

Retail Inflation edges up to 1.33 % in Dec 2025, Food prices still in deflation but pressures begin to build

India's retail inflation picked up in December 2025, with headline CPI inflation rising to 1.33% year-on-year, up from 0.71% in November 2025, marking a month-on-month increase of 62 basis points. Despite this acceleration, inflation remained below the RBI's lower tolerance limit for the fourth consecutive month. On a year-on-year basis, price pressures stayed subdued due to a favourable base, even as food inflation, though still in deflation at -2.71%, moderated from -3.91% in November, a 120-basis point month-on-month increase a gradual easing of the deflationary trend, reflects rising prices in vegetables, meat and fish, eggs, spices, pulses and products, suggesting that the deflationary phase in food prices is nearing its end. The sequential rise reflects emerging price pressures across select food items and personal care, signalling a slow exit from the ultra-low inflation phase of 2025.

Core Inflation Components, Mixed Trends: Non-food segments showed largely stable to easing trends. Housing inflation moderated marginally to 2.86%, education inflation eased to 3.32%, and health inflation softened to 3.43% in December 2025. Fuel and light inflation declined to 1.97% from 2.32%, helping contain overall inflationary pressures despite the rise in food prices.

Rural and Urban Inflation: Inflationary pressures strengthened across both rural and urban areas in December 2025. Rural headline inflation increased to 0.76% from 0.10% in November, while urban inflation rose to 2.03% from 1.40% over the same period CPI Dec 2025. Food inflation also became less negative in both segments, pointing to a broad-based sequential rise rather than a sector-specific shock.

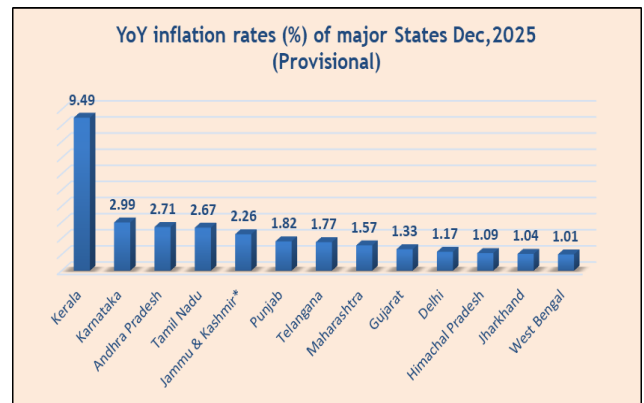
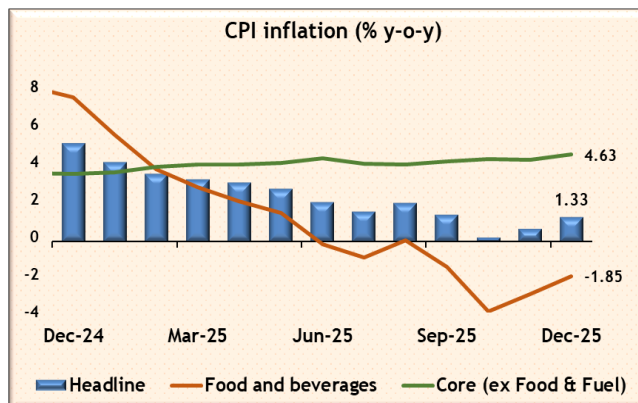
Gold and Silver: Gold and silver exerted a disproportionately strong upward pressure on CPI inflation in December 2025, despite their very small combined weight of about 1.19% in the CPI basket. Gold inflation stood at 68.66% YoY, while silver inflation was even higher at 97.07% YoY, reflecting a sharp surge in prices over the year. The steep rise in their indices between December 2024 and December 2025 underscores the impact of global bullion price rally, safe-haven demand and currency-related factors.

Importantly taken together, gold and silver contributed nearly 80 bps points to headline CPI inflation, highlighting extreme price increases in low weight items can still materially influence overall inflation. While their direct contribution remains constrained by low weights, the magnitude of price rise amplified non-food inflation pressures and added to headline inflation volatility in Dec 2025.

The December 2025 reading places average CPI inflation for Q3 FY26 at around 0.8%, slightly above the RBI's projection of 0.6% CPI Dec 2025. While inflation remains well below the medium-term target of 4%, the easing of food deflation and fading base effects point towards a gradual normalisation of inflation in the coming months, warranting cautious monitoring by policymakers.

CPI INFLATION (% YOY)				
Description	weights	Dec. 24 Index (Final)	Dec. 25 Index (Prov.)	Inflation Rate (%)
Food and beverages	45.86	205.9	202.1	-1.85
Cereals and products	9.67	198.1	197.4	-0.35
Meat and fish	3.61	222.5	233.9	5.12
Milk and products	6.61	187.5	192.3	2.56
Oils and fats	3.56	183.7	196.1	6.75
Fruits	2.89	190.6	203.3	6.66
Vegetables	6.04	258.3	210.6	-18.47
Pulses and products	2.38	214.1	181.8	-15.09
Sugar and Confectionery	1.36	130.9	137	4.66
Spices	2.5	227.4	222.5	-2.15
Non-alcoholic beverages	1.26	182	186.4	2.42
Prepared meals, snacks, sweets etc.	5.55	206.1	213.3	3.49
Pan, tobacco and intoxicants	2.38	209.6	215.8	2.96
Clothing and footwear	6.53	194.8	197.6	1.44
Clothing	5.58	196.3	199.6	1.68

Footwear	0.95	186.2	185.4	-0.43
Housing	10.07	181.7	186.9	2.86
Fuel and light	6.84	177.8	181.3	1.97
Miscellaneous	28.32	186.5	198	6.17
Household goods and services	3.8	182.9	186.4	1.91
Health	5.89	198	204.8	3.43
Transport and communication	8.59	171	172.3	0.76
Recreation and amusement	1.68	178.8	180.9	1.17
Education	4.46	189.7	196	3.32
Personal care and effects	3.89	207	265.1	28.07
General Index (All Groups)		195.4	198	1.33
Consumer Food Price Index		206.7	201.1	-2.71



Top five major State-wise Inflation: Kerala (9.49%), Highest inflation among states, indicating strong regional price pressures that could strain household budgets and state-level cost structures. **Karnataka (2.99%),** reflecting firmer demand and higher prices in urban and service-driven segments. **Andhra Pradesh (2.71%),** Moderately elevated inflation, suggesting emerging price pressures despite overall national disinflation. **Tamil Nadu (2.67%),** Inflation close to Andhra Pradesh, pointing to steady but contained price increases. **Jammu & Kashmir (2.26%),** Inflation slightly above the national average, reflecting localized supply and cost dynamics.

Implications

- Monetary Policy & Bond markets:** CPI inflation print for Dec 2025 provides the RBI with greater room to pursue further policy rate cut as inflations remains well below the RBI's target and underlying price pressures are subdued. Bond yields may remain elevated as the government large borrowing programme and supply pressure are likely to keep long term yields firm, constraining the decline in yields at the longer end of the curve.
- Support to Nominal GDP:** A modest rise in inflation can help revive nominal GDP growth, improving tax revenues, corporate earnings and fiscal metrics.

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Economic Research Vertical

Madhavankutty G (Chief Economist)

Samir Kumar | Jaya Kumari | Ankit Gupta | Sonal Rashmi Ekka | I. Ramakrishna

For Suggestions and views please contact, Economic Research Vertical

080-2222 3169 (Chief Economist)
080-2227 3275 (Section)

chiefeconomist@canarabank.com
hoersection@canarabank.com

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