GOVERNMENT OF INDIA

MINISTRY OF FINANCE

DEPARTMENT OF ECONOMIC AFFAIRS

LOK SABHA

UNSTARRED QUESTION NO. 3564

TO BE ANSWERED ON 10.08.2026/ *Shravana 19, 1948 (Saka)*

Impact of Rising Inflation on Household Consumption

3564. Dr. Raj Kumar Chabbewal:

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has taken note of the recent Monthly Economic Review, which observed that inflation developments warrant continued vigilance and that household consumption may face headwinds, if so, the details thereof;

(b) whether the Government is aware that retail inflation has recently exceeded the Reserve Bank of India's medium-term inflation target, if so, the details thereof;

(c) whether the Government has assessed the impact of rising food, fuel and wholesale prices on household purchasing power and private consumption, if so, the details thereof;

(d) the details of the fiscal measures proposed or undertaken by the Government to protect low and middle-income households from inflationary pressures; and

(e) whether the Government proposes to review indirect tax rates on essential commodities in view of the prevailing inflationary outlook and if so, the details thereof?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI PANKAJ CHAUDHARY)

(a): The May 2026 edition of the Monthly Economic Review stated that "*…overall consumption demand may face headwinds in the coming months"* as the forecasts at that time were pointing "*…to a below-normal monsoon and a likely moderation in economic activity"*. The statement, *"The inflation outlook warrants vigilance*", was made against the backdrop of a hike in pump prices of petrol and diesel in mid-May, as well as the possibility of some pass-through of upstream cost pressures, as signalled by the build-up in wholesale prices consequent to the war in West Asia.

(b): The average retail inflation had declined steadily from 5.4 per cent in 2023-24 to 2.1 per cent in 2025-26. However, owing to the commodity price shock and elevated global energy prices stemming from the West Asia Crisis and the expected unfavourable El Niño conditions, retail inflation rose to 4.38 per cent in June 2026, still within the Reserve Bank of India's (RBI) inflation target of 4±2 per cent. The quarterly average for Q1 of 2026-27 stands at 3.9 per cent, which is below the inflation target of 4 per cent and RBI's earlier forecast of 4.2 per cent for the said quarter.

(c) and (d): The wholesale inflation rate declined from 1.7 per cent in 2024-25 to 0.4 per cent in 2025-26, but rose to 9.3 per cent in Q1 of 2026-27 owing to the global supply shock. Though the retail inflation also followed a similar path, the price pressures at retail level were much moderate and stable. The recent uptick in retail inflation was largely driven by the unfavourable weather conditions that were exerting upward pressure on food inflation, especially on prices of protein-rich foods and select vegetables. The fuel inflation was relatively modest, reflecting only a partial transmission of elevated global fuel prices to the energy commodities at the retail level. In Q1of 2026-27, the food and fuel inflation were 4.8% and 1% respectively. The Government continuously monitors the price situation in the country and undertakes fiscal, administrative and supply-side measures, as warranted by evolving economic conditions, to protect the purchasing power of households, particularly low- and middle-income households. Some of the recent fiscal measures include, reduction of Basic Customs Duty (BCD) on crude palm oil, crude soybean oil and crude sunflower oil from 20 per cent to 10 per cent in June 2025; on whole Tur to Nil with effect from 4 March 2023; extension of duty rationalization for the import of Tur and Urad under the 'Free Category' till 31.03.2027; reduction of Agriculture Infrastructure and Development Cess (AIDC) on Masur to Nil from 13 February 2022 to 7 March 2025; distribution of food grains free of cost to around 81 crore beneficiaries under the National Food Security Act; reduction in the Central excise duty on petrol and diesel by ₹10 per litre in March 2026; rationalisation of the Goods & Services Tax (GST) rates in September 2025, especially on items consumed by the common man, such as food products, household articles, medicines, medical equipment, agricultural goods and specified automobiles etc.; and increasing the disposable income of individuals by exempting annual incomes up to ₹12 lakh (and ₹12.75 lakh for salaried individuals with standard deduction) from income tax. These measures have supported household consumption, as evidenced by the share of private final consumption expenditure in GDP remaining broadly stable at 56.5–56.7 per cent (base year 2022-23). Moreover, as per the latest GDP estimates released by the Ministry of Statistics and Programme Implementation, per capita Private Final Consumption Expenditure (PFCE) recorded a robust growth of 6.8 per cent in 2025-26, up from 4.8 per cent in 2023-24.

(e): The Government keeps the indirect tax structure under continuous review in consultation with stakeholders and, in the case of GST, on the recommendations of the GST Council. Decisions regarding tax rates on essential commodities are made from time to time, as indicated above, after considering various factors, including inflationary trends, revenue implications, and overall macroeconomic conditions. Any proposal to rationalise GST rates or to grant exemptions for essential goods or services requires the recommendation of the GST Council, a constitutional body comprising representatives of the Union and the States/UTs. The last rationalisation, including for many mass-consumption goods, was undertaken in September 2025.

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