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CPI INFLATION IS STILL WAITING FOR THE IMPACT OF WEST-ASIA CRISIS

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India's Consumer Price Index (CPI) inflation rose to 3.48% in April 2026, up from 3.40% in March 2026. While the overall inflation rate is flat the inflation in restaurants and accommodation services increased significantly indicating the impact of LPG shortage. The softening of gold and silver prices led to almost 100 bps decline in inflation rate in the personal care division.

Food inflation increased to 4.01% in Apr-26 from 3.71% in Mar-26. Item wise data shows that within food inflation chicken, milk, refined oil, mustard oil are the major contributors. This is in line with the FAO food price index which shows a third consecutive monthly increase in Apr-26. Global price indices of vegetable oils increased significantly in Apr-26, followed by meat and cereals.

Though both, Rural and Urban CPI inflation has increased in April but Rural inflation (3.74%) outpaced urban inflation (3.16%), primarily driven by sharper food price increases (4.26%) in rural vs. (4.10%) in urban) and supply-side constraints. Out of the 36 States/UTs, there are only 7 States/UTs, where Urban inflation is higher than rural inflation.

The impact of war in West Asia was the key point of interest in current months CPI inflation. Despite exchange rate fluctuations and external shocks like supply chain disruptions, the imported inflation (weight: 21.84%) has not increased but decelerated slightly to 6.34% in Apr'26 as compared to 6.49% in Mar'26. The weighted contribution of imported inflation remained flat at 1.42% in Apr'26. Spatial trends in imported inflation was also divergent. State-wise imported inflation reveal that in Telangana, it has reached 12% mark in Apr'26. In states like Rajasthan, Sikkim and Andhra Pradesh it is hovering around 8%. There are few states also where imported inflation is less than the overall inflation.

Going forward, we believe the trajectory of future inflation will be shaped by three factors—the pass through of higher energy prices to retail prices, progress of area coverage under summer crop which as of May 08 is showing reduction in 3 lakh hectare and any large individual inflation movement on negative side. Keeping this in mind, the CPI for the FY27 is retained at 4.5%.

CPI INFLATION (BASE: 2024) INCREASED MARGINALLY TO 3.48% IN APR'2025

- India's Consumer Price Index (CPI) inflation rose to 3.48% in April 2026, up from 3.40% in March 2026. While the overall inflation rate is flat the inflation in Restaurants and accommodation services increased significantly indicating the impact of LPG shortage. This was followed by 55 bps increase (over Mar'26) in Paan, tobacco and intoxicants. The softening of gold and silver prices led to almost 100 bps decline in inflation rate in the personal care division.
- Core CPI (ex food/fuel) remains almost flat at 3.41% in Apr'26. Even as per new classification, i.e., Core (ex food plus fuel household and transport) remained flat at ~3.71% in Apr'26).

India's CPI Inflation (% YoY)

Division-wise	Jan-26	Feb-26	Mar-26	Apr-26	Chg (in bps)
Headline CPI Inflation	2.73	3.21	3.40	3.48	8
Food and beverages	2.12	3.35	3.71	4.01	30
Paan, tobacco and intoxicants	2.87	3.51	4.22	4.77	55
Clothing and footwear	2.97	2.81	2.75	2.81	6
Housing, water, electricity, gas and other fuels	1.46	1.51	1.97	1.70	-27
Furnishings, household equipment and routine household maintenance	1.45	1.36	1.39	1.62	23
Health	2.18	1.90	1.75	1.64	-11
Transport	0.09	-0.05	0.00	-0.01	-1
Information and communication	0.16	0.24	0.32	0.50	18
Recreation, sport and culture	2.32	2.22	2.29	2.12	-17
Education services	3.35	3.32	3.30	3.16	-14
Restaurants and accommodation services	2.87	2.72	2.88	4.20	132
Personal care, social protection and miscellaneous goods and services	19.06	19.65	18.65	17.67	-98

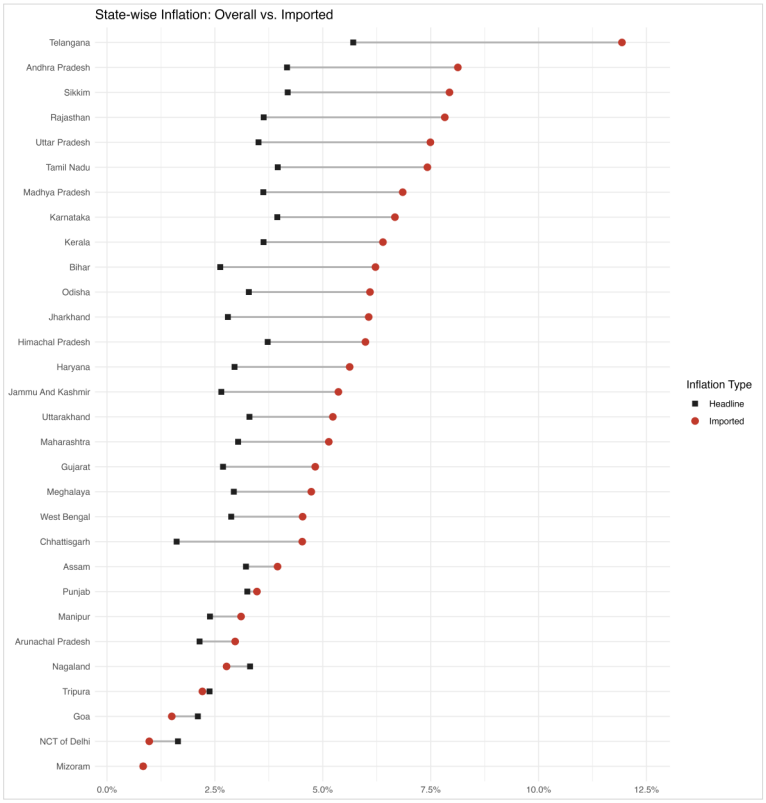
Source: MOSPI

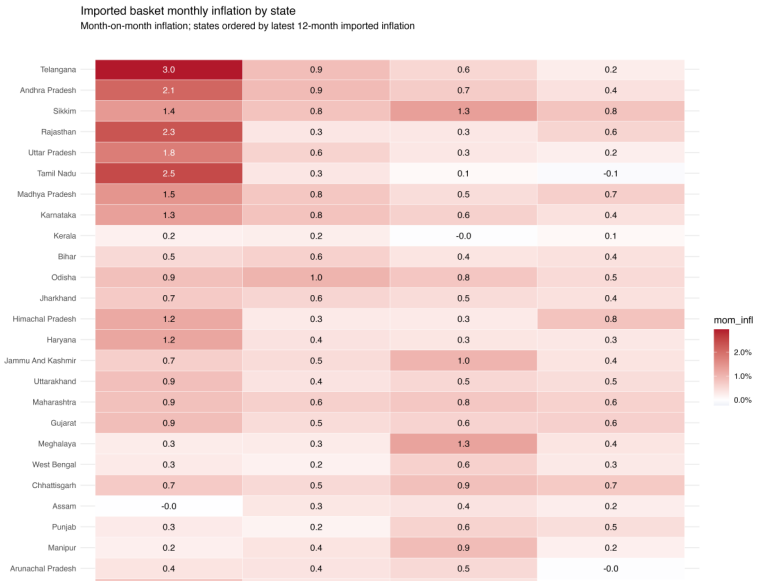
IMPORTED INFLATION

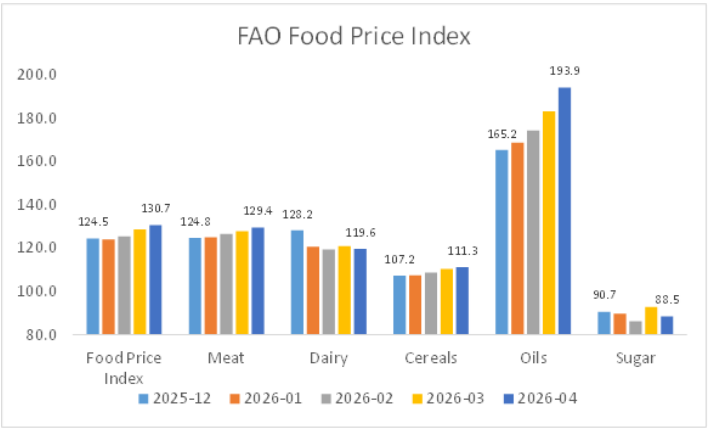
- Despite exchange rate fluctuations and external shocks like supply chain disruptions, the imported inflation (weight: 21.84%) has not increased but decelerated slightly to 6.34% in Apr'26 as compared to 6.49% in Mar'26. The weighted contribution of imported inflation remained flat at 1.42% in Apr'26.
- State-wise imported inflation reveal that in Telangana, it has reached 12% mark in Apr'26. In states like Rajasthan, Sikkim and Andhra Pradesh it is hovering around 8%. There are few states also where imported is less than the overall inflation.
- State-wise month-on-month imported inflation trend indicate that it has decelerated from its peak since Jan'26.
- The impact of high global oil prices have not yet fully impacted Indian retail inflation, keeping the CPI relatively stable. Subsidised products and unchanged retail fuel prices have prevented an immediate jump, but rising input costs are beginning to reflect in wholesale prices.

FOOD INFLATION CONTINUES TO RISE

- Food inflation increased to 4.01% in Apr-26 from 3.71% in Mar-26. Item wise data shows that within food inflation chicken, milk, refined oil, mustard oil are the major contributors. This is in line with the FAO food price index which shows a third consecutive monthly increase in Apr-26. Global price indices of vegetable oils increased significantly in Apr-26, followed by meat and cereals.
- Markets will also monitor El Nino developments and their impact on monsoon strength.







Food Items with high weighted contribution in Apr-26 (top 10, %)	
Chicken	0.19
Milk: liquid	0.15
Refined oil	0.13
Mustard oil	0.12
Fish and prawn	0.09
Tomato	0.09
Brinjal	0.05
Mango	0.05
Green chillies	0.05
Coconut: copra	0.05

RURAL INFLATION IS HIGHER THAN URBAN INFLATION

- Though both, Rural and Urban CPI inflation has increased in April but Rural inflation (3.74%) outpaced urban inflation (3.16%), primarily driven by sharper food price increases (4.26%) in rural vs. (4.10%) in urban) and supply-side constraints.
- Rural inflation rose from 3.63% in Mar'26 to 3.74% in Apr'26, mainly driven by the "Restaurants and accommodation services" which rose from 2.36% in Mar'26 to 3.83% in Apr'26, followed by "Paan, tobacco and intoxicants". The same trend is visible in Urban CPI also with notable difference is that "Recreation, sport and culture" also declined significantly.
- Notably, food and beverages inflation was higher at 4.1% in rural areas, compared to 3.88% in urban areas.
- Out of the 36 States/UTs, there are only 7 States/UTs, where Urban inflation is higher than rural inflation.

India's CPI Inflation (% YoY)

Division-wise	RURAL			URBAN		
	Mar-26	Apr-26	Chg (in bps)	Mar-26	Apr-26	Chg (in bps)
Headline CPI Inflation	3.63	3.73	10	3.10	3.16	6
Food and beverages	3.80	4.10	30	3.52	3.88	36
Paan, tobacco and intoxicants	4.15	4.65	50	4.43	5.02	59
Clothing and footwear	3.17	3.26	9	2.06	2.05	-1
Housing, water, electricity, gas and other fuels	2.13	1.76	-37	1.86	1.66	-20
Furnishings, household equipment and routine household maintenance	1.60	1.87	27	1.11	1.27	16
Health	1.66	1.56	-10	1.91	1.77	-14
Transport	0.01	0.02	1	-0.01	-0.05	-4
Information and communication	0.44	0.64	20	0.19	0.33	14
Recreation, sport and culture	2.44	2.39	-5	2.49	1.84	-65
Education services	2.95	2.92	-3	3.55	3.30	-25
Restaurants and accommodation services	2.36	3.83	147	3.35	4.51	116
Personal care, social protection and miscellaneous goods and services	19.52	18.50	-102	17.46	16.55	-91

Source: MOSPI

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