

Food deflation, GST rate cuts drove CPI inflation to record low at 0.25% in Oct from 1.44% in Sep

24 November, 2025

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Data highlights

Headline CPI inflation

- CPI inflation posted record low of 0.25% in Oct vs. 1.44% in Sep (initial estimate: 1.54%) amid favorable base effect and positive monthly change at 0.15% but below average for Oct at 0.79% (FY12-25). The print surprised on the downside (Reuters poll: 0.48%). In FYTD terms, inflation averaged 1.92% vs.4.81% in Apr-Oct FY25.
- Three factors influenced the inflation trajectory: 1) high prices of precious metals to the extent that headline CPI inflation ex-gold and silver was in deflation at (-)0.6%. 2) pass-through of GST rate cuts that led to month-on-month fall in prices of consumer durables such as TV sets, refrigerators, washing machines, automobiles, etc. 3) food deflation, as noted below. As a result of GST rate cuts and food deflation, goods segment posted deflation, while services inflation was steady.

Core inflation (excluding food, fuel)

- Core inflation (ex-food, fuel) rose mildly to 4.4% from 4.3% in Sep (initial estimate: 4.5%). For Sep, housing inflation was revised by 1pp to 3.0% from prior estimate of 4.0%, driving downward revisions in headline and core inflation. In FYTD terms, core inflation has averaged 4.2% vs. 3.3% in the same period a year ago.

Food, beverage (Wt. 45.9%)

- The food index posted deflation for the second straight month and at the steepest rate of (-)3.72% in current series. Vegetables, pulses and spices stayed in deflation. Edible oils remained in double-digit inflation but eased vis-à-vis Sep, as prices fell month-on-month for first time in 19 months amid favorable base effect.
- The food index fell 0.2% month-on-month, marking the second straight month of decline and contrary to previous years' (FY12-25) trends when food prices rose around 1% in October. Out of 12 sub-groups, prices fell sequentially in seven items.

Fuel and light (Wt. 6.8%)

- Fuel inflation stayed at around 2%. The uptick in LPG and kerosene sub-indices was offset by lower inflation in firewood and chips, coal, and deflation in coke.

Miscellaneous (Wt. 28.3%)

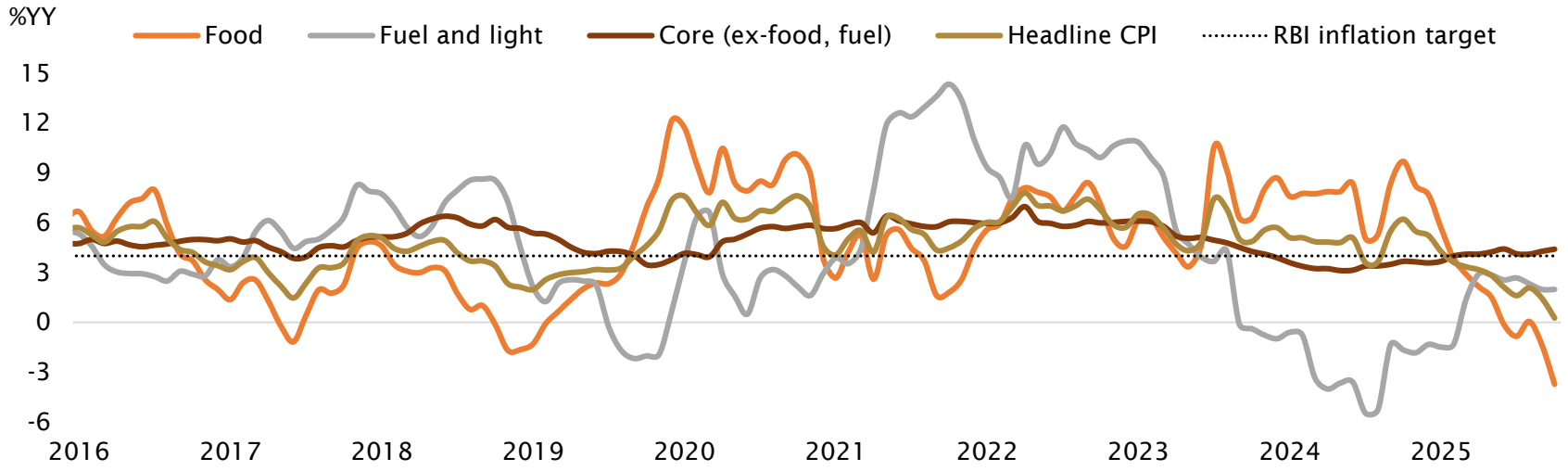
- Inflation in the miscellaneous group rose to 5.71% from 5.35% in Sep. Excluding precious metals, inflation in the miscellaneous group was benign at sub-3%.

Outlook and policy implication

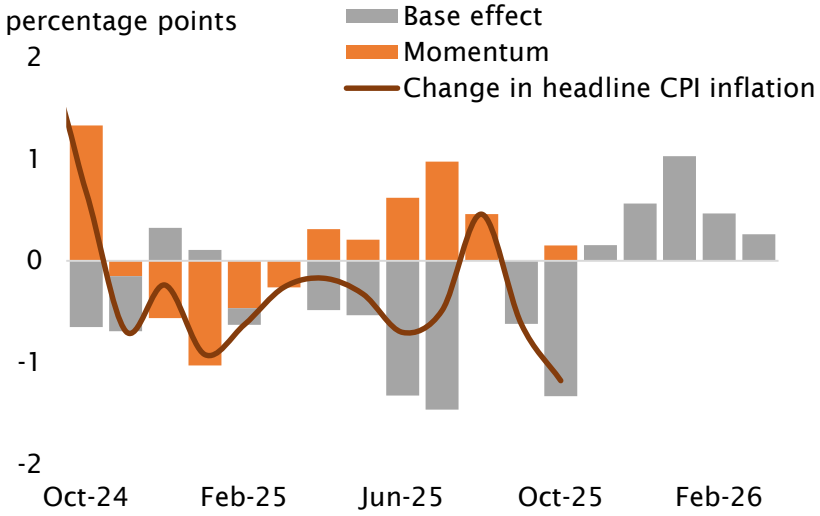
- **Assessing historical trends:** Historical data shows that monthly gain in headline CPI index tends to be lower in November than in October. Base effect is slated to be unfavorable in the remaining months of FY26. The median and average measures based on FY12-25 data show that headline inflation could rise to 0.8% in November, while core inflation could be stable at about 4.5% – 4.6%.
- **High frequency data:** Data till 19-Nov shows that pulses and cereals were in deflation. The double-digit inflation in some edible oils continued but mildly eased. There were month-on-month gains in prices of key vegetables, and the deflation in annualized terms moderated, particularly in case of potato and tomato.
- **Kharif harvest, stocks and procurement:** As on 4-Nov-2025, about 43% of Kharif crops were harvested, led by oilseeds (84%), and followed by coarse cereals (64%), pulses (53%), and rice (30%). As on 1-Nov, rice and wheat stocks were at over 3x and 1.5x of norms for October, respectively. As on 9-Nov, procurement of rice and wheat under KMS and RMS 2025-26, respectively were above last year's levels in the same period.
- **Sowing:** Data as on 14-Nov shows that total Rabi crop sowing was above last year's levels and at about 33% of total sown area for the season. In terms of share in normal sown area, sowing of oilseeds topped the list. In terms of absolute area in lakh hectares, wheat sowing was the highest.
- **Monsoon progress, reservoir levels:** Data till 12-Nov shows that post monsoon season rain was 35% above long period average across the country, with all regions receiving surplus rainfall. Data till 6-Nov shows that reservoir levels were above normal across regions. These pointers augur well for Rabi crop outlook, though instances of extreme weather events need to be monitored for their impact on food output and inflation..
- **Global commodity prices:** In its latest update, the US EIA kept crude oil price forecast for 2025 at USD69/b but raised it for 2026 by USD3/b to USD55/b. The EIA expects oil inventories to increase through 2026 and the latest upward revision mainly reflects inventory builds in China and sanctions on Russia. The UN FAO index showed global food deflation for the first time in 14 months, while the Bloomberg commodity index indicated continued gains in precious metal prices on safe haven demand and central bank buying.
- **Policy implication:** It is likely that headline CPI inflation bottomed out in October and could rise in coming months. But gains are likely to be capped by benign food inflation outlook and remnant pass-through of GST rate cuts. The latest print could impel the RBI MPC to further trim its inflation forecasts for coming quarters at its upcoming policy decision on 5-Dec. Through markets are pricing in a fair probability of a 25bp repo rate cut, outlook also hinges on the Q2 GDP data release on 28-Nov and developments around the US-India trade deal. Risks to inflation outlook continue to stem from 1) impact of surplus rains and late withdrawal of monsoon on crop output 2) INR depreciation 3) demand boost from fiscal stimuli (income tax relief, GST cuts), front-loaded monetary easing and RBI's recently announced credit easing regulatory steps.

Food deflation, GST rate cuts drove CPI inflation to record low at 0.25% in Oct from 1.44% in Sep

CPI inflation eased to lowest in current series at 0.25% in Oct from 1.44% in Sep; food deflation at record low of (-)3.72%



Monthly change in CPI was below previous years' trends; ex-misc. category, key groups posted low inflation or deflation



%YY	Weight	Aug-25	Sep-25	Oct-25
Headline CPI	100.0	2.07	1.44	0.25
Food	45.9	0.05	-1.37	-3.72
Intoxicants	2.4	2.49	2.73	2.87
Clothing	6.5	2.33	2.28	1.70
Housing	10.1	3.09	2.98	2.96
Fuel and light	6.8	2.32	1.98	1.98
Miscellaneous	28.3	5.05	5.35	5.71

Miscellaneous group continued to add the most to headline inflation, but excluding precious metals, remained subdued

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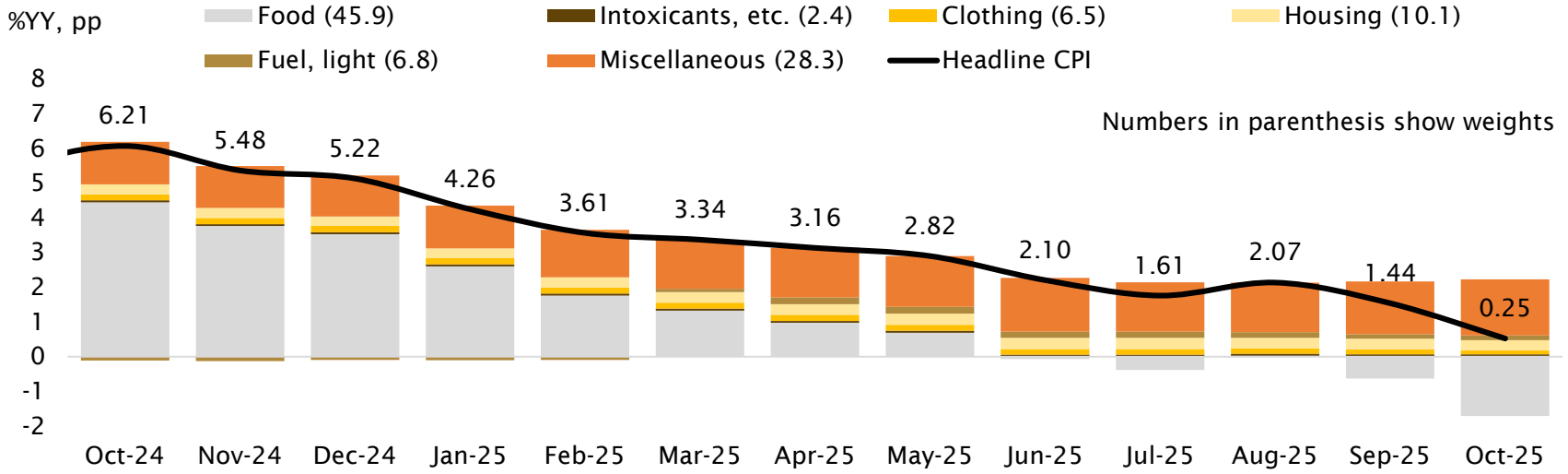
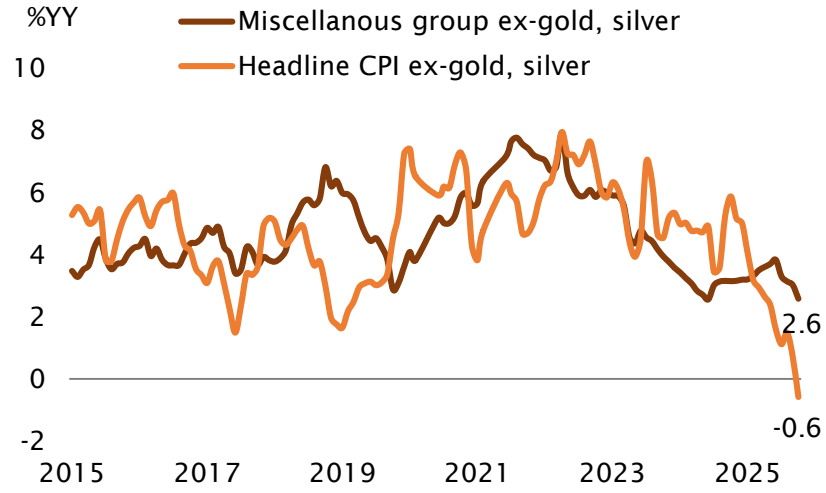
Miscellaneous group continued to add the most to headline inflation; even as food remained a drag due to deflation



Ex-precious metals, misc. group inflation remained soft

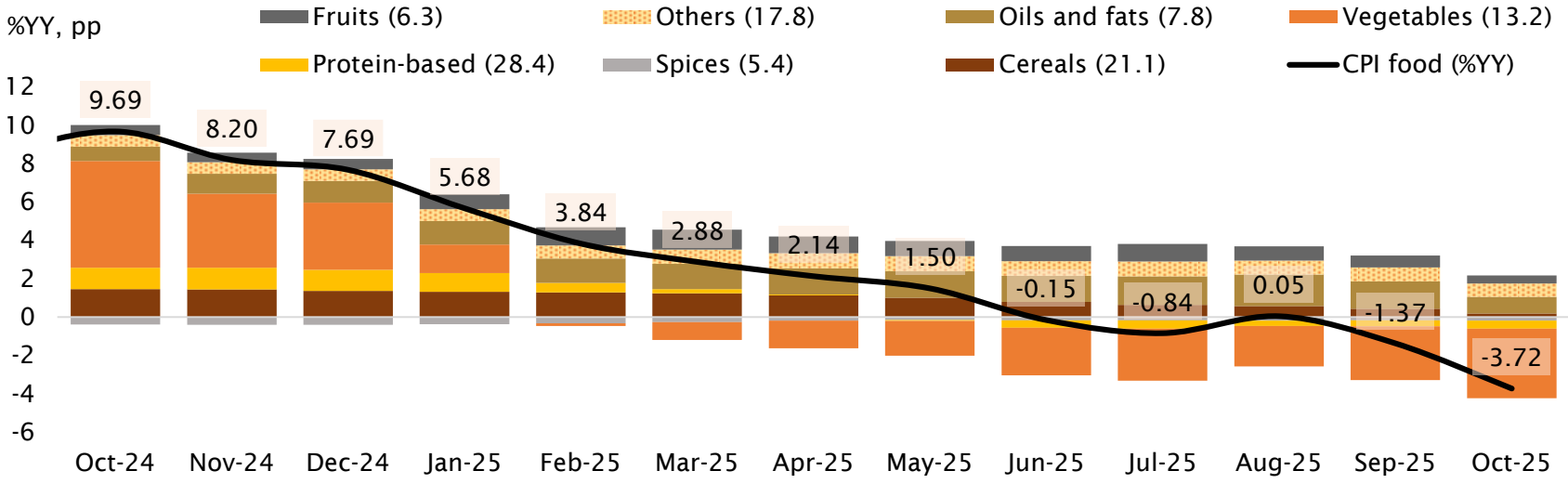


Except housing, misc. group; m-o-m gains were muted

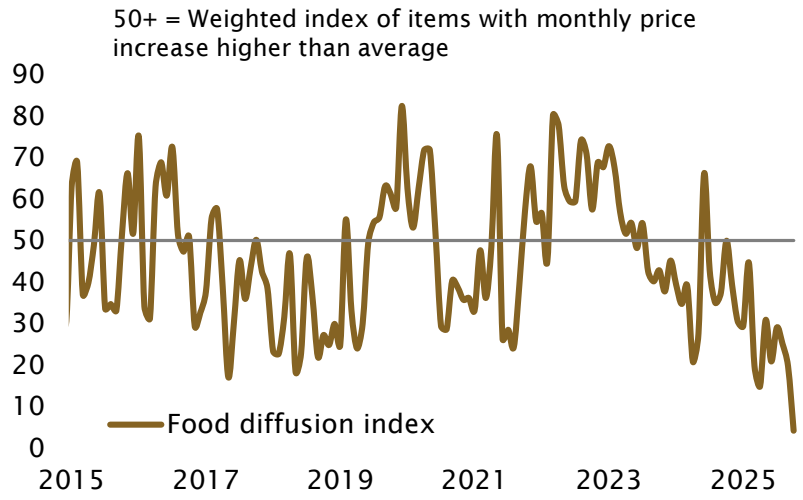
%MM, NSA	Weight	Aug-25	Sep-25	Oct-25
Headline CPI	100.0	0.46	0.00	0.15
Food	45.9	0.60	-0.39	-0.20
Intoxicants	2.4	0.19	0.28	0.33
Clothing	6.5	0.10	0.15	-0.20
Housing	10.1	0.54	-0.16	0.91
Fuel and light	6.8	0.06	-0.22	-0.06
Miscellaneous	28.3	0.36	0.67	0.77

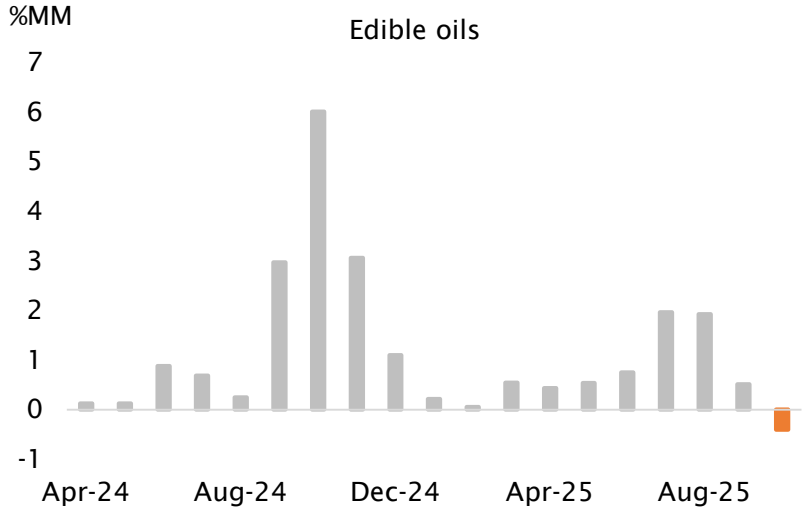
Food deflation at (-)3.72% was the steepest in current series amid broad-based sequential price easing

Vegetables, pulses, spices remained in deflation; edible oils inflation stayed in double digits but eased vis-à-vis Sep



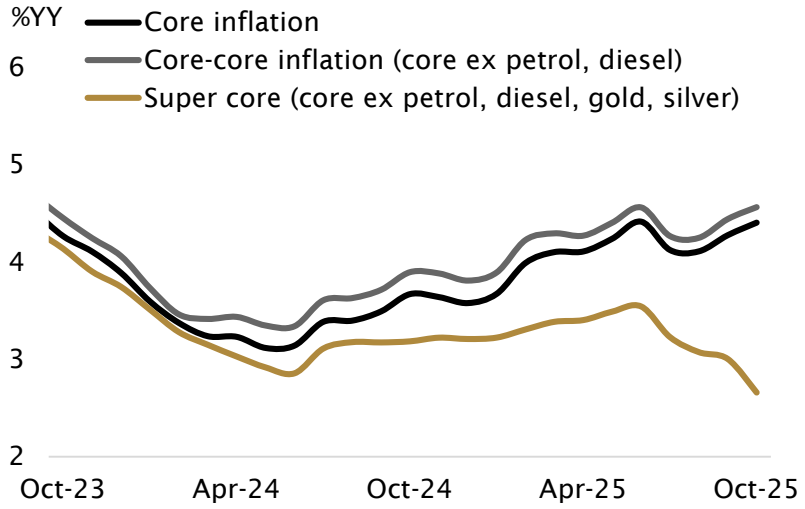
Diffusion index showed further broad-based easing in food prices; edible oil prices fell m-o-m for first time in 19 months

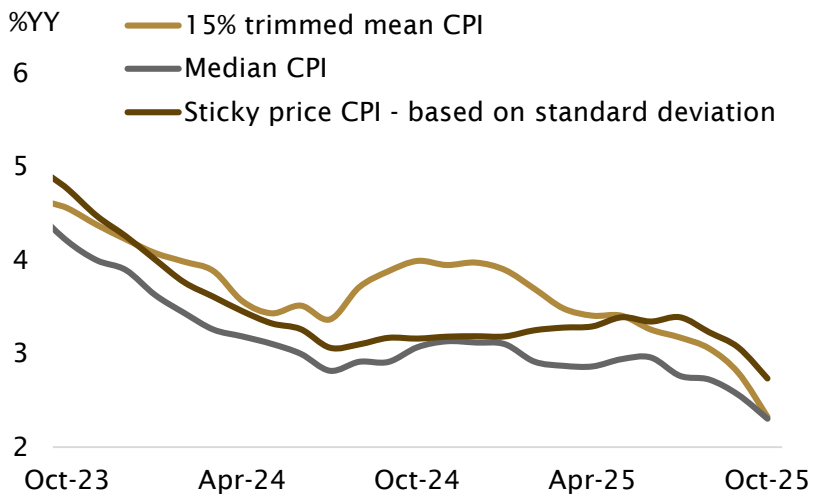




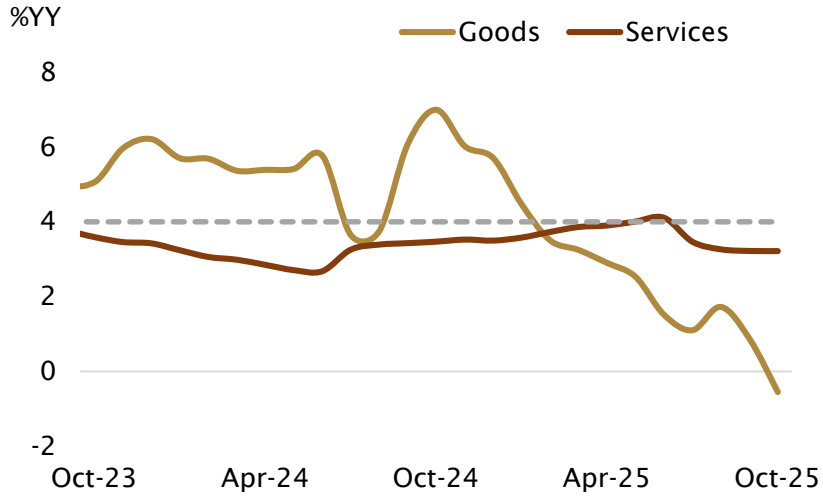
Various measures of underlying inflation remained benign; food deflation, GST rate cuts drove deflation in goods

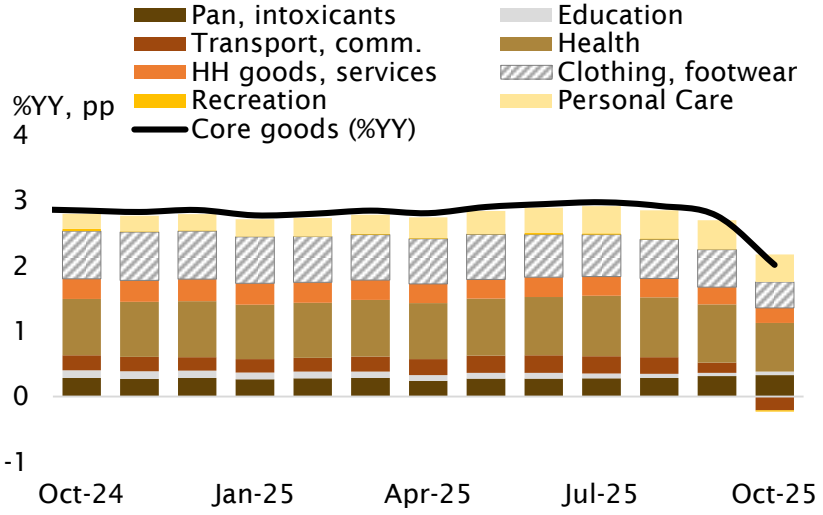
The uptick in some of the core metrics in Oct was mild and most underlying measures of inflation remained benign





Goods segment slipped into deflation; moderation in core goods inflation reflected pass-through of GST rate cuts





Domestic fuel inflation remained low; gains in global commodity prices were also subdued, except precious metals

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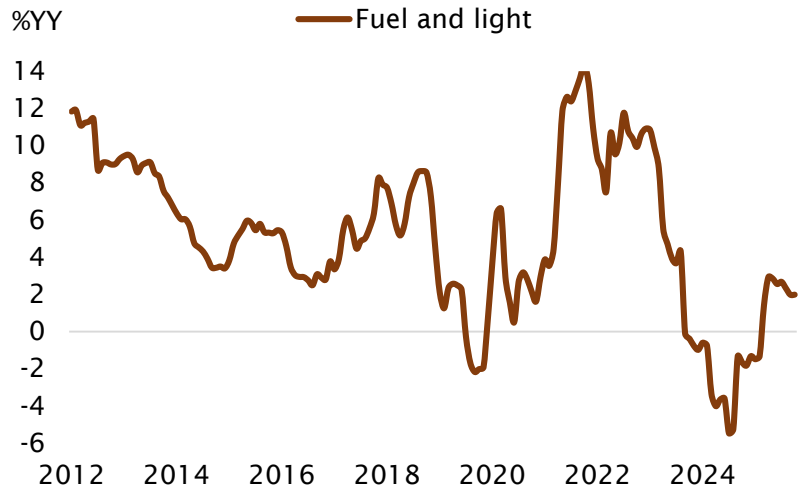
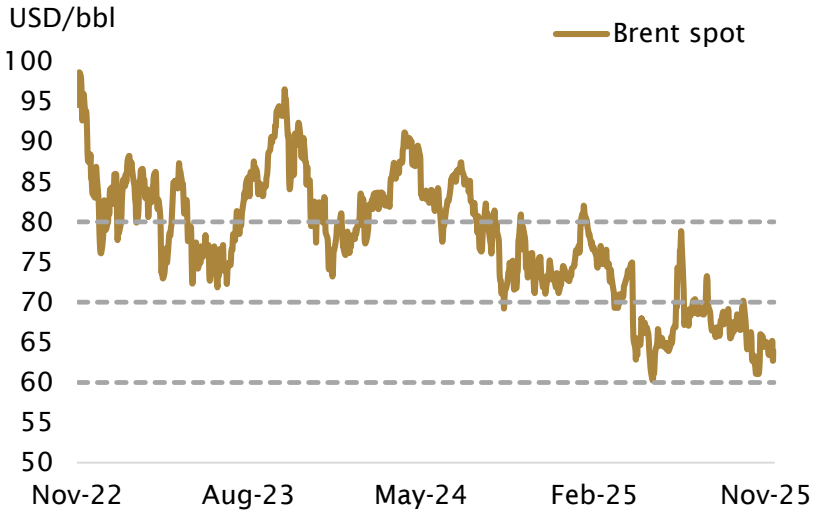
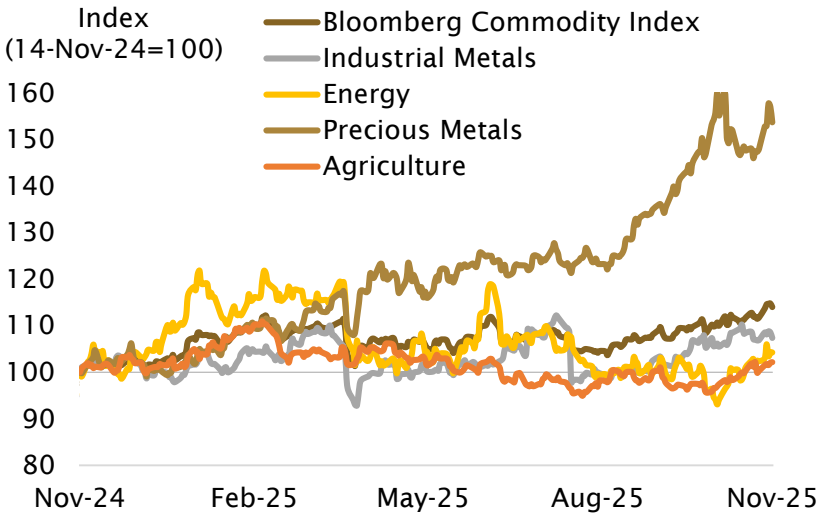
Domestic fuel inflation stayed at around 2% in October

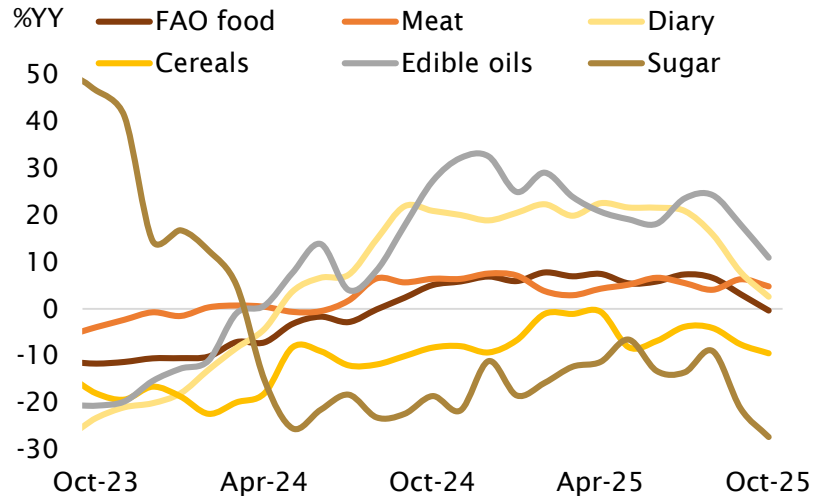


Crude oil prices remain muted at sub-USD70/b



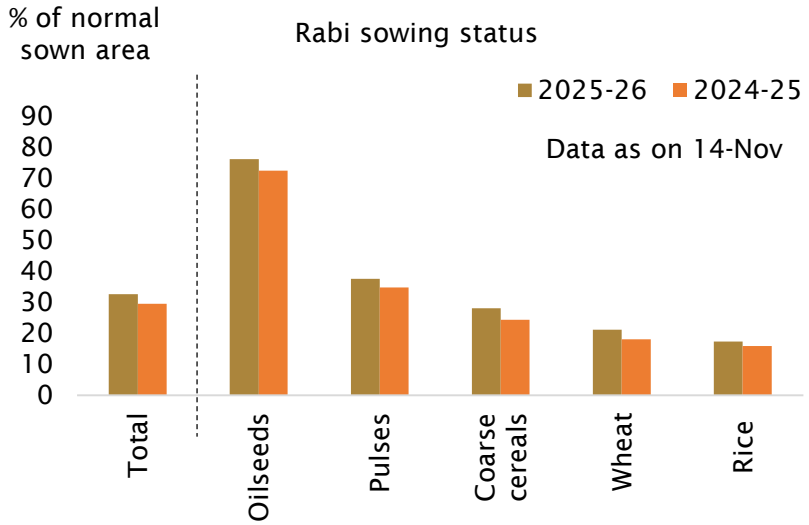
Precious metal prices continue to rise on safe haven demand; global food index slipped into deflation in October





Rabi sowing, above normal post-monsoon season rains, and reservoir levels indicate benign food inflation outlook

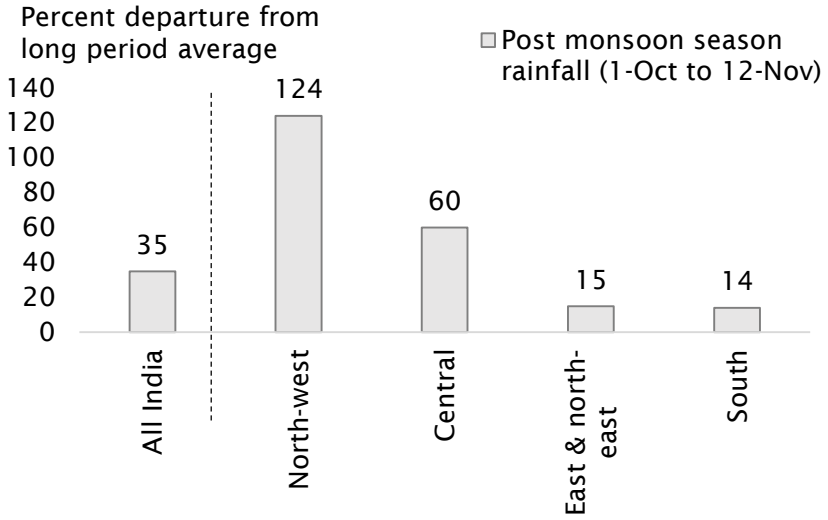
Total Rabi sowing up 10% year-on-year; deflation in key vegetables continues, though prices are rising month-on-month

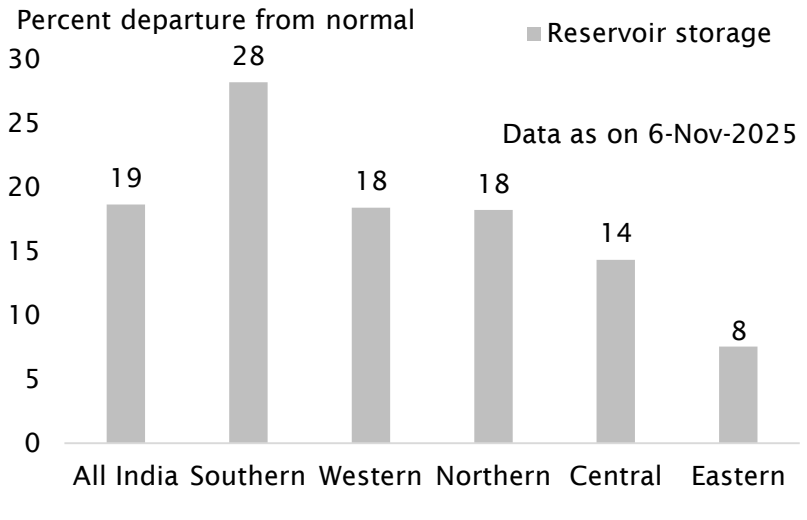


%YY	Tomato	Onion	Potato	Vegetables
Wt. in CPI	0.57	0.64	0.98	6.0
Aug-25	16.8	-39.2	-36.8	-15.9
Sep-25	-6.1	-49.9	-37.3	-21.4
Oct-25	-42.9	-54.3	-36.6	-27.6
Nov-25*	-24.0	-54.0	-29.3	
%MM				
Aug-25	26.1	0.7	-2.5	3.3
Sep-25	-22.6	-2.4	-2.1	-3.2
Oct-25	-9.6	-3.5	1.3	-0.3
Nov-25*	6.5	1.0	5.2	

Note: *All India retail price till Nov 13.

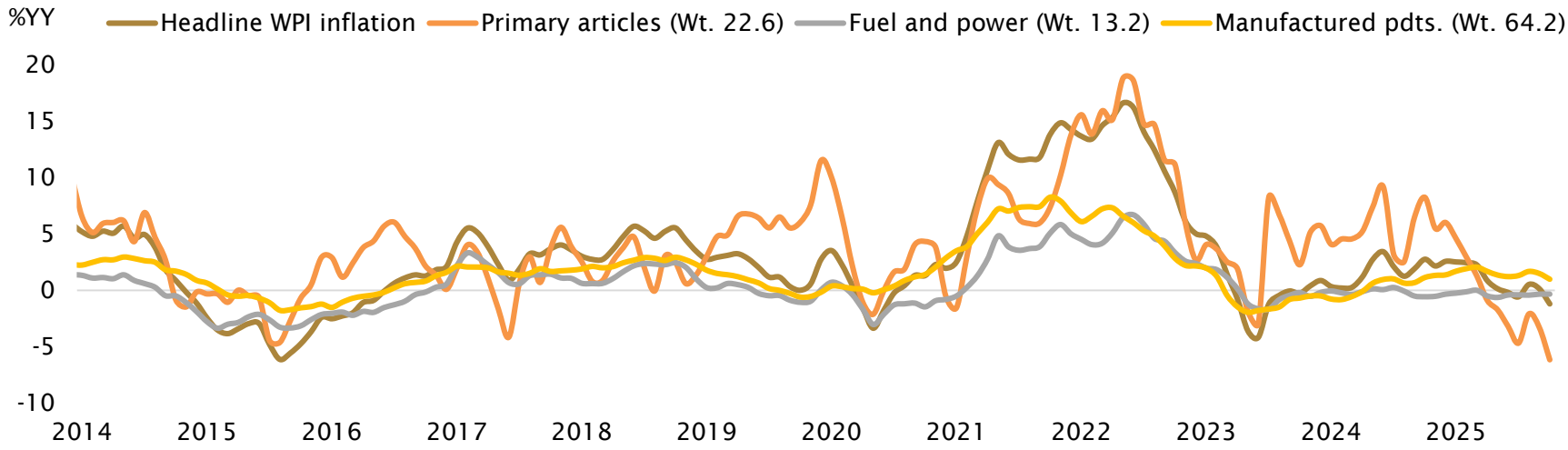
All India post-monsoon season rainfall at 35% above long term average; reservoir storage levels augur well for Rabi crop



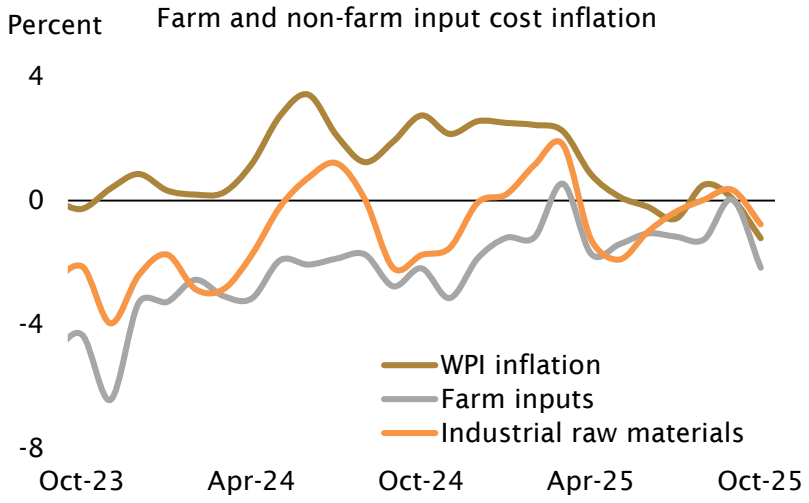


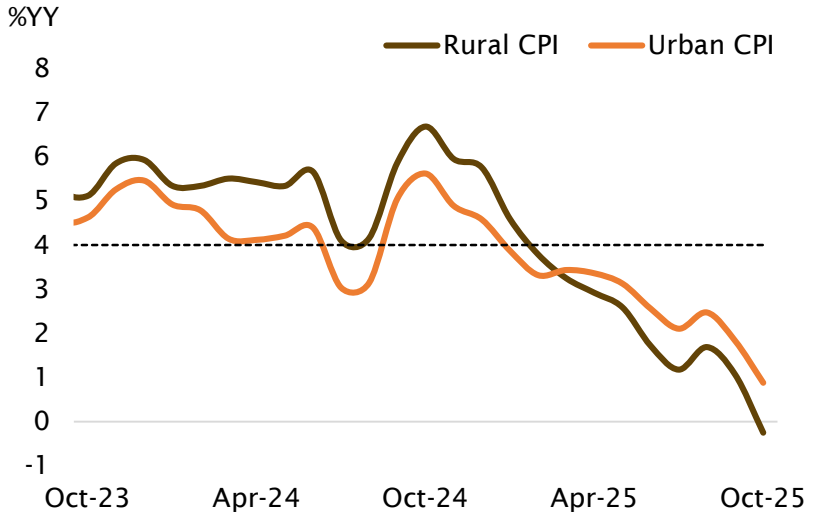
WPI slipped into deflation at (-)1.21% in Oct after posting inflation for two straight months; rural CPI also in deflation

Headline WPI slipped into deflation; as deflation in primary articles steepened, manufactured goods inflation eased



Both farm and non-farm input costs posted deflation; rural consumer price index slipped into deflation





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