paan, tobacco and intoxicants (to +3.5% from +2.9%), information and communication (to +0.24% from +0.16%), and personal care, social protection and miscellaneous goods and services (to +19.7% from +19.1%). In contrast, the remaining eight divisions saw some softening in their inflation prints between these months.
- Additionally, the rural and urban YoY CPI inflation rose mildly to 3.4% and 3.0%, respectively, in February 2026 from 2.7% and 2.8%, respectively, in January 2026.

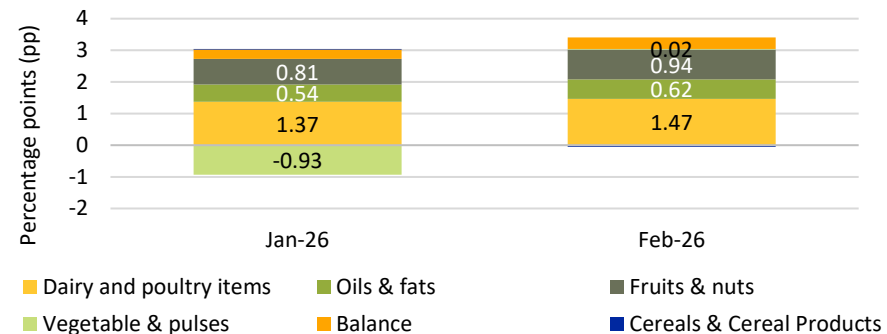
# Uptick in the F&B inflation in February 2026 vs. January was largely led by vegetable & pulses

EXHIBIT: YoY inflation in food and beverage division and its sub-classes

Division/Group/Sub-class	Weights (%)	All-India	
		Jan-2026	Feb-2026
Cereals and Cereal Products	5.95	0.1%	-0.3%
Meat, Fresh, Chilled Or Frozen	2.52	8.5%	9.7%
Fish and Other Seafood	1.02	6.7%	7.0%
Milk, Other Dairy Products and Eggs	7.28	3.1%	3.1%
Oils & Fats	2.74	6.6%	7.4%
Fruits & Nuts	3.70	7.9%	8.6%
Vegetables, Tubers, Plantains* and Pulses	6.82	-5.3%	0.1%
Sugar, Confectionery and Desserts	1.42	3.4%	2.7%
Ready-Made Food and Other Food Products	3.33	0.8%	2.1%
Beverages	1.77	1.6%	1.1%
<b>Food and beverages</b>	<b>36.75</b>	<b>2.1%</b>	<b>3.4%</b>

\*Also includes Cooking Bananas; Source: NSO, ICRA Research

EXHIBIT: Contribution of sub-classes to the YoY F&B inflation (pp)

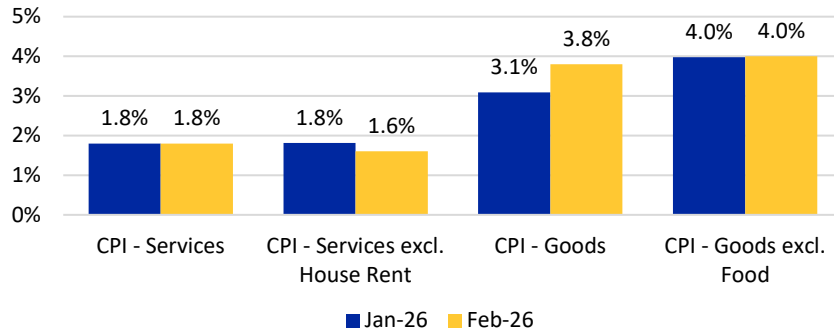


Balance include items like sugar and confectionary, beverages, readymade food and other food products; Source: NSO, ICRA Research

- The YoY inflation in food and beverages hardened to a higher-than-expected 3.4% in February 2026 from 2.1% in January 2026. Within this division, the trend was broad based, with seven of the 10 sub-groups witnessing some hardening in their YoY inflation prints, such as meat (to +9.7% from +8.5%), fish and other seafood (to +7.0% from +6.7%), oils and fats (to +7.4% from +6.6%), fruits and nuts (to +8.6% from +7.9%), vegetables (to +0.1% from -5.3%), and ready-made food and other food products (to +2.1% from +0.8%).
- In terms of contribution, vegetables and pulses (+95 bps to +0.02 pp from -0.93 pp) accounted for 77% of the uptick in the F&B inflation print in February 2026 relative to January 2026, followed by 12 bps stemming from fruits and nuts.

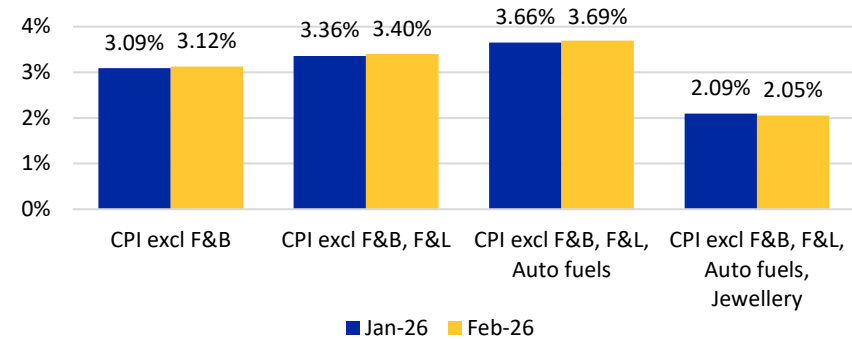
# Stringent measure of core CPI inflation stood at benign 2.1% each in January and February 2026

**EXHIBIT: YoY inflation for CPI-services and goods basket**



Source: NSO, ICRA Research

**EXHIBIT: YoY inflation for various measures of core-CPI**

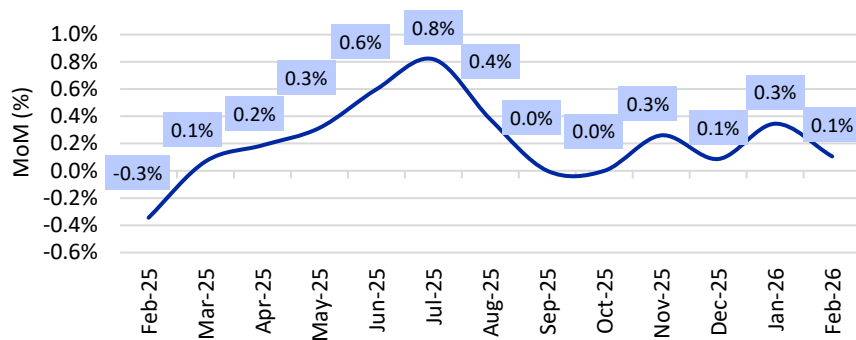


F&L: Electricity, gas and other fuels; Auto fuel- MS and HSD for vehicles and other fuels for personal transport equipment, Jewellery: Gold and silver Jewellery, Source: NSO, ICRA Research

- While services inflation (weight: 28.0% in the CPI) remained unchanged at 1.8% in February 2026 vis-à-vis January 2026, as many as 31 of the 50 services items covered in the CPI basket (with a low weight of 9.2% in the CPI) reported a dip in their YoY inflation readings. Notably, most heavily weighted items including house rent (+2.0% vs. +1.9% in January 2026), electricity charges (-2.39% vs. -2.40%), and mobile charges (unchanged at +0.7%) remained broadly unchanged between these months.
- In contrast, goods segment (weight in CPI: 72.0%; to +3.8% from +3.1%) witnessed an increase in inflation in February 2026 vs. January 2026, entirely attributable to the food segment (weight: 34.8%; to +3.5% from +2.1%). Excluding this, goods' inflation was stable at 4.0% these months.
- Notably, core inflation (CPI excluding food and beverages, and electricity, gas and other fuels), with a weight of 57.9% in the CPI basket, printed at 3.40% in February 2026, slightly higher than 3.36% in January 2026. However, the stringent measure of core-CPI, which also removes auto fuels and precious jewellery from the aforesaid metric, registered a benign inflation of 2.05% in February 2026, marginally lower than 2.09% in January 2026.

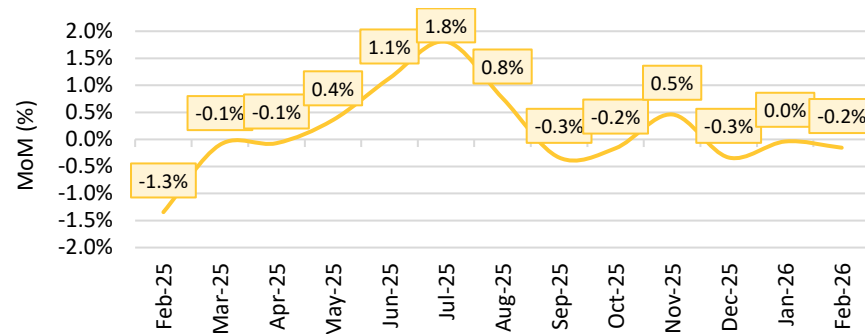
# Headline CPI rose by 0.1% MoM in February 2026 as against a sequential dip seen in the year ago month

**EXHIBIT: MoM trend in all-India headline CPI**



Source: NSO; CEIC; ICRA Research

**EXHIBIT: MoM trend in all-India Food and Beverages CPI**

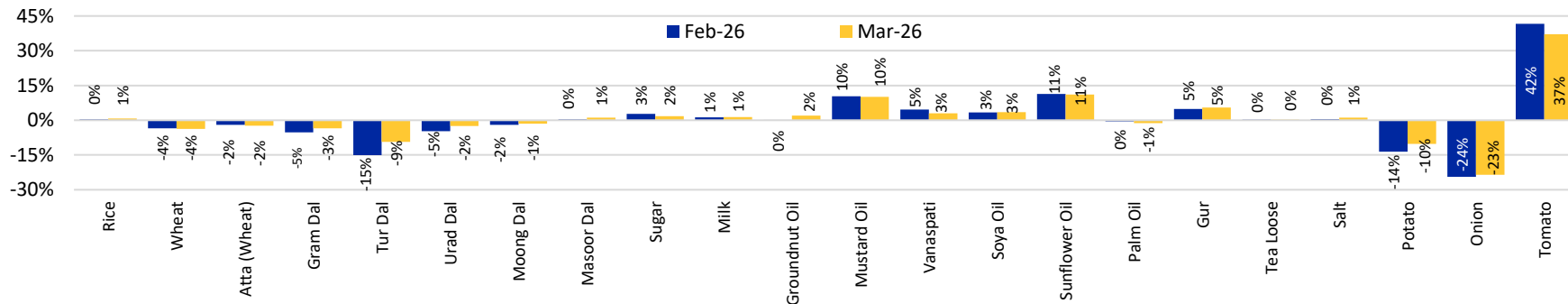


Source: NSO; CEIC; ICRA Research

- On a sequential basis, the headline CPI was up 0.1% in February 2026 as against a dip of 0.3% seen in February 2025. This was largely driven by milder seasonal decline in food and beverages (-0.2% in February 2026 vs. -1.3% in February 2025), as well as higher sequential rise in paan, tobacco and intoxicants (+0.9% vs. +0.3%; amid changes in tax structure), and personal care, social protection and miscellaneous goods and services (+1.5% vs. +1.0%; led by gold/diamond/platinum jewellery, silver jewellery, and other personal effects) in the month.
- The lower sequential dip in the F&B segment in February 2026 vis-à-vis February 2025 was largely led by narrower deflation in vegetables, tubers, plantains, cooking bananas and pulses (-3.8% in February 2026 vs. -9.0% in February 2025), meat (-1.0% vs. -2.1%), milk and dairy products (-0.2% vs. -0.3%), and a turnaround in ready-made food and other food products (+0.7% vs. -0.6%).

# OUTLOOK: CPI inflation to rise to 3.3-3.5% in March 2026, led by non-food segment

EXHIBIT: YoY trends in retail prices February 2026 and March 2026\*



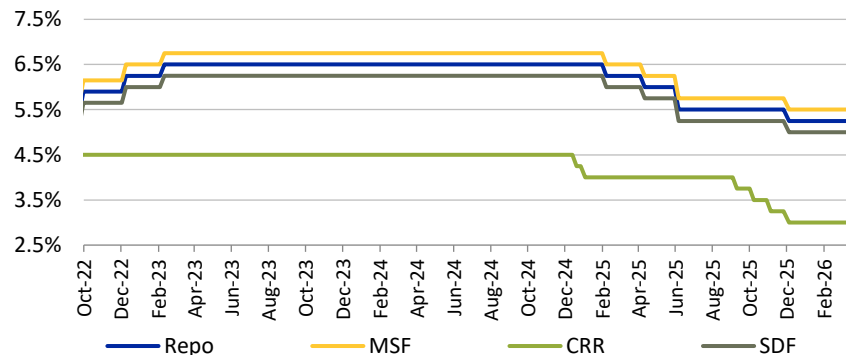
\*Till March 11, 2026; Source: DCA; CEIC; ICRA Research

- The average retail price of as many as 21 of the 38# essential items hardened sequentially during March 1-11, 2026 vs. February 2026, including rice, most pulses, few edible oils (including groundnut, soya, sunflower and palm), gur, jowar, maida, ragi, milk and its derived products (*desi ghee* and butter), etc. Additionally, 25 of the 38 items witnessed an uptick in their YoY rates during March 1-11, 2026 vis-à-vis February 2026, even as a large set continued to report deflation (17 of the 38 items). However, **ICRA expects the YoY inflation in the F&B segment to ease marginally in March 2026 from 3.4% in February 2026.**
- The domestic (non-subsidised) and commercial LPG cylinder prices were hiked by Rs. 60/14.2 kg and Rs. 114/19kg (on an average), respectively, in early-March 2026 across metro cities, owing to global energy supply disruptions. This would exert upward pressure on inflation prints for electricity, gas and other fuels (LPG cylinder and PNG weight in CPI: 2.00%) and restaurant and accommodation (3.33%) divisions in this month, and in the near term if prices are hiked further. Besides, the average gold and silver prices in the domestic market have risen sequentially in March 2026 so far.
- **Overall, the CPI inflation is expected to rise to 3.3-3.5% in March 2026 from 3.2% in February 2026, owing to some hardening in the LPG and gold prices. Any further escalation in the West Asia conflict, or its prolonging could further increase the landed cost of imports, and feed into inflationary pressures.**

#This includes the 22 items shown in the chart and 16 additional items including eggs, several spices, brinjal, banana, ghee, butter, etc. for which the DCA has only started releasing the data recently.

# OUTLOOK: Geopolitical uncertainty reinforces likelihood of status quo on policy rates in April 2026 MPC meeting

EXHIBIT: Movement in Key Rates



Source: RBI; ICRA Research

EXHIBIT: RBI's earlier and current GDP growth and CPI inflation forecasts

YoY (%)	CPI Inflation		GDP Growth (at constant 2011-12 prices)	
	December 2025	February 2026	December 2025	February 2026
<b>MPC Policy Reviews</b>				
Q4 FY2026	2.9%	3.2%	6.5%	
<b>FY2026</b>	<b>2.0%</b>	<b>2.1%</b>	<b>7.3%</b>	
Q1 FY2027	3.9%	4.0%	6.7%	6.9%
Q2 FY2027	4.0%	4.2%	6.8%	7.0%

Source: RBI; ICRA Research

- With a somewhat lower weight for F&B in the new CPI series (36.75%: 2024 series) vis-à-vis the old series (45.86%: 2012 series), the expected base-effect led uptick in the headline CPI print in FY2027 would likely be tempered, after the initial uptick, resulting in a flatter curve even as the average would likely remain around ~4% in our base case for FY2027.
- The GDP growth for H1 FY2026 has been revised lower to ~7.6% in the new 2022-23 series as against 8.0% estimated in the 2011-12 series, while remaining quite strong.
- The ongoing [geopolitical tensions in West Asia](#) pose upside risks to the CPI inflation trajectory, if sustained for an extended period; as per ICRA's analysis, every 10% increase in average crude oil prices increases the CPI inflation by 40-60 bps, assuming that a full transmission into RSPs of auto fuels takes place. Additionally, elevated crude oil prices would weigh on India Inc.'s profitability and household spending, posing downside risk to our GDP growth forecast of 7.1% for FY2027. Heightened uncertainty around the growth and inflation outlook suggest a pause in the upcoming April 2026 MPC meeting.



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