

Inflation to be benign in FY27, global risks may stay

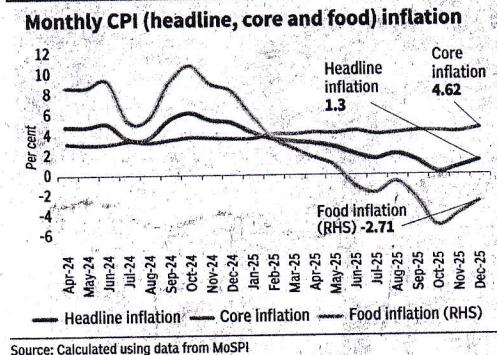
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The Economic Survey expects retail inflation based on the Consumer Price Index (CPI) to be benign in fiscal year 2026-27 (FY27).

"For FY27, both the RBI and the IMF project a moderate uptick in headline inflation, though it is expected to remain within the MPC's 2-6 per cent target band. The Economic Survey similarly anticipates somewhat higher headline and core inflation (excluding precious metals) relative to FY26. Nevertheless, inflationary pressures are expected to stay contained," stated the Survey, which was tabled in Parliament on Thursday.

However, risks from currency fluctuations, base metal price surges and global uncertainties are likely to persist, warranting ongoing monitoring and adaptive policy responses. "The prices of precious metals, both gold and silver, are



Source: Calculated using data from MoSPI

likely to continue increasing due to their sustained demand as safe-haven investments amid global uncertainties, unless a durable peace is established and trade wars are resolved," the Survey said, adding that India's inflation rate — headline and core, excluding precious metals — will likely be

modest uptick, from 3.8 per cent in October 2024 to 4.62 per cent in December 2025, primarily due to the price rise in precious metals.

When the influence of precious metals is removed, core inflation also followed a similar trend to headline inflation, moderating to 2.3 per cent in December 2025.

RURAL INFLATION DIPS

Domestic inflation averaged 1.7 per cent for the first three quarters (April to December

2025), the lowest in the existing CPI series. The moderation in retail inflation can primarily be attributed to the general disinflationary trend in food and fuel prices, which together account for 52.7 per cent of India's CPI basket, the Survey said. Unlike previous years, rural inflation declined and remained lower than the urban inflation, thereby further reducing any rural stress.

As the inflationary pressures eased, the RBI has reduced the policy rate by 125 basis points since February 2025. In 2025, the government has undertaken proactive interventions, such as reducing the import duty on crude edible oil from 20 per cent to 10 per cent and strategic releases of buffer stocks, to ensure that food prices remain under control and volatility is minimised. Further, "the rationalisation of GST rates ahead of the festive season in 2025 had helped temper the prices of many consumer goods and services," the Survey said.