

India's CPI Inflation edges up to 3.40% in March'26

India's year-on-year retail inflation, measured by the Consumer Price Index (CPI) with base year 2024, inched up to **3.40% (provisional) in March 2026** compared to 3.21% in February 2026, indicating a mild uptick in price pressures. The rise in inflation was **primarily driven by higher food inflation**, which stood at **3.87% as compared to 3.47% in February 2026**, along with price increases in Pan, Tobacco and intoxicants. Additional upward came from gas and fuel components as well as restaurants and accommodation services, reflecting firming services inflation. Moreover, elevated inflation in personal care due to sharp increases in gold and silver prices further contributed to the rise in headline inflation.

Meanwhile, other major segments such as clothing and footwear, housing, furnishings, health and education remained relatively stable, indicating that broader underlying inflationary pressures continue to be well contained.

Rural inflation remained elevated at **3.63%**, compared to **3.11% in urban areas**, reflecting relatively stronger price pressures in rural regions. Overall, while inflation remains within a comfortable range, the marginal increase highlights the continued influence of food prices and select commodity groups on the inflation trajectory.

Core CPI (Excluding Food and Fuel):

Core CPI stood at **3.37% in March 2026**, broadly aligned with headline inflation of 3.4%, indicating that underlying price pressures remain stable. The limited divergence suggests that the recent uptick in inflation is not broad-based but driven by specific volatile components, while demand-driven inflation across services and non-food categories remains contained.

The stability in core inflation reflects anchored underlying inflation dynamics, with no significant demand-side overheating. This suggests that inflationary pressures are largely supply-driven rather than structural, providing comfort from a monetary policy perspective.

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 **2.67% in March 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 precious metals are distorting headline inflation, masking relatively benign underlying price trends. Excluding these volatile components, inflation appears subdued and well within comfort levels, reinforcing the view that current inflationary pressures are not widespread across the economy.

CPI inflation FY26 (2.07%) Vs FY27 MPC forecast for FY27 (4.06%)

The sharp rise in CPI inflation from 2.07% in FY26 to the Reserve Bank of India's forecast of 4.6% for FY27 reflects a normalization from an unusually low base, but is also influenced by evolving global and domestic factors. Inflationary pressures are likely to be driven not only by improving demand conditions but also by supply-side risks, including potential supply chain disruptions amid ongoing geopolitical tensions, persistence of elevated global commodity prices and uncertainty arising from prolonged conflict situations. Additionally, **any depreciation of the rupee could further amplify imported inflation, especially in fuel and commodities**. Together, these factors suggest that the expected rise in inflation is a combination of demand recovery and external cost pressures, rather than purely demand-driven.

March 2026 Inflation Snapshot (Base 2024=100)

All-India CPI Inflation (March 2026): 3.40% YoY (Provisional)	Food Inflation (CFPI): 3.87%	Housing Inflation: 2.11%	CPI Index Level (March 2026)
Rural: 3.63% Urban: 3.11%	Rural: 3.96% Urban: 3.71%	Rural: 2.54% Urban: 1.95%	Rural: 105.01 Urban: 104.62 Combined: 104.84

Key Driver of Inflation:

Food inflation increased to **3.71% in March** from 3.35% in February, contributing significantly to the rise in headline CPI.

- Meat & fish: Meat: 12.47% (9.73% in Feb'26) & Fish: 7.29% (6.97% in Feb'26)
- Oils & fats: 7.81% (7.37% in Feb'26)
- Vegetables: 1.7% (0.12% in Feb'26)
- Ready-made food: 2.94% (2.14% in Feb'26)

Food inflation is not broad-based driven by protein (meat/fish) and edible oils. This suggests Supply-side pressures, not demand overheating.

Paan, Tobacco and Intoxicants: Inflation in this category rose to **4.23% in March** from 3.5% in February, showing a clear upward trend driven by Taxation (sin goods). This is not demand-driven inflation. It is policy-led / administered inflation.

- Paan & tobacco: 5.22% (3.65% in Feb'26); Cigarettes: 9.74% (5.76% in Feb'26)

Electricity, Gas and Other Fuels: Inflation in this segment increased to **1.65% in March** from 0.14% in February, indicating a sharp pickup in fuel-related price pressures.

- Electricity: -2.42% (-2.39% in Feb'26)
- Gas: 5.27% (1.62% in Feb'26)
- Liquid fuels: 0.54% (-0.72% in Feb'26)
- Solid fuels: 3.91% (2.96% in Feb'26)
 - Coal: 4.28% (2.52% in Feb'26)
 - Firewood: 4.21% (3.06% in Feb'26)
 - Biogas and gobar gas: 5.13% (4.59% in Feb'26)

Overall, fuel inflation rise is driven by gas and solid fuels, despite electricity deflation. This indicates Cost-push inflation as energy inputs become more expensive. Fuel prices acts as second-round inflation trigger influencing transport, food and services.

Transport -This segment reflects broad Stability with Volatility in select Sub-segments. Transport inflation stood at 0% in March, improving from -0.05% in February, indicating overall stability in mobility-related costs.

However, Passenger transport by air (airfares) witnessed a sharp increase to 14.24% compared to (-)7.01% in Feb'26. Despite this spike, the overall impact remains limited due to the low weight of airfares in CPI basket. Other components such as road and rail transport remain largely stable.

While fuel inflation is rising, transport inflation remains contained suggesting that the Pass-through of fuel costs is limited so far. There is no broad-based transmission into logistics and mobility yet, indicating that inflationary pressures remain partially contained at this stage.

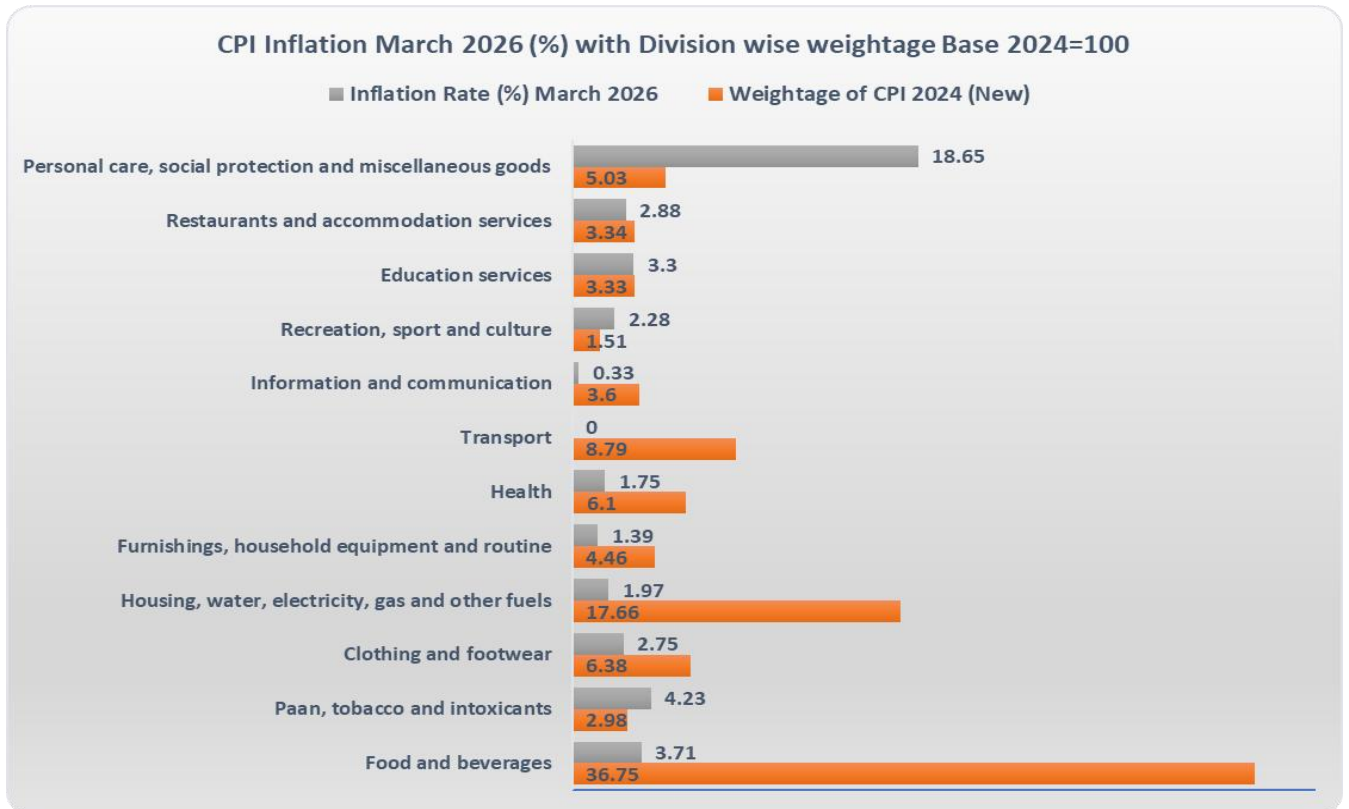
“Fuel cost pressures have been partially contained through excise duty cuts and oil marketing companies absorbing under-recoveries and delaying full price pass-through, particularly in the run-up to elections. However, this is not sustainable. If global crude prices remain elevated amid geopolitical tensions, either OMCs will pass on the accumulated under-recoveries through fuel price hikes, adding to inflation, or the government will absorb the burden via subsidies, leading to higher fiscal deficit and potential upward pressure on bond yields.”

Personal Care: Inflation in the personal care, social protection and miscellaneous goods & services segment remained elevated at **18.65% in March**, largely driven by a sharp surge in precious metal prices.

- Gold (jewellery): 45.92% (vs 48.17% in Feb)
- Silver (jewellery): 148.61% (vs 160.88% in Feb)

Both components continue to exhibit **extremely high inflation**, despite some moderation from February levels. The sharp increase in this segment is overwhelmingly driven by gold and silver, rather than broad-based price pressures. Despite their **low weight in the CPI basket (~0.94%)**, the extreme inflation levels in these items significantly distort the overall inflation reading. This primarily reflects global commodity price movements and safe-haven demand for precious metals rather than domestic demand driven inflation.

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



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 (%)
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%	-	-
Mar-26	104.84	0.26%	-	-

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



The state-wise inflation trend for March 2026 shows a clear concentration of price pressures in select southern and smaller states/UTs, with Telangana reporting the highest inflation at 5.83%, significantly above others. States like Andhra Pradesh, Karnataka, Tamil Nadu and Kerala 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 Rajasthan, Madhya Pradesh and Uttar Pradesh show moderate but persistent inflation, suggesting broad-based demand recovery. The presence of smaller UTs like Sikkim, Puducherry and Lakshadweep reflects localized supply-side constraints and higher volatility in inflation. 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.

Implications for the Economy and Banking Sector

- With CPI at 3.40%, inflation remains well within the RBI's tolerance band (2-6%), indicating macroeconomic stability and supporting steady economic growth.
- The moderate inflation trajectory reduces the need for aggressive rate hikes, allowing the RBI to maintain a status quo or adopt neutral/accommodative stance, supporting liquidity.
- Rising food inflation to 3.87% highlights continued vulnerability to supply-side shocks, especially in perishables.
- Higher rural inflation (3.63%) may erode rural purchasing power, potentially impacting consumption demand, especially for FMCG and essential goods.
- If gold prices rise, CPI may see a marginal uptick, however personal care inflation may look elevated artificially due to bullion prices. Even if CPI stable, rising gold prices create psychological inflation pressure. Additionally higher gold imports may widen the Current Account Deficit and exert pressure on the Rupee while potentially shifting household savings away from banks deposits.

CPI inflation in March 2026 reflects a moderate and controlled price environment, with a slight uptick driven primarily by food and fuel prices while remaining within the RBI's comfort range. Despite ongoing global geopolitical tensions and war-related supply disruptions, inflation remains relatively contained, indicating limited immediate pass-through of global commodity shocks to domestic prices, though risks persist going forward. Going ahead, food price volatility and global uncertainties will be key factors shaping the inflation trajectory and monetary policy stance.



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Economic Research Vertical

Madhavankutty G (Chief Economist), Jaya Kumari (Senior Manager)

For Suggestions and views please contact, Economic Research Vertical