

## India's CPI Inflation rises to 3.21% in February 2026

India's inflation dynamics in February 2026 indicate a moderate rise in price levels compared with the same period last year. The year-on-year (YoY) inflation rate based on the All-India Consumer Price Index (CPI) stood at 3.21% (provisional) in February 2026, reflecting an increase of 47 basis points compared to the previous month (2.74% in Jan 2026). Rural inflation was recorded slightly higher at 3.37%, while urban inflation stood at 3.02%, indicating relatively stronger price pressures in rural areas. Meanwhile, food inflation measured by the Consumer Food Price Index (CFPI) registered 3.47% YoY, with rural and urban food inflation at 3.46% and 3.48% respectively.

The CPI index level for February 2026 reached 104.57 (combined), marginally higher than 104.45 in January 2026, suggesting a gradual uptick in consumer prices. Overall, the data indicates that while inflation remains contained within moderate levels, food prices continue to play a key role in shaping short-term inflationary trends.

### February 2026 Inflation Snapshot (Base 2024=100)

All-India CPI Inflation (Feb 2026): 3.21% YoY (Provisional)	Food Inflation (CFPI): 3.47%	Housing Inflation: 2.12%	CPI Index Level (Feb 2026)
Rural: 3.37% Urban: 3.02%	Rural: 3.46% Urban: 3.48%	Rural: 2.43% Urban: 2.00%	Rural: 104.74 Urban: 104.37 Combined: 104.57

### Highlights of CPI Feb 2026:

#### Food & Beverages (Weight: 36.75% largest in CPI basket), Inflation: 3.35%

Because of its very high weight, the food category remains the biggest contributor to headline inflation, even though its inflation rate is moderate.

#### Housing, Water, Electricity, Gas & Other Fuels (Weight: 17.66%), Inflation: 1.52%

Inflation in this division is relatively low compared to headline CPI. This suggests limited pressure from housing and utility costs.

**Categories with Highest Inflation:** Personal care, social protection and miscellaneous goods (19.64%), Pan, Tobacco & Intoxicants (3.49%), Food & Beverages (3.35%), Education Services (3.33%), Clothing & Footwear (2.81%), Restaurants & Accommodation (2.73%). Tobacco-related items show the highest inflation among divisions. Education and services inflation indicates steady demand in service sectors.

**Categories with Lowest Inflation:** Transport (-0.05%), Information & Communication (0.25%), Furnishings & Household Equipment (1.40%), Housing & Utilities (1.52%), Health (1.90%)

Transport inflation turned negative, likely reflecting lower fuel prices. Communication and household goods inflation remain subdued, suggesting limited cost pressures in these sectors.

#### Weight-wise Major Divisions in CPI Basket

Food & Beverages (36.75%), Housing, Water, Electricity, Gas & Fuels (17.66%), Transport (8.79%), Clothing & Footwear (6.38%) & Health (6.10%), these five divisions together account for nearly 75% of CPI, meaning price movements here largely determine headline inflation.

**Core Inflation Insight:** Core inflation typically excludes food and fuel components. Housing inflation low at 1.52%, Household goods inflation 1.4%, Health inflation 1.9% and Communication inflation 0.25% indicates core inflation remains relatively soft, suggesting limited demand-side inflationary pressures.

**Gold/Diamond/Platinum Jewellery (weightage 0.62%) recorded an inflation rate of 48.16 % while Silver Jewellery (weightage 0.31%) registered a significantly higher inflation of 160.84% in Feb 2026.**

**Observations:**

- Food inflation remains the main driver of CPI due to its large weight.
- Housing and utility inflation is subdued, indicating stability in core inflation.
- Transport inflation turning negative helped offset overall inflation pressures.
- Service-related categories such as education and restaurants show steady inflation, reflecting stable demand in the services sector.

Overall CPI structure indicates inflation remains broad-based but moderate across most divisions. “While food prices continue to be the primary driver of inflation due to their large weight in the CPI basket, subdued housing, transport, and communication inflation helped keep overall retail inflation contained in February 2026.”



MONTH	CPI INDEX 2024 BASE	MOM CHANGE (%)	CPI INDEX 2012 BASE	MOM CHANGE (%)
Apr-25	101.58	0.19%	192.60	0.31%
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%	-	-

### Top 15 states/UT with higher Inflation (%) Feb 2026



Inflation varied significantly across states in February 2026, with Telangana recording the highest inflation at 5.02%, followed by Andaman & Nicobar Islands (4.06%) and Sikkim (3.64%), all above the national CPI inflation of 3.21%.

Most other states such as Kerala, Andhra Pradesh, West Bengal, Tamil Nadu, Karnataka and Odisha reported inflation in the range of 3.1-3.5%, indicating relatively moderate and broadly aligned price pressures across regions.

#### Implications for the Economy and Banking Sector

**Early Signs of Inflation firming up:** The increase in CPI indicates that inflation may have bottomed out in January and could gradually move upward in the coming months if food prices remain volatile. For the economy, this means the disinflation phase may be slowing.

**Pressure on Household Consumption:** Higher food inflation reduces disposable income, especially for lower-income households where food accounts for a larger share of expenditure. This may slightly moderate consumption demand in the near term.

**Policy caution for RBI:** Although inflation remains within the target band, the upward movement suggests the RBI may adopt a cautious approach before considering any policy rate cuts. The central bank will likely monitor food price trends and supply conditions before altering its stance.

**Interest Rates May remain elevated for longer:** With inflation showing signs of re-acceleration, the RBI may prefer to maintain current policy rates for a longer period. For banks, this means Lending rates may remain relatively high.

**Credit demand likely to remain Strong but monitored:** While inflation has increased slightly, it is still moderate. Therefore, Retail credit demand may remain stable, Corporate borrowing should continue with economic growth. However, banks may remain cautious about sectors sensitive to food and fuel inflation.

*The rise in CPI inflation in February 2026 signals a mild pickup in price pressures driven primarily by food prices. While inflation remains within the RBI's target range, the uptick may prompt the central bank to maintain a cautious policy stance, keeping interest rates stable for longer and sustaining supportive conditions for the banking sector.*



*Views/opinions expressed in this research publication are views of the research team. The publication is based on information & data from different sources. The Bank or the research team assumes no liability if any person or entity relies on views, opinion or facts and figures finding in this report.*

Visit us at [www.canarabank.com](http://www.canarabank.com)

**Economic Research Vertical**

---

**Madhavankutty G (Chief Economist)**

For Suggestions and views please contact, Economic Research Vertical