



**KAMARAJ IAS ACADEMY**  
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# Retail inflation hits record low of 0.25%.

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Retail inflation fell to a historic low of 0.25% in October, with the government attributing this fall to the first full month's impact of GST rate cuts, a favourable base effect, and drop in inflation of several food items such as vegetables and fruits. According to the government, this is the lowest rate of inflation measured in the current series of the Consumer Price Index. That is, it is the lowest rate of inflation since January 2012.

The data reveal that the fall in overall inflation is largely due to the statistical impact of the base effect on food inflation.

## About retail inflation:

Retail inflation, also known as Consumer Price Index (CPI) inflation, tracks the change in retail prices of goods and services which households purchase for their daily consumption.

CPI is calculated for a fixed basket of goods and services that may or may not be altered by the government from time to time.

The change in the price index over a period of time is referred to as CPI-based inflation, or retail inflation.

Most of the other categories in the CPI saw inflation higher in October 2025 than in the same month last year. The data show that the food and beverages category saw prices contract 3.7% in October 2025, following up on a contraction of 1.4% in September.

"The decline in headline inflation and food inflation during the month of October 2025 is mainly attributed to the full month's impact of decline in Goods and Service Tax [rates], favourable base effect and to drop in inflation of oils and fats, vegetables, fruits, egg, footwear, cereals and products, transport and communication, etc.," the Ministry of Statistics and Programme Implementation.

CPI index.

Cost of living

The purchasing power of consumers

The expensiveness of different articles that consumers buy and services that are available

Value of the Indian rupee.

CPI is calculated as a percentage. Currently, the base year is 2012.

The formula for calculating the CPI index is:

$$\text{CPI} = (\text{Cost of a Fixed Basket of Goods and Services in the Current Year} / \text{Cost of a Fixed Basket of Goods and Services in the Base Year}) * 100.$$

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**WPI-** represents the **price of goods at a wholesale stage i.e.** goods that are sold

in bulk and traded between organizations instead of consumers