Food prices push up retail inflation to 5.54% in Sep

The RBI expects inflation to rise to 6 per cent in the October-December quarter and average 5.2 per cent in FY27.

Economists expect the RBI to raise the repo rate again at its December 2-4 policy meeting. "While the monsoon has turned out to be fairly dismal, with inadequate replenishment of reservoirs clouding the outlook for rabi sowing, another rate hike in December seems quite certain," said Aditi Nayar, chief economist at Icra.

Madan Sabnavis, chief economist at Bank of Baroda, said the December quarter would pose a challenge, with inflation expected to peak at 6 per cent. "Therefore, our view still holds that December will warrant another rate hike," he said.

Food inflation, measured by the Consumer Food Price Index (CFPI), rose to 7.74 per cent in September from 5.97 per cent in August. This was the highest reading since December 2024, when it stood at 8.39 per cent under the old 2012 series.

Among food items, onion prices led the surge, with inflation more than doubling to 108.09 per cent in September from 48.78 per cent in August. Inflation in garlic (54.62 per cent) and lemon (36.41 per cent) also accelerated, while that in ginger eased slightly to 62.85 per cent.

Tomato deflation narrowed to 8.62 per cent from 31.09 per cent in August, while potato deflation eased to 11.50 per cent from 13.15 per cent.

Rajeev Sharan, head of research at Brickwork Ratings, said the trend signalled "acute vegetable-supply disruption amid an uneven monsoon withdrawal".

The impact of higher fuel costs, amid the West Asia crisis, was also evident in some services. Inflation in restaurants and accommodation services rose to 9.36 per cent from 8.38 per cent, while transport inflation increased to 5.01 per cent from 4.6 per cent.

Overall, inflation rose in 11 of the 12 divisions in September compared with the previous month, with personal care being the sole exception. According to Devendra Pant, chief economist at India Ratings and Research, this indicated a "generalisation of inflation".

Core inflation, which excludes volatile food and fuel prices, edged up to 4.6 per cent from 4.4 per cent in August.

Rural inflation rose to 6.08 per cent from 5.24 per cent, while urban inflation increased to 4.88 per cent from 4.31 per cent.

Among states with a population of more than 5 million, Tamil Nadu recorded the highest headline inflation at 6.81 per cent. It was followed by Odisha (6.7 per cent), Madhya Pradesh (6.68 per cent), Telangana (6.64 per cent), and Andhra Pradesh (6.29 per cent).

Divisionwise inflation in Sep (%)

Food and beverages	7.36
Paan, tobacco and intoxicants	4.80
Clothing and footwear	3.93
Housing, water, electricity, gas and other fuels	2.74
Furnishing & household equipment	3.11
Health	1.40
Transport	5.01
Information and communication	2.44
Recreation, sport, and culture	2.16
Education services	3.94
Restaurant and accommodation	9.36
Personal care, social protection, and miscellaneous goods	13.75

Source: NSO