

LOW BASE EFFECT, HIGH FOOD PRICES

Retail Inflation Climbs to 3.21% in Feb

RBI likely to maintain rate pause at April review, experts say

Our Bureau

New Delhi: Retail inflation rose 3.21% year-on-year in February from 2.74% in January, largely due to a low base effect and higher food prices, official data released Thursday showed. This marks the second reading under the revised Consumer Price Index (CPI) series with 2024 as base year.

Economists expect March inflation to begin reflecting the impact of the Gulf conflict, which began February 28, mainly through higher fuel costs, including that of liquefied petroleum gas (LPG). "The number has increased on a y-o-y basis due to low base effects but on a sequential basis there was a moderation across both core and food reflecting that inflation momentum remained contained," said Sakshi Gupta, principal economist at HDFC Bank.

Sequentially, retail inflation increased 0.1%, while food inflation fell

0.2%. Core inflation remained steady at 3.4%. "The uptick was almost entirely led by the food and beverages (F&B) segment, which accounted for as much as 44 basis points of the 47 bps rise in the headline print between these months," said Aditi Nayar, chief economist at ICRA. One basis point is 0.01 percentage point.

Inflation in the food & beverages segment stood at 3.4% in February, with rural areas recording 3.4% and urban areas 3.3%. Food inflation alone rose to 3.47% compared with 2.13% in January and was around 3.5% in both rural and urban regions.

March inflation could range between 3.2% and 3.5%, based on current trends in food prices, said Bank of Baroda chief economist Madan Sabnavis, while India Ratings and Research estimates 3.7%.

Nayar noted that higher LPG prices owing to global energy supply disruptions and rising gold prices could push inflation to 3.3-3.5% in March.

She added that heightened geopolitical uncertainty affecting India's growth and inflation outlook supports the case for a continued rate pause in the upcoming April monetary policy committee (MPC) meeting. The Reserve Bank of India's MPC

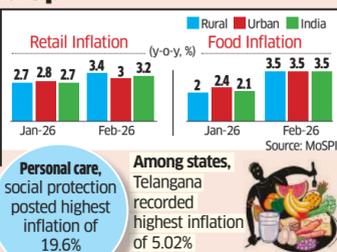
Inflation Inches Up

Food inflation at 3.47%

Economists expect March inflation to reflect Gulf tensions, mainly through higher fuel and LPG prices

March inflation projected at 3.2-3.5% by economists

Precious metals, especially gold & silver, saw sharp price increases, contributing to inflation



Among states, Telangana recorded highest inflation of 5.02%

kept the benchmark repo rate unchanged at 5.25% in February.

In rural areas, inflation rose to 3.4% in February, up from 2.7% in January, while urban inflation increased to 3% from 2.8%. Across states, Telangana recorded the highest inflation of 5.02%, followed by Rajasthan (3.53%), Kerala (3.5%), Andhra Pradesh (3.45%) and West Bengal (3.44%).

FOOD SERVICES

Among the 12 divisions, personal care, social protection and miscellaneous goods and services saw the highest inflation at 19.6%. Next was

paan, tobacco and intoxicants at 3.5%, followed by food and beverages (3.35%) and education services (3.33%).

Across 358 tracked items, silver jewellery recorded the steepest price rise at 160.8%, followed by gold, diamond, platinum jewellery (48.2%), coconut, copra (46.2%), tomato (45.3%), and cauliflower (43.8%). Potato and onion prices declined by 18.5% and 28.2%, respectively. The surge in silver and gold prices also contributed to the rise in headline inflation. "This will be a factor that will continue to exert

pressure in March too given the global uncertainty. Further, the rupee depreciation would also add to this cost," said Sabnavis.

OUTLOOK

Economists warn the West Asian war poses upside risks to the inflation outlook if it doesn't end soon. "Inflation trajectory going forward both for CPI and WPI (wholesale price index) could clearly see upside risks in the coming months if the conflict persists," said Gupta.

According to ICRA, every 10% increase in average crude oil prices could raise inflation by 40-60 bps, assuming full pass-through to retail fuel prices. Higher crude oil prices could also weigh on corporate profitability and household spending, posing a downside risk to GDP growth in FY27, said Nayar.

If average annual crude oil prices remain elevated at \$100 per barrel or higher, inflation could exceed 5% in FY27, compared with the earlier projection of 4.3%, before the current geopolitical tensions, said Rajani Sinha, chief economist at CareEdge Ratings. The higher probability of an El Nino weather event next year could adversely impact food inflation, she said.

BID TO PUSH CREDIT GROWTH

Banks Urged to Devise Low-interest Loans for Retail, MSME Clients

Inputs expected by month-end; rollout planned early next FY

Dheeraj Tiwari

New Delhi: The government has asked banks to devise low-interest loan schemes for retail borrowers as well as micro and small enterprises, and explore credit products for tribals who may lack collateral. Banks are expected to share inputs by the end of this month and implement the schemes early next financial year, said people familiar with the development.

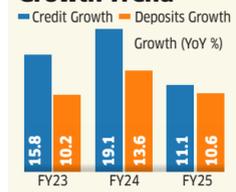
"Banks have been asked to look at various loan schemes and further build upon the existing models such as Grameen Credit Score and the Stand Up India 2.0 scheme," a government official said on condition of anonymity, adding that the aim is to push credit growth. Bank-led credit growth stood at a 19-month high of 14.6% at January-end, compared with 11.4% a year ago.

Banks will discuss internally how such schemes can be designed with a uniform loan application and other credit appraisal metrics. The retail loans will cover all consumer loans, including housing loans, subject to prudent lending guidelines, said official.

Public sector banks have already implemented the Grameen Credit Score framework for better assessment of self-help group members and people in rural areas to increase lending to this category. A bank executive said lenders will look at tailored schemes for micro enterprises, which may include longer tenure periods to



Credit-Deposit Growth Trend



bring down interest rates and lower requirements of margin funds. "Firms operating in sectors such as leather, toys and even street vendors will be targeted through these new loan products," he said, adding that the government wants banks to come up with inclusive credit strategies for the unbanked population.

Another bank executive said that models such as the proposed customised credit cards with a ₹5 lakh limit for micro enterprises registered on Udyam portal can also be looked at. "We are already in the process of rolling out these projects and can add more features to them including additional lending support," he said.

Non-food bank credit increased 14.4% year-on-year in January, accelerating from 11.3% a year earlier while remaining at levels similar to those in December 2025, according to a report by CareEdge Ratings.

POLICY DIALOGUE

Govt, NBFCs Discuss Sector Reforms

New Delhi: Financial services secretary M Nagaraju on Thursday chaired a meeting with major Non-Banking Financial Companies (NBFCs) discuss targeted points pertaining to the sector. In a statement, the ministry noted that the meeting emphasised on reaching a solution on issues being faced by NBFCs through stakeholder consultation. SROs for NBFCs were requested to work out a framework on reforms to be implemented for NBFCs to strengthen the sector, it added. —Our Bureau



Parliament Watch

Panel Seeks Higher Pay, Age Relaxation under PM Internship Scheme

Our Bureau

New Delhi: The Parliamentary Standing Committee on Finance has suggested that the government raise the monthly stipend and relax eligibility conditions under the PM Internship scheme, flagging the limited uptake and high dropout rates under the programme.

The panel, chaired by senior BJP leader Bhartruhari Mahtab, has pitched for higher stipend to beneficiaries, keeping in view prevailing living costs. It also wants that "a graded support mechanism, including travel, relocation or accommodation assistance, particularly for women candidates and those from rural or remote areas, be introduced to improve retention". Currently, each selected intern gets a monthly allowance of ₹5,000 for one year, on top of a one-time aid of ₹6,000.

House Panel Suggests Stress Test of Income Tax Portal

A Parliamentary panel on Thursday asked the Income Tax department to undertake 'rigorous stress and load testing' of its e-filing portal and the entire IT backbone to ensure that there are no glitches when the new Act is rolled out from April 1. The Income Tax department has informed the Standing Committee on Finance, chaired by BJP member Bhartruhari Mahtab, that out of the 190 forms to be notified under the new I-T Act, only 54 forms are expected to be ready by March 31, 2026. The remaining forms will be rolled out subsequently.

Push for Faster Smart Meters Installation

A parliamentary panel on Thursday has urged the power ministry to undertake urgent measures to accelerate installation of smart metres in a structured and time-bound manner.

WEST ASIA CONFLICT

Ministry Issues Safety Advisory for Indian Seafarers in Gulf

Directive not aimed at returning home: Official

Our Bureau

New Delhi: The government on Thursday said it has advised Indian seafarers in West Asia to be cautious but hasn't asked them to return home.

"The directive is not to return home. The directive is to remain employed, work on the ship, but be safe. And that is why the advisories have been issued," Rajesh Kumar Sinha, special secretary at the ports, shipping, and waterways ministry, said during an inter-ministerial briefing on developments in West Asia.

Responding to an ET query, he said the Directorate General of Shipping has issued advisories to the Indian seafarers, whether they are employed on Indian flagged vessels or on foreign flagged vessels. Sinha said there have been mari-

time incidents involving foreign-flagged vessels with a total of 78 Indian seafarers onboard. "Of these, 70 are unhurt and escaped. Four sustained injuries over the last few days but are stable. Unfortunately,

23,000

NUMBER OF INDIAN SEAFARERS STRANDED IN GULF COUNTRIES

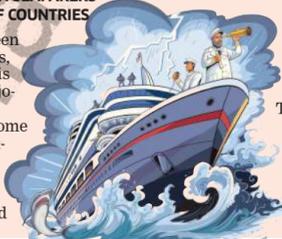
there have been three casualties, and one seafarer is missing," he told journalists.

It is estimated some 23,000 Indian seafarers are stranded in all Gulf countries, mostly on foreign flagged

ships, which are facing attacks. There are also 28 Indian-flagged vessels in the Persian Gulf. Of these, 24 vessels with 677 Indian seafarers are on the west side of the Strait of Hormuz, while four vessels with 101 Indian seafarers are on the east side and floating on high seas.

Tensions in West Asia flared up after a joint Israel-US air strike eliminated Iran's supreme leader Ayatollah Ali Khamenei. Iran has since launched retaliatory

attacks, bringing ship movement in the Persian Gulf to a standstill. These developments have choked the supply of oil and gas around the world.



Currents of Commerce

READER ENGAGEMENT INITIATIVE

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India's maritime sector is undergoing a significant transformation as the country invests in modern ports, dedicated freight corridors and multimodal logistics hubs to support rising trade volumes.

With nearly 95 per cent of India's trade by volume moving through maritime routes, strengthening port connectivity has become central to improving logistics efficiency and export competitiveness.

Corridors connecting the hinterland

Dedicated Freight Corridors (DFCs) are emerging as a key backbone for India's logistics network. The Eastern Dedicated Freight Corridor (1,337 km) connecting Ludhiana to Sonmargar and the Western Dedicated Freight Corridor (1,506 km) linking Delhi to western ports have together reached over 96 per cent operational status, covering nearly 2,741 km of track.

These dedicated rail networks allow freight trains to move faster and carry heavier loads without interfering with passenger traffic. The Western DFC is particularly important because it links the northern manufacturing and consumption centres with western maritime gateways, improving cargo flow to ports on the Arabian Sea.

major ports collectively handled 855 million tonnes of cargo, a 4.3 per cent increase over the previous year, reflecting rising trade activity.

Capacity upgrades, deeper drafts and advanced cargo handling equipment are enabling Indian ports

Anchoring India's trade future

As cargo volumes continue to grow, investments in modern ports, freight corridors and logistics hubs are reshaping the maritime backbone and strengthening the country's position in global supply chains

to accommodate larger vessels and manage higher container volumes, strengthening their ability to compete with major global maritime hubs.

Building domestic transshipment hubs

By developing larger container terminals and integrated logistics zones near ports, policymakers aim to retain more cargo handling within the country. Multi-Modal Logistics Parks (MMLPs) are

another key component of this strategy. These facilities integrate rail, road and sometimes inland waterways, enabling cargo aggregation, warehousing

and distribution in a single location.

The future of maritime trade increasingly depends on integrated logistics ecosystems where ports function as part of a broader connectivity network. While port infrastructure plays a critical role, efficiency is ultimately determined by seamless linkages with rail corridors, highways and logistics parks that enable faster and more cost-effective cargo movement.

As India expands its maritime gateways and strengthens inland connectivity, the combined impact of ports, freight corridors and logistics hubs is expected to significantly reduce logistics costs and enhance export competitiveness, laying the foundation for a more resilient and efficient trade infrastructure.

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