

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

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	3.21	3.35	0.14	3.41
March-26 (P)	3.44	3.56	2.05	3.49

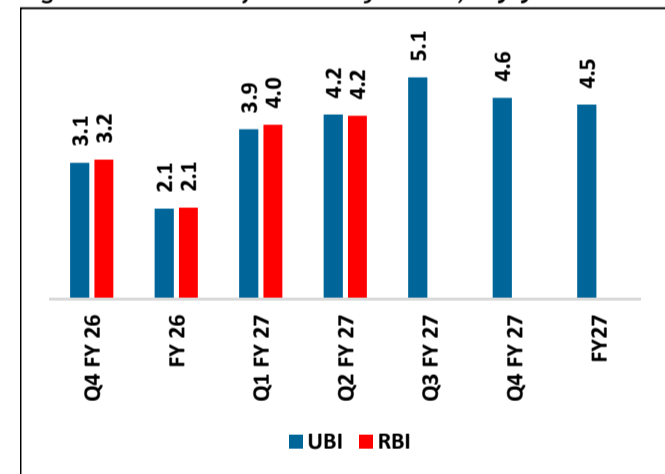
Note: a. March'26 CPI numbers are our estimates
b. CPI numbers Jan'26 onwards pertain to new base year 23-24

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

	Nov'25	Dec'25	Jan'26	Feb'26	Mar'26
Cereals	-0.13	0.13	-0.21	0.47	-0.22
Pulses	0.03	0.05	0.06	1.98	0.77
Oils	-0.03	0.04	-0.03	0.43	0.38
Veggies*	6.52	4.49	-4.03	-14.11	-8.19
Milk	0.02	-0.15	0.15	-0.14	0.20
Sugar	-0.04	0.00	-0.34	0.00	0.04

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

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

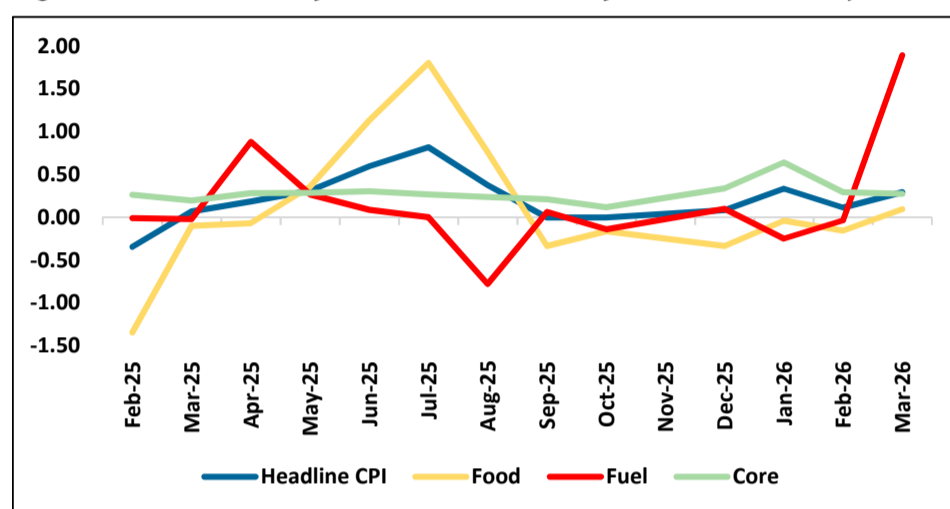


Source: CEIC, RBI & UBI Research
Note: a. March'26 CPI numbers are our estimates
b. CPI numbers Jan'26 onwards pertain to new base year 2023-24

March'26 CPI is seen inching up to 3.44% on spurt in fuel CPI

India's Consumer Price Inflation (CPI) for March 2026 is expected to witness a moderate uptick to around 3.44% year-on-year from 3.21% in February 2026 led by fuel inflation. Fuel inflation likely shot up to 2.05% in March from 0.14% last month given the global crude oil price spike effect. While the govt and OMCs are absorbing most of the shock by keeping retail petrol and diesel price unchanged, the 7% LPG price hike has likely translated into close 11bps spike in headline inflation with almost 2% weight in CPI. While the direct impact of higher crude prices on retail fuel inflation in India is often moderated by policy actions and pricing strategies of oil marketing companies, indirect effects—through transportation and input costs—tend to materialize with a lag, contributing to broader price pressures and stickiness in core inflation. Y/y core inflation likely inched up to 3.49% from last month's 3.41% (pl refer fig.1&2) whereas Food CPI has likely moved up from 3.35% last month to 3.56%. Core ex-gold ex-silver likely inched up to 2.01% from 1.83% in Feb thereby implying that underlying price pressures remain subdued.

Fig 2: Headline CPI likely continued to be sticky in March'26 with fuel CPI recording a sharp spike; % m/m



On the food front, inflation dynamics remain somewhat mixed but sticky. While certain categories such as vegetables may have seen the tail end of seasonal corrections, processed food categories continue to exhibit resilience, preventing a decline in food as well as headline inflation. Food inflation probably edged up to went up to 3.56% in March from 3.35% in even as m/m food inflation was a subdued 0.10%. A major contributor to food inflation, veggies were down by likely 3.24% m/m but high 4.25% y/y. Interestingly, cereals, though up by 0.11% during the month, likely continued to be in deflation to -0.39% y/y. Edible oils continue to gain ground with their inflation at 7.78% in March vs 7.38% last 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 veggies & cereals showing downward trend. Global edible oil prices have shown some firmness and rupee depreciation may further add upward pressure on the prices. CPI ex-veggies too probably witnessed an uptick to 3.40% from 3.20% last month (pl refer fig.5).

Pulses inflation, as per our projections edged up during the month though stayed negative y/y. Y/y pulses inflation is seen hardening to -3.54% from -6.53% last month. Vegetables index has slightly corrected from 86.41 levels last month to 83.61. Food inflation, after staying negative for two qtrs., is expected to register a positive increase in next two qtrs. with multi-dimensional factors in play like introduction of new base, reversal in downtrend in pulses inflation and ongoing US-Iran war related price volatility & supply disruptions in commodities. IMD has also warned of above normal number of heatwave days over some parts of east, central and northwest India and southeast peninsular India during April to June 2026.

Fig 5: CPI ex-veggies is consistently moving up; % m/m

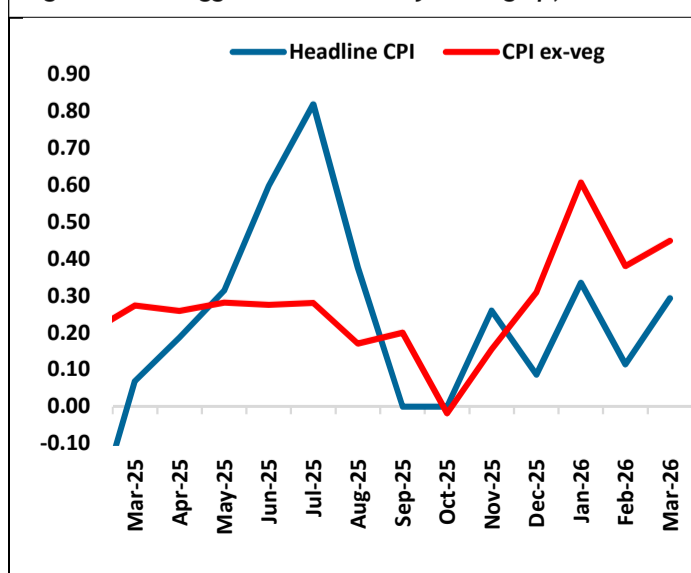
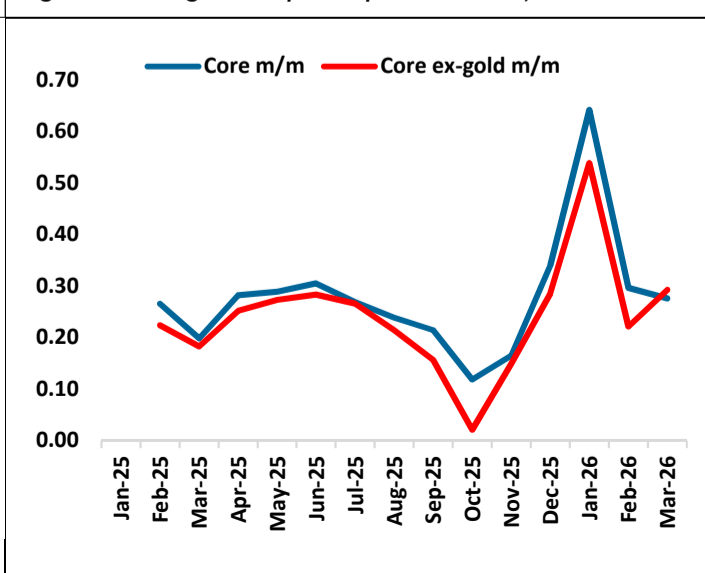


Fig 6: Core ex-gold too picks up in March'26; % m/m



Source: CEIC, UBI Research

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- Fuel CPI is likely the main driver pushing up the CPI in March'26. Fuel inflation which was 0.14% last month likely shot up to 2.05% in March contributing nearly 11 bps to the headline. Transport and fuel are going to be the worst affected segments because of the unrest in West Asia and resultant oil crisis.
- Core CPI likely inched up to 3.49% from last month's 3.41%. Interestingly, the driving factor of core inflation in March is not the gold or silver which corrected during the month but other segments of core led by spike in transport inflation. Transport CPI likely spiked to 0.46% from -0.05% last month. Core ex-gold, in a switch, has edged up to 2.99% in March from 2.88% last month (*pl refer fig.6*). Core ex-gold ex-silver too inched up to 2.01% from 1.83% in Feb underlying the broad based and spiraling effect of the war related stress.

Fig 7: Recent / potential price hikes in various sectors/segments due to ongoing war

Product	Wt in CPI %	Price hike
Edible oils	2.74	Rs.1 - 6 per kg
Pulses	1.59	2-3%
LPG cylinder	1.981	Rs. 60 per domestic cylinder Rs.195 per commercial cylinder
Premium petrol & Diesel	4.806	Rs.11-13 per litre
Airline fares (Domestic)	0.030	Rs.199-1500 for domestic flights
Kerosene	0.01	Rs.70.73 per litre
Passenger Vehicles	1.18	3% to 6%
Packaged FMCG	3.33	Grammage cuts / selective hikes (3% - 8% effective)
ATF		8.5%. Capped at 25%
Cement		Rs.50-100 per bag
Steel (long products)		About Rs.3000 per tonne

Source: various media reports & UBI Research

- As per our revised projections under the new base year of 2024, the CPI is likely to close FY26 at 2.1% in line with RBI projections. For Q1FY27 and Q2FY27, while MPC has projected 4.0% and 4.2% respectively as per the old base, our estimates using new base year are tracking broadly in line at 3.9% and 4.2% respectively (*pl refer fig. 4*). Kindly note that the MPC will give forecast for the first time using new base year in the April MPC.
- Escalating geopolitical tensions—particularly in oil-producing regions—pose a clear upside risk to inflation projections. Spiraling oil prices can directly impact fuel and LPG costs and, more importantly, indirectly feed into transportation, logistics, and input costs across sectors (*pl refer fig. 7*), thereby lifting both food and core inflation over time. Eventually, the key driver of the inflation outlook will be contingent on the level where oil price will settle even after the war ends.
- Given the heightened global uncertainty, we see status quo on rates in April MPC.

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