

# Macroeconomics | **First cut**

# Rising steadily

April 2026

## **March inflation prints higher, driven by upticks in food and fuel**

India's Consumer Price Index (CPI) series rose to 3.4% in March from 3.2% in February, driven by upticks in both food and fuel inflation. While food inflation rose on a low base, the uptick in fuel was driven by the increase in domestic cooking fuel prices.

However, despite a full month since the onset of the conflict, retail inflation showed a relatively low impact of the energy shock. Brent crude oil spot prices rose 45% in March, while international natural gas prices soared ~69% compared with February.

Cooking fuel prices saw some price pressures – the price of domestic LPG cylinders was increased by Rs 60 in early March, while the government kept retail prices of petrol and diesel (combined weight of 4.8% in CPI) largely unchanged, choosing to absorb the price pressures itself. In April so far, consumers have been shielded from the rise in energy prices with the government announcing a cut in excise duty on petrol and diesel starting late March.

Core inflation, too, remained contained as second-round effects stemming from higher energy prices are yet to play out. Furthermore, slower gold and silver inflation (in line with the correction in global prices and a high base) also lent support.

The March data brings the average headline inflation print to 2.0% in fiscal 2026 from 4.6% in the previous fiscal.

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Our inflation forecast of 4.5% average for fiscal 2027 is seen rising to 4.7%, if the West Asia conflict prolonged until the end of April (which we believe could be a possibility) and energy prices remained elevated. While higher crude oil prices are currently being mostly absorbed by the government, a persistent rise in global prices could see retail fuel prices for cooking and transportation climb up further. Additionally, the second-round effects on core inflation via higher energy, trade and transportation costs are likely. The adverse impact of heatwaves and the increased risk from a below-normal southwest monsoon are upside risks to food inflation.

The Indian Meteorological Department's first long range forecast (released on April 13) predicts a below-normal southwest monsoon in 2026 at 92% of the long period average with a model margin error of +/- 5%. El Niño conditions, which typically weaken the Indian monsoon, are "very likely expected" as per IMD. To track how the monsoon actually translates into agricultural impact, we will closely watch Crisil's Deficient Rainfall Impact Parameter (DRIP) index which captures both irrigation levels and actual rainfall, giving a more grounded read on crop performance than rainfall alone.

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## Highlights

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- Headline retail inflation rose to 3.4% in March from 3.2% in February
  - Food inflation increased to 3.9% from 3.5%
  - Fuel<sup>1</sup> inflation rose to 1.7% from 0.1%
  - Core<sup>2</sup> inflation stayed at 3.7%. Core, excluding gold and silver<sup>3</sup>, also stayed broadly unchanged at 2.1%
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## Food inflation normalised further

Food and beverage inflation stood at 3.7% in March from 3.4% in February. Food inflation, too, was higher at 3.9% (vs 3.5%).

- Foodgrain inflation remained benign. Cereals and products continued to see deflation (-0.5% vs -0.3% in February), while pulses (excluding pulse products) saw narrowing deflation (-4.1% vs -7.4%). Within cereals, deflation in rice not distributed through the public distribution system (PDS) narrowed (-0.8% vs -1.1%), while that in non-PDS wheat widened (-3.2% vs -2.7%). Within non-PDS pulses, deflation narrowed in tur (-9.6% vs -16.0%) and moong (-0.2% vs -1.3%), while inflation in masur rose (3.2% vs 2.2%)
- Fresh vegetables and tubers saw hardening inflation (3.9% vs 2.8%). Among vegetables, inflation in tomato slowed (36.0% vs 45.2%), while deflation continued in onion (-27.8% vs -28.2%) and potato (-19.0% vs -18.5%)
- Inflation picked up in meat (12.5% vs 9.7%), fish and seafood (7.3% vs 7.0%) and oils and fats (7.8% from 7.4%). Within the latter, inflation in vegetable oils saw a considerable uptick (9.0% vs 8.5%) as the West Asia conflict drove up global prices
- Inflation in ready-made foods and other food products also increased significantly (2.9% vs 2.1%), driven by a considerable uptick in spices, herbs and seeds (3.5% vs 2.2%)
- Sugar, confectionery and desserts saw slowing inflation (2.2% vs 2.7%), driven by slowing inflation in sugar (1.9% vs 3.0%) as did inflation in fruits and nuts (7.3% vs 8.6%)
- Inflation in milk, other dairy products and eggs was broadly stable (3.0% vs 3.1%)

## Fuel inflation accelerated

Fuel inflation (electricity, gas and other fuels) was considerably higher at 1.7% compared with 0.1%

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<sup>1</sup> Refers to the electricity, gas and fuel group

<sup>2</sup> CPI, excluding food and beverage; electricity, gas and fuels; and fuels and lubricants for personal transport equipment, as per the Reserve Bank of India's (RBI's) calculation in its April 2026 Monetary Policy Report

<sup>3</sup> Core, excluding gold/ diamond/platinum jewellery and silver jewellery, as cited in the Monetary Policy Report

- Deflation in electricity stayed broadly unchanged at 2.4% for the third consecutive month
- LPG and piped natural gas (PNG) picked up to 5.3% from 1.6%, driven by an increase of Rs 60 in domestic LPG cylinder prices announced on March 7
- The weighted average inflation rate for the remaining sub-categories (kerosene, coal, firewood and chips) also picked up to 3.9% from 2.9%, driven by substitution effects as consumers switched from costlier and/or short supplies of LPG
- The segment is expected to see further price pressures (LPG in particular) as the West Asia conflict prolongs
- Crisil expects Brent prices to average \$82-87 per barrel in fiscal 2027

## Core inflation stays steady

Core inflation<sup>4</sup> was broadly unchanged at 3.7% in March.

- House rental inflation remained broadly unchanged at 2.0% and that in furnishings, household equipment and routine household maintenance also remained broadly unchanged at 1.4%. Within the latter, major electric and other household appliances continued to see deflation (-0.9% vs -1.1%) due to the impact of the goods and services tax (GST) rate rationalisation
- Clothing and footwear inflation was broadly steady at 2.8%
- Inflation in the transport category (0.0% vs -0.05%) has not seen much of an impact from the West Asia conflict so far. Petrol and diesel prices remained broadly stable, with inflation at 0.0% and 0.2%, respectively (only premium variants of petrol and diesel saw retail price hikes with most consumers remaining shielded), while domestic airfare saw a sharp uptick (14.2% vs -7.0%). However, a prolonged conflict can potentially cause a future hike in the prices of transportation fuels. The weight of petrol and diesel is also higher in the revised 2024 CPI series compared with the old 2012 series
- Inflation in the information and communication category rose to 0.3% from 0.2%. Televisions continued to see deflation (-4.4% vs -4.7%) due to the impact of GST rate rationalisation
- Inflation in health declined (1.8% vs 1.9%), while that in education services remained broadly unchanged (3.3%)
- Inflation in restaurant and accommodation services picked up to 2.9% (vs 2.7%), likely owing to greater impact on cooking fuels. So far, commercial LPG cylinder prices have increased twice compared with domestic. Inflation in the recreation, sport and culture was 2.3% (vs 2.2%)
- The personal care, social protection and miscellaneous category saw lower inflation (18.6% from 19.7%), led by a fall in the prices of gold/ diamond/ platinum jewellery (45.9% vs 48.2%) as well as

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<sup>4</sup> Excluding food and beverages; electricity, gas and other fuels; and fuels and lubricants for personal transport equipment, as per RBI's calculation in its April 2026 Monetary Policy Report

silver jewellery (148.6% vs 160.9%). The decline in these two segments was in line with the correction in global prices due to the West Asia conflict and due to a high base

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