

Retail inflation trending down

Retail Inflation eases to 2.82% y-o-y in May'25

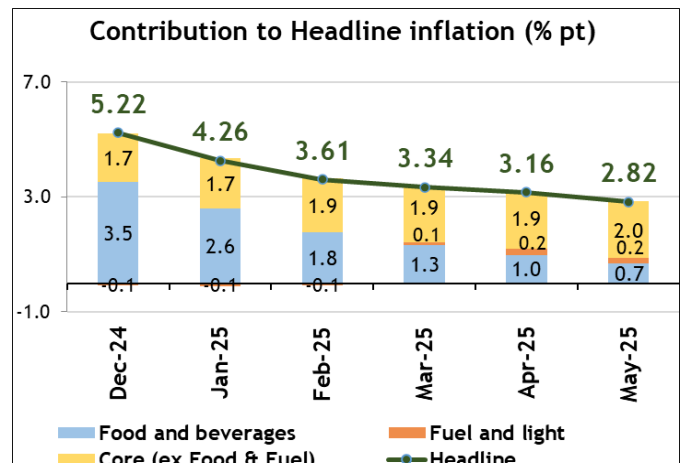
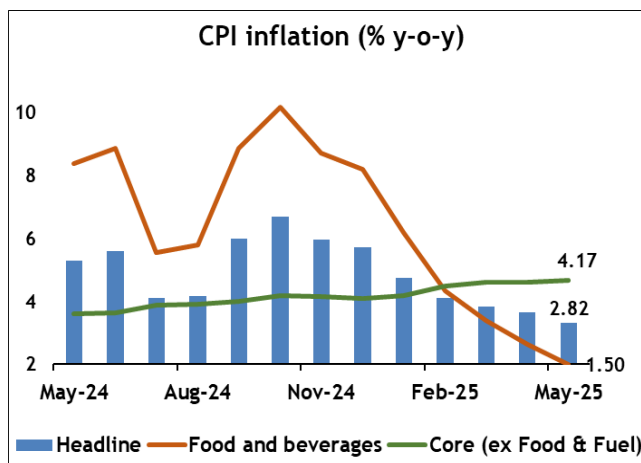
12th June, 2025

Key takeaways

- ❖ India's CPI inflation eased to 2.82% in May'25 compared to 3.16% in Apr'25 mainly attributable to disinflation in vegetables and protein. It is the lowest year-on-year inflation after February, 2019.
- ❖ Core inflation (Excluding food & fuel) was 4.17% in May'25 compared to 4.11% in Apr'25.

Retail Inflation eased to 2.82% y-o-y in May'25:

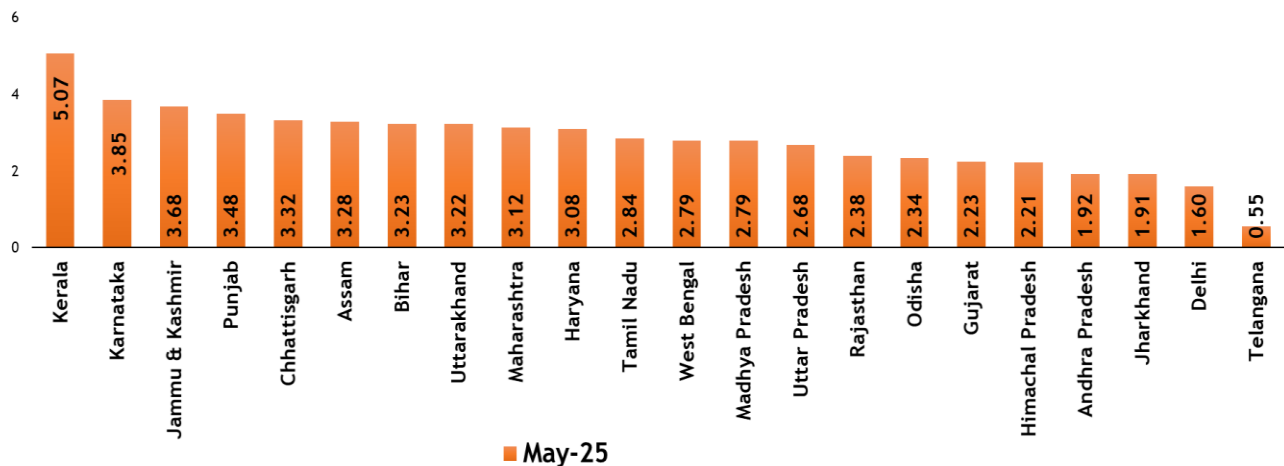
- India's retail (CPI) inflation eased to 2.82% in May'25 from 3.16% in Apr'25, supported by easing in "Food and beverages" inflation to 1.50% from 2.14% in Apr'25.
 - The moderation in food inflation is mainly due to vegetable deflation of -13.70% y-o-y in May'25 compared to -10.98% in Apr'25.
 - Cereal inflation eased to 4.77% in May'25 compared to 5.35% in Apr'25.
 - Protein deflation was -0.18% in May'25 compared to 0.22% in Apr'25.
- On the 'fuel & light' front, inflation eased to 2.78% in May'25 compared to 2.92% in Apr'25.
- However, inflation continued in housing and miscellaneous items including transport and communications.
- Rural inflation eased to 2.59% in May'25 from 2.92% in Apr'25 and urban inflation eased to 3.07% y-o-y in May'25 as compared to 3.36% in Apr'25.



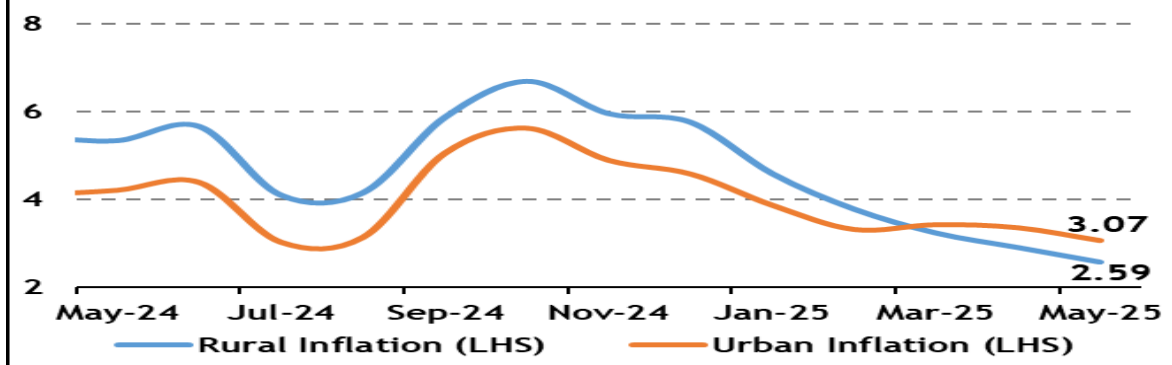
CPI Inflation (% y.o.y)

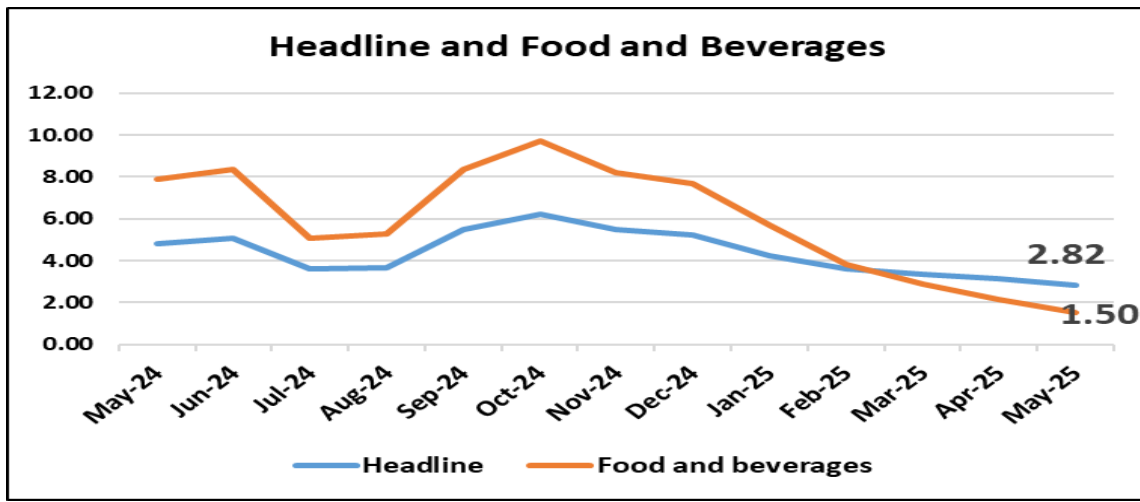
	Weight	May-24	Mar-25	Apr-25	May-25
Headline	100	4.80	3.34	3.16	2.82
Food and beverages	46	7.87	2.88	2.14	1.50
Cereals and products	10	8.69	5.93	5.35	4.77
Protein	13	6.72	0.72	0.22	-0.18
Fruits	3	6.68	16.27	13.91	12.74
Vegetables	6	27.39	-7.04	-10.98	-13.70
Fuel and light	7	-3.67	1.42	2.92	2.78
Core (ex Food & Fuel)	47	3.12	4.10	4.11	4.17
Pan, tobacco and intoxicants	2	3.03	2.48	2.08	2.41
Clothing and footwear	7	2.74	2.62	2.67	2.67
Housing	10	2.56	3.03	3.06	3.16
Miscellaneous	28	3.41	4.99	5.02	5.06
<i>of which: Transport & Comm.</i>	9	0.97	3.36	3.67	3.85

State-wise Retail Inflation (YoY%)



Rural and Urban Inflation (% Y-o-Y)





Implications

- In the latest MPC RBI estimated Q1 FTY26 CPI inflation to be 2.9%. This implies retail inflation for June should be 2.7%. If monsoons do not turn out as expected, this forecast can have an upside risk.
- The decline also means that real interest rates in India are turning positive which will facilitate FPI inflows. One of the reasons for the surge in flows in April and May could be higher real interest rates in India.
- 10Yr benchmark G-Sec yields declined 3 bps to 6.34% post the inflation data.

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