

GST cut: Retail inflation for October likely to be below 1%

Our Bureau
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With the first full month reflecting the impact of GST rate cut, retail inflation based on the Consumer Price Index (CPI) is likely to have dipped below 1 per cent in October. Officially, the data will be made public on Wednesday.

Economists expect that the rate could touch as low as 0.2 per cent. The inflation rate was 1.5 per cent in September.

Retail inflation is a key tool for the monetary policy review undertaken by the Monetary Policy Committee (MPC), headed by RBI Governor Sanjay Malhotra.

NEXT MEETING

The next meeting of the committee is scheduled for next month. It is expected that the committee might consider a policy rate cut.

There is also expectation that the inflation projection for the second half of the current fiscal could be lowered by the MPC.

The GST rate cut was made effective from September 22.

While some impact was visible in September print, a higher impact is expected in the October headline number.

At the same time, prices of food items have dipped further, which could also be reflected in the headline number.

"CPI inflation is expected to ease to a series low of 0.5 per cent in October 2025 from 1.5 per cent in September 2025, reflecting a deeper deflation in the F&B segment as well as the impact of the GST rate cut across several items in the CPI basket," said Aditi Nayar, Chief Economist at ICRA.

A FRESH LOW

Radhika Rao, Executive Director and Senior Economist at DBS Bank, expects October's CPI inflation to ease to a fresh low of 0.2 per cent (weakest print in the current series), from 1.5 per cent in September, on continued food disinflation, base effects and impact of GST cuts. "Food disinflation is likely to deepen as high-frequency trends pointed to a correction in perishables, pulses and cereals," she said.

Further, the disinfla-

tionary impulse from indirect tax relaxation is likely to be more apparent as changes took effect in late September.

Core inflation might stay firm on higher precious metals before easing in November.

October is, nonetheless, likely to mark the trough in the current cycle, with base effects expected to see inflation resume its gradual climb in the coming months.

Meanwhile, "unseasonal rain might impinge on the supply of fresh food perishables in the near-term. This, alongside an increase in import duties on selected pulses, reinforces our view that the bulk of the disinflation in food is likely behind us," said Rao.

SUPPLY SHORTAGES

In response to potential supply shortages and sensitivities around food costs, Rao expects authorities to undertake administrative measures, including steps to boost inter-State supplies to contain price increases.

Meanwhile, economists are also expecting a change in inflation projection.