

Headline CPI remained below 4% for the third straight month in April, as food inflation continued to ease

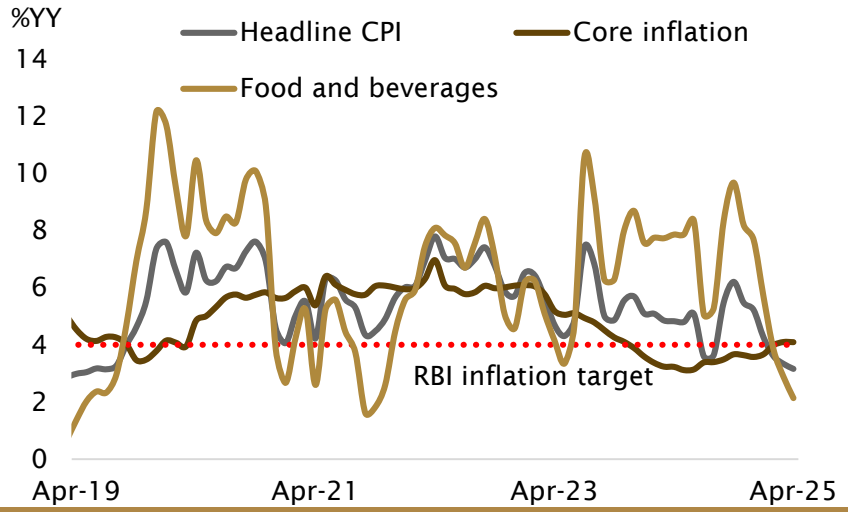
27 May, 2025

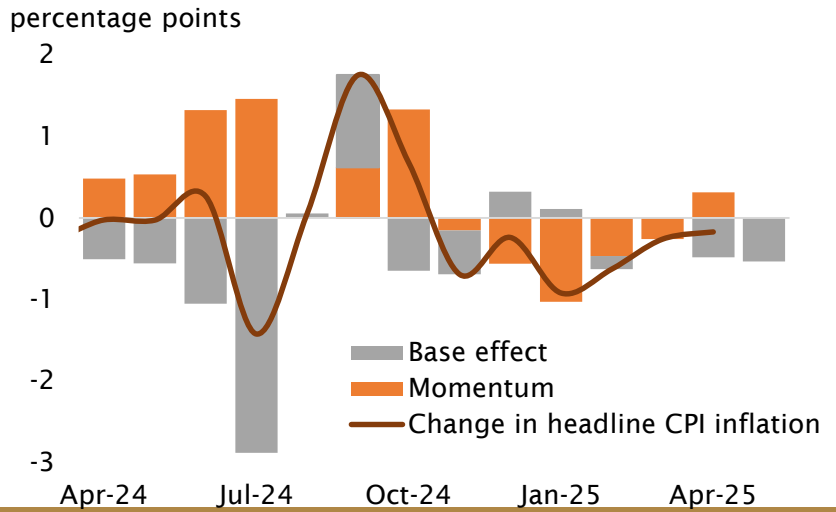
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Key takeaways

- Headline CPI inflation eased for the sixth successive month in April and printed below 4% for the third straight month at 3.16%, compared to 3.34% in March. The print marked the lowest in almost six years and was below market expectations (Reuters poll: 3.27%). The headline index rose month-on-month, snapping a five-month declining streak, so that lower inflation vis-à-vis March was aided by favorable base effects.
- Inflation remained below 4% across groups in April, except for the miscellaneous category, where it has been above 4% since Sep-2024, mainly reflecting higher prices of precious metals in the personal care sub-group.
- Food inflation eased to 42-month low of 2.14% from 2.88% in March, also marking the third straight print of sub-4%, in line with headline CPI. The group added 31% to CPI inflation, almost half of 61% contribution in January.
- Inflation in the fuel and light index rose to 2.9% from 1.4% in March after remaining in deflation for 1.5 years. The increase was led by the LPG sub-index, reflecting the hike in domestic prices effective April.
- Core inflation (ex-food, fuel) was largely stable from the previous month at 4.1%, though internals continue to show rising services inflation being partly offset by softening goods inflation.
- Going forward, prospects of low global commodity prices and the forecast of above normal monsoon this year bode well for inflation outlook. However, there are risks to be watched out for, particularly any weather-related aberrations. Amid mixed economic activity signals and improved outlook for inflation, the RBI MPC is likely to continue its efforts to support growth and ease policy by 25bps at its upcoming policy decision on 6-Jun.

Headline inflation stayed below 4% for the third straight month; food inflation at 42-month low; core inflation stable at 4.1%





Inflation eased further in April; stayed sub-4% for third straight month

- Headline CPI inflation was sub-4% for the third straight month in April at 3.16%, compared to 3.34% in March. The easing of 18bps from the previous month was less than 27bps in March but the print marked the six consecutive month of moderation to 69-month low and was below market expectations (Reuters poll: 3.27%).
- The headline index rose 0.31% month-on-month, snapping a five-month declining streak, so that the easing in inflation vis-à-vis March was aided by favorable base effects. However, the sequential increase was lower than historical trends (FY12-25) for April that indicated month-on-month gains of 0.60% (median) – 0.80% (average).
- Inflation remained below 4% across groups in April, except for the miscellaneous category, where it has been above 4% since Sep-2024. Food inflation (wt. 45.9) moderated to 42-month low of 2.14% from 2.88% in March, also marking the third straight print of sub-4%, in line with the headline CPI. The food and beverages index added 31% to CPI inflation, down from 40% in March, and almost half of 61% contribution in January.
- In addition to food, inflation eased in the intoxicants and housing groups due to highly favorable base effects, particularly for housing, where the month-on-month change was stronger than the historical average for April. Compared to March, inflation was higher in clothing and miscellaneous groups. Base effects were favorable for both. The sequential momentum was weaker than historical trends in case of clothing but sharper in case of miscellaneous group, mainly reflecting higher prices of gold in the personal care sub-group.
- Inflation in the fuel and light index rose to 2.9% from 1.4% in March after remaining in deflation for 1.5 years. The increase was led by the LPG sub-index, reflecting the hike in domestic prices effective April. Core inflation (ex-food, fuel) was largely stable from the previous month at 4.1%, though internals continue to show rising services inflation being partly offset by softening goods inflation.

Headline, food inflation continued to soften; headline CPI index rose month-on-month after falling for five straight months

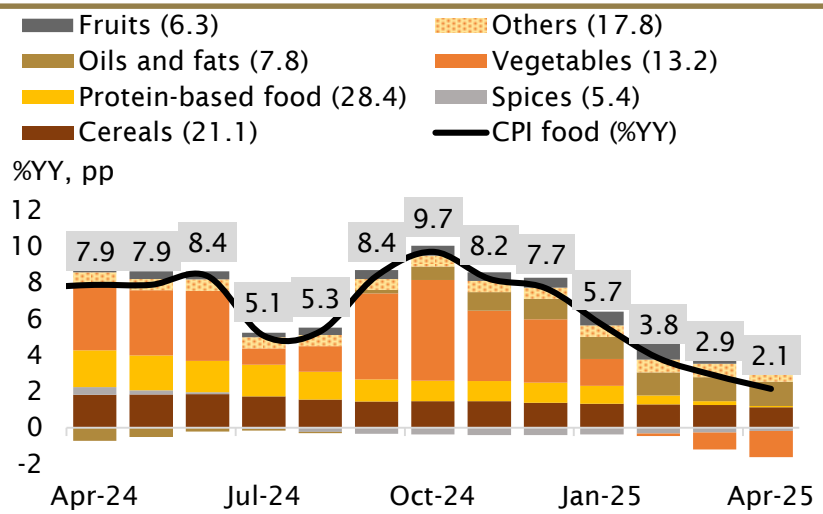
%YY	Weight	Feb-25	Mar-25	Apr-25
Headline CPI	100.0	3.61	3.34	3.16
Food	45.9	3.84	2.88	2.14
Intoxicants, etc.	2.4	2.44	2.48	2.08
Clothing	6.5	2.68	2.62	2.67
Housing	10.1	2.91	3.03	3.00
Fuel and light	6.8	-1.33	1.42	2.92
Miscellaneous	28.3	4.84	4.99	5.02

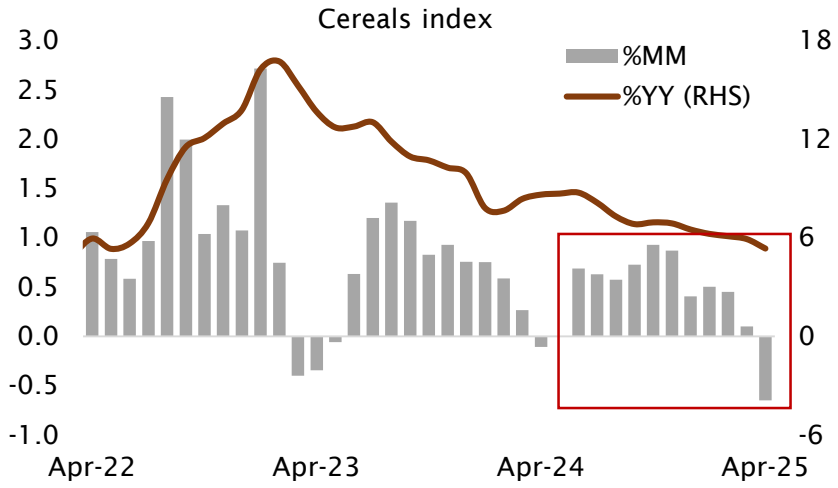
%MM, NSA	Weight	Feb-25	Mar-25	Apr-25
Headline CPI	100.0	-0.47	-0.26	0.31
Food	45.9	-1.64	-0.71	-0.10
Intoxicants, etc.	2.4	0.38	0.29	0.05
Clothing	6.5	0.15	0.10	0.26
Housing	10.1	0.60	-0.05	0.93
Fuel and light	6.8	0.06	0.00	0.67
Miscellaneous	28.3	0.69	0.37	0.58

Food inflation at 42-month low due to base effect, month-on-month fall in prices

- Food inflation eased to 42-month low of 2.1% in April from 2.9% in March. The index remained in sequential contraction for the sixth straight month but at a shallower pace, so that the moderation in inflation was aided more by favorable base effect. The month-on-month decline of 0.1% was contrary to historical gains for the month of April (FY12-25) of around 0.79% (median) – 1.06% (average).
- Of 12 major food groups, prices of vegetables, pulses, and spices broadly mirrored the trend in food index, declining month-on-month for the past five-six months. Other protein-based items exhibited mixed trends. Egg prices fell sequentially for the fourth successive month, the milk index rose mildly, while meat and fish prices rose at a faster-than-average pace after falling for two straight months. In an encouraging sign, cereals prices fell for the first time in 12 months, and the sequential softening was the sharpest in 52 months. Prepared meals, fruits, edible oils, and sugar posted month-on-month gains but at rates that were lower than historical averages. The increase in non-alcoholic beverages was sharper than historical trends for April.
- In annualized terms, inflation in edible oils remained in double-digits for the six straight month and added the most to food inflation, followed by cereals and fruits. Inflation in fruits has been in double-digits for four months now, even as vegetables and pulses posted deflation for the third straight month. The deflation in vegetables was at the steepest rate in more than two years, while spices have been in deflation since Jul-2024. Inflation in cereals eased to the slowest pace in almost three years but remained above 4%. In April, inflation was above 4% also in sugar, non-alcoholic beverages, and prepared meals.

Food inflation at 42-month low on base effect, m-o-m fall in prices; cereals prices fell m-o-m for first time in 12 months

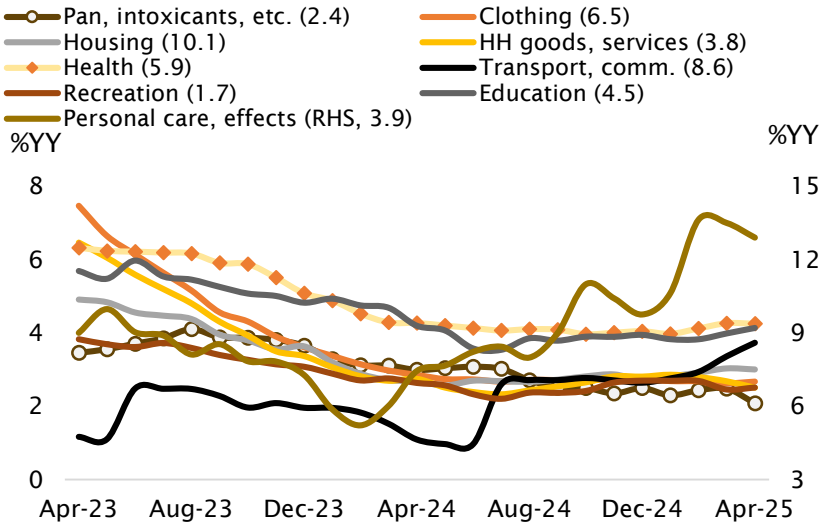


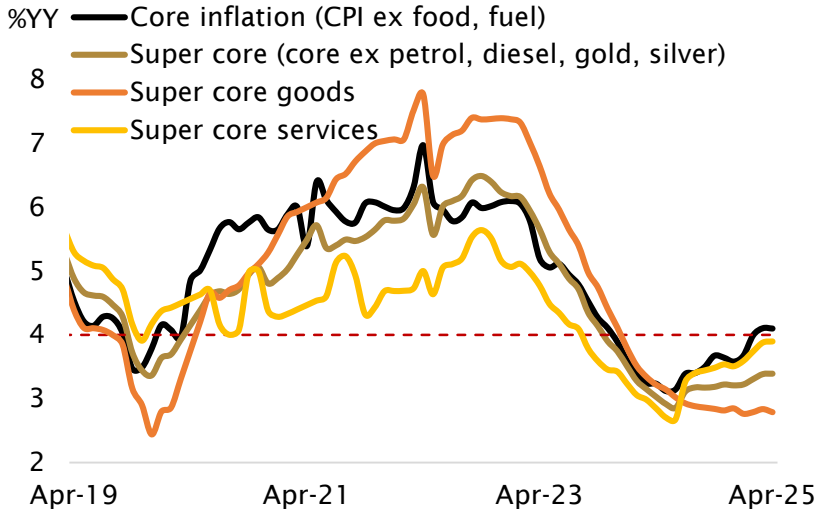


Core inflation stable; services inflation being partly offset by goods

- In April, core inflation (ex-food, fuel) remained largely stable compared to the previous month at 4.1%. The month-on-month increase of 0.58% was in line with historical trends for the month (FY12-25) at around 0.56% (median) – 0.60% (average). Among the four core groups, inflation remained sub-4% in intoxicants, clothing, and housing. Only in the miscellaneous group, inflation has been above 4% for eight months now.
- The miscellaneous category constitutes around 60% weight in core inflation but added more than 70% to it in April. Inflation remained sub-4% in the miscellaneous sub-groups of household goods and services, transport, and recreation. Inflation in health and education was above 4% but benign. Within the miscellaneous group, the personal care sub-group has been a pressure point, with over 6% inflation for more than a year now, with April marking the fourth successive double-digit print. This category includes gold and silver and the rally in global prices on safe haven demand has kept inflation elevated in this sub-group.
- In fact, devoid of precious metals, another variant of underlying inflation that excludes – food, fuel, petrol, diesel, gold, and silver – often cited as the super-core inflation was soft at 3.4% in April. Within this group, services inflation rose mildly, which was offset by softer goods inflation. The components that added more to services inflation included health (doctor consultation fees), transport (railway, bus/tram fare), education (tuition, other fees). The core categories that enabled lower goods inflation were intoxicants (country liquor, cigarettes), clothing (material, apparel), health (medicines), and recreation (radio, television, newspapers).

Despite recent gains, core inflation remains benign; with services inflation pressure being offset by softer goods inflation

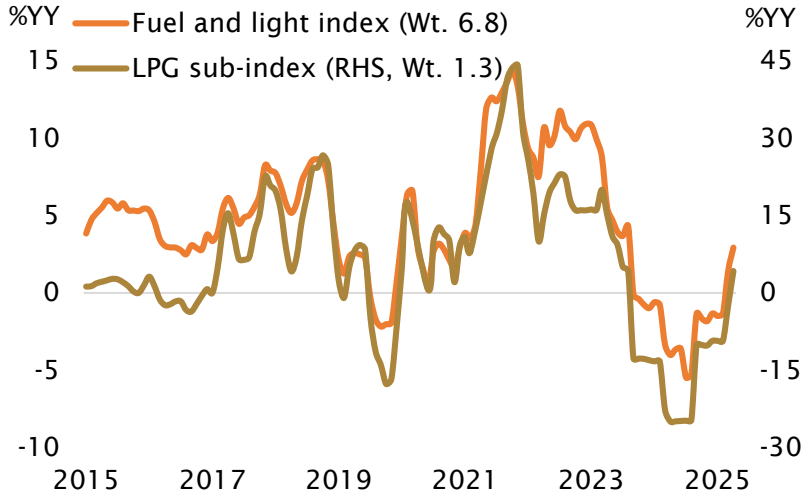


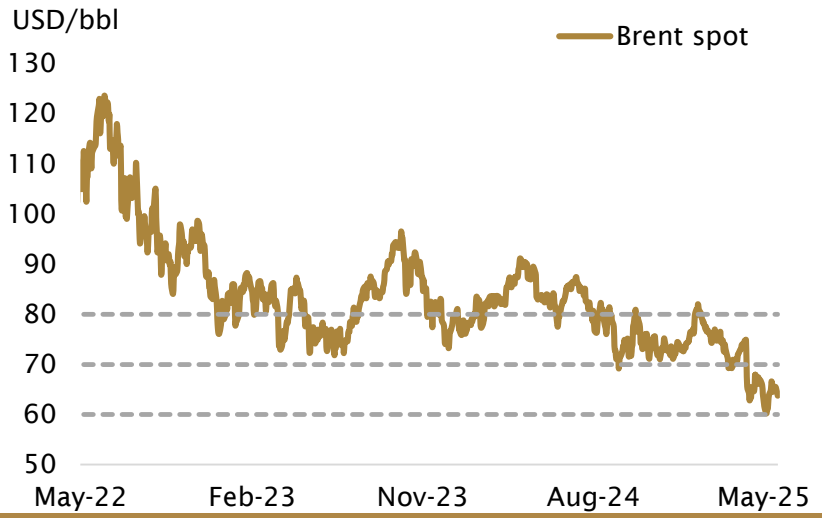


Domestic fuel inflation rose further, but remained benign at sub-4%

- Inflation in the domestic fuel and light index increased in April but remained benign at 2.9%, compared to 1.4% in March, after remaining in deflation for 1.5 years. The LPG sub-index moved out of deflation for the first time since Sep-2023, reflecting the impact of hike in domestic LPG price by Rs.50/cylinder in April. Inflation rose in other traditional sources of fuel such as dung cake, firewood and chips, coal and coke. Inflation in the electricity sub-index eased after rising for three successive months.
- In April, the government hiked excise duty on petrol and diesel by Rs.2/litre each, and though retail prices are not expected to rise, there was a mild uptick in prices in one of the metro cities in May. Interestingly, part of the recent bump in transport and communication sub-index under the miscellaneous group was due to unfavorable base effects from the petrol and diesel price cuts in Mar-2024 ahead of the general elections.
- Compared to 1-May-2024, the Bloomberg commodity index was up 6.5% (as on 23-May-2025), with gains led by precious metals. Rise in global uncertainties due to tariff wars have fueled demand for safe haven assets such as gold. But the sub-indices of industrial metals, agriculture, and energy were below the corresponding levels a year ago amid concerns that a global economic slowdown will ease demand for commodities.
- In early May, Brent spot moved closer to USD60/b and is currently below USD65/b. In its latest monthly note, the US EIA expects oil output to outpace demand growth in 2025 and 2026. Compared to the previous month, the EIA cut oil price forecasts for both years by USD2/b each to USD66/b and USD59/b, respectively.

LPG sub-index out of deflation post price hike in April; crude oil prices continue to ease amid subdued global outlook





Outlook

- **Assessing historical trends:** In May, base effects are slated to be favorable for headline and core inflation, dragging down both by 53bps and 22bps, respectively. Historical trends (FY12-24) based on sequential change indicate headline inflation to be around 3.30% – 3.31% and core inflation at around 4.29% – 4.39% in May. Beyond these statistical effects, the food basket, being the index heavyweight, is likely to continue dictating trends in the headline CPI. Despite the winter season correction in food prices behind us, lower prices in April surprised on the downside and the high frequency data for May so far bodes well for food inflation outlook.

- **High frequency data:** High frequency data till 25-May indicates further softening of inflation in most major items, including steepening of deflationary pressures across main pulses, further easing in inflation in cereals such as rice and wheat, and also sugar. Among key vegetables, in addition to potato and tomato, onion has also moved into deflation. However, inflationary impulses continue to escalate in edible oils, with the import duty hike in Sep-2024 offsetting the recent easing in global prices.

- **Crop sowing:** Summer sowing of major food grains (including rice, pulses, cereals, and oilseeds) is on track, with levels already above that of last year and normal area (as on 16-May-2025). Rabi harvesting is progressing well, with more than 98% of crops already harvested by 9-May-2025. In fact, harvesting for the season was complete for wheat and pulses, more than 99% in case of oilseeds, 95% for coarse cereals, and 82% for rice. In case of Rabi horticulture crops, sowing of key vegetables – onion, potato, tomato – was above last year's and normal levels.

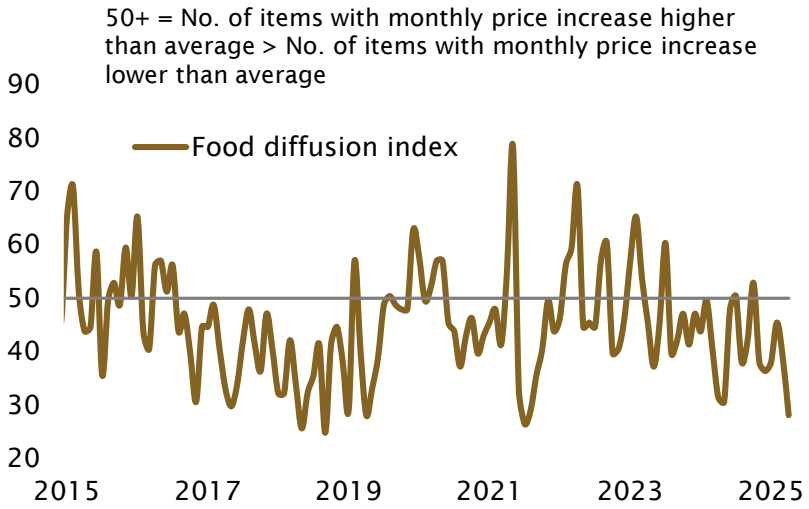
- **Rainfall, reservoir, and weather conditions:**
  - In a press release, the IMD noted the onset of southwest monsoon over Kerala and its advancement in some parts of the country on 24-May-2025, against the normal date of 1-Jun. This marks the earliest date of monsoon onset over Kerala after the year 2009, when it had started on 23-May-2009.
  - Rainfall during the pre-monsoon season that runs from 1-Mar was cumulatively 10% higher than normal for the country until 21-May-2025. The spatial distribution was skewed with the central and southern regions receiving excess rainfall, and the east, north-east, and north-west receiving deficient rains.
  - In its forecast for the monsoon season as a whole this year, the IMD has predicted a strong probability of above normal rainfall at 105% of long period average (LPA).
  - As on May 15, the reservoir levels in the country as a whole were above last year's and normal levels. However, the spatial distribution was uneven with deficiencies in the eastern and northern regions.

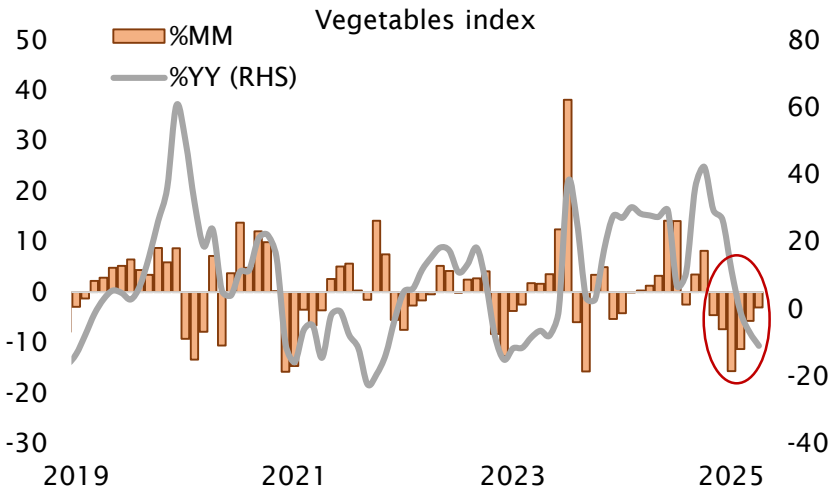
Policy implication

- **Procurement and stock:** In Kharif Marketing Season (KMS) 2024-25, 513 LMT of paddy had been procured (up to 30-Apr) versus 481 LMT in the same period last year. The procurement of wheat in Rabi Marketing Season (RMS) 2025-26 has been 217 LMT so far versus total procurement of 266 LMT in RMS 2024-25. As on 30-Apr, wheat and rice stocks in the central pool totaled 738 LMT, higher than 579 LMT in the same period of 2024.
- **Policy implication:**
  - Minutes of the latest RBI MPC meeting held in April indicated members' concerns about the increased downside risks to domestic growth due to the ongoing global tariff wars. With the headline CPI print below the RBI's 4% target for the third successive month in April, the MPC is likely to have sufficient policy space to support growth, particularly when domestic activity indicators continue to remain mixed. In this context, the GDP data for Q4 and the full fiscal year FY25 due later this week will be crucial in understanding the evolving growth-inflation dynamics in the economy.
  - Initial PMI estimates for May suggest that the composite index for India reached the highest level since Apr-2024 due to an uptick in services PMI, even as manufacturing PMI was largely stable compared to the previous month. However, core industries growth at 0.5%YY in April marked the slowest in eight months. Prior to this, weak performance was in Aug-2024 when output had declined 1.5%YY. This suggests that though the cyclical slowdown hit its trough in Q2-FY25, the economy might not be out of the woods yet. The eight core industries comprise around 40% weight in the industrial production index.
  - Among other high frequency indicators of economic activity, household work demand under MGNREGA declined in April, which bodes well from the point of view of farm sector activity in rural areas. At the same time, two-wheeler sales slumped after rebounding in March. The trends in other automobile sales and registrations were mixed in April. On the bright side, GST revenue collection growth remained robust, and railway fright and port cargo traffic also registered positive year-on-year growth.
  - The early onset of southwest monsoon and forecast of an above normal rainfall this year bodes well for farm sector prospects, and therefore, food inflation. However, the spatial and temporal distribution of rains need to be watched out for, and so do any other weather-related aberrations. The latest PMI data for May show increases in input costs and output charges in both manufacturing and services sectors, and it needs to be seen if these trends persist, and their likely implications, particularly for core inflation. Easing in prices of global commodities, particularly crude oil, will likely impart a downward bias to the domestic inflation trajectory. Food inflation has eased and the outlook for it continues to improve. In this backdrop, the RBI MPC is likely to continue focusing on domestic growth prospects and continue easing with a 25bp rate cut at the upcoming policy decision due on 6-Feb.

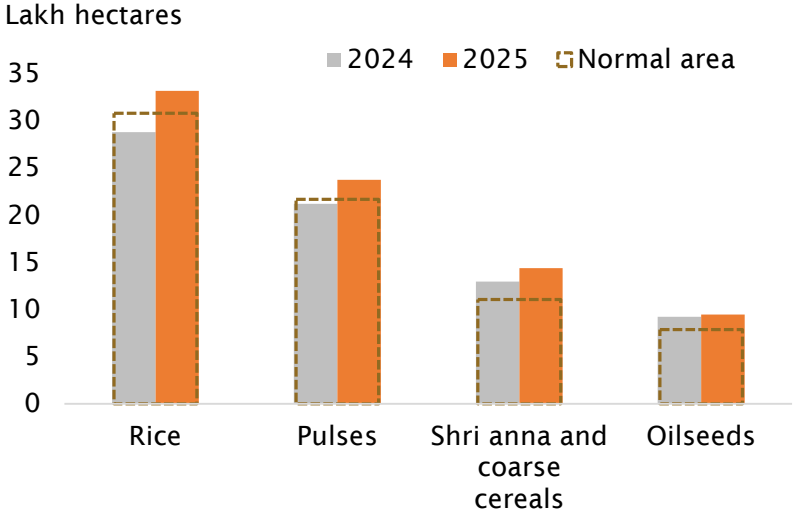
Improved food inflation outlook amid broad-based easing in prices; summer sowing on track

Food diffusion index lowest in 45 months; latest cumulative m-o-m easing in vegetables sharpest in current CPI series





Summer sowing on track; high frequency data shows continued easing in major vegetable prices in annualized terms



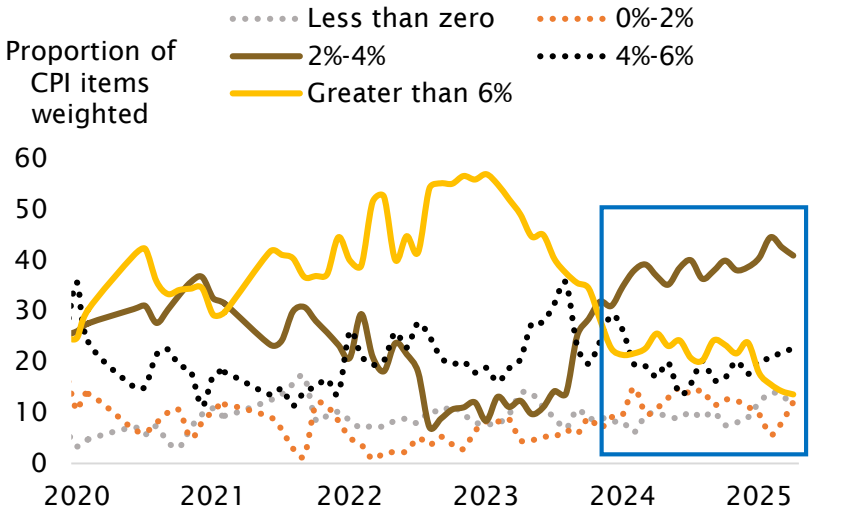
%YY	Tomato	Onion	Potato	Vegetables
Wt. in CPI	0.57	0.64	0.98	6.0
Feb-25	-28.6	30.2	26.1	-1.1
Mar-25	-35.0	19.3	2.4	-7.0
Apr-25	-33.2	2.9	-12.7	-11.0
May-25*	-26.7	-16.2	-16.3	
%MM				
Feb-25	-21.3	-6.8	-19.6	-11.2
Mar-25	-11.4	-7.1	-6.3	-5.7
Apr-25	4.9	-17.4	1.8	-3.0
May-25*	15.8	-5.7	7.6	

Note: *All India retail price till May 20.
Source: Department of Consumer Affairs

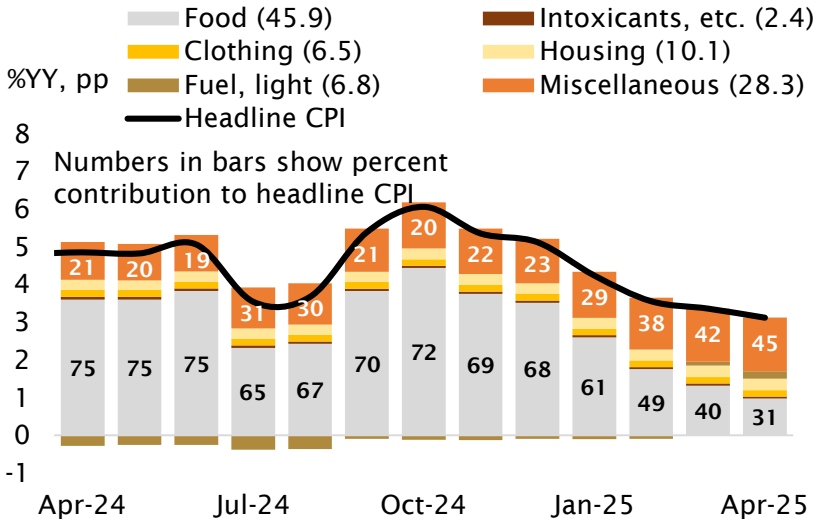
Contribution of food to headline CPI has declined; low commodity prices impart downward bias to domestic inflation

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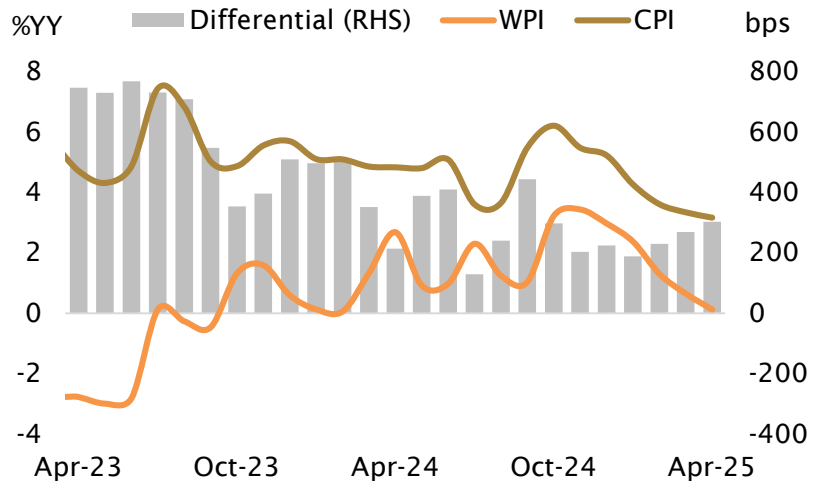
Proportion of items with inflation over 6% has dropped

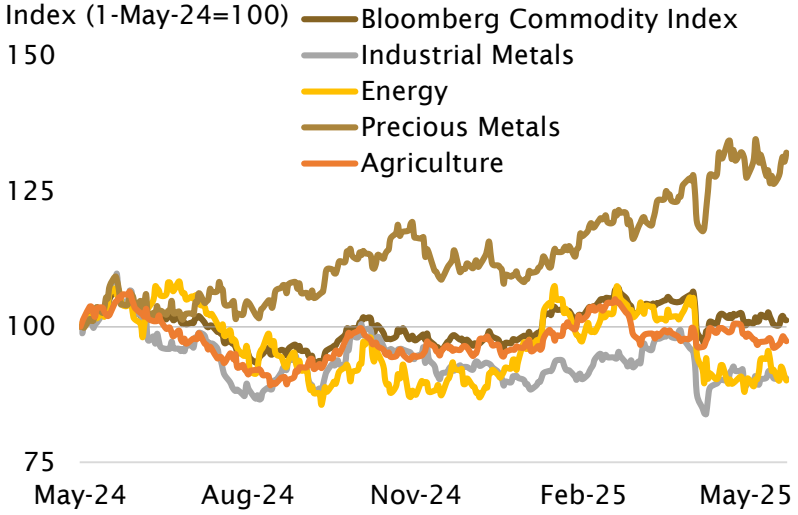


Contribution of food to inflation has halved since Jan



Despite recent easing in CPI inflation, gap vis-à-vis WPI has widened amid easing global commodity prices, esp. energy





Select high frequency data

Colour codes based on minimum and maximum Z-score values since April 2023 for respective variables; green shows improvement, red indicates weakening. (Reversed for MGNREGA data where a fall implies improved farm activity)

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(%YY, unless mentioned otherwise)		Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
Agriculture and rural sector	Fertiliser sales	-7.8	4.6	12.2	8.2	5.3			
	Tractor sales	21.0	-0.9	13.3	11.1	30.9	21.6	7.0	
	Tractor registrations	3.1	29.9	25.8	5.2	-14.5	-5.7	7.6	
	Two wheeler sales	14.2	-1.1	-8.8	2.1	-9.0	11.4	-16.9	
	Two-wheeler registrations	36.3	15.8	-17.6	4.2	-6.3	-1.8	2.3	
	Three-wheeler registrations	11.5	4.2	-4.6	6.9	-1.9	-5.7	24.5	
	Household work demand under MGNREGA	-7.6	3.9	8.2	14.4	2.8	2.2	-6.5	
Industry, construction and urban sector	Industrial production	3.5	5.2	3.2	5.0	2.9	3.0		
	Core sector output	3.1	4.3	4.0	4.6	2.9	3.8	0.5	
	Cement production	3.1	13.1	10.3	14.3	10.8	12.2	6.7	
	Natural gas production	-1.6	-2.3	-2.1	-2.3	-6.7	-4.8	-1.7	
	Electricity requirement	-1.0	3.7	5.1	1.3	2.0	5.7	2.1	
	Steel consumption	8.9	9.5	5.2	10.9	10.9	-0.5		
	Fuel consumption	4.1	10.6	2.0	3.0	-5.2	-3.1	-0.2	
	Passenger vehicle sales	12.9	4.3	11.4	3.5	3.7	3.7	5.5	
	Passenger vehicle registrations	32.4	-13.7	-2.0	15.5	-10.3	6.3	1.6	
Services	Commercial vehicle sales			1.2			1.7		
	Commercial vehicle registrations	6.4	-6.1	-5.2	8.2	-8.6	2.7	-1.0	
	Railway freight traffic	0.8	1.4	1.6	1.7	-2.4	2.9	4.5	
	Port cargo traffic	-3.4	-4.9	3.4	7.6	3.6	13.8	7.0	
	Toll collection (volume)	11.3	11.9	9.8	14.8	18.7	11.9	16.6	
	Domestic air cargo traffic	8.9	0.3	4.3	6.9	-2.5	4.9		
	International air cargo traffic	18.4	16.2	10.5	7.1	-6.3	3.3		
	Domestic air passenger traffic	9.6	13.8	10.8	14.0	12.1	9.9		
	International air passenger traffic	10.3	10.8	9.2	11.0	7.7	6.7		
	Tourist arrivals	-1.4	-0.1	-6.6	-0.2	-8.6			
	GST e-way bills (total)	16.9	16.3	17.6	23.1	14.7	20.2	23.4	
	GST revenue collection	8.9	8.5	7.3	13.6	9.1	10.2	12.7	
PMI (Index)	PMI Manufacturing	57.5	56.5	56.4	57.7	56.3	58.1	58.2	58.3
	PMI Services	58.5	58.4	59.3	56.5	59.0	58.5	58.7	61.2

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