India Economy Update: January 2026

Retail inflation: Inflation remained benign due to softer food prices

- CPI inflation moved higher to 1.33% YoY (our est: 1.64%) compared with 0.71% in Nov, led by a softer deflation in food (-2.7% YoY vs. -3.9% in Nov), and higher core inflation (4.6% YoY vs. 4.3% in Nov)
- On a YoY basis, veggies (-18% vs. -22% in Nov), pulses (-15% vs. -16% in Nov), and spices (-2.2% vs. -2.9% in Nov) remained in deflation. Even cereals have recorded a deflation (-0.4% YoY), while oil and fats and fruits are moderating
- Even as food index is deflating, the extent of sequential moderation in winter is below historical trend
- Core inflation excluding precious metals remained moderate at 2.3% YoY with core goods inflation at 1.7% YoY (1.9% YoY in Nov) and core services inflation at 3.0% YoY (3.1% in Nov). Impact of GST rationalization is seen
- With gold and silver prices remaining elevated, along with a weaker rupee and rising industrial metal prices, we believe that core inflation should continue to be on the higher side. But softer global oil prices and China's excess capacity should ensure limited impact
- With today's print, the average inflation in Q3 stood at 0.8% (higher than RBI estimates of 0.6%). We believe inflation should see a gradual pick-up from now
- This is the last print for inflation for the current series (base=2012) as next month's print will be based on new base year (2024=100). While weight of food items should come down, that of non-food items should go up. We see inflation heading towards 4.2% in FY27, but eventual trajectory would depend upon new series

% YoY	weight	Dec-24	Nov-25	Dec-25	FYTD25	FYTD26
Headline	100.0	5.2	0.7	1.3	4.9	1.7
CPI: Food & Beverages	45.9	7.7	-2.8	-1.8	7.6	-0.8
Cereals	9.7	6.5	0.1	-0.4	7.6	2.5
Vegetables	6.0	26.6	-22.2	-18.5	26.3	-18.9
Protein items	13.0	3.9	-1.0	0.0	5.3	-0.8
Oils & fats	3.6	14.6	7.9	6.8	2.1	15.3
Fruits	2.9	8.6	6.8	6.7	6.9	10.6
Sugar & confectionery	1.4	0.2	4.0	4.7	3.9	4.0
Spices	2.5	-7.4	-2.9	-2.2	-2.2	-3.0
Non-alcholic beverages	1.3	3.0	2.9	2.4	2.6	3.9
Prepared meals	5.6	4.0	3.7	3.5	3.6	4.1
CPI: Fuel & light	6.8	-1.3	2.3	2.0	-3.1	2.4
CPI: Core	47.3	3.6	4.3	4.6	3.4	4.3
Pan, tobacco & intoxicants	2.4	2.5	3.0	3.0	2.7	2.6
Clothing & footwear	6.5	2.7	1.5	1.4	2.7	2.2
Housing	10.1	2.7	3.0	2.9	2.7	3.0
Household goods & services	3.8	2.8	2.0	1.9	2.6	2.4
Health	5.9	4.0	3.6	3.4	4.1	4.1
Transport & communication	8.6	2.6	0.9	0.8	2.1	2.2
Recreation & amusement	1.7	2.7	1.3	1.2	2.5	2.0
Education	4.5	3.9	3.4	3.3	3.9	3.8
Personal care & effects	3.9	9.8	24.1	28.1	8.9	18.7

Note : Protein items includes meat and fish, eggs, milk and pulses; Source : CEIC, ICICI Bank Research

Wholesale price inflation: Wholesale inflation rebounds to an 8-month high

- Wholesale inflation rebounded to 0.8% YoY from a contraction of 0.3% YoY in November 2025, led by sharp reversal in food prices which were deflation earlier
- Within WPI, primary articles index has moved to positive territory (+0.2% YoY) from -2.9% YoY in the previous month led by much lower deflation in food prices, in particular vegetables
- Manufactured products moved to a 3-month high of 1.8% YoY, led by increase in other manufacturing product prices (precious metals), while basic metals index was flat
- Fuel and power index remained in negative territory (-2.3% YoY), on the back of lower oil prices. The recent change in oil prices should impart a positive impulse
- WPI inflation is likely to inch up in FY27 on a low base when rising global industrial and precious metals along with a weaker currency should exert an upward pressure

(% YoY)	Weight	Nov-24	Dec-24	Nov-25	Dec-25
Headline	100.0	2.2	2.6	-0.3	0.8
Primary articles	22.6	5.5	6.0	-2.9	0.2
of which					
Food		**8.5**	**8.5**	**-4.2**	**-0.4**
Non food		**-0.6**	**2.4**	**2.3**	**2.9**
Minerals		**6.3**	**5.7**	**10.4**	**11.9**
Crude petroleum & natural gas		***-7.7***	***-6.8***	***-8.7***	***-6.0***
Fuel & Power	13.2	**-4.0**	**-2.6**	**-2.3**	**-2.3**
Manufacturing	64.2	2.1	2.1	1.3	1.8
Food index	24.4	8.9	8.9	-2.6	0.0
WPI Core	54.2	0.6	0.6	1.5	2.0

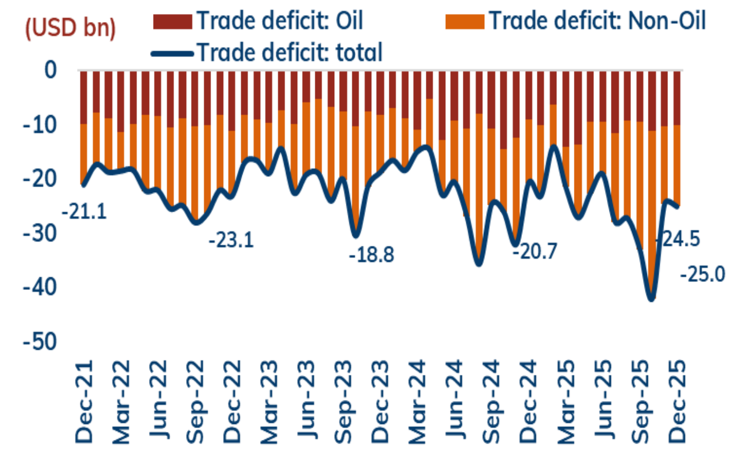
India trade: Goods deficit widened a tad, but services steady

- India's goods exports saw a steady growth of 1.9% YoY at USD 38.5bn, driven by non-oil exports (3.1% YoY), while oil exports fell (-6.6% YoY). Net service exports fell by 5.5% YoY at USD 18.1bn
- Exports to the US fell by 1.8% YoY, after witnessing a positive growth in the previous month (low base). Non-US exports rose by 2.7% YoY, underscoring the ongoing diversification efforts
- Goods imports rose by 8.7% YoY at USD 63.6bn, led by non-oil non-gold (12% YoY) and oil imports (5.9% YoY), while gold imports fell (-12% YoY). Goods deficit was at USD 25bn (FYTD: USD 248bn)
- With outlook of weak exports when domestic demand is improving, goods deficit is seen widening to USD 327bn in FY26 and USD 359bn in FY27
- Stronger growth in services exports and remittances should ensure that current account remains manageable at USD 35bn (0.9% of GDP) in FY26 and USD 45bn (1.0% of GDP) in FY27
- Even though there is delay in Bloomberg index inclusion and equity inflows are muted, Q4 is seasonally better placed for Balance of Payments. At the same time, an FTA with EU and an impending trade deal with US should lift sentiment

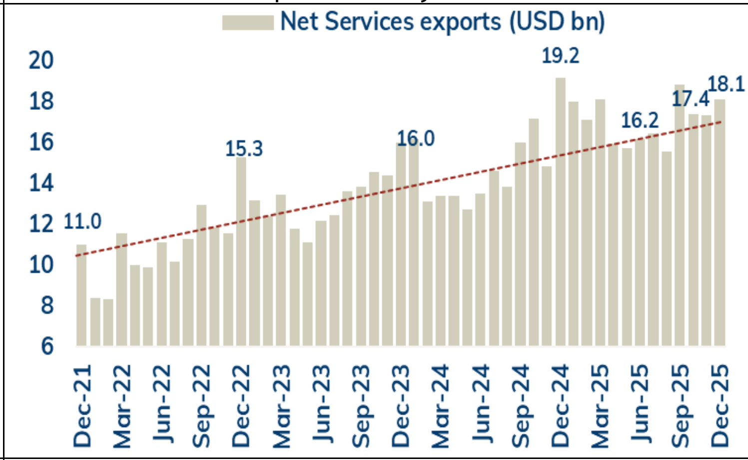
India Trade: December 2025

(USD bn)	Dec-24	Nov-25	Dec-25	(% YoY)	(% MoM)	FYTD25	FYTD26	Growth (%)
Exports	37.8	38.1	38.5	1.9	1.0	322.4	330.3	2.4
Of which								
Oil	4.7	3.9	4.4	-6.6	12.0	49.3	42.1	-14.5
Non-oil	33.1	34.2	34.1	3.1	-0.3	273.1	288.2	5.5
Imports	58.5	62.7	63.6	8.7	1.4	546.4	578.6	5.9
of which								
Oil	13.6	14.1	14.4	5.9	2.1	141.4	135.4	-4.3
Gold	4.7	4.0	4.1	-12.1	2.8	48.5	49.4	1.8
Non-oil non-gold	40.2	44.5	45.0	12.0	1.1	356.4	393.8	10.5
Trade Deficit	-20.7	-24.5	-25.0			-224.0	-248.3	

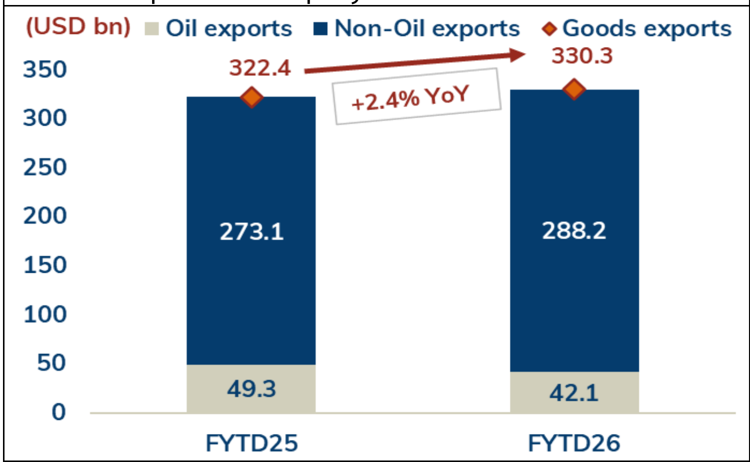
Goods deficit tad higher at USD 25bn in Dec



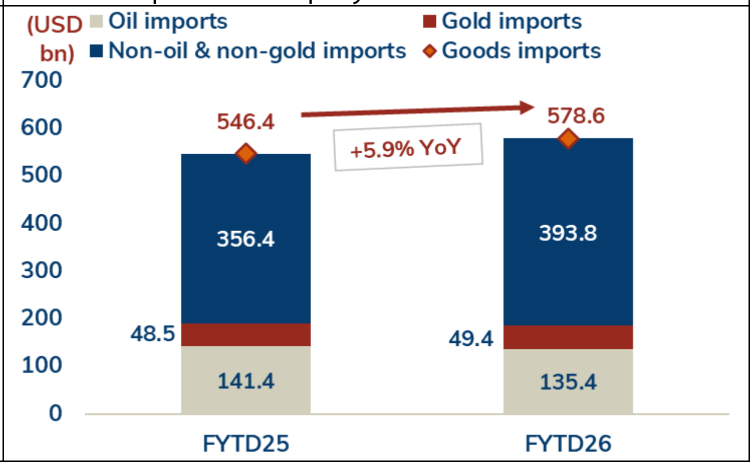
Services trade surplus steady at USD 18.1bn



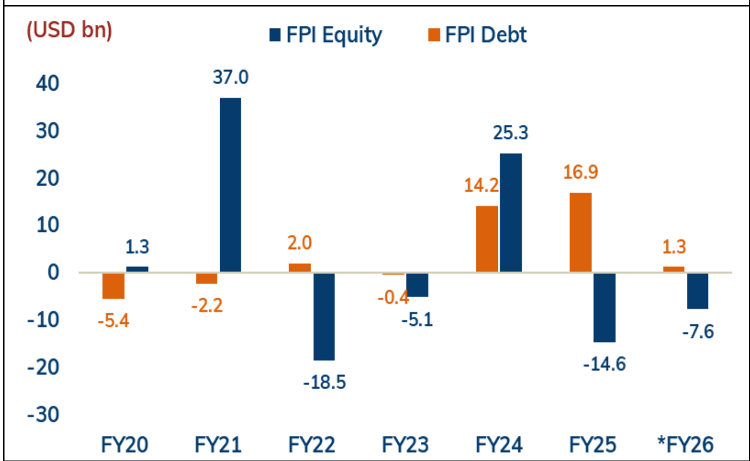
Goods exports are up by 2.4% in FY26 so far



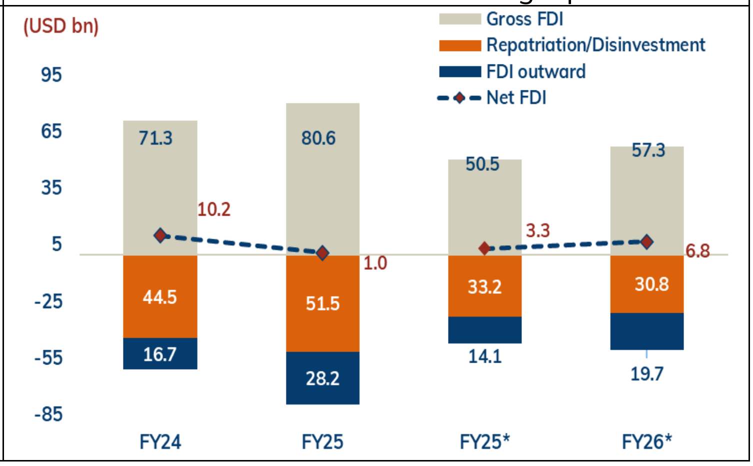
Goods imports are up by 5.9% YoY in FY26 so far



Net FPI outflows stood at USD 5.8bn in FY26



Net FDI inflows at USD 6.8bn during Apr-Oct



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