

Jan retail inflation may hit 2.4-3%

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India's consumer price index (CPI)-based inflation rate is likely to have seen an uptick in January, with estimates ranging from 2.45 per cent to 3.2 per cent, a *Business Standard* poll of 10 economists shows.

The National Statistics Office (NSO), under the Ministry of Statistics and Programme Implementation (Mospi), is scheduled to release retail inflation estimates for January on Thursday. As the January CPI inflation print is the first with 2024 as the base year, the estimates differ based on whether economists use old CPI weightings and methodology or adjust to the new series.

Estimates based on the old weighting place the CPI-based inflation rate in January at 2.5-2.6 per cent, while those under the new series peg it at 2.45-3 per cent. The projected uptick in retail inflation, though still within the Reserve Bank of India's (RBI) tolerance band of 2-6 per cent, follows a three-month high of 1.33 per cent in December.

Economists attributed the

expected increase in headline inflation to the food basket's exit from deflation, a rise in core CPI, and higher precious metal prices. With the proposed sharp reduction in the weighting of food & beverages in the CPI — from 45.86 per cent to 36.75 per cent — economists expect food inflation to have a smaller influence in the new series. As a result, higher core inflation could have a larger impact on the retail inflation print.

The new weightings also place a greater emphasis on urban CPI and services components. The most prominent increase in weighting is expected for restaurants and accommodation services in the new series — from 0.01 per cent to 3.35 per cent. Transport and information & communications are also likely to see their weightings increased by 2.43 and 1.38 percentage points, respectively. Of the 10 major

Looking up Retail inflation projections for January



	Basis for calculation (weights)	CPI inflation (%)
Emkay Global	New	3.0
Bank of Baroda	New	2.9
QuantEco Research	New	2.9
SBI Research	New	2.9
IDFC First Bank	Old	2.6
HDFC Bank	Old	2.6
Icra	Old	2.5
CareEdge Ratings	Old	2.5
India Ratings	New	2.5
Canara Bank	New	2.45

Source: BS Research

groups in the CPI basket, the weightings of three groups have been reduced — food and beverages (by 9.1 percentage points), education services (1.13 percentage points) and clothing and footwear (0.15 percentage points) under the new series.

In its last bimonthly review meeting, which concluded on February 6, the RBI's Monetary Policy Committee (MPC) made a marginal upward revision to its 2025-26 inflation projection to 2.1 per cent from 2 per cent projected in December, citing rising precious metal prices. The RBI also raised its Q4FY26

inflation projection to 3.2 per cent from 2.9 per cent and said Q1FY27 could average 4 per cent.

Gaura Sengupta, chief economist, IDFC First Bank, expects the January inflation rate to be 2.6 per cent on the old base. She says it may be too early to make an assessment under the new series until there is further data on index subcomponents, such as the housing index. "The change in weightings (under the new series) will lift headline CPI by 0.4 percentage points to 0.5 percentage points. The actual increase is likely to be lower. The

change in weightings captures only part of the impact. The remaining impact will be the addition of new items such as modern services, rural housing, etc. The gap between the new and old series is likely to be lower than 40-50 basis points. For example, rural housing will pull down the index."

Sakshi Gupta, principal economist, HDFC Bank, says: "I think making any guesses on the new number at this point will be impossible."

Vivek Kumar, an economist at QuantEco Research, says the new CPI series could bring the January inflation figure close to 2.9 per cent due to a decline in the weighting of the food & beverages basket. "Based on the old series, CPI inflation is estimated at 2.53 per cent. The acceleration is on account of a weaker winter seasonality observed in food prices, besides the impact of a sharp runup in precious metal prices, amid a depreciating rupee."

Madhavankutty G, chief economist at Canara Bank, adds that high gold and silver prices will add more than 110 basis points to inflation, based on their weightings.