

New CPI series pegs retail inflation at 2.75% in January

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India's retail inflation rate stood at 2.75 per cent in January 2026, according to the updated Consumer Price Index (CPI) series released by the National Statistics Office on Thursday, with a base year of 2024 as opposed to the previous base year of 2012.

Inflation in December 2025 is reckoned to have been 1.17 per cent, based on the back series data from the NSO. Under the old CPI series, the retail inflation was 1.33 per cent in December with food prices clocking a year-on-year dip of 2.71 per cent. Officials stressed that the December number under the old series and the January print are not comparable.

In January, the Consumer Food Price Index (CFPI) rose 2.13 per cent in January, after a seven-month streak of deflation under the old series, and economists attributed this to a few select items like tomato and coconut.

There was only a fractional gap between the headline inflation experienced in rural and urban areas at 2.73 per cent and 2.77 per cent, respectively. However, food prices rose 1.96 percent in rural areas and 2.44 percent in urban India.

Inflation for housing, where rural house rent costs have been factored in for the first time, was higher in rural regions at 2.4 per cent compared to 1.9 per cent in urban India. The rural house rent inflation stood at 3.2 percent, while it was 1.9 per cent in urban areas. The combined housing inflation, which now has a weight of 11.88 per cent in the CPI compared to 10.07 per cent in the previous series, came in at 2.05 per cent.

Food and beverages now



Splicing the price rise

National level division-wise inflation rate (%)

Transport	0.09
Information and communication	0.16
Furnishing and household equipment	1.45
Housing, water, electricity, gas and other fuels	1.53
Food and beverages	2.11
Health	2.19
Recreation, sport and culture	2.32
Paan, tobacco and intoxicants	2.86
Restaurant and accommodation	2.87
Clothing and footwear	2.98
Education services	3.35
Personal care and social protection	19.02

Source: National Statistics Office

account for 36.75 per cent of the CPI basket, from 42.86 per cent in the 2012 series. The revised series splices items earlier clubbed into six groups, to 12 divisions.

While ten of the 12 new divisions clocked an inflation of under 3 per cent in January, education services were up 3.35 per cent and the pace of price rise in personal care, social protection and miscellaneous goods was a sharp 19.02 per cent, attributed mainly to a spike in precious metal prices.

"The pickup in inflation in January was on account of food process which turned to an inflationary trajectory," said Paras Jasrai, associate director at India Ratings and Research, citing the sharp 64.8 per cent spike in tomato prices as the key factor for food inflation rebounding to 2.1 per cent. "Prices of other key vegetables such as onion, potato, garlic were in a deflation of 29.3%, 29.0% and 53.0%, respectively," he pointed out.

Core inflation, excluding volatile items like energy and food, is

at 3.4 per cent in January, compared to about 4.15 per cent going by the old series, said SBI Group Chief Economic Advisor Soumya Kanti Ghosh in a report. "The decline in core is mainly due to the change in weightage in gold, which declined to 0.62 per cent in the 2024 series, compared to 1.08 per cent in 2012 series," he said.

Among the States, Telangana recorded the highest inflation of 4.92 per cent in January, followed by Kerala (3.67 per cent), Tamil Nadu (3.36 per cent), Rajasthan (3.17 per cent) and Karnataka (2.99 per cent). On the other hand, Manipur had the lowest inflation print of 0.12 per cent, with rural parts of the state clocking a deflation rate of 0.43 per cent.

"Given the composition of the index and the dilution of the base effect for food items, we may expect inflation to climb upwards in the coming months. This would mean a long pause from the point of view of the Reserve Bank of India (RBI) on rates. There may

not be too much of an alteration in the RBI's inflation forecasts for next year," said Madan Sabnavis, Bank of Baroda chief economist.

Jasrai concurred, stating that inflation is expected to pick up in the coming quarters, but expected to be within the tolerance band of the RBI's monetary policy committee (MPC). For February 2026, we expect the retail inflation to average 3.2 per cent.

ICRA Chief Economist Aditi Nayar said the 2.75 per cent CPI print is 'well below the mid-point of the RBI's 2-6 per cent inflation target range. "The new CPI series is not comparable to the old series owing to the change in composition, weights and calculation methodology. With another CPI inflation print due to be released before the next MPC meet, there may be some more clarity on interpreting the CPI data," she concluded, adding the new GDP series later this month would also be crucial to reassess India's growth-inflation trajectory.