

India's CPI Inflation rises to 4.45% in July'26

Month (2026)	Cpi	Rural	Urban
April	3.48	3.74	3.16
May	3.93	4.25	3.53
June	4.38	4.74	3.92
July	4.45	4.84	3.96

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

India's year-on-year retail inflation, measured by the Consumer Price Index (CPI) with base year 2024, increased to 4.45% (provisional) in July 2026 from 4.38% in June 2026, indicating a further acceleration in headline inflation. The increase was primarily driven by higher food inflation (Ginger, Garlic and Onion), which rose to 5.52% in July 2026 from 5.32% in June 2026.

At the same time, major segments such as housing, health, information and communication, recreation and household furnishings continued to witness relatively moderate inflation, suggesting that broader underlying inflationary pressures remain contained. Transport inflation increased to 4.43% in July 2026 from (-0.12) 4.31% in June 2026, indicating some increase in transportation and logistics costs, although the overall level remains moderate.

Rural inflation remained higher at 4.84% compared to urban inflation at 3.96%, 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.

Core CPI (Excluding Food and Fuel):

Core CPI is estimated at 4.08%, remaining below the headline inflation rate of 4.45%, indicating that underlying price pressures continue to remain well contained. The limited gap between headline and core inflation suggests that recent inflationary pressures are concentrated in food and precious metals rather than reflecting broad-based demand-side inflation.

The stability of core inflation at 4.08% reflects anchored inflation expectations and contained pricing pressures across services and non-food categories. This reinforces the assessment that underlying inflation remains moderate and supports a comfortable monetary policy outlook.

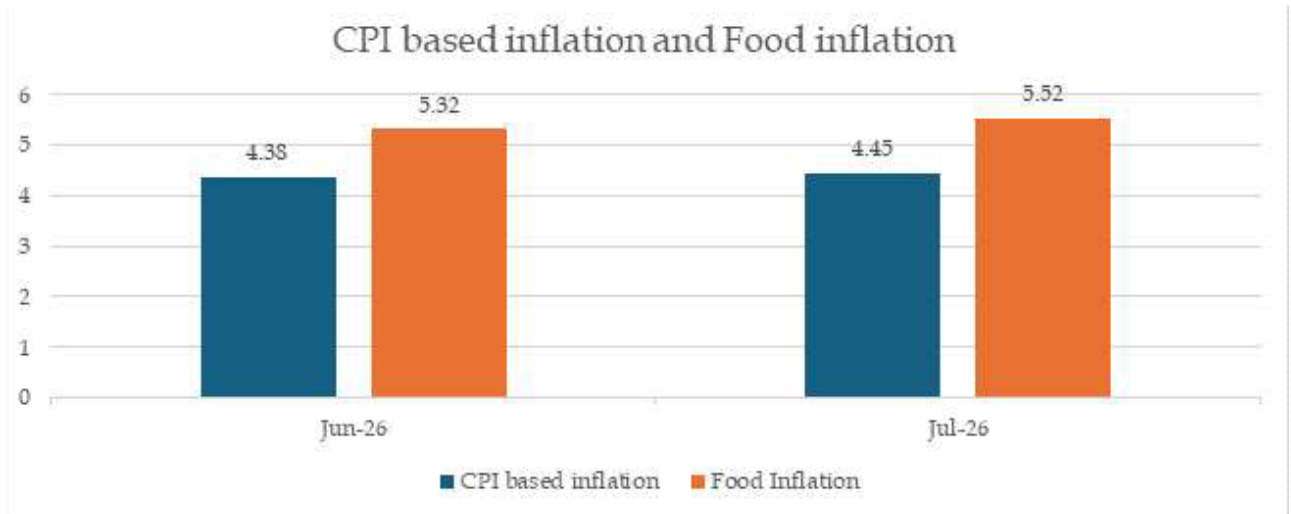
CPI Excluding Gold and Silver

"The elevated inflation in personal care and miscellaneous goods continues to be largely driven by exceptionally high gold and silver prices. Excluding precious metals, inflationary pressures across most categories remain moderate and well contained."

Headline inflation excluding gold and silver is estimated at 3.98%, significantly lower than the overall CPI inflation of 4.45%. This highlights the disproportionate contribution of elevated precious metal prices to the current inflation print despite their relatively small weight in the CPI basket.

The sharp divergence between headline CPI (4.45%) and CPI excluding gold and silver (3.98%) indicates that bullion prices continue to distort the inflation reading. Excluding these volatile

components, underlying inflationary conditions remain benign and supportive of a stable monetary policy environment.



July 2026 Inflation Snapshot (Base 2024=100)

All-India CPI Inflation (July 2026): 4.45% YoY (Provisional)	Food Inflation (CFPI): 5.52%	Housing Inflation: 2.16%	CPI Index Level (July 2026)
Rural: 4.84% Urban: 3.96%	Rural: 5.79% Urban: 5.05%	Rural: 2.47% Urban: 1.98%	Rural: 108.34 Urban: 107.45 Combined: 107.94

Key Driver of Inflation:

Food inflation increased to 5.54% in July 2026 from 5.32% in June 2026, contributing significantly to the rise in headline CPI. The increase was largely driven by sharp increases in prices of Ginger, Garlic and Onion .

However, food inflation continues to remain relatively concentrated in select categories rather than broad-based across the entire food basket. At the same time, sharp deflation persisted in items such as potato, lady's finger, tomato and peas, partially offsetting upward pressure from other food components.

Top High Inflation Food/Commodity Related Items:

Silver Jewellery: 109.84%, Ginger: 83.62%, Garlic: 35.36%, Gold/Diamond/Platinum Jewellery: 32.98% and Onion: 22.54%.

Items witnessing sharp deflation:

Potato: (-16.56%), Motor Car And Jeep: (-6.72%), Lady's finger: (-5.52%), Peas: (-5.27%) and Tomato: (-4.59%)

The food inflation trend suggests that supply-side factors, weather-related disruptions and seasonal price movements continue to influence food prices more than generalized demand pressures.

Paan, Tobacco and Intoxicants

Inflation in this segment decreased to 4.79% in July 2026 compared to 4.83% in June 2026, reflecting price decreases in tobacco-related products and taxation effects. This category continues to indicate policy-led inflation rather than demand-driven inflationary pressures.

Restaurants and Accommodation Services

Inflation in restaurants and accommodation services increased sharply to 7.72% in July 2026 from 6.91% in June 2026, reflecting strong services demand and continued pass-through of input and labour costs in urban consumption segments.

Transport inflation increased to 4.43% in July 2026 from 4.31% in June 2026, indicating a gradual pass-through of transportation and logistics costs. While purchase of vehicles continued to witness deflationary trends, higher inflation in goods transportation and operation of personal transport equipment contributed to the increase in overall transport inflation.

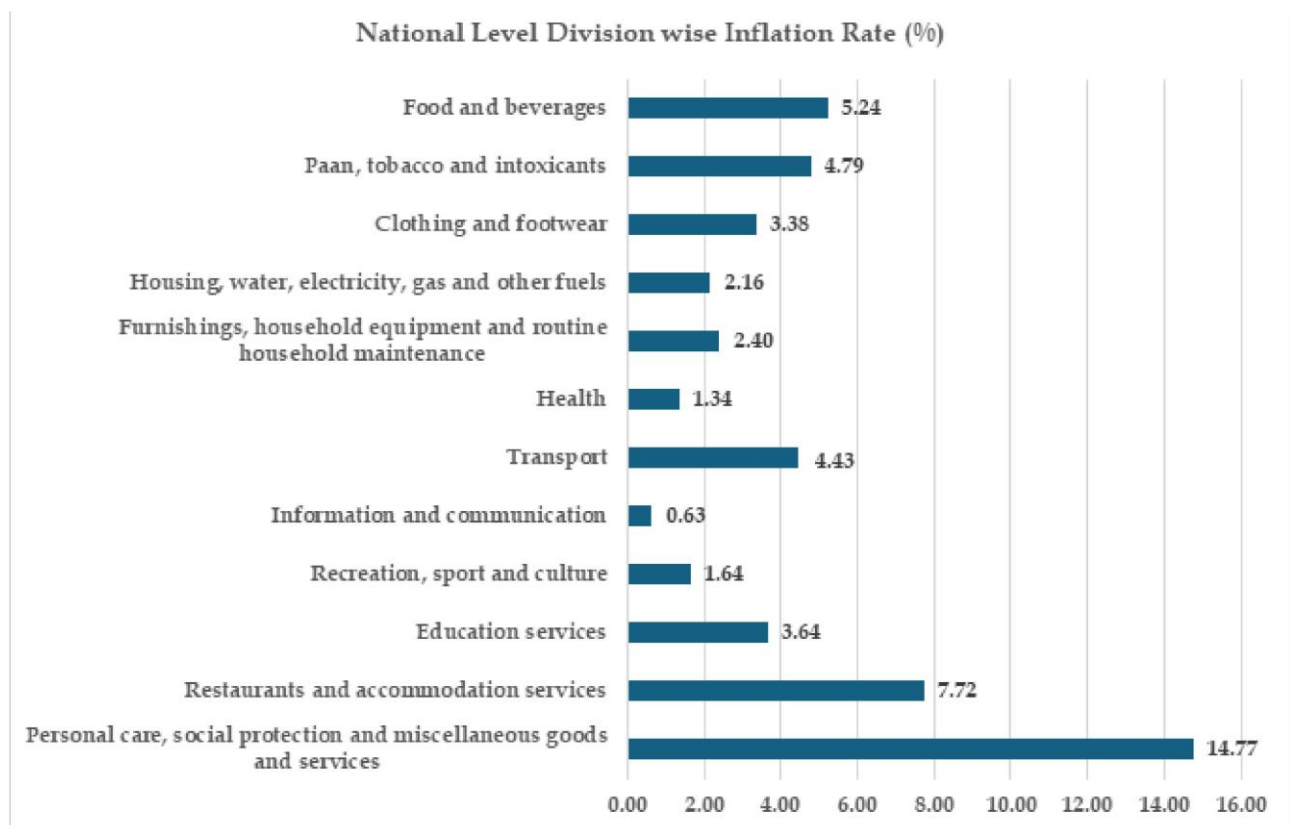
The moderate rise in transport inflation from 4.31% in June 2026 to 4.43% in July 2026 suggests that second-round inflationary effects remain limited but warrant monitoring going forward.

Personal Care and Miscellaneous Goods

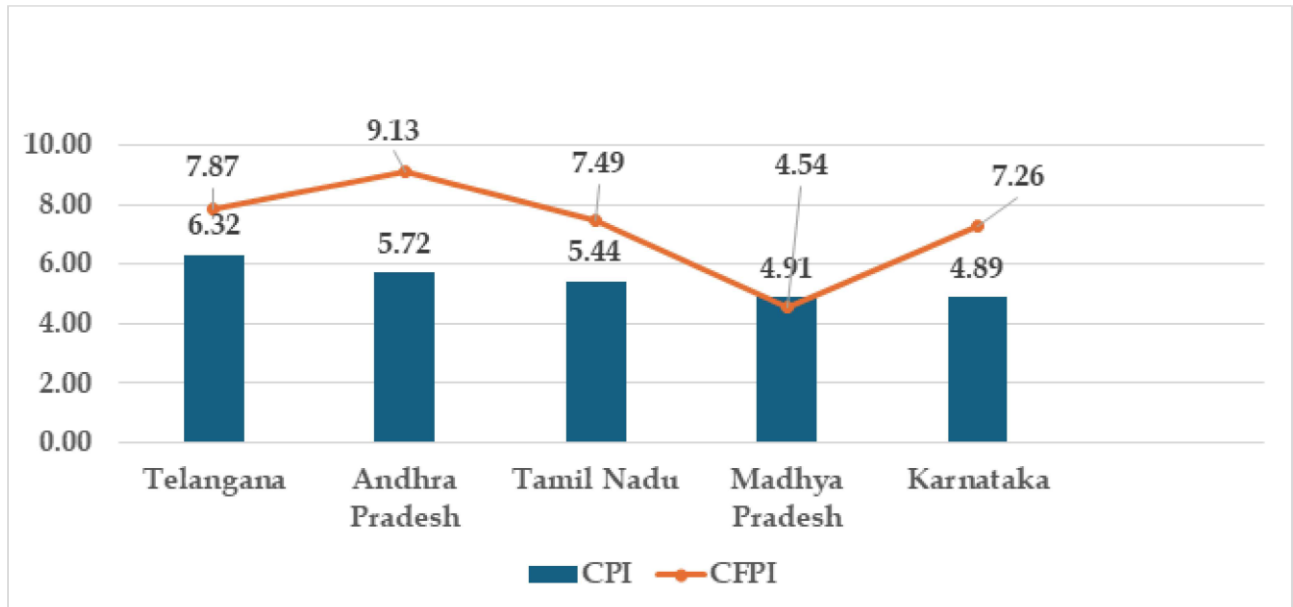
Inflation in personal care, social protection and miscellaneous goods & services remained elevated at 14.77% in July 2026, mainly driven by exceptionally high inflation in precious metals.

Despite their relatively low weight in the CPI basket, the extremely high inflation levels in gold and silver continue to significantly distort the headline inflation reading. This primarily reflects global safe-haven demand, geopolitical uncertainties and international commodity price movements rather than domestic consumption-driven inflation.

CPI Inflation and weight distribution across major categories (July 2026)



The Top 5 state-wise inflation data for July 2026 indicates that price pressures remain concentrated in a few southern states. Telangana recorded the highest inflation at 6.32%, followed by Andhra Pradesh (5.72%), Tamil Nadu (5.44%), Madhya Pradesh (4.91%) and Karnataka (4.89%), reflecting relatively stronger inflationary pressures in the southern region. Its suggesting persistent food and services-led price pressures.



Note: June'26 WPI VS July'26 CPI

July CPI at 4.45% confirms some passthrough from whole-sale prices, especially through food, but the WPI-CPI gap remains unusually high. June'26 WPI is **9.87%** since mineral oils, food articles, basic metals and chemicals were identified as major drivers. Fuel and power inflation was particularly elevated at 27.41% and manufactured-products remained high at 7.48%.

The key issue is whether elevated wholesale input costs start producing a broader and persistent increase in CPI core inflation.

Food Transmission is relatively strong: WPI food inflation was 6.14% in June, compared with CPI food Inflation of 5.52% in July- a difference of only 0.62 percentage points.

Energy and industrial input pressures have not fully passed through: WPI fuel and power inflation was extremely high at 27.41%, whereas overall CPI remained at 4.45%

Implications for the Economy and Banking Sector

- Although CPI inflation remains within RBI's tolerance band, the recent uptick indicates that inflationary pressures are re-emerging.
- Rising food inflation, particularly in vegetables, may keep headline inflation elevated and limit the RBI's room for aggressive rate cuts.
- If inflation continues to move upward, market expectations of future policy tightening could increase, leading to upward pressure on government bond yields and borrowing costs.
- Persistently high inflation may erode household purchasing power, especially in rural areas, potentially affecting discretionary consumption and demand growth.

- Higher services inflation, particularly in housing, healthcare, transport and hospitality, suggests improving domestic demand but also indicates that inflationary pressures are becoming more broad-based.
- For banks, a higher interest rate environment could support Net Interest Margins (NIMs) in the near term however, prolonged inflation and higher borrowing costs may affect credit demand and asset quality in interest-sensitive sectors.
- Inflation risks arising from global crude oil prices, geopolitical tensions and supply-chain disruptions remain key factors that could influence future monetary policy decisions.

CPI inflation in July 2026 reflects a moderate but manageable inflation environment, with the increase in headline inflation primarily driven by food prices, services inflation and precious metals while broader underlying inflation remains relatively stable. Despite ongoing geopolitical uncertainties and volatile global commodity prices, inflation continues to remain within RBI's comfort range.

Going forward, food price movements, monsoon conditions, geopolitical developments, global commodity prices, transportation costs and precious metal trends will remain key determinants of India's inflation trajectory and monetary policy outlook.

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