SBI RESEARCH

ECOWRAP

CORE INFLATION DECLINES TO 3.4% IN NEW SERIES (VIS-À-VIS ~ 4.15% IN OLD SERIES) HEADLINE INFLATION MOVES UP TO 2.75% (VIS-À-VIS ~ 2.55%% IN OLD SERIES): AT A FIRST GLANCE THE NEW SERIES WILL ELIMINATE NOISE, WILL BECOME MORE BROADBASED AND IN SYNC WITH CHANGING REALITIES

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India's Consumer Price Index (CPI) inflation rose to 2.75% in January 2026, compared to 2.55% in old series by using the linking factor (0.5267). This reflects an increase in headline retail inflation, with rural inflation at 2.73% and urban at 2.77%. Food inflation was 2.13%. **The core CPI in new series, is at 3.4% in Jan'26, compared to ~4.15% going by the old series in Jan'26). The decline in core is mainly due to the change in weightage in gold, which declined to 0.62% in 2024 series, compared to 1.08% in 2012 series.**

By looking the division-wise inflation (a new terminology defined by CSO in the new series), personal care inflation is at 19.02% in Jan'26, due to higher gold inflation of 46.77% and 159.67% in silver. Food inflation is at 2.13%, of which 64.8% is in tomato, 47.18% in coconut, 40.4% coconut oil. Inflation in Garlic, Onion and Potato is of –53.05%, -29.27% and –28.98% respectively.

Among the States, highest inflation is 4.92% in Telangana, 3.67% in Kerala, 3.36% in Tamil Nadu and 3.17% in Rajasthan and 2.99% in Karnataka in January 2026.

The revision in index always involves changes in technical compilation of the index. The CPI 2024 base series have many methodological revisions besides new data sources.

Firstly, main revision is the use of Jevons short index formula that complies index sequentially compared to long index formula which calculates the price change directly from the base period. This revision makes addition of new items easy.

Secondly, change of weight includes the combined impact of change in basket and change in standard. With reference to food items the change in weight on account of change in basket is 5.76% with reference to old classification and change in standard is 3.3% with reference to old classification resulting in new weight of 36.8% in new series.

Thirdly, another major revision in respect of housing price index and its coverage. The previous series included housing price for all India and urban, while the new series includes rural as well. Further, prices for employer provided accommodation are now excluded.

The CPI 2024 has increased its coverage both geographically and in terms of number of items. Overall 565 more markets (both rural plus urban) have included in CPI-2024 as compared to CPI-2012. However, out of 565 new markets only two states (UP and Maharashtra) accounted for 43% share. This indicate that inclusion of new markets is skewed and tilted more towards certain states.

Further, 12 online markets are also added across 12 towns having more than 25 lakh population as per 2011 census (Mumbai, Delhi, Bengaluru, Hyderabad, Ahmedabad, Chennai, Kolkata, Surat, Pune, Jaipur, Lucknow and Kanpur) to capture price variations of the items on the e-commerce/online platforms on weekly basis. As 2011 census is chosen for selecting cities some of the vibrant and growing cities like Indore, Patna, Nagpur, Bhopal, Thane, etc. are missing from the list. These cities are on the cusp of becoming 25-lakh population cities. The new series also includes price in digital marketplaces, but the geographic coverage is limited to few cities.

Overall, the most illuminating part of the new data set is the comprehensive sub classification which will allow policy makers, regulators and researchers to use the data for policy decisions and trend analysis.

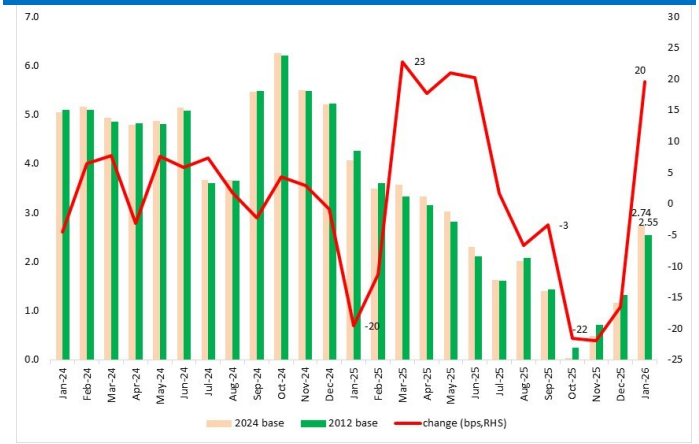
CPI INFLATION (BASE: 2024) IS AT 2.75% IN JAN'2025 VS 2.55% IN 2012 BASE

- Today, MOSPI has released CPI inflation with a new Base of 2024 (=100) and overall inflation has increased to 2.75% in January 2026, with rural inflation at 2.73% and 2.77% in urban areas.
- By calculating the old series index, the Jan'26 overall inflation is at 2.55%, 20 bps lower than the new 2024 series.
- However, MOSPI has calculated the new series in such a manner, there is only ± 20 bps change in both the series.
- We have calculated the core CPI in new series, which is at 3.4% in Jan'26, compared to ~4.15% in 2012 series (calculated). The decline in core is mainly due to the change in weightage in gold, which declined to 0.62% in 2024 series, compared to 1.02% in 2012 series.
- Personal care inflation is at 19.02% in Jan'26, due to higher gold inflation of 46.77% and silver inflation at 159.67%. Food inflation is at 2.13%.
- Since the weighting pattern and items distribution has undergone significant overhaul in 2024 base, a clear-cut comparison is difficult between old/new base. If the CPI 2012 classification system were followed, the share of food and beverages would have declined from 45.86% to 40.10%. As per the CPI 2024 classification structure, the share of food and beverages, which currently stands at 36.75% for 2024 series, would have been around 42.62% for the 2012 series.

SHIFTS IN TECHNICALITIES

- The revision in index always involves changes in technical compilation of the index. The CPI 2024 base series have many methodological revisions besides new data sources.
- The first main revision is the use of Jevons short index formula that complies index sequentially compared to long index formula which calculates the price change directly from the base period. This revision makes addition of new items easy.
- Change of weight includes the combined impact of change in basket and change in standard. With reference to food items the change in weight on account of change in basket is 5.76% with reference to old classification and change in standard is 3.3% with reference to old classification resulting in new weight of 36.8% in new series.

CPI 2024 Vs 2012 base inflation (YoY%)



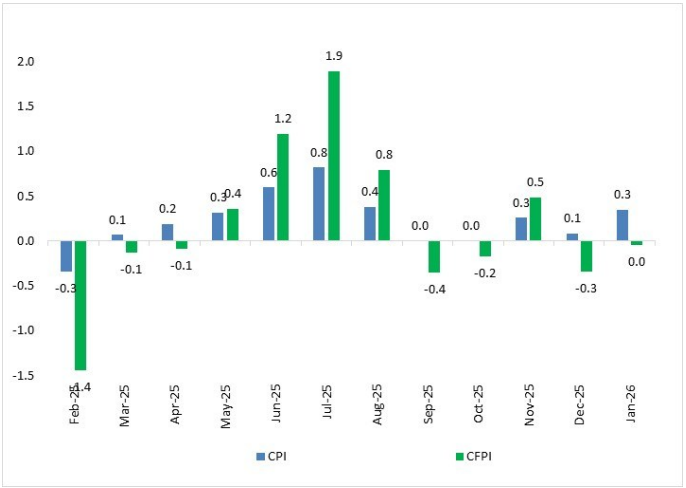
Source: MOSPI, SBI Research

CPI All India (Combined) Weights: 2012 vs 2024 Classification

Groups	CPI_2012 Classification	CPI_2024 Classification	
		CPI 2012	CPI 2024
Food and beverages	45.86	42.62	36.75
Pan, tobacco and intoxicants	2.38	2.38	2.99
Clothing and footwear	6.53	6.53	6.38
Housing, water, electricity, gas and other fuels	16.91	16.89	17.67
Furnishings, household equipment and routine household maintenance	3.8	3.66	4.47
Health	5.89	5.90	6.10
Transport, Information and Communication	8.59	9.72	12.41
Recreation, sport and culture, Restaurant & Accomodation Services	1.68	4.79	4.86
Education services	4.46	3.51	3.33
Personal care, social protection and miscellaneous goods and services	3.89	3.25	5.04
Total	100	100	100

Source: MOSPI, SBI Research

M-o-M Change in CPI Inflation vs Food Inflation (%)



Source: MOSPI, SBI Research

- Another major revision in respect of housing price index and its coverage. The previous series included housing price for all India and urban, while the new series includes rural as well. Further, prices for employer provided accommodation are now excluded.
- The new series also includes price in digital marketplaces, but the geographic coverage is limited to few cities.

MARKET COVERAGE HAS INCREASED SIGNIFICANTLY….BUT…

- The CPI 2024 has increased its coverage both geographically and in terms of number of items. Overall 565 more markets (both rural plus urban) have included in CPI-2024 as compared to CPI-2012. However, out of 565 new markets only two states (UP and Maharashtra) accounted for 43% share. This indicate that inclusion of new markets is quite skewed and tilted more towards certain states.
- Total number of weighted items in 2024 series are 358 (earlier: 299). Among these items, goods increased from 259 to 314 and services from 40 to 50 items. While the items like Rural housing, Online media service provider/Streaming services, Value added dairy products, Barley & its product, Pendrive & External Hard disk, Attendant, Babysitter and Exercise equipment are new additions, some items like VCR/VCD/DVD player and hiring charges, Radio, Tape recorder, Clothing second-hand, CD/DVD audio/video cassettes and Coir/rope are removed as the same have become obsolete.
- Further, 12 online markets are also added across 12 towns having more than 25 lakh population as per 2011 census (Mumbai, Delhi, Bengaluru, Hyderabad, Ahmedabad, Chennai, Kolkata, Surat, Pune, Jaipur, Lucknow and Kanpur) to capture price variations of the items on the e-commerce/online platforms on weekly basis. As 2011 census is chosen for selecting cities some of the vibrant and growing cities like Indore, Patna, Nagpur, Bhopal, Thane, etc. are missing from the list. These cities are on the cusp of becoming 25-lakh population cities.

Coverage in CPI 2024

	CPI 2012	CPI 2024	Change
Rural markets	1181	1465	284
Urban markets	1114	1395	281
Online markets	0	12	12
Towns	310	434	124
Items (weighted)	299	358	59
Goods	259	308	49
Services	40	50	10

Source: MOSPI

State-wise market coverage for price collection

Major states	Number of Rural markets		Number of Urban Market		Number of Towns	
	CPI 2012	CPI 2024	CPI 2012	CPI 2024	CPI 2012	CPI 2024
J & K	28	28	28	26	11	10
Himachal Pradesh	24	24	16	12	7	7
Punjab	34	37	30	39	7	11
Uttarakhand	26	26	32	26	12	13
Haryana	38	38	32	29	9	10
Delhi	14	13	24	28	1	1
Rajasthan	64	77	50	62	15	16
Uttar Pradesh	140	203	92	154	18	42
Bihar	74	117	38	37	11	13
Assam	46	57	28	26	11	11
West Bengal	64	75	64	68	13	25
Jharkhand	36	45	30	35	10	10
Odisha	49	60	26	22	9	9
Chhattisgarh	32	43	30	34	10	9
Madhya Pradesh	70	96	60	72	16	20
Gujarat	50	62	60	87	12	20
Maharashtra	66	86	86	184	15	36
Andhra Pradesh	34	43	34	51	9	16
Karnataka	54	62	60	81	17	19
Goa	6	8	18	12	7	6
Kerala	28	29	32	35	11	18
Tamil Nadu	58	62	62	84	16	31
Telangana	20	50	26	39	5	10
Remaining	126	124	156	152	58	71
All india	**1181**	**1465**	**1114**	**1395**	**310**	**434**

Source: MOSPI

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