Retail inflation dropped to series low of 0.25% in Oct on base effects

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India's retail inflation eased sharply to a series low of 0.25 per cent in October from 1.44 per cent in September, thanks to a favorable base effect, a record 5 per cent drop in food prices, and the initial impact of GST rates' rationalisation, according to data released by the National Statistical Office (NSO) on Wednesday.

This marks the lowest year-on-year inflation print since the introduction of the current Consumer Price Index (CPI) series (base year 2012), with the food basket slipping deeper into deflation at (-)5.02 per cent compared with (-)2.33 per cent in the previous month.

In rural India, retail prices slipped into deflationary zone with the NSO reporting a 0.25 per cent drop in the CPI (Rural), compared to a 1.07 per cent increase in September. Urban inflation, on the other hand, moderated from 1.83 per cent in September to 0.88 per cent in October. Rural food prices were down 4.85 per cent, while they fell 5.18 per cent in urban areas.

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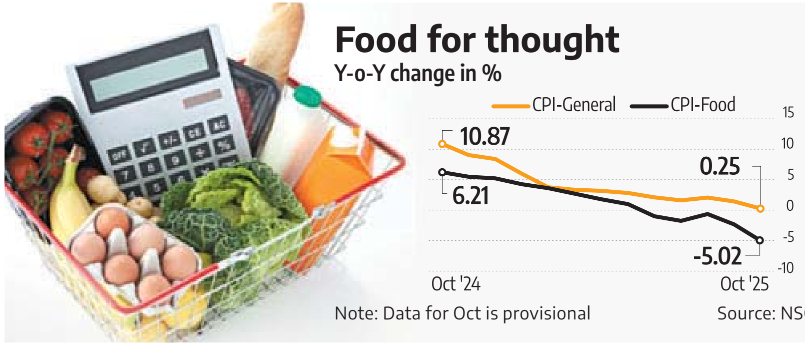

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The uncertain comfort on prices, write
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Exporters get ₹45K crore boost

A management committee chaired by the DFS secretary will oversee its progress and implementation.

"The scheme is expected to enhance the global competitiveness of Indian exporters and support diversification into new and emerging markets. By enabling collateral-free credit access under CGSE, it will strengthen liquidity, ensure smooth business operations, and reinforce India's progress towards achieving the $1 trillion export target. This will further reinforce India's journey towards Aatmanirbhar Bharat," the government said in a statement.

The EPM, announced in the FY26 Union Budget with an initial allocation of ₹2,250 crore for the current financial year, will now continue until FY31 with an expanded outlay. It aims to strengthen India's export competitiveness, particularly for first-time exporters and labour-intensive sectors, such as textiles, leather, gems and jewellery, engineering goods, and marine products.

EPM will bring together key support programmes – the Interest Equalisation Scheme and Market Access Initiative.The scheme will be implemented through two sub-schemes -- Niryat Protsahan, with an allocation of ₹10,401 crore, to provide trade finance support; and Niryat Disha, with ₹14,659 crore, to promote international market access. Niryat Protsahan will focus on improving access to affordable trade finance for MSMEs through interest subvention, export factoring, collateral guarantees, credit cards for e-commerce exporters, and credit enhancement for market diversification.

"EPM marks a strategic shift from multiple fragmented schemes to a single, outcome-based, and adaptive mechanism that can respond swiftly to global trade challenges and evolving exporter needs... Under EPM, priority support will be extended to sectors impacted by recent global tariff escalations, such as textiles, leather, gems & jewellery, engineering goods, and marine products. The interventions will help sustain export orders, protect jobs, and support diversification into new geographies," the statement said.

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OThe record downtick in price pressures is likely to create room for the Monetary Policy Committee of the RBI to cut interest rates at its upcoming review in December, said most economists. October's CPI is the final print before the MPC meets again from December 3 to December 5. After slashing the key interest rate by 100 basis points (bps) to 5.50 per cent between February and June, the MPC had kept interest rates unchanged for the second successive time at its last bi-monthly review which concluded on October 1.

October's near zero per cent inflation is far below the central bank's tolerance range of 2 per cent to 6 per cent. The Reserve Bank of India (RBI) has projected that inflation would average 1.8 per cent in Q3 FY26, the same as it had projected for Q2, when CPI had averaged 1.74 per cent. The RBI had lowered its inflation projection for FY26 to 2.6 per cent, with Q4 expected to average 4 per cent, but economists expect a downward revision in these projections.

Along with the first full month impact of the GST rate cuts effected from September 2022, base effects played a crucial role in moderating retail price rise, as inflation was at a high 6.21 per cent in October 2024 when food prices had surged 10.87 per cent. Economists reckon that as the favourable base effects wear out by December, inflation would witness an uptick.

While overall inflation cooled sharply, core inflation, which excludes volatile items in the consumer basket such as food and energy, remained elevated at 4.3-4.5 per cent in October. Gold inflation soared to 57.83 per cent while silver witnessed a spike of 62.36 per cent amid festive demand. Inflation in personal care and effects surged to 23.88 per cent in October. Excluding precious metals, core CPI inflation was a more benign 2.5-2.6 per cent.

Aditi Nayar, chief economist at ICRA, reckoned this would support a 25-bps rate cut in the December 2025 policy review, unless Q2 FY2026 GDP growth surprises on the upside. "In the midst of continued external headwinds and uncertainties surrounding the trade negotiations with the US, if growth weakens in H2 FY26, the latest inflation readings could create scope for a rate cut," added Rajani Sinha, chief economist at CareEdge Ratings. "While the inflation trajectory is likely to remain benign going ahead, the RBI will need to filter the festive and GST-related demand from the cyclical recovery. We remain skeptical on the sustainability of the recent pickup in economic activity and hence see some room for further monetary easing," opined Upasna Bhardwaj, chief economist at Kotak Mahindra Bank.

Vegetable prices plunged over 27 per cent, while pulses prices eased by more than 16 per cent. However, oils and fats prices rose in double-digits once again, with an 11.17 per cent increase in October, though the pace moderated from earlier months. Bank of Baroda chief economistg Madan Sabnavis attributed the fall in food prices mainly to the base effects. "In their absence, it would have been higher. Prices of vegetables in particular have increased in the market place," he added.

"I think the inflation number is not really going to have an impact in terms of monetary policy because the RBI is looking at a forward-looking monetary policy, focusing on growth. The interest rates are fairly well positioned as of now," he said.

Inflation in key countries (in %)

UK (Sep):	3.8
US (Sep):	3.0
Japan (Sep):	2.9
Germany (Oct):	2.3
China (Oct):	0.2

Delhi mkts see slow rebound after blast

"The market has always been crowded, and the incident on Monday evening has taken a toll on customers. They will return in a few days, once things start going back to normal, but for now, the air is tense and footfall remains low," said Rakesh Kumar Yadav, president of the Feder-