India: July'26 CPI prints as expected with underlying inflation muted

12th August 2026

Fig 1: Inflation numbers at a glance; % y/y

Y/y, %	Headline CPI	Food	Fuel	Core*	Core ex-auto fuels	Core Ex-gold ex-silver
Jan'26	2.73	2.12	0.16	3.36	3.65	1.92
Feb'26	3.21	3.35	0.14	3.40	3.69	1.89
Mar'26	3.40	3.71	1.63	3.38	3.67	1.94
Apr'26	3.48	4.01	0.70	3.42	3.71	2.06
May'26	3.94	4.54	0.81	3.85	3.91	2.41
June'26	4.38	5.06	1.74	4.20	3.90	2.92
July'26	**4.45**	**5.24**	**2.02**	**4.15**	3.85	3.05

**Headline inflation excluding food and fuel though includes auto fuels*

Fig.2: CPI continues to persist above 4% as expected in the month of July'26; % y/y

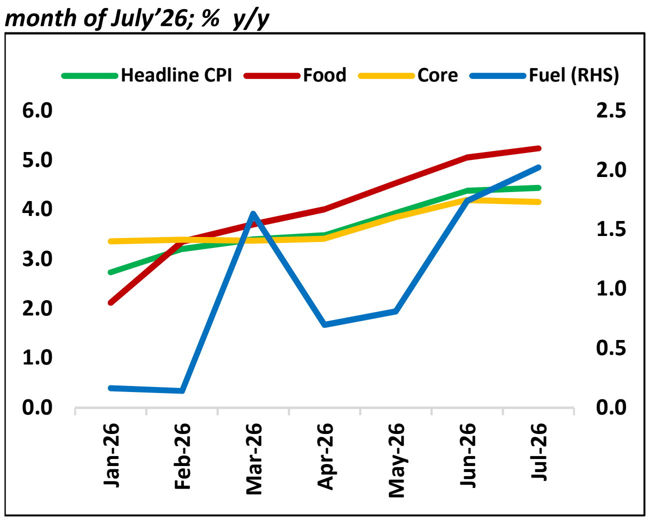
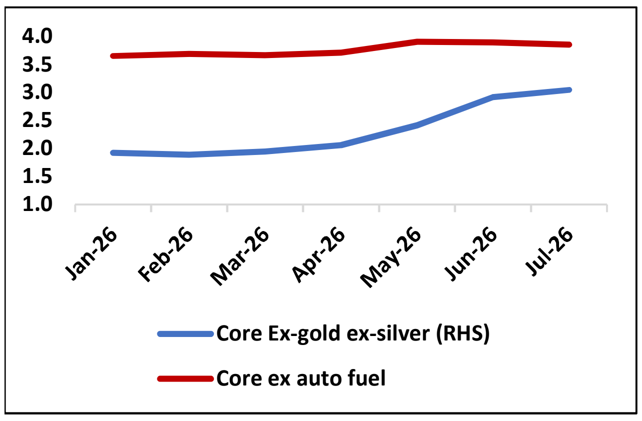


Fig 3. Core ex auto fuels moderates while core ex-gold ex-silver CPI continues to crawl up; % y/y



Source: CEIC, UBI research

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July'26 CPI spikes to 4.45% as expected on higher food and fuel inflation

Consumer Price Index (CPI) inflation for July 2026 clocked 4.45% as expected compared with 4.38% in June, and persisting above MPC's target of 4%. The print came exactly in line with our projection of 4.44% (market estimate was 4.50%) with the internals also aligned with our view. Uptick in food inflation was the main driver of the uptick in headline number while incremental contribution from fuel slowed. Food inflation rose to 5.24% y/y from 5.06% in June while its contribution to headline CPI has gone up by 8 bps during the month. Fuel inflation increased to 2.02% from 1.74% last month (*pl refer fig.1 & 2*). Interestingly, while headline core inflation remained contained at 4.15% y/y in line with our estimate, from 4.20% last month, core inflation excluding auto fuels (metric observed by MPC) moderated to 3.85% from 3.90%. More importantly, core inflation excluding auto fuels, gold and silver edged up from 2.50% to 2.65%, yet continued to signal sluggish underlying price pressures.

Monsoon progress remains the most crucial factor to watch out for

The southwest monsoon has shown signs of partial recovery following a sluggish beginning to the season, with the active rainfall phase in July contributing to improved soil moisture and facilitating kharif sowing in various regions. However, the distribution continues to be inconsistent even as IMD has warned of below normal rainfall during the latter part of the monsoon season. As on 11th August, the rainfall deficit continues to be sticky at 12%. All four regions are in deficit with Central India again at 1% deficit and north western India at a deep 11% deficit (*pl refer fig.5*). Reservoir levels continue to be lower at 53% as against 73% last year.

Overall acreage under kharif crops was 98.6 mn hectare last year which currently stands at 96.8 mn hectare this year as on 07th August (*pl refer fig.6*). Sowing though recovered from 06th July level of -21% y/y, is still lagging by about 2% YoY led by rice (-4%), coarse cereals (-3%), pulses (-2%) and sugar (-1%). Cotton sowing is almost flat. Sowing of oilseeds surprisingly has surpassed last year's level by about 3%. Changing rainfall patterns in the upcoming weeks will be crucial for crop establishment, reservoir replenishment and the overall food grain production. Any extended period of insufficient rainfall could restrict the availability of perishable goods and other food products, leading to an increase in the CPI.

Food inflation maintains an upward trend

Food inflation rose sharply in July to 5.24% from 5.06% in June on weather related supply disruptions and uneven monsoon distribution as expected. M/m food inflation was up by 1.98% led by Meat (2.57% vs 0.29% last month), fruits (1.78% vs 0.34% last month), sugar (1.25% vs 0.51% last month) and readymade food (2.46% vs 1.65% last month). Y/y, most of the food segments witnessed strengthening inflation for the month. Surprisingly, veggies and pulses segment's contribution to the headline CPI stands reduced from 26 bps last month to 8 bps in July. Y/y inflation in veggies has moderated from 5.63% last month to 1.01%. More importantly, CPI ex veggies strengthened to 4.61% from 4.32% last month.

As per the early stage data available from Department of Consumer Affairs (DCA), mandi-level price trends are seen to witness mixed trends across most of the essential food items during August (*pl refer fig.4*) with sugar prices showing a sharp spike, while veggies are down MoM. Hence, August print is currently tracking around 4.5% though food price trends need close watch. Going forward, food inflation is expected to consistently rise during the rest of the year assuming below normal monsoon in Aug/Sep'26.

Fig 4: Early data for on-the-ground prices indicate mixed trends in food prices in the month of August too

	Mar'26	April'26	May'26	June'26	July'26	Aug'27**
Cereals	-0.22	-0.59	0.15	0.85	1.57	0.95
Pulses	0.77	0.11	0.09	0.34	0.43	0.40
Oils	0.38	0.70	0.54	1.36	1.39	0.89
Veggies*	-8.19	-1.84	8.60	9.91	8.85	-0.21
Milk	0.20	0.52	0.67	0.75	0.41	0.03
Sugar	0.04	0.17	0.32	0.58	2.28	4.46

OPT (Onion, Potato & tomato)* * till 11th August'26* *Source: DCA*

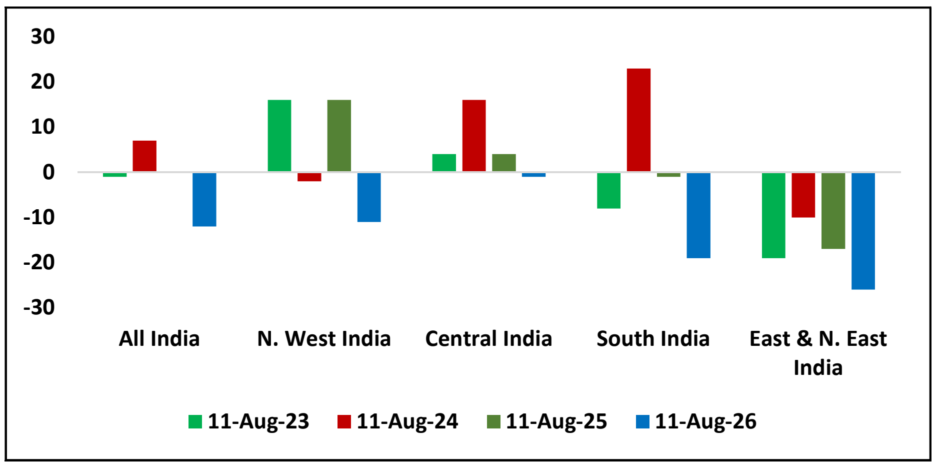
Core inflation moderates even as trends in underlying segments balance out each other

Core inflation edged down to 4.15% from 4.20% last month, in line with our estimates. Importantly, excluding auto fuels, the core inflation has rather moderated to 3.85% from 3.90% last month indicating low underlying pricing pressures across the broader economy and substantiating RBI's pause on rates in its August MPC meeting. Within the core basket, inflation in restaurants segment went up from 6.91% last month to 7.72% on continued pass through of increased edible oil, fuel and transportation costs. Personal care inflation moderated to 14.78%, from 16.73%. Core CPI excluding both gold and silver went up to 3.05% compared with 2.92% in June (*refer fig.3*).

Outlook

July print reinforces MPC's view that spike in CPI is supply driven and not yet demand driven amid subdued core inflation ex precious metals which led to the MPC's dovish guidance in August. While the short term outlook looks stable with inflation trends tracking broadly in line with MPC's forecast, risks remain on watch from persistent food inflation, oil price trends, occurrence of El-Nino, and the possibility of second round effects. We maintain our CPI projection of 5.0% for FY27 (based on crude oil price of $90 bbl) broadly in line with MPC projections. We maintain our view of prolonged pause on rates by RBI. A close watch is warranted on the core inflation trends as the MPC expects an alignment of core and core ex precious metals inflation by end-FY27 (*refer fig. 3*), with spill over likely from core WPI amid elevated commodity prices (oil/metals) and strong growth dynamics.

Fig 5: Rainfall deficiency still high and uneven; rainfall deviation (cumulative from 1st June, % of long period average)



Source: CEIC, UBI Research

Fig 6: Sowing has somewhat caught up but yet to match up with last year's level; crop sowing area, million hectares

Crop	09-08-2024	07-08-2025	07-08-2026	%y/y
Rice	33.2	36.1	**34.5**	-4%
Coarse cereals	17.3	17.3	**16.9**	-3%
Pulses	11.7	10.6	**10.4**	-2%
Oilseeds	18.4	17.5	**18.0**	3%
Sugar	5.8	5.9	**5.8**	-1%
Cotton	11.0	10.6	**10.6**	0%
All Crops	**98.0**	**98.6**	**96.8**	**-2%**

Source: CEIC, UBI Research

Fig 7: Headline CPI continues to persist above 4% in July'26 on rise in food inflation; % y/y

Y/y, %	Headline CPI	Food	Cereals	Pulses	Vegetables	Fuel	Core	CPI ex-veg	Core Ex-gold	Core Ex-gold ex-silver	Core Ex-Transport	Housing
Jan-26	2.73	2.12	0.11	-10.42	-3.45	0.16	3.36	3.04	2.86	1.92	3.94	2.03
Feb-26	3.21	3.35	-0.34	-6.53	2.78	0.14	3.40	3.23	2.86	1.89	4.00	2.11
Mar-26	3.40	3.71	-0.48	-3.65	3.86	1.63	3.38	3.38	2.86	1.94	3.97	2.10
Apr-26	3.48	4.01	-0.15	-1.59	3.84	0.70	3.42	3.47	2.95	2.06	4.02	2.15
May-26	3.94	4.54	0.28	-0.19	6.13	0.81	3.85	3.84	3.37	2.41	4.21	2.13
June'26	4.38	5.06	0.94	1.12	5.63	**1.74**	**4.20**	4.32	3.77	2.92	4.18	2.10
July'26	**5.45**	**5.24**	1.68	2.27	1.01	**2.02**	**4.15**	4.61	3.78	3.05	4.10	2.23

Source: CEIC, UBI Research

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