

Bob-ECI August 2023

BoB Essential Commodity Index (BoB ECI) has moderated to 0.7% in Aug'23 and further has fallen by 1.7% in Sep'23, on a sequential basis. This follows 4.9% sequential rise visible in Jul'23. Even on YoY basis, BoB ECI has moderated to 6.3% in Aug'23 compared to 6.5% in Jul'23. More than 50% of the component of the index has noticed considerable softening in prices. Government's efforts have played out well in containing price of tomatoes. Then pass through from wholesale to retail prices has also happened for tomato series, as the gap between the two has reduced considerably. So no surprise price shock is expected. For Onion as well, before time prompt supply side measures by Government will help in arresting the price rise.

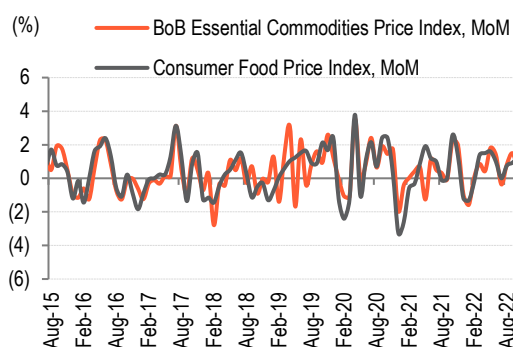
Considering the Sep'23 momentum in prices where considerable trailing is visible, we expect reversal in rising prices to happen soon with fresh arrivals in Mandi. Even though Q2FY24 inflation trajectory might overshoot RBI's projections, comfort would be visible in H2. Further a below 5% services inflation print would provide addition support. But pulses can be a spoiler. However, past episodes have suggested that spiral in pulses have been largely contained and no spill over to headline has occurred on the backdrop of a range bound core inflation, which is the situation lately.

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:

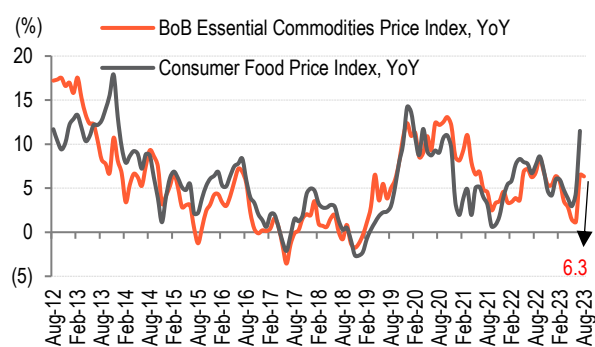
- On MoM basis, BoB ECI has edged down to 0.7% in Aug'23 from 4.9% in Jul'23. Out of 20 commodities, retail prices of 11 essential commodities have fallen. Amongst them, the biggest drop was visible in case of tomatoes where retail prices have fallen by 8% in Aug'23 from 236% jump in Jul'23. Other commodities such as Potato (prices rose at a slower pace of 3% in Aug'23 against 9.3% increase in Jul'23), Onion (prices rose by 13.2% in Aug'23 compared to 16.2% in Jul'23) and Tur (prices rose by 2.9% in Aug'23 against 5.8% increase in Jul'23), showed fair degree of moderation in price momentum. Even Urad dal, Rice and Sugar prices showed some softening.
- In Sep'23, the sequential picture of BoB-ECI turned out to be interesting with 16 out of 20 commodities noting fall in retail prices, with most considerable drop visible in tomato, onion and potato followed by rice and milk. For the first four days of Sep'23, BoB ECI has fallen by 1.7% on a sequential basis.
- *On a seasonally adjusted basis, BoB ECI has moderated to 0.6% in Aug'23.*
- The YoY picture is also similar. **BoB ECI moderated to 6.3% in Aug'23 from 6.5% in Jul'23. 50% of the commodities showed softening in its price momentum.**

Figure 1: On MoM basis, BoB ECI moderated to 0.7% in Aug'23 from 4.9% in Jul'23



Source: CMIE, Bank of Baroda Research

Figure 2: On YoY basis, it edged down slightly to 6.3% in Aug'23 from 6.5% in Jul'23



Source: CMIE, Bank of Baroda Research

Table 1. Price pressure seen easing in Aug and Sep'23

Price of major essential commodities (% YOY)	Wts in CPI	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23
Milk	6.4	11.2	11.1	11.3	10.8	10.9	10.7	10.7	10.7	8.2
Rice	4.4	7.6	7.8	7.5	8.6	8.9	9.4	11.2	11.0	10.3
Atta (Wheat)	2.6	20.2	18.3	9.4	6.5	4.3	2.7	2.7	0.3	-1.5
Mustard oil (Packed)	1.3	-9.5	-13.3	-16.3	-17.3	-19.4	-20.8	-20.0	-18.6	-17.7
Sugar	1.1	1	1.5	1.2	1.7	2.2	2.4	3.4	3.1	1.9
Tea loose	1	-3.7	-4.4	-4	-3.2	-3.7	-3.0	-2.2	-1.5	-1.7
Potato	1	8.5	2.5	-6.8	-8.7	-9.7	-13.3	-10.6	-11.3	-12.3
Tur/Arhar dal	0.8	9.2	8.7	9.9	13.1	16.1	23.8	29.6	27.3	28.4
Soya oil (Packed)	0.7	1.8	-0.8	-10.4	-15.2	-20.1	-21.7	-20.0	-17.6	-17.3
Sunflower oil (Packed)	0.7	1.5	-0.3	-12	-20.5	-25.7	-28.7	-29.1	-28.2	-26.0
Onion	0.6	-22	-27.9	-27.7	-13.6	-6.4	-4.6	4.7	17.6	27.9
Tomato	0.6	-30	-12.7	-0.4	-13.2	-45.1	-37.5	177.4	195.9	27.5
Urad dal	0.3	1.1	0.5	1.8	3.3	4.4	7.0	8.9	7.6	7.2
Moong dal	0.3	1.8	2.3	2.6	4.3	5.6	7.1	8.8	9.2	9.1
Masoor dal	0.3	-2.7	-4.2	-4.7	-3.4	-4.1	-4.6	-4.4	-5.0	-4.1
Groundnut oil (Packed)	0.3	4.4	5.5	4.3	2.7	1.1	0.9	1.2	1.9	2.3
Salt pack	0.2	15	15.4	14.2	14.1	12.8	11.2	11.1	10.9	7.6
Gram dal	0.1	-3	-3.1	-2.7	-1.3	-0.1	1.2	2.0	4.4	7.1
Vanaspati (Packed)	0.1	0.7	-3.1	-11	-15.7	-19.4	-20.6	-18.5	-15.6	-14.5
Gur	0.1	0.0	-0.6	0.6	1.3	2.1	3.9	5.6	5.1	3.0

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 Aug'23 print for CPI is expected to be 6.9%. Comfort would come from an elevated base of 7%. Apart from this, softening of vegetable prices is expected to put the print lower compared to last month's level of 7.4%. Government's efforts to pacify supply side pressure have acted well especially in bringing down tomato prices to a considerable extent. Notably, for tomato series, even the gap between wholesale and retail price has also reduced considerably. Even for Onion, government is taking preemptive measure to control prices.
- *The Sep'23 trajectory of prices also looks comforting. Needless to say, soon with arrival of fresh harvest in mandis especially between Oct-Nov, we might see a reversal in the rising price trend.*

Adding to this is the trailing services inflation. Since Apr'23, core services inflation is running below 5%. Thus, even if some overshooting of RBI's trajectory might happen in Q2, H2 inflation print would comfortably reach towards the target band of 6%.

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