

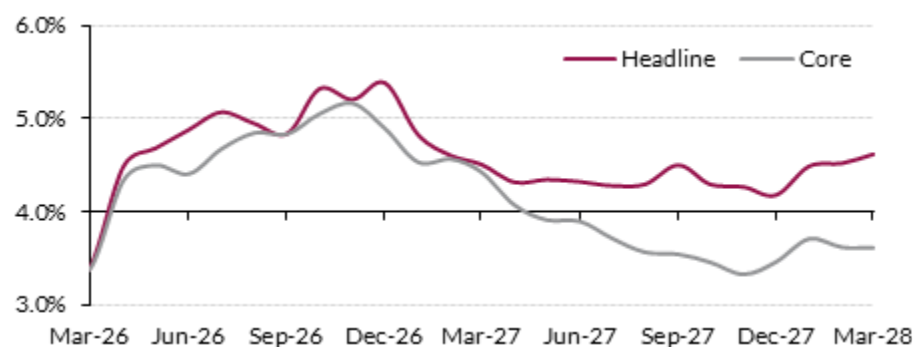
Inflation up mildly, but multiple (one-off) upside risks ahead

March CPI inflation YoY rose 20bps from Feb to 3.4% YoY. Both food and non-food inflation picked up. Food due to globally exposed prices of meat, pulses and edible oils, and non-food due to housing, and fuel (electricity, gas). Going forward, while in the past rainfall and food prices have been weakly linked, and higher groundwater and reservoir levels should help, IMD's projection of a weaker monsoon can be a risk to food prices. Weaker gold prices mean lower core inflation, but global shortages due to blockades can drive upside risks. If energy prices remain high, overall prices must rise to destroy the necessary demand; monetary policy need not respond to one-time shocks, though.

13 Apr 2026

CPI inflation update

Exhibit 1: Baseline inflation comes off in 2027, but risks in core



Source: MOSPI, Axis Bank Research

March inflation rises 20bps vs. Feb to 3.4% YoY, due to global food, LPG

March CPI inflation rose mildly to 3.4% YoY (vs. 3.2% in Feb) to the highest level since Apr'26. Food inflation increased from 3.4% in Feb to 3.7% in March mainly due to meat, pulses and edible oils, while non-food inflation picked up due to electricity and gas in housing (Figs 2-3). Meat, edible oils and pulses largely track global prices, which have increased (Fig 4). An uptick in vegetables was driven more by a specific item (garlic), while the overall basket tracked prices of potato/onion/tomato where trends are now similar to those seen last year with the high base fading (Fig 5).

Underlying inflation remains soft, with limited impact of oil, INR so far

Core inflation remained stable, with both RBI's measure of core inflation and the weighted median ticking lower (Fig 6). Import and oil price sensitive items are higher in line with global prices, though the INR weakness is not reflected yet (Fig 6). If oil prices stay elevated, RBI's estimated headline inflation at 4.6% for FY27 (Fig 8) would be too low, in our view, and even below the midpoint of RBI's fan-chart at 5.3% (Fig 7). The Monetary Policy Review estimated 4.6% at US\$85/bbl, but with every 10% upside pushing inflation by 50 bps, a 5% USDINR weakening from 94 raising inflation by 40 bps and El-Nino by 20 bps.

IMD monsoon projections add to risks, but reservoir levels healthy for now

The IMD monsoon projection released today shows below average rains (92% of long-term average, Fig 10). We find that the link between weaker rainfall and higher inflation has softened of late (Fig 11). Reservoir levels are 10pp higher than normal (Fig 12), which should soften the blow, given expanding irrigation networks. As should better ground-water levels. However, risks remain to the upside due to weak rains. Core inflation should ease with the high gold base, [global shortages due to blockades](#) can push up prices.

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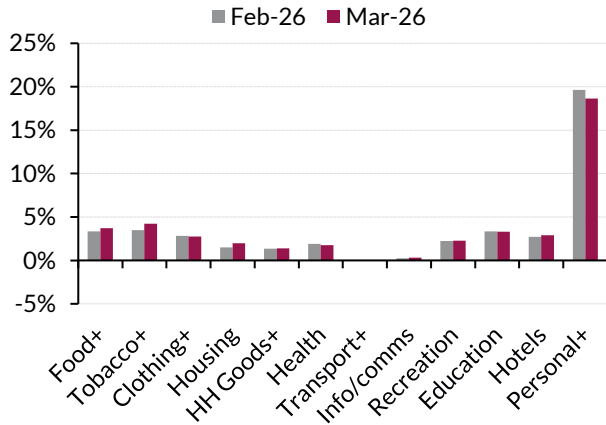
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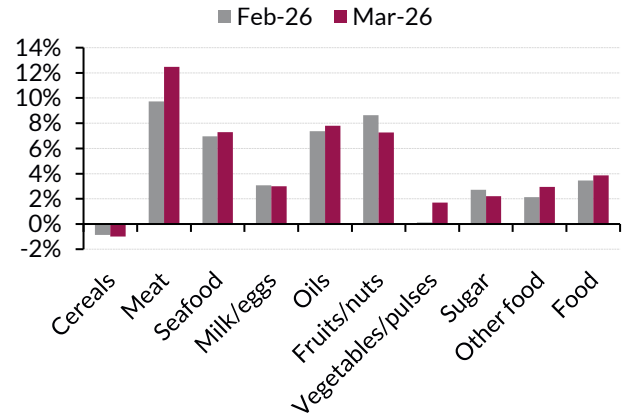
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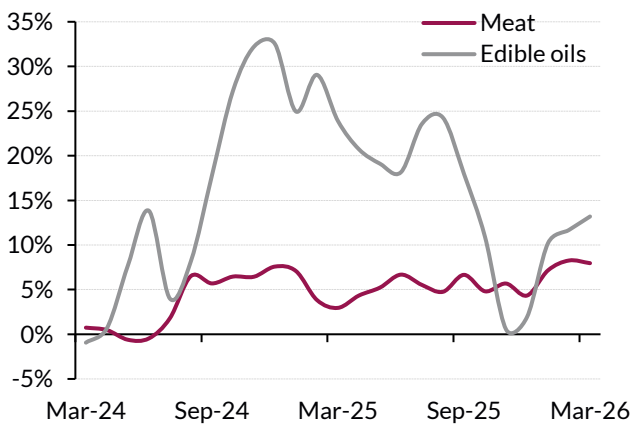
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Exhibit 2: Headline inflation up on food, electricity/gas (housing) and tobacco (excise)


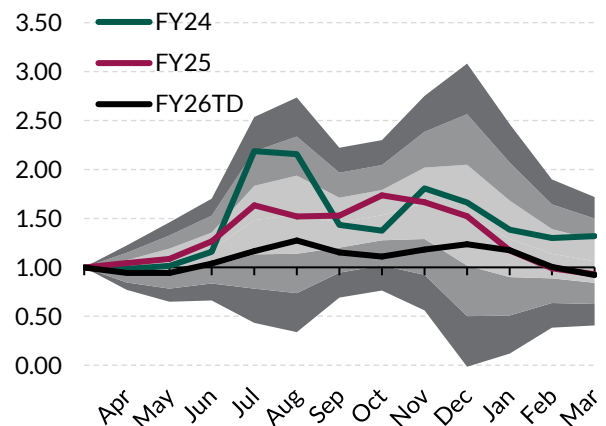
Source: MOSPI, Axis Bank Research

Exhibit 3: Within food, meat and edible oils responsive to global trends, higher


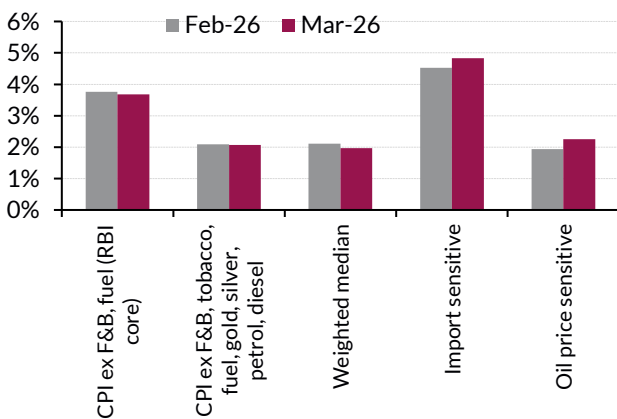
Source: MOSPI, Axis Bank Research

Exhibit 4: Global prices of meat and edible oils higher


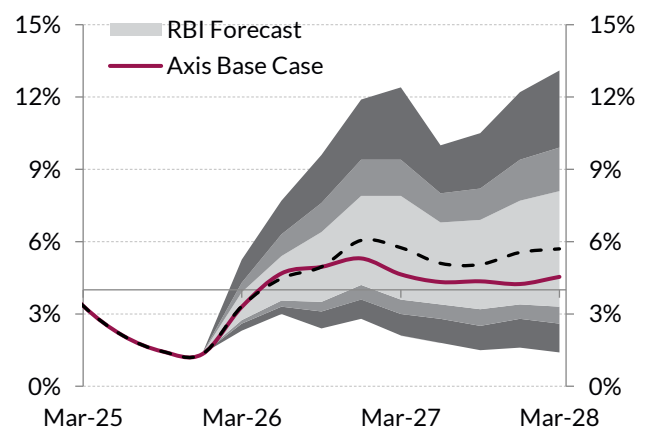
Source: FAO Axis Bank Research

Exhibit 5: Potato, Onion, Tomato prices, normalised – high base is gone, but no fresh inflation despite heat


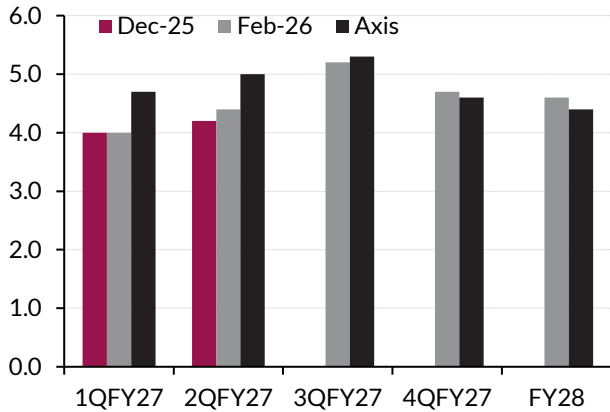
Source: DCA, Axis Bank Research

Exhibit 6: Core inflation numbers are largely flat


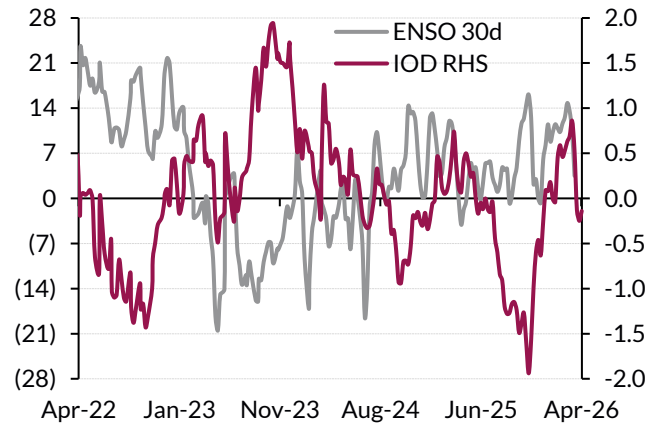
Source: MOSPI, Axis Bank Research

Exhibit 7: RBI fan chart shows upside risks to inflation, with the centre of the grey region at 5.2%


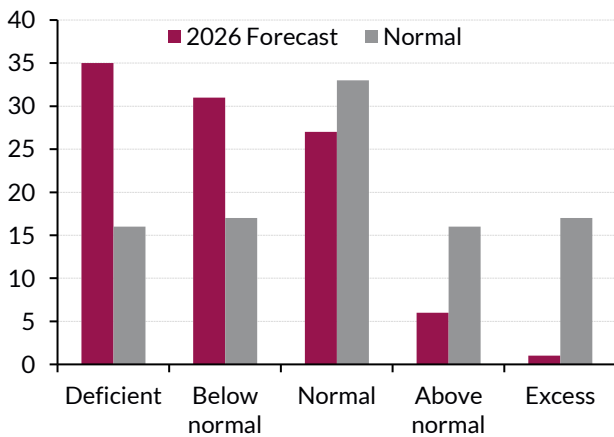
Source: MOSPI, Axis Bank Research

Exhibit 8: RBI headline forecasts are lower than fan chart and our own projections


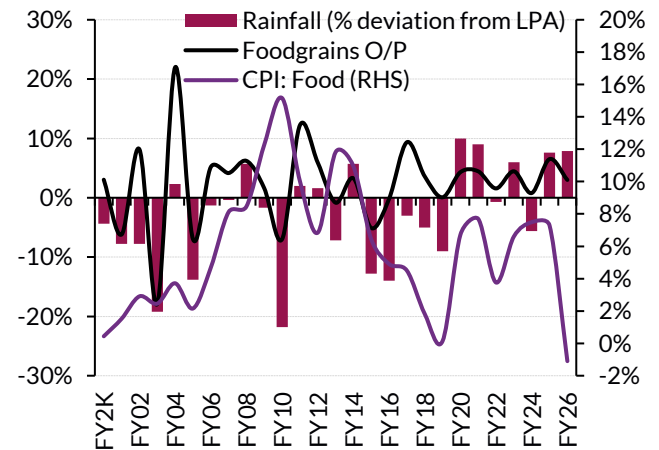
Source: RBI, MOSPI, Axis Bank Research

Exhibit 9: El Nino and Indian Ocean Dipole metrics potentially indicating a less good monsoon this year


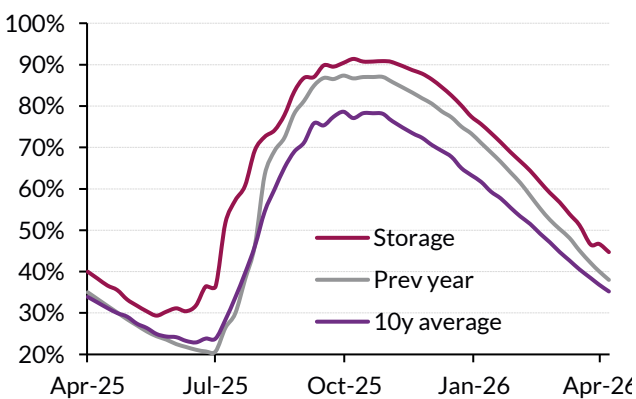
Source: Australia Bureau of Meteorology, Bloomberg, Axis Bank Research

Exhibit 10: Probability of monsoon this year - well to the left of normal


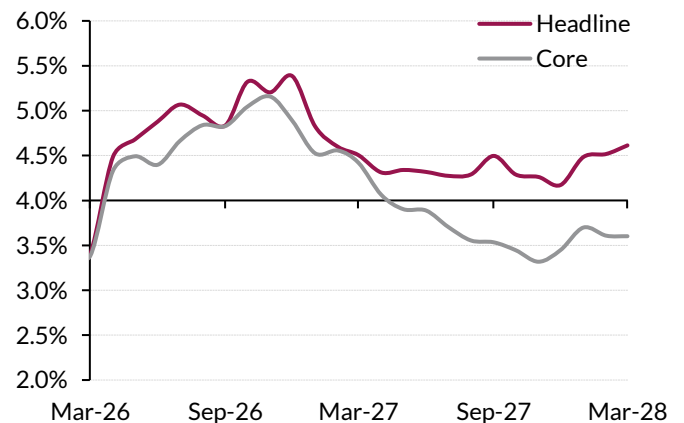
Source: IMD, Axis Bank Research

Exhibit 11: CPI inflation and crop output with rains - relationship is weaker


Source: IMD, MOSPI, Desagri, Axis Bank Research

Exhibit 12: Reservoir storage (%capacity) above long term levels


Source: CWC, Axis Bank Research

Exhibit 13: Core still seen coming lower because of high gold base and weaker growth, but this is another risk


Source: MOSPI, Axis Bank Research

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