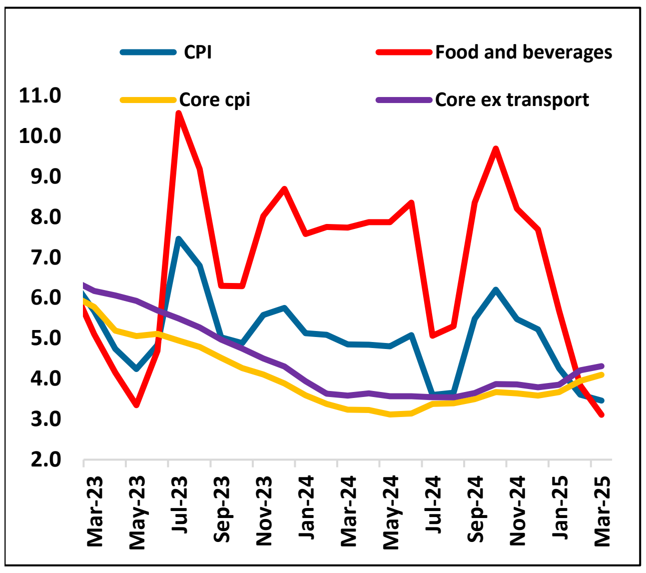
India: March'25 CPI seen clocking a 5.5 year low even as IIP slipped

4th April 2025

Fig 1: Headline CPI likely fell further in March'25 while core CPI inches up; % y/y



Source: CEIC, UBI Research

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	6.21	9.7	-1.7	3.7	3.9
Nov-24	5.48	8.2	-1.8	3.6	3.9
Dec-24	5.22	7.7	-1.3	3.6	3.8
Jan-25	4.26	5.68	-1.5	3.67	3.85
Feb-25	3.61	3.84	-1.3	3.95	4.21
Mar-25	**3.46**	**3.11**	**1.47**	**4.09**	**4.31**

Source: CEIC, UBI Research

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

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March'25 CPI is seen dropping to 5.5 year low of 3.46% on continued easing in food prices

- ***March CPI probably fell to its lowest in more than five years dragged down by prolonged cooling off in vegetable prices:*** We estimate the headline inflation to fall to 3.46% in March'25 vs 3.61% in February'25 due to a continued slide in vegetable prices, especially onion, potato & tomato and pulses even as gold prices rally. Sequential food prices, especially vegetables continued to correct though at a slower pace as the winter season is coming to an end. Core inflation likely continued to inch up from 3.95% to 4.09% (refer fig.1 & 2). CPI ex-vegetables is seen slightly moving up to 4.10% from its Jan'25 level of 3.92%.

- The seasonal correction in vegetable prices continued in the month of March as well though at a slower pace as the winter season came to an end. Continued cooling off in vegetable prices, especially onion, potato and tomato were likely the prime driving factors for fall in CPI for the month of March'25. On an average, prices of tomato, onion and potatoes are down by more than 6% in March over Feb (*source: MCA*). March typically marks the tail end of the Rabi harvest; steady Rabi harvest from states like UP, west Bengal, Karnataka and Maharashtra kept the supply robust and prices in check. M/m vegetables inflation is thus probably down to -4.6% vis-a-vis -11.2% in Feb'25. Apart from vegetables, pulses mainly tur dal and urad dal have also witnessed good correction in prices bringing the m/m pulses inflation further down to -2.66% from -3.63% last month. Apart from vegetables and pulses, only eggs prices are seen down sequentially amongst the food categories, all other food sub segments including cereals, edible oils and sugar are seen firming up. Sugar and confectionary prices have been firming up for the last couple of months due to lower sugar production (17.9% decrease in FY24-25 as per NFCSF). M/m sugar inflation has likely jumped to 1.44% in March from as low as -0.08% in Nov'24. Vegetable index is seen trending at about 185 levels, further down from Feb. level of 193 (*refer fig.3*). CPI ex-vegetables however, likely firmed from its Feb'25 level of 3.92% to 4.10% (*refer fig.4)*.

- The y/y food inflation in the month of March'25 is thus projected to fall to 3.11% vis a-vis 3.84% last month, by about 73 bps. On the ground (OTG) prices are substantially down for vegetables and pulses while edible oil and sugar prices have continued to be firming up (*refer fig.5)* as indicated by the data collected from MCA.

Fig 3: Correction in vegetables index continues in the month of March to 21-months low

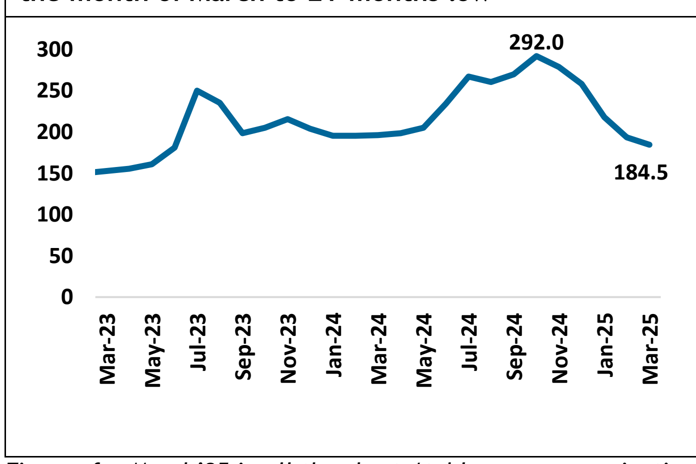
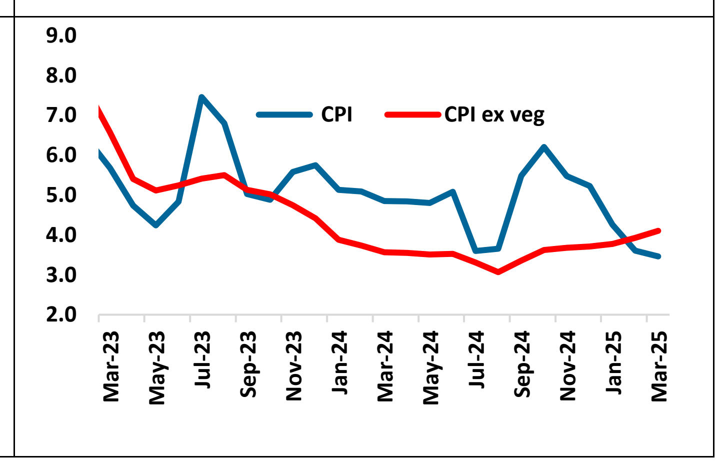


Fig 4: CPI ex veggies however inched up further to a 15-months high of 4.10%; % y/y



Figures for March'25 in all the charts/tables are our projections; Source: CEIC, UBI research

Fig 5: Seasonal cooling off in food prices evident across segments

% 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
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
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
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
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
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
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

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

- Core inflation likely firmed up further to 4.09% in March'25 vis-a-vis 3.95% last month as gold prices continued to rally during the month even though y/y personal care inflation likely softened from 13.58% to 13.33%. Core ex-gold has stayed relatively subdued at 3.3% implying the role of gold prices in the uptick seen in core inflation. Core ex-transport inflation also likely went up from 4.21% to 4.31%.
- In next couple of months, food inflation is likely to pause its slide as the seasonal correction in vegetable prices may cease with onset of summer heatwave in many parts of the country. IMD has projected above normal maximum temperatures over most part of the country during March to May 2025. Our estimate for Q1FY26 inflation at 3.7% is trending below RBI's projection of 4.5% but runs an upward risk from any unpleasant weather surprises and/or if gold and edible oil prices sustain their upward momentum. With FY26 CPI inflation expected at c 4.0-4.20%, we see scope for another 50-75 bps rate cut by the RBI led MPC by August 2025.

Feb'25 Industrial Production likely moderated to 3.2% Y/Y

- IIP growth likely moderated to 3.2% Y/Y in Feb'25, from 5.0% in previous month and 5.6% in Feb'24, due to slowdown in overall industrial activities particularly manufacturing and mining.
- High frequency indicators for Feb'25 showed a mixed picture about the state of the economy. While E-way bills and toll collections recorded double digit Y/Y growth in Feb'25, automobile sales contracted by 6.4%. Two-wheeler segment declined by 9.0%. While tractor sales registered double-digit growth for the third consecutive month in February, vehicle registrations recorded a contraction. Petroleum consumption had decreased by 2.1% Y/Y in Feb'25.
- Core sector which has 40% contribution in IIP, slowed to 2.9% in Feb'25, while it grew by 5.1% in Jan'25. There was contraction in crude oil and natural gas production, as well as a steep fall in refinery output growth. Also, a high base effect could also have reflected in Feb'25 growth (core sector growth stood at 7.1% in Feb'24). Five of the eight indicators, including coal, crude oil, natural gas, refinery and cement output, recorded a weaker Y/Y performance in Feb'25 vis-à-vis previous month.
- From a use-based classification perspective, recovery in aggregate demand may have remained weak in Feb'25 IIP as was in previous month. The overall consumer demand growth is expected to be around 2% Y/Y. Consumption demand may be primarily led by urban areas (proxied by durables) while rural demand (proxied by non-durables) improved compared to previous month.
- Capital goods IIP growth moderated in Feb'25 as compared to previous month. Capex spending in Feb'24 surprisingly contracted by 35.4% Y/Y versus 51.4% for the month of Jan'25 and 95.3% in Dec'24. Similarly, intermediate, infrastructure/construction goods too moderated during the month.
- Going forward, we see IIP staying in single digits. Growth concerns remain as full-fledged recovery in overall demand/consumption growth is yet to be seen even after some demand stimulus measures were announced by the govt. in the Union Budget like income tax cuts. We continue to expect monetary policy to persist with growth heavy lifting amid global uncertainty with another 50-75bps rate cuts and liquidity support (Please refer report "World bracing for Turbulence on Trump's 'beautiful' Tariff hikes"). Moreover, global macro uncertainty under Trump 2.0 is also likely to weigh on global and hence domestic growth outlook. This is also likely to delay broad based private capex recovery in our view.

Fig 6: IIP likely weakened in Feb'25; % y/y

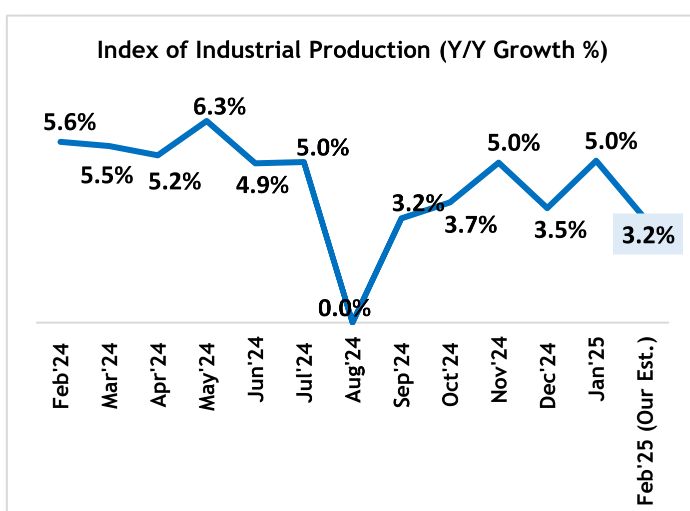


Fig 7: Manufacturing slip likely led to Feb'25 IIP slowdown; % y/y

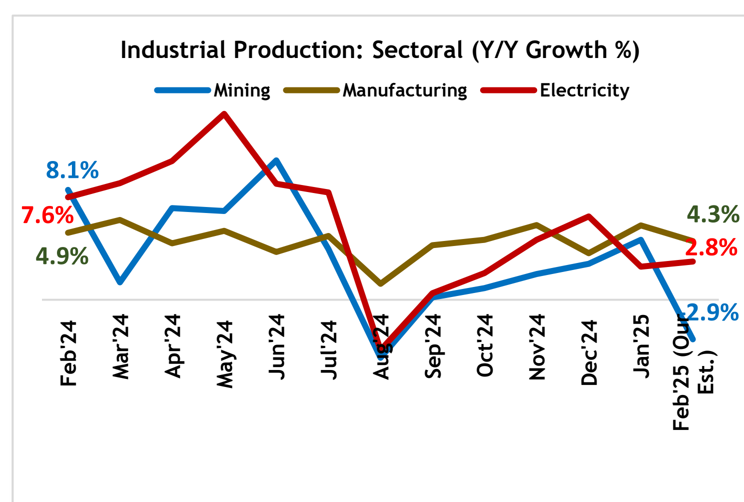


Fig 8: IIP growth likely slowed on slip in primary goods and consumer goods; % y/y

Industrial Production: Sectoral				
Sector	Weight	YoY Growth %		
		Dec'24	Jan'25	Feb'25 (Est)
Mining	14.4	2.7%	4.4%	-2.9%
Manufacturing	77.6	3.4%	5.5%	4.3%
Electricity	8.0	6.2%	2.4%	2.8%
Industrial Production: Use-based				
Primary goods	34.0	3.8%	5.5%	1.5%
Capital goods	8.2	10.4%	7.8%	7.3%
Intermediate goods	17.2	6.4%	5.2%	3.9%
Infrastructure / Construction Goods	12.3	7.4%	7.0%	6.7%
Consumer durables	12.8	8.3%	7.2%	2.5%
Consumer non-durables	15.3	-7.5%	-0.2%	1.5%

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Source: CEIC, UBI Research

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