

## How prices look in Jan'24

*BoB Essential Commodity Index (BoB ECI) has fallen by 1% in Jan'24, on a sequential basis. This is the sharpest drop since Sep'23. The moderation in the index was broad based with most contribution coming from correction in vegetable prices. Thus against this backdrop, we expect headline CPI to settle at ~4.7% in Jan'24. Favourable base would also provide the desired cushion to this number.*

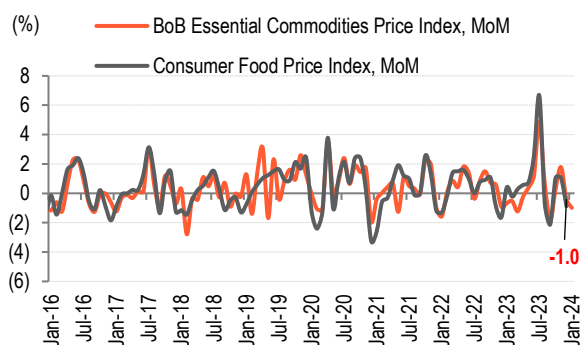
*However, what needs to be closely watched is the evolution of these numbers especially vegetable prices. In Feb'24, it is already showing some tendency to return to its mean level, thus showing a slight uptrend. But overall outlook seems favourable for inflation from the standpoint of demand-supply dynamics, stable energy price and finely balanced revenue spending of the government, which in turn might be positive for inflation in the near term.*

*To get an idea about the calculation of the index, refer to our [previous edition](#) of BoB ECI.*

### **Price picture using BoB Essential Commodity Index:**

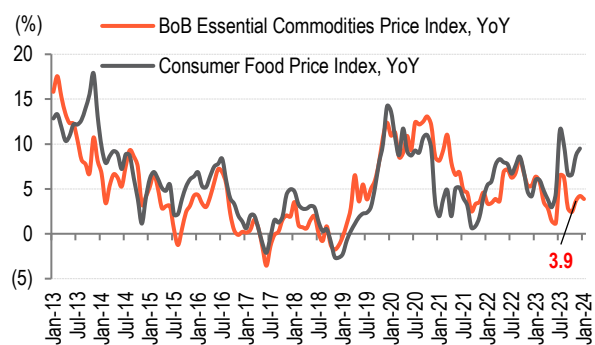
- On MoM basis, BoB ECI fell by 1% in Jan'24 from 0.4% decline seen in Dec'23. This is the sharpest pace of sequential decline in the index since Sep'23. 18 out of 20 commodities that is captured in the index have registered a decline in Jan'24 compared to Dec'23. Among them, sharpest correction was visible in case of Onion prices, which fell by 24.3% in Jan'24 from 14.8% decline seen in Dec'23. Other vegetables such as Tomato and Potato also continued its downward spiral, falling by 14.9% and 5.1%, respectively, in Jan'24. Retail prices of all categories of edible oils such as Groundnut, Mustard, Soya and Sunflower Oil, continued to soften. Even price of pulses saw a correction with Tur/Arhar prices falling the most among other categories of pulses, by 2.6% in Jan'24. Cereal prices moderated compared to last month. Prices of Sugar and Gur also inched down.
- **On YoY basis, BoB ECI softened to 3.9% in Jan'24.** 17 out of 20 commodities have registered softening of prices. Notable ones include Onion, Tomato, some items of pulses such as Tur/Arhar, Moong, cereals such as Atta (wheat) and other miscellaneous items of food such as milk, sugar, tea etc.
- For the first 5 days of Feb-24, BoB ECI has fallen by another 0.3% on MoM basis. However, as seen in the vegetable prices data, much of the correction has already happened and the difference between retail and wholesale price of these vegetables have also come down, which suggests that much of the pass through has occurred. So the evolution of price data for these volatile items, needs to be monitored carefully in the coming days.

**Figure 1: On MoM basis, BoB ECI has fallen by 1% in Jan'24 from 0.4% decline seen in Dec'23**



Source: CMIE, Bank of Baroda Research

**Figure 2: On YoY basis, it has moderated to 3.9%**



Source: CMIE, Bank of Baroda Research

**Table 1. Price pressure seen easing in Jan'24**

Price of major essential commodities (% YOY)	Wts in CPI	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24
Milk	6.4	10.8	10.9	10.7	10.7	10.7	8.8	7.7	6.4	5.4	4.8	4.2
Rice	4.4	8.6	8.9	9.4	11.2	11	11.1	11.8	13.5	14.2	14.6	13.8
Atta (Wheat)	2.6	6.5	4.3	2.7	2.7	0.3	-1.4	-1.1	-1.1	-1.6	-3.1	-3.3
Mustard oil (Packed)	1.3	-17.3	-19.4	-20.8	-20	-18.6	-17.9	-17.6	-18.6	-18.6	-18.7	-17.2
Sugar	1.1	1.7	2.2	2.4	3.4	3.1	2.6	3.5	4.7	5.9	6.5	6.5
Tea loose	1	-3.2	-3.7	-3	-2.2	-1.5	-1.3	-1.2	-0.3	0.8	1.2	1.6
Potato	1	-8.7	-9.7	-13.3	-10.6	-11.3	-12.6	-13.7	-13.2	-7.7	-1.8	5.4
Tur/Arhar dal	0.8	13.1	16.1	23.8	29.6	27.3	31.5	35.7	37.6	38.1	35.1	33.7
Soya oil (Packed)	0.7	-15.2	-20.1	-21.7	-20	-17.6	-17.5	-17.3	-19.8	-18.9	-18.4	-16.9
Sunflower oil (Packed)	0.7	-20.5	-25.7	-28.7	-29.1	-28.2	-26.3	-25.6	-27	-25.9	-24.6	-22.6
Onion	0.6	-13.6	-6.4	-4.6	4.7	17.6	29.5	36.6	90.6	81.9	41.3	31.9
Tomato	0.6	-13.2	-45.1	-37.5	177.4	195.9	-3.9	-35.4	3.6	28	31.7	42.6
Urad dal	0.3	3.3	4.4	7	8.9	7.6	8.4	9.8	12.7	14.1	14.5	15.2
Moong dal	0.3	4.3	5.6	7.1	8.8	9.2	10.7	12.1	12.5	12.8	12.4	11.4
Masoor dal	0.3	-3.4	-4.1	-4.6	-4.4	-5	-3.2	-1.4	-1.5	-0.8	-0.5	0.4
Groundnut oil (Packed)	0.3	2.7	1.1	0.9	1.2	1.9	2.7	2.4	1.7	1.9	1.4	1.1
Salt pack	0.2	14.1	12.8	11.2	11.1	10.9	7.2	4.2	3.2	3.7	4.6	3.9
Gram dal	0.1	-1.3	-0.1	1.2	2	4.4	9.8	12.9	13.6	14.6	14.6	13.9
Vanaspati (Packed)	0.1	-15.7	-19.4	-20.6	-18.5	-15.6	-14.5	-12.9	-12.5	-10.6	-9.7	-8.7
Gur	0.1	1.3	2.1	3.9	5.6	5.1	4.6	4.7	4.3	6.7	8.8	8.9

Source: CMIE, Bank of Baroda Research, Note: Commodities where price change is more than 6% on YoY basis, have been marked in red, green shaded areas are the recent drop in prices, data for Feb'24 till 5<sup>th</sup> Feb

## So where is CPI print headed?

Based on the price dynamics, we expect CPI to be at ~4.7% in Jan'24. This month the moderation in prices have been broad based, with most significant correction visible in the vegetable prices. This coupled with a favourable base of ~80bps will provide the desired comfort to inflation. For Q2FY24, we expect CPI to settle below the 5% print.

However, since most of the correction in vegetable prices has already happened, as again in Feb'24 (first 5 days), prices are reverting to their normal level. Thus, it is important to look out for the evolution of its trajectory. As for now, comfort on inflation comes from a favourable demand-supply dynamics and stable input prices. Government's adherence to fiscal prudence will also be positive on part of inflation, as revenue spending has been finely managed.

### **Disclaimer**

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at [www.bankofbaroda.com](http://www.bankofbaroda.com)



---

### **For further details about this publication, please contact:**

Economics Research Department

Bank of Baroda

+91 22 6698 5143

[chief.economist@bankofbaroda.com](mailto:chief.economist@bankofbaroda.com)

[dipanwita.mazumdar@bankofbaroda.com](mailto:dipanwita.mazumdar@bankofbaroda.com)