

Macro Insights

12th August 2025

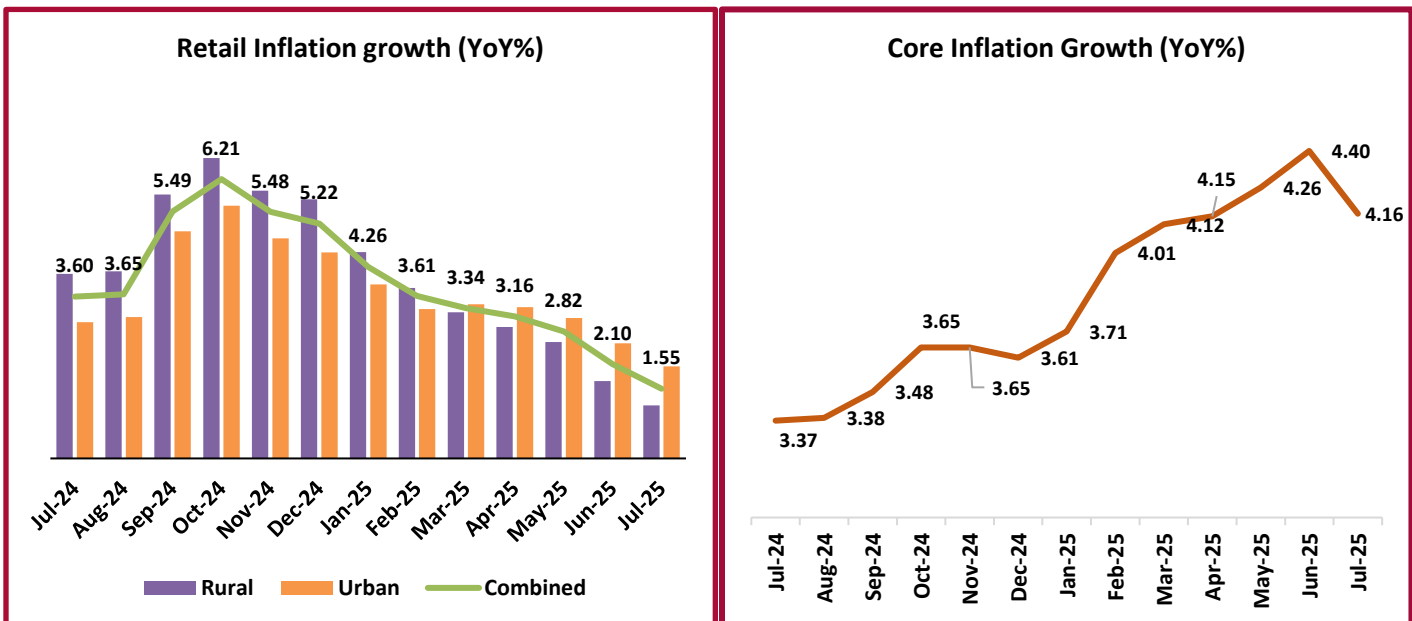
Highlights

CPI inflation dips to an Eight Year Low to 1.55 per cent

India's retail inflation has taken a histrionic dip, reaching an Eight-year low of 1.55% in July 2025. In June'25, the inflation was 2.10% which 55-basis-point drop from June 2025 levels.

- India's retail inflation dipped in July'25, on back of food inflation falling in negative zone.
- The Retail Inflation figure has seen consistent decline since October 2024.
- Urban inflation fell from 2.56 per cent in Jun'25 to 2.05 per cent in July'25, while rural inflation fell from 1.72 per cent in Jun'25 to 1.18 per cent in July'25
- Core inflation (excl. food and fuel & light) fell from 4.40 per cent in June'25 to 4.16 per cent in July'25.

CPI and Core CPI Movement



Source: MoSPI, PIB

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
Jul-24	3.60	5.06	3.02	2.67	2.68	-5.48	3.84
May-25	2.82	1.50	2.41	2.67	3.16	2.84	5.17
Jun-25	2.1	-0.15	2.41	2.55	3.18	2.55	5.49
Jul-25	1.55	-0.84	2.45	2.50	3.17	2.67	5.01

Source: MoSPI, CMIE

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
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	-1.01	3.73	-1.25	2.80	17.75	12.64	-18.92	-11.76	3.52	-3.03
Jul-25	-1.76	3.03	-0.35	2.74	19.24	14.42	-20.69	-13.76	3.28	-3.07

Source: MoSPI, CMIE

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

Views and Analysis:

- The significant decline in headline inflation and food inflation during July, 2025 is mainly attributed to favourable base effect and to decline in inflation of pulses, vegetables, cereals, egg and sugar.
- The inflation rate also fell due to the decline in cost of transport and communication and education. Besides, there was a mild drop in housing inflation during the month.
- CPI projections for Q2 and Q3 FY'26 have been revised downwards with overall projection for CPI for FY'26. Reserve Bank (RBI) has pegged India's CPI inflation at 3.1 per cent for 2025-26 as the steady progress of the monsoon and robust kharif sowing are expected to keep food prices in check.
- However, Retail inflation is likely to edge up above 4 per cent by Q4 FY2025-26 and beyond, as unfavorable base effects, and demand side factors from policy actions come into play.
- Barring any major negative shock to input prices, core inflation is likely to remain moderately around 4 per cent during the year going forward.

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