

CONSUMER PRICE INDEX

CPI inflation accelerated to lower-than-expected 3.9% in May 2026; likely to harden further to 4.5% in June 2026

JUNE 2026





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CPI inflation inched up to 3.9% in May 2026 from 3.5% in April 2026.

ICRA expects the F&B inflation to harden further to 4.9% in June 2026 from 4.6% in May 2026.

Broad-based food and non-food pressures are set to feed into the June 2026 CPI print, pushing the headline inflation to ~4.5% in the month.

The year-on-year (YoY) headline CPI inflation (base year: 2024) inched up to 3.9% in May 2026 from 3.5% in April 2026, while printing slightly below ICRA's forecast (+4.1%) for the month. The uptick was largely driven by the food and beverages (F&B), transport, restaurants, and personal care divisions, with the latter three reflecting the impact of the hike in prices of petrol and diesel, commercial LPG cylinders, and the customs duty on gold and silver in the month. Moreover, core (CPI excluding F&B, electricity, gas and other fuels, petrol and diesel) inflation also inched up to 3.9% after remaining steady at ~3.7% in the last 4 months, although a stricter measure of core, excluding jewellery remained muted at just 2.4% in the month. Looking ahead, the YoY inflation in the F&B segment is expected to rise further to ~4.9% in June 2026 from 4.6% in May 2026, amid hardening prints across most food items. Besides, the price pressures across several non-food items are expected to intensify further in June 2026, amid the continued passthrough of earlier price hikes across transport and cooking fuels. Overall, ICRA expects the YoY CPI inflation to harden to 4.5% in June 2026 from 3.9% in May 2026.

- **CPI inflation inched up to 3.9% in May 2026, lower than ICRA's forecast:** The uptick in headline CPI inflation print in the month was largely driven by F&B (+4.6% vs. +4.0%), transport (+1.8% vs. -0.01%), restaurant and accommodation services (+5.8% vs. +4.2%), and personal care services (+18.5% vs. +17.7%). Core (CPI excluding F&B and electricity, gas & other fuels, petrol and diesel) also rose to 3.9% in May 2026 after remaining steady ~3.7% between January-April 2026.
- **CPI inflation to harden to ~4.5% in June 2026:** Prices of most food items have firmed up on a sequential basis in June 2026, leading to a hardening in the YoY inflation rates, compared to the prior month, including edible oils, pulses, milk and dairy products, and vegetables. Given this, ICRA expects the YoY inflation in the F&B segment to rise to ~4.9% in June 2026 from 4.6% in May 2026. Besides, the price pressures across several non-food items are set to intensify further in June 2026, amid the continued passthrough of earlier price hikes across transport and cooking fuels. Overall, ICRA expects the CPI inflation to harden to ~4.5% in June 2026. Thereafter, the print is likely to cross the 5% mark in August 2026.
- **MPC likely to deliver a back-ended rate hike in 2026:** ICRA believes that the next move on rates is likely to be a hike, as any premature policy easing would only hit near-term growth outcomes. We believe that the October and December 2026 policy meetings are live for potential rate hike(s), after there is some clarity on the monsoon turnout.

CPI inflation hardened to 3.9% in May 2026, albeit lower than ICRA's expectation

EXHIBIT: YoY trends in headline and division-wise CPI indices (base: 2024)

Division name	Weights (%)	General		Rural		Urban	
		Apr-2026	May-26	Apr-2026	May-2026	Apr-2026	May-2026
Food and beverages	36.75	4.0%	4.6%	4.1%	4.6%	3.9%	4.4%
Paan, tobacco and intoxicants	2.99	4.8%	4.8%	4.7%	4.6%	5.0%	5.4%
Clothing and footwear	6.38	2.8%	3.0%	3.3%	3.5%	2.0%	2.2%
Housing, water, electricity, gas and other fuels	17.66	1.7%	1.7%	1.8%	2.0%	1.7%	1.6%
Furnishings, household equipment and routine household maintenance	4.47	1.6%	1.9%	1.9%	2.2%	1.3%	1.4%
Health	6.10	1.6%	1.5%	1.6%	1.4%	1.8%	1.6%
Transport	8.80	-0.01%	1.8%	0.0%	1.8%	0.0%	1.7%
Information and communication	3.61	0.5%	0.3%	0.6%	0.4%	0.3%	0.2%
Recreation, sport and culture	1.52	2.1%	2.0%	2.4%	2.2%	1.8%	1.7%
Education services	3.33	3.2%	3.0%	2.9%	2.8%	3.3%	3.1%
Restaurants and accommodation services	3.35	4.2%	5.8%	3.8%	5.5%	4.5%	6.0%
Personal care, social protection & miscellaneous goods & services	5.04	17.7%	18.5%	18.5%	19.5%	16.6%	17.1%
All India	100	3.5%	3.9%	3.7%	4.3%	3.2%	3.5%

Source: NSO; CEIC; ICRA Research

- The YoY CPI inflation rose to a lower-than-expected 3.9% in May 2026 from 3.5% in April 2026 (ICRA's exp.: +4.1%), while inching closer to the MPC's inflation target of 4.0%. In MoM terms, the CPI rose by a sharp 0.8% in May 2026 (vs. +0.3% in May 2025).
- This uptick in the headline CPI inflation in May 2026 vis-a-vis April 2026 was broad-based, with as many as 8 of the 12 divisions of the CPI reporting higher YoY readings. Furthermore, food and beverages (+4.6% vs. +4.0% in April 2026), transport (+1.8% vs. -0.01%), restaurant and accommodation services (+5.8% vs. +4.2%), and personal care, social protection and miscellaneous goods and services (+18.5% vs. +17.7%) were the primary drivers of the higher headline inflation reading in May 2026, with the latter three reflecting the impact of the hike in prices of petrol and diesel, commercial LPG cylinders, and customs duty on gold and silver in the month.
- Notably, since the onset of the conflict, the general headline CPI is up by 1.3% in May 2026 relative to February 2026, more-than-double the 0.6% rise seen in the corresponding year-ago period.

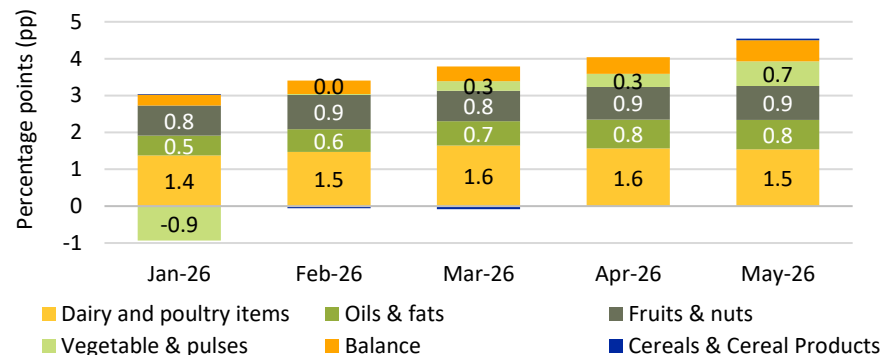
Uptick in F&B inflation in May 2026 was largely driven by vegetables & pulses

EXHIBIT: YoY inflation in food and beverages division and its sub-classes

Division/Group/Sub-class	Weights (%)	All-India	
		Apr-2026	May-2026
Cereals and Cereal Products	5.95	-0.2%	0.3%
Meat, Fresh, Chilled Or Frozen	2.52	10.1%	9.5%
Fish and Other Seafood	1.02	8.6%	7.5%
Milk, Other Dairy Products and Eggs	7.28	3.1%	3.3%
Oils & Fats	2.74	9.2%	9.5%
Fruits & Nuts	3.70	7.9%	8.2%
Vegetables, Tubers, Plantains* and Pulses	6.82	2.3%	4.3%
Sugar, Confectionery and Desserts	1.42	2.05%	2.10%
Ready-Made Food and Other Food Products	3.33	3.8%	5.3%
Beverages	1.77	0.5%	0.2%
Food and beverages	36.75	4.0%	4.6%

*Also includes Cooking Bananas; Source: NSO, ICRA Research

EXHIBIT: Contribution of sub-classes to the YoY F&B inflation (pp)

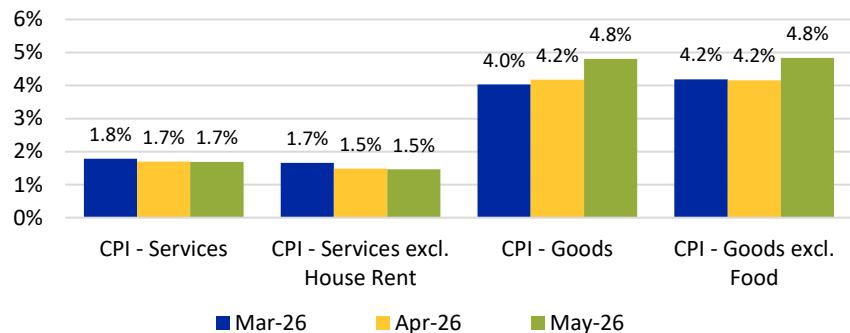


Balance include items like sugar and confectionary, beverages, readymade food and other food products; Source: NSO, ICRA Research

- Food and beverages inflation hardened to 4.6% in May 2026 from 4.0% in April 2026, led by higher YoY readings in as many as seven of the 10 sub-groups, with the inflation in several indices rising to record high levels in the current 2024 series. These include oils and fats (to +9.5% from +9.2%; affected by West Asia conflict related supply shocks amid heavy import dependence), fruits and nuts (to +8.2% from +7.9%), ready-made food and other food products (to +5.3% from +3.8%), vegetables & pulses (to +4.3% from +2.3%), milk and other dairy products and eggs (to +3.3% from +3.1%), sugar, confectionary and desserts (to +2.10% from +2.05%) and cereals and cereal products (to +0.3% from -0.2%; YoY inflation after a gap of three months).
- In terms of contribution, vegetables and pulses (+32 bps) accounted for ~59% of the uptick in the F&B inflation print (+54 bps) in May 2026 relative to April 2026.

Core-CPI hardened to 3.9% in May 2026 from 3.7% in April 2026; stricter measure of core-CPI excluding jewellery remained muted at 2.4%

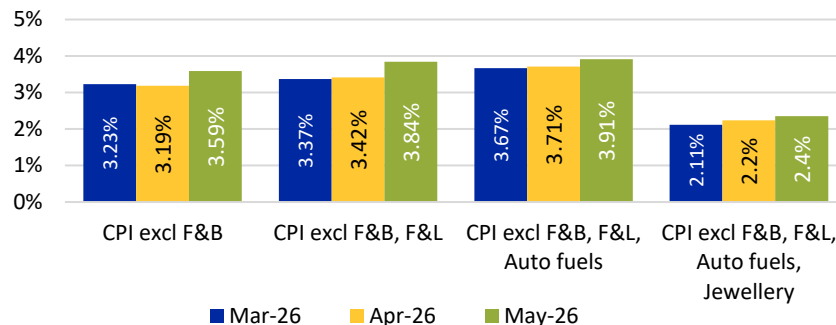
EXHIBIT: YoY inflation for CPI-services and goods basket



Source: NSO, ICRA Research

- Services inflation (weight: 28.0% in the CPI) remained largely unchanged at 1.7% in May 2026, in line with that seen in April 2026. As many as 21 of the 50 services covered in the CPI basket (albeit with a lower weight of 9.2% in the CPI) reported an easing in their YoY inflation reading between these months. Notably, inflation in the heavily weighted items including house rent (at +2.0%), tuition fees (to +3.1% from +3.3%), mobile charges (flat) remained largely unchanged or reported a lower print between these months. Interestingly, airfare reported an inflation of a sharp 15.1%, higher than 11.1% seen in the previous month (relative to deflation in January-February 2026), with several airlines raising fares post the West Asia conflict, amid rising ATF prices.
- In contrast, goods (weight in CPI: 72.0%; to +4.8% from +4.2%) witnessed an uptick in YoY inflation in May 2026 vs. April 2026, largely attributable to the food segment (weight: 34.8%; to +4.8% from +4.2%). However, even excluding this, goods' inflation remained elevated at 4.8% in May 2026 (+4.2% in April 2026), led by the sharp uptick seen in the transport segment (weight: 8.8%; to +1.8% from -0.01%), post the hikes in retail selling prices (RSPs) of petrol and diesel.
- Notably, core inflation (CPI excluding food and beverages, and electricity, gas and other fuels, and petrol and diesel), with a weight of 53.0% in the CPI basket, hardened to 3.9% in May 2026 after remaining stable at 3.7% during January-April 2026. However, a stricter measure of core inflation, which also excludes jewellery saw a subdued print of 2.4% in the month (+2.2% in April 2026), suggesting that underlying demand pressures remained weak.

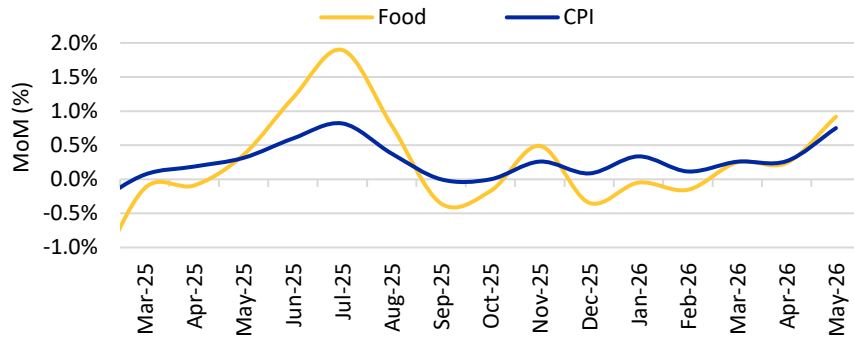
EXHIBIT: YoY inflation for various measures of core-CPI



F&L: Electricity, gas and other fuels; Auto fuel- MS and HSD for vehicles and other fuels for personal transport equipment, Jewellery: Gold and silver Jewellery, Source: NSO, ICRA Research

MoM momentum in CPI quickened to a 10-month high 0.8% in May 2026, owing to hikes in pump prices and customs duty on precious metals

EXHIBIT: MoM trend in all-India headline and F&B CPI



Source: NSO; CEIC; ICRA Research

EXHIBIT: MoM trend in some items impacted by the West Asia conflict

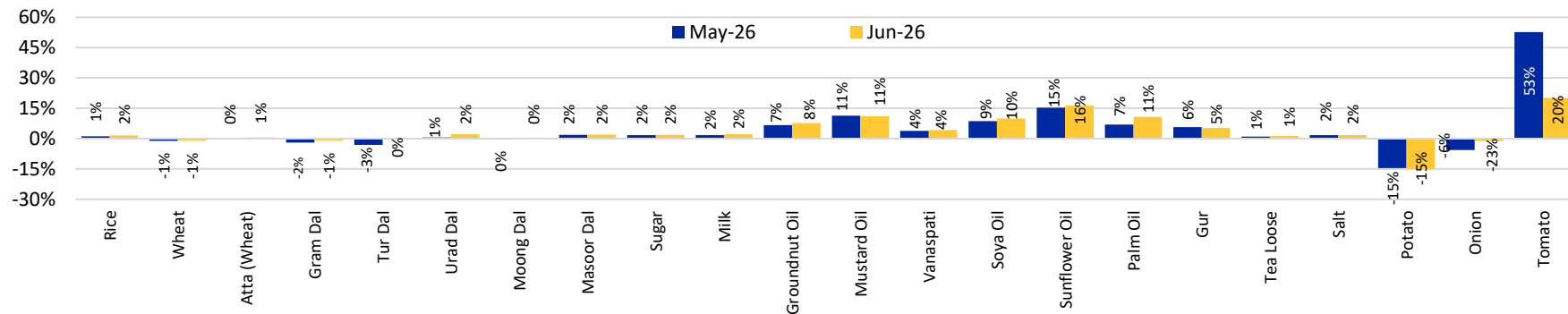
Item	Weights (%)	Mar-2026	Apr-2026	May-2026
Petrol	4.49	0.0%	0.0%	3.1%
Diesel	0.32	0.0%	0.0%	3.3%
LPG Cylinder & PNG	1.98	3.6%	0.0%	0.4%
Kerosene	0.01	0.8%	1.5%	1.0%
Coal	0.01	2.6%	3.1%	0.9%
Firewood & Chips	0.87	1.0%	1.2%	1.1%
Fuel (Biogas & Gobar Gas)	0.01	1.3%	0.6%	5.3%
Airfare	0.03	0.9%	-0.2%	3.5%
Restaurants: F&B serving services	3.33	0.4%	1.5%	1.8%
Vegetable Oils	2.18	1.2%	2.0%	0.9%
Total	13.24	0.9%	0.9%	1.8%

Source: NSO; CEIC; ICRA Research

- On a sequential basis, the increase in headline CPI accelerated to 0.75% in May 2026 from 0.3% seen during March-April 2026; this is the sharpest MoM rise since July 2025 (+0.82%).
- The sequential quickening in CPI in May 2026 compared to April 2026 was driven by transport (+1.9% vs. +0.1% in April 2026), personal care, social protection and miscellaneous goods and services (+1.2% vs. -0.1%) and food and beverage (+0.9% vs. +0.2%) divisions, with former two reflecting the RSP hikes on petrol and diesel (by Rs. 7.35-7.53/litre each), as well as customs duty hike on gold and silver (from 6% to 15%), respectively.
- The combined set of items directly impacted by the West Asia crisis (with a weight of 13.24% in the CPI) witnessed a MoM price increase of 1.8% in May 2026, twice as high as the 0.9% uptick recorded in April 2026. The inflationary pressure seen across the items like retail prices of petrol and diesel, LPG cylinder, airfares, and other fuel items partly reflects the direct and indirect passthrough of higher input cost to consumer prices triggered by the West Asia crisis. On a YoY basis, the inflation in this set of items hardened to 5.4% in May 2026 from 3.9% in April 2026, while doubling from the levels seen in February 2026 (+2.7%).**

OUTLOOK: CPI inflation projected to harden further to ~4.5% in June 2026

EXHIBIT: YoY trends in retail prices during May 2026 and June 2026*

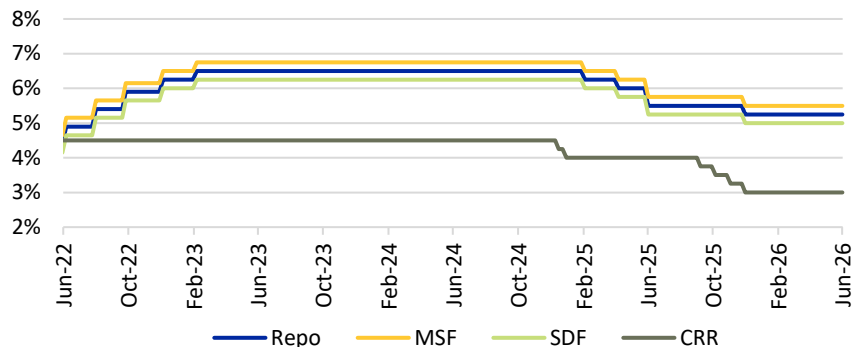


*Till June 10, 2026; #This includes the 22 items shown in the chart and 16 additional items including eggs, several spices, brinjal, banana, ghee, butter, etc. Source: DCA; CEIC; ICRA Research

- The average retail food prices witnessed a broad-based firming during June 1-10, 2026, with as many as 35 of the 38# items hardening sequentially vis-à-vis May 2026. These include all edible oils (given West-Asia conflict-led supply disruption and India's high import dependence), pulses, milk, and dairy products like *desi ghee*, and butter (amid the Rs. 2/litre hike in milk in May 2026), eggs, rice, *atta*, sugar, *gur*, most spices, banana, etc. Notably, vegetables like potato, tomato, onion, and brinjal witnessed the highest sequential uptick in the range of 2-7%, reflecting the usual seasonal hardening.
- Even on a YoY basis, 30 of the 38 items reported a higher reading in June 2026 so far vis-à-vis May 2026. While the deflation in some pulses narrowed, most edible oils reported higher double digit YoY prints. Besides, inflation in items like rice, *atta*, bajra, jowar, *maida*, ragi, *sooji*, coriander, red chilies, and turmeric firmed up in June 2026 so far vs. May 2026. Moreover, even as YoY inflation in tomatoes narrowed sharply, it continued to remain elevated. **Given these trends, ICRA expects the YoY inflation in the F&B segment to inch up further to ~4.9% in June 2026 from 4.6% in May 2026.**
- Among non-food items, price pressures are likely to intensify further in June 2026, amid continued passthrough of earlier hikes seen across commercial LPG cylinder, petrol and diesel, and the customs duty hike on precious metals. Moreover, domestic LPG cylinder prices were raised by Rs. 29/cylinder in early June 2026 which is also likely to exert some pressure on the headline CPI print. **Overall, ICRA expects the YoY CPI inflation to harden to 4.5% in June 2026 from 3.9% in May 2026. Thereafter, the print is likely to cross the 5% mark in August 2026.**

OUTLOOK: ICRA expects back-ended rate hike in 2026

EXHIBIT: Movement in Key Rates



Source: RBI; ICRA Research

EXHIBIT: RBI's earlier and current GDP growth and CPI inflation forecasts

YoY (%)	CPI Inflation		GDP Growth	
MPC Policy Reviews	April 2026	June 2026*	April 2026	June 2026*
Q1 FY2027	4.0%	4.2%	6.8%	6.6%
Q2 FY2027	4.4%	5.1%	6.7%	6.3%
Q3 FY2027	5.2%	5.9%	7.0%	6.5%
Q4 FY2027	4.7%	5.4%	7.2%	6.8%
FY2027	4.6%	5.1%	6.9%	6.6%

*at constant 2022-23 prices, with the assumption of the average price of crude oil greater than \$85/barrel in FY2027; Source: RBI; ICRA Research

- The Monetary Policy Committee (MPC) unanimously kept the policy rates unchanged and maintained neutral stance in the June 2026 policy. The tone of the policy document was expectedly hawkish, amid uncertainty owing to the West Asia conflict, the potential El Nino development and sub-par monsoons.
- With the escalation in the conflict and resultant surge in energy prices, the Committee pared its GDP growth projection by 30 bps to 6.6% for FY2027, which appears slightly optimistic relative to ICRA's expectation (<6.5%). Moreover, the MPC expects the CPI inflation trajectory to be steeper than projected earlier, with inflation pegged at 5.1% in FY2027, largely in line with our forecast (+5.0%).
- **Looking ahead, ICRA expects the MPC to remain data and development dependent, amid sizeable risks to the growth-inflation outlook. While we believe that the next move on rates is likely to be a hike, its timing would depend on how geopolitical and macro developments, including the severity of the El Nino, transmit to a generalisation of inflationary pressures; the October and December 2026 policy meetings could be live for potential rate hike(s), after there is some clarity on the monsoon impact.**

ANNEXURE: Headline CPI Inflation across divisions

	Weights (%)	YoY (%)				Build-up	
		Feb-26	Mar-26	Apr-26	May-26	5M CY2025	5M CY2026
Food & beverages	36.75	3.4%	3.7%	4.0%	4.6%	-1.2%	1.2%
Food	34.78	3.5%	3.9%	4.2%	4.8%	-1.3%	1.3%
Cereals & Cereal Products	5.95	-0.3%	-0.5%	-0.2%	0.3%	0.0%	0.1%
Meat, Fresh, Chilled Or Frozen	2.52	9.7%	12.5%	10.1%	9.5%	1.2%	2.1%
Fish & Other Seafood	1.02	7.0%	7.3%	8.6%	7.5%	3.5%	4.3%
Milk, Other Dairy Products & Eggs	7.28	3.1%	3.0%	3.1%	3.3%	0.6%	0.8%
Oils & Fats	2.74	7.4%	7.8%	9.2%	9.5%	1.8%	4.5%
Fruits & Nuts	3.70	8.6%	7.3%	7.9%	8.2%	7.1%	7.4%
Vegetables, Tubers, Plantains, Cooking Bananas & Pulses	6.82	0.1%	1.7%	2.3%	4.3%	-13.7%	-4.9%
Sugar, Confectionery & Desserts	1.42	2.7%	2.2%	2.1%	2.1%	1.9%	0.7%
Ready-Made Food & Other Food Products	3.33	2.1%	2.9%	3.8%	5.3%	-0.9%	3.5%
Beverages	1.77	1.1%	0.7%	0.5%	0.2%	1.3%	0.0%
Services for processing primary goods for food	0.20	3.2%	3.1%	3.2%	3.2%	1.4%	1.2%
Paan, tobacco & intoxicants	2.99	3.5%	4.2%	4.8%	4.8%	1.2%	3.2%
Clothing & footwear	6.38	2.8%	2.8%	2.8%	3.0%	1.4%	1.4%
Housing, water, electricity, gas & other fuels	17.66	1.5%	2.0%	1.7%	1.7%	0.9%	1.1%
Furnishings, household equipment & routine household maintenance	4.47	1.4%	1.4%	1.6%	1.9%	0.8%	1.3%
Health	6.10	1.9%	1.8%	1.6%	1.5%	1.1%	0.4%
Transport	8.80	0.0%	0.0%	0.0%	1.8%	0.4%	2.1%
Information & communication	3.61	0.2%	0.3%	0.5%	0.3%	0.4%	0.5%
Recreation, sport & culture	1.52	2.2%	2.3%	2.1%	2.0%	0.5%	0.2%
Education services	3.33	3.3%	3.3%	3.2%	3.0%	1.2%	0.8%
Restaurants & accommodation services	3.35	2.7%	2.9%	4.2%	5.7%	1.1%	4.0%
Personal care, social protection & miscellaneous goods & services	5.04	19.7%	18.6%	17.7%	18.5%	2.8%	2.3%
CPI	100.00	3.2%	3.4%	3.5%	3.9%	0.2%	1.4%

Source: NSO, ICRA Research

ANNEXURE: Headline CPI Inflation across states

EXHIBIT: Headline CPI inflation across select states/UTs

(% YoY)	Jan-26	Feb-26	Mar-26	Apr-26	May-26
All India	2.7%	3.2%	3.4%	3.5%	3.9%
Andhra Pradesh	2.8%	3.5%	4.1%	4.2%	4.9%
Assam	0.8%	2.3%	2.8%	3.2%	3.4%
Bihar	2.5%	2.9%	2.9%	2.7%	2.9%
Chhattisgarh	1.7%	1.8%	1.3%	1.8%	2.9%
Gujarat	2.1%	2.8%	3.1%	2.9%	3.3%
Haryana	2.5%	2.8%	2.7%	3.0%	3.1%
Himachal Pradesh	2.9%	2.9%	3.0%	3.7%	3.0%
Jharkhand	2.0%	2.6%	3.1%	2.9%	3.9%
Karnataka	3.0%	3.3%	3.9%	4.0%	4.6%
Kerala	3.7%	3.5%	3.6%	3.8%	4.3%
Madhya Pradesh	2.7%	3.4%	3.5%	3.7%	4.2%
Maharashtra	2.6%	3.1%	3.5%	3.1%	3.3%
Odisha	1.9%	3.3%	3.3%	3.4%	4.5%
Punjab	2.7%	3.1%	3.0%	3.3%	3.3%
Rajasthan	3.2%	3.5%	3.6%	3.8%	4.2%
Tamil Nadu	3.3%	3.4%	3.8%	4.2%	5.1%
Telangana	4.9%	5.0%	5.8%	5.8%	6.1%
Uttar Pradesh	2.7%	3.4%	3.4%	3.6%	4.0%
Uttarakhand	2.2%	2.7%	3.3%	3.5%	3.7%
West Bengal	2.8%	3.4%	2.8%	3.0%	3.4%

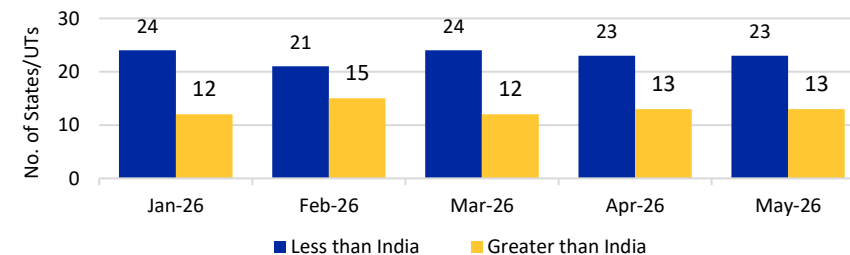
Source: NSO, ICRA Research

EXHIBIT: Distribution of Headline CPI inflation across States/UTs (Number of States/UTs)

Headline Inflation range (% YoY)	Jan-26	Feb-26	Mar-26	Apr-26	May-26
Less than 0 (Deflation)	0	0	0	0	0
Between 0 to 2.0	11	7	5	3	1
Between 2.0 to 4.0	23	27	27	27	24
Between 4.0 to 6.0	2	2	4	6	10
Greater than 6.0	0	0	0	0	1
Total	36	36	36	36	37

Source: NSO, ICRA Research

EXHIBIT: Number of states/UTs with headline CPI inflation less/greater than all-India level



Source: NSO, ICRA Research



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