SBI RESEARCH

ECOWRAP

MODEST UPTICK IN CPI INFLATION: VOLATILITY FEARS MAY PLAGUE IMPORTED INFLATION EVEN AS FY27 TO BE A YEAR WITH BELOW NORMAL RAINFALL, THOUGH THE IMPACT ON FOOD PRICES LOOKS LIMITED AT THIS POINT: RATES TO STAY LOWER FOR LONGER

Issue No. 02, FY27
Date: 13 April 2026

Consumer Price Index (CPI) inflation rose to 3.40% in March 2026, third time consecutively, up from 3.21% in February 2026, driven by rising prices of two divisions (Paan, Tobacco and Intoxicants as also Housing, Water and Fuel). Personal care and Services exhibited significant decline due to moderation in gold and silver prices. **While all-India core inflation only decreased by 2 bps to 3.38% in Mar'26, with the state-wise trend being quite divergent. Overall the state-wise trend is mixed, in some states the core is greater than overall and in others core is less.**

Owing to exchange rate fluctuations and external shocks like supply chain disruptions, the imported inflation (weight: 21.84%) rose to 6.49% in Mar'26 as compared to 6.35% in Feb'26. The weighted contribution of imported inflation in overall inflation is now 43%. Rural and Urban CPI inflation both increased in Mar'26 compared to Feb'26, indicating a mild upward movement in price levels across both segments.

Meanwhile, IMD has predicted a deficient rainfall during the current fiscal with southwest monsoon at 92% of the LPA (slightly worse than SkyMet'S projection of 94% last week) that has stoked fears of disruption on already fragile agri output front. Basis our study, years with relatively comfortable rainfall have still witnessed elevated food inflation such as 98% rainfall with 8.43% food inflation in FY09, 102% with 15.2% in FY11 while weaker rainfall years such as 93% (FY13) and 91% (FY19) were associated with much lower food inflation of 6.33 % and 0.09 %, respectively. Also, the buffer situation of the foodgrains (more so on rice front at 380 LMT) looks sufficient to thwart any untoward disruption on Kharif production front, if it be so. **As a solace, food production too has apparently little co-relation with rainfall pattern, even the years with lower than LPA rains witnessing good output. What is important is the spatial distribution.**

Separately, the outflows led by FPIs have been unabated post the Central Bank measures in last few days, ~$6.9 bn in total while rupee may lose its regained strength as volatility increases in global markets in lockstep with heightened hostility across West Asia, **signifying it's the structural reforms anchoring BoP that would have a sobering effect on the rupee's slide, and not just some immediate solutions that in turn pose challenge to genuine investors and financial intermediaries quest for suitable hedging mechanisms as India seeks higher capital flows**.

Meanwhile the tacit move of US seems to be multi fold, we believe; forcing Asian majors (to pressurize Tehran to come to deal table), nudging NATO to reconsider its approach should the aggression reach another territory and enabling select oil behemoths to have a larger say in the alternate supply chains that may continue even when conflict is amicably resolved.

CPI INFLATION (BASE: 2024) INCREASED TO 3.40% IN MAR'2025

- India's Consumer Price Index (CPI) inflation rose to 3.40% in March 2026, up from 3.21% in February 2026, driven by rising prices of two divisions (Paan, tobacco & Housing, water and Fuel). This marks the third consecutive month of increase under the revised 2024 base year series. Paan, tobacco and intoxicants increased to 4.25% (Feb: 3.44%) and Housing, water and Fuel rose to 1.98% (Feb: 1.48%). Personal care and services exhibited significant decline due to moderation in gold and silver prices.
- Core CPI declined by merely 2 bps to 3.38% in Mar'2026.

India's CPI Inflation (Base : 2024) in %

Division-wise	Jan-26	Feb-26	Mar-26	Change (in bps)
Headline CPI inflation	**2.73**	**3.21**	**3.40**	**19**
Food and beverages	2.06	3.35	3.71	36
Paan, tobacco and intoxicants	2.86	3.44	4.25	81
Clothing and footwear	2.92	2.82	2.79	-3
Housing, water and Fuel	1.49	1.48	1.98	50
Household equipment	1.48	1.38	1.39	1
Health	2.16	1.86	1.77	-9
Transport	0.00	-0.01	0.03	4
Information and communication	0.19	0.28	0.36	8
Recreation, sport and culture	2.26	2.23	2.29	6
Education services	3.34	3.29	3.25	-4
Restaurantsservices	2.82	2.67	2.84	17
Personal care and services	19.03	19.66	18.67	-99

Source: MOSPI, SBI Research

STATE-WISE CORE INFLATION

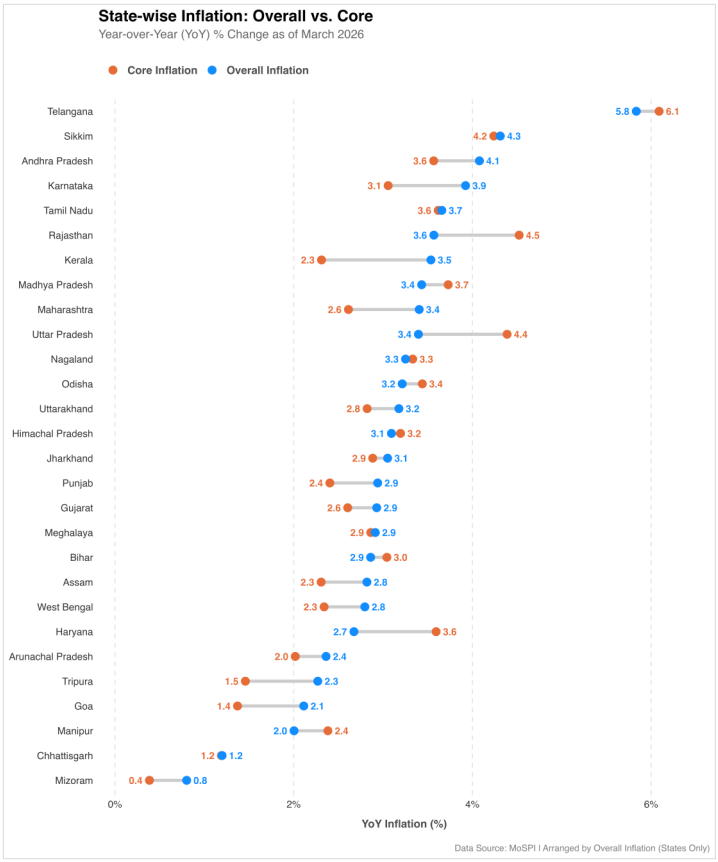
- While all-India core inflation only declined by 2 bps to 3.38% in Mar'26, the state-wise trend is quite divergent. **Telangana core CPI is near to 6% mark. Overall the state-wise trend is mixed, in some states the core is greater than overall and in others core is less than overall (Kerala, Karnataka, etc.).**

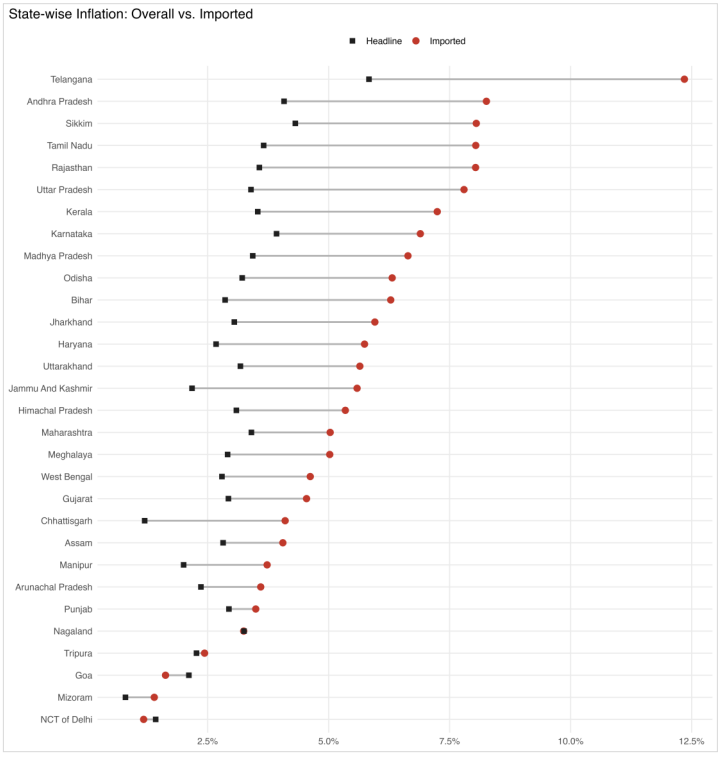
IMPORTED INFLATION

- Owing to exchange rate fluctuations and external shocks like supply chain disruptions, the imported inflation (weight: 21.84%) rose to 6.49% in Mar'26 as compared to 6.35% in Feb'26. The weighted contribution of imported inflation increased by just 2 bps to 1.43% in Mar'26.
- **State-wise imported inflation reveal that in Telangana, it has crossed 12% mark in Mar'26. In states like Kerala, UP, TN and Andhra Pradesh it is hovering around 7.5%. There is only two state (Goa/Delhi) where imported is less than the overall inflation.**

RURAL AND URBAN INFLATION

- Rural and Urban CPI inflation both increased in Mar'26 compared to Febr'26, indicating a mild upward movement in price levels across both segments.
- Rural inflation rises from 3.37% in Feb'26 to 3.36% in Mar'26, mainly driven by the "Personal care and services" which rises from 1.08% in Feb'26 to 19.53% in Mar'26, followed by "Paan, tobacco and intoxicants" of 1.41% in Feb'26 to 4.11% in Mar'26.
- Urban inflation rises from 3.02% in Feb'26 to 3.10% in Mar'26. The change is highest for the "Paan, tobacco and intoxicants" from 3.37% in Feb'26 to 3.48% in Mar'26 and lowest for the "Personal care and services" from 18.44%in Feb'26 to 17.47% in Mar'26.





Rural & Urban CPI Inflation (Base : 2024, Y-o-Y %)						
Division-wise	Rural			Urban		
	Feb-26	Mar-26	Change (in bps)	Feb-26	Mar-26	Change (in bps)
Headline CPI inflation	**3.37**	**3.62**	**26**	**3.02**	**3.10**	**8**
Food and beverages	3.39	3.79	**41**	3.37	**3.48**	11
Paan, tobacco and intoxicants	3.46	4.11	**65**	3.51	4.43	92
Clothing and footwear	3.20	3.20	**0**	2.12	2.03	-9
Housing, water and Fuel	1.38	2.15	**77**	1.61	1.85	24
Furnushings, household equipment & routine household maintenance	1.52	1.60	**8**	1.18	1.11	-7
Health	1.80	1.62	**-18**	2.07	1.88	-19
Transport	-0.10	-0.04	**6**	-0.03	-0.01	2
Information and communication	0.34	0.43	**9**	0.17	0.22	5
Recreation, sport and culture	2.04	2.02	**-2**	2.43	2.45	2
Education services	3.03	2.94	**-9**	3.57	3.55	-2
Restaurants & accomodation services	2.01	2.35	**34**	3.34	3.34	0
Personal care and services	20.54	19.53	**-101**	18.44	17.47	-97
Core CPI	3.70	5.00	130	3.11	3.02	-9
Source: MOSPI, SBI Research						

MONSOON 2026 VIS-À-VIS FOOD INFLATION

- The long-range forecast released by IMD today has placed the southwest monsoon at 92% of the Long Period Average, classifying it as below normal within the 90–95% range. However, historical patterns suggest that the relationship is not linear. Years with relatively comfortable rainfall have still witnessed elevated food inflation such as 98% rainfall with 8.43% food inflation in FY09, 102% with 15.2% in FY11 while weaker rainfall years such as 93% (FY13) and 91% (FY19) were associated with much lower food inflation of 6.3% and 0.09%, respectively.
- The implication is that the all-India monsoon average, by itself, is an insufficient guide to the food price outlook. What matters more is the spatial distribution of rainfall across major crop-producing regions and its timing during the sowing and crop-development phases.
- Further, parts of the Northeast, Northwest and South Peninsula may still receive normal to above-normal rainfall. Hence, even if the monsoon settles near 92% of LPA, the food inflation implications are likely to remain limited unless rainfall deficiency becomes concentrated in key kharif-producing belts.

Rainfall LPA vis-à-vis Food inflation

Year	Deviation from LPO	Food Inflation	Food Grain Production (000 Tonnes)
FY08	106%	8%	2,30,780
FY09	98%	8%	2,34,470
FY10	78%	12%	2,18,110
FY11	102%	15%	2,44,490
FY12	102%	10%	2,59,290
FY13	93%	6%	2,57,130
FY14	106%	11%	2,65,050
FY15	88%	13%	2,52,020
FY16	86%	8%	2,51,540
FY17	97%	3%	2,75,110
FY18	95%	7%	2,85,010
FY19	91%	0%	2,85,210
FY20	110%	1%	2,97,500
FY21	109%	3%	3,10,740
FY22	99%	9%	3,15,616
FY23	106%	3%	3,29,687
FY24	94%	8%	3,32,298
FY25	107%	8%	3,57,732
FY26	108%	-1%	3,48,657
FY27	92%*	5-5.5%	

* IMD Forecast

AFTERMATH OF WAR

- As the badly mediated talks in Islamabad gravitated towards the abyss of a near certain failure, volatility lapped global markets again with the threats of US to intercept/divert/capture vessels passing through the blockaded area stoking fears of heightened pressure on supply chains, chiefly energy prices and maritime trade and upward pressure on imported inflation.
- The tacit move seems to be multi fold, we believe; forcing Asian majors (to pressurize Tehran to come to deal table, nudging NATO to reconsider its approach should the aggression reach another territory and enabling select oil behemoths to have a larger say in the alternate supply chains that may continue even when the conflict is amicably resolved.

*****

Disclaimer: The Ecowrap is not a priced publication of the Bank. The opinion expressed is of Research Team and not necessarily reflect those of the Bank or its subsidiaries. The contents can be reproduced with proper acknowledgement. The write-up on Economic & Financial Developments is based on information & data procured from various sources and no responsibility is accepted for the accuracy of facts and figures. The Bank or the Research Team assumes no liability if any person or entity relies on views, opinion or facts & figures finding in Ecowrap.

Contact Details:
Dr. Soumya Kanti Ghosh
Group Chief Economic Adviser
State Bank of India, Corporate Centre
M C Road, Nariman Point, Mumbai - 400021
Email: soumya.ghosh@sbi.co.in,
gcea.erd@sbi.co.in
Phone:022-22742440
: kantisoumya