

India's CPI Inflation rises to 4.82% in August'26

India's CPI inflation increased to 4.82% in August 2026, from 4.45% in July 2026, marking a further rise in retail inflation under the new 2024=100 CPI series. Food inflation also strengthened to 5.95%, indicating that the August acceleration was primarily food-led.

The sharper rise of food inflation to 5.95% is indicative since food has a large weight in household consumption, especially for poorer and rural households, so the headline number understates the loss of purchasing power faced by those whose expenditure is concentrated in essentials.

Note: The Consumer Price Index (CPI) measures changes in the prices of goods and services that households regularly buy. These include food, beverages, clothing, fuel, transport, and other everyday necessities. CPI is important because it reflects the inflation faced by households. When CPI rises persistently, it affects consumption, interest rates, investment, government finances, banking and economic growth.

Month (2026)	CPI	Rural	Urban
April	3.48	3.74	3.16
May	3.93	4.25	3.53
June	4.38	4.74	3.93
July	4.45	4.84	3.96
Aug	4.82	5.23	4.31

Note: This represents the Third consecutive month that headline retail inflation exceeds the Reserve Bank of India's (RBI) medium-term baseline target of 4.0%

Rural inflation remained higher at 5.23% compared to urban inflation at 4.31%, reflecting relatively stronger price pressures in rural regions, particularly in food-related items. Despite the increase, headline inflation continues to remain within the RBI's tolerance band of 2-6%, indicating overall macroeconomic stability.

The below mentioned table contains August 2026 CPI group-wise indices and year-on-year inflation rates for Rural (RU), Urban (UR) and Combined (COMB)

August 2026 CPI - Major Group-wise Inflation

Sr no	Commodity	Rural	Urban	Comb	Rural	Urban	Comb
		Index			Inflation		
1	Personal care, social protection and miscellaneous goods and services	125.67	123.93	124.92	15.99	14.12	15.17
2	Restaurants and accommodation services	113.15	114.02	113.61	8.55	8.23	8.38
3	Food and beverages	110.41	110.30	110.37	5.86	5.30	5.66
4	Paan, tobacco and intoxicants	108.33	108.68	108.44	4.50	5.18	4.71
5	Transport	106.05	105.73	105.90	4.70	4.49	4.60
6	Education services	107.49	109.84	108.91	2.88	4.29	3.73
7	Clothing and footwear	110.03	107.18	108.94	4.17	2.57	3.56
8	Furnishings, household equipment and routine household maintenance	106.10	105.04	105.65	3.06	2.16	2.68

9	Housing, water, electricity, gas and other fuels	104.96	103.69	104.16	3.27	2.22	2.61
10	Information and communication	106.09	105.21	105.71	2.22	1.74	2.01
11	Recreation, sport and culture	105.38	104.69	105.03	2.12	1.37	1.74
12	Health	104.73	105.42	104.99	1.34	1.33	1.34
	All India	109.27	108.07	108.74	5.23	4.31	4.82

Indicates: Rural inflation is higher in most major categories (except Paan, tobacco & intoxicants and Education Services). Rural inflation exceeds urban inflation in food, clothing, transport, housing, information/communication and recreation. This suggests relatively stronger price pressure in the rural consumption basket.

Key observations:

- Personal care is the biggest inflation outlier.**
At 15.17% combined, this category recorded the highest inflation, substantially above all other CPI groups. Rural inflation (15.99%) was particularly high.
- Services inflation is relatively elevated.**
Restaurants & accommodation (8.38%) and education services (3.73%) show continuing services-related price pressures.
- Food remains a major inflation driver.**
Food & beverages inflation was 5.66% combined, with rural inflation at 5.86% versus urban at 5.30%. This indicates greater price pressure on rural consumers.
- Health inflation remains contained.**
At only 1.34% combined, health recorded the lowest inflation among the groups shown.

Core CPI (Excluding Food and Fuel):

Core CPI August 2026			
	Weightage (W)	Inflation (YOY)% (I)	W*I
Headline Inflation	100 (D)	4.82	482 (A)
Food and beverages	36.75 (E)	5.66	208.01 (B)
Electricity, gas fuels	5.36 (F)	2.61	13.99 (C)
Core inflation	57.89 (D-E-F)		260 (A-B-C)
Core inflation (%)	(A-B-C)/(D-E-F)		4.49

Core CPI is estimated at 4.49%, remaining below the headline inflation rate of 4.82% difference is 33 bps, indicating that underlying price pressures continue to remain well contained.

Note:- The scope for aggressive monetary easing remains limited, supporting a cautious RBI stance.

CPI Excluding Gold and Silver

Component	Weight (%) A	Aug-26 inflation (%) B	Contribution to CPI (pp) ((A*B)/100)
Headline CPI	100 (H)	4.82	4.820 (I)
Silver jewellery	0.3127 (D)	107.77	0.337 (F)
Gold/Diamond/Platinum jewellery	0.6230 (E)	35.53	0.221 (G)
Gold + Silver combined	0.9357 (D+E)	—	0.558 (F+G)
CPI excluding Gold & Silver	99.0643 (H-D-E = Y)	4.30% (X/Y*100)	4.262 (I-F-G = X)

Headline inflation excluding gold and silver is estimated at 4.30%. August 2026 headline CPI of 4.82%. It was partly amplified by exceptionally high precious-metal jewelry inflation, indicating that underlying consumer price pressure remains above the RBI's 4% target but is less intense than the headline number suggests.

Key Driver of Inflation:

Food inflation increased to **5.95%** in August 2026 from **5.52%** in July 2026, contributing significantly to the rise in headline CPI.

		July 2026			August 2026		
		Rural	Urban	Combined	Rural	Urban	Combined
Inflation (%)	CFPI	5.79	5.05	5.52	6.13	5.64	5.95
Index	CFPI	109.21	109.70	109.39	110.70	110.72	110.71

Top 5 key items with low inflation at All India combined level in August, 2026 are given in table below:

Rank	Item	July 2026 (%)	August 2026 (%)	Interpretation
1	Tomato	-4.60	-31.09	Prices were 31.09% lower than a year ago
2	Potato	-16.56	-13.14	Continued year-on-year price decline
3	Motor car & jeep	-6.72	-6.72	Prices remained below year-ago level
4	Lady's finger (Okra)	-5.50	-5.41	Prices remained lower year-on-year
5	Parwal/Patal & Kundru	-0.78	-3.60	Shifted further into negative inflation

Top 5 key items with high inflation at All India combined level in August, 2026 are given in table below:

Rank	Item	July 2026 inflation	August 2026 inflation	Interpretation
1	Silver jewellery	109.89%	107.11%	Extremely high but moderated from July; remains the largest inflation driver among individual items.
2	Ginger	83.57%	73.82%	Sharp moderation, but inflation remains exceptionally elevated, indicating continued supply-side pressure.
3	Onion	22.54%	48.27%	More than doubled, signalling a significant acceleration in onion prices and renewed food-price pressure.
4	Garlic	35.36%	43.60%	Accelerated further, adding to vegetable-related food inflation pressures.
5	Gold/diamond/platinum jewellery	32.98%	35.53%	Further acceleration, reflecting continued strong precious-metal-related price pressures.

State level Indices

Top 10 States/UTs by Combined CPI Inflation - August 2026

Rank	State/UT	CPI Index - Combined	Inflation - Combined (%)	Interpretation
1	Telangana	110.30	6.27	Highest inflation; both rural and urban inflation remained elevated.
2	Dadra & Nagar Haveli and Daman & Diu	109.30	6.22	Urban inflation (6.48%) exceeded rural inflation (5.45%).
3	Tamil Nadu	109.48	5.92	Broad-based pressure, with rural inflation slightly higher than urban.
4	Puducherry	109.78	5.85	Rural inflation (6.13%) remained above urban inflation (5.72%).
5	Madhya Pradesh	109.45	5.55	Rural inflation significantly higher (5.93%) than urban inflation (4.96%).
6	Andhra Pradesh	108.00	5.53	Rural inflation (5.88%) led overall price pressures.
7	Odisha	108.37	5.52	Strong rural inflation (5.90%) relative to urban inflation.
8	Ladakh	108.94	5.26	Rural inflation remained considerably higher (5.59) than urban inflation.
9	Rajasthan	109.58	5.24	Rural inflation (5.70%) was the main source of pressure.
10	Karnataka	109.04	5.23	Rural inflation (5.73%) exceeded urban inflation (4.74%).

Inflation Indication

India imports nearly 85% of its oil needs, more than half of it from the Middle East, where the U.S.-Iran war has caused major supply disruptions.

A sustained rise in global oil prices threatens to add to inflation pressures, with Brent crude futures near \$108 a barrel.

Reflecting fuel price pressures, transport inflation accelerated to 4.60% in August even though the government-owned fuel retailers have not adjusted selling prices for petrol and diesel lately.

In addition, India's food inflation climbed to 5.95% in August from 5.52% in July on the back of weak monsoon showers, with sharp increases in prices of staples such as ginger, onion and garlic.

Implications on the Banking Sector.

- **Credit growth and loan demand**
Higher inflation creates mixed effects for banks:
 - **Nominal credit growth** may remain supported because borrowers require larger working-capital limits and higher-ticket loans.

- **Real credit growth** could weaken if household purchasing power is squeezed.
- Rural borrowers may face greater repayment pressure if food inflation reduces real disposable income.

The effect is likely to be more visible in unsecured retail lending and rural credit than in large corporate lending.

➤ **Net interest margins**

- Deposit repricing may remain elevated.
- Banks may need to offer higher rates to attract term deposits.
- **Margins could narrow** where loan yields reset more slowly than deposit costs.
- Banks with a high share of floating-rate loans may preserve asset yields better than banks dependent on fixed-rate retail lending.

➤ **Asset quality**

Inflation can affect asset quality through two channels:

1. **Households:** Higher food and essential-service costs reduce repayment capacity, especially for lower-income borrowers.
2. **Businesses:** Higher transport, food, labour and input costs compress margins for MSMEs, restaurants, logistics operators and consumer-facing businesses.

➤ **Deposit mobilization**

Persistent inflation can encourage households to prefer:

- Shorter-tenor deposits.
- Inflation-sensitive or market-linked investments.
- Gold and other real assets.

Banks may consequently face stronger competition for retail deposits. This could keep deposit rates sticky even if loan demand softens.

Implications on the Indian Economy.

- ❖ Rural consumption faces greater pressure because rural CPI inflation is **5.23%**, and rural food inflation is **6.13%**. Real income growth could slow unless agricultural incomes, rural wages or government transfers compensate for higher prices.
- ❖ The August CPI print is **not an immediate inflation crisis**, but it is a clear warning that the disinflation trend has weakened

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