CPI in Line, Stays Above 4%; Sequential Momentum Slows

CPI Inflation | July 2026

14th Aug 2026

India's retail inflation accelerated to 4.45% in July, breaching the RBI's 4% target for a second consecutive month, as higher food and fuel prices drove the increase. Food inflation climbed to 5.52% from 5.32% in June, led by firmer vegetable and jewellery prices, while transport inflation rose to 4.43% on elevated crude oil prices amid West Asia tensions. Despite the uptick, inflation remains within the RBI's 2-6% tolerance band.

Outlook

The MPC lowered its FY27 inflation forecast to 5% (from 5.1%) but flagged upside risks from a weak monsoon, volatile energy prices, and second-round effects, with a peak expected in Q3 FY27. The RBI's August policy flagged inflation as largely food-driven, while cutting its FY27 core inflation forecast to 4.3% (from 4.7%) signaling limited broad-based price pressure. We expect RBI to remain on hold in the October 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. The Fed's rate-hike timeline stands out as a critical variable to watch.

Consumer Price Index Composition

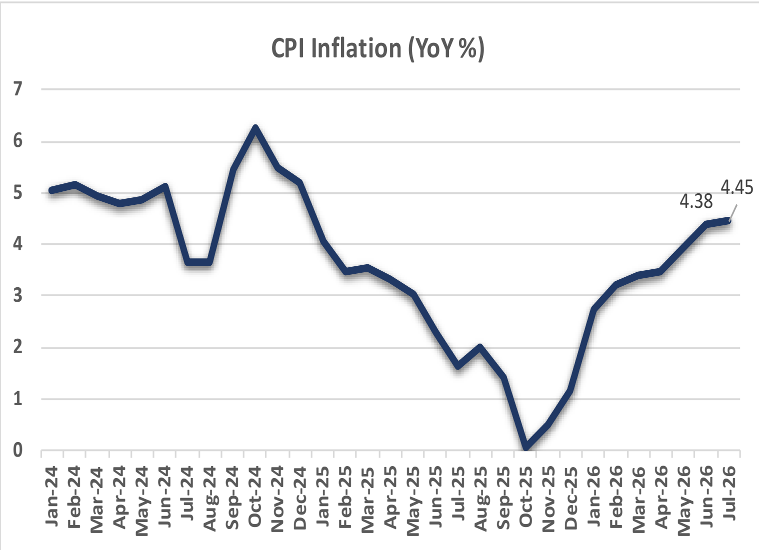
Particulars % YoY	May-26	Jun-26	Jul-26
Food and beverages	**4.55**	**5.05**	**5.24**
Food	4.78	5.32	5.52
Beverages	0.23	0.15	0.04
Paan, tobacco and intoxicants	**4.83**	**4.82**	**4.79**
Clothing and footwear	**2.98**	**3.22**	**3.38**
Housing, water, electricity, gas and other fuels	**1.73**	**2.00**	**2.16**
Actual rental payments made for housing	2.04	2.00	2.11
Water supply and miscellaneous services relating to the dwelling	1.29	1.29	1.18
Electricity, gas and other fuels	0.81	1.74	2.02
Furnishings, household equipment and routine household maintenance	**1.89**	**2.19**	**2.40**
Health	**1.49**	**1.42**	**1.34**
Transport	**1.75**	**4.32**	**4.43**
Information and communication	**0.30**	**0.43**	**0.63**
Recreation, sport and culture	**1.98**	**1.73**	**1.64**
Education services	**2.99**	**3.35**	**3.64**
Restaurants and accommodation services	**5.75**	**6.91**	**7.72**
Food and beverage serving services	5.77	6.93	7.75
Accommodation services	1.76	2.15	2.33
Personal care, social protection and miscellaneous goods and services	**18.46**	**16.72**	**14.77**
Personal care	2.44	2.33	2.24
Other personal effects	56.35	50.17	43.54
Other services	1.41	1.66	1.76
CPI	**3.93**	**4.38**	**4.45**

Component wise highlights

July's inflation print showed food once again doing the heavy lifting, with the category accelerating to 5.5% YoY from 5.3% in June. The spike was concentrated in a handful of items, ginger prices nearly doubled (+83.6% YoY), garlic climbed 35.4%, and onions rose 22.5% while edible oils and processed foods added further pressure. Some relief came from vegetables, with tomatoes slipping into deflation (-4.6%) and potatoes staying sharply negative (-16.6%).

On a MoM basis, Price momentum was led by Restaurant & accommodation services and Education, both up 1% MoM. Housing edged up 0.3%, while Information & communication, Health, Pan/tobacco, and Transport each added 0.2%. Recreation inched up just 0.1%, and Personal care remained the outlier, extending its ongoing correction with a 1% decline.

Core CPI was steady at 4.2% YoY, in line with the previous month's reading. Core-core inflation (ex-food, fuel, precious metals) stayed benign at 2.5% YoY, signaling contained underlying price pressure.



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

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