

How prices look in Jun'23

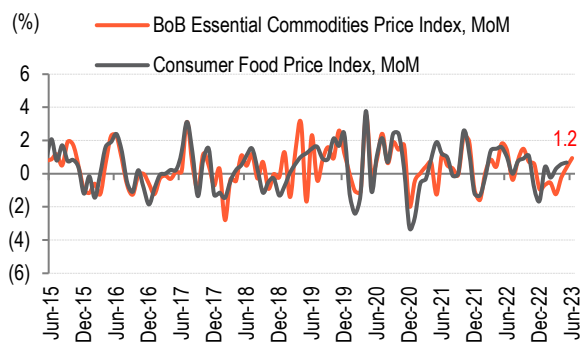
BoB Essential Commodity Index (BoB ECI) showed a slight uptick by 1.2% in Jun'23 on sequential basis, however, much of it is attributed to seasonality. On YoY basis, it continued to moderate. Component wise picture shows edible oil prices are on a downtrend. But some unanticipated shock in terms of vegetables such as onion and tomato prices and upward spiraling of pulses might be forthcoming. We expect CPI to settle between 4-4.3% in Jun'23, before a slight reversal in trajectory from next month onwards owing to fading base.

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:

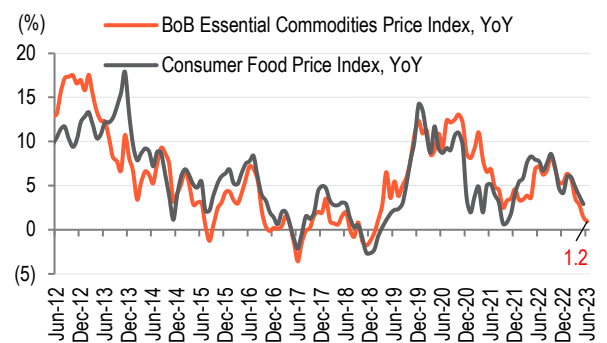
- On MoM basis, BoB ECI has seen a momentum in the past two months. In Jun'23, the index rose by 1.2% from 0.4% increase in May'23. *The sequential momentum is attributed to some degree of seasonality, as on a seasonally adjusted basis, BoB ECI inched up by only 0.2% in Jun'23.* However on a YoY basis, BoB ECI moderated to 1.2% in Jun'23 from 1.4% in May'23, supported by a favourable base.
- But the breakdown of the index, shows a mixed picture with regard to movement of prices. Amongst the administered 20 commodities, 10 commodities have noticed YoY moderation in prices. The notable ones among them include edible oils such as Sunflower (-28.7% in Jun'23) and Soya oils (-21.6%). Amongst vegetables, potato prices have seen sharp moderation. So is the case with Atta, masoor dal and milk. Price pressure on YoY basis was visible in case of tomato, all other pulses component (except masoor) and sugar.
- The sequential increase is driven by vegetables such as tomato and onion where prices increased by 28.6% and 3.7% respectively in Jun'23.

Figure 1: On MoM basis, BoB ECI inched up to 1.2% in Jun'23 from 0.4% in May'23



Source: CMIE, Bank of Baroda Research

Figure 2: However, on YoY basis, it moderated to 1.2% from 1.4% in May'23



Source: CMIE, Bank of Baroda Research

Table 1. Prices of major items-edible oil and fats are continuing to show considerable moderation

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	Jun-23
Milk	6.4	8.7	9.7	10.2	11	11.2	11.1	11.3	10.8	10.9	10.7
Rice	4.4	8.3	7.9	6.8	7	7.6	7.8	7.5	8.6	8.9	9.5
Atta (Wheat)	2.6	17.7	17.3	17.7	18.3	20.2	18.3	9.4	6.5	4.3	2.5
Mustard oil (Packed)	1.3	-4.9	-9.4	-8.6	-9.2	-9.5	-13.3	-16.3	-17.3	-19.4	-20.8
Sugar	1.1	2.9	0.5	0.5	0.5	1	1.5	1.2	1.7	2.2	2.7
Tea loose	1	-0.9	-1.2	-0.7	-3.5	-3.7	-4.4	-4	-3.2	-3.7	-3.0
Potato	1	36.3	29.1	10.8	9.7	8.5	2.5	-6.8	-8.7	-9.7	-13.3
Tur/Arhar dal	0.8	5.4	5.8	7.5	8.9	9.2	8.7	9.9	13.1	16.1	23.9
Soya oil (Packed)	0.7	-1.4	-3.2	0.9	1.3	1.8	-0.8	-10.4	-15.2	-20.1	-21.6
Sunflower oil (Packed)	0.7	1.1	-0.9	2.1	2.4	1.5	-0.3	-12	-20.5	-25.7	-28.8
Onion	0.6	-9.5	-27.4	-22.6	-21.6	-22	-27.9	-27.7	-13.6	-6.4	-4.4
Tomato	0.6	46.2	4.3	-34	-44.6	-30	-12.7	-0.4	-13.2	-45.1	-37.4
Urad dal	0.3	1.3	1.2	1.1	1	1.1	0.5	1.8	3.3	4.4	7.1
Moong dal	0.3	0.9	1.5	1.1	1.4	1.8	2.3	2.6	4.3	5.6	7.1
Masoor dal	0.3	4.8	0.6	-0.8	-1.7	-2.7	-4.2	-4.7	-3.4	-4.1	-4.5
Groundnut oil (Packed)	0.3	3.9	3.3	4.7	4	4.4	5.5	4.3	2.7	1.1	0.9
Salt pack	0.2	14.3	16.9	18	17.4	15	15.4	14.2	14.1	12.8	11.4
Gram dal	0.1	-3.2	-3.8	-3.5	-3.3	-3	-3.1	-2.7	-1.3	-0.1	1.2
Vanaspati (Packed)	0.1	10.1	5.9	4.5	2	0.7	-3.1	-11	-15.7	-19.4	-20.6
Gur	0.1	6.3	5.4	3.2	0.8	0	-0.6	0.6	1.3	2.1	3.9

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

So where is CPI print headed?

Jun'23 CPI would again be supported by an elevated base of 7%. Apart from this stable international crude price (averaging at around US\$ 75/bbl) and decline in international gold price by 2.5% in Jun'23, on MoM basis, would comfort the CPI print. Further reduction in commercial LPG prices and moderation of Kerosene prices also will cushion the fuel and light component of CPI. Apart from this, government's supply side measures such as consideration of open market sell of wheat and rice and imposing stock limits on wheat; might keep food inflation in check in the near term. We expect CPI to be in the range of 4-4.3% in Jun'23, before a slight reversal in trajectory on account of faded impact of base and unanticipated shock in vegetable prices.

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