India:Feb'26 CPI shows an uptick to 2.80% led by veggies even as core inflation cools

10th March 2026

Fig 1: Our Feb'26 CPI estimate; % y/y

Weight (in CPI, %)	Headline	Food	Fuel	Core
2012 Series	100	45.86	6.84	47.30
2024 Series	100	36.75	5.36	57.89
Y/Y, %	Headline	Food	Fuel	Core
Aug-25	2.1	0.05	2.30	4.10
Sep-25	1.54	-1.37	1.98	4.50
Oct-25	0.25	-3.72	1.98	4.40
Nov-25	0.71	-2.78	2.32	4.34
Dec-25	1.66	-1.19	1.70	4.68
Jan-26	2.74	1.56	0.35	3.37
Feb-26 (P)	2.80	2.55	0.41	3.20

Fig 2: Headline CPI likely edged up in Feb'26 with increase in food CPI while core CPI stayed muted; % y/y

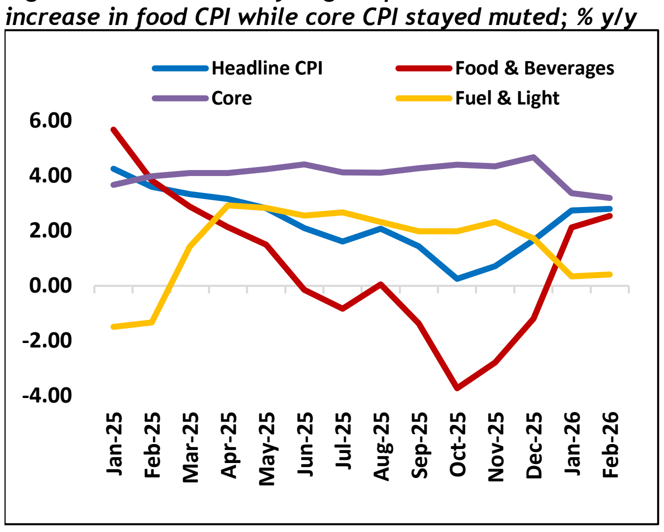
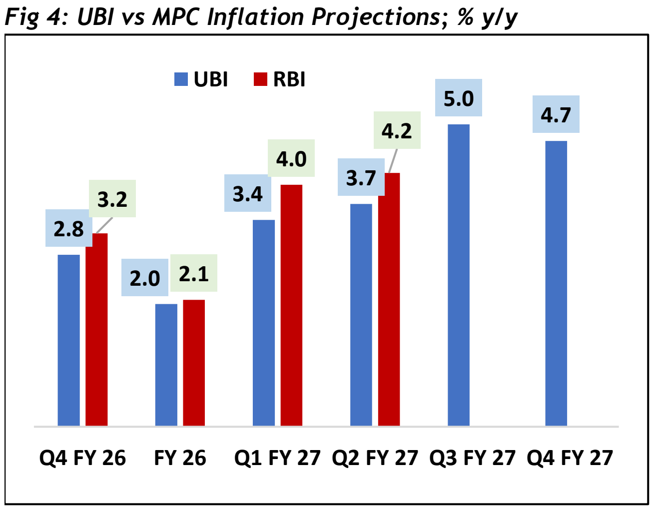


Fig 3: OTG prices of food segments firm up during the month; % y/y

% Change in Price (m/m)	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26
Cereals	0.32	-0.13	0.13	-0.21	0.47
Pulses	-0.36	0.03	0.05	0.06	1.98
Oils	0.29	-0.03	0.04	-0.03	0.43
Veggies*	-3.81	6.52	4.49	-4.03	-14.11
Milk	-0.02	0.02	-0.15	0.15	-0.14
Sugar	0.24	-0.04	0.00	-0.34	0.00

**OPT (Onion, Potato & Tomato)* *Source: DCA*

Fig 4: UBI vs MPC Inflation Projections; % y/y



Source: CEIC, RBI & UBI Research
Note: a. Feb'26 CPI numbers are our estimates
b. CPI numbers Jan'26 onwards pertain to new base year 2023-24

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Feb'26 CPI is seen inching up to 2.80% as food CPI likely clocked 11 months high

- ***As per our projection, Feb'26 CPI moved up slightly to 2.80% from 2.74% in Jan as food CPI strengthened y/y even as veggies saw a correction sequentially.*** As per our projections, February'26 CPI remained subdued at 2.80% from 4.26% last Feb and 2.74% in Jan'26. Y/y Food CPI has however moved up from 2.12% last month to 2.55% this month even though even though m/m food CPI is -0.93%. On one hand, the favorable base effect is slowly fading and on the other hand, the weight of food CPI has come down in the new 2024 series to 36.75% from 45.86% in 2012 series. Core inflation, on the contrary, likely edged down to 3.20% from last month's 3.37% (*pl refer fig.1&2*). Interestingly, gold's weight has also been brought down from 1.08% to 0.62% in the new series. Core ex-gold likely has come down from 2.87% last month to 2.66% in Feb.

- Food inflation probably went up to 2.55% in Feb from 2.12% in Jan even though m/m food inflation was a negative 0.93%; this was basically due to last year's low base. Even in old series, food CPI was 3.84% last Feb. A major contributor to food inflation, veggies were down by likely 11% m/m and -2.91% y/y (highest in last 12 months). Combined weight of vegetables and pulses stands reduced from 8.4% to 6.56% thus reducing the impact of volatility in veggies prices to some extent on CPI. Sequentially, food inflation has likely fallen to -0.93% mainly due fall in veggies prices even as pulses became strong during the month. Food price data as indicated by on-the-ground (OTG) prices collected from the Department of Consumer Affairs (*pl refer fig.3)* shows mix trend during the month with mainly veggies showing a downward trend. CPI ex-veggies probably stayed unchanged at 3.06% (*pl refer fig.5)*.

- Pulses inflation, in our opinion, edged up from last month but stayed negative. Y/y pulses inflation is seen going up to -7.49% from -11.94% last month. Cereals inflation likely switched back to negative zone and clocked -0.17% vis-a-vis 0.12% last month. Vegetables index has gone down from 91.53 levels last month to 81.62. Food inflation, after staying negative for two qtrs., is expected to gather ground in Q4FY26 with an upside risk from unusual heat wave at the onset of summer month and ongoing US-Iran war related price volatility and supply disruptions in commodities.

Fig 5: In a switch, CPI ex-veggies is seen unchanged at 3.06% in Feb'26; % y/y

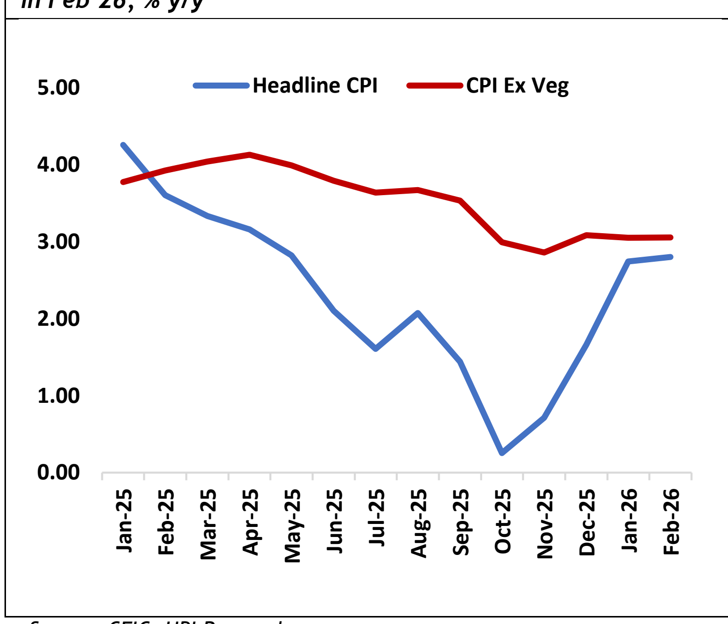
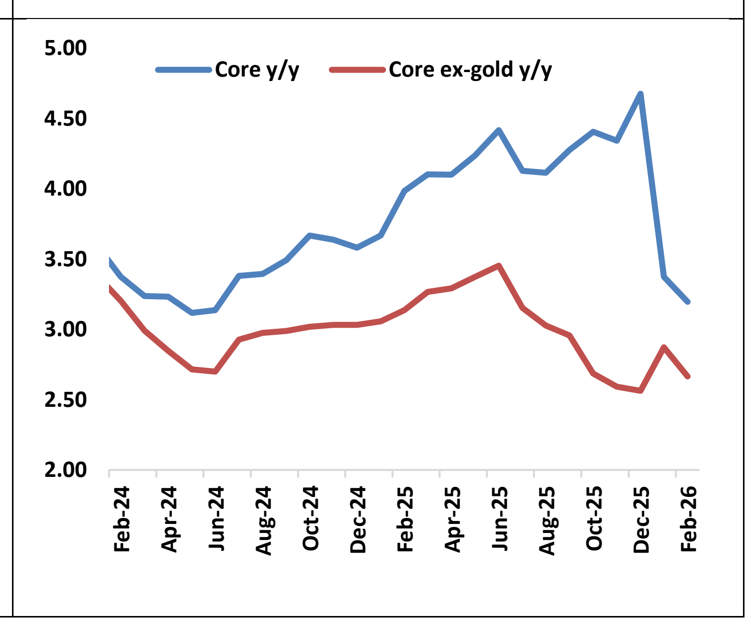


Fig 6: Core ex-gold mellows down a little in Feb'26; % y/y



Source: CEIC, UBI Research

- Core CPI likely has actually likely moderated to 3.20% from last month's 3.37%. There has been a continued rally in gold prices in the backdrop of escalating geo-political conflicts but the weight of gold now stands reduced from 1.02% to 0.6% in the new series; plus, silver prices have corrected during the month by about 11%. Core ex-gold, likely corrected to 2.66% vs 2.87% last month (*pl refer fig.6)*. Core ex-gold ex-silver likely edged down to 1.89% from 1.94% indicating the underlying muted demand conditions in the economy.

- As per our revised projections under the new base year of 2024, the CPI is likely to move up from here onwards with March'26 number tracking at ~3%. Our estimate for Q4 stands revised upwards to 2.8% (2.6% earlier) as against MPC's projections of 3.2% respectively. Our headline inflation projection for full year FY26 is tracking ~2% in line with MPC projection of 2.1%. For FY27, while MPC has projected 4.0% and 4.2% for Q1 and Q2 respectively, our estimate is tracking slightly lower at 3.4% and 3.7% respectively (*pl refer fig. 4)*. Our projections run an upside risk from the ongoing US-Iran war and closure of Strait of Hormuz, if prolonged, may give way to inflated commodity prices and influx of imported inflation amongst others. We stay vigilant to the developments on that front. Growth resilience, upside inflation risks from commodity price volatility, weak underlying inflation pressures and heightened global policy uncertainty make a case for status quo on rates.

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