

April 15th, 2025

Retail Inflation eases to 3.34% y-o-y in Mar'25;

Key takeaways

- ❖ India's CPI inflation eased to 3.34% in Mar'25 compared to 3.61% in Feb'25 mainly attributed to degrowth in prices of Vegetables, Eggs, Pulses & products, Meat & fish, Cereals & Products and Milk & products. It is the lowest year on-year inflation after August, 2019.
- ❖ [Core inflation (Excluding food & fuel) was 4.10% in Mar'25 slightly above 3.99% in Feb'25.

India's retail (CPI) inflation eased to 3.34% in Mar'25 from 3.61% in Feb'25, supported by easing in Food and beverages inflation to 2.88%.

- The moderation in food inflation is mainly due to deflation in vegetables to -7.04% in March from 1.13% in feb'25.
- Cereal prices eased to 5.93% in Mar'25 compared to 6.10% in Feb'25 while Protein prices eased to 0.70% in Mar'25 compared to 1.74% in Feb'25.
- Fuel inflation was 1.48% in Mar'25 as compared to deflation of 1.33% in the previous month.
- Inflation for other categories excluding food and fuel rose to 4.10% in Mar'25 (Prior: 3.99%), driven by costlier housing, healthcare, recreation & amusement as well as education and categories.
- Rural inflation eased to 3.25% from 3.79% in feb'25 and urban inflation was 3.43%, slightly above 3.32% in the previous month.

Fig 1: CPI Inflation (% y-o-y)

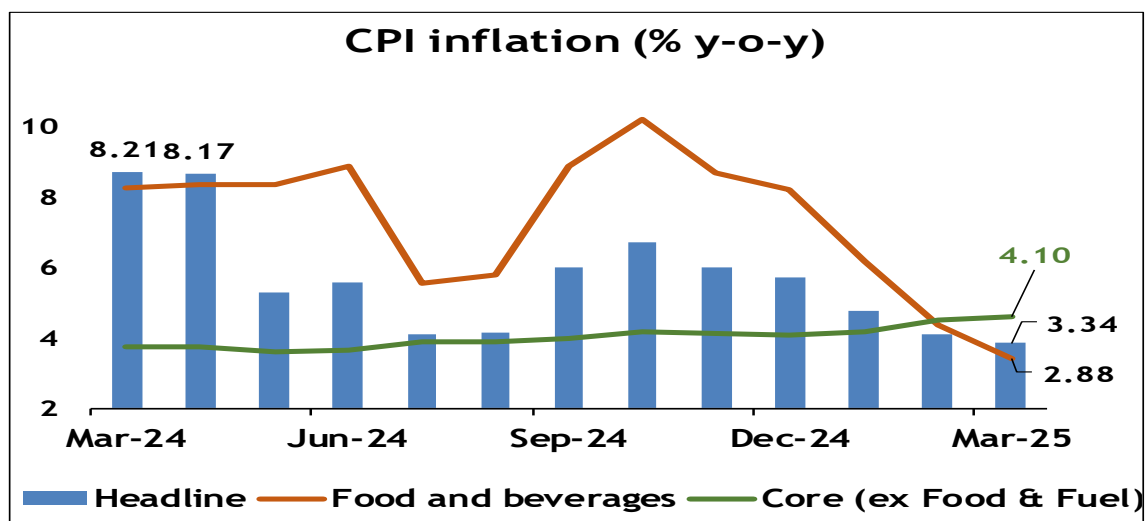
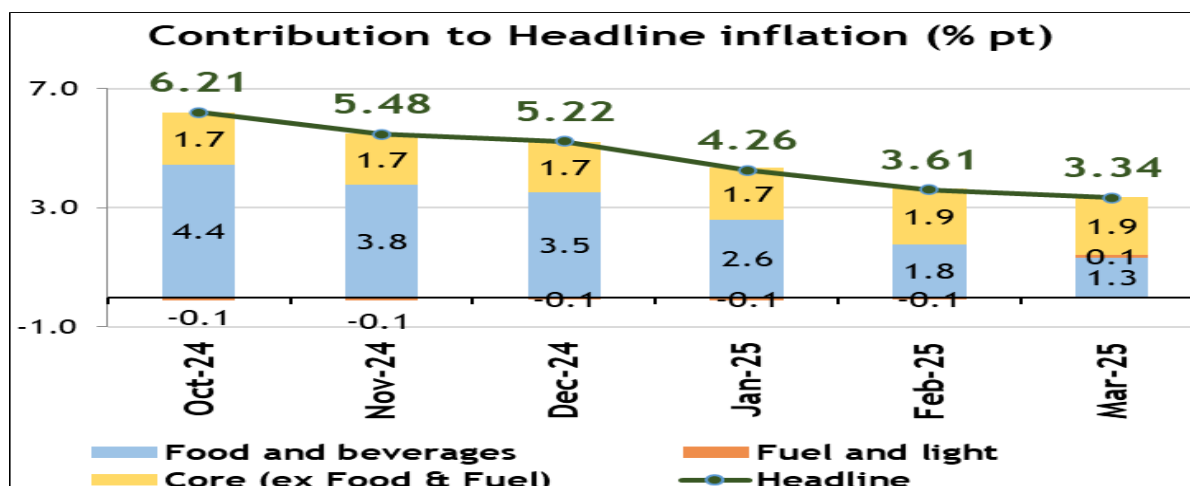


Fig 2: Contribution to Headline inflation

Table 1: CPI Inflation (% y.o.y)

CPI Inflation (% y.o.y)					
	Weight	Mar-24	Jan-25	Feb-25	Mar-25
Headline	100	8.21	4.26	3.61	3.34
Food and beverages	46	7.74	5.68	3.84	2.88
Cereals and products	10	8.37	6.24	6.10	5.93
Protein	13	6.98	3.46	1.74	0.70
Fruits	3	3.01	12.16	14.82	16.27
Vegetables	6	28.34	11.35	-1.13	-7.04
Fuel and light	7	-3.35	-1.49	-1.33	1.48
Core (ex Food & Fuel)	47	3.24	3.67	3.99	4.10
Pan, tobacco and intoxicants	2	3.11	2.30	2.44	2.48
Clothing and footwear	7	2.97	2.68	2.68	2.62
Housing	10	2.71	2.82	2.91	3.03
Miscellaneous	28	3.50	4.35	4.84	4.99
of which: Transport & Comm.	9	1.52	2.76	2.93	3.30

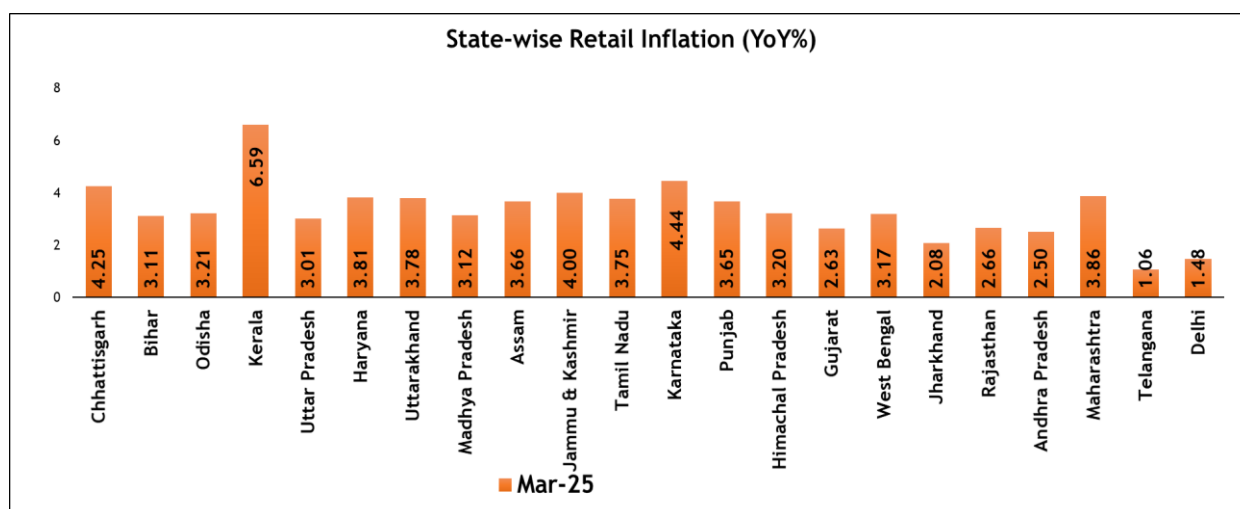
Fig 3: Statewise Retail inflation (y-o-y %)


Fig 4: Rural and Urban inflation (% , y-o-y)

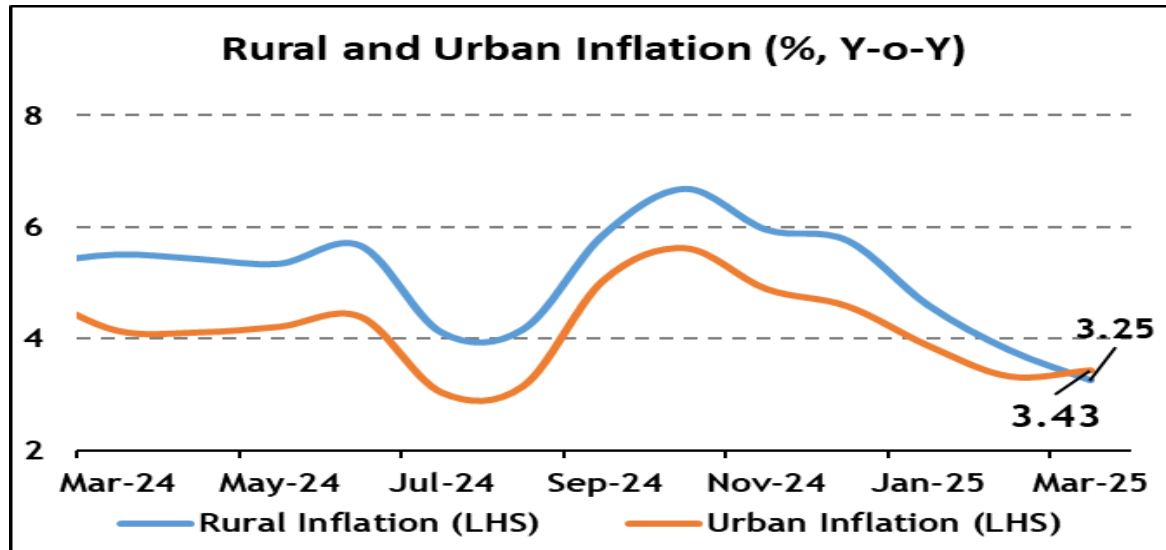


Fig 5: Headline and Food & Beverage (% , y-o-y)

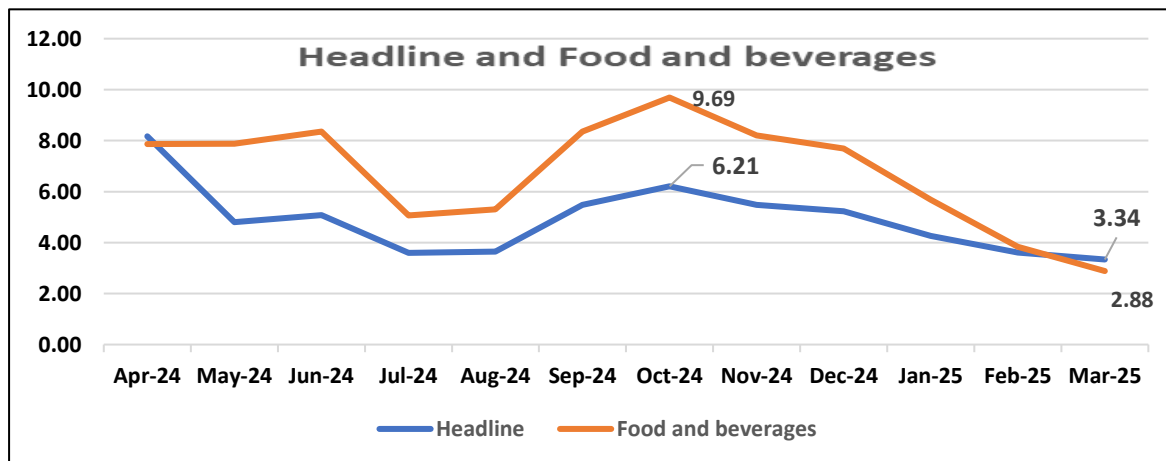
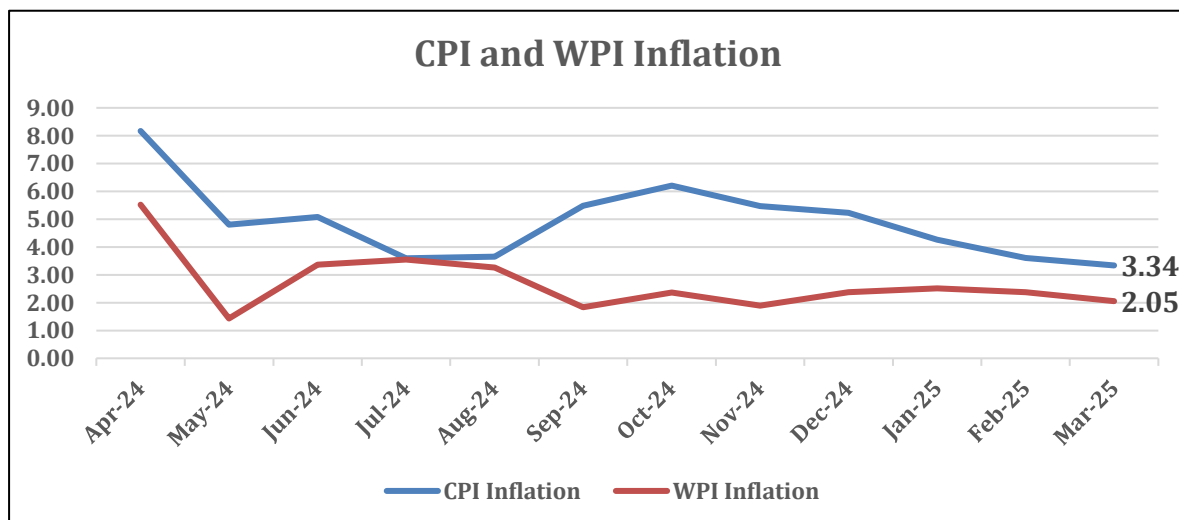


Fig 6: CPI and WPI Inflation (% , y-o-y)



➤ **Implications**

- ✓ Average retail inflation for FY25 is 4.6% lower than RBI forecast of 4.7%. If monsoon turns out to be above normal with good spatial distribution the softer food inflation will continue making the case for another 25-bps rate cut in June 2025 a certainty.
- ✓ As a real interest rate of 1.5% is considered optimal at least 50 bps more rate cuts are expected in FY26 taking the repo rate to 5.5%. Going by the current inflation scenario another 75 bps is also likely
- ✓ Another notable aspect is the narrowing divergence between retail and wholesale inflation. Manufactured products constituting 64% weight in the wholesale price Index also shows a subdued trend which might actually indicate pricing pressures due to excess capacity, further hampering corporate capex visibility. Trade and tariff wars could worsen the situation due to likely dumping.
- ✓ The declining inflation is also to be seen as a natural phenomenon due to productivity linked improvements as a country attains more development, as evidenced by the trends in advanced economies.
- ✓ If CPI touches 4% by fiscal year end, 10-year G-sec yields could touch 6% or lower.

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