

# Food, Fuel Push Up March Retail Inflation to 3.4%

Economists expect Apr inflation to be around 4% as war impact continues to feed into prices; peg FY27 inflation at around 4-5%

## Our Bureau

**New Delhi:** Retail inflation increased to 3.4% year-on-year in March from 3.2% in the previous month, driven by higher food and fuel prices, with the latter reflecting the impact of the Iran war, showed official data released on Monday.

Looking ahead, economists expect April inflation to be around 4% as the impact of the war continues to feed into prices.

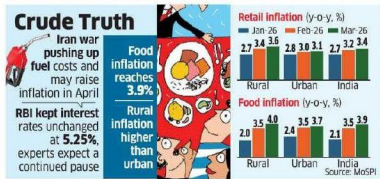
Aditi Nayar, chief economist at ICRA, said, "The impact of the unrest in West Asia will continue to feed into prices of several items such as alternative fuels, airfares (owing to higher aviation turbine fuel prices), restaurants (owing to

higher commercial liquefied petroleum prices), which along with rising input prices is likely to harden the April inflation."

The impact of liquified petroleum gas (LPG) price hike is reflected in rising fuel inflation, with the electricity, gas and other fuels category increasing to 1.65% in March from 0.14% in February.

Experts also anticipate a pause in policy rate cuts. Last week, the Reserve Bank of India's (RBI) monetary policy committee kept the policy rate unchanged at 5.25%

Sakshi Gupta, principal economist at HDFC Bank, said that despite higher energy costs in March, the pass-through to retail inflation has been limited. This suggests the RBI has sufficient he-



adroom before looking at tightening policy, she added.

Madan Sabnavis, chief economist at Bank of Baroda, said that the central bank will closely monitor inflation trends, especially in

light of the war and monsoon outlook, before making decisions on interest rates. He indicated that an extended pause in rate changes appears likely.

Food inflation stood at 3.9% in

March, with rural areas recording 4% and urban areas 3.7%.

Overall, rural inflation rose to 3.6% in March from 3.4% in the previous month, while urban inflation edged up to 3.1% from 3%. Among states, Telangana recorded the highest inflation of 5.8%, followed by Andhra Pradesh (4.1%), Karnataka (4%), Tamil Nadu (3.8%) and Rajasthan (3.6%).

## FOOD, SERVICES

Among the 12 divisions, personal care, social protection and miscellaneous goods and services saw the highest inflation at 18.7%. Next was paan, tobacco and intoxicants at 4.2%, followed by food and beverages (3.7%) and education services (3.3%).

ICRA expects food and beverages inflation to exceed 4% in April, led by vegetables, edible oils and readymade food segments.

Across 358 tracked items, silver jewellery recorded the steepest price rise at 148.6%.

## OUTLOOK

HDFC Bank projects inflation to average at 4.9% in 2026-27, while CareEdge Ratings estimates it at 4.6%. Crisil assumes 4.5%, which could rise to 4.7% if the conflict continues till April-end and energy prices remain high.

Gupta cautioned that prolonged disruption and elevated energy prices could ultimately be passed on to consumers if producers continue to face margin pressures.