

How prices look in May'23

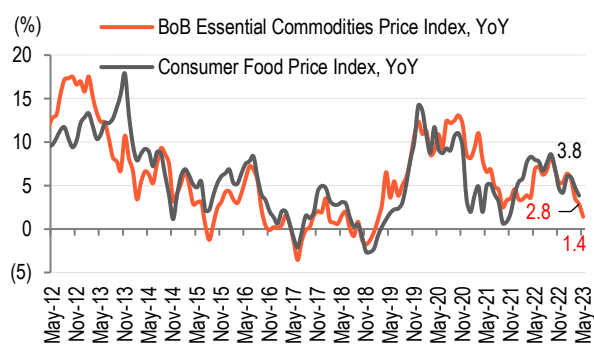
CPI print for May'23 is due to be released. As a forward signaling, our in house BoB Essential Commodity Index (BoB ECI) showed further dip in reading in May'23. **The index moderated to 1.4% in May'23 from 2.8% in Apr'23, on YoY basis.** 11 out of the 20 sub components of the Index have noticed a dip in May'23. We expect CPI to further edge down to 4.5% in May'23 from 4.7% in Apr'23. Even moderation in commodity especially oil and gold prices and a 7% favourable base supports our view.

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:

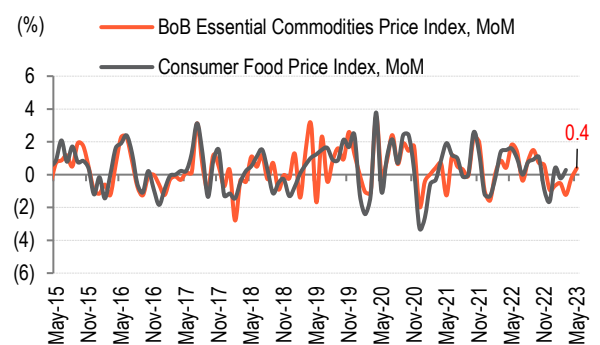
- On YoY basis, BoB ECI has moderated further to **1.4% in May'23 from 2.8% in Apr'23**. Notably, in Apr'23, Consumer Food Price Index (CFPI) rose by 3.8%.
- Among the administered 20 commodities, 11 commodities have noticed YoY drop in prices. Among them, sharp decline in prices were observed for items such as tomato, (amidst harvesting of the vegetable) sunflower, soya and mustard oil and also wheat (atta). Apart from this, prices of potato, tea and Vanaspati have also fallen.
- However, on a sequential basis, BoB ECI has slightly inched up to 0.4% in May'23 compared to 0.2% decline in Apr'23. On a seasonally adjusted basis, the BOB ECI inched up slightly by 0.3%. The slight blip in the sequential picture is on account of modest seasonal increase in price of vegetables.

Figure 1: On YoY basis, BoB Essential Commodity index softened to 1.4% in May'23 from 2.8% in Apr'23



Source: CMIE, Bank of Baroda Research

Figure 2: However, on MoM basis, it inched up marginally by 0.4%



Source: CMIE, Bank of Baroda Research

Which commodities pose upside pressure?

- Milk is still at double digit and stubbornly high amidst reports of difficulty in procuring feed and also lumpy skin disease in cattle. It rose by 10.9% in May'23 on YoY basis from 10.8% in Apr'23.
- Even sugar prices are inching up, amidst reports of fall in output in States such as Maharashtra and Karnataka. Thus Gur prices are also increasing.
- Even pulses could pose another round of spiral as Tur, Urad and Moong are noticing an upsurge. This is on account of shortage in production and would be comfortable once new harvesting season begins in October.

Table 2. Prices of major items

Price of major essential commodities, % YOY	Wts in CPI	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23
Milk	6.4	8.7	9.7	10.2	11.0	11.2	11.1	11.3	10.8	10.9
Rice	4.4	8.3	7.9	6.8	7.0	7.6	7.8	7.5	8.6	8.9
Atta (Wheat)	2.6	17.7	17.3	17.7	18.3	20.2	18.3	9.4	6.5	4.3
Mustard oil (Packed)	1.3	-4.9	-9.4	-8.6	-9.2	-9.5	-13.3	-16.3	-17.3	-19.4
Sugar	1.1	2.9	0.5	0.5	0.5	1.0	1.5	1.2	1.7	2.2
Tea loose	1.0	-0.9	-1.2	-0.7	-3.5	-3.7	-4.4	-4.0	-3.2	-3.7
Potato	1.0	36.3	29.1	10.8	9.7	8.5	2.5	-6.8	-8.7	-9.7
Tur/Arhar dal	0.8	5.4	5.8	7.5	8.9	9.2	8.7	9.9	13.1	16.1
Soya oil (Packed)	0.7	-1.4	-3.2	0.9	1.3	1.8	-0.8	-10.4	-15.2	-20.1
Sunflower oil (Packed)	0.7	1.1	-0.9	2.1	2.4	1.5	-0.3	-12.0	-20.5	-25.7
Onion	0.6	-9.5	-27.4	-22.6	-21.6	-22.0	-27.9	-27.7	-13.6	-6.4
Tomato	0.6	46.2	4.3	-34.0	-44.6	-30.0	-12.7	-0.4	-13.2	-45.1
Urad dal	0.3	1.3	1.2	1.1	1.0	1.1	0.5	1.8	3.3	4.4
Moong dal	0.3	0.9	1.5	1.1	1.4	1.8	2.3	2.6	4.3	5.6
Masoor dal	0.3	4.8	0.6	-0.8	-1.7	-2.7	-4.2	-4.7	-3.4	-4.1
Groundnut oil (Packed)	0.3	3.9	3.3	4.7	4.0	4.4	5.5	4.3	2.7	1.1
Salt pack	0.2	14.3	16.9	18.0	17.4	15.0	15.4	14.2	14.1	12.8
Gram dal	0.1	-3.2	-3.8	-3.5	-3.3	-3.0	-3.1	-2.7	-1.3	-0.1
Vanaspati (Packed)	0.1	10.1	5.9	4.5	2.0	0.7	-3.1	-11.0	-15.7	-19.4
Gur	0.1	6.3	5.4	3.2	0.8	0.0	-0.6	0.6	1.3	2.1

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.

So where is CPI print headed?

The May'23 CPI would come underpinning an elevated base of 7%. Apart from this, moderation in wholesale prices, falling commodity and oil prices in May'23, would further support a lower reading. We expect it to be around 4.5% in May'23. The trajectory look below 5% till Sep'23, which support our expectation of a pause by RBI throughout CY23 and probably a rate cut beginning next year.

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