

Retail inflation trending down

Retail Inflation eases to 1.55% y-o-y in Jul'25

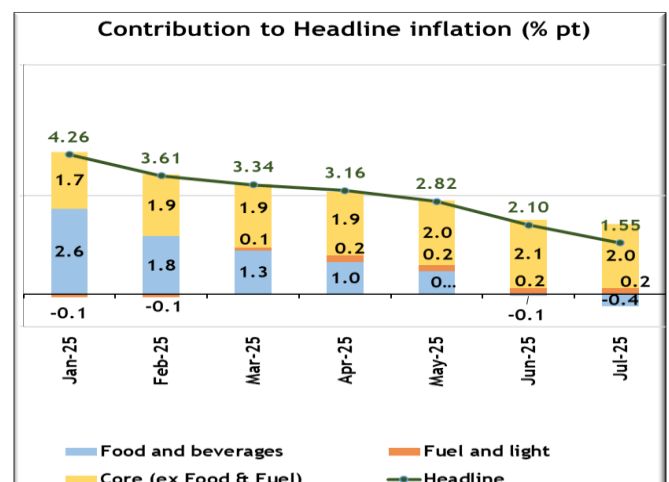
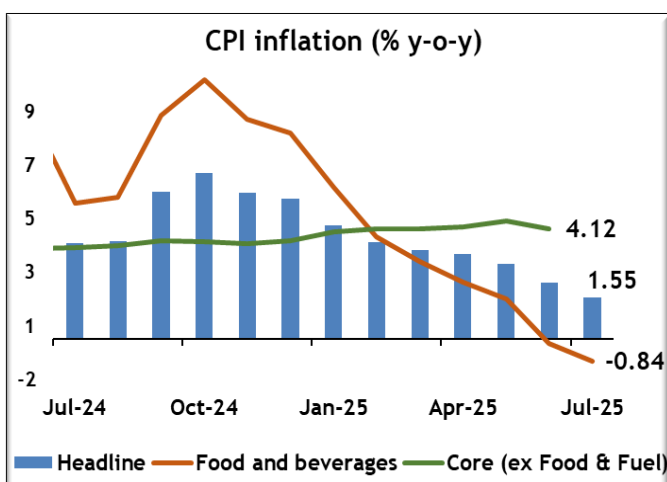
12th Aug 2025

Key takeaways

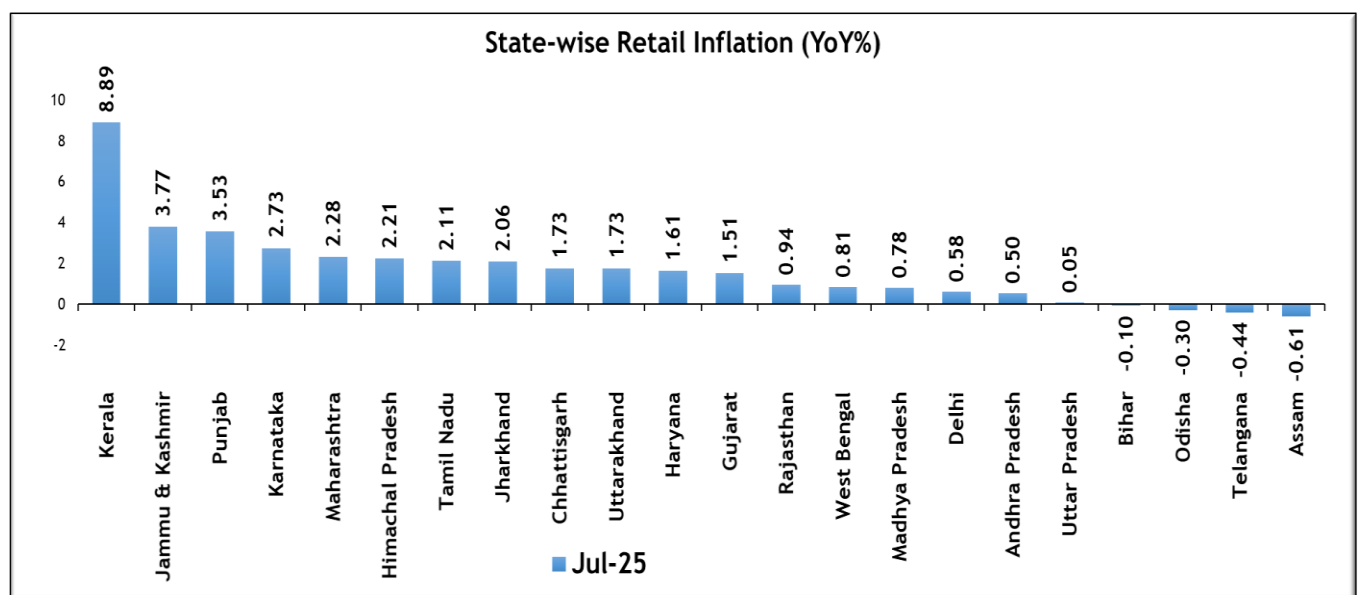
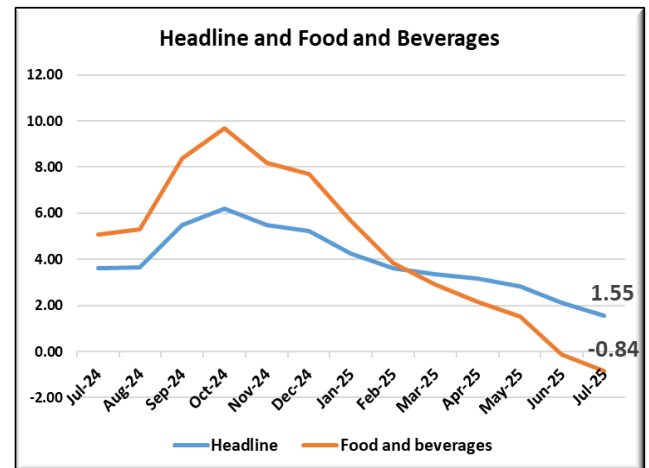
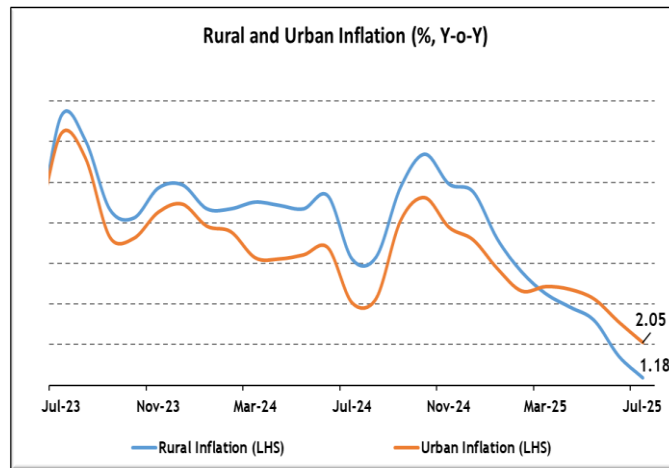
- ❖ India's CPI inflation eased to 1.55% in Jul'25 compared to 2.10% in Jun'25 mainly attributable to favourable base effect, disinflation in vegetables and protein as well as decline in inflation of cereal and products, Transport and communication. It is the lowest year-on-year inflation after June, 2017.
- ❖ Core inflation (Excluding food & fuel) was 4.12% in Jul'25 compared to 4.41% in Jun'25.

Retail Inflation eased to 1.55% y-o-y in Jul'25:

- India's retail (CPI) inflation eased to 1.55% in Jul'25 from 2.10% in Jun'25, supported by easing in "Food and beverages" inflation to -0.84% from -0.15% in Jun'25.
 - The moderation in food inflation is mainly due to vegetable deflation of -20.69% YoY in Jul'25 compared to -18.92% in Jun'25.
 - Cereal inflation eased to 3.03% in Jul'25 compared to 3.73% in Jun'25.
 - Protein deflation was -1.49% in Jul'25 compared to -1.37% in Jun'25.
- On the 'fuel & light' front, inflation slight increased to 2.67% in Jul'25 compared to 2.55% in Jun'25.
- However, in core inflation Housing inflation rate in Jul'25 remained the same level at 3.17% as compared to 3.18% in Jun'25 whereas transport & Communication inflation are at 2.12% in Jul'25 as compared to 3.90% in Jun'25.
- Rural inflation eased to 1.18% in Jul'25 from 1.72% in Jun'25 and urban inflation eased to 2.05% y-o-y in Jul'25 as compared to 2.56% in Jun'25.



CPI Inflation (% y.o.y)					
	Weight	Jul-24	Mar-25	Jun-25	Jul-25
Headline	100	3.60	3.34	2.10	1.55
Food and beverages	46	5.06	2.88	-0.15	-0.84
Cereals and products	10	8.14	5.93	3.73	3.03
Protein	13	6.15	0.72	-1.37	-1.49
Fruits	3	3.84	16.27	12.64	14.42
Vegetables	6	6.83	-7.04	-18.92	-20.69
Fuel and light	7	-5.48	1.42	2.55	2.67
Core (ex Food & Fuel)	47	3.39	4.10	4.41	4.12
Pan, tobacco and intoxicants	2	3.02	2.48	2.41	2.45
Clothing and footwear	7	2.67	2.62	2.55	2.50
Housing	10	2.68	3.03	3.18	3.17
Miscellaneous	28	3.84	4.99	5.49	5.01
<i>of which: Transport & Comm.</i>	9	2.60	3.36	3.90	2.12



Top 5 state which recorded highest Retail inflation YoY% are Kerala (8.89) followed by Jammu & Kashmir (3.77), Punjab (3.53), karnataka (2.73) and Maharastra (2.28). Whereas, States which registered negative Retail inflation are Bihar (-0.10), Odisha (-0.30), Telangana (-0.44) and Assam (-0.61).

Implications

- CPI inflation has eased to 1.55% in Jul'25 ,55 bps lower than Jun'25 which is lower bound of the RBI's target range 2-6%, strengthening the case for accommodative domestic monetary policy in future.
- This reduction is good news for rural focused segments like FMCG companies.
- This low inflation does not guarantee a rate cut as there are limits to which monetary policy can push growth.
- It creates scope for the RBI to consider a softer monetary stance if growth concerns rise, though it may wait for sustained trends.
- Food inflation turned negative (-1.76%) in Jul'25 easing household budgets and boosting real purchasing power.

Views/opinions expressed in this research publication are views of the research team and not necessarily that of Canara Bank or its subsidiaries. The publication is based on information & data from different sources. The Bank or the research team assumes no liability if any person or entity relies on views, opinion or facts and figures finding in this report.

Visit us at www.canarabank.com



Economic Research Vertical

Madhavankutty G (Chief Economist)

Samir Kumar | Jaya Kumari | Ankit Gupta | Sonal Rashmi Ekka | I. Ramakrishna

For Suggestions and views please contact, Economic Research Vertical



080-2222 3169 (Chief Economist)
080-2227 3275 (Section)



chiefeconomist@canarabank.com
hoersection@canarabank.com