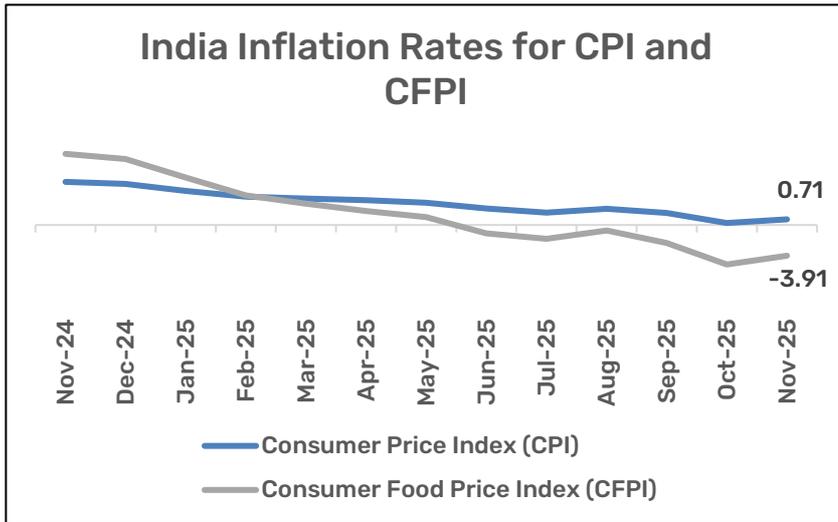


INFLATION WATCH

12th December 2025

KEY TRENDS AND TAKEAWAYS

Inflation Inches Up from Historic Lows



Data pertaining to November 2025 as released on 12th December 2025.

HIGHLIGHTS

India's retail inflation inched up to 0.71% in November 2025 from a record low in the previous month.

Rural inflation saw a slight uptick to 0.10% from -0.25% in the previous month, while urban inflation also increased to 0.71% from 0.25%.

The rise in inflation was mainly attributed to a decline in the pace of food prices.

RBI Quarterly CPI Inflation forecast		
Q3FY26	0.6% from 1.8%	Lowered
Q4FY26	2.9% from 4.0%	Lowered
Q1FY27	3.9% from 4.5%	Lowered
Q2FY27	4.0%	New Estimate
RBI FY26 CPI estimates cut to 2.0% from 2.6%.		

Source: MPC held on 5th December 2025.

WAY AHEAD

- *The latest inflation print, though slightly higher, reflects normalization from historic lows due to fading base effects, with underlying demand-side pressures staying benign.*
- *With inflation well below target and growth holding up, the RBI remains comfortable with its growth-supportive stance. The latest MPC has already delivered a rate cut, alongside a clear focus on liquidity management and effective transmission, while keeping the option of further easing open should medium-term growth risks emerge.*
- *Ahead of the upcoming Fed meeting, we expect a rate cut, which should ease global financial conditions and be supportive for EM assets.*
- *Domestically, improving liquidity favors Liquid and Money Market Funds, with the 2-5 years segment offering the most favorable risk-reward.*

Source: RBI, PIB, Internal Analysis.

EM is Emerging Markets and MPC is Monetary Policy Committee.