

CPI inflation rose further in Dec but remained sub-2%; cues awaited from new CPI series slated for release in Feb

16 January, 2026

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Data highlights

Headline CPI inflation

- CPI inflation rose to 1.33% in Dec from 0.71% in Nov and was below market polls (Reuters:1.50%). In FYTD terms, inflation averaged 1.72% vs. 4.93% in Apr-Dec FY25.
- The print would have been lower had it not been for narrowing food deflation and continued rise in global precious metal prices. Base effect was unfavorable and the sequential gain of 0.05% was contrary to prior trends of decline in Dec (FY12-25). In Q3-FY26, CPI inflation average at 0.8% was above the RBI MPC's estimate at 0.6%.

Core inflation

- Core inflation (ex-food, fuel) rose to 4.6% from 4.3% in Nov. In FYTD terms, core inflation averaged 4.3% vs. 3.4% in Apr-Dec FY25. Super core inflation that further excludes auto fuels and precious metals continued its downtrend to 2.4% from 2.5% in Nov. In fact, ex-precious metals, headline CPI was quite low at 0.3%.

Food, beverage (Wt. 45.9%)

- The food index stayed in deflation for the fourth straight month, though the extent narrowed at (-)1.85% vs. (-)2.78% in Nov. This was in line with trend in vegetables, spices and pulses. Inflation rose in other protein items. Cereals posted deflation for the first time in over four years and edible oils inflation continued to ease.
- The food index fell 0.25% month-on-month, which was shallower than the decline of more than 1% typically seen in Dec. This was due to less-than-average winter seasonal correction in prices of horticulture items such as vegetables. Also, eggs, meat and fish, and spices posted above average gains.

Fuel and light (Wt. 6.8%)

- Fuel inflation eased to 2.0% from 2.3% in Nov. The sub-indices of kerosene (PDS) and diesel slipped into deflation and LPG inflation eased. Most traditional sources of fuel either posted deflation or lower inflation.

Miscellaneous (Wt. 28.3%)

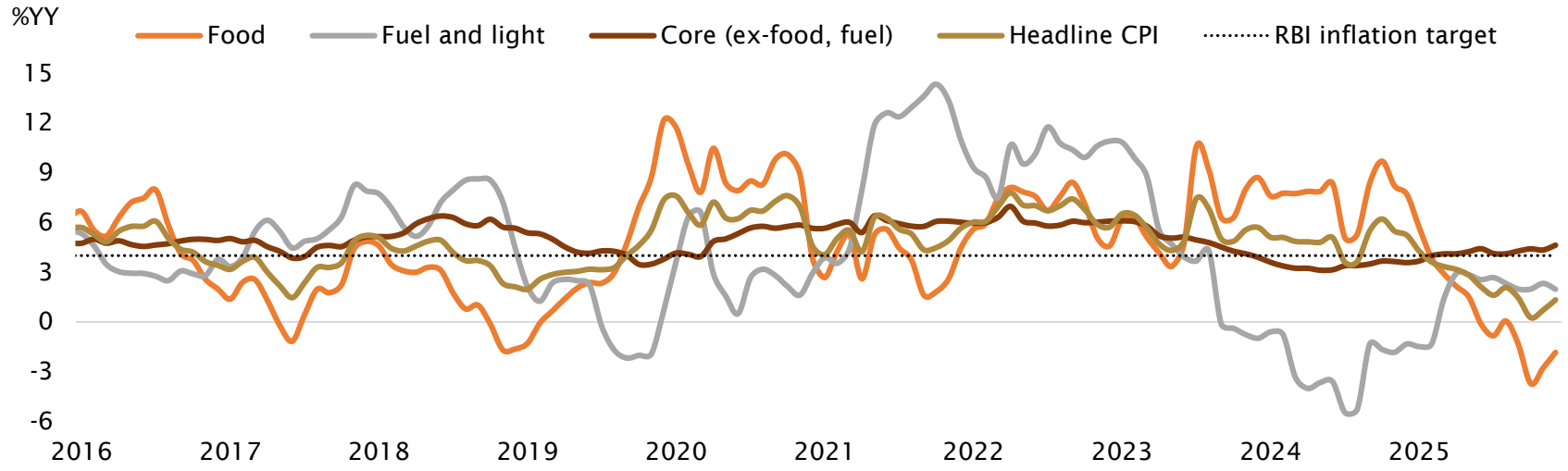
- Inflation in the miscellaneous group breached 6% for the first time since Mar-2023. Gains were led by precious metals in personal care category, while inflation eased in other sub-groups. The pass-through of GST rate cuts continues to reflect in certain white goods, automobiles, and FMCG goods, though at an uneven pace.

Outlook and policy implication

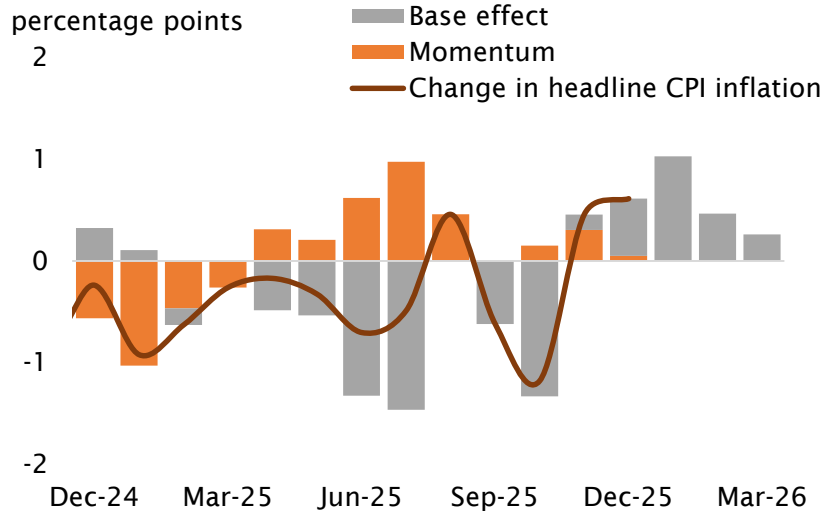
- **New CPI series:** Data shows that the CPI index tends to sequentially decline in Dec-Jan due to seasonal correction in prices of certain food items. But drawing inferences from historical month-on-month and base effect trends could be redundant, as the latest print was the last one under the current series. New CPI series is slated for release in Feb, with updated base year and methodology. For more details, refer to the appendix.
- **Daily data:** Data till 13-Jan showed mixed trends in cereals and oils, tapering deflation in pulses, low inflation in sugar. Within vegetables, deflation in potato and onion narrowed, while inflation in tomato surged.
- **Kharif harvest, procurement:** As on 2-Jan, 99% of area had been harvested for Kharif crops, led by rice, oilseeds, cereals and pulses. Prices of certain food grains and crops were below the MSP, indicating scope for gains in coming months. As on 4-Jan, procurement of paddy under Kharif Marketing Season (KMS) 2025-26 was at ~75% of estimates and almost at 90% of estimates set for wheat under RMS 2025-26.
- **Rabi sowing:** Total Rabi sowing is already at or above the normal area sown for the season, including for oilseeds, wheat and cereals. Pulses and rice sowing is yet to be completed but already above last year's levels.
- **Monsoon progress, reservoir levels:** The post-monsoon season (Oct-Dec) recorded surplus rainfall that was 11% above average, though the distribution was somewhat skewed. As on 8-Jan, overall reservoir levels were 23% above normal storage levels, with surplus across regions. This bodes well for Rabi crop outlook.
- **Global metal prices:** As on 12-Jan, the Bloomberg commodity index was up ~15% since 1-Jan-25, with gains led by precious and industrial metals. As the greenback loses its safe-haven status in the midst of US tariff wars, gold and silver prices have been rallying, fueled by geopolitical woes and central bank buying. Prices of industrial metals such as copper have been rising due to a confluence of factors such as supply-side disruptions, global uncertainty on trade policies, energy transition and AI-related demand.
- **Crude oil prices and INR depreciation:** In Dec-25, Brent spot averaged ~USD62/b. In its latest note, the US EIA projects global oil output to exceed demand in 2026, so that prices average USD56/b in 2026 and lower at USD54/b in 2027. This bodes well for domestic macroeconomic outlook, even as the USDINR depreciation is recent months could yield mixed results. RBI estimates show that 5% depreciation over baseline (Rs.88/USD in H2-FY26) could add 35bps to CPI inflation and 25bps to GDP through the exports channel.
- **Policy implication:** CPI inflation remained sub-2% for the fourth straight month even as the quarterly average exceeded RBI MPC's estimates. The first advance estimate of real GDP growth at 7.4% is largely in line with the MPC's forecast of 7.3%. With growth-inflation dynamics evolving in line with expectations, the RBI MPC is likely to keep policy settings unchanged at the upcoming decision on 6-Feb, particularly when key economic indicators are undergoing revisions. The RBI could take cues from the upcoming Union Budget (particularly its borrowing plan) due on 1-Feb to gauge space for monetary easing and policy around liquidity management.

Headline CPI inflation rose to 1.33% in Dec from 0.71% in Nov amid narrowing food deflation, rising precious metal prices

Despite staying sub-2% for fourth straight month, CPI inflation seems to have bottomed out at series low of 0.25% in Oct



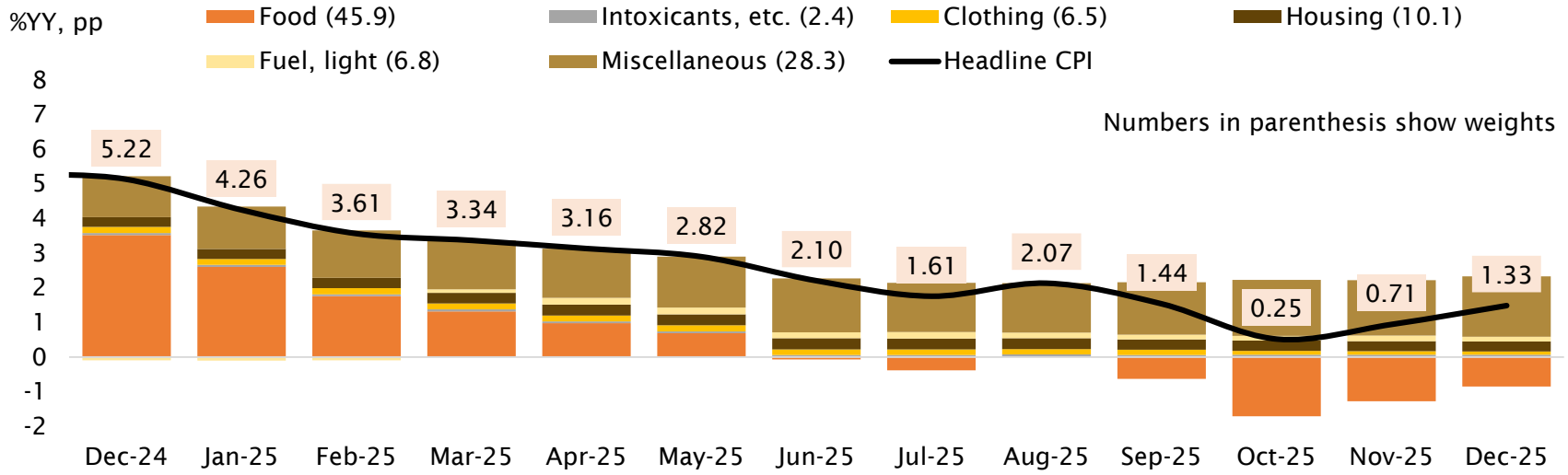
Monthly gain in CPI contrary to historical trend of fall in Dec; misc. group inflation above 6% due to precious metal prices



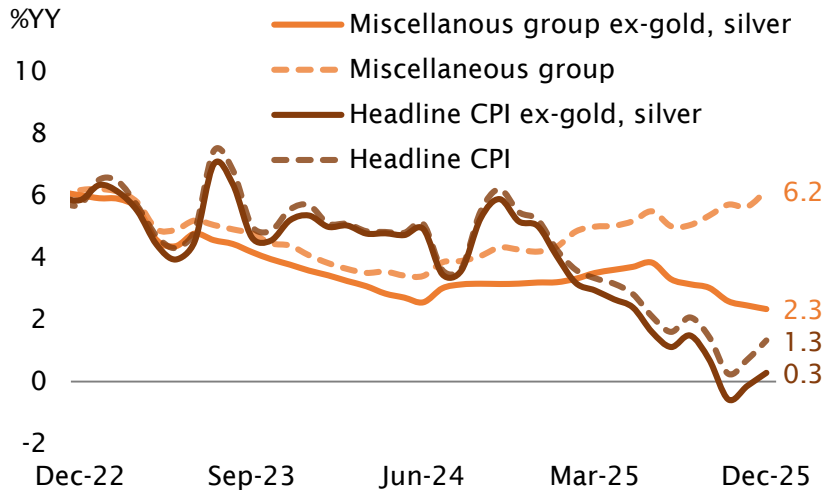
%YY	Weight	Oct-25	Nov-25	Dec-25
Headline CPI	100.0	0.25	0.71	1.33
Food	45.9	-3.72	-2.78	-1.85
Intoxicants	2.4	2.92	2.96	2.96
Clothing	6.5	1.70	1.49	1.44
Housing	10.1	2.96	2.95	2.86
Fuel and light	6.8	1.98	2.32	1.97
Miscellaneous	28.3	5.71	5.64	6.17

Excluding precious metals, miscellaneous group and headline CPI inflation remained subdued

Miscellaneous category continued to add the most to headline CPI inflation; food remained a drag due to deflation



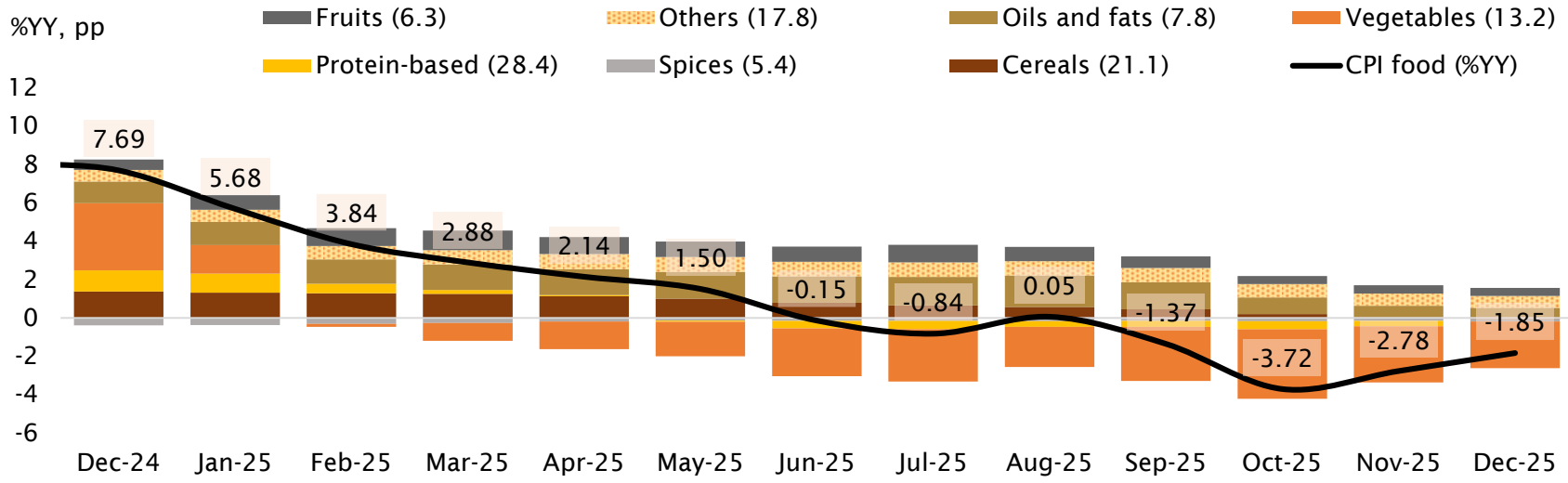
Ex-precious metals, underlying inflation remained soft; sequential decline in food index was below historical trend



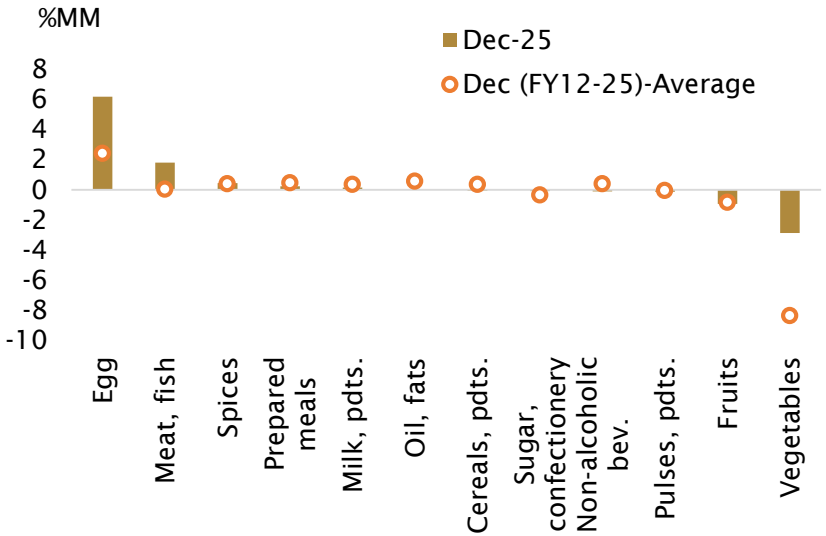
%MM, NSA	Weight	Oct-25	Nov-25	Dec-25
Headline CPI	100.0	0.15	0.30	0.05
Food	45.9	-0.20	0.50	-0.25
Intoxicants	2.4	0.37	0.14	0.19
Clothing	6.5	-0.20	0.05	0.15
Housing	10.1	0.91	0.16	-0.80
Fuel and light	6.8	-0.06	0.22	0.33
Miscellaneous	28.3	0.77	0.15	0.66

Food deflation narrowed; seasonal correction in prices, particularly in vegetables, was below historical trends

Narrowing of food deflation was in line with trend in vegetables, pulses and spices; cereals in deflation after four years



M-o-m gains in egg, meat above average, vegetable prices decline below trend; daily data shows surge in tomato inflation

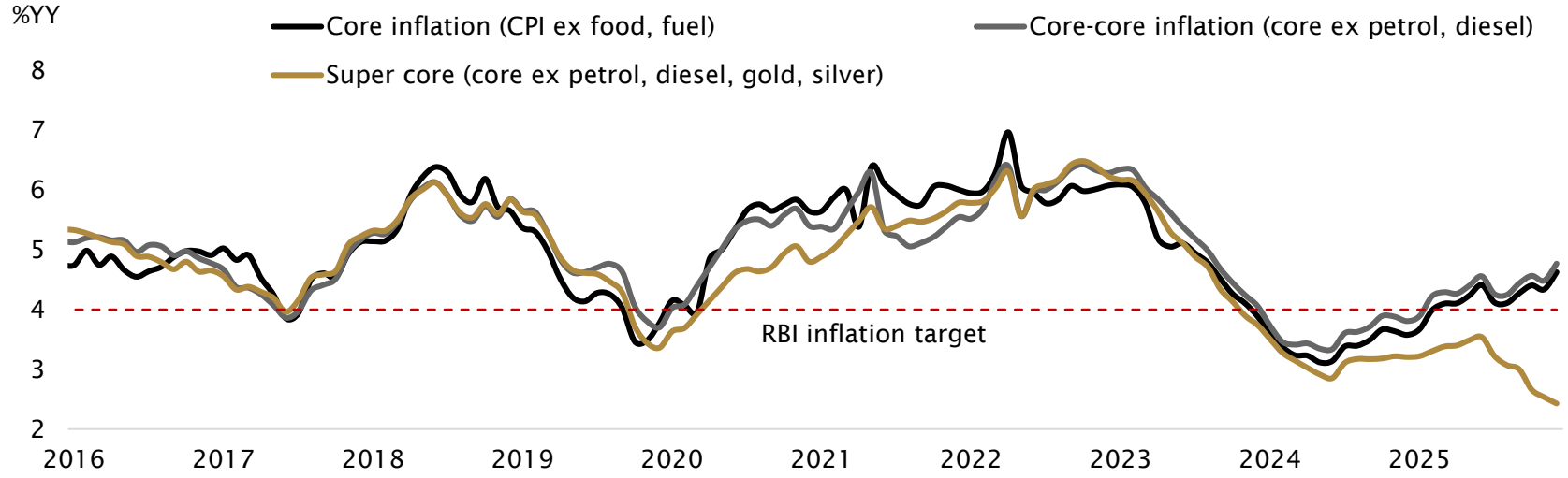


%YY	Tomato	Onion	Potato	Vegetables
Wt. in CPI	0.57	0.64	0.98	6.0
Oct-25	-43.0	-54.3	-36.6	-27.6
Nov-25	-12.7	-55.4	-33.0	-22.2
Dec-25	14.3	-48.0	-34.9	-18.5
Jan-26*	68.2	-23.2	-19.4	
%MM				
Oct-25	-9.6	-3.5	1.3	-0.3
Nov-25	17.2	0.2	5.6	2.5
Dec-25	9.9	2.6	-7.6	-2.9
Jan-26*	2.4	8.6	-7.0	

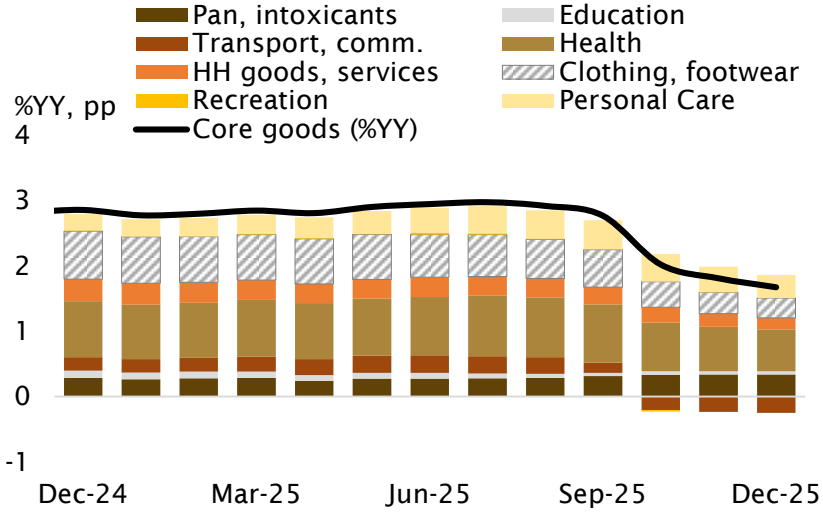
Note: *All India retail price till Jan 12.

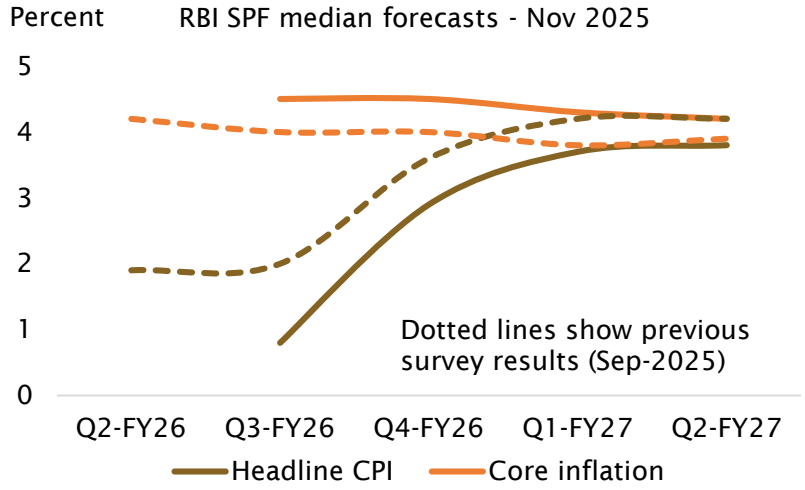
Core inflation increased in Dec even as the goods segment continued to benefit from GST rate cut(s) pass-through

The divergence in super core inflation (excl. precious metal prices) vis-à-vis other core measures remained notable



Core goods inflation continued benefit from GST rate cuts; RBI's SPF survey shows stable core inflation in Q4





Domestic fuel inflation remains low; global commodity prices stay muted, except precious and industrial metals

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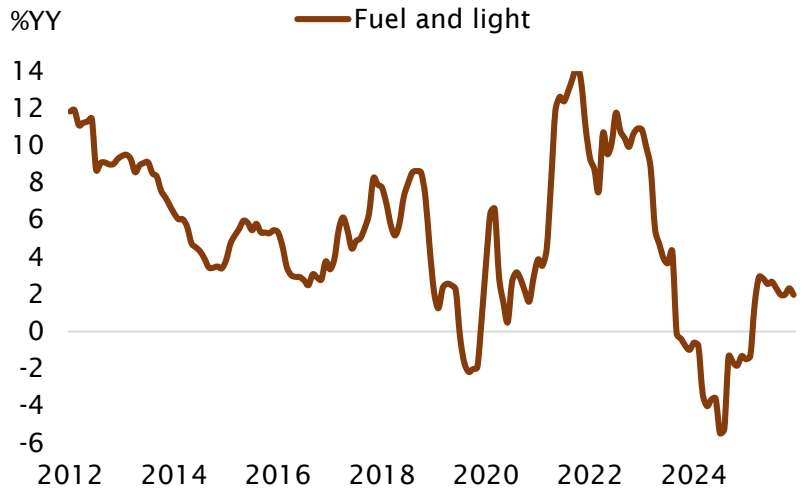
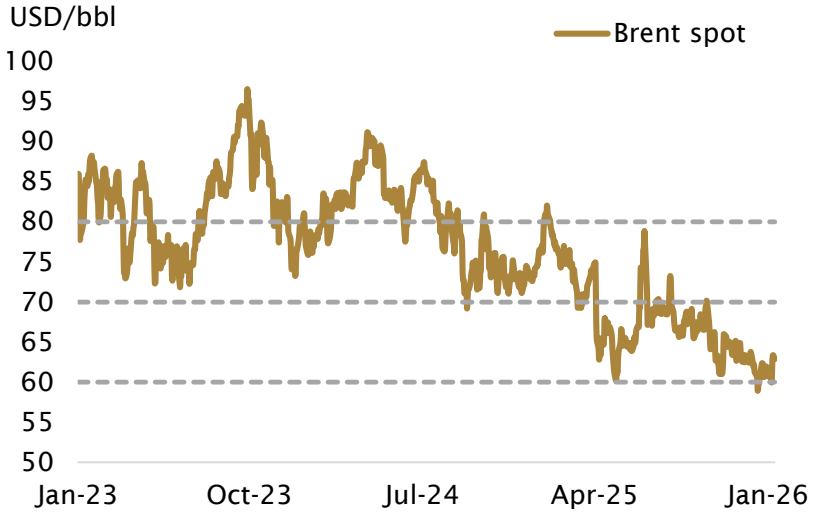
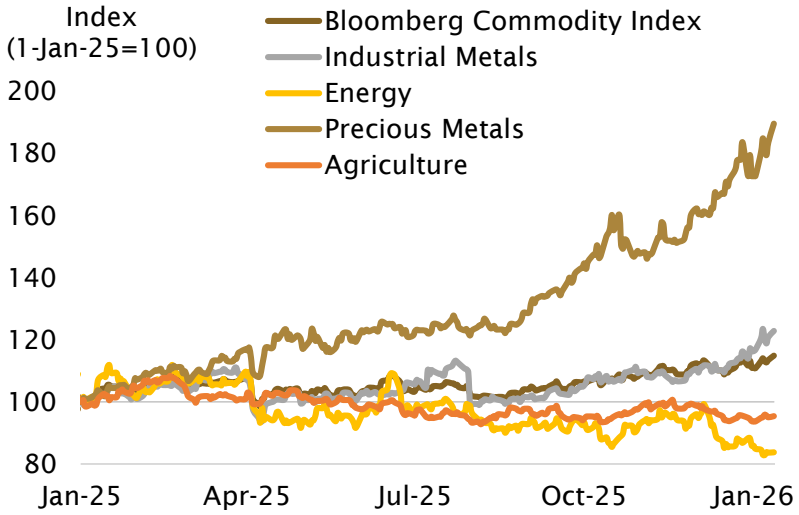
Domestic fuel inflation eased to 2.0% from 2.3% in Nov

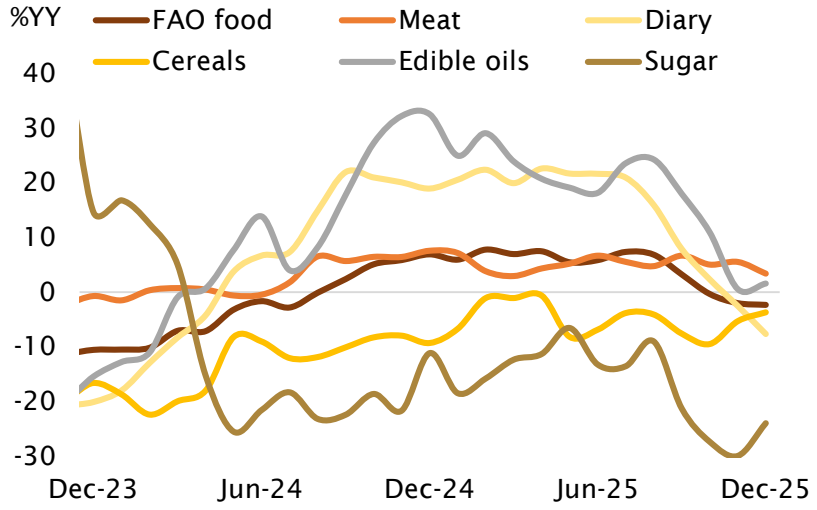


Crude oil prices remain muted at close to USD60/b



Precious metal prices continue to rise on safe haven demand; global food index in deflation for third straight month





WPI inflation at 0.8% in Dec after two months of deflation; both urban and rural CPI inflation rose for second straight month

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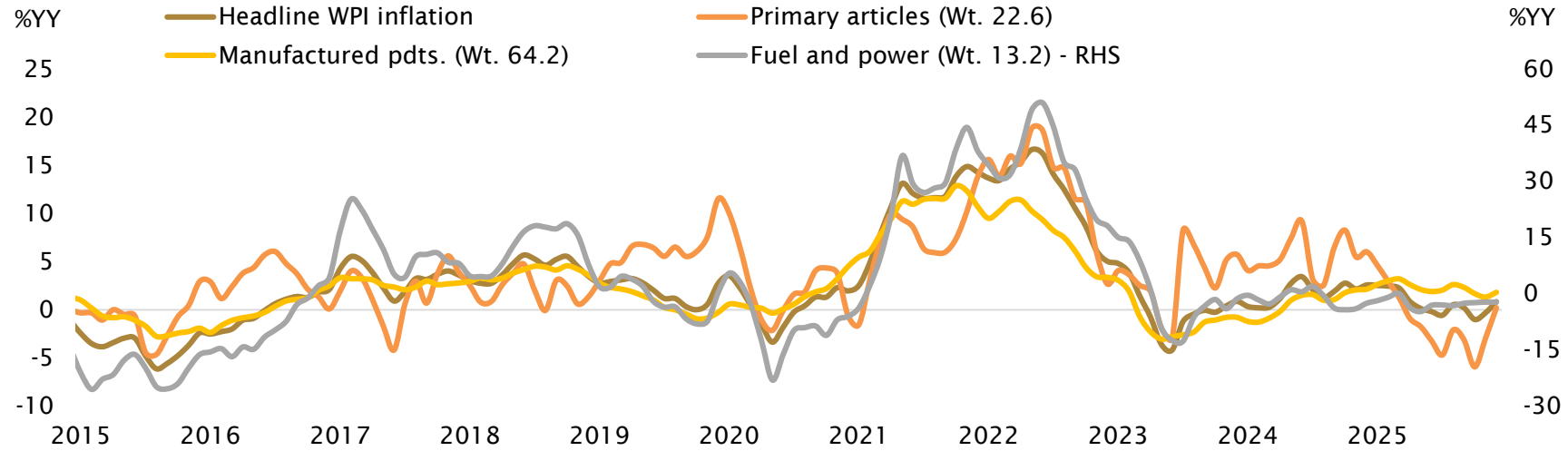
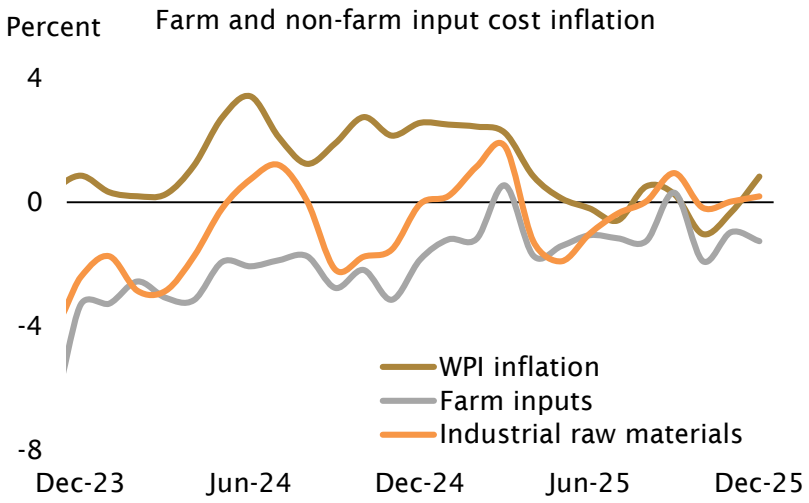
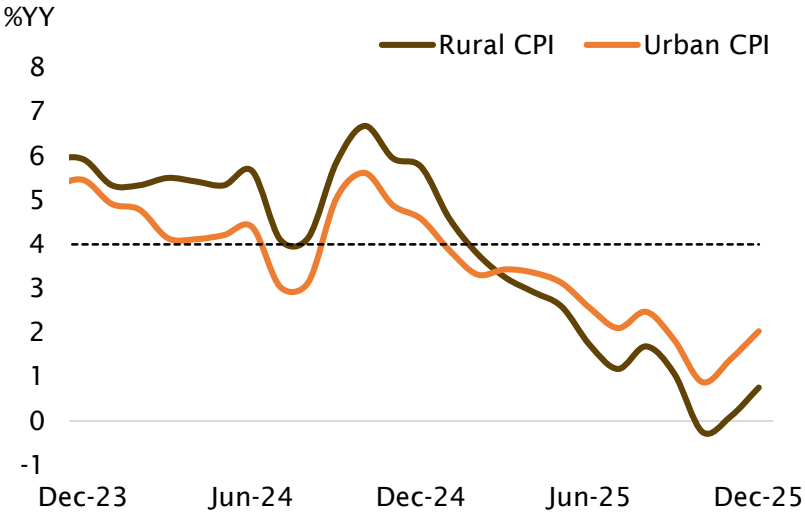
WPI posted inflation after two months of deflation amid gains in manufactured products and primary articles



Input costs stayed benign amid mild gains in industrial raw materials; rural and urban CPI inflation continued to rise



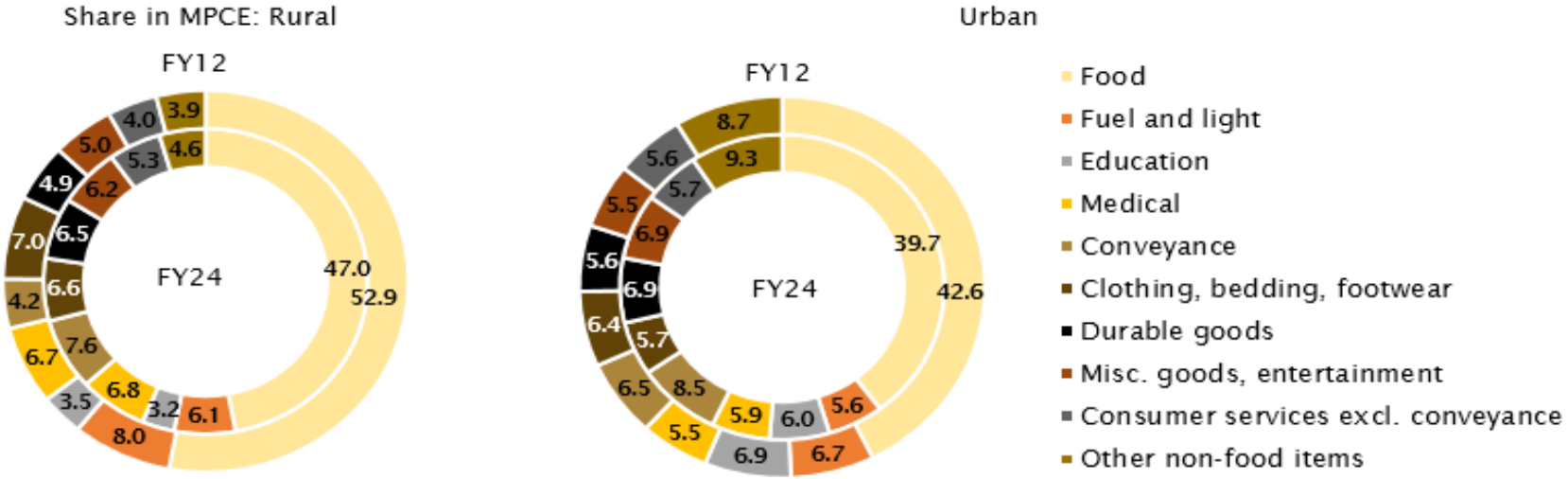


Appendix: Proposed changes in the upcoming CPI series

Some of the key proposed changes by MoSPI in the upcoming CPI series are noted below:

- The new CPI series is slated for release in Feb-2026 with base year 2024. The update will incorporate data from the Household Consumption Expenditure Survey 2023-24 to ensure that the item basket and weights reflect most recent consumption patterns in rural and urban India.
- The updated HCES survey has lower weight for food in the monthly per capita expenditure (MPCE). Also, within food, there is shift in spending patterns vis-à-vis HCES 2011-12. For instance, there is an increase in spending on processed food and beverages, and a moderation in spending on vegetables and edible oils.
- The new series will have an expanded coverage with more samples from urban and rural markets, and will also include prices from e-commerce platforms.
- The new index will replace the Jevons' long index formula used in the existing series and adopt a short-index formula with a chain-based approach.
- The compilation methodology will be updated for the house rent sub-index. Among other changes, this will include collection of data on a monthly basis instead of bi-annual frequency, expanded sample coverage with inclusion of rural sector, and exclusion of employer provided dwellings.
- There are also changes proposed to the treatment of free and subsidized PDS items within the CPI basket to accurately capture prices changes.

Household Consumption Expenditure Survey: Lower weight of food in monthly per capita consumption expenditure



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