

# Macro Insights

12<sup>th</sup> March 2025

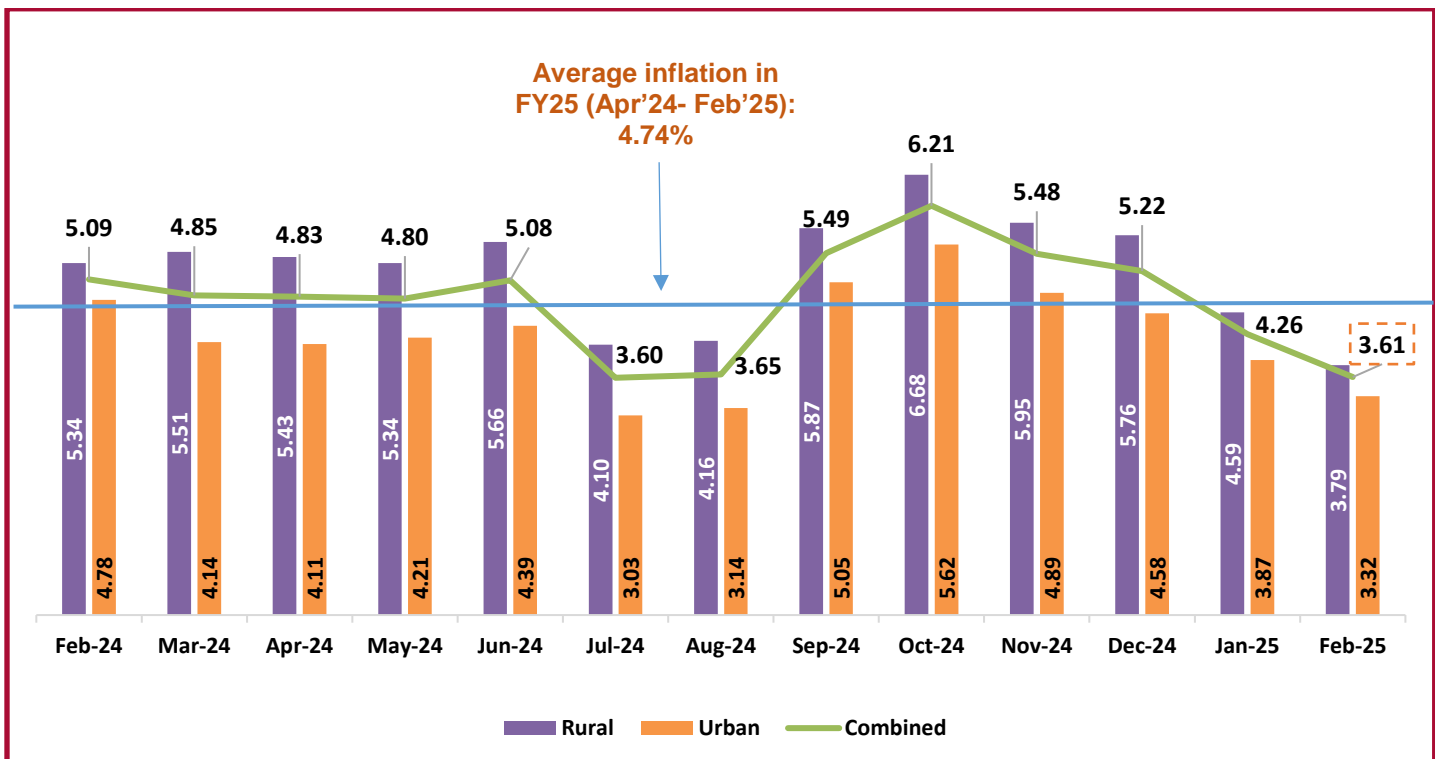
## CPI Falls to 7-Month Low of 3.61% in February 2025 – Fourth Consecutive Monthly Decline

Retail inflation measured by CPI dropped further to 3.61 per cent (provisional) in February 2025, falling from 4.26 per cent in January 2025 and 5.09 per cent in February 2024.

## Highlights

- India's retail inflation cooled further by 65 basis points (MoM) to 3.61% in February 2025, driven by a decline in food inflation from 5.97% in January to 3.75% in February 2025.
- Urban inflation fell from 3.87 per cent in January to 3.32 per cent in February 2025, while rural inflation fell from 4.59 per cent in January to 3.79 per cent in February 2025.
- While overall inflation moderated, the core inflation (excl. food and fuel & light) rose to 3.97 per cent in February 2025 from 3.71 per cent in January.

## Consumer Price Index (YoY% Change)



Source: MoSPI, PIB

### Components of CPI (YoY% Change)

	CPI	Food and beverages	Pan, tobacco and intoxicants	Clothing & footwear	Housing	Fuel & light	Miscellaneous
<b>Weight</b>	<b>100</b>	<b>45.86</b>	<b>2.38</b>	<b>6.53</b>	<b>10.07</b>	<b>6.84</b>	<b>28.32</b>
<b>Feb-24</b>	5.09	7.76	3.12	3.14	2.88	-0.77	3.63
<b>Dec-24</b>	5.22	7.69	2.49	2.74	2.71	-1.33	4.19
<b>Jan-25</b>	4.26	5.68	2.30	2.68	2.82	-1.49	4.35
<b>Feb-25</b>	<b>3.61</b>	<b>3.84</b>	<b>2.39</b>	<b>2.68</b>	<b>2.91</b>	<b>-1.33</b>	<b>4.78</b>

Source: MoSPI, CMIE

### Views & Analysis

- The significant decline in headline inflation (of 65 bps) and food inflation (of 222 bps) in February over January 2025 is mainly attributable to a continued decline in inflation of Vegetables, Cereals & Products, Egg, Fish & Meat, Milk & Products and Pulses & Products.

### Components of Food Inflation (YoY% Change)

	Food	Cereals and products	Egg, fish and meat	Milk and products	Oils and fats	Fruits	Vegetables	Pulses and products	Sugar and condiments	Spices
<b>Weight</b>	39.06	9.67	4.04	6.61	3.56	2.89	6.04	2.38	1.36	2.5
<b>Sep-24</b>	9.24	6.84	2.96	3.03	2.53	7.65	36.04	9.81	3.46	-6.13
<b>Oct-24</b>	10.87	6.94	3.33	2.97	9.57	8.43	42.23	7.38	2.57	-7.01
<b>Nov-24</b>	9.04	6.88	4.69	2.85	13.28	7.68	29.37	5.41	1.31	-7.43
<b>Dec-24</b>	8.39	6.51	5.46	2.80	14.60	8.60	26.56	3.83	0.23	-7.41
<b>Jan-25</b>	5.97	6.24	4.84	2.85	15.64	12.16	11.35	2.55	0.31	-6.85
<b>Feb-25</b>	<b>3.75</b>	<b>6.10</b>	<b>1.60</b>	<b>2.68</b>	<b>16.36</b>	<b>14.82</b>	<b>-1.07</b>	<b>-0.35</b>	<b>2.16</b>	<b>-5.85</b>

Source: MoSPI, CMIE

- Component wise breakup of inflation reveals that the moderation in overall CPI inflation is driven by a fall in food inflation, which carries the highest weight. In February 2025, food inflation was 3.75% - lowest in the last 21 months, with the previous low being 3.35% in May 2023.
- While overall food inflation has moderated, certain components continue to experience elevated prices. Oils and fats saw a significant rise to 16.36%, the highest level since April 2022, while fruit prices surged to a record high of 14.82%. Additionally, sugar and condiments have also seen a rise in February compared to January 2025.
- Core inflation, which excludes food and fuel & light groups, rose to 3.97% in February 2025, marking the highest level in the past 15 months. This increase is attributed to higher YoY inflation in gold (35.56%) and silver (30.89%).
- In February 2024, the RBI reduced policy rates by 25 bps due to the ongoing moderation in consumer prices since October 2024. With consumer prices continuing to decline over the past two months, the RBI's MPC is likely to consider another 25 bps cut in April 2025.
- Retail inflation is expected to be around 3.9 per cent in Q4 FY25 and around 4.7 per cent for the entire FY25, staying well within the RBI's tolerance band of 2-6 per cent. Average inflation in the 11-month period from Apr'24 to Feb'25 stood at 4.74 per cent.

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