Data Preview: September inflation

India Economy | Update

October 07, 2025

CPI seen at 1.4% and WPI at 0.43% in Sep-25

Key Points

- CPI inflation is expected to moderate to 1.4% in Sep-25 from 2.1% in Aug-25, led by decline in vegetable prices, particularly tomatoes.
- CPI – Food & Beverage inflation is likely to decline 1.26% YoY in Sep-25 vs. a 0.05% increase in Aug-25.
- Core CPI is likely to inch up to 4.26% in Sep-25 from 4.11% in Aug-25, largely owing to higher gold prices.
- WPI inflation expected to moderate to 0.43% in Sep-25 vs. 0.52% in Aug-25 on a higher base. Core WPI inflation is likely to move up marginally to 1.89% in Sep-25 from 1.83% in Aug-25.
- We expect a 25bps rate cut in December from the RBI with the possibility of cumulative rate cuts of 50bps over the next two meetings. We see downside risk to our inflation estimate of 2.5% and RBI's estimate of 2.6%.

CPI seen at 1.44% and Core CPI at 4.26%: CPI inflation is expected to moderate to 1.4% in Sep-25 from 2.1% in Aug-25, led by decline in vegetable prices, particularly tomatoes. CPI – Food & Beverage inflation is likely to decline 1.26% YoY in Sep-25 vs. a 0.05% increase in Aug-25. We estimate a 3.5%MoM decline in vegetable prices led by a 20% MoM decline in tomatoes. Pulses prices continue to see decline while prices of cereals are inching up. Oil & fats also continue to see modest increase on a MoM basis. Core CPI is likely to inch up to 4.26% in Sep-25 from 4.11% in Aug-25, largely due to higher gold prices. Gold prices rose 11.55% MoM.

WPI inflation seen at 0.43% in Sep-25: WPI inflation is expected to moderate to 0.43% in Sep-25 vs. 0.52% in Aug-25 on a higher base and continued decline in food prices. WPI-food articles inflation likely declined 4.6%YoY in Sep-25 vs. a 3.1% decline in Aug-25. Core WPI inflation is likely to move up marginally to 1.89% in Sep-25 from 1.83% in Aug-25, led by higher metal prices despite a low base. The Bloomberg CRB commodity index declined 0.58% MoM. Overall, commodity prices remain range bound. Consequently, WPI inflation is likely to remain muted and well under 1% in FY26.

RBI likely to cut rate by 25bps in December: We expect a 25bps rate cut in December from the RBI with the possibility of cumulative rate cuts of 50bps over the next two meetings. Continued easing by the US Fed also bolsters the case for further easing by RBI. We see downside risk to our inflation estimate of 2.5% and RBI's estimate of 2.6%. Despite unseasonal rains, food prices (particularly vegetables) remain benign. The reduction in GST is also disinflationary.

Key Macro Forecasts

Particulars	FY24	FY25	FY26F
GDP (% YoY)	9.2	6.5	6.5
GVA (% YoY)	8.6	6.4	6.4
Agriculture (% YoY)	2.7	4.6	4.0
Industry ex. construction (% YoY)	11.0	4.5	5.9
Services incl. construction (% YoY)	9.2	7.5	7.2
CPI (average)	5.4	4.7	2.5
WPI (average)	-0.7	2.3	1.0
Interest rates-Repo (fiscal year end)	6.50	6.25	5.25
Fiscal deficit (% of GDP)	5.6	4.8	4.4
Current account balance (% of GDP)	-0.7	-0.6	-0.5
INR/USD (average)	82.8	84.5	88.0
10 year yields (average)	7.16	7.0	6.5
Crude oil price (US$/bbl average)	82.1	77	65

Source: CSO, CEIC, Nirmal Bang Institutional Equities Research

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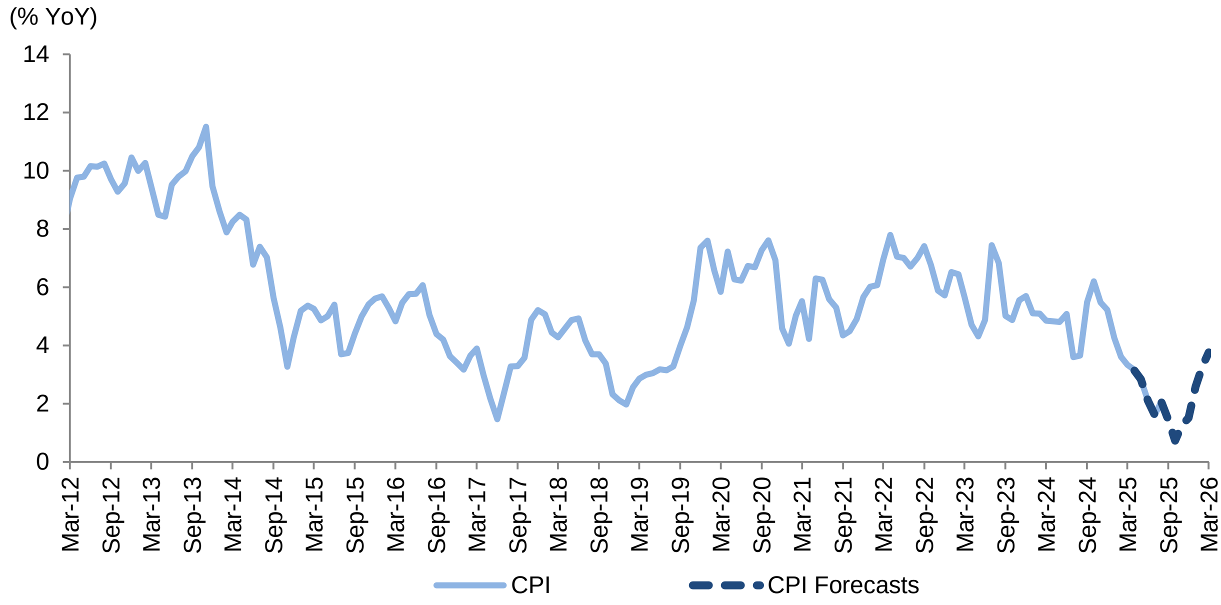
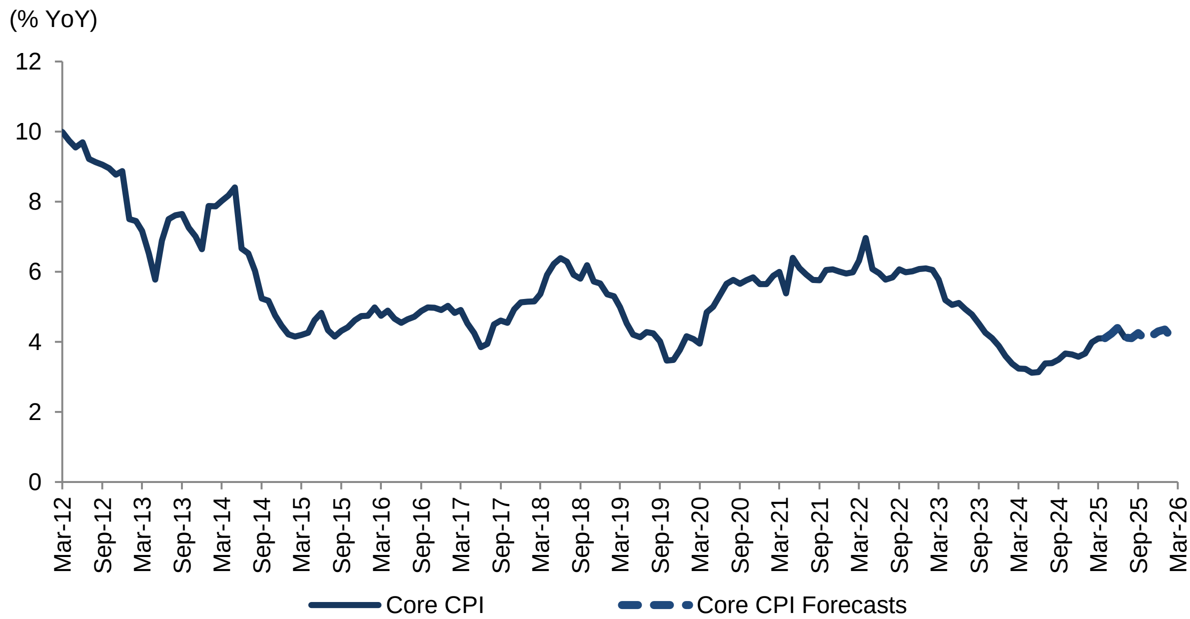
Exhibit 1: CPI likely to average ~2.5% or below in FY26



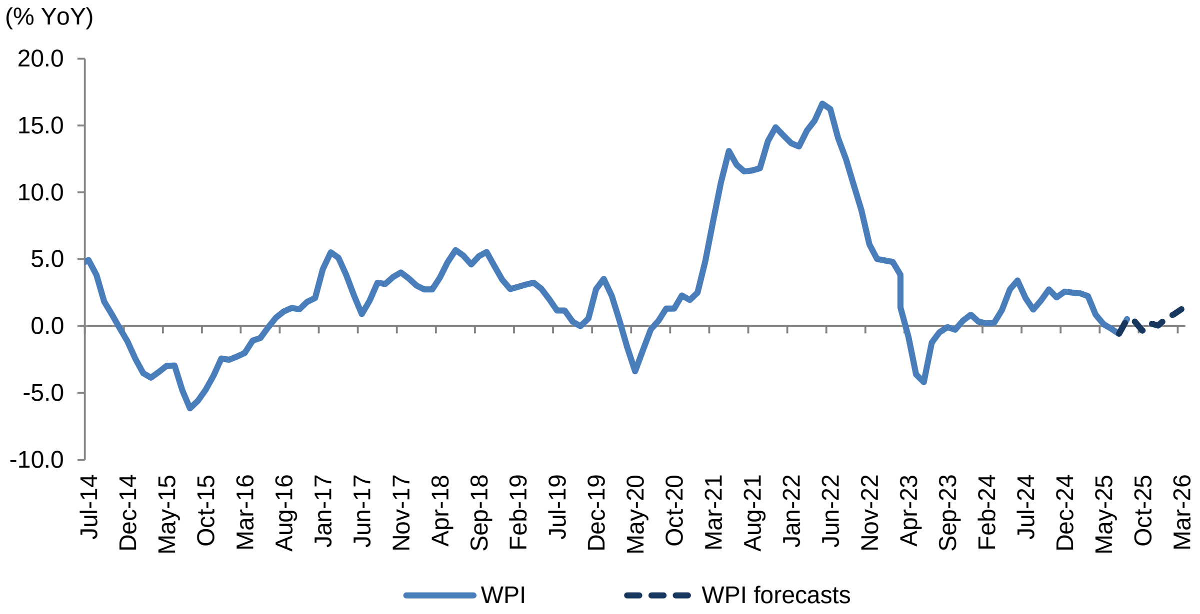
Source: MoSPI, CEIC, Nirmal Bang Institutional Equities

Exhibit 2: Core CPI inching up largely due to gold prices



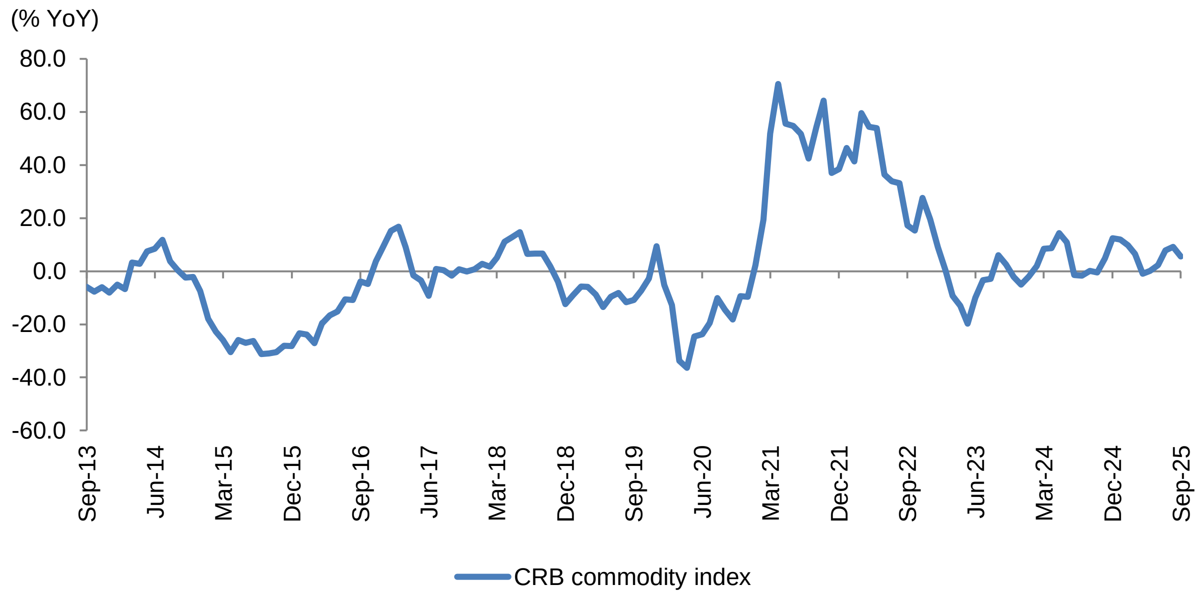
Source: MoSPI, CEIC, Nirmal Bang Institutional Equities

Exhibit 3: WPI inflation seen under 1% in FY26



Source: CEIC, Ministry of Commerce & Industry, Nirmal Bang Institutional Equities

Exhibit 4: Commodity prices remain range bound



Source: Bloomberg, Nirmal Bang Institutional Equities

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BUY > 15%

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SELL < -5%

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