

‘August retail inflation raises chances of RBI rate hike in October’

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The 20-month-high retail inflation of 4.8% in August 2026 has significantly raised the chances of an interest rate hike by the Reserve Bank of India's Monetary Policy Committee (MPC) at its October meeting, say economists.

Retail inflation in August hastened on rising prices in food, which saw inflation quicken to 5.7%.

Emkay Global economists said there have been ‘material changes’ to the global and local macroeconomic situation over the past few weeks that could lead the MPC to hike rates in October. Factors include inflow of \$136 billion via the Foreign Currency Non-Resident Bank deposits, Brent crude oil price rising above \$100/barrel and the likelihood of the start of a global rate hiking cycle with the European Central Bank raising rates last week and the Bank of Japan and U.S. Federal Reserve likely to follow suit.

“Amid this backdrop, the odds of a rate hike now much higher than earlier,” the economists said.

D.K. Srivasatava, chief policy advisor, EY India, said even a change in RBI's stance could take place.

Rajeev Sharan, head, research, Brickwork Ratings, said there was also a risk of wholesale inflation (9.9% in August) spilling over into retail prices. “The main risk is high wholesale food and input costs raise retail prices, alongside any rise in crude or fresh volatility in vegetable prices.”