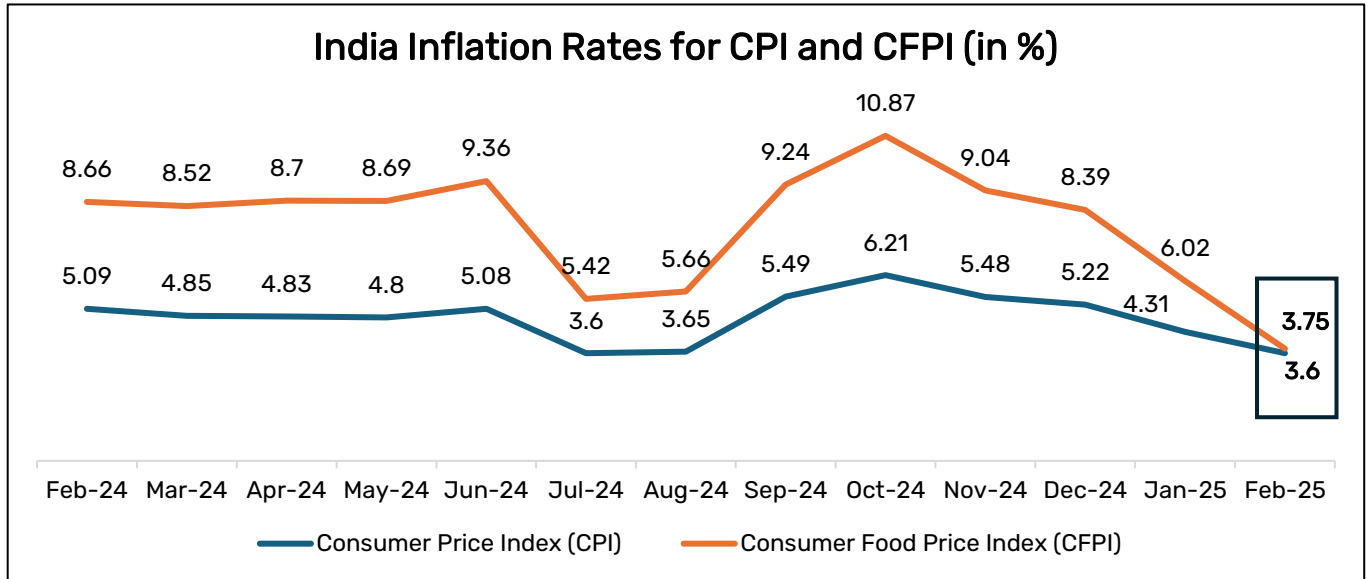


12th March 2025

India's Inflation Eases to 3.61%, marking a 7-Month low



- India's retail inflation eased to a seven-month low of 3.61% in February, down from 4.31% in January, as food inflation slowed.
- Rural inflation eased to 3.79% compared to 4.59% in January, while urban inflation too showed moderation at 3.32% as against 3.87% the previous month.
- The decline in overall inflation has been driven by easing food inflation, supported by the arrival of fresh winter produce in local markets.

Further Rate Cuts?

- The risk of imposition of tariffs by the U.S. could impact supply chains, raise import costs, and add to inflationary pressures, prompting the RBI to remain cautious on monetary policy. With supply-side challenges persisting, the scope for an extended rate cut cycle seems unlikely. At that, a resurgence in food inflation due to early summer and heatwaves could limit RBI's easing.
- Having said that, the CPI inflation at 3.6%, is well within the comfort zone and is significantly lower than the previous 4.3%. This has provided room for the RBI to consider policy easing. Additionally, GDP growth remains below the historical trend at 6.2%, and thus further strengthens the case for policy support.
- On that account, given the moderating inflation and a fiscally prudent Budget for FY26, **we expect a 25 bps rate cut in April** to boost demand.

Source: RBI, Internal

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