

Food, fuel lift retail inflation to 3.4%; pressure likely to persist

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Driven by rising food prices and energy costs from the West Asia war, India's retail inflation climbed to 3.4% in March from 3.21% in February, provisional data released by the ministry of statistics and programme implementation (MoSPI) on Monday showed.

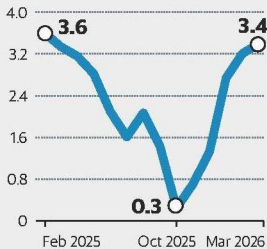
The number—which is in line with a *Mint* poll of 16 economists—is still below the Reserve Bank of India's (RBI) 4% medium-term target, even as war-led risks continue to build.

Notably, the latest consumer price index (CPI) data is not strictly comparable with the year-ago period due to the reset of the index basket in January. Retail inflation was recorded at a revised 2.74% in January, marking the debut for the new series with 2024 as the base year.

Cost catch

The inflation uptick was led by food prices which rose 3.87% in March from 3.47% in February.

Year-on-year retail inflation (in %)



Note: Data from Jan 2026 is as per the 2024 series and the remaining as per the 2012 series.

Source: Statistics ministry

mint

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The uptick in March was led by food prices—a key constituent of the country's consumer price index—which rose 3.87% in March from 3.47% in February. Housing inflation stood at 2.11% last month against 2.12% in February, according to the data.

Economists expect inflation's upward trajectory to

persist.

Rating agency Icria expects year-on-year inflation in the food and beverages segment to cross 4% in April 2026, led by vegetables from 3.7% in March, led by vegetables, edible oils, and readymade food.

“Further, 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 jet fuel prices), and restaurants (owing to higher commercial LPG prices), which, along with rising input prices, is likely to harden the April 2026 headline inflation print,” said Aditi Nayar, chief economist, Icria Ltd. “Overall, we expect the CPI inflation to cross 4% in April 2026, coming back into the upper half of the MPC's medium term target range.”

Madan Sabnavis, chief economist at Bank of Baroda, said the major drivers of the

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rise in inflation in March were pan and tobacco (0.9%), housing, water, gas etc (0.6%), and restaurants at 0.4%.

“For the latter two, there was clearly the impact of higher crude prices, which led to higher LPG prices being announced,” he said.

Economists also expect the RBI to stay cautious on monetary policy, after it kept its key policy rate unchanged at 5.25% on 8 April, even as it monitors the impact of surging oil prices on the economy and works to curb any excessive currency moves.

“The RBI is likely to maintain its neutral stance through the next quarter, as persistent services inflation and volatility in precious metals offset relief in the food basket,” said Vikrant Chaturvedi, associate director, research at Brickwork Ratings.

“The present tendency for inflation to rise will be carefully monitored by RBI especially in the wake of the war as well as monsoon prospects when taking a call on interest rates. A prolonged pause as of now looks very likely,” Sabnavis said.

Concerns over the monsoon were echoed by Rajani Sinha, chief economist at CareEdge Ratings, who said higher probability of El Nino this year would have adverse implications for food inflation.

El Nino is a climate phenomenon in the tropical Pacific Ocean that periodically disrupts global weather



Retail inflation was recorded at 2.74% in January. ISTOCKPHOTO

patterns, and could potentially weaken India's monsoon and raise risks to food production and inflation.

Sinha added that even if the West Asia war were to see an early resolution, global crude oil prices were likely to average \$85-90/bbl in FY27, with the burden being shared by households, government and oil marketing companies.

“We expect CPI inflation to average 4.6% in FY27, in line with RBI's projection,” Sinha said.

The rise in inflation comes even as India's economic growth is expected to moderate in the current

fiscal year.

Real gross domestic product (GDP) is estimated to grow by 7.6% (year-on-year) during 2025-26, as per the second advance estimates of the new GDP series (base year 2022-23) released by MoSPI.

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