

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

Y/Y, %	Headline	Food	Fuel	Core
Apr-25	3.2	2.1	2.9	4.1
May-25	2.8	1.5	2.8	4.2
Jun-25	2.1	-0.2	2.6	4.4
Jul-25	1.6	-0.8	2.7	4.1
Aug-25	2.1	0.05	2.3	4.1
Sep-25	1.54	-1.37	1.98	4.5
Oct-25	0.25	-3.72	1.98	4.4
Nov-25	0.71	-2.78	2.3	4.34
Dec-25	1.33	-1.85	2.0	4.62
Jan-26 (P)*	2.09	-0.51	1.94	4.73
Jan'26 (P)**	2.59			

\*on old base \*\*on new base

Fig 2: Headline CPI and Core CPI both likely went up in Jan'26; % y/y

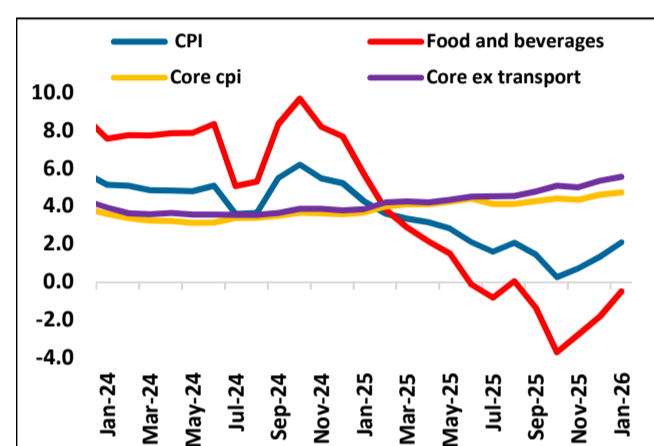
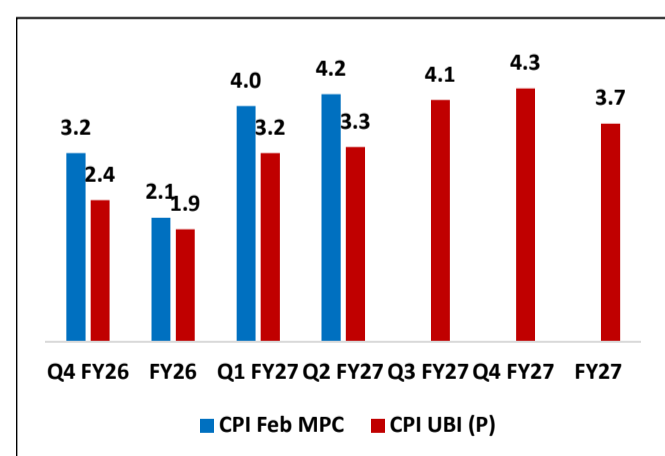


Fig 3: OTG prices of food segments show mixed trends in Jan; % y/y

% Change in Price (m/m)	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26
Cereals	0.53	0.31	-0.14	0.14	-0.23
Pulses	-0.72	-0.37	0.03	0.05	0.07
Oils	0.58	0.16	0.00	0.10	0.24
Veggies*	-9.57	-3.64	6.87	4.20	-4.71
Milk	0.25	-0.02	0.02	-0.15	0.15
Sugar	0.48	0.24	-0.04	0.00	-0.34

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

Fig 4: UB vs Feb MPC Inflation Projections; % y/y



Source: CEIC, RBI, UBI Research  
Note: Figures for Jan'26 CPI are our projections

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Push and Pull: Jan'26 CPI is seen rising on sequential fall in veggies and rise in gold

- **Headline inflation in January'26** is seen firming up sequentially from 1.33% in Dec'25 to 2.09% (2.59% as per new base year of 2023-24). While food deflation is likely to persist at -0.51%, its intensity is expected to moderate from -1.85% last month. At 2.59% also, CPI is expected to remain much below 4.26% in Jan'25 even as base effect is losing steam. Core inflation, however, likely went up to 4.73% (pl refer fig.1&2) as gold prices jumped more than 5% during the month. Core ex-gold though likely stayed muted at 2.52% from 2.55% last month indicating subdued underlying price pressures.
- Food inflation is expected to move to -0.51% in January from a deflation of -1.85% in December as the seasonal normalisation in vegetables sets in. Sequentially, prices of food segments like vegetables and cereals have softened as evident from the price data (pl refer fig 3) collected from DCA (Department of Consumer Affairs), after the atypical winter uptick seen in December. However, weather-related risks—including cold-wave conditions and the possibility of unseasonal winter rains—pose upside risks by disrupting harvesting and supply chains.
- Y/y deflation in vegetables is likely to narrow further to -11.04% from -18.47% last month due to waning high base (vegetables inflation was 11.3% in Jan'25). Edible oils and milk prices show mild firming, reflecting steady winter demand. M/m vegetables inflation in Jan likely fell to -8% as against -2.86% last month. CPI ex-veggies remained almost flat at 3.04% (3.05% last month).
- Inflation in cereals and pulses is expected to remain benign in January, supported by comfortable buffer stocks, stable procurement operations and favourable rabi sowing conditions. Sequentially, pulses inflation, in our opinion, edged down from last month and stayed negative. Y/y pulses inflation is seen inching up from -15.09% last month to -13.34% and considerably lower than 2.5% last year. Cereals inflation likely stayed negative for the second consecutive month and clocked -0.77% vis-a-vis -0.35% last month. M/m inflation in eggs, fruits, vegetables, pulses, sugar, spices and non-alcoholic beverages is seen falling during the month while cereals, meat-fish & chicken, milk, edible oils and prepared meals segments are seen going up. Vegetables index has likely retraced from 211 levels last month to 194. Price pressures across most food sub-segments are expected to stay contained in Q4FY26, barring temporary weather-induced disruptions.
- Core inflation in January is expected to remain elevated at 4.73% from 4.62% last month largely due to gold price movements, even as underlying demand-side pressures stay muted. Gold prices, influenced by global risk aversion and financial market conditions, rallied by more than 5% month on month and continue to inject volatility into the personal care segment. In contrast, core ex-gold is expected to remain anchored at 2.52% (2.55% last month), reaffirming subdued pricing power across discretionary and non-food segments of the economy. Y/y inflation in personal care segment likely went up from 28.07% in Dec to 29.81% in Jan.
- The base year for CPI will change to 2023-24 with Jan'26 data release and the consequent impact on CPI inflation dynamics will be on close watch. All our above projections are based on old weights applicable in 2011-12 series. It may be noted that the detailed segment wise inflation numbers at this juncture may not be accurate as item wise weights are not yet available for the new series. Further, the index numbers for FY2024-25 will also undergo change in the new series thus impacting FY26 CPI. As per our projections, the new weights will probably add up to 40-50 bps to the CPI calculated under the 2011-12 series (pl refer fig.5).
- Fig 5: A rough and indicative estimate of the change in CPI numbers is attempted in following table, however the actual numbers can vary substantially:

CPI Segments	% Weights		Jan'25		Jan'26	
	New	Old	Old Index	New Index	Old Index	New Index
1 Food & Beverages	36.75	45.9	200.90		199.90	
2 Pan, tobacco & intoxicants	2.99	2.38	209.40		216.20	
3 Clothing & footwear	6.38	6.53	195.00		197.80	
4 Housing, water, electricity, gas & other fuels	17.66	16.91	180.83		185.47	
5 Household items	4.47	3.80	183.30		186.70	
6 Health	6.10	5.89	198.80		205.20	
7 Transport & Communication	12.41	8.59	171.40		172.40	
9 Recreation, sport & culture	4.86	1.68	179.10		181.20	
10 Education Services	3.33	4.46	189.90		196.20	
11 Personal care, social protection & misc. goods & services	5.04	3.89	209.20		271.60	
<b>Headline Index</b>	<b>100.00</b>	<b>100.00</b>	<b>193.41</b>	<b>191.65</b>	<b>197.43</b>	<b>196.60</b>
<b>Headline CPI % y/y</b>					<b>2.09%</b>	<b>2.59%</b>
<b>Approximate Change in CPI due to new weights</b>						<b>50 bps</b>

Source: CEIC, UBI Research

- Feb'26 MPC kept the key policy rates unchanged while noting that headline inflation has remained comfortably below the 4% target supported by subdued food and core price pressures. While the inflation outlook for FY26 remains benign and below target, the MPC expects a gradual firming up ahead as food prices normalize, base effects fade and global commodity price risks persist.
- Our CPI projection for Q4FY26 is tracking at 2.4%, lower than RBI's projection of 3.2%. For FY27, while the MPC has revised the CPI projections upwards to 4.0% in Q1 and 4.2% in Q2 (pl refer fig 4), our estimates are tracking significantly lower at 3.2% and 3.3% for Q1 and Q2 respectively (kindly note that these projections are based on old CPI base year 2011-12 with implementation of new base year 2023-24 scheduled on 12<sup>th</sup> Feb'26). However, the projections are subject to revision with availability of item wise weights as food and beverage items have been assigned lower weights in the new series. While our estimate for base year revision impact on CPI inflation is 50 bps we will reassess our estimate based on new information available along with final data release on 12<sup>th</sup> Feb'26.

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