Retail inflation crosses 4% mark

CPI Inflation | June 2026

14th July 2026

CPI jumps to 4.38% in June vs 3.93% in May, breaching RBI's 4% target for first time in 17 months while also the highest under new CPI series. Fuel and food costs drove June inflation higher, reflecting Iran war-linked supply shocks and delayed monsoon rains. Food inflation climbed to 5.32% in June from 4.78% in May. Fuel price hikes in May lifted transport inflation sharply to 4.31% in June versus 1.75% previously.

Outlook

Retail inflation, while exceeding market expectations, undershot the RBI's Q1 estimate, coming in at 3.9% versus 4.2% (RBI est) with core inflation excluding precious metals remaining subdued and signaling contained underlying pressures. We expect RBI to remain on hold in the August policy, staying data-dependent and monitoring potential second-round effects. Key upside risks stem from renewed Middle East tensions pushing oil prices higher and El Niño conditions impacting food inflation.

Consumer Price Index Composition

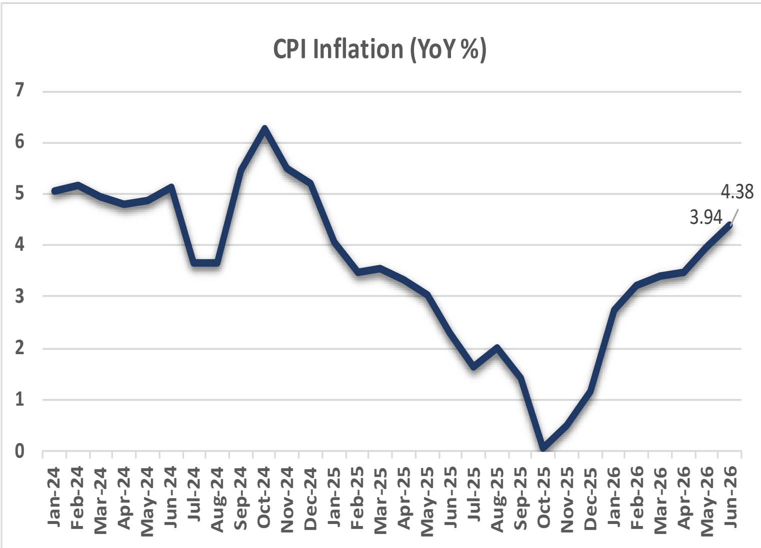
Particulars % YoY	Apr-26	May-26	Jun-26
Food and beverages	**4.0**	**4.6**	**5.1**
Food	4.2	4.8	5.3
Beverages	0.5	0.2	0.2
Paan, tobacco and intoxicants	**4.8**	**4.8**	**4.8**
Clothing and footwear	**2.8**	**3.0**	**3.2**
Housing, water, electricity, gas and other fuels	**1.7**	**1.7**	**2.0**
Actual rental payments made for housing	2.0	2.0	2.0
Water supply and miscellaneous services relating to the dwelling	1.4	1.3	1.3
Electricity, gas and other fuels	0.7	0.8	1.8
Furnishings, household equipment and routine household maintenance	**1.6**	**1.9**	**2.2**
Health	**1.7**	**1.5**	**1.4**
Transport	**0.0**	**1.8**	**4.3**
Information and communication	**0.5**	**0.3**	**0.4**
Recreation, sport and culture	**2.1**	**2.0**	**1.8**
Education services	**3.2**	**3.0**	**3.3**
Restaurants and accommodation services	**4.2**	**5.8**	**6.9**
Food and beverage serving services	4.2	5.8	6.9
Accommodation services	1.6	1.8	2.2
Personal care, social protection and miscellaneous goods and services	**17.7**	**18.5**	**16.7**
Personal care	2.6	2.4	2.3
Other personal effects	53.6	56.4	50.2
Other services	1.4	1.4	1.7
CPI	**3.5**	**3.9**	**4.4**

Component wise highlights

Food and transport were the key drivers of the latest inflation uptick. Food and beverages inflation rose by nearly 50 bps to 5.1% from 4.6%, Within Food, Ready made food and other products rose over 100 bps to 6.7%. Prices of milk, dairy, and eggs climbed close to 80 bps from 3.3% to 4.1%, Cereals and cereal products moved up from 0.28% to 0.94%. Vegetable prices saw a rise from 4.3% to 4.4%.

The West Asia conflict is visibly impacting domestic inflation, with transport inflation rising above 200 bps to 4.3% YoY in Jun'26 from 1.8% in May, while restaurant and accommodation services rising above 100bps to 6.9% from 5.7%, reflecting higher fuel and LPG costs.

Core inflation rose to 4.1% while Core inflation excluding precious metals was close to 2.4% suggesting contained underlying inflation. Personal care, social protection and miscellaneous goods and services inflation eased to 16.72% from 18.46%, Education services inflation rose to 3.34% from 3%, Clothing and Footwear inflation rose to 3.2% from 3%.



Sources: Reserve Bank of India, Reuters, MOspi, FADA, Government of India

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