SBI RESEARCH

ECOWRAP

INFLATION PRINT IN LINE WITH EXPECTATIONS: STATUS-QUO IN RATES IN FY27:OVERALL CAPITAL INFLOWS LIKELY AT $50-$52 BN (FCNRB) AT ~$45 BN

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Inflation print for July came in line with market expectations. Imported inflation declined from 8.1% in June 2026 to 7.3% in July 2026. Core CPI (ex food plus fuel) declined marginally by 5 bps to 3.85% in Jul'26 while Core CPI excluding gold stood at 3.44%. At the corporate level, aggregate EBITDA margins have declined from 16.8% in Q1 FY26 to 14.8% in Q1 FY27. The decline in margins was particularly visible in cement, fertilizers, and mining & mineral products. Such decline possibly indicates that corporates are still holding off price adjustments even as input costs may have risen.

We expect August inflation print at 4.7%, with inflation possibly just breaching the 6% in October and November before declining to ~5% in Q4 of FY27. Keeping with the historical trends, inflation for Q4 is likely to be lower than forecasts. We expect repo rates to stay at 5.25% in FY27.

Meanwhile, with a muted US jobs data, and US inflation print for July at 3.4% somewhat losing steam, precious metals have bounced back, betting on the Fed remaining non-committal to any rate hike and Central Bank buying of Gold pushing up the prices, headed for a breakout perhaps though much will depend on Dollar index that is showing signs of nervousness. Separately, supply squeeze and lingering uncertainty, together with tariff conditionalities, conflict anchored disruptions and sustained demand from new age sectors have ensured base metals heading north despite a benign growth outlook globally, more so in China. **We don't expect Fed to raise rates anytime soon.**

We expect amount mobilized under FCNR (B) at around $45 billion as on 14 Aug'26 as against $36.7 bn mobilized till 31 July. Overall total mobilized amount (including OFCBs + ECBs) is expected to be around the $50 –$52 billion mark.

The budgeted nominal GDP for FY27 is 10%. With real GDP most likely to cross the 7% threshold, we expect the nominal GDP for FY27 to be at 13-13.5%. This will have cushioning impact of ~Rs 70000 crores on fiscal deficit in FY27.

CPI INFLATION (BASE: 2024) INCREASED TO 4.45% IN JULY 2026

- India's retail inflation based on the CPI rose to a 19-month high of 4.45% in July 2026, up from 4.38% in June, driven primarily by accelerating food inflation at 5.52% due to elevated prices for items like onions, ginger, and garlic.
- Inflation remained higher in rural India at 4.84%, while urban areas registered a lower rate of 3.96%.
- Housing inflation remained relatively subdued and stable at 2.22% year-on-year, with rural areas registering 2.80% and urban areas noting 2.01%
- Transport inflation ticked up to 4.4% (compared to 4.3% in June), reflecting lingering energy and logistical cost pressures from volatile global crude oil prices.
- Categories like personal care and miscellaneous services inflation declined by 1.95% on MoM to 14.8%, while health inflation declined by 8 bps to 1.34% and education services declined by 11 bps to 3.64%.

India's CPI Inflation (% YoY)

Division-wise	Feb-26	Mar-26	Apr-26	May-26	June'26	JuL'26	Chg (in bps)
Headline CPI Inflation	3.21	3.40	3.48	3.93	4.38	4.45	7
Food and beverages	3.4	3.7	4.0	4.5	5.1	5.2	18
Paan, tobacco and intoxicants	3.5	4.2	4.8	4.8	4.8	4.8	-5
Clothing and footwear	2.8	2.8	2.8	3.0	3.2	3.4	15
Housing, water, electricity, gas and other fuels	1.5	2.0	1.7	1.7	2.0	2.2	17
Furnishings, household equipment and routine household maintenance	1.4	1.4	1.6	1.9	2.2	2.4	21
Health	1.9	1.8	1.6	1.5	1.4	1.3	-8
Transport	-0.1	0.0	0.0	1.8	4.3	4.4	13
Information and communication	0.2	0.3	0.5	0.3	0.4	0.6	22
Recreation, sport and culture	2.2	2.3	2.1	2.0	1.7	1.6	-11
Education services	3.3	3.3	3.2	3.0	3.3	3.7	31
Restaurants and accommodation services	2.7	2.9	4.2	5.7	6.9	7.7	81
Personal care, social protection and miscellaneous goods and services	19.7	18.7	17.7	18.5	16.7	14.8	-195

Source: MOSPI

CORE INFLATION TRAJECTORY

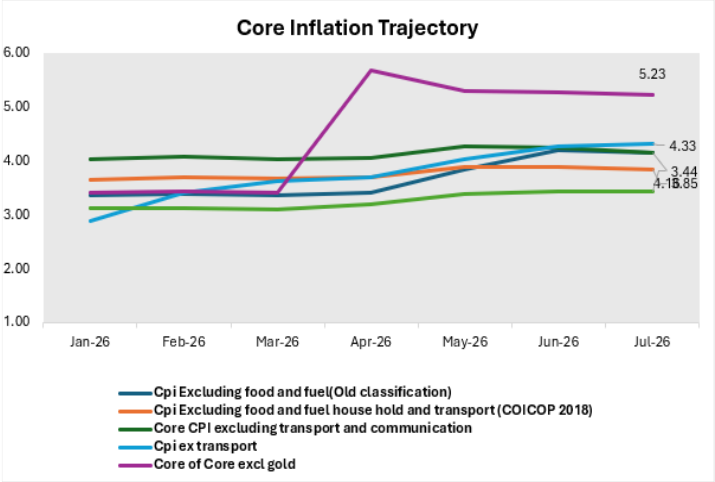
- **Core CPI, as per new classification, (ex food plus fuel) declined marginally by 5 bps to 3.85% in Jul'26 while Core CPI excluding gold stood at 3.44%.**
- At the corporate level, aggregate EBITDA margins declined from 16.8% in Q1 FY26 to 14.8% in Q1 FY27. The decline in margins was particularly visible in cement, fertilisers, and mining & mineral products. Such decline possibly indicates that corporates are still holding off price adjustments even as input costs may have risen.
- **However, imported inflation declining from 8.1% in June 2026 to 7.3% in July 2026.**
- **We expect August inflation print at 4.7%, with inflation possibly just breaching the 6% in October and November before declining to ~5% in Q4 of FY27. We believe in keeping with the historical trends inflation for Q4 is likely to be lower than forecasts. We expect a pause in FY27.**

GLOBAL AND DOMESTIC INFLATION DYNAMICS

- Meanwhile, domestic commodity prices has broadly moved in line with global commodity price trends, although the magnitude of price movements remained relatively moderate across most commodity groups.
- Food prices has remained elevated, with global food inflation easing to 8.35% (from 9.84%) while India's food inflation edged up to 5.52% (from 5.32%). The sharp rise in global grain inflation (18.16%) was not fully reflected in domestic cereals inflation (1.68%), reflecting differences in commodity coverage.
- Both global oil & meals and domestic oils & fats inflation moderated in July to 12.34% and 8.54%, respectively
- Despite moderation, precious metals inflation remained elevated at 26.68% globally and 49.18% in India

US JOBS DATA

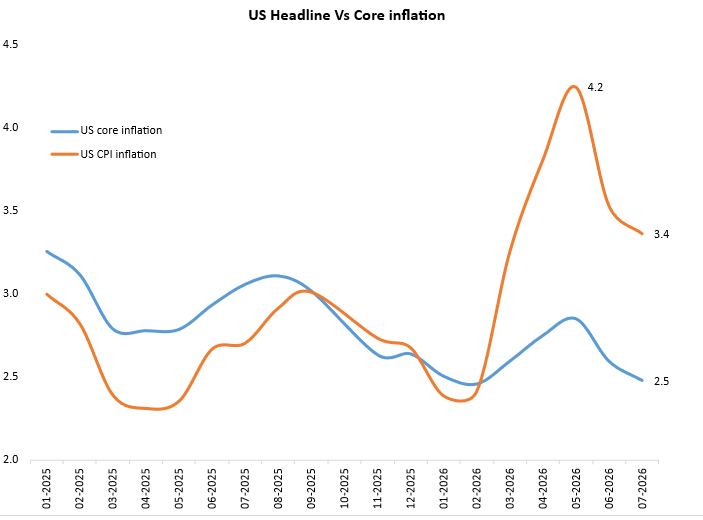
- US NFP had a double whammy declining by 23K (against expectations of gains of 80K) and two months net revision being 103K negative now. Healthcare gains seem to be losing steam while leisure and hospitality are shedding more jobs, with labour force participation in public sector raising questions aplenty.



Global & Domestic Commodity Price Index (Y-o-Y%)				
Month	**Food**	**Oils & Meals**	**Grains**	**Precious Metals**
Global				
Jan-26	-2.97	1.83	-6.58	94.13
Feb-26	-0.26	7.44	-4.75	85.19
Mar-26	5.23	13.38	0.57	73.19
Apr-26	7.43	17.26	2.38	58.62
May-26	11.45	21.10	10.27	51.73
Jun-26	9.84	17.54	9.79	34.26
Jul-26	8.35	12.34	18.16	26.68
India				
Jan-26	2.13	6.62	0.11	68.05
Feb-26	3.47	7.37	-0.34	69.51
Mar-26	3.86	7.81	-0.48	65.23
Apr-26	4.20	9.23	-0.15	60.95
May-26	4.78	9.46	0.28	64.01
Jun-26	5.32	9.67	0.94	56.81
Jul-26	5.52	8.54	1.68	49.18

Source: MoSPI, World Bank

Note: For India we have taken the proxies for the following commodities: Oils & Meals by Oils & Fats; Grains by Cereals & Cereal Products; Precious Metals by Jewelry & Watches.



- With a muted US jobs data, and US inflation print for July at 3.4% somewhat losing steam, precious metals have bounced back, betting on the Fed remaining non-committal to any rate hike and Central Bank buying pushing up the prices to a level where they becomes range bound, before a breakout though much will depend on Dollar index that is showing signs of nervousness. A greater irony could be the spike in benchmark US Yields, inching back after the fall in inflation, but susceptible to stride with the crude prices under strain.

THE RETURN OF MIA (METALS IN ACTION) SYNDROME

- Supply squeeze and lingering uncertainty, together with tariff conditionalities, conflict anchored disruptions and sustained demand from new age sectors have ensured base metals heading north despite a benign growth outlook globally, more so in China. An all-time high Copper, with firm Aluminum, Zinc and Tin looks set to gain more of momentum despite Iron ore/Steel prices softening due to abundant supply and softer construction push.

AN UPDATE ON FCNR (B) DEPOSITS

- While first $20 bn was mobilised in 38 days, next $20 bn took only 15 days . However, the speed though has moderated recently still we expect mobilization of $10 bn in the first 15 days of August.
- **We expect amount mobilized under FCNR (B) at around $45 billion as on 14 Aug'26 as against $36.7 bn mobilized till 31 July. Overall total mobilized amount (including OFCBs + ECBs) is expected to around the $50 –$52 billion mark.**

Amount Mobilized ($ Bn)			
	17 July 2026	31 July 2026	14 Aug 2026 (P)
FCNR(B) Deposits	17.4	36.7	45.0
OFCBs	2.0	2.6	3.5
ECBs	1.3	1.5	2.0
Total	**20.7**	**40.8**	**50.5**
Memo:			
Rs/$	**96.28**	**95.39**	**95.33***
Incremental FCA	**7.6^**	**21.2**	**35-40**

Source: RBI; P: SBI Projection; * 12.08.26 ^since 08.06.26

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