CPI Inflation

Food price momentum reduces, but sugar rush adds upside risk

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Economic Update ▸ CPI Inflation ▸ **September 14, 2026**

Aug-26 headline inflation rose to 4.82%, driven by higher food inflation (5.95%), while core inflation also ticked up to 4.2%. Food price momentum dipped and was largely driven by sugar (~8% mom), while other categories remained relatively subdued. The uptick in core inflation was driven by higher gold and silver jewelry prices; however, momentum in other core inflation categories also picked up, with core CPI ex-precious metals at 2.9% (vs 2.7% prior). We maintain our FY27E headline inflation at 5%, with food/core at 5.9%/4.5%, respectively. Higher sugar prices pose an upside risk to our estimates. Global and domestic developments over the past few weeks have increased the likelihood of an RBI rate hike in October, which would also align its policy and liquidity stance (as it looks to absorb the excess FCNR+ liquidity). Any rate hike cycle is likely to be shallow, with the focus remaining on liquidity and FX management.

Headline inflation at 4.82%; food price momentum reduces

Headline CPI inflation rose to 4.82% in Aug-26 (prior: 4.45%; Emkay estimate: 4.81%), with food inflation picking up to 5.95% yoy (prior: 5.52%). However, monthly momentum softened to 0.7% mom (prior: 0.9% mom), with the 3-month moving average at 0.9%. Food inflation momentum also dipped to 1.2% mom (prior: 2.1%), with the 3-month moving average now at 1.7% vs 1.6% previously. One of the largest drivers of food price momentum was sugar (7.6% mom, 10.8% yoy), contributing ~15bps to headline inflation in Aug-26. Other major contributors included vegetables (4.4% mom), spices (1.4% mom), oils and fats (1.4% mom), cereals (1.3% mom), and ready-made food (1.1% mom). However, certain categories saw a fall in prices over July: eggs (-3.2% mom) and meat and fish (-2.6% mom), helping reduce overall momentum. Energy inflation remained muted (0.1% mom), with the household energy index rising 0.3% mom and the transport index rising 0.2% mom (CNG prices rose 2.4% mom, but CNG has a weight of just 0.04% in headline CPI).

Core inflation rises to 4.2% on account of precious metals; momentum also rising

Core inflation (excluding transport fuels) rose to 4.2% (prior: 3.9%), with monthly momentum at 0.54% mom (prior: 0.27% mom). This was primarily due to higher precious metal prices, with gold and silver jewelry prices rising 3.7% and 2.3% mom, respectively (vs -2.1% and -5.6% prior, respectively). Momentum in restaurant and accommodation services stayed high (0.8% mom; prior: 1.1% mom), reflecting higher energy costs. The ongoing chip price surge is also being reflected in consumer electronics prices, with the information and communication index up 1.4% mom. Other core inflation categories remain relatively muted, apart from clothing and footwear, and household furnishings (which both logged 0.4% mom). Core CPI excluding precious metals picked up to 2.9% yoy (vs 2.7% prior), with monthly momentum ticking up to 0.5% mom (vs 0.4% prior).

FY27E headline inflation at 5%, but sugar price spike adds upside risk

We are currently tracking Sep-26 headline inflation at 5.2%, as the base effect remains unfavorable, even as food price momentum could moderate sharply (other than sugar). We maintain FY27E headline inflation at 5%, with food and core CPI forecasts also unchanged at 5.9% and 4.5%, respectively. Higher sugar prices add upside risk to food (and headline) inflation forecasts, with prices unlikely to moderate before the new harvest hits markets in late October-early November.

Domestic and global developments raise RBI rate hike odds in October

There have been material changes to the global and domestic macro backdrop over the past few weeks: i) the FCNR+ deluge (~$136bn) being much higher than expected, ii) Brent prices shooting above $100/bbl, with the Middle East situation worsening again, and iii) the likely start of a (possibly shallow) global hiking cycle, with the ECB hiking last week and the BoJ and Fed likely to follow suit this week. Amid this backdrop, the RBI's October MPC meeting is a live one, with the odds of a rate hike now much higher than earlier. This would also allow the RBI's policy and liquidity stance to align, with the RBI looking to drain excess liquidity of ~Rs4.3-4.7trn due to the FCNR+ flows *(Refer to: The FCNR (B) deluge – Five questions that matter)*. We expect any hiking cycle to be a shallow one, with the broader focus remaining on liquidity and FX management.

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Exhibit 1: Headline inflation rose further in Aug-26, led by higher food inflation

CPI (yoy, %)	Aug-26	Jul-26	Jun-26	May-26	Apr-26	Mar-26	Aug-25
Food and Beverages	5.7	5.2	5.1	4.5	4.0	3.7	0.4
Paan, Tobacco, and Intoxicants	4.7	4.8	4.8	4.8	4.8	4.2	2.6
Clothing and footwear	3.6	3.4	3.2	3.0	2.8	2.7	2.6
Housing, utilities, and fuels	2.6	2.2	2.0	1.7	1.7	2.0	2.5
HH furnishing, equipment, and maintenance	2.7	2.4	2.2	1.9	1.6	1.4	2.6
Health	1.3	1.3	1.4	1.5	1.6	1.8	4.2
Transport	4.6	4.4	4.3	1.8	(0.0)	0.0	-
Information and communication	2.0	0.6	0.4	0.3	0.5	0.3	-
Recreation, sport, and culture	1.7	1.6	1.7	2.0	2.1	2.5	2.3
Education services	3.7	3.7	3.4	3.0	3.1	3.3	3.7
Restaurants and accommodation	8.4	7.7	6.9	5.7	4.2	2.9	-
Personal care, social protection, and misc	15.2	14.8	16.7	18.5	17.7	18.6	16.8
Headline CPI	**4.8**	**4.5**	**4.4**	**3.9**	**3.5**	**3.4**	**2.0**
Core CPI	**4.2**	**3.9**	**3.9**	**3.9**	**3.7**	**3.7**	**3.3**
Core CPI (ex precious metals)	**2.9**	**2.7**	**2.5**	**2.4**	**2.2**	**2.1**	**2.7**

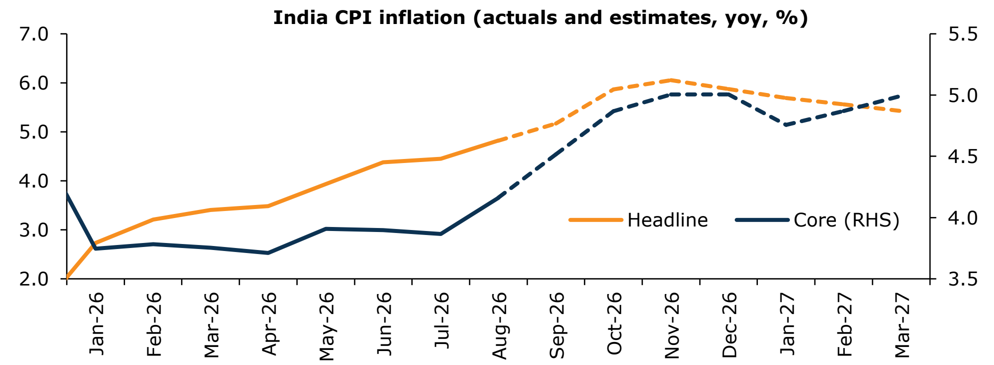
Source: CEIC, Emkay Research; Note: Data before Jan-26 is an extrapolation per the new CPI 2024 series weights; core CPI is ex-food and beverages, HH energy, and transport fuels

Exhibit 2: Food prices remained much higher across most major categories

CPI Food (yoy, %)	Aug-26	Jul-26	Jun-26	May-26	Apr-26	Mar-26	Aug-25
Food	**6.0**	**5.5**	**5.3**	**4.8**	**4.2**	**3.9**	**(0.4)**
Cereals	2.8	1.7	0.9	0.3	(0.2)	(0.5)	3.0
Meat and fish	*10.8*	*13.0*	*9.1*	*8.9*	*9.6*	*10.9*	*1.1*
Meat	12.0	15.3	9.7	9.5	10.1	12.5	-
Fish and seafood	8.2	7.9	7.7	7.5	8.6	7.3	-
Milk and eggs	4.8	4.8	4.1	3.3	3.1	3.0	-
Milk and milk products	*4.4*	*4.2*	*3.9*	*3.1*	*3.0*	*2.8*	*2.7*
Eggs	11.0	12.5	6.5	5.5	5.3	5.5	2.5
Oils and fats	7.8	8.5	9.7	9.5	9.2	7.8	21.1
Fruits and nuts	9.6	8.3	8.6	8.2	7.9	7.3	9.8
Vegetables and pulses	1.5	1.3	4.4	4.3	2.3	1.7	-
Vegetables	*1.0*	*1.0*	*5.6*	*6.1*	*3.8*	*3.9*	*(13.7)*
Pulses	3.6	2.7	1.4	(0.1)	(1.7)	(4.1)	(14.0)
Sugar, desserts, etc	10.8	3.4	2.4	2.1	2.1	2.2	3.5
Ready-made food and other products	9.6	9.0	6.7	5.3	3.8	2.9	(0.6)
Spices	13.0	12.2	8.9	6.8	4.7	3.5	(2.4)

Source: CEIC, Emkay Research; Note: Data before Jan-26 is an extrapolation per the new CPI 2024 series weights; indices in italics are not directly present in the CPI 2024 series and have been calculated and extrapolated for ease of comparison

Exhibit 3: Headline inflation is estimated to peak in 3QFY27 before moderating; core inflation to move above 4.5% in 2HFY27E



Source: CEIC, Emkay Research estimates

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