

## Macro Insights

12<sup>th</sup> June 2025

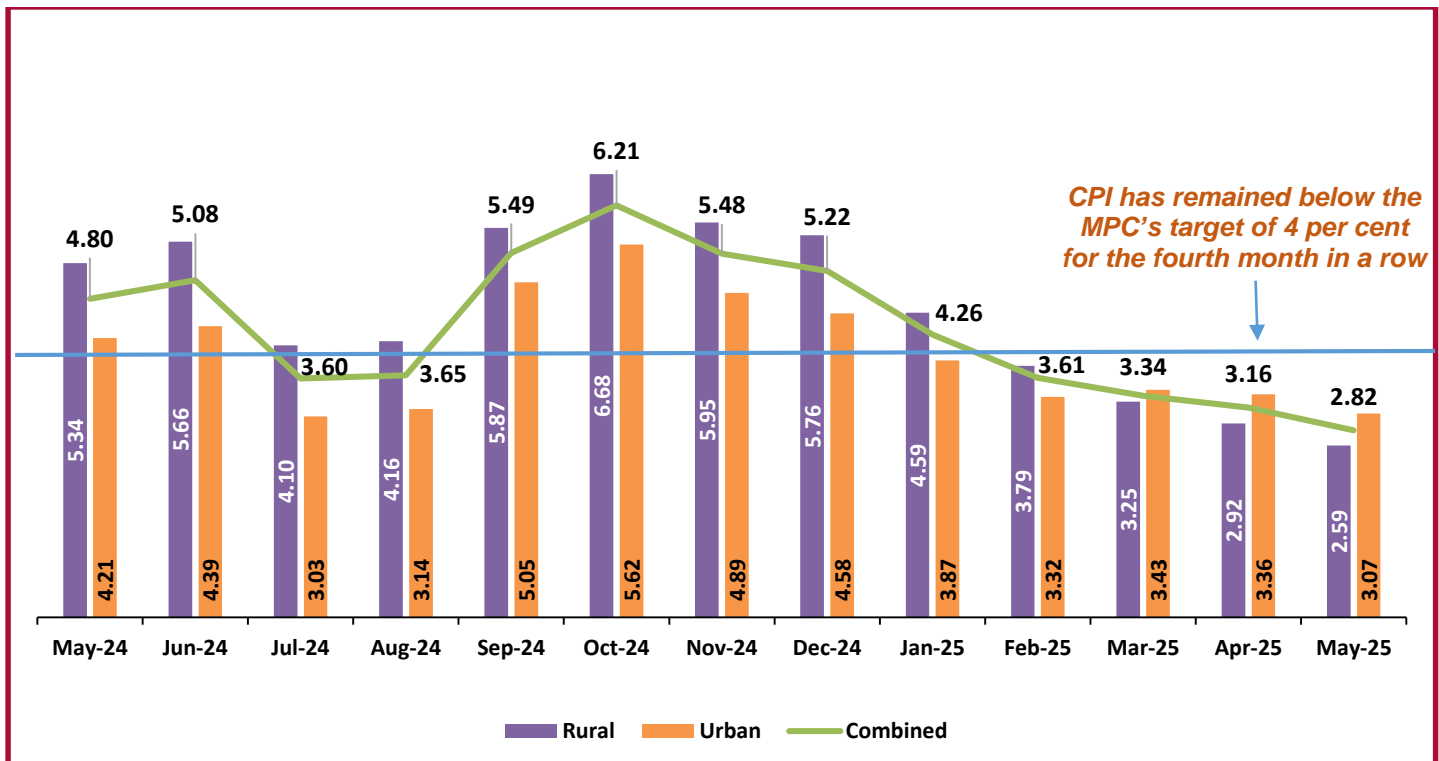
### CPI inflation eased below 3 per cent – Lowest Level Since February 2019

Retail inflation measured by CPI continued softened to **2.82 per cent** in May 2025 (provisional), marking a steady decline from **3.16 per cent** in April 2025 and **4.80 per cent** a year earlier in May 2024. This latest figure represents the lowest year-on-year inflation rate recorded since February 2019.

### Highlights

- India's retail inflation eased for the straight seventh month in May 2025, on back of falling food inflation from 1.78 per cent in April 2025 to 0.99 per cent in May 2025, its lowest since October 2021.
- Urban inflation fell from 3.36 per cent in April to 3.07 per cent in May 2025, while rural inflation fell from 2.92 per cent in April to 2.59 per cent in May 2025.
- Core inflation (excl. food and fuel & light) inched up to 4.20 per cent in May 2025 from 4.15 per cent in April 2025.

### Consumer Price Index (YoY per cent Change)



Source: MoSPI, PIB

### Components of CPI (YoY per cent Change)

	CPI	Food and beverages	Pan, tobacco & intoxicants	Clothing & footwear	Housing	Fuel & light	Miscellaneous
Weight	100	45.86	2.38	6.53	10.07	6.84	28.32
May-24	4.80	7.87	3.03	2.74	2.56	-3.67	3.41
Mar-25	3.34	2.88	2.48	2.62	3.03	1.42	4.99
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	2.78	5.06

Source: MoSPI, CMIE

### Views & Analysis

- A continued decline in headline inflation (34 bps) in May 2025 over April 2025 was largely driven by fall in food inflation (79 bps), which holds a significant weight of 39.06 per cent in the CPI. It dipped below 1 per cent mark to 0.99 per cent, its lowest level in 43 months.
- For the fourth consecutive month vegetables and pulses & products recorded deflation in May 2025. Inflation in fruits, cereals, sugar, confectionery, and eggs also continued to cool down.
- However, inflation in oils & fats (edible oils) continued to rise in May 2025, reaching its highest point since March 2022. Although, it is expected to cool down from June 2025 as government has reduced the Basic Customs Duty on major imported crude edible oils from 20 per cent to 10 per cent.

### 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
Dec-24	8.39	6.51	5.46	2.80	14.60	8.60	26.56	3.83	0.23	-7.41
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	-0.30	3.15	17.91	12.74	-13.70	-8.22	4.09	-2.82

Source: MoSPI, CMIE

- A favorable base effect and lower price rise of essential items also contributed to the easing price pressures in May 2025.
- Among other components, housing and pan, tobacco and intoxicants witnessed an uptick in prices, while fuel & light seen some moderation to 2.78 per cent after rising in March and April 2025.
- Core inflation, which excludes the volatile food and fuel components, inched up to 4.20 per cent in May 2025 from 4.15 per cent in April. After easing to 3.61 per cent in December 2024, core inflation has been steadily rising and has been ruling above 4 per cent since March 2025.
- Earlier in June 2025, the RBI reduced its benchmark policy rate by a jumbo 50 bps (cumulative 100 bps so far in 2025) and shifted its stance from 'Accommodative' to 'Neutral' reflecting a temporary pause on its monetary easing in the near term. Further, it has revised its CPI inflation forecast down to 3.70% from an earlier projection of 4% made in April 2025.
- Going forward, inflation trajectory to remain on a downward path for a couple of months, potentially bringing CPI in line with the RBI's estimate of 2.9 per cent for Q1 FY26. Continued moderation in food prices, favorable base effect and progress of the monsoon so far indicate that price pressures are likely to stay under control.

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