

How prices look in Sep'23 and Oct'23

BoB Essential Commodity Index (BoB ECI) has fallen by 1.8% in Sep'23 compared to 0.7% increase seen in Aug'23, on a sequential basis. This is the first sequential decline in the index after Apr'23. Even on YoY basis, BoB ECI has moderated to 2.9% in Sep'23 compared to 6.3% in Aug'23. It further moderated to 2.1% for the first 6 days of Oct'23. The moderation in price pressure is broad based led by sharp correction in prices of tomatoes. Except for Onion, much of the pass through from wholesale to retail prices have happened as the gap between the two, is more or less aligned to the long term average. Even comfort in prices are visible for basic items such as milk, salt and edible oils.

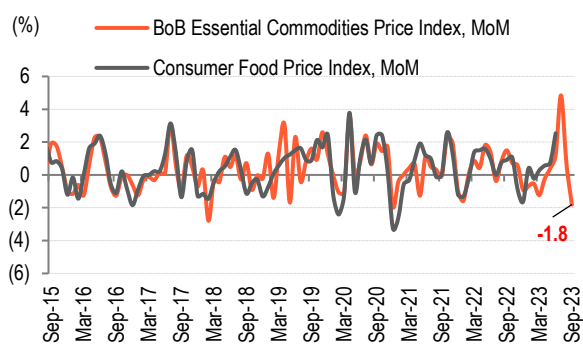
However, increase in prices of all categories of pulses pose some degree of upside risk to overall inflation outlook. But support will be provided with sharp correction of vegetable prices as fresh arrivals are soon to hit the market. Apart from this, core services inflation is also running far below 5%. Even RBI's recent survey of the manufacturing sector has reflected that output prices are likely to rise only at a softer rate, so weighing and counterweighing factors, we expect CPI to average around 5.5% in FY24. Our Sep'23, forecast is at 5.7%.

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:

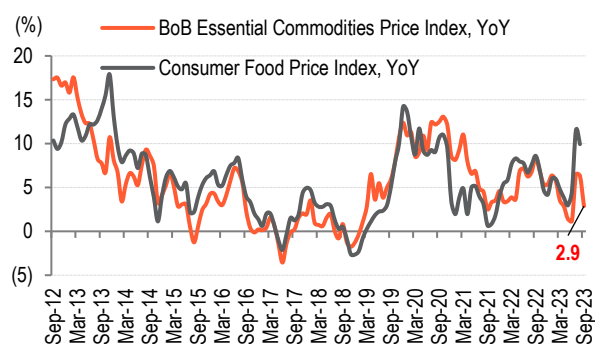
- On MoM basis, BoB ECI has declined by 1.8% in Sep'23 compared to 0.7% increase seen in Aug'23. Out of 20 commodities, retail price of 12 essential commodities have fallen. Amongst them, the biggest correction was visible in case of tomatoes where retail prices fell by 61% in Sep'23 compared to 8% decline in Aug'23. Other commodities such as Potato (remained flat in Sep'23 compared to 3% increase in Aug'23) and Onion (moderated to 11.3% from 13.2%), prices inched down. Among edible oils, moderation were visible in prices of mustard (0.7% decline in Sep'23 compared to 0.3% increase in Aug'23) and Soya oil (2% decline compared to 0.5% decline). What posed concern is the price of pulses, which showed broad based increase. Tur Dal rose the most by 5.8% compared to 2.9% in Aug'23, followed by Gram Dal (5.4% increase from 2.3%). Urad, Moong and Masur rose in the range of 1.5-2.1%.
- *On a seasonally adjusted basis, BoB ECI has fallen at a sharper pace by 2.2% in Sep'23 and further fell by 1.2% in Oct'23.*
- On YoY basis, BoB ECI moderated to 2.9% in Sep'23 from 6.3% in Aug'23. 35% of the commodities showed softening in its price momentum. Here also just like sequential picture, the prime drop was led by correction in prices of vegetables such as tomato and potato.

Figure 1: On MoM basis, BoB ECI declined by 1.8% in Sep'23 from 0.7% increase in Aug'23



Source: CMIE, Bank of Baroda Research

Figure 2: On YoY basis, it edged down to 2.9% in Sep'23 from 6.3% in Aug'23



Source: CMIE, Bank of Baroda Research

Table 1. Price pressure seen easing, pulses still a concern

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	Oct-23
Milk	6.4	11.2	11.1	11.3	10.8	10.9	10.7	10.7	10.7	8.8	7.7
Rice	4.4	7.6	7.8	7.5	8.6	8.9	9.4	11.2	11.0	11.1	11.4
Atta (Wheat)	2.6	20.2	18.3	9.4	6.5	4.3	2.7	2.7	0.3	-1.4	-1.4
Mustard oil (Packed)	1.3	-9.5	-13.3	-16.3	-17.3	-19.4	-20.8	-20	-18.6	-17.9	-17.3
Sugar	1.1	1	1.5	1.2	1.7	2.2	2.4	3.4	3.1	2.6	3.1
Tea loose	1	-3.7	-4.4	-4	-3.2	-3.7	-3	-2.2	-1.5	-1.3	-1.0
Potato	1	8.5	2.5	-6.8	-8.7	-9.7	-13.3	-10.6	-11.3	-12.6	-14.6
Tur/Arhar dal	0.8	9.2	8.7	9.9	13.1	16.1	23.8	29.6	27.3	31.5	34.2
Soya oil (Packed)	0.7	1.8	-0.8	-10.4	-15.2	-20.1	-21.7	-20	-17.6	-17.5	-16.7
Sunflower oil (Packed)	0.7	1.5	-0.3	-12	-20.5	-25.7	-28.7	-29.1	-28.2	-26.3	-25.2
Onion	0.6	-22	-27.9	-27.7	-13.6	-6.4	-4.6	4.7	17.6	29.5	22.8
Tomato	0.6	-30	-12.7	-0.4	-13.2	-45.1	-37.5	177.4	195.9	-3.9	-35.3
Urad dal	0.3	1.1	0.5	1.8	3.3	4.4	7	8.9	7.8	8.4	9.2
Moong dal	0.3	1.8	2.3	2.6	4.3	5.6	7.1	8.8	9.2	10.7	11.7
Masoor dal	0.3	-2.7	-4.2	-4.7	-3.4	-4.1	-4.6	-4.4	-5.0	-3.2	-1.7
Groundnut oil (Packed)	0.3	4.4	5.5	4.3	2.7	1.1	0.9	1.2	1.9	2.7	2.5
Salt pack	0.2	15	15.4	14.2	14.1	12.8	11.2	11.1	10.9	7.2	4.3
Gram dal	0.1	-3	-3.1	-2.7	-1.3	-0.1	1.2	2	4.4	9.8	12.3
Vanaspati (Packed)	0.1	0.7	-3.1	-11	-15.7	-19.4	-20.6	-18.5	-15.6	-14.5	-12.8
Gur	0.1	0	-0.6	0.6	1.3	2.1	3.9	5.6	5.1	4.6	4.4

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

The Oct price picture:

In Oct'23, on a sequential basis, BoB ECI remained flat whereas on YoY basis, it showed further moderation to 2.1%. Prices of basic items such as milk, salt, gur are seen falling and even the vegetable price correction continued. This is the month of fresh harvest entering the market, thus more slump is likely to occur in the coming one-two months.

So where is CPI print headed?

Broadly, price pressure assuaged in Sep'23. The primary driver has been the reversal of tomato, potato and onion prices. Even Oct'23 saw correction in the prices of these vegetable items. More importantly, the moderation in food prices in Sep'23 is broad based, with prices of rice, milk, salt, tea and also some items of edible oils edging down. Only spoil sport continue to be pulses.

The Sep'23 print would also get comfort from an elevated base. We expect headline CPI to be 5.7% for the month.

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