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Macroeconomics | First cut

Shielded by policy, so far

May 2026

April inflation a tad higher; upside risks yet to materialise

Inflation based on the Consumer Price Index (CPI) rose mildly to 3.48% in April from 3.40% in March.

While the conflict in West Asia has crossed 74 days, the upside risks to retail inflation seem to be materialising at a snail's pace, indicating that the consumer remains largely protected so far.

The food basket saw some impact of the conflict, in categories such as vegetable oils and ready-made food.

Inflation in the electricity, gas and fuels category eased, supported by the base effect, while that in transportation fuels remained unchanged owing to the government's decision to keep pump prices of petrol and diesel steady.

The expected pass-through of higher energy and other input prices to consumers of various products and services is yet to play out in the aggregate core inflation, which remained unchanged at 3.7% for the fourth consecutive month. Although inflation in restaurants and accommodation services as well as household furnishings, equipment and maintenance increased as expected, a slower rise in precious metal inflation provided some cushion.

We expect CPI-based inflation to average 5.1% in fiscal 2027 as against 2.0% in fiscal 2026, driven by a low-base effect and expectations of intensifying price pressures in major segments.

- While the government has restrained the rise in retail fuel inflation by keeping the pump prices of petrol and diesel unchanged, these could come under pressure in the coming months. Crude prices are expected to average 32% higher on-year at $90-95 per barrel in the current fiscal[1]
- Producers are expected to pass on the sharp rise in the cost of energy and other inputs, as well as trade and transportation, to consumers, which will likely raise core inflation. The conflict in West Asia has disrupted supply chains and pushed up international freight and insurance costs. This, coupled with a depreciating rupee, will increase the cost of imported inputs

[1] *See Crisil, 11 May 2026, 'Shock and woe: Revising our India economic outlook as risks to resilience rise'*

- Expected below-normal monsoon rainfall amid likely El Niño conditions and the ongoing heatwaves can hurt agricultural production and exert pressure on food inflation, which is normalising from its lows.
- We expect the Reserve Bank of India's Monetary Policy Committee to keep rates and stance unchanged in the forthcoming monetary policy.

Highlights

- Headline retail inflation rose to 3.48% in April from 3.40% in March
- Food inflation increased to 4.2% from 3.9%
- Inflation in electricity, gas and fuels eased to 0.7% from 1.7%, while that in fuels for personal transport was unchanged at 0.1%
- Core[2] inflation was steady at 3.7%. Excluding gold and silver[3], it saw a slight pick-up to 2.2% from 2.1%

Food inflation normalised further

Food and beverage inflation picked up to 4.0% in April from 3.7% in March. Food inflation, too, rose to 4.2% from 3.9%.

- Foodgrain inflation remained benign. Deflation in cereals and products (-0.2% vs -0.5% in March) as well as pulses, excluding pulse products, narrowed (-1.7% vs -4.1%). Within cereals, deflation in rice not distributed through the public distribution system (PDS) (-0.5% vs -0.8%) as well as wheat not distributed through PDS (-1.8% vs -3.2%) reduced. Within non-PDS pulses, while deflation narrowed in tur (-4.9% vs -9.5%), inflation in moong (0.5% vs -0.2%) and masur (3.9% vs 3.2%) rose
- Fresh vegetables and tubers saw slightly lower inflation (3.8% vs 3.9%). Among vegetables, inflation in tomato eased only marginally (35.3% vs 36.0%) from high levels, while deflation continued in onion (-17.7% vs -27.8%) and potato (-23.7% vs -19.0%) amid high domestic supplies. In the near term, Crisil Intelligence expects increased price pressures in all three categories. Tomatoes, will be a major monitorable, given lower summer sowing and heatwave concerns for key northern producers
- Inflation picked up in fish and seafood (8.6% vs 7.3%), fruits and nuts (7.9% vs 7.3%), and oils and fats (9.2% from 7.8%). Within oils and fats, inflation in vegetable oils saw a considerable uptick (10.7% vs 9.0%) as the conflict in West Asia continued to drive up global prices (FAO Vegetable Oil Price Index in April was at its highest reading since July 2022), while elevated freight costs and rupee depreciation added to the import cost

[2] CPI, excluding food and beverage; electricity, gas and fuels; and fuels and lubricants for personal transport equipment, as per the Reserve Bank of India's (RBI's) calculation in its April 2026 Monetary Policy Report
[3] Core, excluding gold/ diamond/platinum jewellery and silver jewellery, as cited in the Monetary Policy Report

- Inflation in ready-made foods and other food products category also picked up (3.8% vs 2.9%), driven by a inflation uptick in ready-made food (2.9% vs 2.3%) owing to the pass-through of higher input and packaging costs. Spices, herbs and seeds also saw inflation accelerate (4.7% vs 3.5%)
- Sugar, confectionery and desserts saw inflation slow a tad (2.1% vs 2.2%), driven by slowing inflation in sugar (1.4% vs 1.9%).
- Inflation in milk, other dairy products and eggs picked up slightly (3.1% vs 3.0%)

Fuel inflation eased

Fuel inflation (electricity, gas and other fuels) eased to 0.7% from 1.7%, led by softening in electricity and liquefied petroleum gas (LPG), which have relatively higher weights

- Deflation in electricity deepened (-3.4% vs -2.5%)
- Inflation in LPG and piped natural gas (PNG) eased to 3.0% from 5.3% on the back of the base effect
- The weighted average inflation rate for the remaining sub-categories (kerosene, coal, firewood and chips) picked up to 5.3% from 3.9%, driven by substitution effects as consumers switched from costlier and/or short supplies of LPG
- The segment is expected to see further price pressures (LPG in particular) as the conflict in West Asia prolongs

Core inflation was steady

Core inflation[4] stayed broadly unchanged at 3.7%.

- House rental inflation was steady at 2.0% while inflation in furnishings, household equipment and routine household maintenance picked up to 1.6% from 1.4%. This was driven by narrowing deflation in major electric and other household appliances (-0.2% vs -0.9%) and an inflation uptick in furniture, furnishings and loose carpets (2.5% vs 2.2%); glassware, tableware and utensils (3.5% vs 2.9%) and small household appliances (1.4% vs 0.9%). This is likely a result of pass-through of higher input and energy costs as well cases of rupee depreciation in case of imported inputs. In the case of major household appliances, the continued impact of the goods and services tax (GST) rate rationalisation prevented the development of inflationary pressures. In particular, air conditioners, refrigerators and washing machines all saw narrowing deflation
- Clothing and footwear inflation was steady at 2.8% for the third consecutive month
- Inflation in the transport category was unchanged at 0.0%, with almost negligible impact of the conflict in West Asia, so far. Petrol inflation saw a mild uptick (0.1% vs 0.0%) while diesel inflation

[4] *Excluding food and beverages; electricity, gas and other fuels; and fuels and lubricants for personal transport equipment, as per RBI's calculation in its April 2026 Monetary Policy Report*

eased to 0.0% from 0.2% on account of the base effect (only premium variants of petrol and diesel have seen retail price hikes so far, with most consumers remaining shielded). Domestic airfare saw elevated but easing inflation(11.1% vs 14.2%). However, persistently elevated global crude prices (now expected to average $90-95/bbl in fiscal 2027) create a likelihood of a future hike in the prices of petrol and diesel. Their weight is also higher in the revised 2024 CPI series compared with the 2012 series

- Inflation in the information and communication category rose to 0.5% from 0.3%. Televisions saw narrowing deflation (-3.6% vs -4.4%) likely due to rupee depreciation leading to increased cost pass-through, with the impact of GST rate rationalisation capping the rise (as is the case in the white goods mentioned above)
- Inflation in health (1.6% vs 1.8%) and education services (3.2% vs 3.3%) declined
- Inflation in restaurant and accommodation services picked up significantly to 4.2% from 2.9%, owing primarily to significantly higher cooking fuel prices being passed through. So far, commercial LPG cylinder prices have increased thrice since the onset of the West Asia conflict and the category is expected to see further inflation going forward, as the latest price hike (at the start of May) gets passed through to consumers. Inflation in the recreation, sport and culture category was 2.1% (vs 2.3%)
- The personal care, social protection and miscellaneous category saw lower inflation (17.7% vs 18.6%), led by a fall in the prices of gold, diamond and platinum jewellery (40.7% vs 45.9%) as well as silver jewellery (144.3% vs 148.4%), in line with the correction in global prices.

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