

Macro Insights

12th September 2025

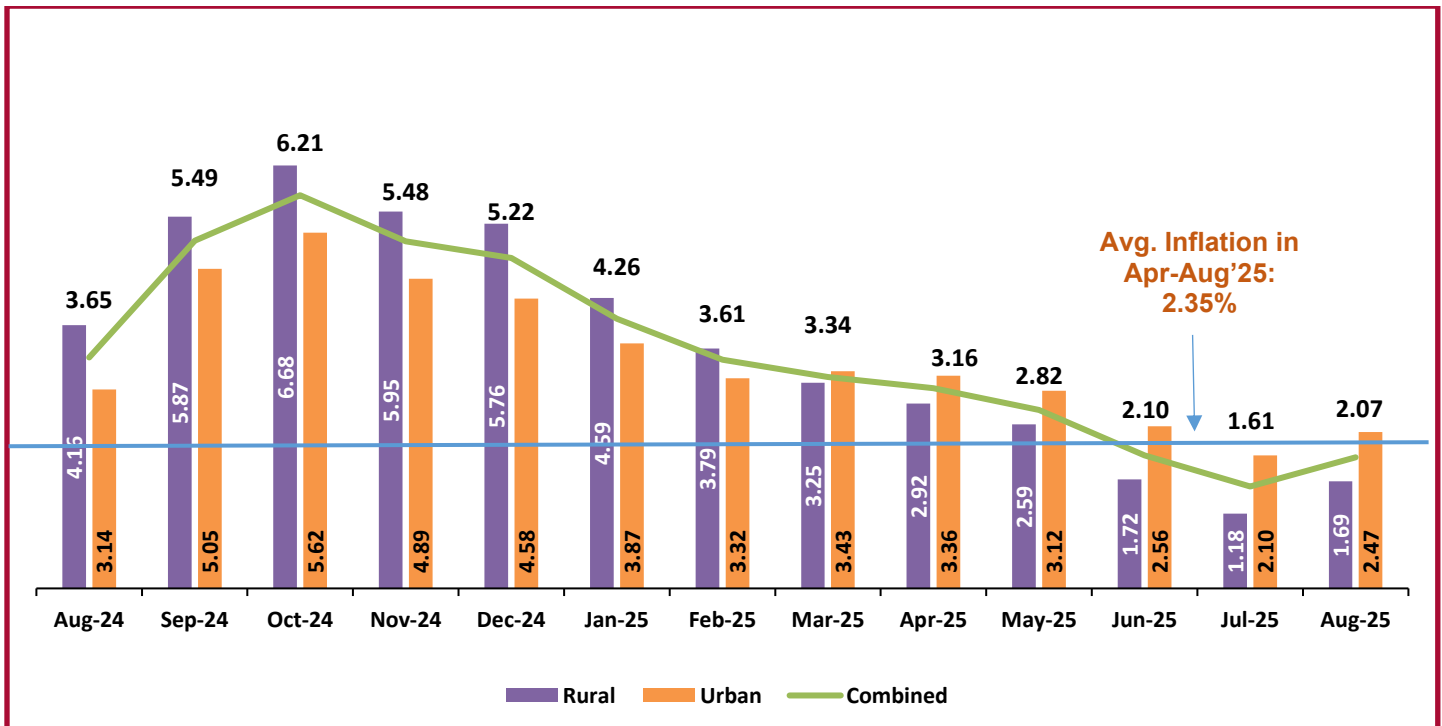
CPI inflation picked up to 2.07% in August 2025 from an eight year low in July

Retail inflation, as measured by the CPI, picked up to 2.07% in August 2025 (provisional), halting the nine-month declining trend. In July 2025, it stood at 1.61% an eight-year low, while in August 2024, it was recorded at 3.65%.

Highlights

- India's retail inflation registered a slight uptick in August 2025 but remained well below historical averages, reflecting a mix of sectoral pressures and broad disinflationary forces.
- Urban inflation stood at 2.47%, while rural inflation was recorded at 1.69% in August 2025, both reflecting mild upticks from the previous month.
- Core inflation (excl. food and fuel & light) moderated marginally to 4.13% in August 2025 from 4.16% in July 2025. It reflects persistent price pressures in non-food, non-fuel categories.

Consumer Price Index (YoY per cent Change)



Source: MoSPI, PIB

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
Aug-24	3.65	5.30	2.71	2.72	2.66	-5.25	3.89
Apr-25	3.16	2.14	2.08	2.67	3.06	2.92	5.02
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

Source: MoSPI, CMIE

Views & Analysis

- Headline inflation in August 2025 rose by 46 bps to 2.07% from July's 1.61%, remaining relatively benign. The increase signals a potential bottoming out after a steady decline since October 2024. This uptick was broadly anticipated, largely due to a fading base effect partly reflecting a pause in the earlier price correction and the onset of rise in food prices across most segments.

Components of Food Inflation (YoY% Change)

	Food	Cereals & products	Egg, fish & meat	Milk & products	Oils & fats	Fruits	Vegetables	Pulses & products	Sugar & Confectionery	Spices
Weight	39.06	9.67	4.04	6.61	3.56	2.89	6.04	2.38	1.36	2.5
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	2.69	19.24	14.48	-20.65	-13.76	3.28	-3.12
Aug-25	-0.69	2.70	1.63	2.63	21.24	11.65	-15.92	-14.53	3.73	-3.24

Source: MoSPI, CMIE

- Food inflation remained negative at -0.69% YoY, though this reflects a significant rise from previous month's disinflation of -1.76%. The month-on-month (MoM) acceleration of 107 bps was driven by sharper price increases in categories such as vegetables (473 bps), Egg, fish & meat (198 bps), and oils and fats - edible oils (200 bps).
- Personal care & effects under miscellaneous segment witnessed a strong double-digit inflation of 16.61% YoY, flagging household budget squeezes outside the typical food and fuel baskets. Health (4.40% YoY), education (3.60% YoY), and housing (3.09% YoY) all reflect more persistent, stickier inflation patterns, highlighting that service inflation remains considerably above the goods segment.
- In its August 2025 MPC meeting, the RBI held the repo rate at 5.50% and maintained a 'Neutral' stance, signaling a pause in monetary easing. It lowered its CPI inflation forecast to 2.1% for Q2 FY26, though actual inflation may undershoot, with July–August averaging just 1.84%.
- The near-term inflation risks remain skewed upward despite the benign headline on account of international edible oil prices and import volumes given their strong CPI impact, volatile vegetable price momentum, influenced by monsoon outcomes of early September. If edible oils and core services continue to firm, headline inflation could re-accelerate even if staples ease further.

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