



# Relief for Households: Inflation Eases

## *Lower Prices Lighten Pocket Load in Q3*

August 01, 2025

### Key Takeaways

- India's GDP is projected to reach **\$7.3 trillion by 2030**.
- Inflation is easing in India, with CPI inflation at **2.10% (lowest since Jan 2019)**.
- The **trade deficit reduced by 9.4%**, which is sign of a strengthening economy.
- India's total exports touched an all-time high of **US\$ 824.9 billion in FY 2024-25**.
- India's services exports grew by **10.93% in Q1 FY 2025-26**.

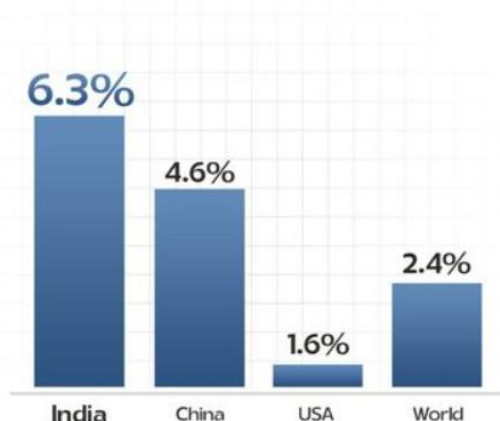
### Introduction

Rising prices often stretch household budgets, leaving families worried about their monthly expenses. But recent figures have brought relief. Prices are now easing, lightening the pocket burden and offering breathing space to households. This comes at a time when India's economy is gaining strength, with exports rising and creating new opportunities.

By 2030, India is set to become the world's third-largest economy with a projected GDP of \$7.3 trillion. According to Ministry of Statistics and Programme Implementation (MoSPI), India's real GDP which measures the output of economy after removing effect of inflation expanded by 6.5 per cent in 2024-25. The Reserve Bank of India also expects this pace to continue in 2025-26. This growth is driven by strong domestic demand, a young and energetic population, and steady economic reforms.

Exports are also playing a key role in Indian economy's growth journey. According to World Bank Data in 2024, exports contributed 21.2% to India's GDP, highlighting how trade is supporting the country's economic expansion. While a growth in GDP can lead to a rise in the inflation due to increase in demand

### Global Economic Growth Projections for 2025



Source: World Economic Situation and Prospects 2025 (Mid Year Update)

and reduction in supply, but with the focused efforts of the government on increasing productivity, investment and management of money supply, it resulted in long term GDP improvement and within target inflation rate.

## Prices Cool Down

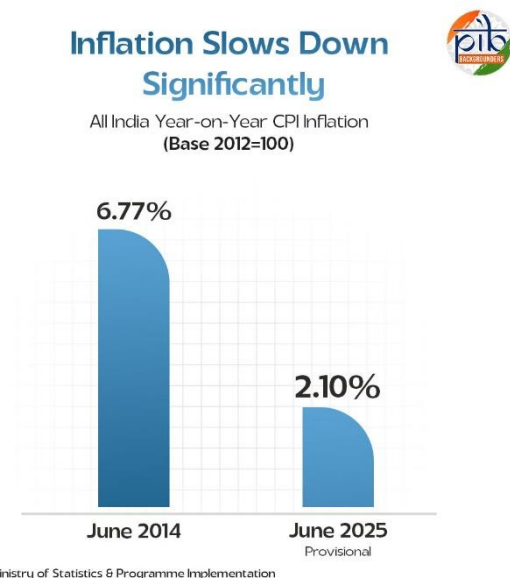
In India, the situation of inflation is showing improvement. In June 2025, India's inflation has shown a clear decline which suggests an increase in the purchasing power providing relief to households and indicating stability in the economy.

Inflation is measured on the basis of two indicators in India, **Wholesale Price Index (WPI)** and **Consumer Price Index (CPI)** :

- **Wholesale Price Index (WPI)** which measures the average change in prices of goods before reaching the consumer shows **minimal decrease to -0.13% in WPI Inflation in June 2025** when compared to last year, as per data released by Ministry of Commerce and Industry . WPI is calculated on the basis of wholesale price of Primary articles, fuel & power and manufactured products. However, this drop is mainly because of **lower prices in food items, mineral oils, manufacture of basic metals, crude oil and natural gas**.

Inflation rate based on **WPI Food Index also decreased to -0.26% in June 2025** in comparison of last year. This is a sign that food prices are softening over the year also.

- **Consumer Price Index (CPI)** measures change in price of goods that people buy for daily use such as food and beverages, clothing and footwear, housing, fuel and light and others. Data released by Ministry of Commerce and Industry shows that **inflation decreased noticeably to 2.10% in June 2025**, which is the lowest since January 2019. RBI has a target range of 4% with the tolerance level of  $\pm 2\%$  (i.e., between 2% and 6%). This indicates that inflation is under control and within acceptable policy limits. The sharp decline can be attributed to the **favourable base effect and decline in food inflation**. The **year-on-year food inflation in June, 2025 over June, 2024 is -1.06% which is also lowest after January, 2019** providing a relief to households. Pricing of vegetables, pulses and products, meat and fish, Cereals and products, Sugar and Confectionery, Milk and products and Spices contributed to the decline.



The **July, 2025 round of the Rural Economic Conditions and Sentiments Survey (RECSS)**, released by **NABARD** recently, reveals that **76.6% of rural households reported an increase in consumption** and **39.6% of surveyed households reported an increase in income** during the past year. The **rural inflation reported by Minsitry of Commerce and Industry also decreased to 1.72 per cent in June 2025** which is a decline of 394 basis point from last year. An increase in rural consumption and rural income with reduced rural inflation indicates towards strong supply side policies and employment generation policies resulting in healthy and stable economic environment.



According to data from Ministry of Agriculture and Farmer Welfare, there was increase in Rice production from 1490.74 LMT in 2024-25 as compared to 1378.25 LMT in 2023-24, and wheat production to 1175.07 LMT which is higher by 42.15 LMT from the previous year's production. The improvement in the production of major agricultural crops also support in reduction of prices.

In addition to this, the Open Market Sale Scheme (Domestic) further encouraged the strategic sale of procured grains in the open market by controlling price

and managing supply. Measures such as **facilitation of imports and exports during period of short supply**, implementation of **stock limits** and increasing the disposable income of individuals by **exempting annual incomes up to Rs. 12 lakh (and Rs. 12.75 lakh for salaried individuals with standard deduction)** from income tax also contributed in controlling inflation.

Repo rate, which is a monetary policy initiative by central bank also affects inflation. It is the rate at which commercial banks borrow money from central bank. An increase in repo rate increases the cost of borrowings resulting in low borrowing, reduced spending, lower demand and reduced inflation. To curb inflation, **RBI increased the repo rate from 4% to 6.5% and maintained it till January 2025**. To promote growth and broad decline in inflation, now **RBI has decreased the repo rate to 5.5%**, in line with the aim of promoting growth and balancing inflation control.

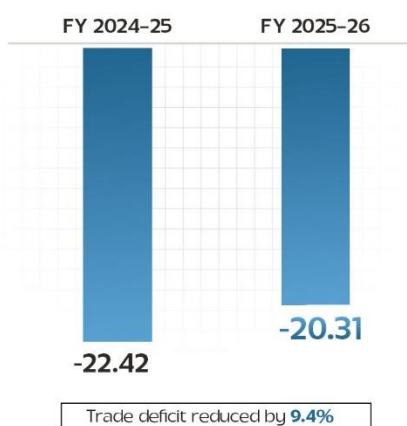
The combined easing of WPI and CPI shows that inflation is cooling down at both wholesale and retail levels in the country resulting in decline in cost pressure in the supply chain and consumers are paying less for goods and services.

## India's Export Growth: FY 2025–26 Q1

### India's Trade Balance

#### April–June YoY Comparison

(In US Billion Dollar)



Source: Ministry of Commerce & Industry



Amid this easing inflation environment, India's exports continued to grow steadily, reflecting the strengthening of the economy and competitiveness in global markets. According to data from the Ministry of Commerce & Industry, for the first quarter of **FY 2025–26 (April–June 2025)**, total exports stood at **US\$ 210.31 billion**, registering a **5.94% increase** over the previous year, while imports increased by only **4.38%**. This led to a **9.4% reduction in the trade deficit**, which improved to **– US\$ 20.31 billion** from **– US\$ 22.42 billion** during the same period last year. This implies that India sold more products and services than bought from other countries in this year in comparison to last year, indicating stronger export performance and controlled imports. This is a positive indicator for the economy, suggesting

improved global demand for Indian products and services, competitiveness in international markets, and stronger earnings from exports.

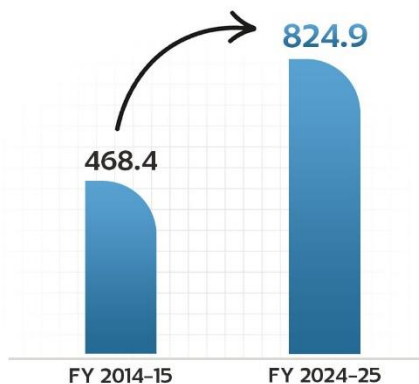
A significant contributor to this growth has been **India's services exports**, which reached **US\$ 98.13 billion** in Q1 FY 2025–26, reflecting a 10.93% growth over last year. Non-petroleum exports grew by 5.98% and, non-Gem & Jewellery exports also showed visible growth of 7.23% in April-June 2025 compared to last year.

**Growth in exports in June 2025** over the year was observed in **Electronic goods, tea, jute manufacturing, meat, dairy and poultry, other cereals**. With the Make in India initiative, the country is now building its own electronics industry, attracting big investments and boosting local production. As a result, India's electronics exports are growing rapidly.

A **reduction in import growth** over the year was noticed in **Pulses, newsprint, golf, transport equipments, coal, coke & Briquettes** and others. Government initiatives like "Mission for Aatmanirbharta in Pulses" with a special focus on tur, urad and masoor are helping in reduction in the imports in Pulses in the country.

## India's Total Exports: A Decade of Growth

(In US Billion Dollar)



Source: Ministry of Commerce & Industry



Overall, India's export performance demonstrates a decade-long upward trajectory, driven by robust services exports and expanding high-value manufacturing capacities in sectors such as electronics and defence production. As per **RBI's services trade data**, India's total exports touched an all-time high of **US\$ 824.9 billion in FY 2024-25**, marking a **6.01% increase** over the previous year's **US\$ 778.1 billion**.

This consistent growth in exports, alongside a narrowing trade deficit, underscores the growing strength and resilience of India's external sector, positioning it as a key player in the global trade landscape.

## Key Government Initiatives Strengthening India's Export Landscape

### Foreign Trade & Export Promotion

- **New Foreign Trade Policy (FTP) 2023:** Focuses on export incentives, ease of doing business, and emerging sectors like e-commerce and high-tech products. Introduced a **one-time Amnesty Scheme** to help exporters clear pending authorizations.
- **RoDTEP & RoSCTL Schemes:** Provide tax and duty reimbursements to exporters, benefiting sectors like pharmaceuticals, chemicals, and steel.
- **Districts as Export Hubs:** Identifies high-potential products in each district and provides infrastructure and market linkages.
- **Trade Infrastructure for Export Scheme (TIES) & Market Access Initiative (MAI):** Support infrastructure development and marketing efforts for export growth.

### Infrastructure & Logistics

- **National Logistics Policy (NLP) & PM GatiShakti:** Aim to reduce logistics costs and enhance multimodal connectivity through GIS-based planning.
- **Production-Linked Incentive (PLI) Schemes:** Government has significantly increased budget allocations for key sectors under the PLI Scheme in 2025-26, reaffirming its commitment to strengthening domestic manufacturing. Several sectors have witnessed substantial hikes, such as **Electronics and IT Hardware, Automobiles and Auto Components, Textile** and others.
- **Bharat Mart in Dubai:** Provides MSMEs with affordable access to GCC, African, and CIS markets.

### Ease of Doing Business & Digital Initiatives

- **Compliance & Decriminalization Reforms:** In March 2025, the government has over 42,000 compliances removed, and over 3700 legal provisions have been decriminalized since 2014. In the Jan Vishwas act 2023, more than 180 legal provisions were decriminalized.
- **National Single Window System (NSWS):** Streamlines approvals, allowing businesses to apply for 670 Central approvals and 6880 state approvals.
- **Trade Connect e-Platform:** Links over 17 lakh registered users with Indian missions and export councils for seamless trade facilitation.
- **Support to MSME exporters:** In April, 2025 Ministry of MSME has set up a dedicated support system for export promotion by setting up 65 Export Facilitation Centres (EFCs). These EFCs support MSMEs by disseminating information on various Schemes and supports available for the MSMEs for enhancing their exports, in linking them with financial institutions such as NBFCs, new fintech start-ups etc, to avail credit at competitive rates etc.

## Conclusion

Easing prices and rising exports show that India's economy is on a steady growth path while bringing relief to households. With strong demand, young energy and continued reforms, India is moving confidently towards becoming the world's third-largest economy, ensuring stability and new opportunities for its people. The focus on self-reliance and expanding global trade will further strengthen India's position in the world economy in the coming years.

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