

B2K Economy Bytes

CPI Inflation Trends - June 2025



CPI Inflation Hits 6-year Low

June 2025: CPI inflation fell by 72 basis points over April to 2.10% in June, lowest since January 2019, driven by negative food inflation.

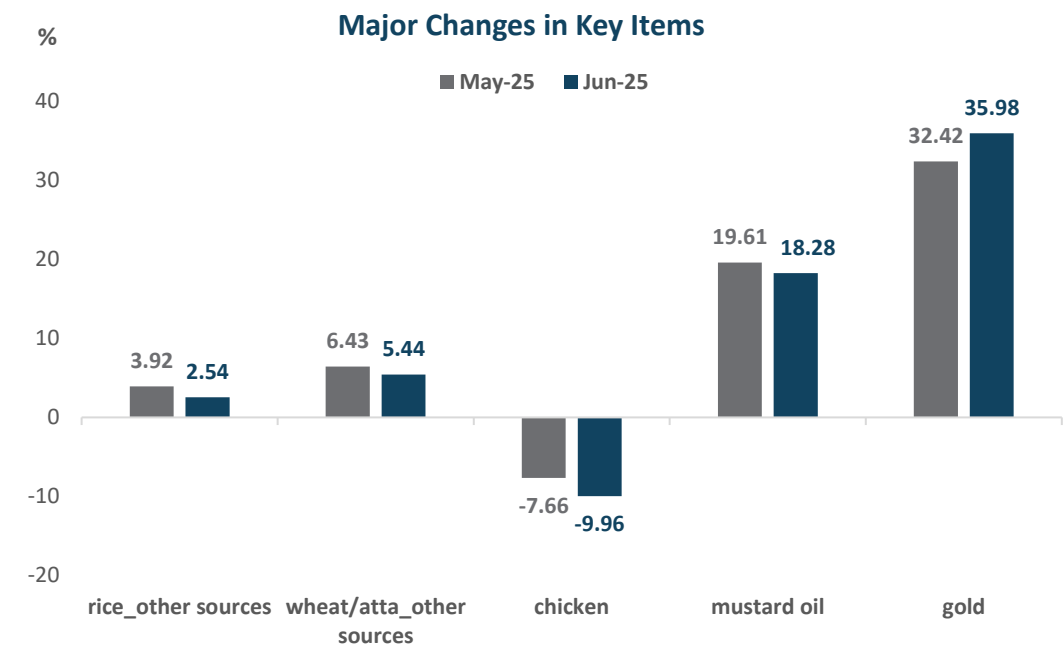
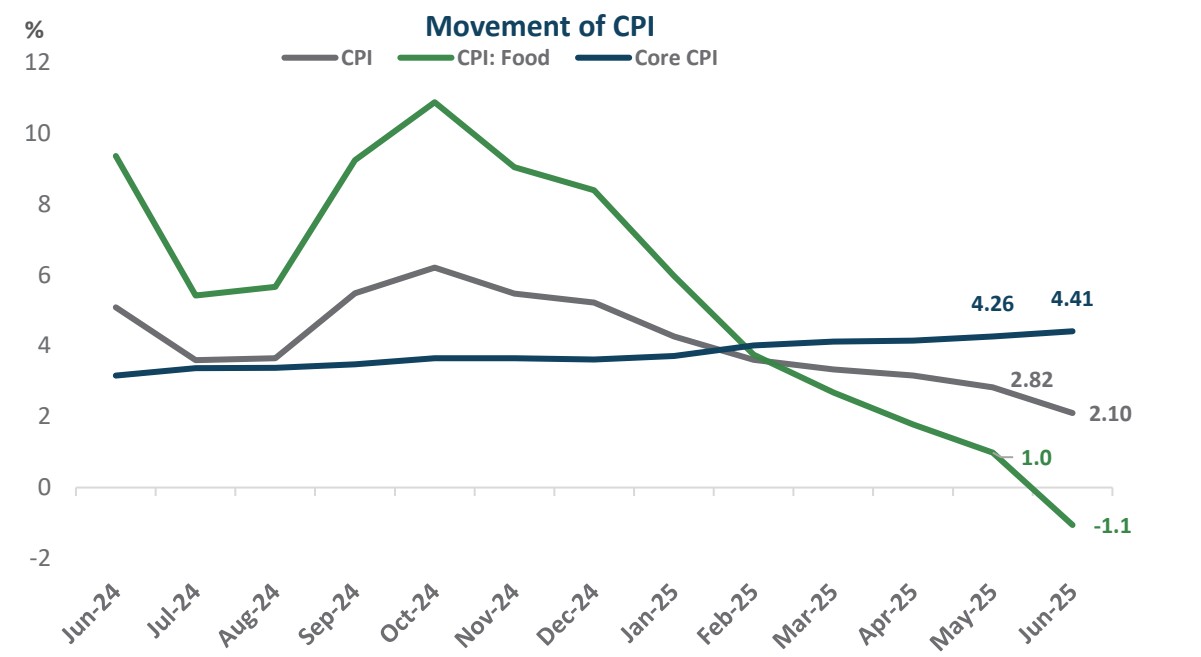
June 2025	May 2025	June 2024	Q1 FY2026
2.10%	2.82%	5.08%	2.69%

Quarterly CPI Estimates by RBI: CPI Inflation fell below the RBI's Q1 FY2026 estimate of 2.9% due to the fall in food prices.

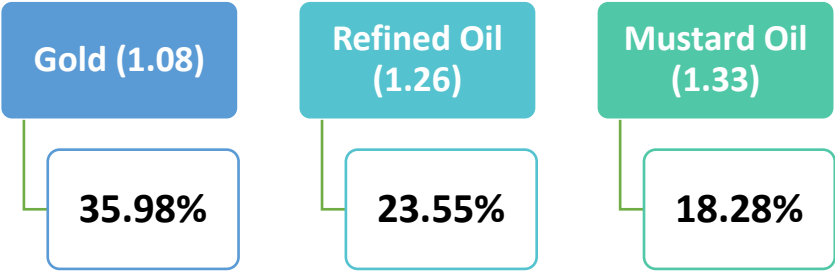
Q1 FY2026	Q2 FY2026	Q3 FY2026	Q4 FY2026
2.9%	3.4%	3.9%	4.4%

Note: Data for June 2025 is provisional, Source: RBI, Ministry of Statistics and Implementation (MoSPI)

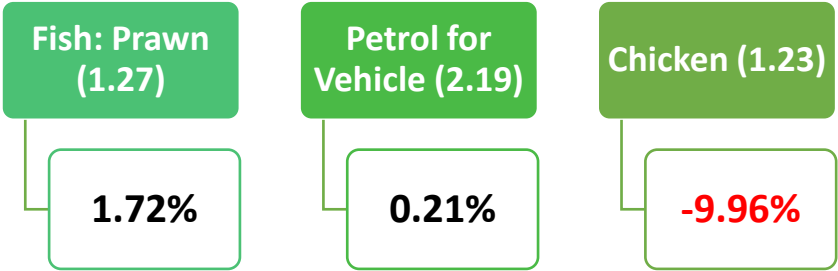
Diverging Inflation: Core Climbs, Food Falls



Top 3 Items: Highest Inflation Rates



Bottom 3 Items: Lowest Inflation Rates



Note: Figures in brackets are weights in combined index. Core Inflation excluding food and fuel and light items. Source: MoSPI, B2K Research



Sharp Drop in Food Prices : A Major Contributor

CPI Inflation Rates -Year on Year Changes

CPI and Key Components	Weights	FY2025	Q1 FY2025	Q4 FY2025	Q1 FY2026	May-25	Jun-25
Food and Beverages	45.86	6.71%	8.04%	4.13%	1.13%	1.50%	-0.20%
Pan; tobacco; and intoxicants	2.38	2.66%	3.03%	2.40%	2.30%	2.41%	2.41%
Clothing and Footwear	6.53	2.72%	2.77%	2.66%	2.63%	2.67%	2.55%
Housing	10.07	2.76%	2.65%	2.92%	3.15%	3.16%	3.24%
Fuel and Light	6.84	-2.49%	-3.76%	-0.48%	2.77%	2.84%	2.55%
Miscellaneous	28.32	4.10%	3.45%	4.73%	5.23%	5.17%	5.49%
CPI: General	100	4.63%	4.91%	3.73%	2.69%	2.82%	2.10%
CPI: Food	39.06	7.29%	8.92%	4.13%	0.55%	0.99%	-1.06%
CPI: Core	54.11	3.54%	3.17%	3.95%	4.28%	4.26%	4.41%

- In June 2025, the CPI inflation rate hit its lowest level since 2019. A sharp fall in food prices, especially Chicken (-9.96%), Potato (-25.37%) and Ahar (-25.11%) have driven the decline in the inflation rate in addition to high base effect.
- Among commodity group wise, inflation in vegetables fell to -19.0% (YoY) in June (-13.7% in May), followed by pulses and products (-11.76% YoY from -8.22% in May) and meat and fishes (-1.62% YoY from -0.43% in May).
- Core inflation rose to 4.41% moving higher from May levels, while fuel inflation eased again in June.
- The Q1 FY2026 average inflation stood slightly below RBI's estimates for Q1 FY2026.
- Number of items which reported negative inflation were consistently on the rise, with items showing declining prices outpaced the number of items witnessing upside movement. The total weights of the items which showed declining inflation stood at around 67% in June compared to 40% in April.

More Items See Inflation Decline than Increase

Change in Inflation Rates - June over May

Commodity Groups	Change (Bps)	Key Contributing Factors
CPI: General	-72	Sharp decline in food prices in June over May and YoY
CPI: Core	15	Demand side firmness in the miscellaneous (services) items
Food and Beverages	-170	Fall in prices for chicken, potatoes, vegetables and other items
Pan; tobacco; and intoxicants	-1	No significant change in prices
Clothing and Footwear	-11	Experienced a minor increase
Housing	7	Prices moved up marginally in June
Fuel and Light	-29	Softening crude oil prices eased input costs and favourable base effect
Miscellaneous	32	Increased slightly across all categories due to firm demand

Item-wise Inflation Movement in the CPI Basket

Categories	No of items with declining inflation rate	<i>No of items with negative inflation</i>	No of items with rising inflation rate
Apr-25	144	46	137
Weights	40.58	10.78	58.81
May-25	131	45	147
Weights	42.01	11.2	57.29
Jun-25	159	48	123
Weights	67.02	11.74	32.16

Note: The total amount of items in the index are 299 but some items inflation data is not published for recent months. Source: MOSPI, B2K Research



Key Factors Shaping Inflation Outlook

Potential Upsides

Escalation in tariffs or trade barriers could raise the cost of imported commodities, contributing to domestic inflation.

Prolonged or intensified geopolitical conflicts can disrupt global supply chains, leading to higher costs for imported goods such as crude oil and edible oil.

Frontloading of rate cuts- including 100 bps reduction in CRR and 50 bps cut in repo rate in June MPC meeting and surplus liquidity in the banking system may bring down the borrowing costs and boost credit demand in the economy, potentially leading to higher inflation.

Consumer spending and borrowing could receive a major boost in the coming months leading to a rise in core inflation which has already seen an upward movement in the recent months.

Any unfavourable weather conditions such as erratic, excess or deficient monsoon rainfall could adversely impact agriculture activities, reduce output and disrupt food supplies leading to higher food prices.

Potential Downsides

Projection of an above-normal monsoon is favourable for agriculture activity, while estimates of 2% rise in agri output in FY2026 ensures adequate food supply

Recent fall in international commodity prices, especially crude oil is expected to keep underlying price pressures subdued.

Slowdown in global growth and weak economic activity could dampen demand for commodities, resulting in lower input costs.

Inflation expectations, particularly among rural households is likely to moderate further due to falling food prices.

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The B2K team has experienced domain experts and industry practitioners who have provided such services and implemented solutions across institutions in different countries. As such, team members are experts in regulatory and management practices in these areas and have helped many clients in adopting best practices.

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