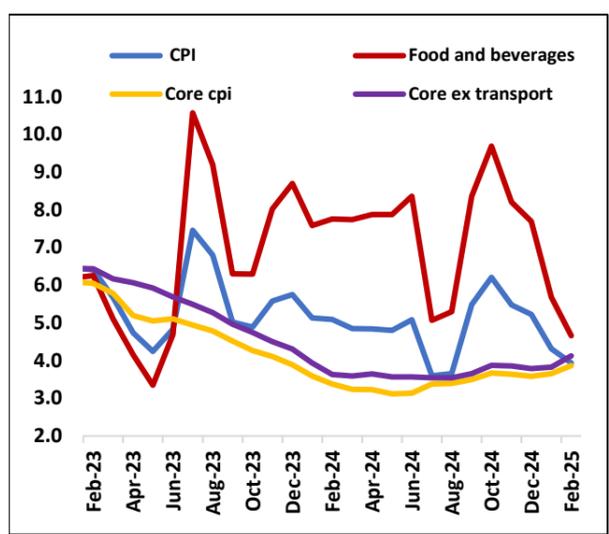


**February CPI likely clocked 3.94% led by continued cooling in vegetable prices**

- We estimate the headline inflation to slow down further to 3.94% in Feb'25 as against 4.31% in January'25 on account of further easing in vegetable prices, especially OPT (onion, potato & tomato). On the other hand, Core CPI, in our opinion, edged up to 3.87% from 3.66% in Jan'25 as the rally in gold prices continues (refer fig. 1). Fuel CPI remained deflationary for the 18<sup>th</sup> consecutive month (refer fig. 2). CPI ex-vegetables also has inched up to 3.94% from 3.83% in Jan'25 (refer fig 2 & 4).
- As asserted in our previous research reports (pl refer [Our MPC policy report](#)), we continue to believe that Q4 FY25 CPI is tracking close to 4% vis-à-vis MPC 's projection of 4.5%. Hence, we maintain our call of repeat of 25bps rate cut in April MPC meeting as part of monetary policy support to aid growth outlook.

**Fig 1 CPI to ease to 3.94% in Feb'25; % y/y**



Source: CEIC, UBI Research

**Food inflation likely slid further in Feb'25 on seasonal easing in price pressures**

- **Robust kharif production and seasonal winter correction** in the prices of vegetables has been instrumental in bringing the food inflation further down in Feb'25. Food inflation has probably touched a twenty-one-month low of 4.66% in Feb'25 as on-the-ground (OTG) prices of vegetables and pulses are seen corrected further during the month even though prices of edible oils and sugar are seen firming up during the period (refer fig 5). CPI has likely cooled down for fourth consecutive month and touched a six-month low on seasonal correction in vegetables index from 218 levels in Jan'25 to 203 levels in Feb'25, slightly higher than 195.5 level observed in Feb'24 (refer fig 3). Food inflation has probably come below the 5% levels for the first time after June'23. More importantly, m/m food inflation continues to be in negative zone for fourth consecutive month, coinciding with the onset of winter months. This is again mainly attributed to a sharp decline in vegetables prices; y/y vegetables CPI has fallen from 11.35% in the month of Jan'25 to as low as 3.89% in Feb'25, lowest in 16 months.
- **On the contrary, CPI ex-vegetables inflation has edged up** to ~4% levels from 3.83% last month. Meanwhile, edible oils CPI on y/y basis continues to remain elevated in double digits at 16.48% (34-month highs). Interestingly, fruits CPI too continues to be in double digits for second consecutive month and has touched a multi-year high of 13.61%. The highlight of the Feb'25 inflation data could be the pulses' inflation which probably has come down to a 32-month low of 0.04% y/y, sharply down from the post-covid peak seen in Dec'23 (20.73%).
- **Sharp slide in vegetable prices augurs well** for CPI trends as the Feb print is expected to fall within the upper limit of RBI's tolerance band of 2-4% and probably will follow suit in March. The assumption is further strengthened by the fact that area sown during rabi season 2024-25 is 1.5% higher as compared to last year (RBI Bulletin, Feb'25) within which wheat accounting for nearly half of the area grew by 2.1%. There is, however, a risk of supply disruption caused by above normal temperatures in March in many parts of the country, as has been predicted by IMD, and this could adversely affect the prices.

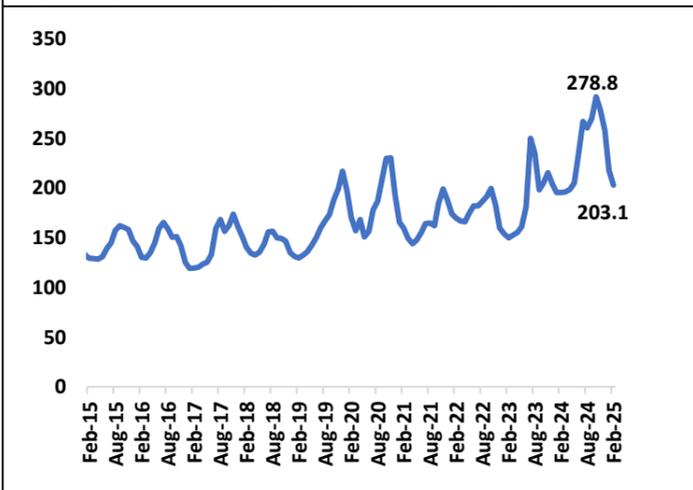
**Fig 2: CPI table; % y/y**

Y/Y, %	CPI	Food	Fuel	Core	Core Ex Transport
Apr-24	4.8	7.9	-4.0	3.2	3.6
May-24	4.8	7.9	-3.7	3.1	3.6
Jun-24	5.1	8.4	-3.6	3.1	3.6
Jul-24	3.6	5.1	-5.5	3.4	3.5
Aug-24	3.7	5.3	-5.3	3.4	3.5
Sep-24	5.5	8.4	-1.3	3.5	3.6
Oct-24	6.2	9.7	-1.7	3.7	3.9
Nov-24	5.5	8.2	-1.8	3.6	3.9
Dec-24	5.2	7.7	-1.3	3.6	3.8
Jan-25	4.3	5.7	-1.4	3.7	3.8
Feb-25	3.94	4.66	-0.98	3.87	4.13

Source: CEIC, UBI Research

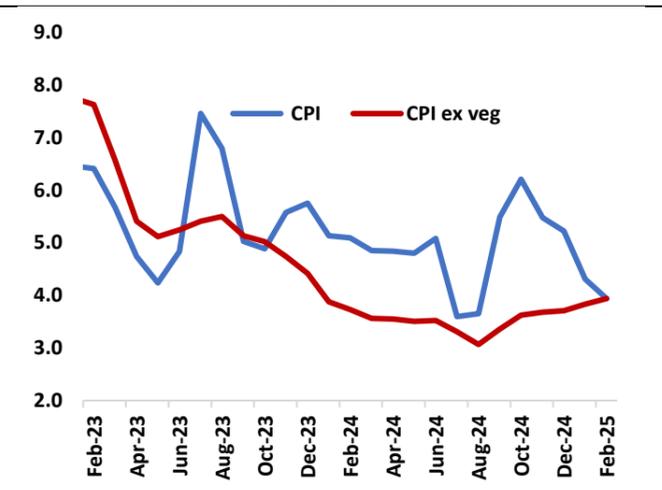
Note: Figures for Feb'25 in all the charts/tables are our projections

**Fig 3: Vegetables index probably declined as prices correct**



Source: CEIC, UBI research

**Fig 4: CPI ex veggies likely edged up to ~4%; % y/y**



By:

Kanika Pasricha  
[kanika.pasricha@unionbankofindia.bank](mailto:kanika.pasricha@unionbankofindia.bank)

Nidhi Arora  
[nidhiarora@unionbankofindia.bank](mailto:nidhiarora@unionbankofindia.bank)

Jaya Laxmi Sarepalli  
[s.jayalaxmi@unionbankofindia.bank](mailto:s.jayalaxmi@unionbankofindia.bank)

**Fig 5: On-the-ground (OTG) prices indicate a segment specific continued decline in food prices in Feb too**

% Change in Price (m/m)	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25
Cereals	-0.03	0.20	0.64	-0.40	-1.67	-0.42	0.55	0.82	-0.32	-0.17	0.02
Pulses	0.69	1.67	2.56	1.86	-1.09	-0.59	0.02	-0.24	-1.47	-2.37	-4.02
Oils	0.15	-0.13	0.49	-0.14	-1.92	1.73	8.53	3.59	1.06	0.09	0.18
Vegetables*	4.35	4.06	16.61	29.43	-7.09	0.42	13.52	-4.03	-8.58	-22.87	-15.48
Milk	0.19	0.07	0.55	0.34	0.02	-0.89	0.09	-0.02	0.22	-0.24	-0.60
Sugar	0.11	0.54	0.49	0.18	-0.09	-0.25	0.40	0.11	-0.53	-0.13	1.05

\*OPT (Onion, potato, tomato); Source: Ministry of Consumer Affairs, UBI research

**Core inflation probably continued to edge up on rallying gold prices**

- Core inflation has probably firmed up further from 3.66% in Jan'25 to 3.87% in Feb'25 as gold prices continue to rally. Resultantly, y/y personal care inflation has jumped from 10.58% in Jan to 13.34% in Feb. Meanwhile, y/y core ex-transport has also edged up from 3.83% to 4.13%.
- Vegetable prices are expected to remain subdued next month too and are likely to keep the CPI subdued except for the IMD warning for above normal temperatures in many parts of the country in the month of March. Our Q4-FY25 CPI estimate is tracking at about ~4% level with an upside risk posed by warm weather and/or sharper than expected rally in gold and commodity prices. We maintain our projection of 4.7% CPI in FY25 vis-à-vis 5.4% in FY24.

### Jan'25 IIP likely inched up to 3.7% YoY

- **Industrial production growth**, as indicated by IIP, likely inch-up to 3.7% YoY in Jan'25, from 3.2% in previous month and 4.2% in Jan'24, due to improvement in overall industrial activities.
- **High frequency indicators for Jan'25** showed broad-based optimism in January. While India's merchandise exports contracted by 2.4% y/y in Jan'25, merchandise imports were up 10.3%. E-way bills rose by 23.1% y/y in January, and toll collections recorded strong growth both in volume and value terms. Wholesale automobile sales experienced a turnaround in January, registering a growth of 2.5 % y/y, following two months of contraction with two-wheeler segment also witnessing a recovery. Tractor sales recorded double digit growth for the second consecutive month. Vehicle registrations recorded an expansion in January. Petroleum consumption expanded by 3.1% y/y in January.
- **Core sector which has 40% contribution in IIP**, slowed to 4.6% in Jan'25, while it grew by 4.8% in Dec'24. Six components of the eight core sectors, coal, refinery products, fertilizers, electricity, steel and cement, improved in Jan on y/y. Whereas, coal recorded a sharp increase of 6.8% m/m in Jan'25, supporting the broad-based recovery in industrial production numbers. Electricity demand is seen to report 3.6% m/m growth in Jan'25, even as it slowed sharply on a YoY basis to 1.4%.
- **From a use-based perspective**, consumer non-durables are to see a sequential pickup on sustained recovery in rural demand. Meanwhile, urban demand, as indicated by consumer durables, would also observe recovery in January amid improvement in overall growth sentiments in the economy.
- **Infrastructure/construction goods to grow moderately** in January showed sequential growth of 3.5% m/m. Capex growth from Government for the month of Jan'25 stayed elevated at 51% Y/Y signalling central government's efforts to continue to push growth as key policy priority. However, capex on a FYTD basis (Apr-Jan'25) grew by only 5% when compared to same period previous year.
- **Going forward, given the recovery clocked in GDP in Q3 FY 2024-25 and expansionary fiscal support announced in Budget, we expect IIP growth to edge up in the coming months even as it likely stays in single digits.** Also, support on the back of pick up in govt. spending and recovery in consumer demand (especially rural) to support the industrial sector in Q4. However, impact of global macro uncertainty under Trump 2.0, needs close watch. Nevertheless, we see a salutary effect from start of monetary policy easing cycle and resilient move from policy-makers to deal with global headwinds.

Fig 6: IIP growth likely improve in Jan'25; % y/y

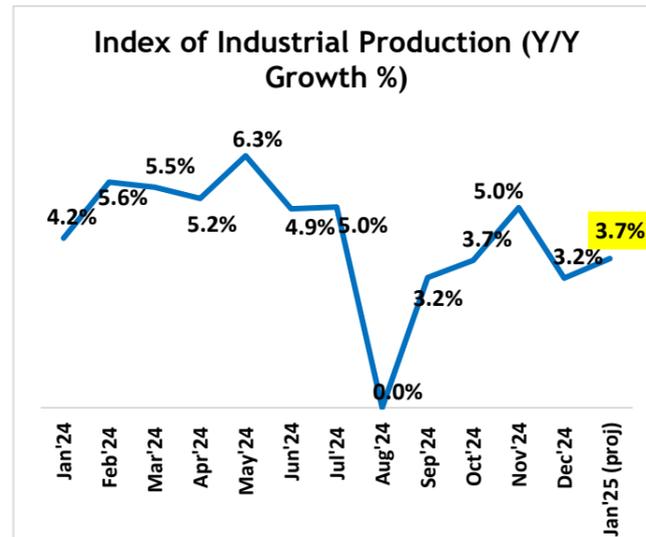


Fig 7: Mining and manufacturing sector probably recovered in January;

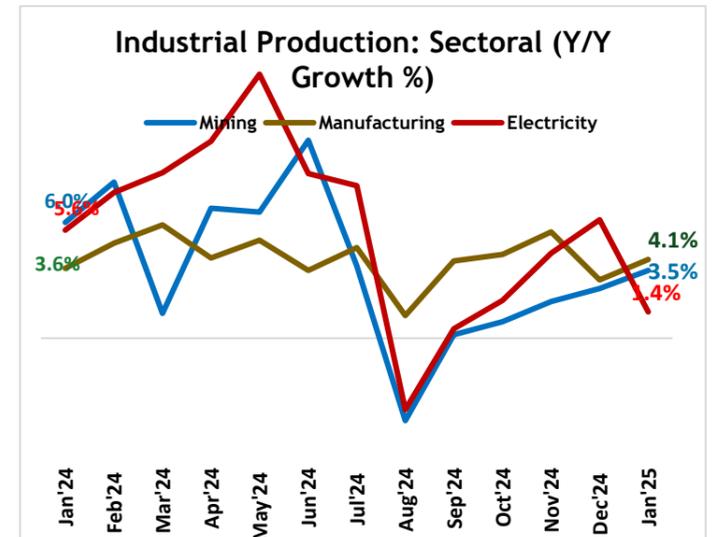


Fig 8: Consumer non-durables along with manufacturing and mining were likely prime drivers of IIP growth

Industrial Production: Sectoral				
Sector	Weight	YoY Growth %		
		Nov'24	Dec'24	Jan'25 (Est)
Mining	14.4	1.9%	2.6%	3.5%
Manufacturing	77.6	5.5%	3.0%	4.1%
Electricity	8.0	4.4%	6.2%	1.4%
Industrial Production: Use-based				
Primary goods	34.0	2.7%	3.8%	4.2%
Capital goods	8.2	8.8%	10.3%	6.6%
Intermediate goods	17.2	4.8%	5.9%	2.2%
Infrastructure / Construction Goods	12.3	8.1%	6.3%	6.3%
Consumer durables	12.8	14.1%	8.3%	3.2%
Consumer non-durables	15.3	0.4%	-7.6%	1.7%

Source: CEIC, UBI Research

Note: Figures for January are our estimates

Banking Research Team	
Kanika Pasricha Chief Economic Advisor	kanika.pasricha@unionbankofindia.bank
Suneesh K	suneeshk@unionbankofindia.bank
R Gunaseelan	gunaseelan@unionbankofindia.bank
Nidhi Arora	nidhiarora@unionbankofindia.bank
Rajesh Ranjan	rajeshranjan@unionbankofindia.bank
Amit Srivastava	asrivastava@unionbankofindia.bank
Jovana Luke George	jovana.george@unionbankofindia.bank
Dhiraj Kumar	dhirajkumar@unionbankofindia.bank
Akash Deb	akash510@unionbankofindia.bank
Rohit Yarmal	rohitdigambar@unionbankofindia.bank
Shreyas Bidarkar	shreyas.bidarkar@unionbankofindia.bank
S. Jaya Laxmi	s.jayalaxmi@unionbankofindia.bank

**Disclaimer:**

*The views expressed in this report are personal views of the author(s) and do not necessarily reflect the views of Union Bank of India. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Union Bank of India and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability regarding the same.*