

January CPI Inflation at 2.75% as per the New 2024 Series

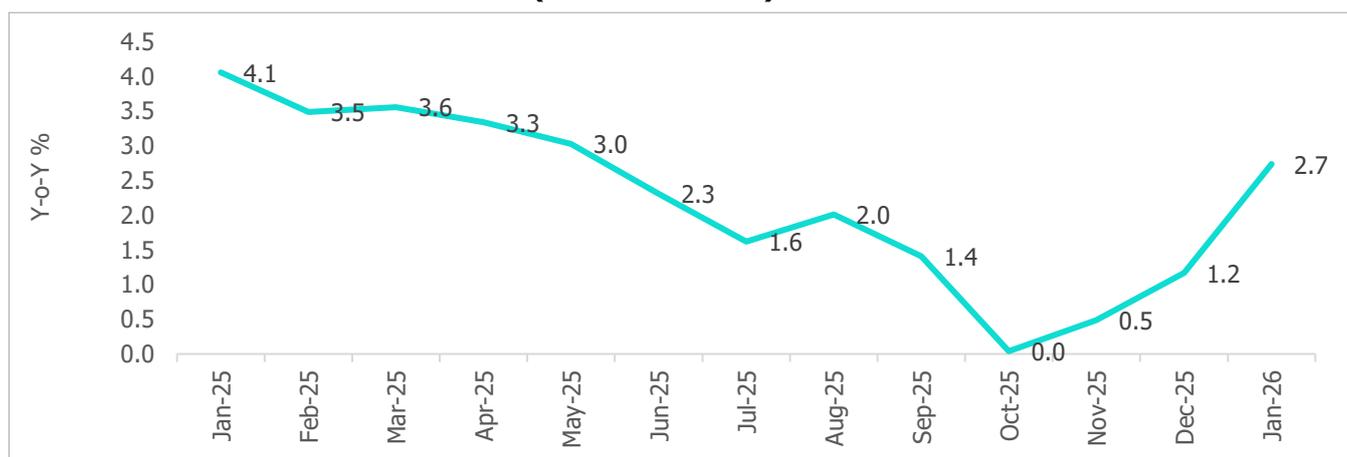
February 12, 2026 | Economics

As per the new 2024 series, India's CPI inflation was reported at 2.75% in January 2026, higher than 1.2% in December 2025 (imputed under the new series). Waning of a favourable base effect and a sharp rise in precious metal prices are expected to have resulted in higher inflation. We estimate CPI inflation, excluding food and beverages, to be at 3.2% in January 2026.

In January 2026, food and beverages inflation was recorded at 2.1%. Going forward, a seasonal rise in the food and beverage category towards the end of March could exert upward pressure on food inflation. Further in FY27, probability of an El-Nino weather event could adversely affect food inflation.

According to the new CPI divisions, price pressures in personal care, social protection, and miscellaneous goods were elevated, with inflation at 19%. This can be attributed to the high prices of the precious metals component. Gold and silver prices remain at elevated levels despite some moderation in early February.

Exhibit 1: Trends in Headline Inflation (Year-on-Year %)



Source: MOSPI, CareEdge. Imputed from the new series using the linking factor.

Table 1: National Level Division-wise Inflation Rate (Year-on-Year %)

Headline & Division-Wise Inflation	CPI Inflation (Jan-26) %, YoY
Headline	2.7
Food and Beverages [36.8]	2.1
Housing, Water, Electricity, Gas and Other Fuels [17.7]	1.5
Transport [8.8]	0.1
Clothing and Footwear [6.4]	3.0
Health [6.1]	2.2
Personal Care, Social Protection and Miscellaneous Goods and Services [5.0]	19.0
Furnishings, Household Equipment and Routine Household Maintenance [4.5]	1.5
Information and Communication [3.6]	0.2
Restaurants and Accommodation Services [3.3]	2.9

Education Services [3.3]	3.4
Paan, Tobacco and Intoxicants [3.0]	2.9
Recreation, Sport and Culture [1.5]	2.3

Source: MOSPI, CareEdge. Weight in bracket.

Way Forward

Looking ahead to Q4 FY26, we expect CPI inflation to average 3.2%, bringing full-year inflation to 2.1%. In FY27, assuming a normal monsoon, inflation is projected to rise to an average of 4.3%, as the favourable base effect fades. It will be important to closely monitor geopolitical tensions between the US and Iran, as they could affect energy prices. We expect the RBI to pause on both interest rates and its policy stance going forward, unless significant downside risks to growth materialise.

New 2024 CPI Series: Key Changes

To enhance the accuracy of measuring retail inflation in the Indian economy, the Ministry of Statistics and Programme Implementation (MOSPI) has introduced a new series with 2024 as the base year. The revision reflects structural changes in the economy through updated compilation methodologies and the incorporation of new data sources. As incomes and aspirations have evolved in India, consumer preferences and consumption patterns have also undergone significant changes, especially after the pandemic. Updating the base year will enable more accurate capture of these shifts by revising item weights and incorporating new goods and services into the basket. We believe these improvements will significantly enhance the credibility and reliability of price data and could potentially lead to an upgrade from 'B' to 'A' in the IMF's Data Adequacy Assessment for Price Indices. Key Changes include:

- **Enhanced Market Coverage:** In the 2024 series, price data will be collected from 1,465 rural markets, compared to 1,181 in the 2012 series. The number of urban markets has also increased to 1,395 from 1,114. Additionally, 12 online markets have been included in the new series, which were not covered in the 2012 series.
- **Expanded and More Representative Consumption Basket:** The 2024 series includes a total of 358 items, up from 299 in the 2012 series. The updated basket incorporates several new items reflecting changing consumption patterns, such as smartphones, fitness trackers, wireless earphones, app-based transport services, international airfares, air purifiers, and e-commerce-based price data. At the same time, obsolete items like VCD/DVD and Horse Cart Fare have been removed to better reflect consumption trends.
- **Improved Data Collection Methods:** The 2024 series transitions from manual, 'pen-and-paper' data collection to a tablet-based software application. This system enables real-time data validation, geo-tagging of retail outlets, and dashboard-based assessment of data collection. In addition, alternative data sources, including e-commerce platforms, online streaming services, and telecom/internet service provider websites, will be utilised.
- **Methodological Enhancements and Changes:** Several methodological improvements have been introduced in the 2024 CPI series to capture inflation trends better.
 - **Aggregation and Price Imputation:** Notably, the compilation of elementary indices will shift from the Jevons long-term index to the Jevons short-term index at the individual transaction level. This enables replacement of missing or seasonal items in the sample over time. In contrast, the 2012 series redistributed weights in cases where price information was unavailable.

- **Enhanced coverage of House Rent:** Unlike in the previous series, where only urban house prices were considered, in the new series, both rural and urban areas are covered. Additionally, employer-provided accommodation is now excluded from the sample.
- **Social Transfer:** Free social transfers such as Pradhan Mantri Grameen Kalyan Anna Yojana (PMGKAY) will not be included in the CPI basket.
- **Better data dissemination:** Previously, rural, urban, and combined inflation data were not available at the item level. Under the new system, rural, urban, and combined inflation data will be available at the item and State/UT levels.

Composition of New Basket- Changes in Weights

The weights of items in the CPI basket have changed due to shifts in consumption patterns and reclassifications across categories. The latest Household Consumption Expenditure Survey (HCES) 2023-24 has been used to determine the item basket and its corresponding weights for the CPI 2024 series.

Table 2: Comparison of Weights in New and Old CPI Basket

12 Broad Categories	New Weights	Old Weights	Change in Weights
	%		pp
Food and Beverages*	36.8	43.4	-6.7
Paan, tobacco and intoxicants	3.0	2.4	0.6
Clothing and Footwear	6.4	6.5	-0.1
Housing, water, electricity, gas and other fuels	17.7	16.9	0.8
Furnishings, household equipment & maintenance	4.5	3.8	0.7
Health	6.1	5.9	0.2
Transport	8.8	6.4	2.4
Information and communication	3.6	2.2	1.4
Recreation, sport and culture*	1.5	2.2	-0.7
Education services*	3.3	3.5	-0.2
Restaurants and accommodation services*	3.3	2.4	0.9
Personal care, social protection, misc. goods & services*	5.0	4.3	0.8
Total	100.0	100.0	

Source: MOSPI, CareEdge. *Old Weights are adjusted to make them comparable with the newer categories.

Among major categories, the share of food in the overall basket has dropped sharply by 9.1 percentage points (pp). It is critical to note that of the 9.1 pp reduction in food's overall weight, 2.4 pp reflects the reclassification of restaurant services as a separate head, which was previously included under cooked meals/snacks in the food basket. Adjusting for reclassification, the fall in the share of food is ~6.7 pp. The reduction in food's share aligns with expectations, as food expenditure typically declines as per capita income rises. A lower weight for food makes headline inflation less vulnerable to volatility caused by supply-driven shocks in food prices. Additionally, the decline in the share of education is largely due to the reclassification of certain items. For instance, books and journals have been moved to the recreation category, while photocopying charges are now classified under miscellaneous items. Additionally, the marginal fall in share of education (-0.2 pp after adjustments for reclassification) is in line with rise in median age of the population from 24 years in 2010 to 29 years in 2025.

Contact

Rajani Sinha	Chief Economist	rajani.sinha@careedge.in	+91 - 22 - 6754 3525
Sarbartho Mukherjee	Senior Economist	sarbartho.mukherjee@careedge.in	+91 - 22 - 6754 3424
Akanksha Bhende	Senior Economist	akanksha.bhende@careedge.in	+91 - 22 - 6754 3424
Mradul Mishra	Media Relations	mradul.mishra@careedge.in	+91 - 22 - 6754 3596

CARE Ratings Limited

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Phone : +91 - 22 - 6754 3456 | CIN: L67190MH1993PLC071691

Connect:     

Locations: Ahmedabad | Andheri-Mumbai | Bengaluru | Chennai | Coimbatore | Hyderabad | Kolkata | Noida | Pune

About Us:

CareEdge is a knowledge-based analytical group offering services in Credit Ratings, Analytics, Consulting and Sustainability. Established in 1993, the parent company CARE Ratings Ltd (CareEdge Ratings) is India's second-largest rating agency, with a credible track record of rating companies across diverse sectors and holding leadership positions in high-growth sectors such as BFSI and Infra. The wholly-owned subsidiaries of CareEdge Ratings are (I) CARE Analytics & Advisory Private Ltd., (II) CARE ESG Ratings Ltd., and (III) CareEdge Global IFSC Ltd. CareEdge Ratings' other international subsidiary entities include CARE Ratings (Africa) Private Ltd. in Mauritius, CARE Ratings South Africa (Pty) Ltd., and CARE Ratings Nepal Ltd. For more information: www.careedge.in.

Disclaimer:

This report is prepared by CARE Ratings Limited (CareEdge Ratings). CareEdge Ratings has taken utmost care to ensure accuracy and objectivity while developing this report based on information available in public domain. However, neither the accuracy nor completeness of information contained in this report is guaranteed. CareEdge Ratings is not responsible for any errors or omissions in analysis / inferences / views or for results obtained from the use of information contained in this report and especially states that CareEdge Ratings has no financial liability whatsoever to the user of this report.

Privacy Policy applies. For Privacy Policy please refer to https://www.careratings.com/privacy_policy

© 2026, CARE Ratings Limited. All Rights Reserved.

This content is being published for the purpose of dissemination of information required as per applicable law and regulations and CARE Ratings Limited holds exclusive copyright over the same. Any reproduction, retransmission, modification, derivative works or use or reference to the contents, in whole, in part or in any form, is prohibited except with prior express written consent from CARE Ratings Limited.