

# CPI inflation at 13-month high of 3.4%

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**INDIA'S HEADLINE RETAIL** inflation rose to a 13-month high of 3.4% year-on-year in March, edging up from 3.21% in February, according to data released by the Ministry of Statistics and Programme Implementation (MoSPI) on Monday. The rise was largely driven by higher food, fuel and gold prices.

The impact of the West Asia war on the consumer price index (CPI) was moderate, as oil companies refrained from hiking auto fuel prices due to strong refining margins and excise cuts by the government. However, the index may increase in the coming months.

The headline inflation figure remained below the RBI's medium-term target of 4% for the 14th consecutive month.

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# CPI inflation rises to 3.4%

EVEN WITH AN early resolution of the West Asia crisis, global crude oil prices are likely to average around \$85-90 per barrel in FY27, and households may have to share some of the burden. Moreover, there are also concerns about a higher probability of El Nino this year, with adverse implications for monsoon rains and thereby food inflation.

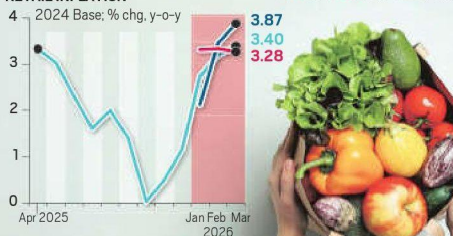
The core inflation, excluding food and fuel segments, stood at 3.28% in March. The rural and urban inflation stood at 3.63% and 3.11% year-on-year (y-o-y), respectively. Analysts expect the RBI to maintain status quo on policy rate given the growth concerns; some even see the possibility of a rate cut towards the end of the fiscal year if the growth outlook deteriorates below the long-term potential growth. "We expect CPI inflation to average 4.6% in FY27, in line with RBI's projection," said Rajani Sinha, chief economist at CareEdge Ratings.

The March print did indicate the initial impact of the West Asia conflict as the inflation in the fuel category recorded at 1.65% (y-o-y) for the month, higher than 0.14% in February and 0.35% in January. Food inflation was 3.87% in the month, while combined food and beverages inflation stood at 3.71%.

The five key items with high inflation were silver jewellery (148.61%); gold, diamond, and platinum jewellery (45.92%); coconut:copra (45.52%); tomato (35.99%); and cauli-

## 13-MONTH HIGH

### RETAIL INFLATION



CPI base year revised to 2024 from Jan 2026  
Source: MoSPI



flower (34.11%), the MoSPI said in a statement. Additionally, pan, tobacco and intoxicants inflation was at 4.2% (y-o-y). Education and restaurants had inflation of 3.3% and 2.9%, respectively.

Sakshi Gupta, principal economist at HDFC Bank, said the higher liquefied petroleum gas (LPG) prices majorly contributed to the rise in fuel inflation. "To recall, LPG prices were increased by ₹60 for a 14.2 kg cylinder in March. On a sequential basis, fuel inflation was up by 1.5%," Gupta said.

Aditi Nayar, chief economist at Icmr, said the sequential uptick in inflation was driven by food, electricity, gas and other fuels groups, with the latter reflecting the impact of the West Asia crisis across LPG and alternate fuels. "Further, the impact of the unrest in West Asia will continue to feed into prices of several items such as alternate fuels, air-

fares (owing to higher aviation turbine fuel prices), restaurants (owing to higher commercial LPG prices), which along with rising input prices is likely to harden the April headline inflation print," Nayar said.

Megha Arora, director, India Ratings & Research, said the effect of LPG price hike has been captured by higher inflation in the fuel category. Consequently, inflation recorded by the LPG user segment of restaurants and accommodation services also increased to 2.88% in March from 2.73% in February and 2.87% in January, Arora said.

The RBI, in its first monetary policy of FY27, kept the policy repo rate unchanged at 5.25%, while warning of lower growth and higher inflation amid the West Asia crisis. The central bank estimated CPI inflation at 4.6% for FY27, with quarterly variations ranging from 4% in Q1 to 5.2% in Q3.