Macro Insights

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CPI Inflation rises to 5.54% in September 2026

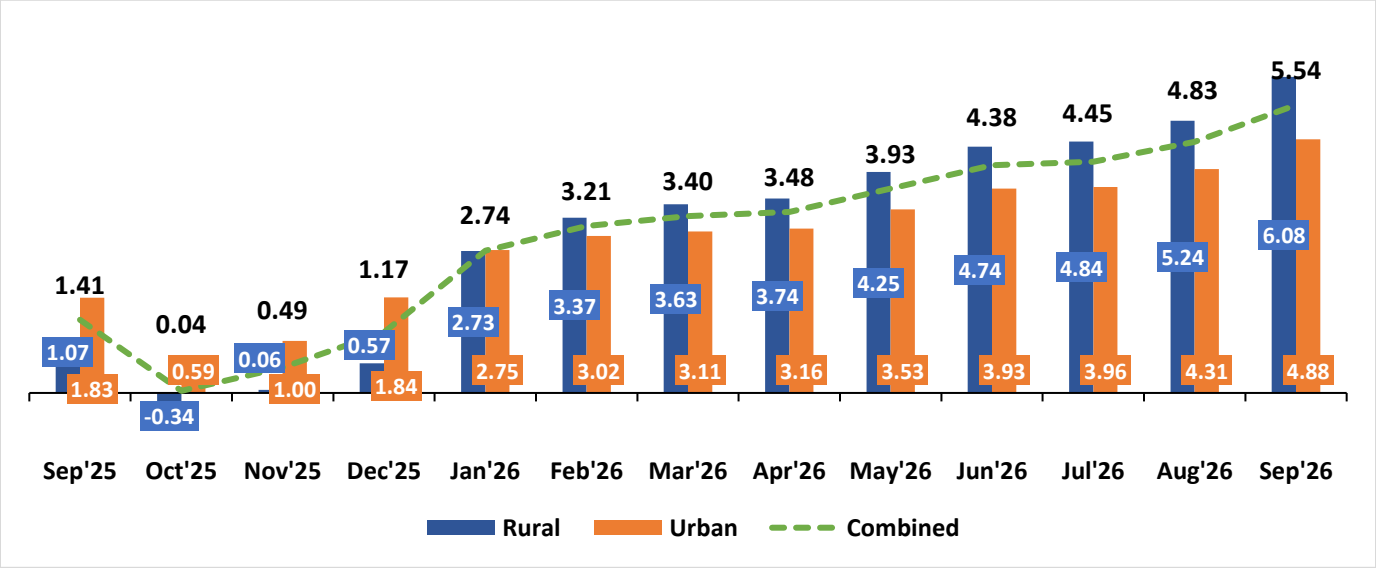
CPI inflation continues to surge in Sep'26, highest in new base series

India's consumer inflation **rose to 5.54% in Sep'26**, up by 71 bps from 4.83% in Aug'26

Highlights:

- Food Inflation accelerated to 7.74% in Sep'26 as compared to 5.97% in Aug'26.
- Inflation has increased across categories including clothing, household goods and education, in addition to food and transportation.
- Rural CPI inflation increased to 6.08% in Sep'26 from 5.24% in Aug'26 and urban inflation rose to 4.88% from 4.31%. Food and essential commodities have a relatively higher importance in rural household consumption.
- Top 5 items which recorded highest inflation in the month of Sep'26 are Onion, Silver Jewellery, Ginger, Garlic, and Lemon.
- Top five States (having more than 50 lakhs population as per Census 2011) with highest inflation in Sep'26 are Tamil Nadu, Odisha, Madhya Pradesh, Telangana, and Andhra Pradesh.

Consumer Price Index (YoY% Change)



Source: MoSPI

National Level Division Wise Inflation Rate (%)

Sectors	Weight (%)	Aug'26 YoY (%)	Sep'26 YoY (%)	Change (in bps)
Personal Care, Social Protection and miscellaneous goods & services	5.0	15.15	13.75	-1.40
Restaurant & accommodation	3.4	8.38	9.36	0.98
Food & Beverages	36.8	5.68	7.36	1.68
Pan, tobacco & intoxicants	3.0	4.67	4.80	0.13
Transport	8.8	4.61	5.01	0.40
Education Services	3.3	3.74	3.94	0.20
Clothing & Footwear	6.4	3.56	3.93	0.37
Furnishing, Household equipment	4.5	2.68	3.11	0.43
Housing, water, electricity, gas & other fuels	17.7	2.62	2.74	0.12
Recreation, sports culture	1.5	1.73	2.16	0.43
Health	6.1	1.33	1.40	0.07
Information & Communication	3.6	2.00	2.44	0.44

Source: MoSPI

Views & Analysis

- Retail Inflation (CPI) increased across divisions except personal care, social protection and miscellaneous goods and services in Sep'26 compared to Aug'26. As a result, the headline CPI rose to 5.54% YoY, marking the highest reading under the new CPI series and remaining above the RBI's 4% target for the fourth consecutive month.
- Food inflation remains the principal driver, rising to 7.74% YoY in Sep'26 with sharp increases in onion (108.09%), ginger (62.85%), garlic (54.62%) and lemon (36.41%) prices.
- Services inflation is also showing stickiness, particularly in restaurants, accommodation and transportation, raising the risk of second-round effects if elevated input costs persist.
- The 2026 Southwest monsoon ended with a nationwide cumulative rainfall deficit of 13% below the Long Period Average (LPA) as of 30th September. This has translated into a dip in Kharif sowing acreage and significant regional crop losses, which will continue to place structural upward pressure on food prices through the upcoming quarters.
- In addition, the global energy prices also increased sharply amid renewed West Asian conflict. According to the Petroleum Planning & Analysis Cell (PPAC), the Indian basket of crude oil price surged by 28.7% in a single month, climbing from an average of $90.19/barrel in August to $116.09/barrel in September.
- Given the dual shocks of an uneven monsoon and energy volatility, headline inflation is projected to be at 5.2% in FY27 by the RBI in the latest MPC meeting held on 7th October 2026, 20bps higher than the previous estimate.
- While base effects and volatile food and energy prices present upside risks to headline inflation, it is expected to stabilize over the medium term as the transmission of the recent 25 bps RBI policy repo rate hike coupled with a daily CRR maintenance floor increase to 99% and active liquidity draining through regular VRRR auctions, effectively cools demand-side pressures and anchors long-term core inflation expectations.

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