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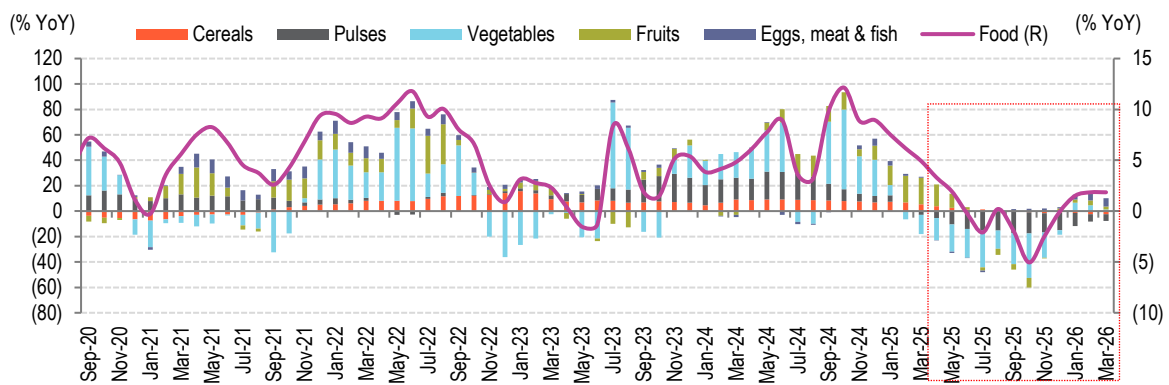
## **WPI inflation hardens**

WPI inflation rose to 3.9% in Mar'26 versus 2.2% increase in Mar'25. Inflation was higher than 2.1% decline in Feb'26. Compared with last year (Mar'25), while food inflation still remains in check, the rise was largely on account of fuel and manufactured products inflation. This is due rise in international crude oil prices given the ongoing geopolitical crisis in West Asia. Fuel inflation rose to 1.1% in Mar'26 and manufactured inflation to 3.4%. Mineral oil index rose the most, led by rise in index for petrol, diesel, ATF, petroleum coke. Within manufactured products, basic metals, machinery, textiles and other manufacturing led the rise. As a result, core inflation rose to 3.7% in Mar'26. On FY basis, headline WPI averaged 0.7% in FY26, food inflation at (-) 0.1%, fuel inflation at (-) 2.9%, manufactured inflation at 2.3% and core inflation at 1.9%. Going forward, if international oil prices remain elevated, then it may impact overall WPI in the coming months.

### **Food inflation remains contained:**

Headline WPI inflation rose to its highest since Mar'23 to 3.9% in Mar'26. It is also higher than 2.2% noted last year (Mar'25) and 2.1% last month (Feb'26). Compared to Mar'25, food inflation was lower (1.8%) versus 4.9% increase in last year. This was largely on account of muted inflation recorded in food grains, fruits, and other items. Vegetables, milk, eggs/meat/fish, and spices registered an increase compared with last year. Vegetable inflation rose to 1.4% from (-) 15% last year, due to base effect. Within vegetables, potato and onion prices continue to decline, while tomato, cauliflower, brinjal, cucumber added to upside pressures. Milk inflation was up from 1.6% last year to 2.6% this year, and eggs, meat and fish component registered a rise from 0.9% in Mar'25 to 6.6%. Foodgrain inflation remains weak (-3% versus 3.8% last year), led by sharp drop in cereal inflation (-2.5% versus 5.4%) and continued deflation in pulses (-5.2% versus -3%). Within cereals, wheat has recorded sharper deflation (-4.6% versus 8.2%), compared with paddy (0.1% versus 3.7%). Internationally, as per World Bank's pink sheet data, the trend is different. Wheat prices have increased 8.4% in Mar'26 versus -4.1% in Mar'25) and decline in price of rice has slowed (-9.1% versus -32.3%). Overall, in FY26 food inflation averaged (-) 0.1% versus 7.3% in FY25.

**Figure 1: Food inflation stable in Mar'26; remained in check in FY26**



Source: CEIC, Bank of Baroda Research

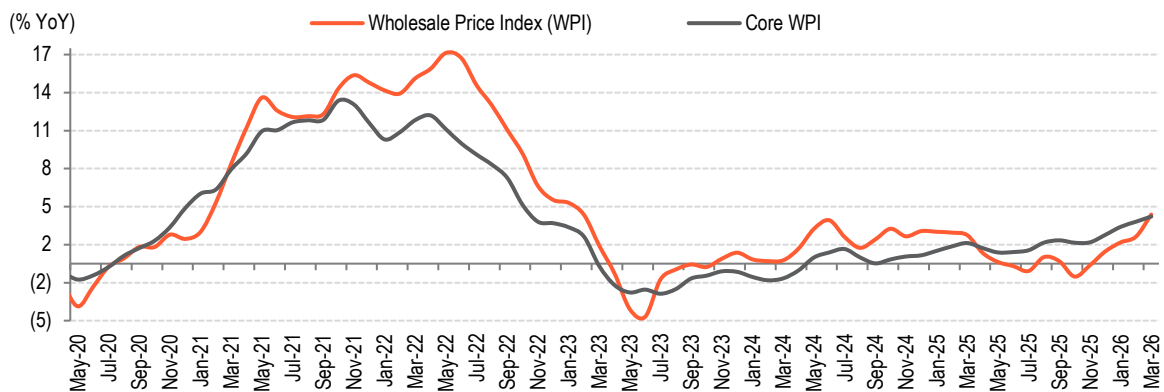
**Fuel and power inflation rebounds:**

Fuel and power inflation rose to 20-month high of 1.1% in Mar'26, as the impact of US-Iran war on international oil prices was clearly visible. It was up from 0% in Mar'25 and (-) 3.8% in Feb'26. Compared to the previous year, inflation index for mineral oil segment registered notable increase to 3.5% in Mar'26 from (-) 1.6% last year. Coal inflation rose by 1.8%, up from (-) 0.1% in Mar'25. Electricity index in contrast eased at an accelerating pace (-6% versus 4.6%). Internationally, crude oil prices rose sharply in Mar'26 by 39.4% (YoY) as the war between US and Iran resulted in damaging of energy infrastructure in West Asia and closure of Strait of Hormuz for shipping. Domestically, within mineral oils, inflation index for petrol, kerosene, ATF, diesel, naphtha and petroleum coke noted the most increase from last year. In Apr'26 so far, although international oil prices have cooled down from the highs of Mar'26, they still remain significantly elevated compared to last year (50.2% YoY). If a peace deal is not reached soon then a prolonged war can have impact on domestic fuel inflation. Pressure on rupee may also exert some upward pressure. On FY basis, the increase in mineral oil index was most significant only in Mar'26 due to war, otherwise in FY26 as a whole, fuel inflation was muted at (-) 2.9% versus (-) 1.3% in FY25. In FY26 coal inflation averaged 0.8% versus (-) 0.6% in FY25 and electricity index was down by (-) 1.7% versus (-) 0.6% in FY25.

**Core WPI remains elevated:**

Core inflation was at 41-month high of 3.7% in Mar'26, up from 1.6% in Mar'25 and 3.3% in Feb'26. Manufactured product inflation also to 3.4% (highest since Jan'23), from 3.2% last year (Mar'25) and 2.9% last month (Feb'26). Of the 22 commodity sub-indices, 12 indices rose at a faster pace in Mar'26 than Mar'25 led by—basic metals, other manufacturing, machinery and equipment, non-metallic mineral products, textiles and leather products. Inflation for key metals shows that index for copper rose at faster pace (15.8% versus 15.4%). In contrast, while index for aluminium (11.2% versus 13.6%) eased slightly, that of Zinc (2.6% versus 8.3%) recorded significant softening. Lead index declined (-0.7% versus 1.4%). In comparison, international prices are showing a mixed trend. Prices of Copper (28.6% versus 12.1%) have risen notably. Aluminium prices have also inched up (26.9% versus 19.4%). However, prices of Lead have declined (-7.6% versus -1.1%), and that of Zinc (10.1% versus 17.4%) is showing moderation.

**Figure 2: Core inflation remains elevated**



Source: CEIC, Bank of Baroda Research

**Conclusion:**

- Headline WPI inflation rose to its highest since Mar’23 to 3.9% in Mar’26. It is also higher than 2.2% noted last year (Mar’25) and 2.1% last month (Feb’26).
- Compared to Mar’25, food inflation was lower (1.8%) versus 4.9% increase in last year.
- This was largely on account of muted inflation recorded in food grains, fruits, and other items. Vegetables, milk, eggs/meat/fish, and spices registered an increase compared with last year.
- Fuel and power inflation rose to 20-month high of 1.1% in Mar’26, as the impact of US-Iran war on international oil prices was clearly visible. It was up from 0% in Mar’25 and (-) 3.8% in Feb’26.
- Domestically, within mineral oils, inflation index for petrol, kerosene, ATF, diesel, naphtha and petroleum coke noted the most increase from last year.
- Core inflation was at 41-month high of 3.7% in Mar’26, up from 1.6% in Mar’25 and 3.3% in Feb’26.
- Manufactured product inflation also to 3.4% (highest since Jan’23), from 3.2% last year (Mar’25) and 2.9% last month (Feb’26).
- Indices for basic metals, other manufacturing, machinery and equipment, non-metallic mineral products, textiles and leather products led the increase.

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