



Inflation broadens to 5.54%, keeping rate hikes on the table

CPI Inflation | Sept 2026

14th Oct 2026

India's retail inflation rose to a 23-month high of 5.54% in September from 4.82% in August, as higher food and energy prices fed into broader price pressures. Food inflation climbed to 7.7% from 6.0%, led by a sharp rise in onion prices (108% YoY), along with cereals, sugar and edible oil. Core inflation edged up to 4.6%, signaling a gradual broadening of price pressures, while transport inflation rose to 5.0% on elevated crude prices.

Outlook

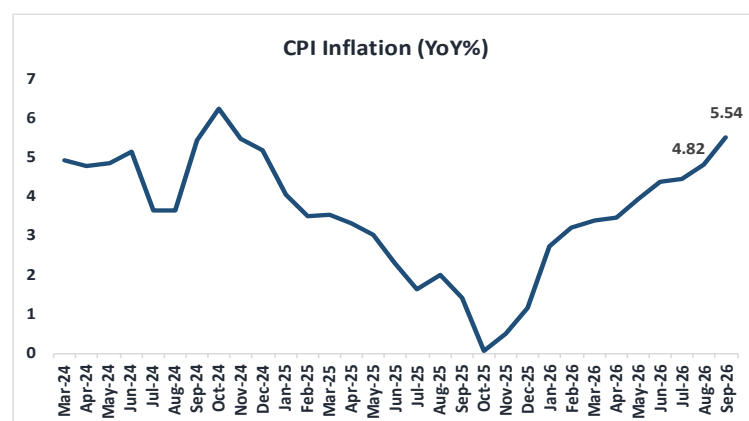
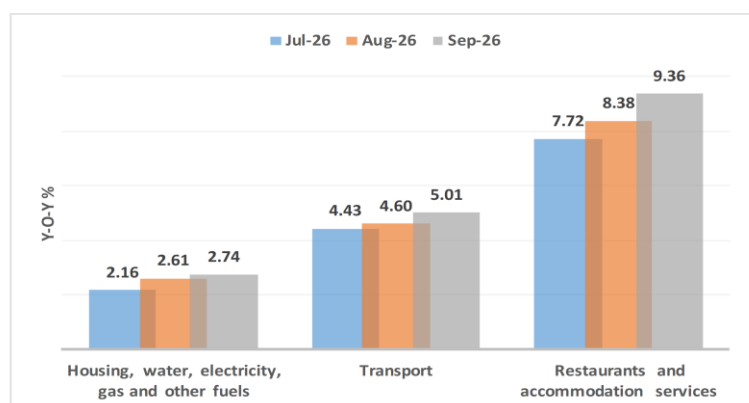
The MPC raised its FY27 inflation forecast to 5.2% (from 5.0%), expecting inflation to average around 5.8% over the next three quarters with a peak of 6.0% in Q3 FY27. The RBI's October policy delivered a rate hike and shifted to a 'calibrated tightening' stance, prioritizing inflation control over growth support. With core pressures broadening across transport, clothing and household goods, we expect the RBI to stay hawkish, with a further 25bp hike likely in December. Key upside risks stem from a deficient monsoon and El Niño conditions impacting food prices, and elevated crude prices amid West Asia tensions. A weaker rupee adds to second-round risks.

Component wise highlights

Food once again did the heavy lifting in September, accelerating to 7.74% YoY from 5.97% in August. Onion prices more than doubled (+108.1% YoY), while garlic (54.6%), ginger (62.9%) and sugar (29.8%) stayed elevated while oils and fats rose 8.35%. Potatoes (-11.5%) and tomatoes (-8.6%) remained in deflation.

On a MoM basis, momentum was led by Food & beverages (+1.3%) and Restaurant & accommodation services (+1.0%), followed by Clothing & footwear (+0.6%). Most other divisions rose 0.2-0.5%, with Education the softest at 0.1%. The headline index rose 0.7% MoM.

Core CPI (ex-food and fuel) firmed to 4.6% YoY from 4.4%, led by transport (5.01%), clothing & footwear (3.93%) and furnishings (3.11%). Core-core inflation (ex-food, fuel and precious metals) rose to 3.8% from 3.6%.



Consumer Price Index Composition			
Particulars % YoY	Jul-26	Aug-26	Sep-26
Food and beverages	5.24	5.66	7.36
Food	5.52	5.95	7.74
Beverages	0.04	0.10	0.25
Paan, tobacco and intoxicants	4.79	4.71	4.80
Clothing and footwear	3.38	3.56	3.93
Housing, water, electricity, gas and other fuels	2.16	2.61	2.74
Actual rental payments made for housing	2.11	2.27	2.37
Water supply and miscellaneous services relating to the dwelling	1.18	1.57	1.57
Electricity, gas and other fuels	2.02	3.09	3.24
Furnishings, household equipment and routine household maintenance	2.40	2.68	3.11
Health	1.34	1.34	1.40
Transport	4.43	4.60	5.01
Information and communication	0.63	2.01	2.44
Recreation, sport and culture	1.64	1.74	2.16
Education services	3.64	3.73	3.94
Restaurants and accommodation services	7.72	8.38	9.36
Food and beverage serving services	7.75	8.41	9.39
Accommodation services	2.33	1.95	2.43
Personal care, social protection and miscellaneous goods and services	14.77	15.17	13.75
Personal care	2.24	2.17	2.22
Other personal effects	43.54	44.56	38.69
Other services	1.76	1.84	1.98
CPI	4.45	4.82	5.54

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

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