

## India Economy Update: February 2026

### Retail inflation: Core inflation moderates, but food accelerates

- CPI inflation moved higher to 2.75% YoY (est: 2.96%) as per 2024 base year (new series) compared with 1.3% in December (old series). The biggest surprise is the sharp drop in core inflation to 3.4% YoY (new series) as against 4.6% YoY in December (old series)
- The drop in core inflation is broad-based as seen across segments such as personal care, housing, health, restaurants, communication and transport. Clothing and recreation have seen an increase
- However, food inflation too has surprised on the other side with an increase of 2.1% YoY as against a print of -2.4% YoY (reclassified) in December 2025. The increase is broad-based led by protein items and lower contraction in vegetables
- Comparing the sequential momentum in the old versus the new series, the food index seems to show a higher momentum or upward bias as against core index which shows a lower bias
- This can be explained by wider coverage in markets, towns and platforms which depicts on the ground situation for food inflation. In case of core, the lower bias to an extent is explained by reclassification of gold and silver to jewellery made from these two metals along with lower weight
- Given higher weight for core in new series (57.9% vs 47.3% earlier\*) and lower momentum, bias would be for headline inflation to be lower by ~35bps from earlier estimate (4% in H1FY27)
- However, given the higher momentum seen in food in new series and a low base, food inflation has the potential to be higher thus taking the headline upwards till December 2026

### Inflation divisions: What has changed?

Division (As per new classification)	Weights			CPI %YoY (As per old weights)			CPI
	Old Weight	New Weight	Change	FY25	FYTD26	Dec-25	Jan-26
Food and beverages	42.27	36.75	-5.52	6.96	-1.26	-2.35	2.11
Paan, tobacco and intoxicants	2.38	2.99	0.61	2.66	2.60	2.96	2.86
Clothing and footwear	6.53	6.38	-0.15	2.72	2.18	1.44	2.98
Housing, water, electricity, gas and other fuels	16.91	17.66	0.75	0.65	2.85	2.59	1.53
Housing, water	10.07	12.3	2.23	2.76	3.05	2.86	2.04
Electricity, gas and other fuels	6.84	5.36	-1.48	-2.47	2.40	1.97	0.35
Furnishings, household equipment and routine household maintenance	3.80	4.47	0.67	2.63	2.37	1.91	1.45
Health	5.89	6.1	0.21	4.10	4.13	3.43	2.19
Transport	6.37	8.8	2.43	0.83	1.58	0.50	0.09
Information and communication	2.50	3.61	1.11	6.19	3.51	1.22	0.16
Recreation, sport and culture	2.35	1.52	-0.83	2.64	2.13	1.75	2.32
Education services	3.51	3.33	-0.18	4.16	4.32	3.90	3.35
Restaurants and accommodation services	3.59	3.35	-0.24	4.24	4.61	3.90	2.87
Personal care, social protection and miscellaneous goods and services	3.89	5.04	1.15	9.81	18.73	28.07	19.02
CPI Core	50.88	57.89	7.01	3.58	4.31	4.55	3.38
CPI Headline	100.0	100.0		4.62	1.72	1.33	2.75

## Food and Beverages: What has changed?

Groups (As per new classification)	Weights			CPI %YoY(As per old weights)			CPI
	Old Weight	New Weight	Change	FY25	FYTD26	Dec-25	Jan-26
Cereals and products	9.35	5.95	-3.40	7.25	2.48	-0.35	0.12
Meat, fresh, chilled or frozen	2.35	2.52	0.17	4.47	0.28	5.27	8.52
Fish and other seafood	1.27	1.02	-0.24	4.79	2.93	4.94	6.74
Milk, other dairy products and eggs	7.89	7.28	-0.61	2.93	2.63	2.70	3.06
Oils and fats	3.56	2.74	-0.82	5.69	15.30	6.75	6.62
Fruits and nuts	2.89	3.70	0.81	8.75	10.60	6.66	7.87
Vegetables, tubers, plantains, cooking bananas and pulses	8.42	6.82	-1.60	17.19	-17.61	-17.76	-5.30
Sugar, confectionery and desserts	1.91	1.42	-0.49	3.25	3.78	3.98	3.37
Ready-made food and other food products	3.06	3.33	0.27	-1.63	-1.27	-0.78	0.81
Beverages	1.26	1.80	0.54	2.85	3.89	2.42	1.56
Services for processing primary goods for food	0.32	0.20	-0.12	2.84	3.25	3.13	3.42
Food and Beverages	42.28	36.75	-5.50	6.96	-1.26	-2.35	2.11

Note: For the old series, the weights have been adjusted as per the new classifications and divisions and accordingly the inflation numbers have been calculated for comparison with the new series (Jan 2026 print)

Source: MoSPI, PIB Press release, ICICI Bank Research

## Wholesale price inflation: higher commodity prices drove wholesale prices higher

- Wholesale inflation moved higher to 1.8% YoY in January 2026 and marked a clear upward movement after a period of subdued or negative wholesale inflation in late 2025.
- Within WPI, primary articles inflation surged to a 11-month high mainly due to increase in both food and non-food components
- Manufactured products moved to a 10-month high of 2.9% YoY, led by increase in other manufacturing product prices (precious metals) along with a pickup in basic metal prices
- Fuel and power index recorded further contraction (-4% YoY), on the back of lower oil prices.
- While WPI inflation marked a phase of strengthening wholesale price momentum, largely driven by manufacturing and supported by primary articles, inflationary pressures remain contained. The near-term trajectory will now depend on volatility in commodity markets and domestic demand

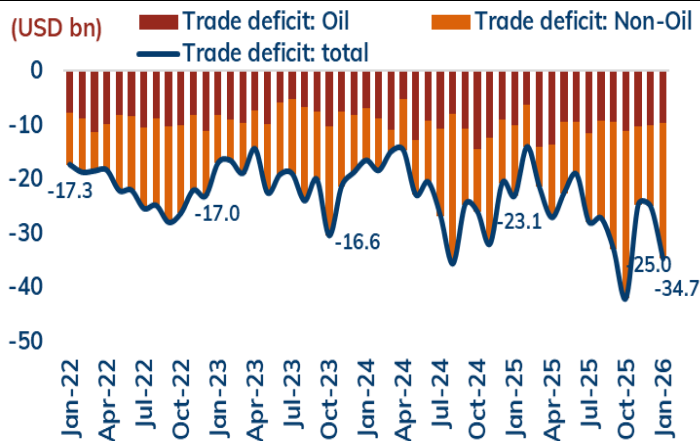
(% YoY)	Weight	Dec-24	Jan-25	Dec-25	Jan-26
Headline	100.0	2.6	2.5	0.8	1.8
Primary articles	22.6	6.0	4.6	0.2	2.2
of which					
Food		8.5	5.8	-0.4	1.6
Non food		2.4	3.0	2.9	7.6
Minerals		5.7	1.6	11.9	12.8
Crude petroleum & natural gas		-6.8	-0.5	-6.0	-7.8
Fuel & Power	13.2	-2.6	-1.9	-2.3	-4.0
Manufacturing	64.2	2.1	2.6	1.8	2.9
Food index	24.4	8.9	7.5	0.0	1.4
WPI Core	54.2	0.6	1.1	2.0	3.3

## India trade: Goods deficit, services surplus improved

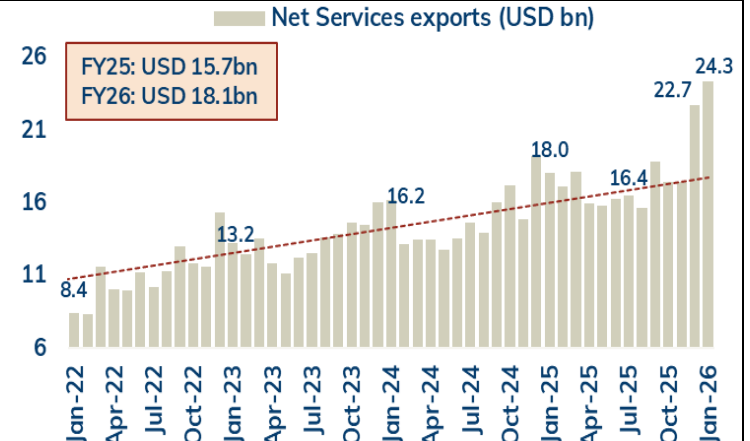
- India's goods exports were more or less same as last year at USD 36.6bn in Jan 2026 even as oil exports rose (8.7% YoY). More importantly, net services exports accelerated to USD 24.3bn, up by 35% YoY
- Moderation in exports can be explained by dip in exports to US, but should pick-up in coming months as India and US have a trade agreement in place
- On the other hand, goods imports accelerated by 20% YoY to USD 71.2bn, driven by higher gold imports (+349% YoY). Non-oil non-gold imports (5.7% YoY) continued to see an increase given India's resilient growth
- Given sharply higher imports when exports were flat, trade deficit widened to USD 34.7bn in Jan and stood at USD 283bn during Apr-Jan 2026 (USD 247bn in same period last year). Given the much higher goods deficit, overall deficit for FY26 would be higher than earlier estimate
- However, with services exports too surprising positively (avg: USD 18bn/month), we believe that the CAD should remain the same as earlier estimate of USD 35bn (0.9% of GDP) in FY26 and USD 45bn (1.0% of GDP) in FY27
- On the capital account front, inflows into India have seen an improvement after India-US trade deal. Hence, INR is seen stable around current levels in the near-term

India Trade: January 2026								
(USD bn)	Jan-25	Dec-25	Jan-26	(% YoY)	(% MoM)	FYTD25	FYTD26	Growth (%)
Exports	36.3	38.5	36.6	0.6	-5.1	358.8	366.6	2.2
Of which								
Oil	3.5	4.4	3.8	8.7	-14.1	52.8	45.7	-13.4
Non-oil	32.9	34.1	32.8	-0.2	-3.9	306.0	320.9	4.9
Imports	59.4	63.6	71.2	19.9	12.1	606.1	649.9	7.2
of which								
Oil	13.4	14.4	13.4	-0.2	-6.9	154.9	148.8	-3.9
Gold	2.7	4.1	12.1	349.2	192.0	51.2	61.5	20.1
Non-oil non-gold	43.3	45.0	45.8	5.7	1.7	399.7	439.6	10.0
Trade Deficit	-23.1	-25.0	-34.7			-247.4	-283.2	

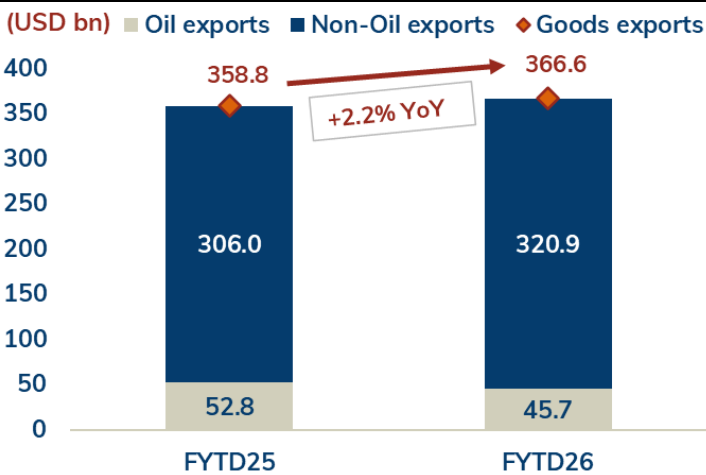
### Goods deficit tad higher at USD 34.7bn in Jan



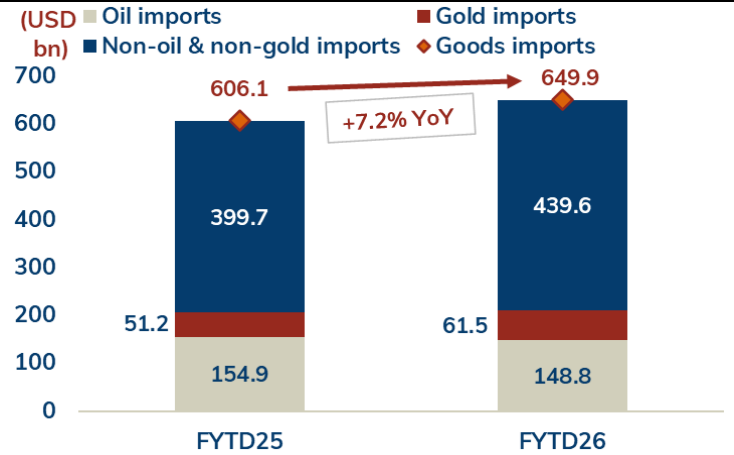
### Services trade surplus jumped to USD 24.3bn



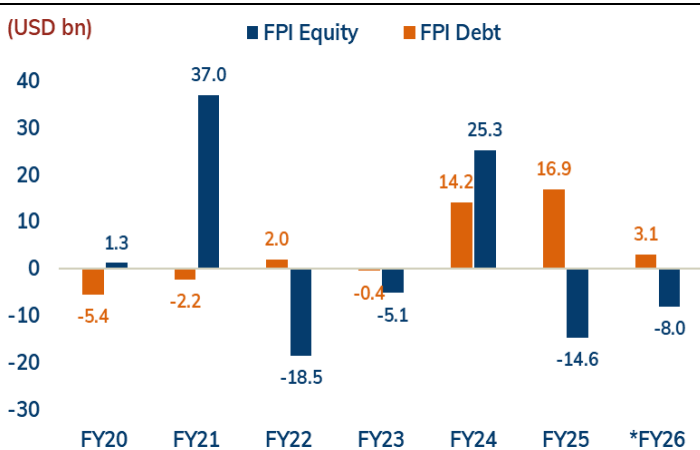
### Goods exports are up by 2.2% in FY26 so far



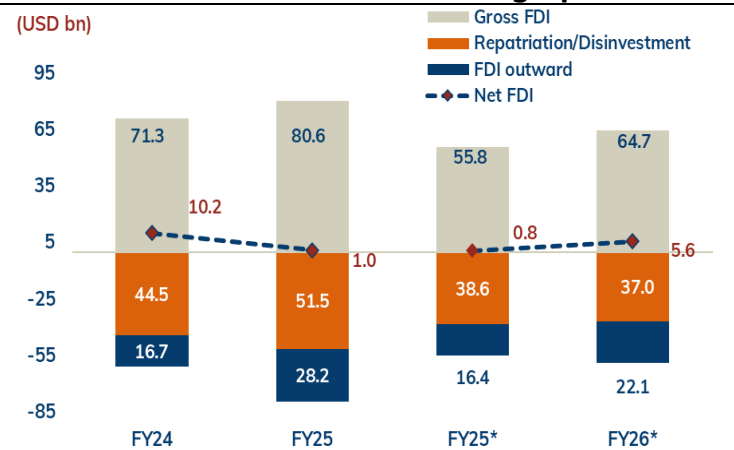
### Goods imports are up by 7.2% YoY in FY26 so far



### Net FPI outflows stood at USD 4.4bn in FY26



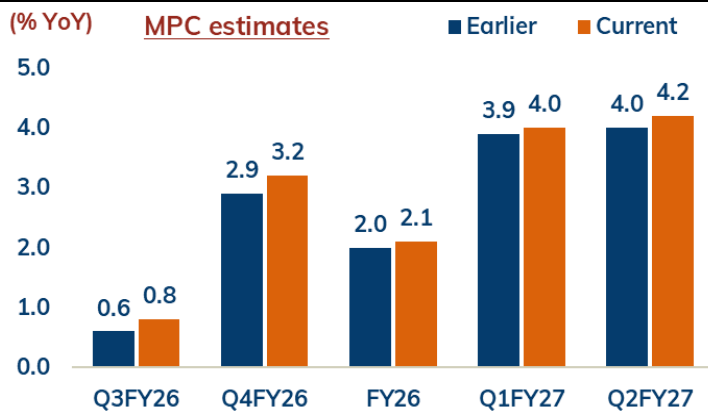
### Net FDI inflows at USD 5.6bn during Apr-Nov



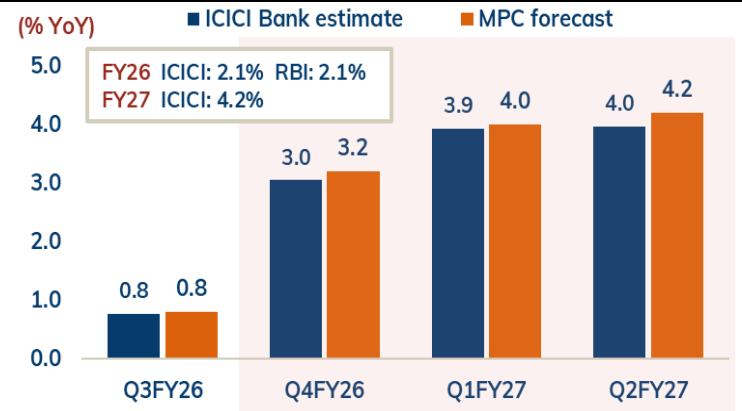
## MPC Review: On an extended pause

- The MPC unanimously kept the policy rate unchanged at 5.25%, and the stance at 'Neutral' with a 5:1 majority (Prof. Singh favoured accommodation), given the improvement in growth prospects
- Growth projection for H1FY27 was revised higher to 7% (6.8% earlier), driven by private consumption, slower pace of fiscal consolidation and benign inflation
- Inflation projection for H1FY27 has been revised higher led by precious metals. But given the change in base year and methodology for growth and inflation, FY27 projections would be released in April
- With significant liquidity injection announced pre-policy, RBI did not announce any further durable liquidity measures which led to hardening of bond yields. However, Governor stated that RBI would provide adequate liquidity as and when required for transmission and meeting needs of the economy
- Most of the liquidity infusion has been back ended which has led to significant improvement in system liquidity and transmission recently. However, high credit-deposit ratio implies upward pressure on deposit rates should continue unless foreign inflows improve
- With real rate in the vicinity of ~1% next year, we believe policy rate should remain at current level. But RBI would have to continue to do liquidity intervention for transmission given elevated credit-deposit ratio along with large general government gross borrowing

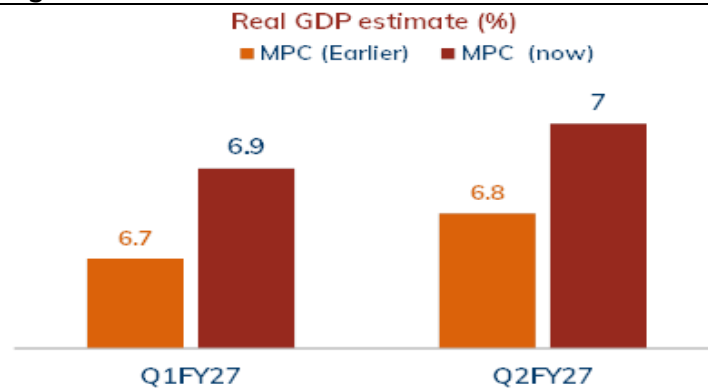
**Chart 1: MPC raised its inflation projections**



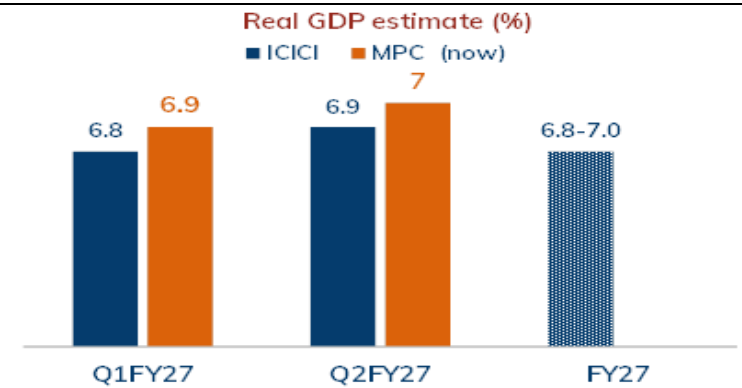
**Chart 2: CPI to be near the 4% target next year**



**Chart 3: Growth forecasts for H1FY27 revised higher**



**Chart 4: MPC estimates are higher than our growth estimates**



**ICICI Bank: ICICI Bank Towers, Bandra Kurla Complex, Mumbai- 400 051. Phone: (+91-22) 2653-1414**

<b>Economic Research Group</b>			
<b>Economics Research</b>			
Sameer Narang	Head-Economic Research Group	(+91-22) 4008-1414 (ext. 6220)	<a href="mailto:sameer.narang@icicibank.com">sameer.narang@icicibank.com</a>
Shivom Chakravarti	Senior Economist Global Markets	(+91-22) 4008-1414 (ext. 6273)	<a href="mailto:shivom.chakravarti@icicibank.com">shivom.chakravarti@icicibank.com</a>
Anagha Deodhar	Senior Economist India Markets	(+91-22) 4008-1414 (ext. 7525)	<a href="mailto:anagha.deodhar@icicibank.com">anagha.deodhar@icicibank.com</a>
Debomitra Sen	Economist	(+91-22) 4008-1414 (ext. 6280)	<a href="mailto:debomitra.sen@icicibank.com">debomitra.sen@icicibank.com</a>
Jyoti Sharma	Research Analyst	(+91-22) 2653-1414 (ext. 7275)	<a href="mailto:sharma.jyoti@icicibank.com">sharma.jyoti@icicibank.com</a>
Aditya Sharma	Research Analyst	(+91-22) 2653-1414 (ext. 6386)	<a href="mailto:sharma.adi@icicibank.com">sharma.adi@icicibank.com</a>
Ashish Haldar	Research Analyst	(+91-22) 2653-1414 (ext. 6763)	<a href="mailto:haldar.ashish@icicibank.com">haldar.ashish@icicibank.com</a>
Anukul Bodile	Research Analyst	(+91-22) 2653-1414 (ext. 7217)	<a href="mailto:anukul.bodile@icicibank.com">anukul.bodile@icicibank.com</a>
Ritusha Jakkula	Research Analyst	(+91-22) 2653-1414 (ext. 7217)	<a href="mailto:ritusha.jakkula@icicibank.com">ritusha.jakkula@icicibank.com</a>
Ajitesh Chandra	Research Analyst	(+91-22) 2653-1414 (ext. 7217)	<a href="mailto:ajitesh.chandra@icicibank.com">ajitesh.chandra@icicibank.com</a>
Nidhiraj Singh Mourya	Research Analyst	(+91-22) 2653-1414 (ext. 7217)	<a href="mailto:nidhiraj.mourya@icicibank.com">nidhiraj.mourya@icicibank.com</a>
Anupam Singh	Research Analyst	(+91-22) 2653-1414 (ext. 7217)	<a href="mailto:anupam.singh3@icicibank.com">anupam.singh3@icicibank.com</a>
Parth Ahire	Research Analyst	(+91-22) 2653-1414 (ext. 7217)	<a href="mailto:parth.ahire@icicibank.com">parth.ahire@icicibank.com</a>

<b>Treasury Desks</b>			
Treasury Sales	(+91-22) 6188-5000	Currency Desk	(+91-22) 2652-3228-33
Gsec Desk	(+91-22) 2653-1001-05	FX Derivatives	(+91-22) 2653-8941/43
Interest Rate Derivatives	(+91-22) 2653-1011-15	Commodities Desk	(+91-22) 2653-1037-42
Corporate Bonds	(+91-22) 2653-7242		

#### Disclaimer

This document is issued solely by ICICI Bank Limited ("ICICI Bank"). Any information in this email should not be construed as an offer, invitation, solicitation, solution or advice of any kind to buy or sell any securities, financial products or services offered by ICICI Bank) or any other entity, unless specifically stated so. The contents of this document do not take into account your personal circumstances. Before entering into any transaction, you should take steps to ensure that you understand the transaction and have made an independent assessment of the appropriateness of the transaction in light of your own objectives and circumstances, including the possible risks and benefits of entering into such transaction and should seek your own financial, business, legal, tax and other advice regarding the appropriateness of investing in any securities. ICICI Bank (including its branches, affiliates of ICICI Bank) do not provide any financial advice, and is not your fiduciary or agent, in relation to the securities or any proposed transaction with you unless otherwise expressly agreed by us in writing.

The information, opinions and material in this document (i) are derived from sources that ICICI Bank believes to be reliable but the reliability or accuracy of which have not been independently verified (ii) are given as part of ICICI Bank's internal research activity and not as manager of or adviser in relation to any assets or investments and no consideration has been given to the particular needs of any recipient; and (iii) may contain forward looking statements, which may be materially affected by various risk, uncertainties and other factors. The opinions contained in such material constitute the judgment of ICICI Bank in relation to the matters which are the subject of such material as at the date of its publication, all of which are expressed without any responsibility on ICICI Bank's part and are subject to change without notice. ICICI Bank has no duty to update this document, the opinions, factual or analytical data contained herein. ICICI Bank and/or its affiliates makes no representation as to the accuracy, completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. The recipient of the information should take necessary steps as they deem necessary prior to placing

reliance upon it.



Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/purchase or as an invitation or solicitation to do so for any securities or financial products/ instruments of any entity.

This document is intended solely for customers of ICICI Bank and may contain proprietary, confidential or legally privileged information. No part of this report may be copied, disseminated or redistributed by any recipient for any purpose without ICICI Bank's prior written consent. If the reader of this message is not the intended recipient and has received this transmission in error, please immediately notify ICICI Bank, Economic Research Group, E-mail: [erg@icicibank.com](mailto:erg@icicibank.com) or by telephone at +91-22-2653-7233 and delete this message from your system.

Please also note that ICICI Bank (including its branches, and affiliates) is unable to exercise control or ensure or guarantee the integrity of/over the contents of the information contained in e-mail transmissions and / or attachments and that any views expressed in this e-mail and / or attachments are not endorsed by/binding on ICICI Bank. Before opening any attachments please check them for viruses and defects and please note that ICICI Bank accepts no liability or responsibility for any damage caused by any virus that may be transmitted by this email and/ or attachments thereto.

#### DISCLAIMER FOR DUBAI INTERNATIONAL FINANCIAL CENTRE ("DIFC") CLIENTS:

This marketing material is distributed by ICICI Bank Limited., Dubai International Financial Centre (DIFC) Branch, a category 1 Authorized Firm and regulated by the Dubai Financial Services Authority. This marketing material is intended to be issued, distributed and/or offered to a limited number of investors who qualify as 'Professional Clients' pursuant to Rule 2.3.3 of the DFSA Conduct of Business Rulebook, or where applicable a Market Counterparty only, and should not be referred to or relied upon by Retail Clients and must not be relied upon by any person other than the original recipients and/or reproduced or used for any other purpose.

#### DISCLOSURE FOR RESIDENTS IN THE UNITED ARAB EMIRATES ("UAE"):

Investors should note that any products mentioned in this document, any offering material related thereto and any interests therein have not been approved or licensed by the UAE Central Bank or by any other relevant licensing authority in the UAE, and they do not constitute a public offer of products in the UAE in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise.

#### DISCLOSURE FOR RESIDENTS IN HONGKONG

This document has been issued by ICICI Bank Limited in the conduct of its Hong Kong regulated business (i.e. type 1 license) for the information of its institutional and professional investor (as defined by Securities and Future Ordinance (Chapter 571 of Laws of Hong Kong) (the "SFO")) customers; it is not intended for and should not be distributed to retail or individual investors in Hong Kong. Any person who is not a relevant person should not act or rely on this document or any of its contents. This document has not been reviewed, authorized or approved by any regulatory authority.

ICICI Bank and/or its affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. As a result, you should be aware that a conflict of interest may exist. In accordance with the regulatory requirements and its own conflicts of interest policies, ICICI Bank has in place arrangements, internal policies and procedures to manage conflicts of interest that arise between itself and its clients and between its different clients. Where it does not consider that the arrangements under its conflicts of interest policies are sufficient to manage a particular conflict, it will inform you of the nature of the conflict so that you can decide how to proceed.

#### DISCLOSURE FOR RESIDENTS IN SINGAPORE

ICICI Bank Limited, India ("ICICI India") is incorporated under the laws of India and is regulated by the Reserve Bank of India. ICICI Bank Limited, Singapore branch ("ICICI") is regulated by the Monetary Authority of Singapore.

As mentioned, ICICI India is regulated by the Reserve Bank of India. Hence, in relation to your dealing with ICICI India, you understand that your interest will be subject to protection of local laws and regulations in India, which may offer different or diminished protection than available under Singapore laws and

regulations. You also understand that the Monetary Authority of Singapore will be unable to compel the enforcement of the rules of the local regulators.

For more detailed disclaimer, please visit <https://www.icicibank.com/disclaimer/disclaimertnc.html>