

New consumer inflation data to bolster policy responses: CEA

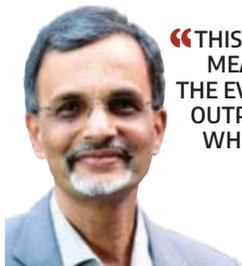
At 2.75%, January price rise well below RBI's target of 4%

HIMANSHI BHARDWAJ
New Delhi, 12 February

India's new Consumer Price Index (CPI) series using 2024 as a base year, unveiled on Thursday, captures the transition in household consumption trends over the past decade with greater spends going towards services even as the share of food in domestic budgets declined, and will help fiscal and monetary policy makers formulate better responses to evolving economic conditions, Chief Economic Advisor V Anantha Nageswaran said.

For January, the All-India CPI inflation rate stood at 2.75 per cent year-on-year, with rural price rise at 2.73 per cent and urban fractionally higher at 2.77 per cent. Food inflation, which was in negative territory till December 2025 under the old series, turned positive in the new series at 2.1 per cent. Nageswaran said the lower weightage for the otherwise volatile group of food and beverages may make the headline inflation less volatile, *ceteris paribus*. "The monetary policy response in particular could become more focused on aggregate demand pressures rather than dealing with supply-induced inflation and dealing with it through a demand-sensitive variable like the interest rate," he said, adding the new series could improve the assessment of development indicators like poverty levels.

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«THIS BRINGS CONSUMPTION MEASUREMENT CLOSER TO THE EVOLVING STRUCTURE OF OUTPUT AND EMPLOYMENT, WHERE SERVICES ACCOUNT FOR A RISING SHARE OF ECONOMIC ACTIVITY»

V Anantha Nageswaran
Chief Economic Advisor

How India spends



ILLUSTRATION: BINAY SINHA

What's in

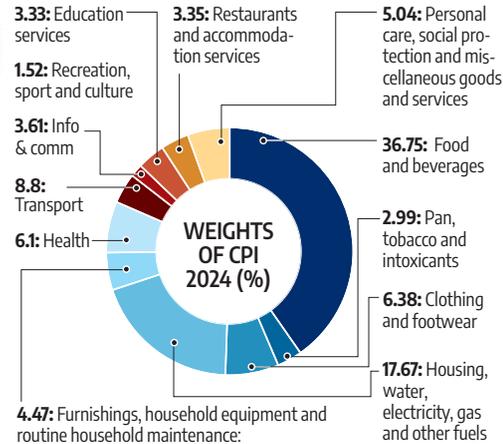
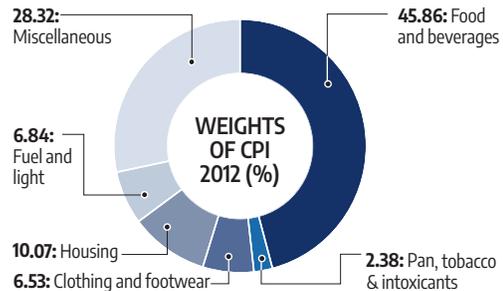
- Air purifier
- Attendant, babysitter
- Diamond, platinum
- Rural housing
- Online media services
- Driver

What's out

- CD, DVD, audio/video cassette, etc
- Torch
- Radio, tape recorder
- Coir/rope
- Clothing second-hand
- Porter charges

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- Economists expect a prolonged pause in rate cut
- Pronab Sen: New CPI will have less instability structurally
- Less weighting for volatile items in new series
- A comprehensive measure of retail inflation: Ashish Kumar



First reading under new series

January inflation rate* at base year of 2024 (%)

| | Rural | Urban | Combined |
|---------------|-------|-------|----------|
| CPI (General) | 2.73 | 2.77 | 2.75 |
| CPI (Food) | 1.96 | 2.44 | 2.13 |

* Provisional

Source: National Statistics Office

New retail inflation data to bolster policy making: CEA

"If CPI volatility declines, it means that fiscal expenditure volatility such as Dearness Allowance (DA) fixation, inflation-indexed bonds, *et al*, which are linked to CPI could also become more stable, predictable and reliable, and this could give better budget predictability and visibility as well to fiscal numbers," he said.

With the housing component of the CPI now including rural rental costs and improving sampling coverage, the CPI now captures housing costs more accurately across regions. This leads to a better measurement of the rural cost of living, reducing the urban bias in inflation estimation, the CEA reckoned, while speaking at a Ministry of Statistics and Programme Implementation (Mospi) event to mark the launch of the new CPI series.

"As a result, poverty estimates become more accurate since real consumption and real income calculations depend directly on CPI. Improved cost of living measurement also enhances the targeting efficiency of welfare schemes, ensuring that benefits, subsidies and social transfers are better aligned with actual regional price realities," he stressed.

"Reflecting Engel's Law, the proportion of weights assigned to the food basket has come down in the new series. The weight of food and beverages has come from 45.86 per cent in CPI 2012 series to 36.75 per cent... it also reflects the reallocation of certain items to other categories more discretionary in nature such as restaurants and services. At a macro level, this reflects a progressive diversification of expenditure towards health, education, mobility and connectivity which is what you would expect to see from an economy which is seeing rising incomes and rising living standards," Nageswaran underlined. According to Engel's law, as one's income rises, the proportion of income spent on food falls.

Such rebalancing is typically also associated with income growth and productivity gains, he noted, adding it brings consumption measurement closer to the evolving structure of output and employment where services account for a rising share of economic activity. Moreover, as the new series recognises the growing role of digital

channels in price formation, it would help in better distinguishing urban and rural dynamics of inflation at the state level and the sub-class and sub-item level as well.

The new series replaces the earlier six-group classification with 12 divisions to align with international standards and uses the HCES 2023-24 for updating the household consumption basket. The number of weighted items in the basket has increased to 358 from 299 earlier. Within this, goods have risen to 308 from 259, while services have expanded to 50 from 40, indicating a notable increase in the share of services in household consumption. It adds rural housing, online media and streaming services, value-added dairy, barley products, pen drives, and exercise equipment while removing outdated items like VCRs and DVD players, radios, tape recorders, second-hand clothing.

Emphasising the scale of the CPI updation effort, Saurabh Garg, Secretary, Ministry of Statistics and Programme Implementation, said this marked the culmination of a two-year long exercise. "On the ground, we have nearly 10,000 enumerators who are going week after week, month after month to collect the data. So, a lot of effort goes in, on the part of the enumerators," he noted.

The ministry plans to institutionalise base revisions of CPI at regular intervals. "We did the last household consumer expenditure survey in 2023-2024 and we have programmed to have the next one in 2027-2028. The international norm is to revise these macroeconomic indices every five years and we hope to be able to follow that," Garg said.

The CEA said with the new data sets, including the upcoming revision in national accounts due in a few weeks' time, India "may even be going one step ahead of others in the way we will be collating, compiling and presenting key macroeconomic statistics on output and prices going ahead".

"Finally, alignment with the international accepted COICOP 2018 framework strengthens confidence in the relevance and quality of official statistics and increases their comparability across nations. The combination of updated weights, expanded coverage and improved methods for collecting and

collating data demonstrates the capacity to systematically modernize core statistical indicators. This reinforces

institutional credibility in generating reliable macroeconomic data," Nageswaran concluded.

AI fears push Nifty IT to over 9-month low

Gaurav Vasu, founder and chief executive officer of UnearthInsights, said the Indian selloff mirrors trends in the US market. "Beyond the Anthropocene impact, the US is expected to have a new Federal Reserve head. On employment data, expectations were that tech would not add many jobs. Given the layoffs we have been seeing, the employment data is not a surprise for the tech sector," he said.

Index heavyweights Tata Consultancy Services (TCS), Infosys, Tech Mahindra, Coforge, Oracle Financial Services Software, and LTIMintree declined between 6 per cent and 7 per cent. Among non-index stocks, Sonata Software, KPIT Technologies, Birlasoft, Cigniti Technologies, and Zensar Technologies fell 6-8 per cent.

Meanwhile, TCS, Wipro, Cyient, and Hexaware Technologies hit their respective 52-week lows. Infosys fell 6 per cent to ₹1,380.60 in intraday trade and is now 6 per cent away from its 52-week low of ₹1,307, touched on April 7, 2025.

Over the past two trading sessions, the Nifty IT index has declined 7 per cent, while losses over the last seven trading days stand at 14 per cent.

"Today's decline in Indian IT stocks was driven by stronger-than-expected US employment data and a marginal drop in the unemployment rate, which has reduced expectations of an early rate cut by the US Federal Reserve. This pressure was further compounded by ongoing concerns around AI-led disruption in the sector," said Vinod Nair, head of research at Geojit Investments.

Indian IT stocks were also weighed down by concerns that AI-native platforms could move up the value chain and automate outsourced work. Global software-as-a-service

(SaaS) companies, including Salesforce and other enterprise software firms, also saw heavy selling as markets priced in faster AI-led disruption to legacy business models, ICICI Securities said.

Vasu said the impact of Claude Cowork is likely to be more pronounced in operations and business process outsourcing (BPO). "The impact will be felt in BPO, KPO, and legal services. The latest Anthropocene release poses a threat to the traditional full-time equivalent (FTE)-based model. It could lead to a 5-10 per cent impact on core coding for generic tech services and a 10-15 per cent impact on operations such as finance, procurement, and HR," he said.

However, analysts cautioned that enterprise adoption of such tools may not be straightforward.

Yugal Joshi, partner at Everest Group, said periods of intense hype make it difficult to distinguish between incremental change and genuine step shifts. "Claude Cowork appears to be a step change. While building plugins on enterprise data is not new, the quality of output could be a differentiator. However, what emerges from the tech world and what actually gets adopted by enterprises can be materially different," he said.

Last week, Cognizant Chief Executive Officer Ravi Kumar said the assumption that new AI tools could be seamlessly plugged into enterprises to immediately replace large portions of IT services work is misplaced. "If a tool could simply be plugged into an enterprise and magically start delivering output, that value would have already shifted over the last three years. The reality is that the value is still sitting with infrastructure and has not fully migrated to enterprises," he said.

DAC clears Rafale fighter jets, defence buys worth ₹3.6 trn

Besides indigenous missiles, the Scalp was used by India during its conflict with Pakistan last year.

"The combat missiles will

enhance the stand-off ground attack capability with deep strike power and very high accuracy," the statement said, adding that the AS-HAPS