INDIAN ECONOMY 14 October 2026

Inflation Squeeze Threatens FMCG Volume Growth in India

India's retail inflation rose to 5.54% in September, triggering volume pressure on fast-moving consumer goods (FMCG) as shoppers shift to smaller packs.

FMCG volume squeeze refers to the reduction in consumer purchases of packaged goods due to rising retail inflation, leading to down-trading towards smaller or cheaper alternatives.

KEY EXAM POINTS

- India's retail inflation rose to 5.54% year-on-year in September, reaching its highest level since the revised Consumer Price Index (CPI) series was introduced.
- During the previous inflation cycle between March 2022 and December 2024, average FMCG pack sizes fell 11% from 188 grams to 167 grams.
- Consumers increasingly shifted toward unbranded and cheaper products, particularly in urban markets during the inflation shock.
- Premium volume growth declined from 29.4% in the first quarter of 2023 to 13.6% in the fourth quarter of 2025.
- India's retail inflation quickened from 4.83% in August to 5.54% in September, hitting a near two-year high.

DID YOU KNOW..!?

The Consumer Price Index (CPI) combined series with base year **2012** is published monthly by the **National Statistical Office** (NSO) under the Ministry of Statistics and Programme Implementation.

Retail inflation in India is officially targeted by the **Reserve Bank of India** (RBI) under the flexible inflation targeting framework mandated to keep it at **4%** with a band of +/- 2%.

Fast-Moving Consumer Goods (FMCG) constitute the fourth-largest sector in the Indian economy, significantly contributing to rural and urban consumption expenditure.

The **Monetary Policy Committee** (MPC) established under Section 45ZB of the **RBI Act 1934** is responsible for determining the policy interest rate required to achieve the inflation target.

Tamil Nadu Economic Survey data highlights distinct consumption patterns across urban and rural regions, reflecting shifts in retail pricing and household expenditure.

Wholesale Price Index (WPI) and **Consumer Price Index** (CPI) are the primary barometers used to measure inflation in the Indian economy.

REVISION FLASHCARD

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Syllabus Relevance: Highly relevant for Indian Economy Unit 6 questions on inflation, CPI trends, and consumer demand dynamics.

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