

Fig 1: CPI eases to 3.34% in March'25; % y/y

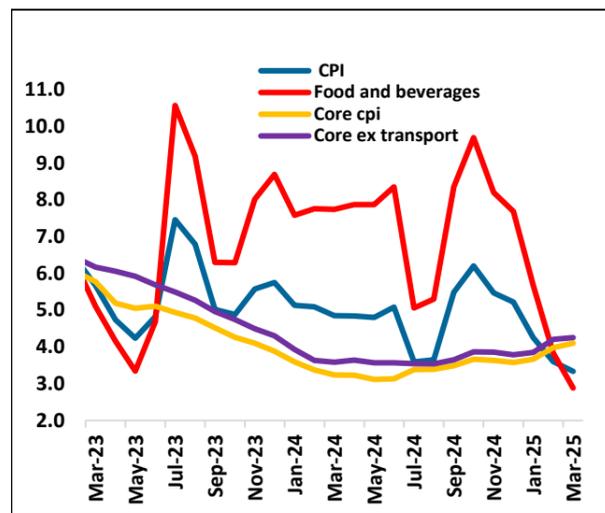


Fig 2: CPI ex-veggies edged up to 4.04%; % y/y

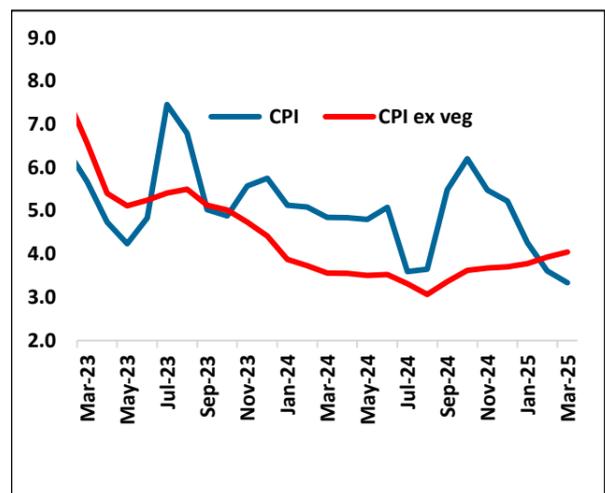


Fig 3: CPI trends at a glance

% y/y	2023-24	2024-25	2025-26 (MPC-P)	2025-26 (UBI-P)
Q1	4.6	4.9	3.6	4.3
Q2	6.4	4.2	3.9	4.3
Q3	5.4	5.6	3.8	3.8
Q4	5.0	3.7	4.4	4.1
Full Year	5.4	4.6	4.0	4.1*

Source: RBI, CEIC, UBI Research

*runs an upside risk from any weather disruptions and/or global uncertainties

March CPI prints 3.34%, lowest since August, 2019

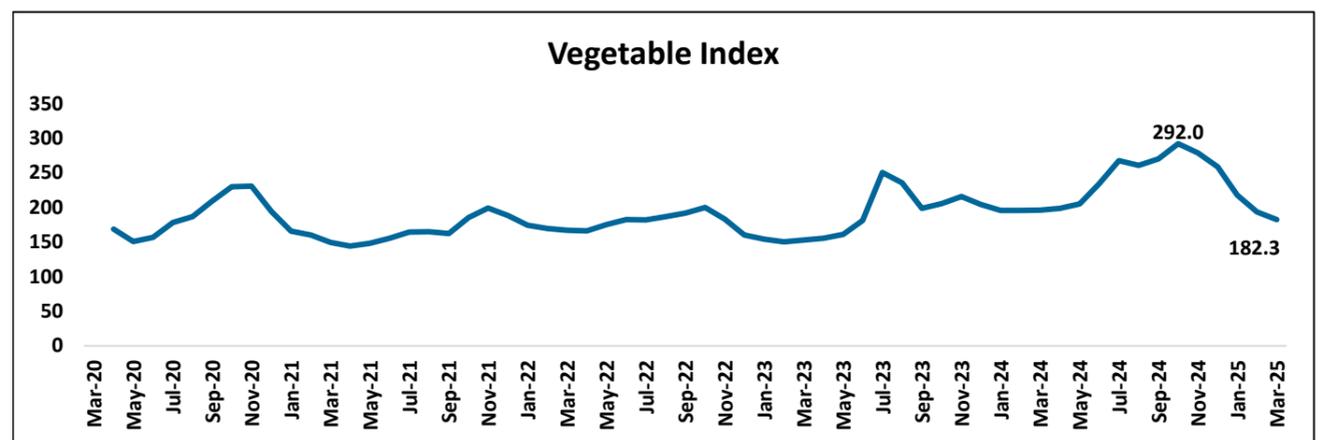
The headline inflation clocked 3.34% in March'25, registering a decline of 27 bps from 3.61% in Feb'25 and close to our projection of 3.46% (please refer our [Data preview March'25](#)) vis-a-vis consensus estimate of 3.50%. More importantly, Core CPI, in line with our expectations, inched up to 4.10% on back of extended rally in gold prices from 3.98% in Feb'25 (refer fig.1). Fuel CPI turned positive (1.48% y/y) after staying in contraction zone for eighteen months (refer fig. 9). Veggies were the prime driver of cooling in inflation as CPI ex-vegetables edged up to 4.04% from 3.93% last month.

Food inflation cools sharply to sub 3% as expected

Seasonal correction in vegetable prices persisted in March as well, albeit at a slower pace even as the winter season drew to a close. On the ground (OTG) prices of main vegetables like onion, potatoes and tomatoes (OPT) slid about 6.38% in the month of March (refer fig.5) keeping the overall vegetable inflation in check. Robust rabi crop continued to flood the markets across the country, in the month of March prompted the vegetables index to fall to 182.3 levels (refer fig.4) keeping a lid on vegetables inflation. Y/y vegetable inflation in March was negative for the second consecutive month at -7.04%. Other than vegetables, inflation in other food items like pulses, spices, and eggs was also negative y/y. Pulses' inflation at -2.7% was the lowest since August'19. Sugar, as expected continued to firm up to 3.89% while edible oils and fruits continued their upward march to clock 17% and 16.3% inflation y/y. Inflation in cereals, meat & fish, milk moderated slightly while non-alcoholic beverages and prepared meals firmed up during the month. With this, food inflation at 2.88% in the month of March registered its lowest since November'21.

CPI ex-veggies however, continued to firm up and recorded 4.04% y/y inflation, highest in 15 months (refer fig. 2). On the ground food prices as indicated by MCA indicate extended fall in vegetables, cereals, pulses prices even in the month of April'25 while edible oils, milk and sugar are seen in upward trajectory (refer fig.5).

Fig 4: Vegetable Index continues to drop to 21-month lows in March'25 in line with our expectations



Source: CEIC, UBI Research

Fig 5: On-the-ground prices indicate a continued decline in food prices in April 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	Mar-25	Apr-25**
Cereals	0.03	0.20	0.64	-0.40	-1.67	-0.42	0.55	0.82	-0.32	-0.17	0.02	-0.03	-0.81
Pulses	0.69	1.67	2.56	1.86	-1.09	-0.59	0.02	-0.24	-1.47	-2.37	-4.02	-2.95	-1.84
Oils	0.15	-0.13	0.49	-0.14	-1.92	1.73	8.53	3.59	1.06	0.09	0.18	0.32	0.23
Vegetables*	4.35	4.06	16.61	29.43	-7.09	0.42	13.52	-4.03	-8.58	-22.87	-15.48	-6.38	-5.23
Milk	0.19	0.07	0.55	0.34	0.02	-0.89	0.09	-0.02	0.22	-0.24	-0.60	-0.02	0.48
Sugar	0.11	0.54	0.49	0.18	-0.09	-0.25	0.40	0.11	-0.53	-0.13	1.05	0.91	0.35

*OPT (Onion, Potato & tomato)

** till 14th April'25

Source: MCA

Core inflation firms up again on spurt in gold prices

Core inflation, in line with our expectation has firmed up decisively at higher levels from 3.98% in Feb'25 to 4.10% in March'25 on continuing rally in gold prices. More importantly, core ex-gold, at 3.3%, remains relatively subdued (refer fig.7). Within the core basket, most of the sub-segments are still in the sub-4% inflation range while personal care inflation is at 13.50% led by elevated gold prices (refer fig 6). Global tariff wars and consequent uncertainties are expected to keep upside pressure on core inflation as gold becomes the alternate preferred asset class during these uncertain times. With March CPI at 3.34%, we have closed the FY25 at 4.63% as against 5.4% in FY24. Interestingly, the cooling in headline inflation in FY25 was primarily led by core inflation as it cooled to 3.5% vs 4.3% in FY24 even as food inflation stayed relatively flat at 6.7% (FY24: 7.0%).

In its April'25 MPC meeting, RBI revised FY26 inflation forecasts downward by 20bps to 4.0% (refer fig.3). With March CPI as well as Q4FY25 CPI below 4% (3.7%), we maintain our call of another 50bps repo rate cut in June and August meetings to a terminal rate of 5.5%, with a close watch on global risks before re-assessing our call.

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Fig 6: Most of the core CPI sub-segments are below 4% except for personal care

% y/y	Pan; tobacco; and intoxicants	Clothing	Footwear	Housing	Household goods and services	Health	Transport and comm.	Recreation and amusement	Education	Personal care and effects
Apr-24	2.99	2.89	2.40	2.68	2.75	4.27	1.09	2.64	4.20	7.45
May-24	3.03	2.83	2.17	2.56	2.51	4.20	0.97	2.57	4.07	7.67
Jun-24	3.08	2.77	2.05	2.69	2.39	4.13	0.97	2.33	3.57	8.23
Jul-24	3.02	2.76	1.99	2.68	2.33	4.06	2.60	2.20	3.54	8.44
Aug-24	2.71	2.75	2.10	2.66	2.43	4.10	2.71	2.37	3.85	8.00
Sep-24	2.51	2.80	1.98	2.72	2.55	4.09	2.71	2.37	3.79	9.00
Oct-24	2.50	2.79	2.15	2.81	2.65	3.96	2.77	2.42	3.90	10.99
Nov-24	2.35	2.78	2.20	2.87	2.82	4.01	2.70	2.65	3.89	10.42
Dec-24	2.49	2.83	2.08	2.71	2.81	4.05	2.64	2.70	3.95	9.76
Jan-25	2.30	2.72	2.08	2.82	2.86	3.97	2.76	2.69	3.83	10.63
Feb-25	2.44	2.77	2.02	2.91	2.80	4.12	2.93	2.69	3.83	13.63
Mar-25	2.48	2.71	2.02	3.03	2.68	4.26	3.30	2.40	3.98	13.50

Fig 7: Core ex-gold CPI at ~3.3% is subdued even as core CPI clocked 4.1%

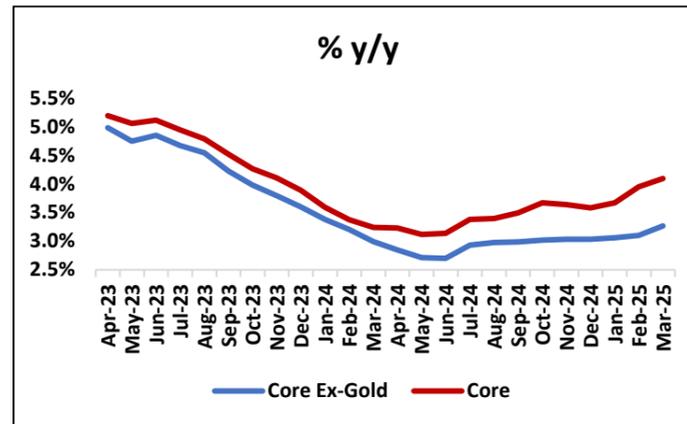


Fig 8: Sticky personal care inflation remains the pain point

Ppt contribution	Food and beverages	Pan; tobacco; and intoxicants	Clothing and footwear	Housing	Fuel and light	Personal care and effects	Miscellaneous
Apr-24	3.61	0.07	0.19	0.27	-0.27	0.29	1.00
May-24	3.61	0.07	0.18	0.26	-0.25	0.30	0.97
Jun-24	3.83	0.07	0.18	0.27	-0.25	0.32	0.96
Jul-24	2.32	0.07	0.17	0.27	-0.37	0.33	1.09
Aug-24	2.43	0.06	0.18	0.27	-0.36	0.31	1.10
Sep-24	3.83	0.06	0.18	0.27	-0.09	0.35	1.15
Oct-24	4.44	0.06	0.18	0.28	-0.11	0.43	1.22
Nov-24	3.76	0.06	0.18	0.29	-0.13	0.41	1.21
Dec-24	3.53	0.06	0.18	0.27	-0.09	0.38	1.19
Jan-25	2.61	0.05	0.17	0.28	-0.10	0.41	1.23
Feb-25	1.76	0.06	0.17	0.29	-0.09	0.53	1.37
Mar-25	1.32	0.06	0.17	0.31	0.10	0.53	1.41

Fig 9: Headline CPI continues the slide in March'25 while core inched up to 4.10%

Y/y, %	Headline CPI	o/w Food & Beverages	Cereals	Pulses	Vegetables	Fuel	Core
Jan-24	5.1	7.6	7.8	19.5	27.1	-0.6	3.6
Feb-24	5.1	7.8	7.7	18.9	30.2	-0.8	3.4
Mar-24	4.9	7.7	8.4	17.8	28.3	-3.4	3.2
Apr-24	4.8	7.9	8.6	16.8	27.8	-4.0	3.2
May-24	4.8	7.9	8.7	17.1	27.4	-3.7	3.1
Jun-24	5.1	8.4	8.8	16.1	29.3	-3.6	3.1
Jul-24	3.6	5.1	8.1	14.8	6.8	-5.5	3.4
Aug-24	3.7	5.3	7.3	13.6	10.7	-5.3	3.4
Sep-24	5.5	8.4	6.8	9.8	36.0	-1.3	3.5
Oct-24	6.2	9.7	6.9	7.4	42.2	-1.7	3.7
Nov-24	5.5	8.2	6.9	5.4	29.4	-1.8	3.6
Dec-24	5.2	7.7	6.5	3.8	26.6	-1.3	3.6
Jan-25	4.3	5.7	6.2	2.6	11.4	-1.5	3.7
Feb-25	3.61	3.84	6.10	-0.35	-1.13	-1.33	3.98
Mar-25	3.34	2.88	5.93	-2.73	-7.04	1.48	4.10

Source: CEIC, UBI Research

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