

“India’s CPI Inflation falls to Historic low of 0.25 % in October 2025 – Food Deflation and GST Cuts Drive the Slide”

India’s headline consumer price inflation (CPI) eased sharply to 0.25% in October 2025, marking the lowest reading in the current CPI series. The decline follows an already low 1.44% in September and reflects the combined impact of GST rate cuts, a favourable base effect and a steep fall in food prices.

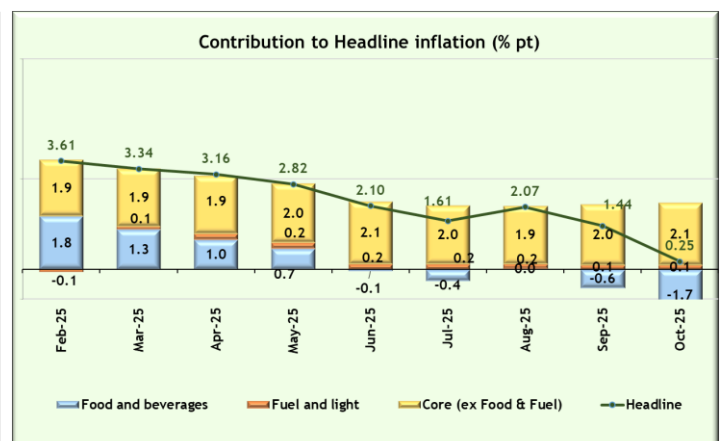
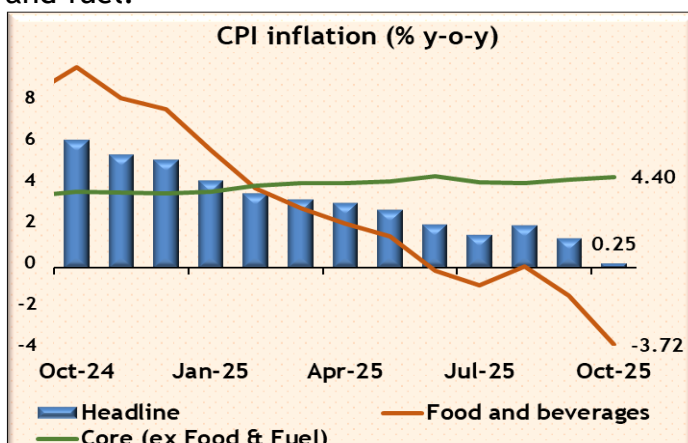
At face value, this signals a powerful disinflation wave, demand-side pressures remain subdued, and supply-side conditions (favourable monsoon, robust buffer-stocks) are supporting price-stability. The drop to 0.25 % places inflation well below the lower bound of Reserve Bank of India’s 2-6 % tolerance band, thereby giving the central bank considerable policy latitude.

However, beneath the headline, a more nuanced story emerges, while food inflation has turned sharply negative (-5.02%), making a major contribution to the decline, core inflation (excluding food and fuel) remains in the region of 4%+ (4.40 % in October) – suggesting that underlying demand-driven inflation still persists.

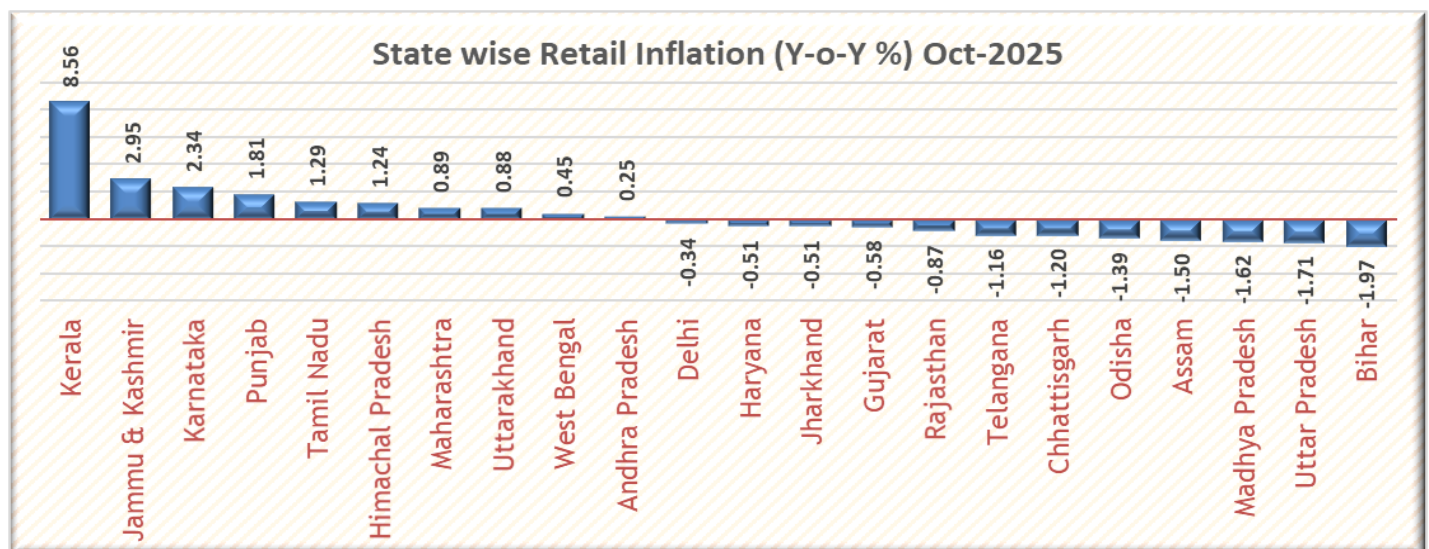
Highlights:

- **Record Low:** Headline CPI inflation fell to 0.25% in October 2025, the lowest since the CPI series began (base 2012) marking a reduction of 119 basis points (bps) month-on-month compared to September 2025 (1.44%).
- **Food Inflation Deeply Negative:** Food inflation stood at -5.02%, remaining in negative territory for the fifth consecutive month, driven by lower prices of oils, vegetables, fruits, eggs, cereals, footwear and transport.
- **Urban-Rural Comparison:** Urban headline inflation eased from 1.83% to 0.88% (down 95 bps). Rural headline inflation moderated from 1.07% to -0.25%, reflecting improved agricultural output and better supply condition.
- **Food Inflation Breakdown:** Urban food inflation dropped sharply from -2.47% to -5.18%, while Rural food inflation slid from -2.22% to -4.85%, showing widespread price softness across regions.
- **Non-food categories** such as housing (2.96%), education (3.49%) and health (3.86%) remained relatively stable.
- **Transport & communication** inflation softened to 0.94%, reflecting GST rate cuts and lower fuel costs.

The largest disinflation was observed in the food group, which drove the headline CPI to historic lows. *Inflation* in core segments stayed positive but subdued, signalling broad stability outside food and fuel.



| CPI Inflation (% y.o.y) | | | | | |
|--|--------|--------|--------|--------|--------|
| | Weight | Oct-24 | Mar-25 | Sep-25 | Oct-25 |
| Headline | 100 | 6.21 | 3.34 | 1.44 | 0.25 |
| Food and beverages | 46 | 9.69 | 2.88 | -1.37 | -3.72 |
| Cereals and products | 10 | 6.94 | 5.93 | 2.06 | 0.92 |
| Protein | 13 | 3.92 | 0.72 | -1.06 | -1.47 |
| Fruits | 3 | 8.43 | 16.27 | 9.77 | 6.69 |
| Vegetables | 6 | 42.23 | -7.04 | -21.42 | -27.57 |
| Fuel and light | 7 | -1.67 | 1.42 | 1.98 | 1.98 |
| Core (ex Food & Fuel) | 47 | 3.67 | 4.10 | 4.27 | 4.40 |
| Pan, tobacco and intoxicants | 2 | 2.50 | 2.48 | 2.73 | 2.87 |
| Clothing and footwear | 7 | 2.70 | 2.62 | 2.28 | 1.70 |
| Housing | 10 | 2.81 | 3.03 | 2.98 | 2.96 |
| Miscellaneous | 28 | 4.32 | 4.99 | 5.35 | 5.71 |
| <i>of which: Transport & Comm.</i> | 9 | 2.77 | 3.36 | 1.82 | 0.94 |



Meanwhile, top 5 state which recorded highest Retail inflation YoY% are Kerala (8.56), Jammu & Kashmir (2.95), Karnataka (2.34), Punjab (1.81) & Tamil Naidu (1.29).

Implications

- With headline CPI inflation at 0.25% – far below the RBI's lower tolerance band (2%), the central bank has ample room to cut policy rates or adopt a more accommodative stance. This strengthens expectations of a rate cut in the December 2025 MPC meeting, as inflationary risks are minimal.
- RBI already revised FY 2025-26 inflation forecast down to 2.6% (from 3.1%). Such a benign outlook supports continuation of soft money policy, encouraging liquidity infusion and lower lending rates to stimulate growth.
- Food inflation remains deeply negative (-5.02%) for five straight months, signaling that price weakness may be structural rather than temporary. This could indicate sluggish rural demand or oversupply in key food items, raising concerns about incipient deflationary pressure in parts of the economy.
- The fall in food and consumer goods prices brings relief to households, effectively increasing real disposable income. This could provide short-term support to consumption demand, especially in lower-income segments.

- The record low inflation will typically push bond Yields lower, but despite low inflation, bond yields have not fallen due to global factors as investor remain cautious about the global interest rate outlook. This enhances the valuation of existing government securities and supports bullish sentiment in the debt market. Short-term money market rates may also soften as liquidity expectations improve.
- With lower inflation and possible rate cuts, borrowing costs for corporates will decline, improving profitability and investment sentiment. Capex-heavy sectors (infrastructure, manufacturing) could benefit from cheaper credit and better financing conditions.
- Lower inflation will help contain the government's interest expenditure and improve real fiscal metrics. However, prolonged low inflation could reduce nominal GDP growth, slightly affecting the fiscal deficit ratio in nominal terms.
- Expectations of rate cuts could lead to mild depreciation pressure on the rupee, though strong capital inflows and low oil prices may offset this. The real effective exchange rate (REER) may appreciate if domestic inflation remains far below global averages.

Favourable base effect, good monsoon, healthy kharif sowing, and strong food grain buffers point to a benign inflation trajectory for the rest of FY 2025-26.

India's CPI inflation at 0.25% in October 2025 marks an unprecedented disinflationary phase driven by GST cuts and steep food price declines. The reading is well below the RBI's comfort range, strengthening the case for monetary easing. While beneficial for growth and markets, prolonged negative food inflation signals potential supply-led disinflation due to improved agricultural output and better harvest conditions, requiring careful policy calibration.

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