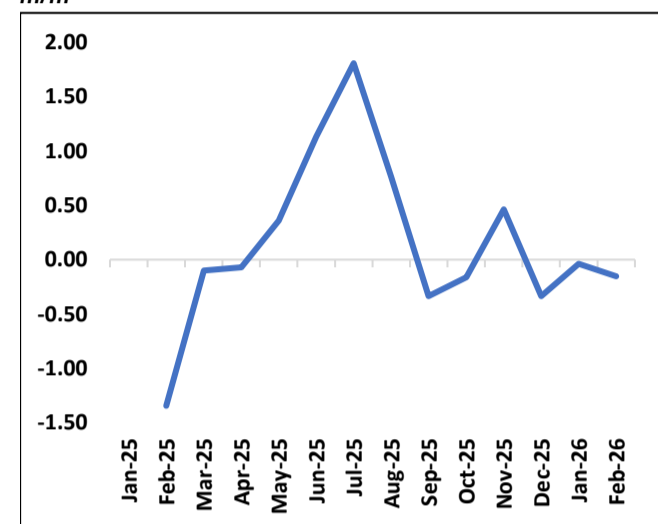


Fig 1: Headline CPI spikes in Feb'26; % y/y

Y/y, %	Jan-26	Feb-26
Headline CPI	2.74	3.21
Food	2.12	3.35
o/w Vegetables	-3.49	2.79
Fuel	0.16	0.14
Core	3.37	3.41
CPI ex-veg	3.04	3.23
Core ex-gold	2.87	2.87
Core ex-gold ex-silver	1.94	1.90

Fig 2: M/m Food CPI slips less than expected in Feb'26; % m/m



Source : CEIC & UBI Research

By: Kanika Pasricha  
[kanika.pasricha@unionbankofindia.bank](mailto:kanika.pasricha@unionbankofindia.bank)

Nidhi Arora  
[nidhiarora@unionbankofindia.bank](mailto:nidhiarora@unionbankofindia.bank)

**Feb'26 CPI jumps to 3.21% as food CPI goes up sharply**

- Data update:** Consumer Price Index (CPI) inflation in February 2026 accelerated the upward trend and printed 3.21% compared with 2.74% in January. While the headline inflation printed at 11-month highs yet its stayed well within the comfort range. The reading was surprisingly much above our estimate of 2.80% (*pl refer our data preview report*) though better aligned with consensus (3.1%). The surprise was primarily in food which saw a threshold shift in inflation levels. CPI excluding vegetables, also picked up to 3.23% from 3.05%. More importantly, in line with our estimates, underlying inflation measured by core ex gold & silver CPI stayed subdued at 1.9%, even as Core CPI edged up to 3.41% from 3.37% (*pl refer fig.1*) last month.
- Key surprise factors:** Food inflation clocked 3.35% in February, much above our projection of 2.55%, sharply up by 123 bps during the month. This was a surprise element as the veggies were actually down during the month by more than 14% MoM as indicated by the Department of Consumer Affairs data, while CPI data actuals clocked only (-)5.5% MoM. Meanwhile, Core CPI clocked relatively closer to our estimate of 3.20%. The surprise was primarily in gold and silver inflation which came in higher than our expectations.
- Food inflation trends in March:** Early indications for March 2026, based on the Department of Consumer Affairs' on-the-ground (OTG) data (*pl refer fig.3*), suggest mixed trends for the month across several food sub-segments. We expect food inflation to remain largely muted in FY26, supported by a high base even though March can see the print on higher side as the summer heat kicks in amidst supply side apprehensions in an era of war and uncertainties.

Fig 3: OTG prices of food segments indicate mix trends for the month of March'26; % y/y

	Sep'25	Oct'25	Nov'25	Dec'25	Jan'26	Feb'26	Mar'26*
Cereals	0.55	0.32	-0.13	0.13	-0.21	0.47	0.16
Pulses	-0.71	-0.36	0.03	0.05	0.06	1.98	0.67
Oils	0.83	0.29	-0.03	0.04	-0.03	0.43	0.24
Veggies**	-9.43	-3.81	6.52	4.49	-4.03	-14.11	-5.92
Milk	0.25	-0.02	0.02	-0.15	0.15	-0.14	0.08
Sugar	0.48	0.24	-0.04	0.00	-0.34	0.00	0.02

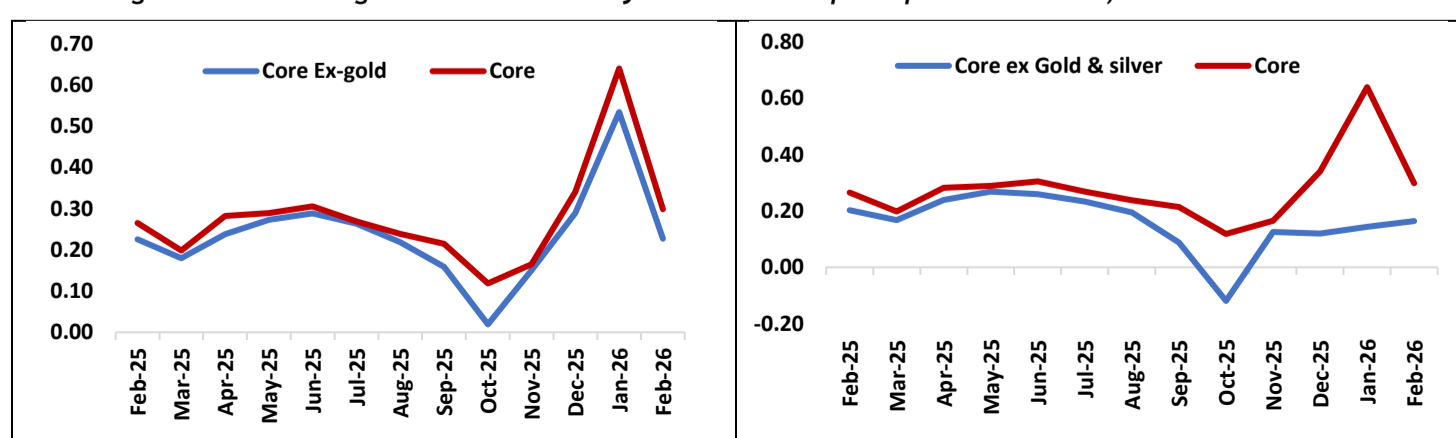
\*till 11<sup>th</sup> March'26. \*\*OPT(Onion, Potato & Tomato)

Source: DCA & UBI Research

- Underlying inflation remains subdued:** Core ex-gold has remained flat during the month at 2.87% while Core ex-gold ex-silver has edged lower to 1.90% from 1.94% in Jan'26. Core ex-gold & silver has followed a downward trajectory on a MoM basis, underscoring muted underlying price pressures (*pl refer fig.4*).  
 Heightened geopolitical tensions and global tariff-related uncertainty drove a continued rally in gold prices during Feb'26 even though silver prices have corrected sharply during the month. This led to a sustained rise in personal care inflation has gone up from 19.02% to 19.65% even as other core CPI sub-segments have largely been within comfort range.
- We see prolonged pause on rates:** Our CPI projection for Q4FY26 is now tracking 3%, slightly lower than RBI's projection of 3.2%. For FY27, while the MPC has projected CPI inflation of 4% in Q1 and 4.2% in Q2, our estimates as of now are tracking slightly lower at 3.4% and 3.7% for Q1 and Q2 respectively. That said, in April policy, the MPC will provide revised inflation projections as per the new base year.

Going forward, we continue to closely monitor the developments on the geopolitical conflicts in West Asia and may revise our projections upwards if the impact of war on commodity prices persists for longer than desired. As of now, the government and oil marketing companies are absorbing a large part of the inflation impact via spike in oil, LNG & LPG prices, with only channel of passthrough to households seen via hike in subsidised cylinder price. The war related uncertainty, volatile commodity prices and supply side disruptions mainly to crude and broader energy space are the main drivers at the moment that can drive the CPI projections haywire. On balance, we hold on to our view of status quo on rates given the growth resilience, upside inflation risks from commodity price volatility, weak underlying inflation pressures and heightened global policy uncertainty.

Fig 4: M/m Core ex-gold ex-silver CPI stayed subdued despite uptick in Feb'26; % m/m



Banking Research Team	
Kanika Pasricha Chief Economic Advisor	kanika.pasricha@unionbankofindia.bank
Suneesh K	suneeshk@unionbankofindia.bank
Nidhi Arora	nidhiarora@unionbankofindia.bank
Rajesh Ranjan	rajeshranjan@unionbankofindia.bank
Amit Srivastava	asrivastava@unionbankofindia.bank
Jovana Luke George	jovana.george@unionbankofindia.bank
Dhiraj Kumar	dhirajkumar@unionbankofindia.bank
Akash Deb	akash510@unionbankofindia.bank
Rohit Yarmal	rohitdigambar@unionbankofindia.bank
Shreyas Bidarkar	shreyas.bidarkar@unionbankofindia.bank

**Disclaimer:**

*The views expressed in this report are personal views of the author(s) and do not necessarily reflect the views of Union Bank of India. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Union Bank of India and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability regarding the same.*