

CONSUMER PRICE INDEX

CPI inflation expectedly printed at 3.4% in March 2026; likely to cross 4.0% in April amid conflict-led uptick in prices of several items

APRIL 2026





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As expected, CPI inflation inched up mildly to 3.4% in March 2026 from 3.2% in February 2026. Core inflation stabilised at 3.4% in March 2026, at par with the prior month.

The West Asia conflict-related rise in prices of LPG, edible oils, alternate fuels, airfares and restaurant charges is likely to feed into the April 2026 CPI print, which ICRA foresees above 4.0%.

IMD's forecast of below-normal monsoon rains at 92% +/-5% of LPA in 2026 poses upside risks to food inflation.

As expected, the year-on-year (YoY) headline CPI inflation (base year: 2024) rose mildly to 3.4% in March 2026 from 3.2% in February 2026, driven by food and beverages (F&B), and electricity, gas, and other fuel groups, with the latter reflecting the impact of the West Asia crisis across LPG and alternate fuels. Moving forward, the YoY inflation in the F&B segment is expected to rise further and cross the 4%-mark in April 2026 from 3.7% in March 2026, led by vegetables, edible oils, and readymade food segments. Besides, the impact of the unrest in West Asia will continue to feed into prices of several items such as alternate fuels, airfares (owing to higher aviation turbine fuel; ATF prices), restaurants (amid higher commercial LPG prices), which along with rising input prices is likely to transmit into the April 2026 headline inflation print. Overall, we expect the CPI inflation to cross 4.0% in April 2026. Thereafter, the below-normal monsoon forecast for 2026 owing to El Nino poses upside risks to the inflation outlook. While ICRA expects the Monetary Policy Committee (MPC) to remain data and development dependent, amid heightened geopolitical uncertainty, we believe that an extended pause is underway.

- **CPI inflation inched up to 3.4% in March 2026, in line with ICRA's forecast:** The uptick in headline inflation print was driven by the food and beverages (to +3.7% from +3.4%), and the electricity, gas and other fuels groups (to +1.7% from +0.1%), with the latter reflecting the impact of the West Asia crisis across LPG and alternate fuels. Core (CPI excluding F&B and electricity, gas & other fuels) remained steady at 3.4% in these months.
- **CPI inflation to exceed 4.0% in April 2026:** ICRA expects the YoY inflation in the F&B segment to rise further and cross the 4%-mark in April 2026 from 3.7% in March 2026, led by the vegetables, edible oils, and readymade food segments. Besides, the impact of the unrest in West Asia will continue to feed into prices of several items such as alternate fuels, airfares (owing to higher aviation turbine fuel; ATF prices), restaurants (owing to higher commercial LPG prices), which along with rising input prices is likely to transmit into the April 2026 headline inflation print. Overall, we expect the CPI inflation to cross 4.0% in April 2026, coming back into the upper half of the MPC's medium-term target range.
- **Extended pause underway:** The MPC expectedly kept the policy rates unchanged at 5.25% and maintained neutral stance in the April 2026 policy meeting. The tone appeared to be cautious and circumspect, as West Asia conflict casts a shadow on India's growth-inflation outlook. While ICRA expects the MPC to remain data and development dependent, amid heightened uncertainty, we believe that an extended pause is underway. The next move on rates is likely to be a hike rather than a cut, although the timing of the same would be back ended.

CPI inflation expectedly rose to 3.4% in March 2026, led by food and fuel items

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

Division name	Weights (%)	General		Rural		Urban	
		Feb-2026	Mar-2026	Feb-2026	Mar-2026	Feb-2026	Mar-2026
Food and beverages	36.75	3.4%	3.7%	3.4%	3.8%	3.3%	3.5%
Paan, tobacco and intoxicants	2.99	3.5%	4.2%	3.5%	4.2%	3.6%	4.4%
Clothing and footwear	6.38	2.8%	2.8%	3.2%	3.2%	2.1%	2.1%
Housing, water, electricity, gas and other fuels	17.66	1.5%	2.0%	1.3%	2.1%	1.6%	1.9%
Furnishings, household equipment and routine household maintenance	4.47	1.4%	1.4%	1.6%	1.6%	1.2%	1.1%
Health	6.10	1.9%	1.8%	1.8%	1.7%	2.1%	1.9%
Transport	8.80	-0.05%	0.0%	-0.1%	0.0%	-0.1%	0.0%
Information and communication	3.61	0.2%	0.3%	0.3%	0.4%	0.2%	0.2%
Recreation, sport and culture	1.52	2.2%	2.3%	2.0%	2.1%	2.4%	2.5%
Education services	3.33	3.3%	3.3%	3.0%	3.0%	3.5%	3.5%
Restaurants and accommodation services	3.35	2.7%	2.9%	2.0%	2.4%	3.4%	3.4%
Personal care, social protection & miscellaneous goods & services	5.04	19.7%	18.7%	20.6%	19.6%	18.4%	17.5%
All India	100	3.2%	3.4%	3.4%	3.6%	3.0%	3.1%

Source: NSO; CEIC; ICRA Research

- In line with ICRA's forecast, the YoY CPI inflation rose mildly to 3.4% in March 2026 from 3.2% in February 2026, while remaining quite benign and below the mid-point of the MPC's target range of 2%-6%. In MoM terms, the CPI was up by 0.3% in March 2026, higher than 0.1% each seen in February 2026 and March 2025.
- This uptick in the headline YoY CPI inflation in March 2026 vis-a-vis February 2026 was led by three of the 12 divisions of the CPI, including food and beverages (to +3.7% from +3.4%), paan, tobacco and intoxicants (to +4.2% from +3.5%), and housing, water, electricity, gas and other fuels (to +2.0% from +1.5%), with the latter reflecting the impact of the West Asia crisis across LPG and alternate fuels. The inflation rate for personal care, social protection and miscellaneous goods and services (to +18.6% from +19.7%) softened, while several other divisions reported unchanged inflation prints between these months.
- Additionally, the rural and urban YoY CPI inflation inched up to 3.6% and 3.1%, respectively, in March 2026 from 3.4% and 3.0%, respectively, in February 2026.

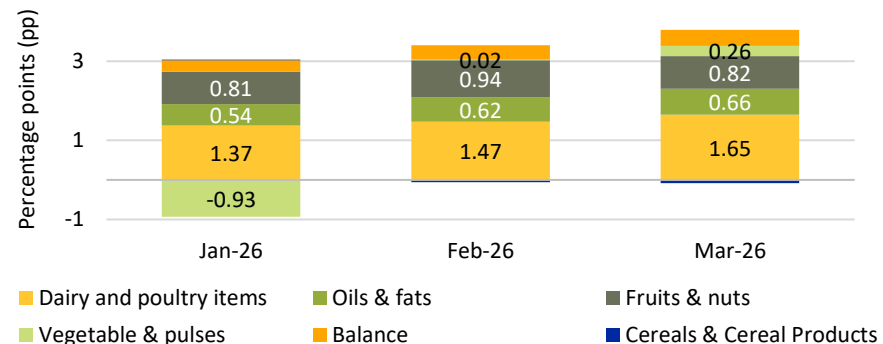
Uptick in the F&B inflation in March 2026 vs. February was largely driven by vegetables, pulses, and meat

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

Division/Group/Sub-class	Weights (%)	All-India	
		Feb-2026	Mar-2026
Cereals and Cereal Products	5.95	-0.3%	-0.5%
Meat, Fresh, Chilled Or Frozen	2.52	9.7%	12.5%
Fish and Other Seafood	1.02	7.0%	7.3%
Milk, Other Dairy Products and Eggs	7.28	3.1%	3.0%
Oils & Fats	2.74	7.4%	7.8%
Fruits & Nuts	3.70	8.6%	7.3%
Vegetables, Tubers, Plantains* and Pulses	6.82	0.1%	1.7%
Sugar, Confectionery and Desserts	1.42	2.7%	2.2%
Ready-Made Food and Other Food Products	3.33	2.1%	2.9%
Beverages	1.77	1.1%	0.7%
Food and beverages	36.75	3.4%	3.7%

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

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

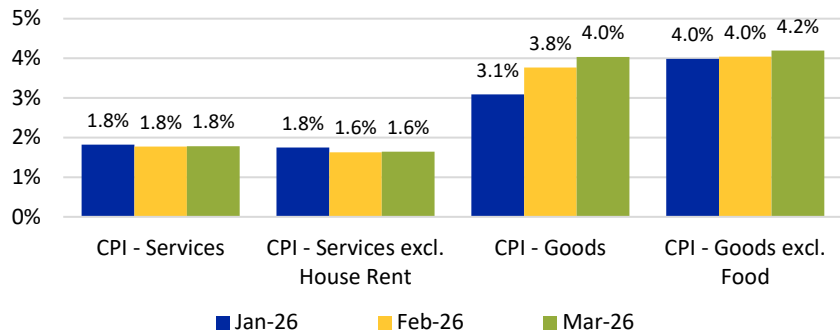


Balance include items like sugar and confectionary, beverages, readymade food and other food products; Source: NSO, ICRA Research

- The YoY inflation in food and beverages hardened to a higher-than-expected 3.7% in March 2026 from 3.4% in February 2026. This was driven by an uptick in the inflation prints for five of the 10 sub-groups, including meat (to +12.5% from +9.7%), fish and other seafood (to +7.3% from +7.0%), oils and fats (to +7.8% from +7.4%), vegetables (to +1.7% from +0.1%), and ready-made food and other food products (to +2.9% from +2.1%).
- In terms of contribution, vegetables and pulses (+24 bps to +0.26 pp from +0.02 pp) accounted for ~69% of the uptick in the F&B inflation print in March 2026 relative to February 2026, followed by 18 bps stemming from dairy and poultry items, and a lower 4 bps from oils and fats.

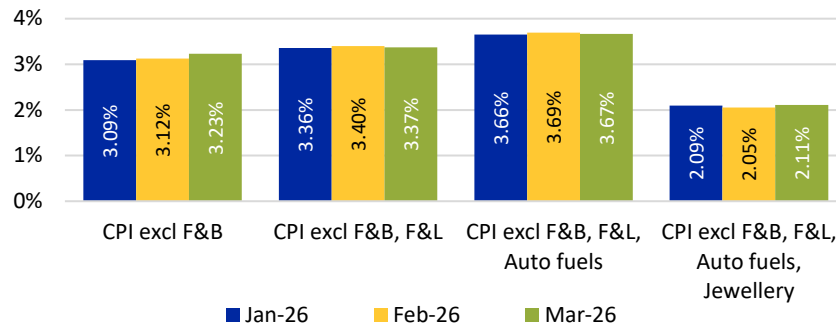
Stringent measure of core CPI inflation remained steady at a muted 2.1% in March 2026

EXHIBIT: YoY inflation for CPI-services and goods basket



Source: NSO, ICRA Research

EXHIBIT: YoY inflation for various measures of core-CPI

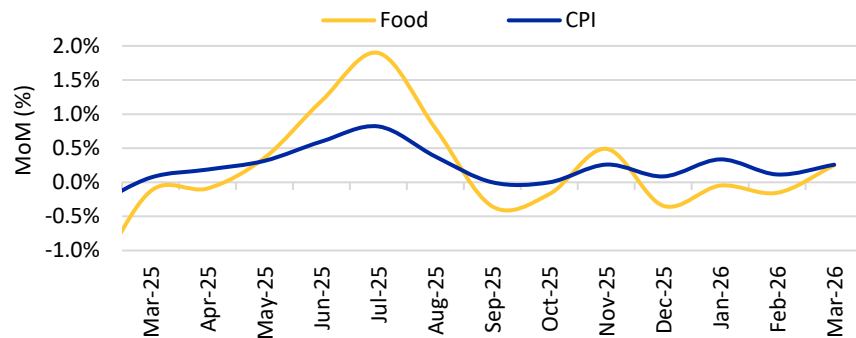


F&L: Electricity, gas and other fuels; Auto fuel- MS and HSD for vehicles and other fuels for personal transport equipment, Jewellery: Gold and silver Jewellery, Source: NSO, ICRA Research

- While services inflation (weight: 28.0% in the CPI) remained unchanged at 1.8% in March 2026 vis-à-vis February 2026, as many as 32 of the 50 services items covered in the CPI basket (with a low weight of 12.3% in the CPI) reported a dip in their YoY inflation readings. Notably, inflation in the heavily weighted items including house rent (unchanged at +2.0% in March 2026), mobile charges (at +0.7%), tuition fees (at +3.4%) remained unchanged between these months. Interestingly, the sub-index for airfare reverted to a YoY inflation of 14.2% in March 2026 from a deflation of 7.0% in the prior month, with several airlines raising fares amid the West Asia conflict.
- In contrast, the goods segment (weight in CPI: 72.0%; to +4.0% from +3.8%) witnessed a slight increase in inflation in March 2026 vs. February 2026, largely attributable to the food segment (weight: 34.8%; to +3.9% from +3.5%). Excluding this, goods' inflation inched up to 4.2% from 4.0% in February 2026.
- Notably, core inflation (CPI excluding food and beverages, and electricity, gas and other fuels), with a weight of 57.9% in the CPI basket, remained largely stable at 3.4% in March 2026 in line with the previous two months. However, the stringent measure of core-CPI, which also removes auto fuels and precious jewellery from the aforesaid metric, registered a marginal uptick to 2.11% in March 2026 from 2.05% in February 2026, while remaining muted.

Headline CPI rose at a higher sequential pace in March 2026 vs. 2025; led by passthrough of higher input cost to consumer prices amid the West Asia crisis

EXHIBIT: MoM trend in all-India headline and F&B CPI



Source: NSO; CEIC; ICRA Research

EXHIBIT: MoM trend in some items impacted by the West Asia conflict

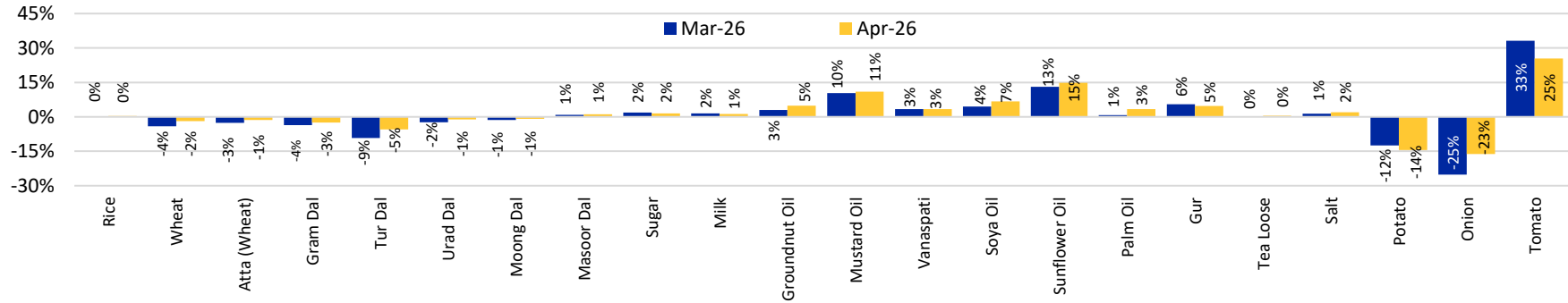
Item	Weights (%)	MoM (%) in Mar-2026
LPG Cylinder & PNG	1.98	3.6%
Kerosene	0.01	0.8%
Kerosene PDS	0.00	2.5%
Coal	0.01	2.6%
Firewood & Chips	0.87	1.0%
Charcoal	0.00	0.5%
Fuel (Biogas & Gobar Gas)	0.01	1.3%
Airfare	0.03	0.9%
Restaurants: F&B serving services	3.33	0.4%
Vegetable Oils	2.18	1.2%
Total	8.43	1.4%

Source: NSO; CEIC; ICRA Research

- On a sequential basis, the headline CPI was up 0.3% in March 2026, higher than 0.1% seen in March 2025. This was driven by sequential turnaround in the food segment (+0.3% in March 2026 vs. -0.1% in March 2025; largely led by ready-made food and other food products, oils and fat, and meat products), and electricity, gas and other fuels (+1.5% vs. -0.02%). This was followed by higher MoM prints for restaurants and accommodation services (led by restaurants F&B serving services at +0.4% vs. +0.2%; owing to higher commercial LPG prices) as well as paan, tobacco and intoxicants (+0.9% vs. +0.2%; amid the impact of changes in tax structure).
- The inflationary pressure seen across the items in the food, electricity, gas, and other fuel, as well as restaurants and accommodation services largely reflects the direct and indirect passthrough of higher input cost to consumer prices amid the West Asia crisis.

OUTLOOK: CPI inflation to cross 4.0% in April 2026, led by uptick in both food and non-food segments

EXHIBIT: YoY trends in retail prices during March 2026 and April 2026*



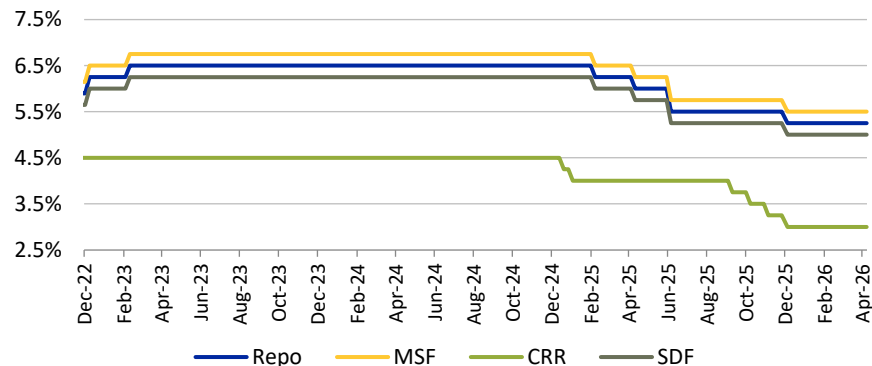
*Till April 12, 2026; Source: DCA; CEIC; ICRA Research

- The average retail price of as many as 20 of the 38[#] essential items hardened sequentially during April 1-12, 2026 as compared to March 2026, including some pulses, most edible oils, sugar, salt, milk, *desi ghee*, most spices (including black pepper, coriander, red chilies, turmeric), etc. Additionally, 26 of the 38 items witnessed an uptick in their YoY rates during April 1-12, 2026 vis-à-vis March 2026; double-digit YoY inflation was seen across edible oils like sunflower (+14.7% vs. +13.1%), and mustard oil (+11.0% vs. +10.3%) in the ongoing month so far - given India's high import dependency and weakening in USD/INR pair, the domestic prices of edible oils are most vulnerable to global disruptions caused by the West Asia conflict. **Given these trends, ICRA expects the YoY inflation in the F&B segment to cross the 4% mark in April 2026 from 3.7% in March 2026.**
- In addition to the hike of Rs. 114/19kg (on an average) seen in early-March 2026, prices of commercial LPG cylinder were further raised by Rs. 195/19kg (on an average) on April 1, 2026, amid worsening of global energy supply situation. This, along with upward revisions in the prices of Aviation turbine fuel (ATF) and premium petrol and diesel prices in early part of the month is likely to exert some upward pressure on CPI prints in April 2026 through both direct and indirect channels (LPG cylinder, PNG, F&B serving services, air fare, vegetable oils, etc. have a total weight of 8.43% in the CPI basket, as mentioned in the previous slide). Additionally, while average gold and silver prices in the domestic market have fallen sequentially in April 2026 so far, they continue to remain elevated on a YoY basis.
- **Overall, we expect the CPI inflation to cross 4.0% in April 2026, coming back into the upper half of the MPC's medium term target range.**

#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 started releasing the data.

OUTLOOK: MPC stuck to status quo and cautious tone in April 2026 policy amid geopolitical uncertainty; extended pause seen

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	
MPC Policy Reviews	February 2026	April 2026*	February 2026	April 2026^
Q1 FY2027	4.0%	4.0%	6.9%	6.8%
Q2 FY2027	4.2%	4.4%	7.0%	6.7%
Q3 FY2027		5.2%		7.0%
Q4 FY2027		4.7%		7.2%
FY2027		4.6%		6.9%

*based on 2024 series; ^at constant 2022-23 prices; with the assumption of the average price of crude oil at \$85/barrel and a normal monsoon in FY2027; Source: RBI; ICRA Research

- The Monetary Policy Committee (MPC) expectedly kept the policy rates unchanged at 5.25% and maintained neutral stance in the April 2026 policy meeting. The tone appeared to be cautious and circumspect, amid heightened uncertainty regarding the intensity and duration of West Asia conflict, and resultant damage to energy and other infrastructure posing downside risks to India's growth-inflation outlook.
- While the Committee pegged the CPI inflation at 4.6% for FY2027 (ICRA: +4.3%), the upside risks to this estimate have increased following the [IMD's recent forecast of Southwest Monsoon](#) season to be below normal in 2026, with rainfall estimated at a low 92% +/-5% of LPA. The MPC's projection for GDP growth appeared to be relatively optimistic at 6.9% (ICRA: +6.5%). Interestingly, it stressed on upside and downside risks to the outlook for inflation and growth, respectively, in contrast with the typical statements on risks being balanced around both, while highlighting that it would remain vigilant and closely monitor the incoming information and assess the balance of risks.
- While ICRA expects the MPC to remain data and development dependent, amid heightened uncertainty, we believe that an extended pause is underway. The next move on rates is likely to be a hike rather than a cut, although the timing of the same would be back ended.



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