

**RESEARCH****BOB ECONOMICS RESEARCH | CPI**

CPI showing some momentum led by food

**BOB ECONOMICS RESEARCH | PRICE PICTURE**

Inflation is still expected to be below 4%

**SUMMARY****INDIA ECONOMICS: CPI**

CPI inched up in Feb'26 albeit remaining below the 4% target level even this month. However, some buildup of inflation is seen especially on food inflation front. The fine print will provide further cues on the same. However, we feel there has been a pick in vegetable inflation as visible in the high frequency retail price data. Our in-house BoB ECI has risen by 0.7% in the first 11 days of Mar'26. Thus, we expect some pressure on food inflation since arrival statistics of major vegetable items have moderated. International price of food items is also increasing, especially for edible oils.

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**INDIA ECONOMICS: PRICE PICTURE**

BoB Essential Commodities Index (BoB ECI) adjusted for the new series has reversed its deflationary trend as seen in the old series. In Feb'26, it rose by 0.4% and for the first 11 days of Mar'26 it rose by another 0.7%. The increase in retail price has been broad based, from cereals to edible oils. For edible oils, the increase is in line with international prices. In the current situation, food inflation is not much of a risk. However, for fuel inflation, the impact on LPG component of CPI needs to be closely watched as it has a higher weight in the new series.

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## CPI

12 March 2026

## CPI showing some momentum led by food

CPI inched up in Feb'26 albeit remaining below the 4% target level even this month. However, some buildup of inflation is seen especially on food inflation front. The fine print will provide further cues on the same. However, we feel there has been a pick in vegetable inflation as visible in the high frequency retail price data. Our in-house BoB ECI has risen by 0.7% in the first 11 days of Mar'26. Thus, we expect some pressure on food inflation since arrival statistics of major vegetable items have moderated. International price of food items is also increasing, especially for edible oils.

Dipanwita Mazumdar  
Economist

Under the current scenario, any rise in intermediate input through supply chain disruption may impinge on food inflation. Core inflation (core excl. food and fuel) is broadly stable at 3.4%. However, sequential buildup of prices is seen for majority of the broad categories of core inflation. For transportation we do not expect passthrough of higher international prices to retail petrol and diesel price as of now. However, the impact of retail LPG cylinder price increase to utility services component of CPI cannot be ruled out in the near term.

### Food inflation inching up

**CPI still below RBI's 4% target:** CPI inflation reading came in at 3.2% in Feb'26, on YoY basis, in line with our estimate of 3.3%. This month's headline number is higher than Jan'26 print of 2.7%. This was led by higher food inflation of 3.5% in Feb'26 compared to 2.1% in Jan'26. The inflation rate of Potato (-18.5% in Feb'26 compared to -29% in Jan'26), Garlic (-31.1% in Feb'26 compared to -53% in Jan'26) is slowly retreating its deflation territory. Even for pulses such as Tur deflation trend is at a slower pace of -16% in Feb'26 compared to -24.9% in Jan'26, on YoY basis. It is important to mention that the arrival statistics of Tomato, Onion and Potato (TOP) vegetables are also falling. In Feb'26, it fell by -31.2% compared to same period of previous year (UPAJ data). Thus, the buildup of food inflation needs to be carefully monitored.

**Fig 1: Inflation inched up led by food**



Source: CEIC, Bank of Baroda Research



## PRICE PICTURE

11 March 2026

### Inflation is still expected to be below 4%

BoB Essential Commodities Index (BoB ECI) adjusted for the new series has reversed its deflationary trend as seen in the old series. In Feb'26, it rose by 0.4% and for the first 11 days of Mar'26 it rose by another 0.7%. The increase in retail price has been broad based, from cereals to edible oils. For edible oils, the increase is in line with international prices. In the current situation, food inflation is not much of a risk. However, for fuel inflation, the impact on LPG component of CPI needs to be closely watched as it has a higher weight in the new series.

Dipanwita Mazumdar  
Economist

Regarding pass-through of higher international crude price, we believe for now, it will not be passed on to retail consumers as OMCs are expected to absorb most of the costs. However, a lot is contingent on the duration of the war and arrival of a formal peace deal. Weighing all the factors, we expect CPI to settle at 3.3% in Feb'26.

To get an idea about the calculation of the index, refer to our [previous edition](#) of BoB ECI.

Price picture using BoB Essential Commodity Index-Adjusted for new base year:

- The earlier BoB ECI was in alignment with CPI (2012=100) and had a weight of 22.8% in overall CPI basket. It captured 58.3% weight in the overall food basket of the CPI index. In line with base revision of CPI (2024=100), we have adjusted our BoB ECI for a better reflection of high frequency price data as a nowcast for CPI. The BoB ECI-New series adjusted has a weight of 16.7% and captures 45.6% of food and beverages basket of CPI. Earlier the weight was higher. The reduction in weight is in line with reduction in weightage of food and beverages in overall CPI.
- Annexure 1 shows the detailed difference in weight of major items used in BoB ECI both for the new and old series. Essentially the new series has a lower weightage of cereals primarily reflecting the shift in consumption pattern. The reduction in weightage of Tomato and Potato in the TOP (Tomato, Onion and Potato) basket will also take care of the sharp volatility exhibited in the earlier series of CPI, due to these items.
- BoB ECI, which was in the sharp deflation territory under the old series, is exhibiting some momentum. It inched up in Feb'26 by 0.4%, on YoY basis. The retail price of edible oils and cereals inched up. This is in line with increase in international prices. For edible oils, increase in international prices is attributable to global demand and lower outputs in Southeast Asia (as per FAO report).



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Name of the Research Entity: **BOB Capital Markets Limited**  
 Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**  
 SEBI Research Analyst Registration No: **INH000000040 (Perpetual)**  
 SEBI Stock Broker Registration No: **INZ000159332**  
 SEBI Depository Participant Registration No: **IN-DP-728-2022**  
 SEBI Merchant Banker Registration No: **INM000009926**  
 Phone: +91-22-61389300  
 Name of the Compliance Officer: Mr. Sameer Khobrekar  
 Email ID: Compliance@bobcaps.in; Phone no.: +91-22-61389358  
 For any queries or grievances, you may contact the Grievance Officer.  
 Name of the Grievance Officer: Mr. Manoj Pawar  
 Email ID: head-customer@bobcaps.in; Phone no: 0+91-22-69417333

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