

How prices look in Mar'24

BoB Essential Commodity Index (BoB ECI) has increased at the fastest pace since Aug'23 by 5.9% in Mar'24, on YoY basis and by 0.4%, on a sequential basis. On a seasonally adjusted basis, the increase is sharper at 0.8%. Much of this is attributable to rise in prices of vegetables such as Potato and Onion. Apart from this, edible oils and pulses have also provided some bit of discomfort on food inflation. Going forward, the wider gap between retail and wholesale prices of these vegetable items (potato and onion) and estimated drop in production as per first AE of 2023-24 of Horticulture crops, could pose some near term pressure on food inflation.

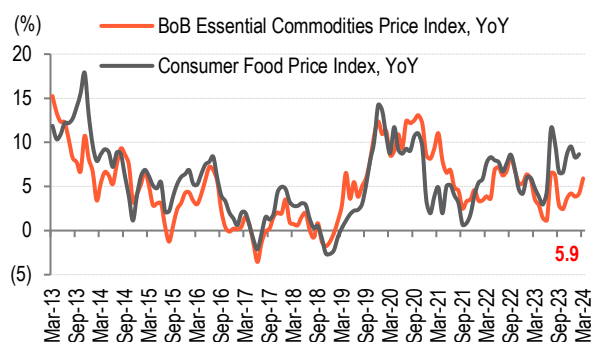
For Mar'24, we expect CPI to settle at ~4.8%. Despite some bit of discomfort on food inflation, support would prevail from a lower fuel price and a comforting core inflation.

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:

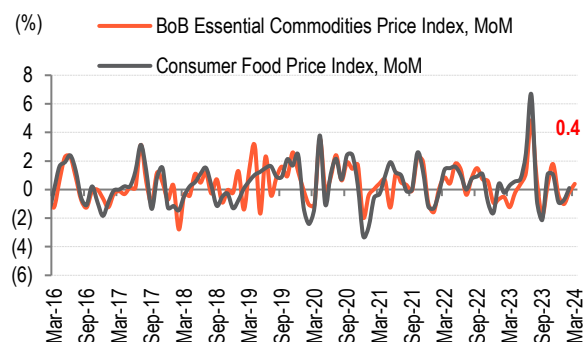
- On YoY basis, BoB ECI inched up to 5.9% in Mar'24, the sharpest pace of increase in the index observed since Aug'23. This is higher compared to last month's increase of 4.2% of the index. 9 out of 20 commodities have registered some momentum in prices. Vegetables such as Potato and Onion prices have gained considerably. From 5.3% and 28.9% increase respectively seen in Feb'24, it inched up to 22% and 40.1% in Mar'24 (on YoY basis). Other items where price build up was visible were wheat (atta), edible oils such as sunflower oil, soya oil and mustard oil. Some components of pulses such as Gram dal, Masoor and Urad also showed some bit of upward correction.
- On MoM basis, BoB ECI rose by 0.4% in Mar'24 from 0.2% decline seen in Feb'24. Notably, on a sequential basis, BoB ECI has been on a path of increase for the first time since Dec'23. A sequential momentum was seen in 13 out of 20 commodities. The YoY and sequential picture broadly mirrored the same trend. On sequential basis as well, wheat, major components of pulses, edible oils and most importantly Potato and Onion prices have shown pick up in Mar'24 compared to Feb'24. On a seasonally adjusted basis, the increase in BoB ECI is sharper at 0.8% in Mar'24.
- For the first 4 days of Apr-24, BoB ECI has inched up further by 6.7%, on YoY basis. On MoM basis, it has inched up by another 0.5%. The sequential pick up in prices was visible for edible oils, sugar, milk. Amongst vegetables, tomato prices reversed their trajectory noting an upward correction in Apr'24. Potato prices also increased moderately while Onion prices moderated.

Figure 1: On YoY basis, BoB ECI has inched up to 5.9% in Mar'24 from 4.2% in Feb'24



Source: CMIE, Bank of Baroda Research

Figure 2: On MoM basis, it inched up to 0.4% in Mar'24 from -0.2% decline seen in Feb'24



Source: CMIE, Bank of Baroda Research

Table 1. Price pressure remained in Mar'24 & Apr'24

Price of major essential commodities (% YOY)	Wts in CPI	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24
Milk	6.4	10.7	10.7	8.8	7.7	6.4	5.4	4.8	4.5	3.9	3.7
Rice	4.4	11.2	11	11.1	11.8	13.5	14.2	14.4	14.2	14.2	13.8
Atta (Wheat)	2.6	2.7	0.3	-1.4	-1.1	-1.1	-1.6	-3.2	-3.5	3.4	4.7
Mustard oil (Packed)	1.3	-20	-18.6	-17.9	-17.6	-18.6	-18.6	-18.7	-17.3	-14.6	-11.4
Sugar	1.1	3.4	3.1	2.6	3.5	4.7	5.9	6.5	6.5	6.5	5.8
Tea loose	0.96	-2.2	-1.5	-1.3	-1.2	-0.3	0.8	1.2	2	1.8	2.0
Potato	1	-10.6	-11.3	-12.6	-13.7	-13.2	-7.7	-1.7	5.3	22.0	31.4
Tur/Arhar dal	0.8	29.6	27.3	31.5	35.7	37.6	38.1	35.1	33.7	31.7	28.0
Soya oil (Packed)	0.7	-20	-17.6	-17.5	-17.3	-19.8	-18.9	-18.5	-16.8	-14.5	-10.8
Sunflower oil (Packed)	0.7	-29.1	-28.2	-26.3	-25.6	-27	-25.9	-24.6	-22.6	-20.0	-16.6
Onion	0.6	4.7	17.6	29.5	36.6	90.6	81.9	41.3	28.9	40.1	45.8
Tomato	0.6	177.4	195.9	-3.9	-35.4	3.6	28	31.8	38.2	36.2	42.2
Urad dal	0.3	8.9	7.6	8.4	9.8	12.7	14.1	14.5	15.5	15.7	14.5
Moong dal	0.3	8.8	9.2	10.7	12.1	12.5	12.8	12.4	11.7	11.6	9.8
Masoor dal	0.3	-4.4	-5	-3.2	-1.4	-1.5	-0.8	-0.4	0.4	0.6	0.4
Groundnut oil (Packed)	0.3	1.2	1.9	2.7	2.4	1.7	1.9	1.4	1	0.7	0.8
Salt pack	0.2	11.1	10.9	7.2	4.2	3.2	3.7	4.7	3.7	3.7	2.5
Gram dal	0.1	2	4.4	9.8	12.9	13.6	14.6	14.5	14.5	15.3	14.5
Vanaspati (Packed)	0.1	-18.5	-15.6	-14.5	-12.9	-12.5	-10.6	-9.7	-8.6	-7.3	-4.8
Gur	0.1	5.6	5.1	4.6	4.7	4.3	6.7	8.7	9.1	8.5	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 Apr'24 till 4th Apr

So where is CPI print headed?

High frequency price data showed that vegetable prices, especially potato and onion continue to pose considerable upside risk to food inflation. Potato prices were impacted as production was hampered due to unseasonal December rains. Added to this, there has been considerable gap between wholesale and retail prices for Potato, Onion, and Tomato. The significant difference is seen for Onion and Tomato. Thus, along with an upward correction in trajectory which happens in Q1, we can expect considerable upside risk to the prices of

these items on account of limited pass-through of wholesale to retail prices. Apart from this, adverse weather conditions and fear of prolonged summer might again result in cost push inflation. The only comfort comes from core. But how long is the question?

We expect headline CPI to be at 4.8% on Mar'24. Our FY25 forecast is in the range of 4.5-5%, with risks tilted to the upside.

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For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

+91 22 6698 5143

chief.economist@bankofbaroda.com

dipanwita.mazumdar@bankofbaroda.com