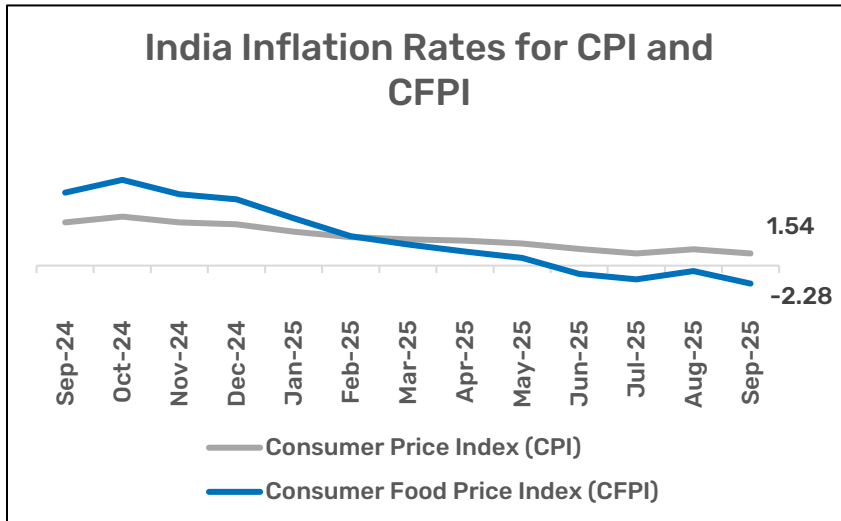


INFLATION WATCH

13th October 2025

KEY TRENDS AND TAKEWAYS

Price Pressures Continue to Ease



Data till September 2025 as released on 13th October 2025.

HIGHLIGHTS

India's retail inflation cooled sharply to 1.54% in September 2025, marking its lowest level since June 2017.

Rural inflation declined to 1.07% from 1.69% in the previous month, while urban inflation also eased to 2.04% from 2.47%.

The fall in inflation was mainly attributed to sustained deflation in food prices, a favorable base effect, and easing price pressures across key consumption categories.

RBI Quarterly CPI Inflation forecast			
	Current	Previous	Change
Q2FY26	1.8%	2.1%	↓
Q3FY26	1.8%	3.1%	↓
Q4FY26	4.0%	4.4%	↓
Q1FY27	4.5%	4.9%	↓
RBI FY26 CPI estimates cut to 2.6% from 3.1%			

Source: RBI, Internal analysis.

WAY AHEAD

- *Persistently low inflation, aided by GST rate cuts, provides the RBI with room to consider a measured rate cut if rising tariff pressures begin to dampen growth momentum.*
- *The recent GST rationalization has reinforced disinflation by lowering prices, potentially boosting real purchasing power and consumption, though festive spending may mask the underlying demand trend.*

OUR RECOMMENDATION

- *Improving liquidity supports continued preference for Liquid and Money Market Funds.*
- *Strong bids persist in the 2-5 year segment, driven by interest in shorter-duration BPSU funds.*
- *While the ultra-long end is relatively stable amid supply cuts, yields in the 5-14 years segment may rise slightly as new supply enters the market.*

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

BAJAJ FINSERV ASSET MANAGEMENT LIMITED