



KAMARAJ IAS ACADEMY
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Retail inflation eases to 6 year low

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Context

- India's retail inflation eased to a 75-month low of **2.8%** in May 2025, driven downwards by **falling food inflation**, according to data released on Thursday.
- Overall, retail inflation has averaged 2.99% in 2025-26 — based on the two months of data available — the **lowest average for the first two months of a financial year since 2017-18**.
- **“Deflation** in key components such as vegetables, pulses, spices, and meat contributed to this decline,” said Rajani Sinha, Chief Economist at CareEdge Ratings. “However, **double-digit inflation in edible oils and fruits** partially offset the broader moderation.”

Terms

- Inflation: Inflation is the **rate of increase in prices over a given period of time**. Inflation is typically a broad measure, such as the overall increase in prices or the increase in the cost of living in a country.
- Headline inflation: It reflects changes in the prices of a representative **basket of goods and services** that **households buy**, as measured by the **consumer price index (CPI)**. The CPI includes prices for thousands of items, including **Food, Fuel, Housing, and beverages**, etc.
- Core inflation: It **excludes food and fuel items from headline inflation**, which are relatively **more volatile**

WPI Vs CPI

Kamaraj IAS Academy

Plot A P.127, AF block, 6 th street, 11th Main Rd, Shanthi Colony, Anna Nagar, Chennai, Tamil Nadu 600040

Phone: **044 4353 9988 / 98403 94477** / Whatsapp : **09710729833**

Context	WPI	CPI
Definition	Amounts to the average change in prices of commodities at the wholesale level.	Indicates the average change in prices of commodities at the retail level.
Publishing office	Office of Economic Advisor (Ministry of Commerce & Industry)	National Statistical office
Commodities	Goods only	Goods and Services both
Inflation Measurement	First stage of a transaction	Final stage of a transaction
Prices paid by	Manufacturers and wholesalers	Consumers
Types of Commodities covered	Manufacturing inputs and intermediate goods like minerals, machinery basic metals, etc.	Education, communication, recreation, apparel, food, housing and medical care
Base Year	2011-12	2012 Note: Base Year to be reviewed