Choice
Institutional Equities

# Inflation Pulse

NOVEMBER 2026



institutional.equities@choiceindia.com

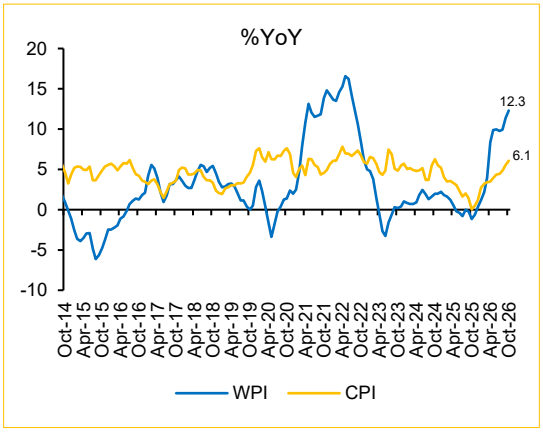
Choice Institutional Equities

Inflation Pulse

# CPI Above the Band, and the Pipeline Is Still Full

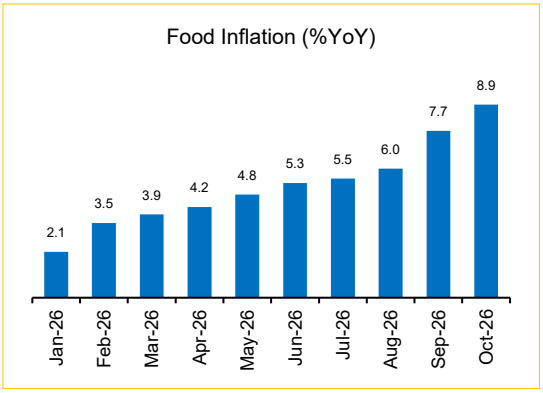
**November 17, 2026**

**CPI inflation surges beyond RBI's upper tolerance level to 6.1% while WPI swelled to 12.3% in Oct'26**




*Source: CMIE, Choice Institutional Equities*

**Food inflation is at the highest levels of 8.9% in the new series**




*Source: CMIE, Choice Institutional Equities*

***Key Highlights -***

- ***Headline CPI breached the RBI's 6% upper tolerance band for the first time in the new series, rising to 6.1% in Oct'26 from 5.5%, with core firming to 4.6% and around 60% of the basket now inflating above 4%, up from roughly 37% a month earlier.***
- ***Food continues to do the heavy lifting,*** *with the food index at a series-high 8.9% as vegetables touched 10.9%, fruits 11.9%, edible oils 10.1%, cereals 5.9% and packaged food 10.5%; the shock has clearly moved from a few perishables to the entire plate.*
- ***Milk and dairy climbed to a series-high 5.6% as cooperatives hike almost every other month,*** *and with the USDA flagging weaker fodder and slower 2027 milk output on El Nino, dairy is now a structural rather than a seasonal pressure point.*
- ***WPI accelerated to 12.3% from 11.4%,*** *running at almost twice the pace of CPI, with fuel and power at 32.8% and crude close to doubling; most of the wholesale cost build-up is still waiting to reach the shelf.*
- ***Our View -*** *The breach pulls the RBI into a corner. We see 25bps hikes at both the December and February reviews and the repo heading toward a terminal near 6.25% from the current 5.5% as the cycle runs on, with the risk skewed to more rather than less.*

### Headline inflation breaks above the tolerance band

India's retail inflation pushed past the RBI's upper tolerance limit in October, with the headline climbing to 6.1% from 5.5% in September, the first breach of the 6% ceiling in the new CPI series. The move is no longer a narrow, food-only story. Core inflation firmed again to 4.6% from 4.5%, and the share of the basket inflating faster than 4% widened dramatically to around 60%, against roughly 37% only a month earlier. In other words, almost two-thirds of what the average household buys is now rising faster than the mid-point of the RBI's target.

### Food inflation leads, and the pressure has spread across the plate

Food and beverages inflation accelerated to 8.5% from 7.4%, and the narrower food index reached a new-series high of 8.9%. What makes October uncomfortable is the breadth. Vegetables jumped to 10.9%, the highest in the new series, even as wholesale vegetable prices began to cool, which tells us the retail pass-through is still catching up. Fruits ran at 11.9%, edible oils re-accelerated to 10.1% after a brief lull, and cereals extended their climb to 5.9% from 3.9% as firm paddy and wheat prices fed through at both the farm gate and the mill. Sugar stayed hot at 13.0%, while ready-made and packaged food inflation rose to 10.5%, a fresh series high. The last point matters most for the earnings season, because processed-food inflation in double digits confirms that the farm-level shock is now firmly embedded in branded, value-added products where pricing power continues to drive the performance.

### Milk: a price hike almost every other month

Dairy is now one of the stickiest lines in the basket. Milk, eggs and dairy inflation hit a series-high 5.6%, up from near 3% in Jan'26, and the driver is not seasonality but the cooperatives themselves: Amul, Mother Dairy and Nandini have raised prices almost every other month to defend thin spreads, taking average retail milk to about INR 63/ltr from INR 59 in March. What matters is that the floor under these hikes is rising. The USDA's late-October Dairy Annual sees milk output growth slowing to 2% in 2027 from 2.5% in 2026 as El Nino drought tightens an already severe fodder gap, put at 11-32% in green fodder and 28-40% in concentrate feed, and expects India to export less butter and milk powder as domestic supply tightens. With demand steady and supply decelerating into a feed crunch, dairy is a structural upside risk, not a seasonal one, and one the RBI cannot ease away.

### Rural still leads, but urban is catching up fast

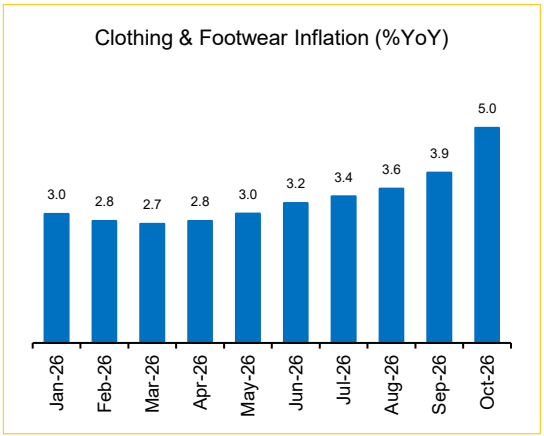
The rural-urban split stayed wide but is beginning to converge from the top. Rural inflation rose to 6.6% while urban climbed to 5.4%, both accelerating sharply, with the urban number now rising faster than before as the food shock reaches cities through processed products, eating out and transport. Rural households remain the more exposed, given the heavier food weight in their baskets, and with rural income perceptions still subdued, higher prices are squeezing real spending power in precisely the segment least able to absorb it.

***Link to Previous Reports –***

- *Inflation Pulse - Food, Fuel and a Forecast That Doesn't Add Up*
- *Inflation Pulse - Price Pressures Broaden as Second-Round Effects Emerge*

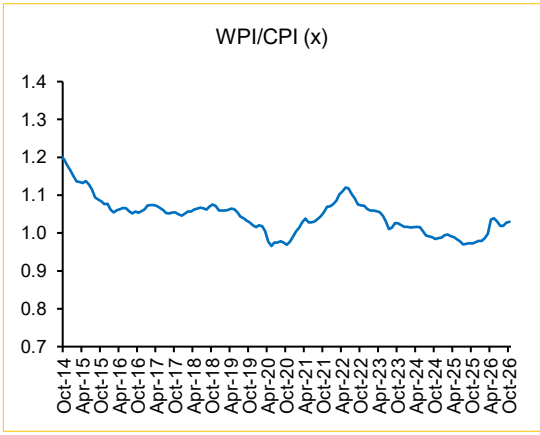
**Purvi Mundhra**
Email: purvi.mundhra@choiceindia.com
Ph: +91 22 6707 9241

**Retail inflation for clothing and footwear has also surged sharply to 5%**




*Source: CMIE, Choice Institutional Equities*

**Pass through of higher wholesale inflation to retail remains slow**




*Source: CMIE, Choice Institutional Equities*

*Corporates with genuine pricing power and low leverage stand to benefit. These are the firms that can pass costs through to prices, letting record wholesale inflation lift the topline instead of crushing the margin.*

*The uncomfortable truth in this print is that the shelf has only just begun to catch up with the pipeline, and the RBI is now tightening into that catch-up rather than ahead of it.*

**Core and services keep the underlying pressure firm**

Beyond food, the second-round effects are now clearly visible. Clothing and footwear jumped to 5% from 3.9%, transport rose to 5.8% on the pass-through of elevated fuel and vehicle costs, and restaurants and accommodation services ran at 10.1%, a telling sign that firms are passing input costs into discretionary consumption. Housing at 2.9% and health at 2.1% remained comparatively contained but are drifting up rather than down. One offset was personal care and effects, which eased to 10.2% from 13.8% as gold and precious-metal inflation cooled off its earlier spike, flattering the core a touch. Strip that out, and the firmness in core is broad, confirming that the cost shock has travelled well beyond primary articles into the services economy.

**WPI: the pipeline stays loaded**

Wholesale inflation tells the more worrying story. WPI accelerated to 12.3% from 11.4%, a fresh multi-year high, with the pressure now spread across all three major groups. Fuel and power surged to 32.8% from 25.9%, led by mineral oils near 45.6% and crude petroleum close to doubling on a YoY basis as global energy prices stayed elevated, and even electricity flipped positive to around 8%. Primary articles firmed to 9.2% as pulses re-accelerated to 12.7%, and onion still running at extreme levels. Manufactured products eased only marginally to 9.5% from 9.8%, and the detail shows no real relief: chemicals at 17.5%, basic metals at 17.2% against just 1.4% in January, textiles at 13.7% and rubber and plastics near 13.9%, with even motor vehicles turning up to 4.4% on raw-material costs.

The marginal dip in the manufactured headline flatters the picture, because with chemicals, metals and textiles all still rising, the pressure is broad and industrial rather than a few noisy commodities, and it has further to travel into retail before it fades.

**The WPI-to-CPI ratio and what it is signalling**

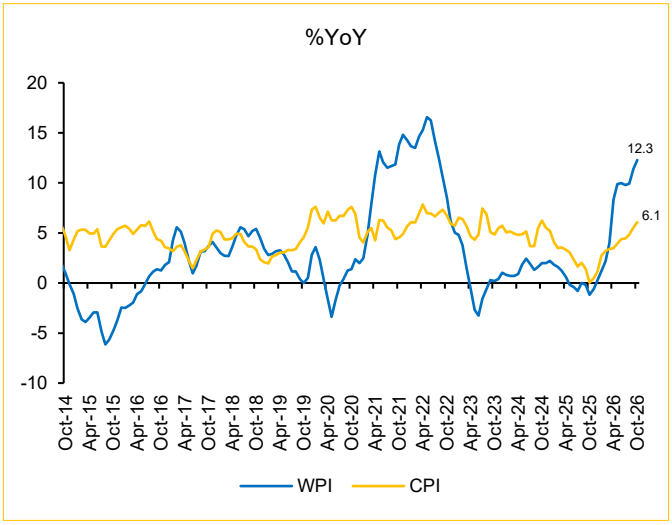
The sharpest signal this month is not a level but a wedge. At 12.3% against retail's 6.1%, wholesale inflation is running at almost twice the pace of CPI, with the gap widening to 6.2 percentage points from 5.8 in September. The two series routinely diverge, but a wedge this wide and this persistent says most of the cost build-up in the pipeline has not yet reached the shelf, leaving retail with a mechanical upside bias as firms pass through what they have so far absorbed. It also says producer margins are being squeezed today, which is exactly why corporate commentary keeps flagging further price hikes, and that intent is the mechanism itself: the ratio narrows from the top as CPI rises, not from the bottom as WPI falls. While energy and industrial costs stay this elevated, the pass-through is a question of timing, not direction.

**What the breach means for the December MPC**

October changes the policy calculus. By printing above the 6% ceiling, the headline has moved from an uncomfortable overshoot within the band to a formal breach of it, and with Q3 inflation now tracking well above the RBI's own 6% peak and full-year estimate of 5.2%, the central bank's forecasts look increasingly difficult to defend. Having already shifted its stance to allow only holds or hikes and taken cuts off the table, the RBI has effectively pre-committed to responding if prices kept climbing, and they have. We therefore expect the MPC to act at the December review and to follow up in February, with a 25bps hike at each meeting as the base case and the repo rate heading toward a terminal of 6.25% from the current 5.5% as the cycle extends beyond February. The risk to that path is skewed toward more rather than less, given the loaded wholesale pipeline, the dairy and cereal stickiness, and the breadth now visible in core. The counterweight is growth, where soft rural incomes and slowing volumes argue against aggressive tightening, leaving the RBI to manage a genuinely stagflationary mix of firm prices and soft demand.

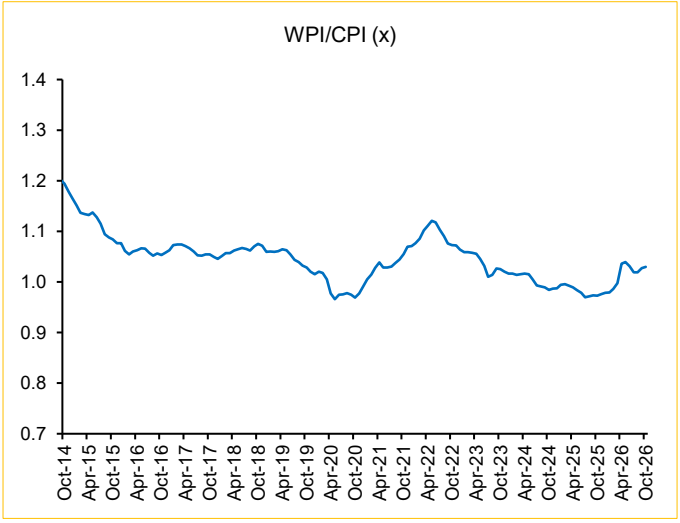
Corporates with genuine pricing power and low leverage stand to benefit. These are the firms that can pass cost into price, letting record wholesale inflation lift the topline instead of crushing the margin. The uncomfortable truth in this print is that the shelf has only just begun to catch up with the pipeline, and the RBI is now tightening into that catch-up rather than ahead of it.

**CPI inflation surges beyond RBI's upper tolerance level to 6.1% while WPI swelled to 12.3% in Oct'26**



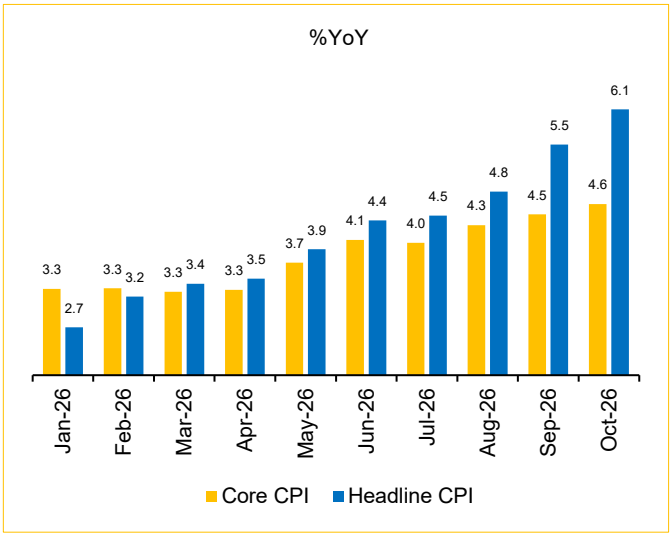

*Source: CMIE, Choice Institutional Equities*

**Pass through of higher wholesale inflation to retail remains slow**



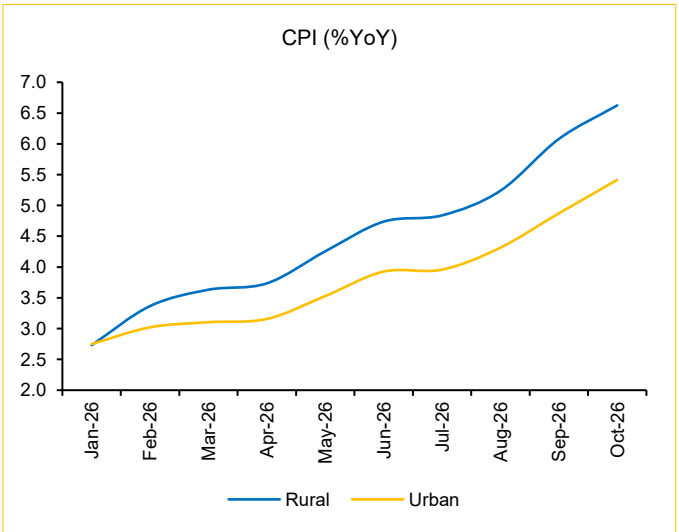

*Source: CMIE, Choice Institutional Equities*

**Both Headline and core inflation has been surging; highest in the new CPI series**



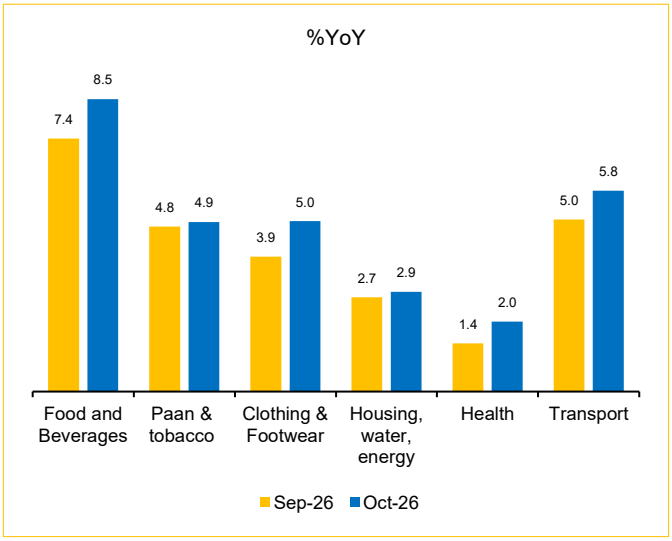

*Source: CMIE, Choice Institutional Equities*

**Sharp catch-up of urban inflation to surging rural inflation**



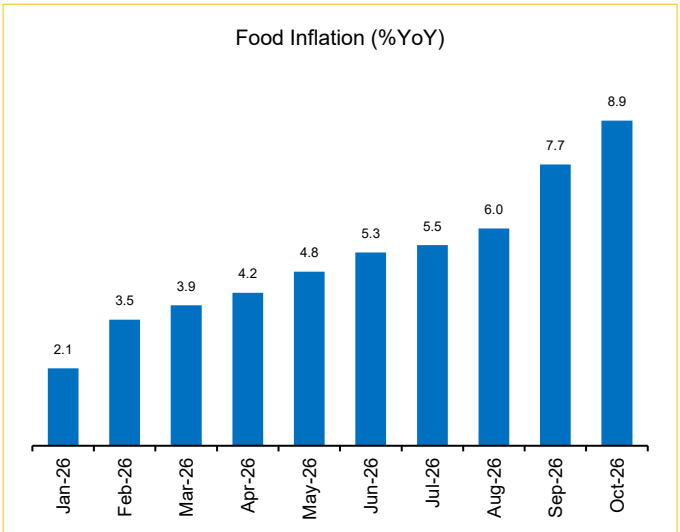

*Source: CMIE, Choice Institutional Equities*

**Around 60% of the items are now above 4% inflation**



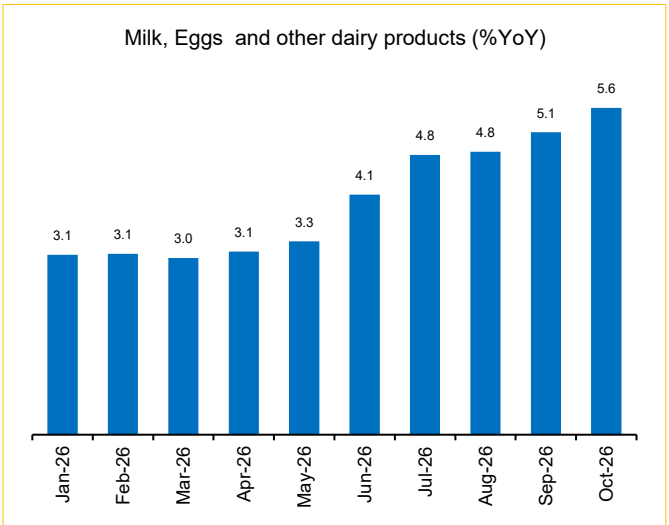

*Source: CMIE, Choice Institutional Equities*

**Food inflation is at the highest levels of 8.9% in the new series**



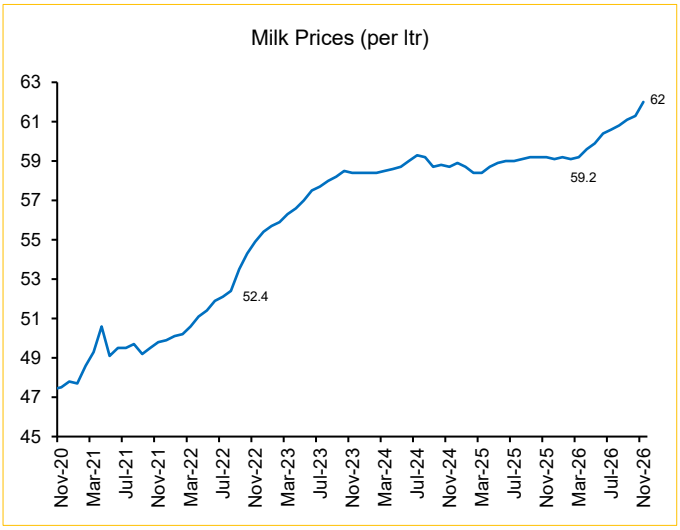

*Source: CMIE, Choice Institutional Equities*

**Dairy & its products' inflation are surging at the highest levels of 5.6% led by multiple price hikes undertaken by dairy cos**



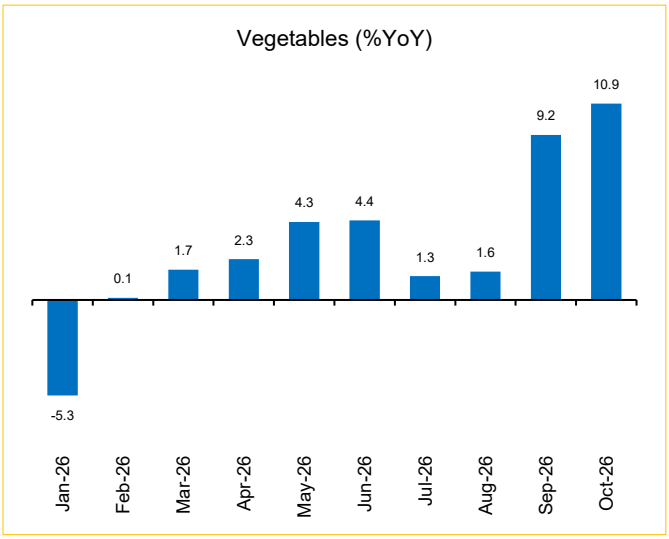

*Source: CMIE, Choice Institutional Equities*

**Average milk prices have increased to INR 63/ltr from INR 59/ltr in Mar'26**



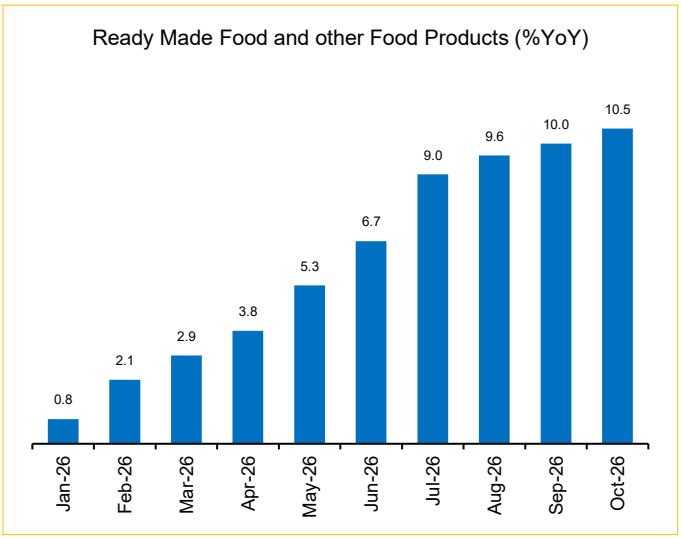

*Source: CMIE, Choice Institutional Equities*

**Vegetable inflation at 11% - the highest in the new series, has been one of the reasons behind higher food inflation**



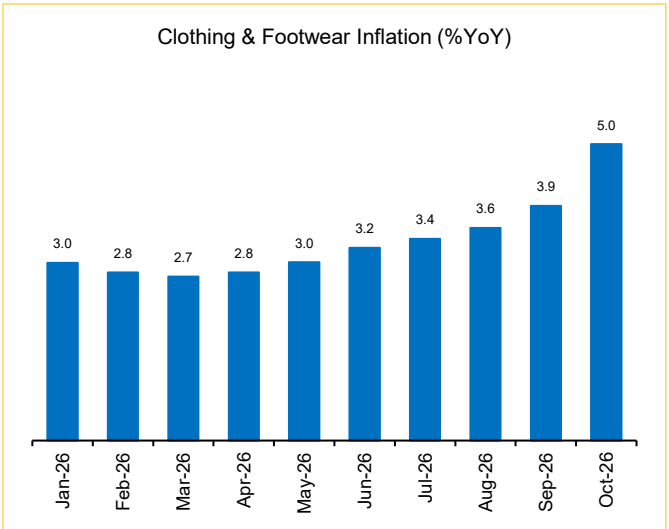

*Source: CMIE, Choice Institutional Equities*

**Inflation in ready-made food products surges, supporting the pricing power of FMCG sector**



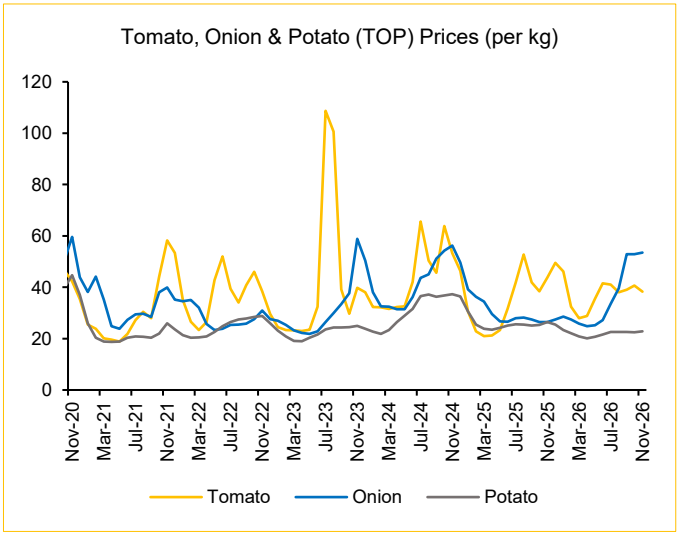

*Source: CMIE, Choice Institutional Equities*

**Retail inflation for clothing and footwear has also surged sharply to 5%**



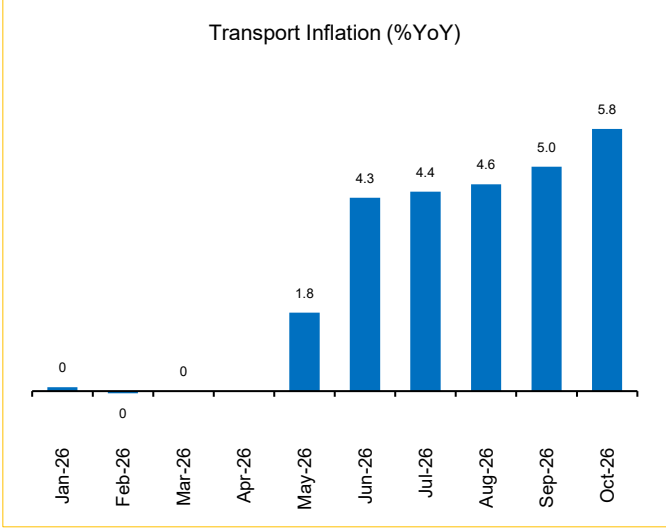

*Source: CMIE, Choice Institutional Equities*

**TOP has a total weight of 36% in the overall vegetable basket which is growing above 20% on average**



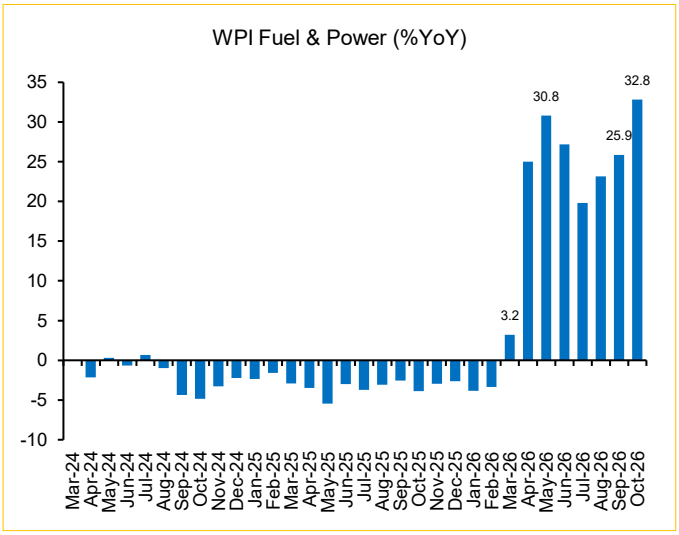

*Source: CMIE, Choice Institutional Equities*

**Pass through of higher crude prices to consumers continues, despite significant government cushioning**



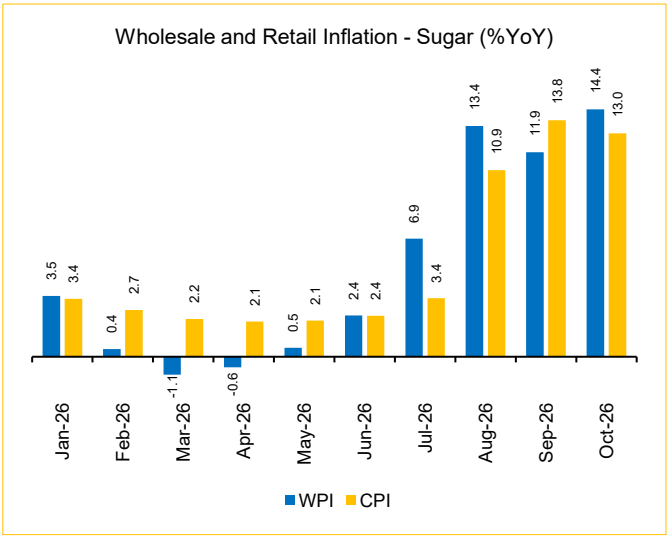

*Source: CMIE, Choice Institutional Equities*

**Wholesale Fuel & Power inflation continues to remain elevated due to higher global prices and has averaged 26% since Apr'26**



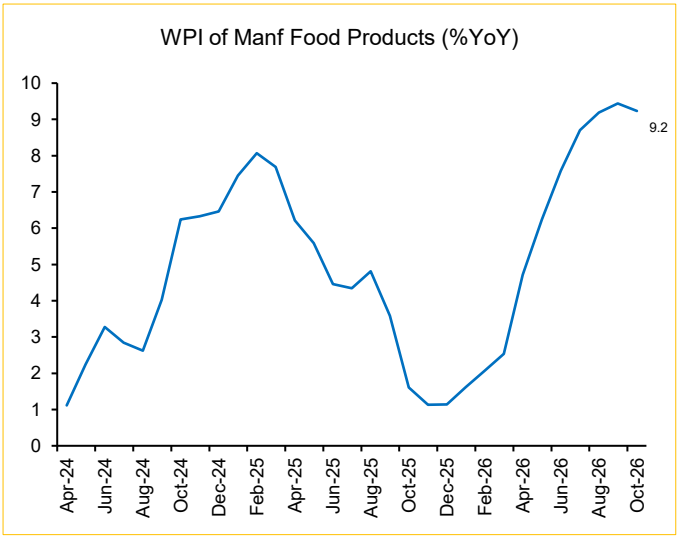

*Source: CMIE, Choice Institutional Equities*

**Surging Sugar Inflation: What Wholesalers Pay vs. What You Pay**



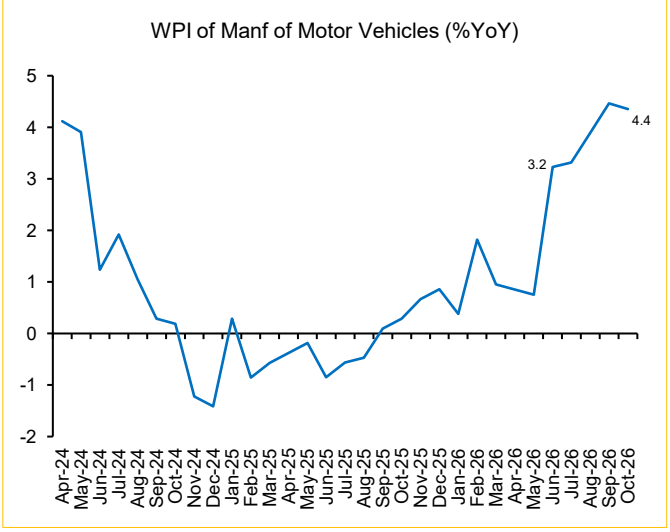

*Source: CMIE, Choice Institutional Equities*

**Wholesale inflation in manufactured products continues to remain elevated at 9.2% in Oct'26**



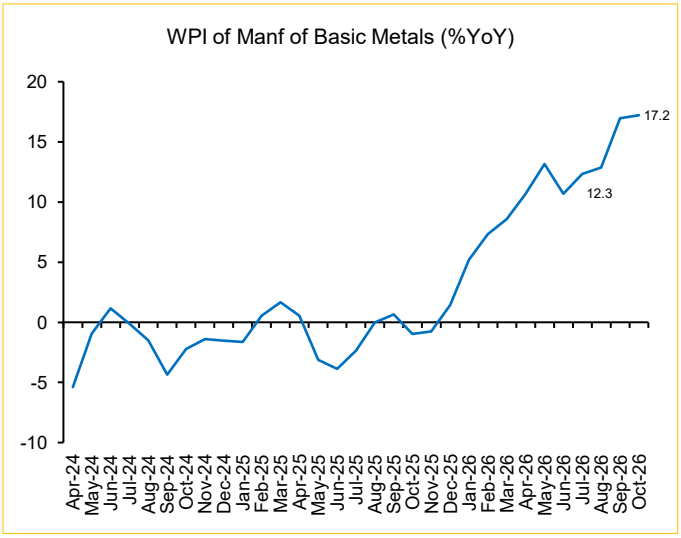

*Source: CMIE, Choice Institutional Equities*

**Wholesale inflation of motor vehicle manf surged to 4.4% in Oct'26 due to elevated RM costs**




*Source: CMIE, Choice Institutional Equities*

**Wholesale inflation of basic metal manf surged to 17.2% in Oct'26 vs 1.4% in Jan'26**




*Source: CMIE, Choice Institutional Equities*

| Institutional Research Team | | | |
|---|---|---|---|
| Utsav Verma, CFA | Head of Institutional Research, India Equity Strategy and SMIDs | utsav.verma@choiceindia.com | +91 22 6707 9440 |
| Purvi Mundhra | Economist | purvi.mundhra@choiceindia.com | +91 22 6707 9241 |
| Ambrish Shah | Analyst - Power | ambrish.shah@choiceindia.com | +91 22 6707 9251 |
| Ashutosh Murarka | Analyst – Building Materials | ashutosh.murarka@choiceindia.com | +91 22 6707 9521 |
| Bhavik Shah, CFA | Analyst – Metals & Mining | bhavik.shah@choiceindia.com | +91 22 6707 9521 |
| Deepika Murarka | Analyst – Healthcare | deepika.murarka@choiceindia.com | +91 22 6707 9513 |
| Dhaval Popat | Analyst – Energy | dhaval.popat@choiceindia.com | +91 22 6707 9949 |
| Ishank Gupta | Analyst – NBFCs | ishank.gupta@choiceindia.com | +91 22 6707 9827 |
| Karan Kamdar | Analyst – Consumer Discretionary, SMIDs | karan.kamdar@choiceindia.com | +91 22 6707 9451 |
| Kunal Bajaj | Analyst – Technology | kunal.bajaj@choiceindia.com | +91 22 6707 9901 |
| Maitri Sheth | Analyst – Pharmaceuticals | maitri.sheth@choiceindia.com | +91 22 6707 9511 |
| Putta Ravi Kumar | Analyst – Defence | ravi.putta@choiceindia.com | +91 22 6707 9908 |
| Preeyam Tolia | Analyst – FMCG & Retail | preeyam.tolia@choiceindia.com | +91 22 6707 9987 |
| Subhash Gate | Analyst – Autos | subhash.gate@choiceindia.com | +91 22 6707 9233 |
| Vijiya Rao | Analyst – AMC & Insurance | vijiya.rao@choiceindia.com | +91 22 6707 9531 |
| Avi Jhaveri | Sr. Associate – Technology | avi.jhaveri@choiceindia.com | +91 22 6707 9901 |
| Bharat Kumar Kudikyala | Sr. Associate – Building Materials | bharat.kudikyala@choiceindia.com | +91 22 6707 9930 |
| Samarth Goel | Sr. Associate– Small and Midcaps | samarth.goel@choiceindia.com | +91 22 6707 9451 |
| Darshit Vora | Associate – FMCG & Retail | darshit.vora@choiceindia.com | +91 22 6707 9987 |
| Heer Gogri | Associate – Small and Midcaps | heer.gogri@choiceindia.com | +91 22 6707 9433 |
| Heet Chheda | Associate – Autos | heet.chheda@choiceindia.com | +91 22 6707 9233 |
| Pankti Karania | Associate – Energy | pankti.karania@choiceindia.com | +91 22 6707 9251 |
| Prakhar Tibrewala | Associate – SMIDs | prakhar.tibrewal@choiceindia.com | +91 22 6707 9433 |
| Rushil Katiyar | Associate – Technology | rushil.katiyar@choiceindia.com | +91 22 6707 9535 |
| Shreya Mehra | Associate – Technology | shreya.mehra@choiceindia.com | +91 22 6707 9535 |
| Stuti Bagadia | Associate – Pharmaceuticals | stuti.bagadia@choiceindia.com | +91 22 6707 9511 |
| Vedanta Bhadani | Associate – Power | vedanta.bhadani@choiceindia.com | +91 22 6707 9251 |
| Vinay Rawal | Associate – Small and Midcaps | vinay.rawal@choiceindia.com | +91 22 6707 9433 |

| CHOICE RATING DISTRIBUTION & METHODOLOGY | |
|---|---|
| **Large Cap*** | |
| BUY | The security is expected to generate upside of 15% or more over the next 12 months |
| ADD | The security is expected to show upside returns from 5% to less than 15% over the next 12 months |
| REDUCE | The security is expected to show upside or downside returns by 5% to -5% over the next 12 months |
| SELL | The security is expected to show downside of 5% or more over the next 12 months |
| **Mid & Small Cap*** | |
| BUY | The security is expected to generate upside of 20% or more over the next 12 months |
| ADD | The security is expected to show upside returns from 5% to less than 20% over the next 12 months |
| REDUCE | The security is expected to show upside or downside returns by 5% to -10% over the next 12 months |
| SELL | The security is expected to show downside of 10% or more over the next 12 months |
| **Other Ratings** | |
| NOT RATED (NR) | The stock has no recommendation from the Analyst |
| UNDER REVIEW (UR) | The stock is under review by the Analyst and rating may change |
| **Sector View** | |
| POSITIVE (P) | Fundamentals of the sector look attractive over the next 12 months |
| NEUTRAL (N) | Fundamentals of the sector are expected to be in stasis over the next 12 months |
| CAUTIOUS (C) | Fundamentals of the sector are expected to be challenging over the next 12 months |

***Large Cap: More Than INR 20,000 Cr Market Cap**
***Mid & Small Cap: Less Than INR 20,000 Cr Market Cap**

## Disclaimer & Disclosure

Research Disclaimer and Disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

**Choice Equity Broking Private Limited is a registered Research Analyst Entity (Reg. No. INH000000222 ) CIN. NO.: U65999MH2010PTC198714. Reg. Add.: Sunil Patodia Tower, J B Nagar, Andheri (East), Mumbai 400099. Tel. No. 022-6707 9999 . Compliance Officer-Prashant Salian. Tel. 022-6707 9999-Ext. 896. Email-Compliance@choiceindia.com. Grievance officer-Deepika Singhvi Tel.022-67079999- Ext-834.**

**Email- ig@choiceindia.com**

The Company uses artificial intelligence tools as part of its research process, including data analysis and content generation. Notwithstanding the foregoing, all analysis, views, and recommendations are independently formulated and duly reviewed by qualified research analysts prior to issuance.

**General Disclaimer:**

**Investment in securities market are subject to market risks. Read all the related documents carefully before investing. Registration granted by SEBI, and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors**

This report ("Report") is prepared by Choice Equity Broking Private Limited as a Research Entity (hereinafter referred as "CEBPL") in its capacity as a SEBI-registered Research Analyst and is intended solely for informational and educational purposes. This Report is meant exclusively for the recipient and shall not be circulated, reproduced, or distributed, in whole or in part.

This Report does not take into account the specific investment objectives, financial situation, risk profile, or particular needs of any individual or class of investors and does not constitute a personal recommendation or investment advice. Any views, opinions, or recommendations expressed herein are based on publicly available information and internal analysis and are subject to change without notice.

Nothing contained in this Report shall be construed as an offer, solicitation, or inducement to buy, sell, or subscribe to any securities, derivatives, or other financial instruments, nor shall it be considered as investment, legal, accounting, or tax advice. Recipients are advised to conduct their own independent analysis and are encouraged to seek independent professional advice before making any investment or trading decisions.

The information contained in this Report has been compiled from sources believed to be reliable; however, CEBPL does not represent or warrant the accuracy, completeness, or reliability of such information. CEBPL, its directors, employees, or associates shall not be liable for any losses, damages, or expenses arising directly or indirectly from the use of or reliance upon this Report.

Investments in securities are subject to market risks. The price and value of investments and the income from them may fluctuate, and investors may incur losses. Past performance is not indicative of future results. Opinions expressed herein are as of the date of this Report and may differ from views expressed in other research reports due to differences in methodology, assumptions, or time horizons.

**Disclaimers in respect of Jurisdiction:**

This Report is not intended for distribution to, or use by, any person or entity who is a citizen or resident of, or located in, any jurisdiction where such distribution, publication, or use would be contrary to applicable laws or regulations, or would subject CEBPL to any registration or licensing requirements in such jurisdiction.

No action has been taken or will be taken by CEBPL in any jurisdiction outside India where such action would be required for distribution of this Report. Accordingly, this Report shall not be directly or indirectly distributed, published, or circulated in any such jurisdiction except in compliance with applicable laws and regulations.

Recipients of this Report are required to inform themselves of, and comply with, all applicable legal and regulatory restrictions at their own expense and without any liability to CEBPL. Any dispute arising out of or in connection with this Report shall be subject to the exclusive jurisdiction of the competent courts in Mumbai, India.

**Disclosure on Ownership and Material Conflicts of Interest:**

- "CEBPL", its Research Analyst(s), their associates and relatives may have any financial interest in the subject company covered in this Research Report.
- "CEBPL", its Research Analyst(s), their associates and relatives may have actual or beneficial ownership of one percent (1%) or more of the securities of the subject company, as on the last day of the month immediately preceding the date of publication of this Research Report.
- "CEBPL", its Research Analyst(s), their associates and relatives may have any other material conflict of interest at the time of publication of this Research Report.

**Disclosure on Receipt of Compensation:**

- "CEBPL" or its associates may have received compensation from the subject company during the past twelve months.
- "CEBPL" or its associates may have managed or co-managed public offerings of securities for the subject company during the past twelve months.
- "CEBPL" or its associates may have received compensation from the subject company during the past twelve months for investment banking, merchant banking or brokerage services.
- "CEBPL" or its associates may have received compensation from the subject company during the past twelve months for products or services other than investment banking, merchant banking or brokerage services.
- "CEBPL" or its associates have not received any compensation or other benefits from the subject company or any third party in connection with the preparation or publication of this Research Report.
- Research Analyst may have served as an officer, director or employee of the subject company covered in this Research Report.
- "CEBPL" and Research analyst may engage in market-making activity in the securities of the subject company.

**Details of Associates of CEBPL and Brief History of Disciplinary action by regulatory authorities are available on our website i.e. www. https://choiceindia.com/research-listing**

**Copyright:**

This research report is confidential and intended solely for the recipient. Unauthorized reproduction, distribution, or disclosure of this report, in whole or in part, in any form or by any means, without the prior written permission of the Company is strictly prohibited.