

Macro Insights

15th July, 2025

CPI inflation dips to a Six Year Low to 2.1 per cent

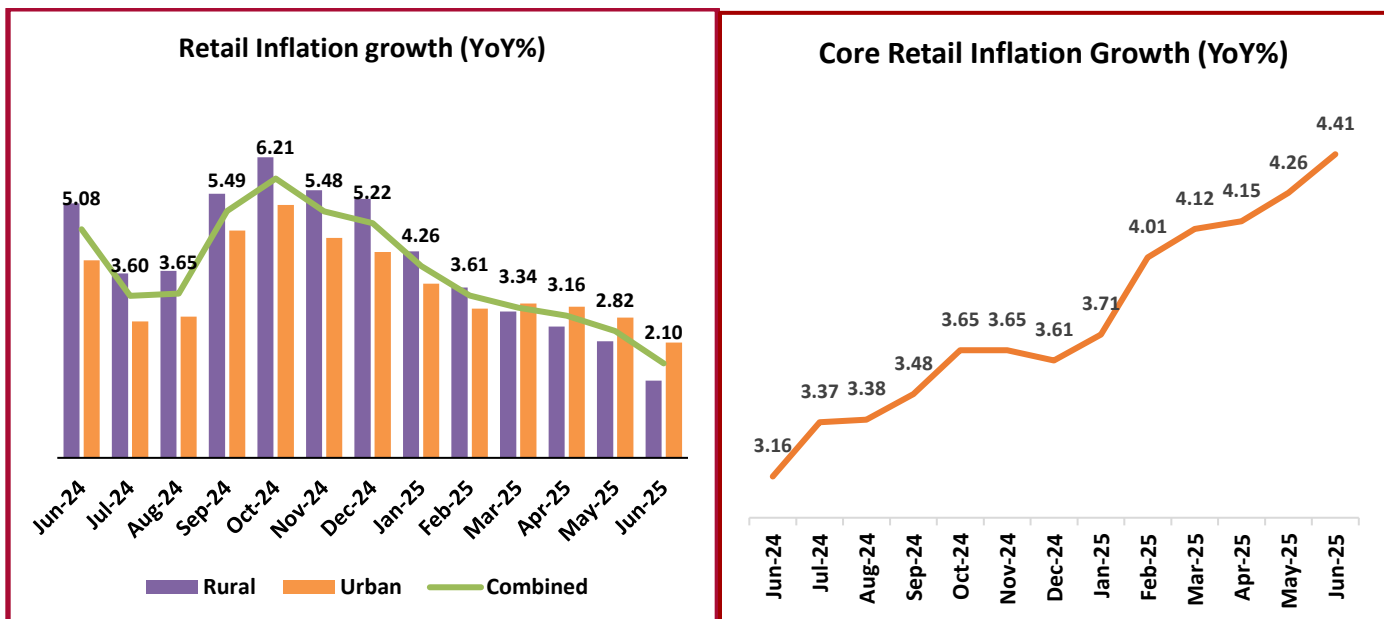
India's retail inflation has taken a histrionic dip, reaching a six-year low of 2.1% in June 2025, down from 2.82% in May.

This marks the eighth consecutive month of easing inflation, largely driven by falling food prices.

Highlights

- India's retail inflation dipped in June'25, on back of food inflation falling in negative zone.
- Urban inflation fell from 3.12 per cent in May'25 to 2.56 per cent in June'25, while rural inflation fell from 2.59 per cent in May'25 to 1.72 per cent in June'25
- Core inflation (excl. food and fuel & light) nched up marginally to 4.41 per cent in June'25 from 4.26 per cent in May'25.

CPI and Core CPI Movement



Source: MoSPI, PIB

Avg. Inflation in
FY25: 4.63%

Components of CPI (YoY per cent Change)

	CPI	Food and beverages	Pan, tobacco and intoxicants	Clothing & footwear	Housing	Fuel & light	Misc.
Weight	100	45.86	2.38	6.53	10.07	6.84	28.32
Jun-24	5.08	8.36	3.08	2.73	2.69	-3.61	3.41
Mar-25	3.34	2.88	2.48	2.62	3.03	1.42	5.02
May-25	2.82	1.50	2.41	2.67	3.16	2.84	5.17
Jun-25	2.10	-0.20	2.41	2.55	3.24	2.55	5.49

Source: MoSPI, CMIE

Views & Analysis

- Though Core inflation remains in the comfort zone, continuous increase in Core Inflation demands attention from policy makers. Further, food inflation is likely to remain contained, supported by healthy agricultural activity and a favourable base.
- The monsoon has so far been in surplus and strong kharif sowing progress¹ bode well for agricultural output and food price stability. On the external front, Brent crude oil prices, which had spiked due to recent conflicts in the Middle East, have since corrected sharply and are now trading near USD 70 per barrel.
- Key risks to monitor include ongoing global tariff disputes, instability in the Middle East, and the potential imposition of additional US sanctions on Russia.

Components of Food Inflation (YoY per cent Change)

	Food	Cereals and products	Egg, fish and meat	Milk and products	Oils and fats	Fruits	Vegetables	Pulses and products	Sugar and condiments	Spices
Weight	39.06	9.67	4.04	6.61	3.56	2.89	6.04	2.38	1.36	2.5
Jan-25	5.97	6.24	4.84	2.85	15.64	12.16	11.35	2.55	0.31	-6.85
Feb-25	3.75	6.10	1.60	2.68	16.36	14.82	-1.13	-0.35	2.16	-5.85
Mar-25	2.69	5.93	-0.01	2.62	17.07	16.27	-7.04	-2.73	3.89	-4.92
Apr-25	1.78	5.35	-0.25	2.72	17.42	13.91	-10.98	-5.23	4.59	-3.44
May-25	0.99	4.77	-0.34	3.15	17.91	12.74	-13.70	-8.22	4.16	-2.77
Jun-25	-1.06	3.73	-1.25	2.80	17.75	12.59	-19.00	-11.76	3.52	-3.03

Source: MoSPI, CMIE

- Food Inflation falls into negative zone mainly due to vegetables, pulses & products and spices. All the components of the Food Inflation are lower in June'25 than that of May'25. Oil & fats and Fruits continued to show growth in double digit.

Given falling inflation scenario, CPI inflation is likely remaining around RBI's estimate of 3.70 per cent for FY'26. It is likely to be duly supported by subdued food prices, low core inflation, and favourable base effects. However, downside risks from supply chain disruptions due to trade policy uncertainties and geopolitical tensions remain key monitorable going forward/

¹A total area coverage of 597.86 lakh hectares as on 11th July 2025, showing an increase of 37.27 lakh hectares vis-à-vis last year.

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