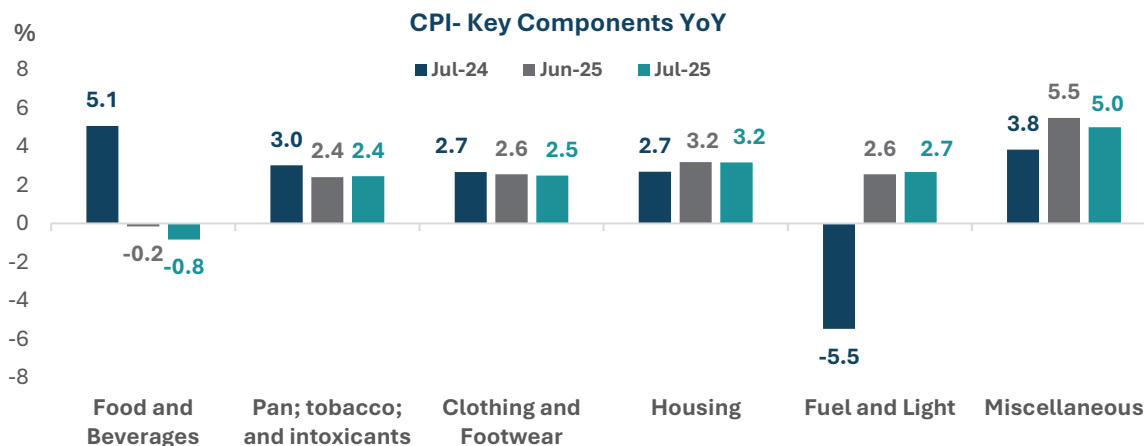
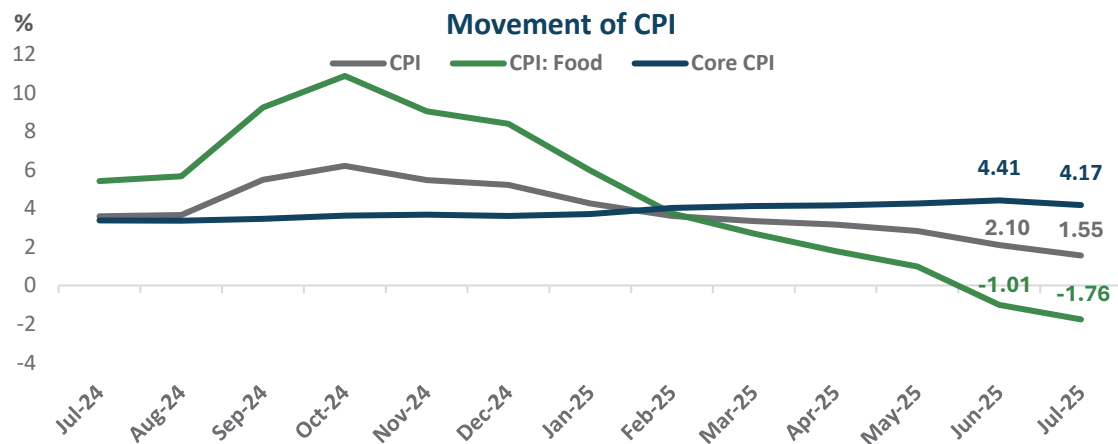


INDIA | AUGUST 2025

B2K Economy Bytes

CPI Inflation-July 2025

- ❖ CPI inflation softened for the ninth straight month to 1.55% YoY in July reaching the lowest level since June 2017. Falling food prices once again drove the decline in addition to a high base effect. Key items that contributed to deflation in food were potato (-34.35%), onion (-34.86%) and arhar; tur (-28.03%).
- ❖ Commodity group wise, vegetables lead the deflationary trend, falling to -20.69% (YoY) in July (-18.92% in June), followed by pulses and products (-13.76% YoY from -11.76% in June) and spices (-3.07% YoY from -3.03% in June).
- ❖ Core inflation fell to 4.17%, moving lower from June levels, while fuel inflation rose marginally in July.
- ❖ The RBI has revised Q2 FY2026 CPI expectations downwards to 2.1% in its August statement from its previous estimate of 3.4%.
- ❖ Number of items reporting declining inflation rose in July, outpacing number of items witnessing upside movement in inflation. Total weight of items with declining inflation stood at 62% in July vs 59% in June. The number of items with negative inflation carried a weight of 11% in the CPI basket.*

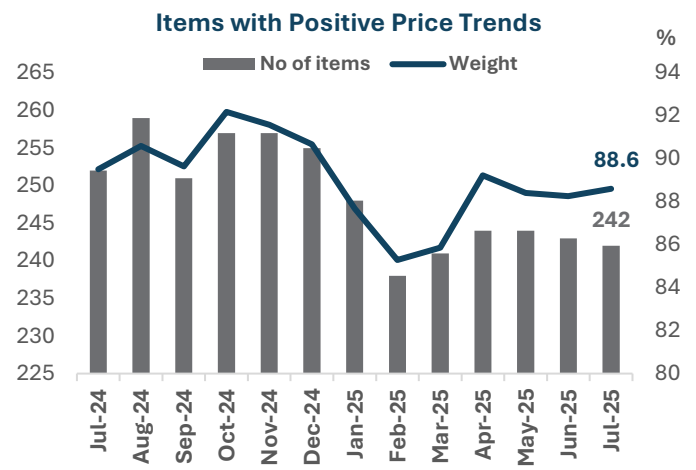
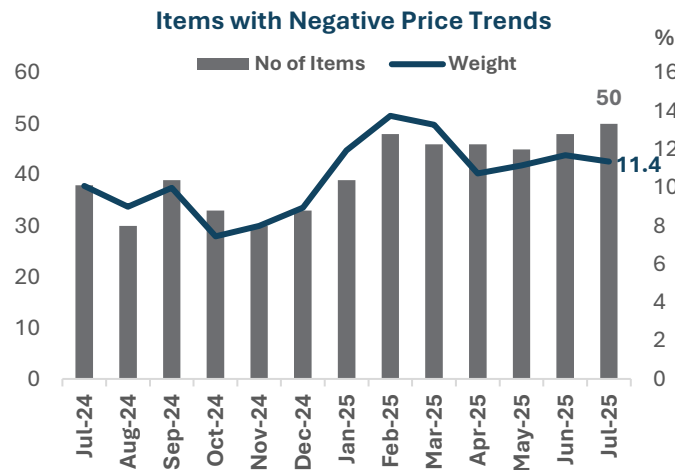
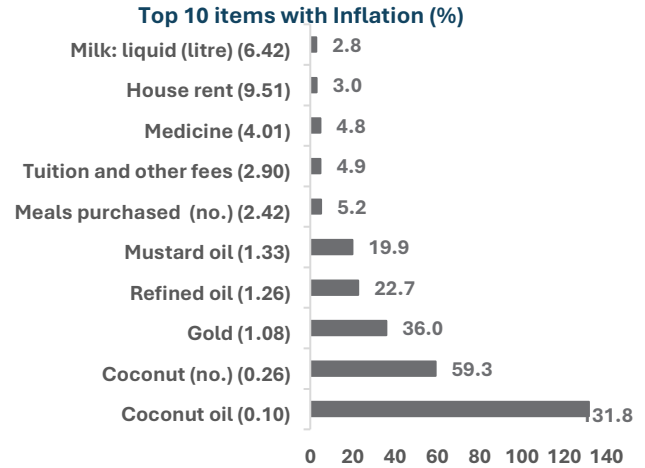
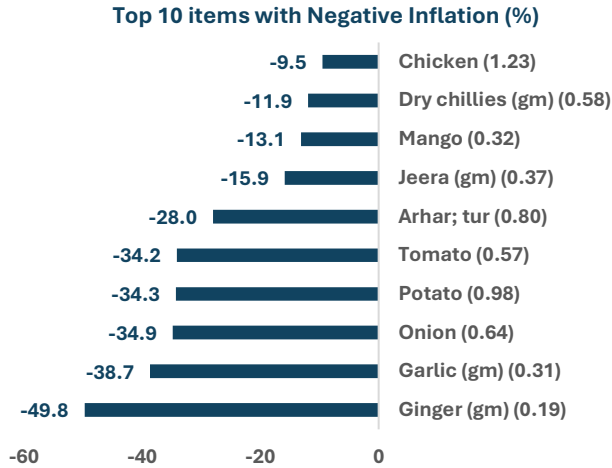


Note: Consumer Food Price index (CFPI): Out of 12 sub-groups contained in 'Food and Beverages' group, CFPI is based on ten sub-groups, excluding 'Non-alcoholic beverages' and 'Prepared meals, snacks, sweets etc.'.

*: Total number of items in CPI basket is 299. For more information refer to Annexure.

Source: CMIE, MoSPI, B2K Research

Negative food inflation bringing the overall inflation down*



Outlook

- ❖ Record foodgrain output in FY2025 helped ease food prices, pushing headline CPI inflation below the RBI's lower target band of 2% for the first time since January 2019. In FY2026, another bumper harvest, boosted by an early, favourable monsoon, is expected to keep food prices low and inflation subdued.
- ❖ This month's low inflation is also driven by the base effect in food inflation from last year. In July 2024 food inflation was relatively high at 5.4%, due to a sharp rise in key food prices.
- ❖ Since February, the RBI has cut rates by 100 basis points, bringing repo rate to 5.5%. The transmission of these rate cuts to the economy is still ongoing. It is expected to strengthen private consumption and investment by reducing borrowing costs, potentially raising inflation rates.
- ❖ Trump's new tariffs will likely flood domestic markets with non-durable commodities that are no longer exported to the US. This would further reduce the prices in the domestic market contributing to a more benign outlook for inflation.

Note: Medicine refers to non-institutional medicine and Meals Purchased refers to Cooked Meals Purchased. Numbers in brackets are weights.

*Total number of items in CPI basket is 299. For more information refer to Annexure.

Source: CMIE, MoSPI, B2K Research

Annexure

CPI Inflation Rates - Year on Year Changes							
CPI and Key Components	Weights	FY2025	Q1 FY2025	Q4 FY2025	Q1 FY2026	Jun-25	Jul-25
Food and Beverages	45.86	6.71%	8.04%	4.13%	1.15%	-0.15%	-0.84%
<i>Cereals and products</i>	9.67	7.22%	8.69%	6.09%	4.62%	3.73%	3.03%
<i>Meat and fish</i>	3.61	4.52%	6.93%	2.53%	-0.81%	-1.62%	-0.61%
<i>Egg</i>	0.43	4.10%	6.26%	-1.56%	1.36%	2.57%	2.26%
<i>Milk and products</i>	6.61	2.86%	2.86%	2.71%	2.89%	2.80%	2.74%
<i>Oils and fats</i>	3.56	5.45%	-6.34%	16.35%	17.69%	17.75%	19.24%
<i>Fruits</i>	2.89	8.71%	6.34%	14.42%	13.10%	12.64%	14.42%
<i>Vegetables</i>	6.04	19.41%	28.22%	1.06%	-14.77%	-18.92%	-20.69%
<i>Pulses and products</i>	2.38	8.34%	16.68%	-0.16%	-8.45%	-11.76%	-13.76%
<i>Sugar and confectionery</i>	1.36	3.40%	5.85%	2.11%	4.09%	3.52%	3.28%
<i>Spices</i>	2.5	-3.33%	4.65%	-5.88%	-3.08%	-3.03%	-3.07%
<i>Non-alcoholic beverages</i>	1.26	2.85%	2.46%	3.73%	4.43%	4.32%	4.60%
<i>Prepared meals; snacks; sweets etc.</i>	5.55	3.76%	3.42%	4.20%	4.38%	4.32%	4.35%
Pan; tobacco; and intoxicants	2.38	2.66%	3.03%	2.40%	2.30%	2.41%	2.45%
Clothing and Footwear	6.53	2.72%	2.77%	2.66%	2.63%	2.55%	2.50%
<i>Clothing</i>	5.58	2.73%	2.83%	2.73%	2.70%	2.64%	2.58%
<i>Footwear</i>	0.95	2.02%	2.21%	2.02%	2.16%	2.23%	2.17%
Housing	10.07	2.76%	2.65%	2.92%	3.13%	3.18%	3.17%
Fuel and Light	6.84	-2.49%	-3.76%	-0.48%	2.77%	2.55%	2.67%
Miscellaneous	28.32	4.10%	3.45%	4.73%	5.23%	5.49%	5.01%
<i>Household goods and services</i>	3.8	2.78%	2.55%	2.78%	2.52%	2.56%	2.61%
<i>Health</i>	5.89	4.12%	4.20%	4.12%	4.32%	4.38%	4.57%
<i>Transport and communication</i>	8.59	3.02%	1.01%	3.02%	3.80%	3.90%	2.12%
<i>Recreation and amusement</i>	1.68	2.61%	2.51%	2.61%	2.49%	2.50%	2.38%
<i>Education</i>	4.46	3.88%	3.94%	3.88%	4.21%	4.37%	4.00%
<i>Personal care and effects</i>	3.89	12.59%	7.78%	12.59%	13.77%	14.81%	15.12%
CPI: General	100	4.63%	4.91%	3.73%	2.69%	2.10%	1.55%
CPI: Food	39.06	7.29%	8.92%	4.13%	0.57%	-1.01%	-1.76%
CPI: Core	54.11	3.54%	3.17%	3.95%	4.28%	4.41%	4.17%
Source: CMIE, MoSPI, B2K Research							

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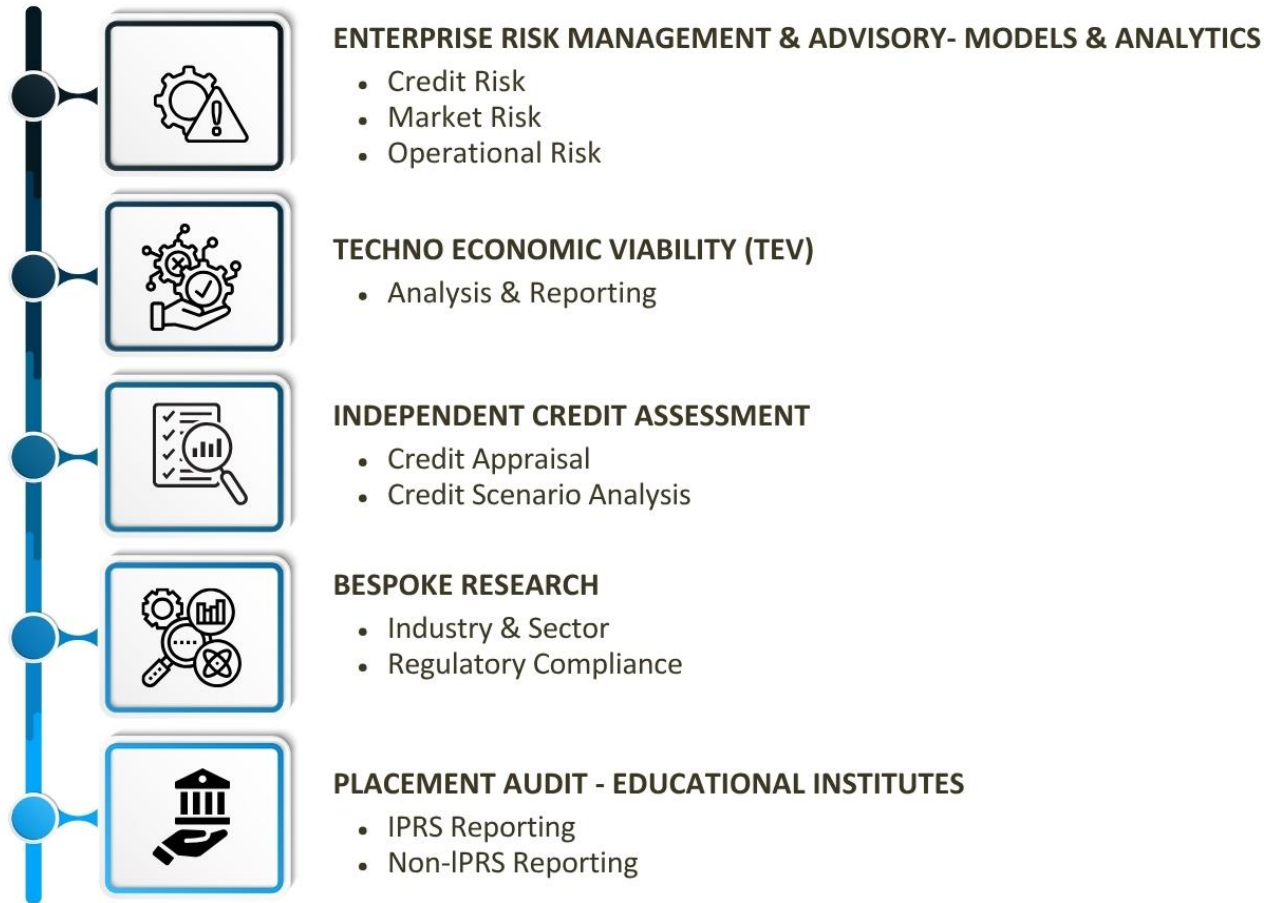
About B2K
B2K Analytics is a boutique consulting & research firm with the mission of empowering financial success for businesses across broad market spectrum.

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