

Macroeconomics | First cut

Easy does it

July 2025

Food and fuel take retail inflation to six-year low

Consumer Price Index (CPI)-based inflation dropped further in June to 2.1% — the lowest since January 2019 — from 2.8% in May as food inflation turned negative and fuel inflation continued easing.

The food inflation settled at -1.1% — also the lowest since January 2019 — from 1.0% in May; fuel inflation slipped to 2.6% from 2.8% previously.

There was a pick-up in core inflation to 4.4% from 4.2% in May, driven by a broad-based uptick across various sub-categories, including surging gold inflation. Core remained below its decadal trend rate of 4.9%.

Among food items, pulses, vegetables, meat and fish, and spices continued to see deflation, while inflation in cereals eased sharply. According to Crisil Intelligence — Research's Thali Index, the cost of both vegetarian and non-vegetarian thalis fell in June, 8% and ~6% on-year, respectively, due to lower vegetable and broiler prices.

Based on the inflation trajectory and the outlook on agriculture and global oil and commodity prices, we expect headline inflation to average 4% this fiscal from 4.6% in fiscal 2025. The lower inflation gives the Reserve Bank of India's Monetary Policy Committee headroom for another rate cut this fiscal, apart from the 100 basis points pared so far.

Even as the Ministry of Agriculture's third advance estimates indicated a robust rabi harvest with record wheat, the India Meteorological Department forecast an above-normal monsoon¹. Rains have displayed a healthy momentum. As on July 13, the southwest rainfall was at 110% of the long-period average. Reflecting this, kharif sowing has remained healthy (increasing ~7% on-year and covering ~55% of the normal kharif sown area by July 11).

Healthy agricultural production is expected to keep food inflation in check this fiscal, provided rainfall is well-distributed and there are no weather-induced disruptions. Assuming geopolitical uncertainties do not escalate, Brent crude oil prices will likely remain subdued at \$60-65 per barrel, which should also help contain non-food inflation.

Data highlights

- CPI inflation slowed to 2.1% in June from 2.8% in May

¹ Of an above-normal monsoon of 106% of the long-period average for the season

-
- Food inflation eased significantly to -1.1% from 1.0% in April
 - Fuel² inflation eased to 2.6% from 2.8%
 - Core CPI³ inflation picked up to 4.4% from 4.2%
-

Food inflation turns negative

- Food inflation turned negative for the first time since February 2019 due to broad-based easing across almost all major categories. Sequentially, food prices declined 0.5% on-month (seasonally adjusted)
- Vegetable inflation declined to -19.0% from -13.7%, the lowest since October 2021. This was led by a sharper deflation in TOP prices — tomato (-31.5% vs -26.1%), onion (-26.6% vs -10.7%) and potato (-25.4% vs -20.3%) . Vegetables excluding TOP also saw continued deflation (-13.8% vs -11.0%). Sequentially, vegetable prices were down by a seasonally adjusted 2.5% on-month
- Inflation in foodgrains (pulses plus cereals) eased significantly to 0.4% — the lowest reading since April 2021 — from 2.0% in May
 - Deflation in pulses increased further to -11.8% (vs -8.2%) driven by a steeper decline in tur (-25.1% vs -19.6%) and moong (-5.0% vs -4.0%) prices
 - Cereals inflation eased to 3.7% from 4.8%, driven by rice (2.5% vs 3.9%) and wheat (5.4% vs 6.4%) from non-Public Distribution System sources
- Sugar inflation decelerated to 3.5% (vs 4.2%), easing for a second consecutive month
- Fruit inflation declined marginally to 12.6% from 12.7%, while deflation in spices picked up slightly (-3.0% vs -2.8%)
- Edible oils inflation, which has been a key pressure point for food inflation in the past few months, eased only marginally — to 17.8% from 17.9%. The halving in basic customs duty on key crude edible oils to 10% does not seem to have provided much relief yet
- Eggs were the only major food category to record an uptick in inflation to 2.6% from 0.6%

Fuel inflation declines...

- Fuel inflation declined to 2.6% from 2.8%, led by easing inflation in electricity and firewood and chips (the two categories with the highest weights in the fuel index) even as liquefied petroleum gas (LPG) inflation rose marginally
- Electricity inflation fell slightly (2.6% vs 2.7%) while firewood and chips inflation decreased significantly (2.4% vs 3.2%)
- That said, LPG inflation saw a marginal pick-up to 6.0% from 5.95%

² Refers to CPI fuel and light

³ CPI, excluding food and beverages, and fuel and light

...but core inflation picks up

- Core inflation picked up to 4.4% from 4.2%, driven by an uptick in inflation across various categories
- Inflation in personal care and effects continued to harden significantly (14.8% vs 13.5%) on the back of continued acceleration in gold inflation (36.0% vs 32.4%)
- Given a sustained increase in gold prices in the current uncertain global environment, core excluding gold could be a more reasonable metric to track the impact of demand-side factors on India's inflation⁴. While inflation as per this measure stood comparatively below the overall 'core' rate, it also indicated a pick-up in June (3.6% vs 3.4%)
- Inflation increased substantially in education (4.4% vs 4.1%) led by higher school and college tuition fees (5.4% vs 5.0%)
- Inflation in household goods and services (2.6% vs 2.5%) and health (4.4% vs 4.3%) picked up slightly
- Transport and communication inflation rose marginally to 3.90% from 3.85%

Rural poor continue to see lowest inflation rate

The effect of inflation varies across income groups since the share of spending on food, fuel and core categories differs for classes. Essential items, such as food and fuel, take up a greater share of the consumption basket for lower-income households.

Inflation in June affected various income groups in urban and rural areas as follows:

- Rural inflation eased substantially to 1.7% from 2.6% in May, as did urban inflation, to 2.6% from 3.1%
- The richest segments (top 20%) in both rural and urban areas faced a higher burden than their poorer counterparts since core items (the category having the highest inflation rate in June) comprised a larger portion of their consumption baskets
- The poorer segments are now seeing a lower inflation rate than the richest, in contrast to the trend in fiscal 2025 (refer to the table below)

CPI inflation across income classes (% on-year)

Income segment	June		May		FY25	
	Rural	Urban	Rural	Urban	Rural	Urban
Top 20%	2.2	2.6	2.9	3.2	4.9	4.1

⁴ June 2025, 'Gilded distortion: How the price of gold is affecting core inflation signals' Crisil Insight. Available at: <https://www.crisil.com/content/dam/crisil/our-analysis/reports/Research/documents/2025/06/gilded-distortion/gilded-distortion.pdf>

Middle 60%	1.5	2.0	2.5	2.8	5.1	4.4
Bottom 20%	1.3	1.6	2.3	2.6	5.1	4.4

Note: With data from the National Sample Survey Organisation (NSSO), Crisil has mapped the expenditure baskets of three broad income groups — bottom 20%, middle 60% and upper 20% of the population — with inflation trends. The table presents the average inflation faced by each income class.

Source: NSSO, National Statistical Office, CEIC, Crisil

Analytical contacts

Dharmakirti Joshi

Chief Economist
dharmakirti.joshi@crisil.com

Dipti Deshpande

Principal Economist
dipti.deshpande@crisil.com

Bhavi Shah

Economic Analyst
bhavi.shah@crisil.com

Media contacts

Ramkumar Uppara

Media Relations
Crisil Limited
M: +91 98201 77907
ramkumar.uppara@crisil.com

Roma Gurnani

Media Relations
Crisil Limited
M: +91 70662 92142
roma.gurnani1@ext-crisil.com

Sanjay Lawrence

Media Relations
Crisil Limited
M: +91 89833 21061
sanjay.lawrence@crisil.com

About Crisil

Crisil is a global, insights-driven analytics company. Our extraordinary domain expertise and analytical rigour help clients make mission-critical decisions with confidence.

Large and highly respected firms partner with us for the most reliable opinions on risk in India, and for uncovering powerful insights and turning risks into opportunities globally. We are integral to multiplying their opportunities and success.

Headquartered in India, Crisil is majority owned by S&P Global.

Founded in 1987 as India's first credit rating agency, our expertise today extends across businesses: Crisil Ratings, Crisil Intelligence, Crisil Coalition Greenwich and Crisil Integral IQ.

Our globally diverse workforce operates in the Americas, Asia-Pacific, Europe, Australia and the Middle East, setting the standards by which industries are measured.

For more information, visit [Crisil.com](https://www.crisil.com)

Connect with us: [LinkedIn](#) | [Twitter](#)