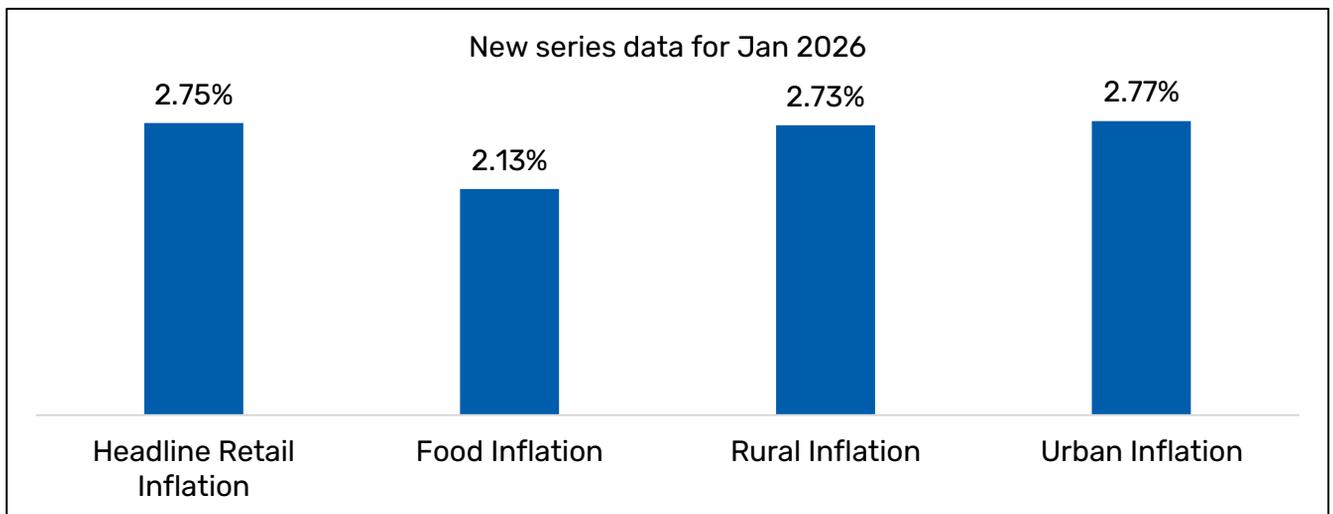


India's Retail Inflation at 2.75% in January 2026 Under New 2024 Base Year Series

- India's retail inflation was recorded at 2.75% in January 2026, marking the debut of a new Consumer Price Index (CPI) series with 2024 as the base year.
- Under the new CPI series (Base: 2024 = 100), the weight of CPI excluding food and fuel has increased to 57.9% from 47.3%, reflecting a structural shift in household spending patterns.
- We can primarily observe two things - the core inflation is much lower in the new series vs the old; whereas food inflation sees a sharp spike in new series reversing the deflationary trend of the past few months suggesting new constituents of food basket are resulting in higher inflation.

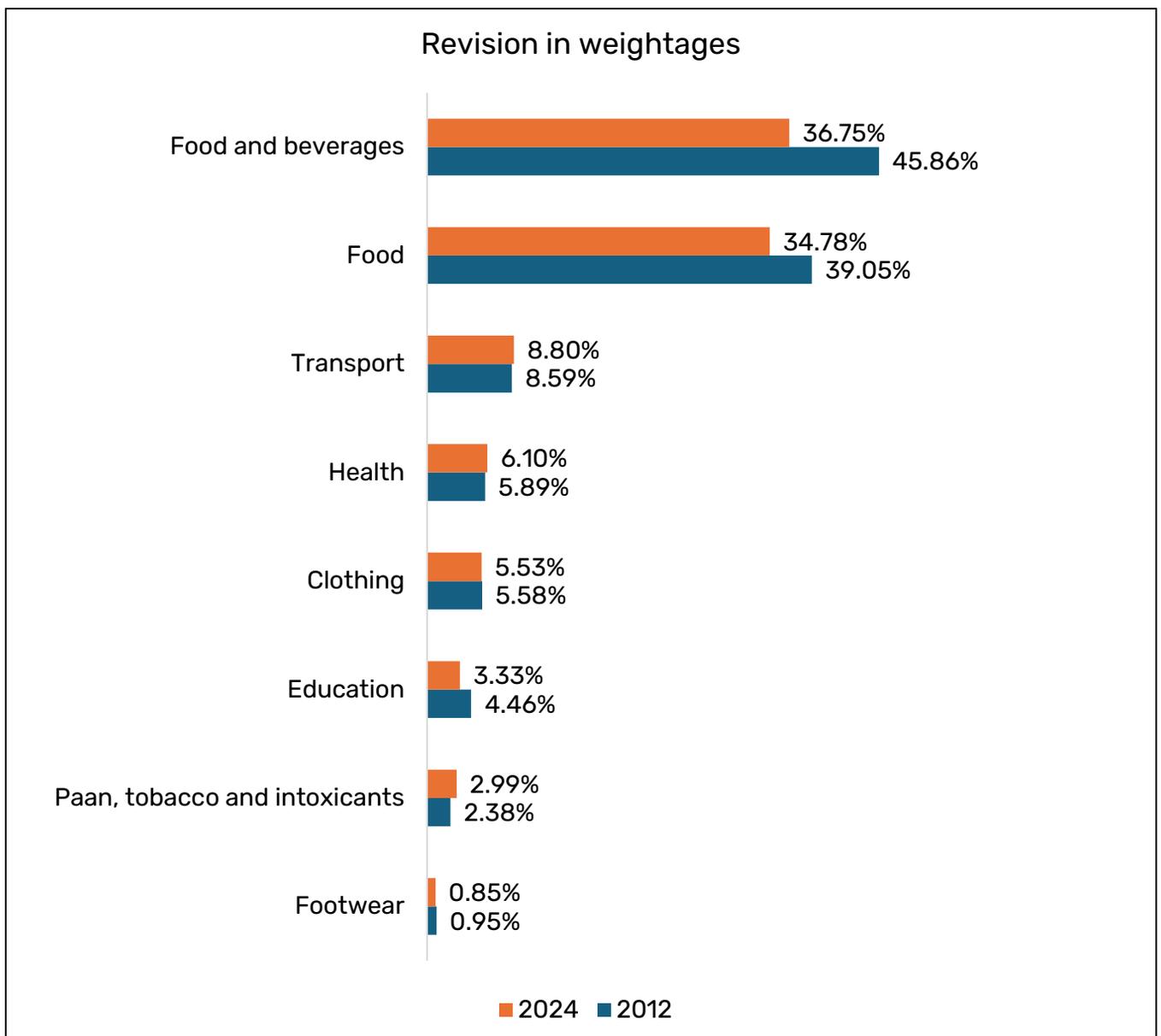


- Retail inflation has remained at the lower end of the Reserve Bank of India's (RBI) 2–6% target range in six of the past seven months.
- Inflationary pressures in January 2026 were largely driven by price volatility in the metals segment, particularly silver.

Inside India's CPI Reset: How the New Basket Reflects Today's Spending Habits

- The new CPI series offers a more accurate reflection of current household consumption patterns.
- With expanded coverage and updated weights, it captures the gradual decline in the share of food in overall expenditure and the rising prominence of recreation, services, and transport related items.
- This results in a CPI basket that aligns more closely with today's consumer behavior.

- Several new items have been incorporated, such as rural housing, online media and streaming services, value added dairy products, barley and its derivatives, pen drives and external hard drives, pet care, and niche services like babysitting.
- Methodological revisions have also been introduced—most notably, the removal of employer-provided accommodation from the housing index, the inclusion of rural housing, and the exclusion of free food items.
- At the all India level, the number of weighted items has risen from 299 in the 2012 CPI to 358 in the 2024 CPI.
- Meanwhile, obsolete items such as VCR/VCD/DVD players, radios, tape recorders, audio/video cassettes, and coir rope have been phased out, reflecting technological shifts and changing consumer relevance.



What's driving Inflation

Food inflation under the new CPI series is notably higher. The food & beverages category, which now carries a reduced weight of ~36.75% compared with 45.86% in the old series is led by stronger price increases in milk, oils & fats, and protein rich items. Oils & fats alone were up ~6.6% in January 2026. Under the old series, our estimate for headline food inflation for Jan-26 was just 0.09%, indicating a substantial divergence between the two series. Since prepared meals have been excluded from the food basket in the new methodology, the like-for-like comparison would be around 5.5 percentage points lower than the old series.

A month-by-month comparison between the old and new CPI series shows that the gap is widest during the summer months (March-June), when India typically experiences seasonal spikes in food prices: the new CPI series consistently prints higher than the old one during this period. For the rest of the year, the spread turns negative, implying that despite lower weights, the composition of the new food basket is exerting a greater influence on headline inflation. Within the food category, vegetables and pulses recorded deflation of 5.3% in the new series, while coconut and coconut oil saw strong double digit inflation. Some of the increase in food inflation may also stem from lower weights assigned to the volatile TOP (tomato, onion, potato) vegetables (1.95% vs. 2.19% earlier), which have recently been in deep deflation.

Going Forward

We anticipate headline inflation to edge higher through the first half of CY26, largely driven by firmer food prices. However, the reduced weight of food in the new CPI basket should help temper volatility. Overall, today's data leaves the risks around our headline inflation outlook broadly balanced—any upside from stronger food inflation is likely to be offset by a softer core, particularly if housing inflation (including rural housing) remains subdued in the revised series.

We also do not expect the new inflation framework to significantly alter the monetary policy trajectory in the near term. The RBI appears poised to maintain its extended pause, supported by a cyclical strengthening in both growth and inflation, along with improving sentiment following the conclusion of the US-India trade negotiations.

Source: PIB, Mint, Bloomberg, Internal Analysis. Data as on 12th February 2026.

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Mutual Fund investments are subject to market risks, read all scheme related documents carefully.