

Retail inflation trending down

Retail Inflation eases to 2.07% y-o-y in Aug'25

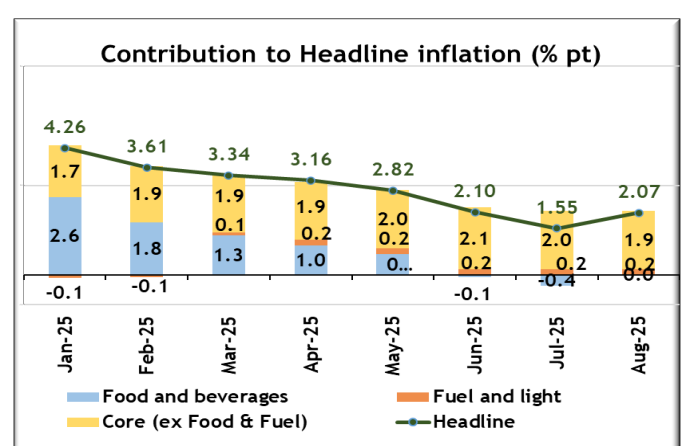
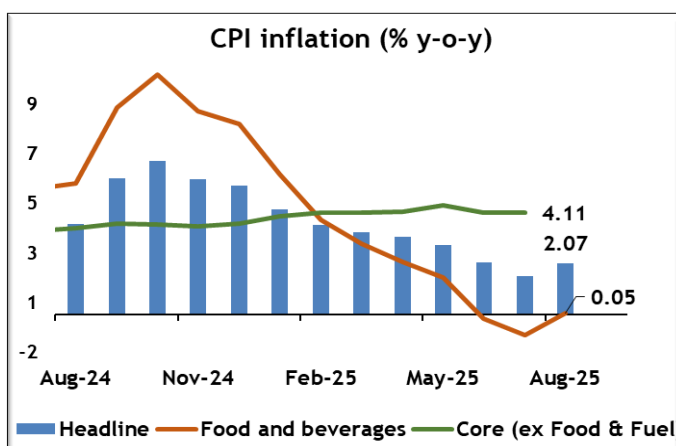
12th September 2025

Key takeaways

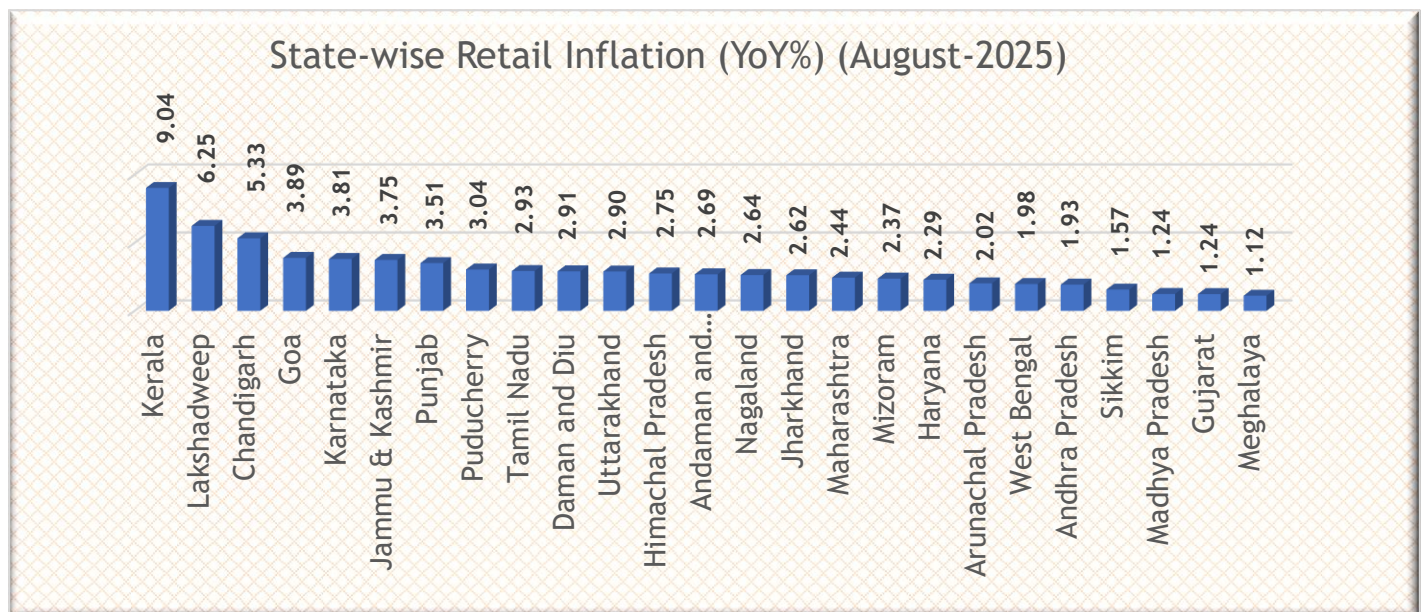
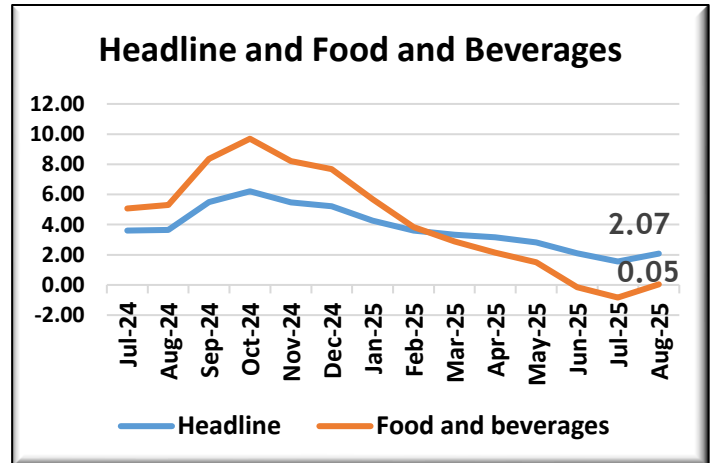
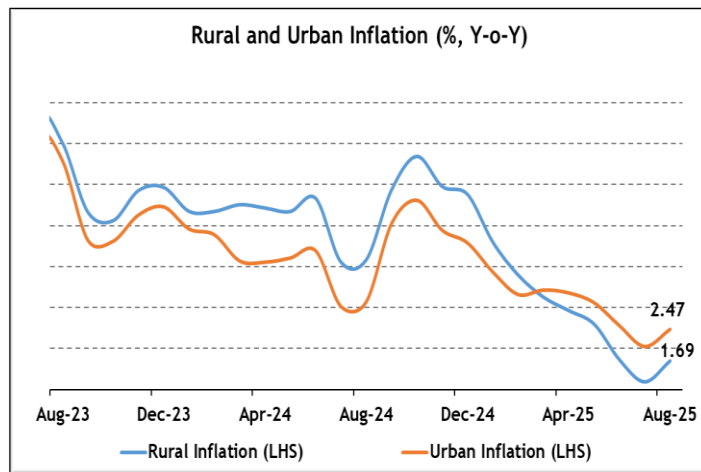
- ❖ India's CPI inflation inches up to 2.07% in Aug'25 compared to 1.61% in July'25 mainly attributed to increase in inflation of Vegetables, Meat and fish, Oil and fats, Personal care and affects, Egg etc.
- ❖ Core inflation (Excluding food & fuel) was 4.11% in Aug'25 compared to 4.12% in July'25.

Retail Inflation inches up to 2.07% y-o-y in Aug'25:

- India's retail (CPI) inflation inches up to 2.07% in Aug'25 from 1.61% in Jul'25, supported by increase in "Food and beverages" inflation to 0.05% from -0.84% in Jul'25.
 - The moderation in food inflation is mainly due to vegetable deflation of -15.92% YoY in Aug'25 compared to -20.69% in Jul'25.
 - Cereal inflation eased to 2.70% in Aug'25 compared to 3.03% in Jul'25.
 - Protein deflation was -1.04% in Aug'25 compared to -1.49% in Jul'25.
- On the 'fuel & light' front, inflation slight decreased to 2.43% in Aug'25 compared to 2.67% in Jul'25.
- Core inflation at 4.11% and Housing inflation at 3.09% in Aug'25 as compared to 4.12% and 3.17% in Jul'25 respectively, whereas transport & Communication inflation are at 1.94% in Aug'25 as compared to 2.12% in Jul'25.
- Rural inflation increased to 1.69% in Aug'25 from 1.18% in Jul'25 and urban inflation increased to 2.47% y-o-y in Aug'25 as compared to 2.10% in Jul'25.



CPI Inflation (% y.o.y)					
	Weight	Aug-24	Mar-25	Jul-25	Aug-25
Headline	100	3.65	3.34	1.61	2.07
Food and beverages	46	5.30	2.88	-0.84	0.05
Cereals and products	10	7.31	5.93	3.03	2.70
Protein	13	5.40	0.72	-1.49	-1.04
Fruits	3	6.45	16.27	14.42	11.65
Vegetables	6	10.75	-7.04	-20.69	-15.92
Fuel and light	7	-5.25	1.42	2.67	2.43
Core (ex Food & Fuel)	47	3.40	4.10	4.12	4.11
Pan, tobacco and intoxicants	2	2.71	2.48	2.45	2.49
Clothing and footwear	7	2.72	2.62	2.50	2.33
Housing	10	2.66	3.03	3.17	3.09
Miscellaneous	28	3.89	4.99	5.01	5.05
<i>of which: Transport & Comm.</i>	9	2.71	3.36	2.12	1.94



Top 5 state and union territories which recorded highest Retail inflation YoY% are Kerala (9.04), Lakshadweep (6.25), Chandigarh (5.33), Goa (3.89) and Karnataka (3.81).

Implications

- CPI inflation has inches up to 2.07% in Aug'25 ,46 bps increase than Jul'25 which is near to lower bound of the RBI's target range 2-6%, strengthening the case for accommodative domestic monetary policy in future.
- The inflation trajectory provides the Reserve Bank of India (RBI) with continued policy space. With headline inflation well-anchored, the likelihood of a near-term rate hike appears minimal, and the door remains open for calibrated rate cuts should growth momentum soften.
- Subdued inflation supports household purchasing power and consumer sentiment, fostering a more conducive environment for discretionary spending.
- Low inflation alleviates immediate policy pressures on both the government and the central bank, contributing to overall macroeconomic stability.
- The August CPI print underscores a benign inflationary environment, reinforcing policy flexibility while highlighting the need to monitor food price volatility closely.

WPI inflation

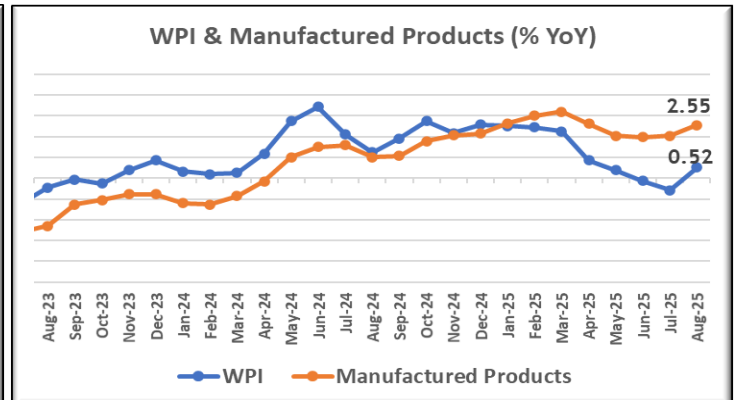
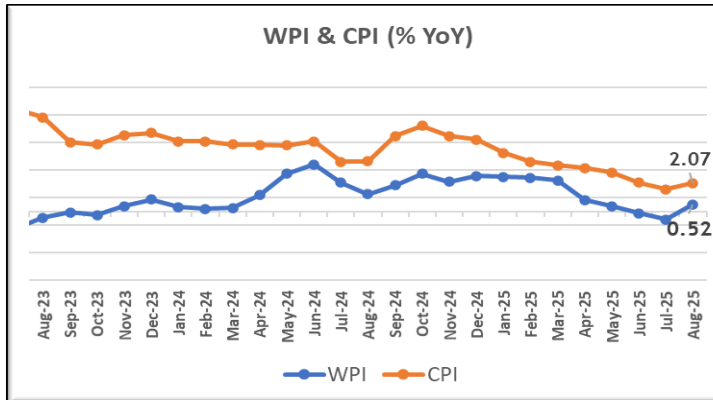
WPI Inflation inches up to 0.52% y-o-y in August'25

15th September, 2025

Whole Sale Price Inflation (WPI)

India's Wholesale Price Index (WPI) inflation increased in positive rate to 0.52% (Provisional) in August 2025 primarily due to increase in prices of food products, other manufacturing, non-food articles, other non-metallic mineral products and other transport equipment etc.

Manufactured products inflation increased by 2.55% YoY August 2025, compared to 2.05% in July'25.



Highlights:

- **Return of Inflation to Positive Zone** - After months of contraction, WPI inflation turned positive at 0.52% YoY, mainly driven by food products and manufactured goods.
- **Food Prices Driving Pressure** - The WPI Food Index rose by 1.15% MoM, with notable increases in cereals, wheat, fruits, and onions, signalling emerging food inflation risks.
- **Fuel & Power Remain a Drag** - Prices of electricity, mineral oils and fuels continued to decline (-3.17% YoY), easing some input cost pressures for industries.
- **Manufacturing Inflation Picking Up** - Manufactured products inflation accelerated to 2.55% YoY, led by food products, textiles, machinery, and transport equipment, showing cost push factors are building up in core inflation.
- **Policy & Market Implications** - Rising food and manufacturing inflation could create upward pressure on retail inflation (CPI), possibly influencing RBI's stance on interest rates, while weak fuel prices may partly cushion the impact.

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