

Macro Insights

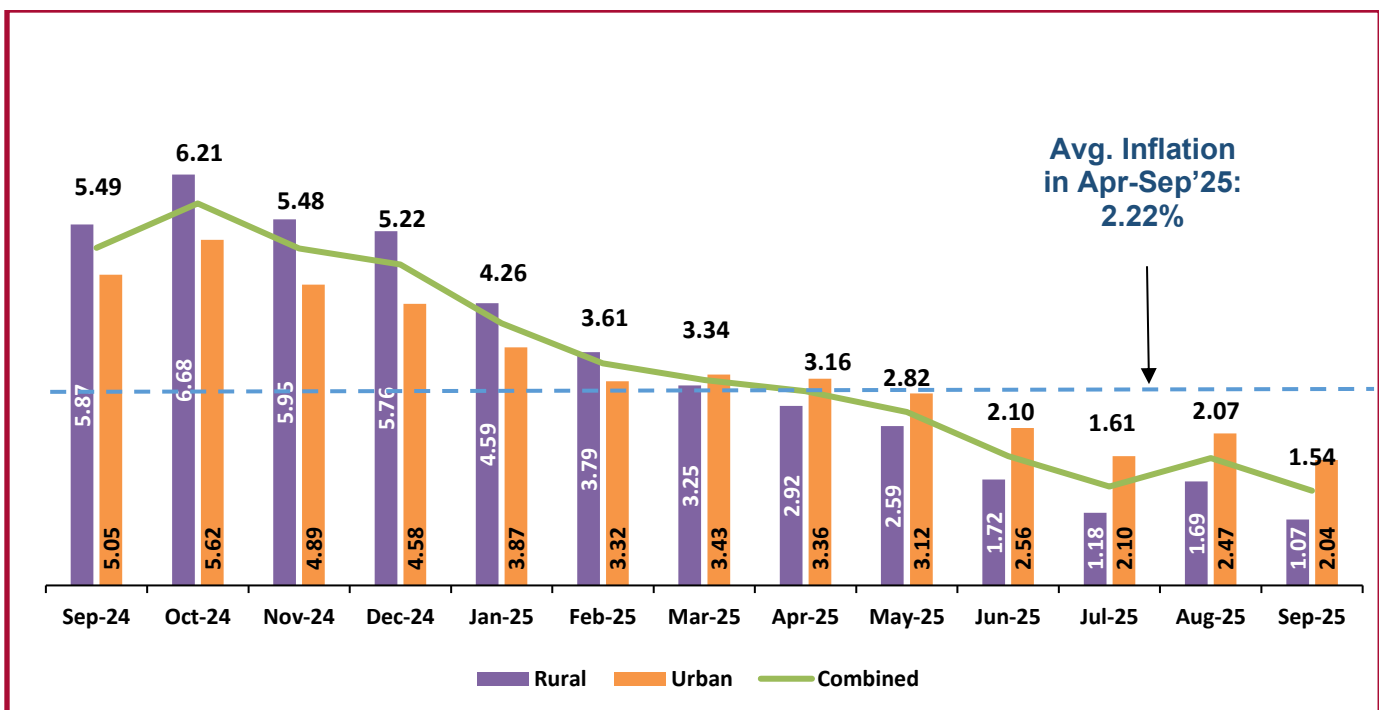
CPI inflation at 8-year low

Retail inflation, as measured by the CPI, declined to 1.54% in September 2025, a 53-basis point drop from the August inflation rate of 2.07%, reflecting a steady cooling trend in price pressures across key categories.

Highlights:

- India's retail inflation eased sharply to 1.54% in September 2025, marking its lowest level since June 2017.
- Urban inflation stood at 2.04%, while rural inflation was recorded at 1.07% in September 2025, both reflecting decline from the previous month.
- Core inflation (excl. food and fuel & light) increased marginally to 4.48% in September 2025 from 4.13% in August 2025. It reflects persistent price pressures in non-food, non-fuel categories.

Chart: Consumer Price Index



Components of CPI (YoY% Change)

	CPI	Food & Beverages	Pan, Tobacco & Intoxicants	Clothing & Footwear	Housing	Fuel & Light	Miscellaneous
Weight	100	45.86	2.38	6.53	10.07	6.84	28.32
Sep-24	5.49	8.36	2.51	2.66	3.69	-1.34	4.05
May-25	2.82	1.50	2.41	2.67	3.16	2.84	5.17
Jun-25	2.10	-0.15	2.41	2.55	3.18	2.55	5.49
Jul-25	1.61	-0.84	2.45	2.50	3.17	2.67	5.01
Aug-25	2.07	0.05	2.49	2.33	3.09	2.43	5.05
Sep-25	1.54	-1.37	2.73	2.28	3.98	1.98	5.35

Views and Analysis:

- The CPI inflation eased to 1.54% in September 2025, pulled down by a sharper than anticipated disinflation in food and beverages to 1.4% (81-month low), despite several other categories recording a sequential uptick in YoY inflation prints.
- There is a sequential uptick in inflation in Pan Tobacco & Intoxicants, Housing and Miscellaneous category. Inflation for miscellaneous items shot up to 5.35% in September 2025, due to surge in prices of gold and silver.
- In its October 2025 MPC meeting, the RBI held the repo rate at 5.50% and maintained a 'Neutral' stance, signaling a pause in monetary easing. RBI revised its inflation forecast downward to 2.6% for FY26, from 3.1% earlier, citing better-than-expected supply conditions and easing cost pressures. With inflation well below the RBI's medium target of 4%, we expect RBI to continue to support growth.
- With satisfactory progress of Southwest monsoon, healthy kharif sowing, adequate reservoir levels and comfortable buffer stock of food grains should keep food prices benign.
- Further, with the full benefit of GST rationalization yet to materialize, the inflation is expected to remain benign in the coming months.

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