India's CPI Inflation edges up to 3.48% in April'26

India's year-on-year retail inflation, measured by the Consumer Price Index (CPI) with base year 2024, increased marginally to 3.48% (provisional) in April 2026 from 3.40% in March 2026, indicating a slight uptick in headline inflation. The increase was primarily driven by higher food inflation, which rose to 4.20% in April 2026 from 3.87% in March 2026. Additional upward pressure came from Paan, Tobacco and intoxicants, restaurants and accommodation services and elevated inflation in personal care due to persistently high gold and silver prices.

At the same time, several major segments including housing, health, transport, information and communication and furnishings remained relatively stable, suggesting that broader underlying inflationary pressures continue to remain contained. Transport inflation remained nearly flat at (-)0.01%, indicating limited pass-through of fuel prices into logistics and mobility costs.

Rural inflation remained higher at 3.74% compared to urban inflation at 3.16%, reflecting relatively stronger price pressures in rural regions, particularly in food items. Despite the rise, headline inflation continues to remain comfortably within the RBI's tolerance band of 2-6%, indicating overall macroeconomic stability.

Core CPI (Excluding Food and Fuel):

Core CPI stood at 3.31% in April 2026, broadly aligned with headline inflation of 3.48%, indicating that underlying price pressures remain stable. The limited divergence between headline and core inflation suggests that the recent rise in CPI is largely driven by volatile food items and precious metals rather than generalized demand-side overheating.

The stability in core inflation reflects anchored inflation expectations and contained demand-side pressures across services and non-food categories. This provides comfort from a monetary policy perspective and supports the view that current inflationary pressures are primarily supply-driven.

CPI Excluding Gold and Silver

"The elevated inflation in personal care is not broad-based but is largely a statistical effect driven by gold and silver prices. Excluding gold and silver, inflation in this segment would be significantly lower, reinforcing that underlying inflationary pressures remain contained."

Headline inflation excluding gold and silver moderated sharply to **2.80% in April 2026**, significantly lower than the overall CPI print. This highlights the disproportionate impact of elevated precious metal prices, despite their relatively small weight in the CPI basket.

The sharp divergence indicates that bullion prices continue to distort the headline inflation reading, masking relatively benign underlying price trends. Excluding these volatile components, inflation conditions remain comfortable and supportive of stable monetary policy.

CPI inflation April 2026 (3.48%) Vs MPC forecast for Q1FY27 (4.0%)

The increase in CPI inflation to 3.48% in April 2026 compared to the MPC forecast of 4.0% for Q1FY27 indicates that inflationary pressures remain relatively contained despite ongoing global uncertainties. While inflation has edged up due to higher food prices and elevated precious metal prices, the overall CPI print continues to remain below the RBI's projected trajectory, suggesting that underlying demand-side inflation remains moderate.

The rise in inflation is primarily being driven by food-related components and supply-side factors rather than broad-based demand pressures. Geopolitical tensions, volatility in global commodity prices and uncertainty in international trade conditions continue to pose upside risks to inflation going forward. Additionally, elevated gold and silver prices have significantly influenced headline inflation despite their relatively lower weight in the CPI basket.

April 2026 Inflation Snapshot (Base 2024=100)

All-India CPI Inflation (April 2026): 3.48% YoY (Provisional)	**Food Inflation (CFPI): 4.20%**	**Housing Inflation: 2.15%**	**CPI Index Level (April 2026)**
Rural: 3.74% Urban: 3.16%	Rural: 4.26% Urban: 4.10%	Rural: 2.65% Urban: 1.96%	Rural: 105.28 Urban: 104.92 Combined: 105.12

Key Driver of Inflation:

Food inflation increased to 4.20% in April 2026 from 3.87% in March 2026, contributing significantly to the rise in headline CPI. The increase was largely driven by vegetables, tomato, cauliflower and edible oil related components.

However, food inflation continues to remain relatively concentrated in select categories rather than broad-based across the entire food basket. At the same time, sharp deflation continued in items such as potato and onion, partially offsetting upward pressure from other food components.

Top High Inflation Food/Commodity Related Items:
Tomato: 35.28%
Cauliflower: 25.58%
Coconut/Copra: 44.55%
Items witnessing sharp deflation:
Potato: (-23.69%)
Onion: (-17.67%)

The food inflation trend suggests that supply-side factors and weather-related disruptions continue to influence food prices more than generalized demand pressures.

Paan, Tobacco and Intoxicants
Inflation in this segment increased to 4.76% in April 2026 compared to 4.23% in March 2026, reflecting continued price increases in tobacco-related products and administered taxation effects. This category continues to indicate policy-led inflation rather than demand-driven inflationary pressures.

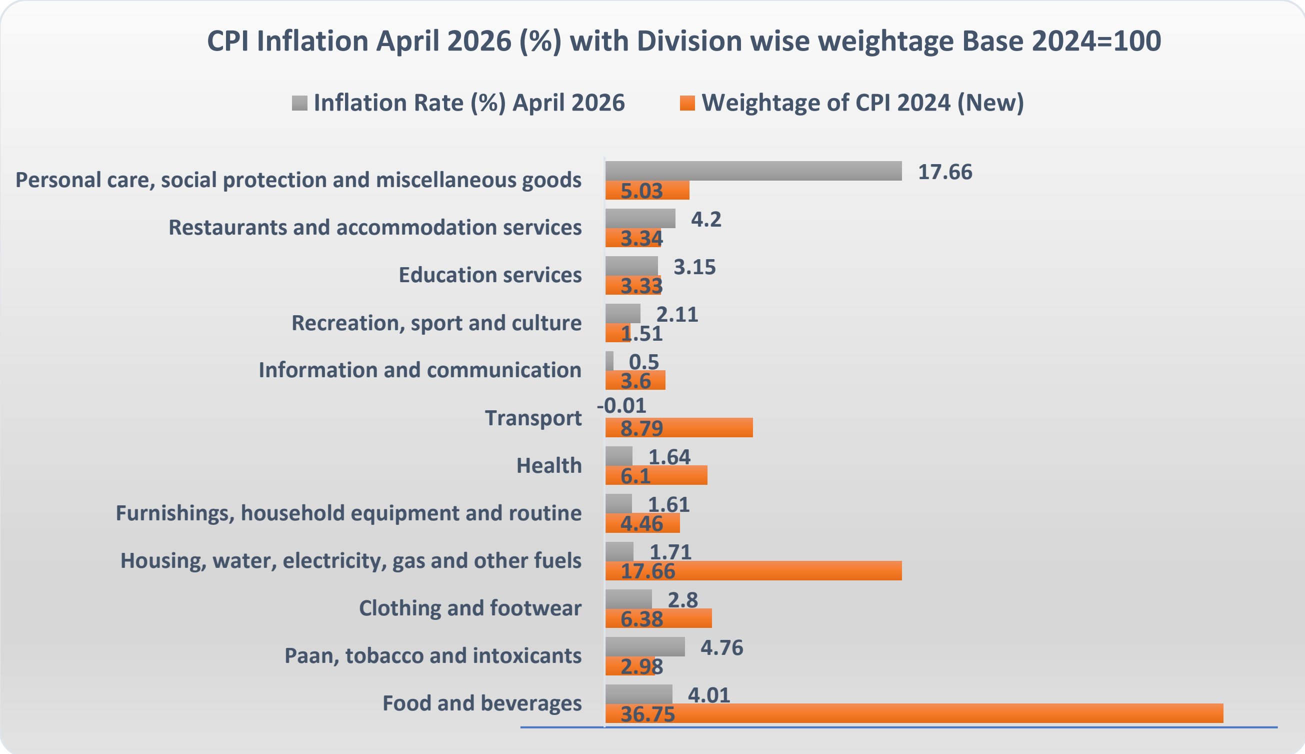
Restaurants and Accommodation Services
Inflation in restaurants and accommodation services remained elevated at 4.20%, reflecting firm services demand and continued pass-through of input and labour costs in urban consumption segments.

Transport inflation remained subdued at (-0.01%) in April 2026, indicating that fuel cost pressures have not yet fully translated into transportation and logistics costs. Purchase of vehicles continued to witness deflationary trends, helping contain overall transport inflation. The contained transport inflation suggests that second-round inflationary effects from energy prices remain limited at present.

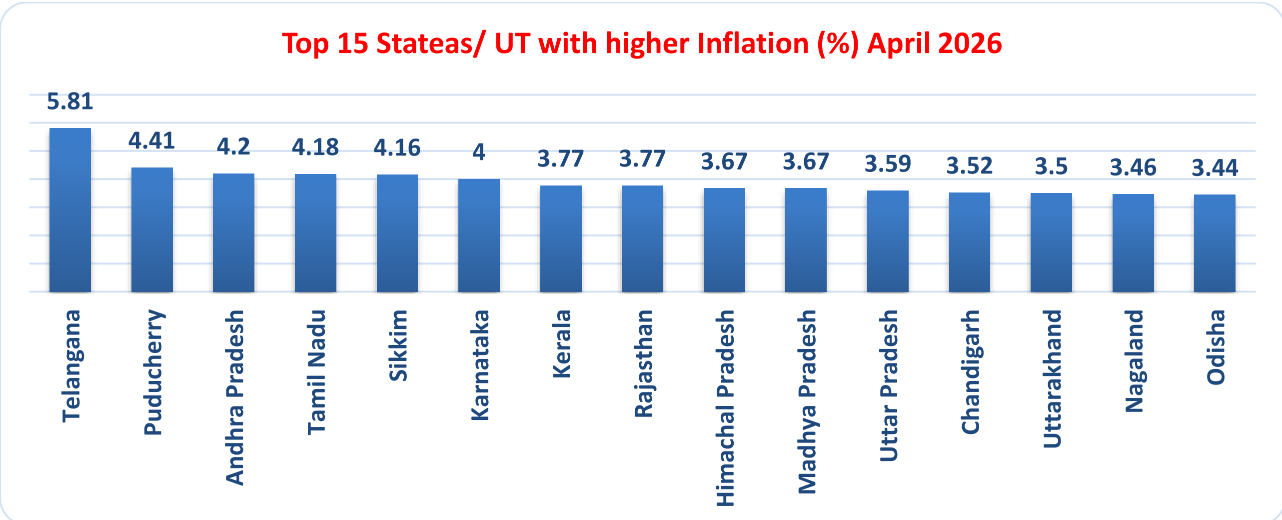
Personal Care and Miscellaneous Goods
Inflation in personal care, social protection and miscellaneous goods & services remained elevated at 17.66% in April 2026, mainly driven by exceptionally high inflation in precious metals.

Key Contributors:
Silver Jewellery: 144.34%
Gold/Diamond/Platinum Jewellery: 40.72%
Despite their relatively low weight in the CPI basket, the extremely high inflation levels in gold and silver continue to significantly distort the headline inflation reading. This primarily reflects global safe-haven demand and international commodity price movements rather than domestic consumption-driven inflation.

CPI Inflation and weight distribution across major categories (April 2026)



The state-wise inflation trend for April 2026 shows a clear concentration of price pressures in select southern and smaller states/UTs, with Telangana reporting the highest inflation at 5.81%, significantly above others. States like Puducherry, Andhra Pradesh, Tamil Nadu, Sikkim and Karnataka also feature prominently, indicating regional inflationary pressures in the southern belt, possibly driven by food prices, services demand and urban consumption trends. Meanwhile, several mid-tier states such as Uttar Pradesh, Chandigarh, Uttarakhand, Nagaland and Odisha show moderate but persistent inflation, suggesting broad-based demand recovery. Overall, while inflation remains contained for most states in the 3–4% range, the divergence highlights regional imbalances in price dynamics, which may require targeted policy attention and state-specific interventions.



CPI Index Trends and Month-on-Month Changes (Base Year 2024 Vs 2012)

MONTH	CPI INDEX 2024 BASE	MOM CHANGE (%)	CPI INDEX 2012 BASE	MOM CHANGE (%)
May-25	101.90	0.32%	193.00	0.21%
Jun-25	102.51	0.60%	194.20	0.62%
Jul-25	103.35	0.82%	196.10	0.98%
Aug-25	103.74	0.38%	197.00	0.46%
Sep-25	103.74	0.00%	197.00	0.00%
Oct-25	103.74	0.00%	197.30	0.15%
Nov-25	104.01	0.26%	197.90	0.30%
Dec-25	104.10	0.09%	198.00	0.05%
Jan-26	104.45	0.35%	-	-
Feb-26	104.57	0.11%	-	-
Mar-26	104.84	0.26%	-	-
Apr-26	105.12	0.27%	-	-

Implications for the Economy and Banking Sector

- With CPI inflation at 3.48%, inflation remains comfortably within RBI's tolerance band, supporting macroeconomic stability and growth momentum.
- The stable inflation environment reduces pressure for aggressive monetary tightening and provides room for RBI to maintain a balanced policy stance.
- Rising food inflation highlights continued vulnerability to supply-side shocks and weather-related disruptions.
- Higher rural inflation may moderately affect rural purchasing power and discretionary consumption demand.
- Elevated gold and silver prices may influence household savings behaviour, increase gold imports and potentially widen the Current Account Deficit.
- Stable core inflation indicates that broader demand-side inflationary pressures remain contained, providing comfort for financial markets and bond yields.

CPI inflation in April 2026 reflects a moderate and manageable inflation environment, with the rise in headline inflation primarily driven by food prices and precious metals while broader underlying inflation remains stable. Despite ongoing geopolitical uncertainties and volatile global commodity prices, inflation continues to remain within RBI's comfort range. Going forward, food price movements, monsoon conditions, geopolitical developments, commodity prices and precious metal trends will remain key determinants of India's inflation trajectory and monetary policy outlook.

Visit us at www.canarabank.bank.in

Economic Research Vertical

Madhavankutty G (Chief Economist), Ankit Gupta (Senior Manager)

For Suggestions and views please contact, Economic Research Vertical