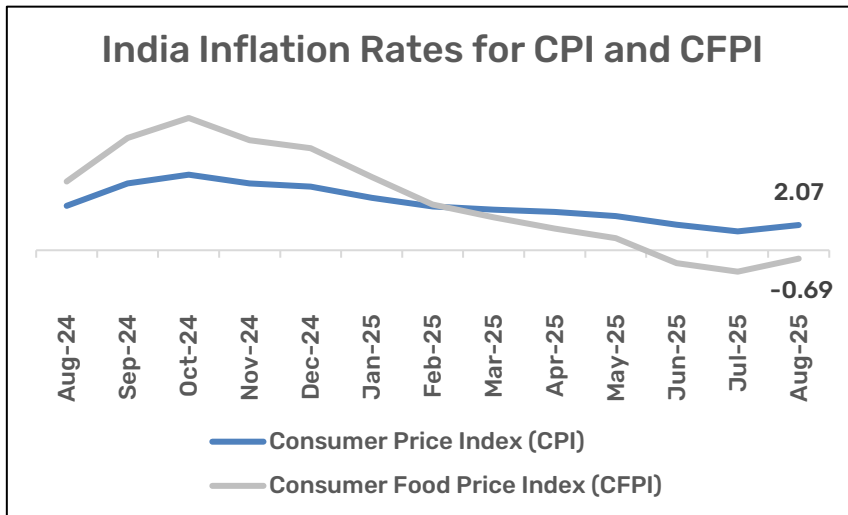


16<sup>th</sup> September 2025

# INFLATION RISES TO 2.07% IN AUGUST 2025

## KEY TRENDS AND TAKEAWAYS



Data as on 12<sup>th</sup> September 2025.

## HIGHLIGHTS

**Retail inflation saw an uptick from 1.61% in July to 2.07% in August 2025 on a year-on-year basis.**

**Rural inflation rose to 1.69% from 1.18% in the previous month, while urban inflation also increased to 2.47% from 2.10%.**

**The marginal rise in the inflation rates was driven by a rise in prices of food, which rose after moderating for several months.**

**Despite the rise, inflation remains well within the Reserve Bank of India's (RBI's) tolerance band of 2-6%.**

**The government's planned GST 2.0 rate cuts are expected to ease production costs and moderate consumer prices, thereby keeping inflation from rising further. The impact is likely to start showing from October 2025.**

## WAY AHEAD

- *The yield curve has already steepened on an expectation of an additional 25 bps rate cut.*
- *Smooth implementation of GST reforms can support the inflation trajectory, while fiscal supply dynamics remain the key swing factor.*
- *Bonds look constructive in the current environment.*
- *We prefer maintaining selective duration at the long end, where yields are favorable, while keeping flexibility to respond to evolving fiscal supply dynamics.*
- *On the equities side, low interest rates and demand stimulus are likely to support consumption led growth.*

Source: PIB, RBI, Internal analysis