

Economic Research | India

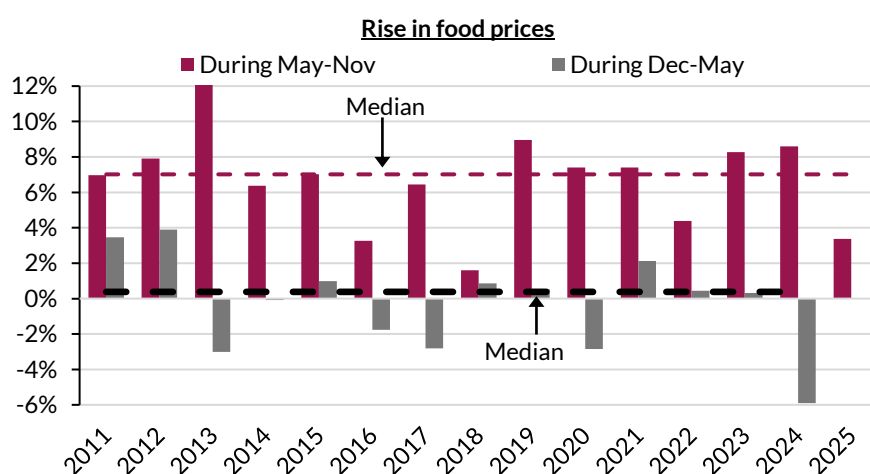
Inflation did not surprise to the downside, but still too low (large slack)

November CPI rose to 0.7% YoY from October's record low (0.25%), and for the first month in many, did not miss consensus and MPC forecasts. But it remains too low. The below-seasonal May-Nov-24 food price movement is now out of the base. Markets may now focus on weather-driven supply shocks. But core inflation, flattish at 4.3%, was below 3% ex- precious metals (and has been sub-4% for 2 years now), due to GST pass-through and subdued wage growth. A new CPI series from Feb-26 will revise weights, (lower food, incorporating e-commerce and new rent). We expect the MPC to hold rates in Feb-26.

December 12, 2025

Consumer inflation tracker

Exhibit 1 - Food deflation to moderate going forward; supply side shocks key



Source: CEIC, Axis Bank Research

November retail inflation rebounds from Oct lows, the pickup remains muted

Nov inflation at 0.7% YoY recovered from the lowest print in this inflation data series (0.25% in Oct-25) and was in-line with consensus and MPC for the first month in many. It remains too low for comfort, though, driven by: (i) weak food inflation, concentrated in vegetables, pulses and spices (Fig 4); (ii) weaker core goods inflation as GST cuts are passed through (Fig 6); and (iii) core services inflation (excl. rent) at 3.4% YoY, likely due to weak wage growth.

Core inflation flattish at 4.3%, elevated only due to precious metals/ornaments

As we have highlighted earlier ([link](#)), underlying price pressures have been running below 4% for ~2 years now. Our preferred indicator suggests that demand side inflation is at 2.8% (Fig 3). Core inflation seems elevated at 4.3% due to the price surge in gold, silver, and ornaments. Prices of most of non-food items are growing well below 4% (Fig 5).

New inflation series to be released in Feb-2026

The MoSPI will release the new CPI series based on HCES 2023-24 from Feb 2026 thus revising the CPI weights in 2026 - this would mean overall lower weight of food in the overall basket. The new basket will include price data from e-commerce platforms for retail sales, and web portals for airfares and telecom services and likely capture rents better ([link](#)).

MPC likely to stay on hold in Feb-2026

We expect the MPC to stay on hold in Feb-26 ([link](#)): among other factors, CPI is no longer undershooting forecasts. Rates markets too are pricing in the end of the monetary easing cycle, based on the possibility of a supply side shock to the agriculture economy (unseasonal rainfall, temperature volatility) that may potentially hit production adversely and send food prices soaring again. Other risks include recent increase in import duties on pulses ([link](#)), though this seems a defensive measure and can be reversed if prices rise.

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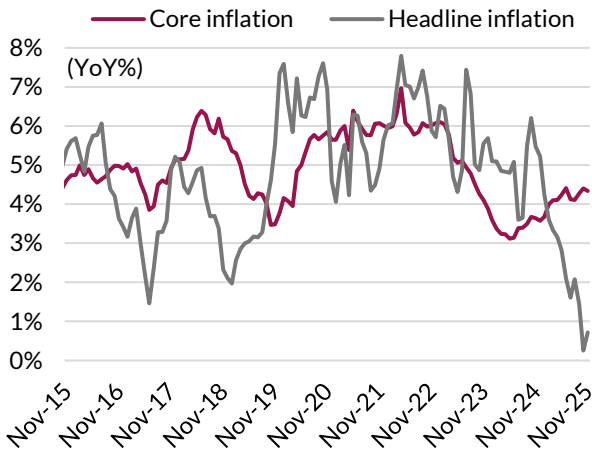
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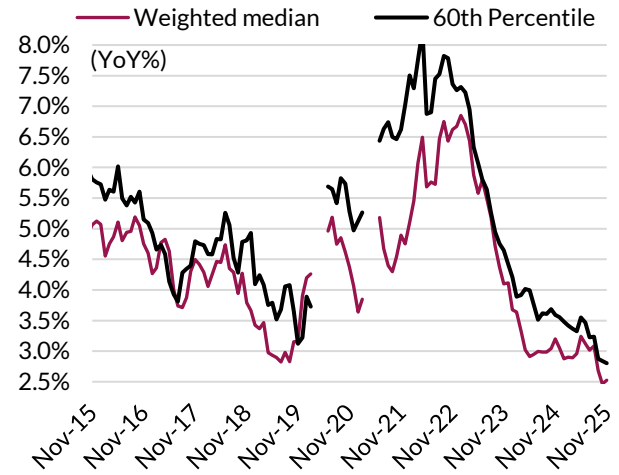
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Exhibit 2 - Headline inflation rebounds vs. Oct lows, core inflation inches lower by 7bps



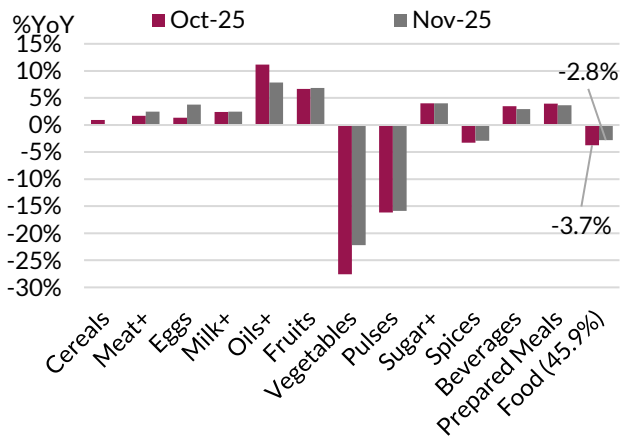
Source: CEIC, Axis Bank Research

Exhibit 3 - Our measures of demand inflation suggest underlying price pressures growing at 2.8% pa



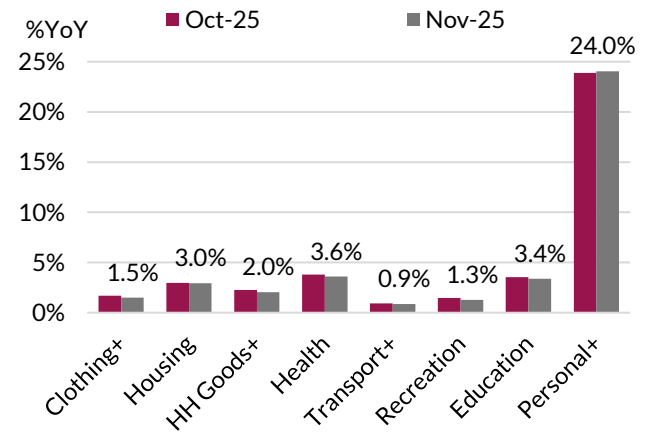
Source: CEIC, Axis Bank Research

Exhibit 4 - Food prices fell 2.8% YoY in Nov-25: Veg/pulses key drivers of the disinflationary trend



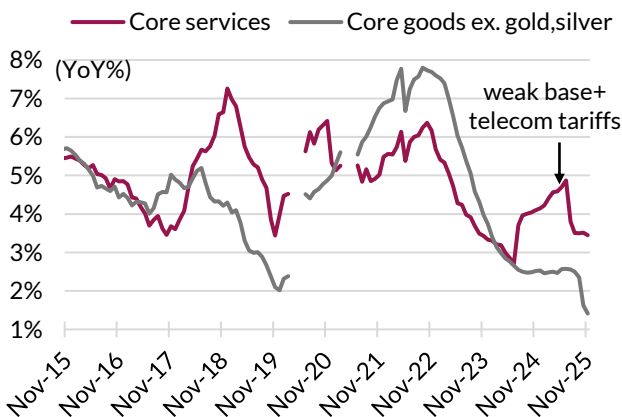
Source: CEIC, Axis Bank Research

Exhibit 5 - Inflation in most non-food categories below 4%; inflation in 'personal+' explained by surge in gold/silver prices



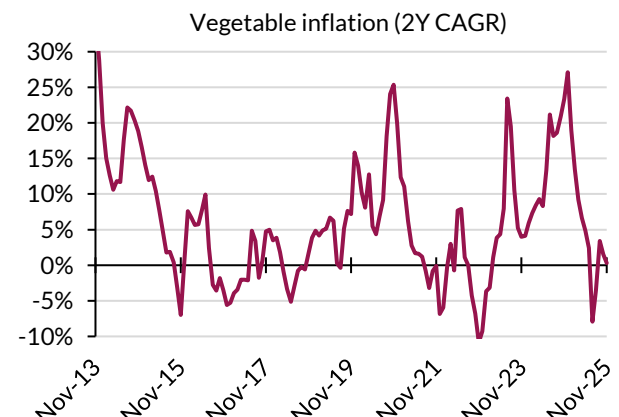
Source: CEIC, Axis Bank Research

Exhibit 6 - GST cuts + China → weak core goods inflation



Source: CEIC, Axis Bank Research

Exhibit 7 - Absent supply shocks, vegetable inflation may remain moderate



Source: CEIC, Axis Bank Research

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