Arc
Equity

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CPI inflation plunges further

Quick Snapshot

- CPI inflation rose just 0.25% in October y-o-y, the lowest in the current 2012 series; it also trails September's 1.44% reading (revised from 1.54%).
- Food and beverage inflation, with a 46% weight, fell 3.7% vs -1.4% in September on an abundant harvest following strong monsoons.
- Core inflation (ex-food and energy prices), rose 4.7% vs 4.6% in September on higher global bullion prices. Excluding precious metals, the number rose 2.5% vs 2.8% in September.

Key Insights

- Headline inflation averaged 1.9% in FY26, below the RBI's forecast of 2.6%. It has trailed the RBI's 4% midpoint for nine straight months and this is the third time in four months under its target band.
- Heavy rains deepened food deflation, with prices dropping 3.7% in October versus a fall of 1.4% in September, that's an unexpected decline, relative to RBI projections.
- Core inflation (including auto fuel) inched higher to 4.4% in October from 4.3% in September. Gold inflation surged to 57.8% from 47.0%, while silver inflation jumped to 62.3% from 42.0%.
- Fall in inflation is also attributed to full-month impact of GST rate cuts, a favourable base effect, a drop in inflation of Oils & Fats, Vegetables, Fruits, Egg, Footwear, Cereals and Products, Transport & Communication, etc.

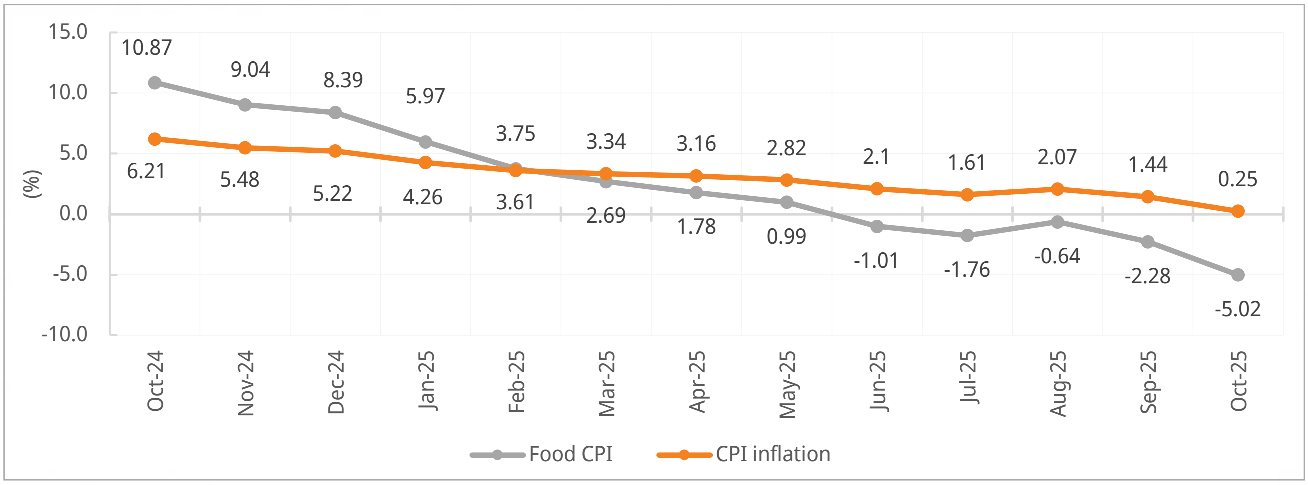
Urban Trends and Sectoral Insights

- Housing inflation rate for October 2025 stood at 2.96% versus 2.98% of September.
- Rural inflation eased further to 0.25% (y-o-y) following a decline of 1.1% in September 2025, reflecting a sharp decline in food (-4.85%) and fuel prices.
- Urban inflation eased by 0.88% (y-o-y) after 1.83% y-o-y in September, aligning with broader cooling trends observed in the Consumer Price Index.

Outlook

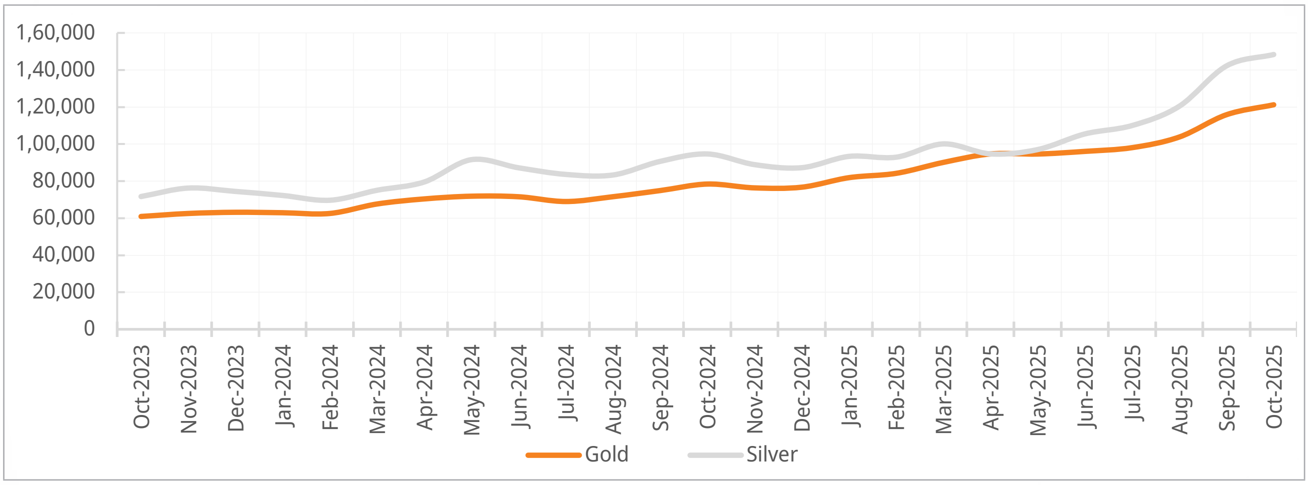
The slide in India's CPI inflation to a record low opens the door for further interest-rate reductions. The reading takes inflation further below the RBI's 2–6% target zone, strengthening the case for it to shift to an accommodative stance at its December monetary policy review and restart rate cuts. Prices are likely to rise but not as steeply as the central bank expects. The RBI projects inflation to average 1.8% this quarter, then climb to 4% in Q12026 and 4.5% in Q22026. We see softer outcomes at 1.4%, 2.7% and 3.5%, respectively, with risks tilted to the downside.

Food Inflation and Headline CPI



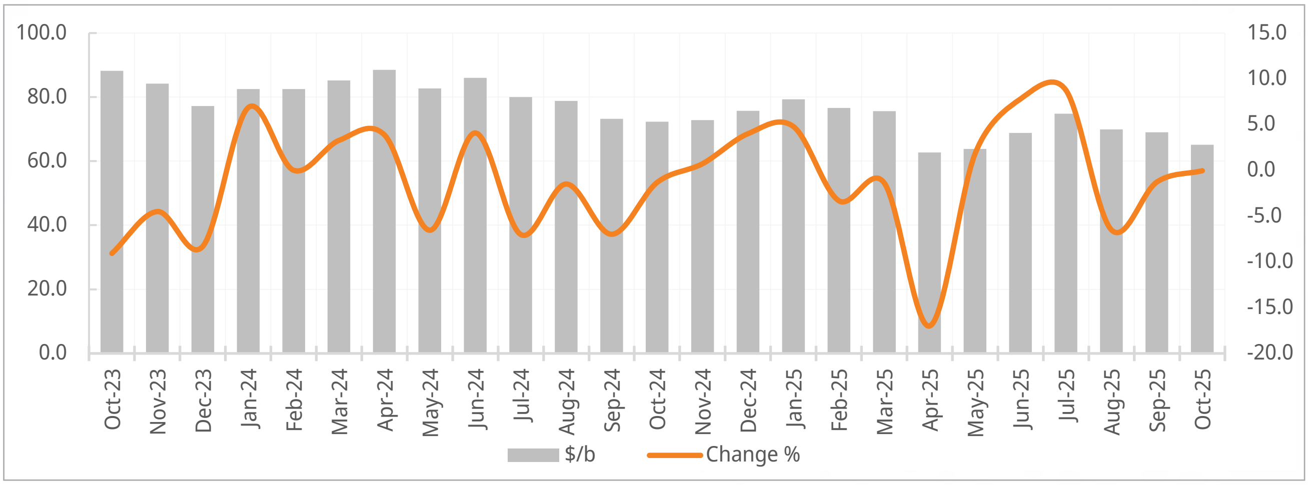
Source: Mirae Asset Sharekhan Research, MOSPI

Trend in Bullion Prices



Source: Mirae Asset Sharekhan Research, MOSPI

Trend in Crude Prices



Source: Mirae Asset Sharekhan Research, MOSPI

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