

# What the New CPI Series Means for Your Money

From January 2026, India's official inflation number is being calculated using a new Consumer Price Index (CPI) series with base year 2024. This changes how inflation is measured and how it affects your EMIs, FD returns and investment decisions.

**In one line:** Food now has a lower weight in the CPI, housing and services have a higher weight, and the first reading under the new series shows inflation at 2.75% for January 2026.

## 1. What is CPI and why does it matter?

The Consumer Price Index (CPI) is an index of the cost of living. It tracks how the prices of a basket of goods and services typically consumed by households change over time. Items include food, rent, fuel, transport, healthcare, education, entertainment and more.

Each item gets a weight based on how much of the average household budget goes towards it. When these prices move, the CPI moves, and that is what we see as the official inflation rate. The Reserve Bank of India (RBI) targets inflation using this CPI number, so changes in CPI feed into interest rates and, ultimately, your loan EMIs and fixed-income returns.

## 2. What has changed in the new CPI?

### a) New base year: 2024 instead of 2012

The earlier CPI was based on spending patterns from 2011–12. Since then, India's economy and household habits have changed significantly. The new series uses 2024 as the base year and relies on the latest Household Consumption Expenditure Survey (HCES) 2023–24, so it better reflects how people actually spend today.

### b) Bigger, more modern basket

The number of items in the CPI basket has increased from 299 to 358, with a clear rise in services. The structure has been expanded to 12 consumption divisions, in line with international standards, instead of the earlier six broad groups. This makes India's inflation numbers more comparable globally.

### **c) New-age items in, outdated items out**

The basket now includes rural house rent, online media and streaming subscriptions, value-added dairy products, pen drives and external hard drives, babysitting and attendant services, exercise equipment and cleaner fuels such as CNG/PNG. Obsolete products like VCR/DVD players and tape recorders have been removed.

### **d) Shift in weights: less food, more housing and services**

Under the old CPI, food and beverages made up nearly half the index. In the new series, that share has been cut meaningfully, while the weight of housing (including water, electricity, gas and other fuels) and key services like health and transport has gone up. This shifts the focus towards the costs that matter more in today's household budgets.

### **e) Better coverage of rural India and e-commerce**

The new CPI gives a slightly higher overall weight to the rural sector and, for the first time, includes a rural house rent index. Employer-provided accommodation has been excluded to reduce distortions in rent data. Prices from e-commerce platforms are also used, acknowledging the growing share of online purchases.

## **3. Why was this overhaul needed?**

Over the last decade, households have shifted spending away from basic food items towards housing, education, healthcare, travel and digital services. A CPI that still assumed 2012 spending patterns was no longer capturing the real inflation experience of most families.

The earlier CPI also had a very high weight for food, making the headline number swing sharply with every vegetable or cereal price shock. Monetary policy cannot directly control such food shocks. By reducing the food weight and increasing the share of housing and services, the new series aims to give a cleaner signal of underlying, policy-relevant inflation.

## **4. What do the latest numbers show?**

The first official reading under the new series is for January 2026. Headline CPI inflation stands at 2.75% (provisional), with rural inflation at 2.73% and urban inflation at 2.77%. Food inflation, based on the Consumer Food Price Index, is 2.13% overall.

These figures are not directly comparable with the earlier 2012-base series because both the basket and the weights have changed. The government is providing linking factors and a back-series so that analysts can still study long-term trends.

## Key shifts in CPI weights

CPI component	Old weight (2012 base)	New weight (2024 base)
Food & beverages	~45.9%	~36.8%
Housing (incl. utilities, fuels)	10.07%	17.67%
Clothing	5.6%	5.5%
Health	5.9%	6.1%
Transport	–	8.8%
Personal care & related	–	3.5%
Number of weighted items	299	358

## **5. How does this affect consumers?**

The new CPI does not change the prices you pay, but it changes how those prices are summarised into a single inflation number. Because food has a lower weight and housing and services have a higher weight, the CPI will track a broader cost-of-living experience, not just food price swings.

Government payouts and private contracts that are indexed to CPI will now be linked to this updated series. Over time, this should make cost-of-living adjustments more representative of what households actually face.

## **6. What does it mean for investors?**

- With a lower food weight, headline inflation is likely to be a little less volatile and more aligned to demand-driven inflation, which is what monetary policy can influence.
- A more stable and well-measured CPI supports more predictable policy rates, which matters for bond markets, debt funds and other interest-rate-sensitive assets.
- Real returns should be evaluated against the new CPI series, not compared directly with older, very low inflation prints under the previous base.
- Equity markets generally favour an environment of moderate, stable inflation; the revised CPI is designed to capture this more accurately by reducing noise from short-term food shocks.

## **7. How often will CPI be updated now?**

The government has indicated that CPI revisions will now happen more regularly, roughly every few years, in line with fresh household expenditure surveys. This should keep the index up to date with changes in consumption patterns, urbanisation and the growth of the digital economy.

For investors, this means the inflation yardstick will be recalibrated from time to time, but in smaller, more predictable steps rather than once-in-a-decade overhauls.