

How prices look in Oct'23

BoB Essential Commodity Index (BoB ECI) has edged down to 2.4% in Oct'23. Sequentially, it has inched up slightly by 0.3% against a decline of 1.8% in Sep'23. The sequential pick up is on account of correction in tomato prices (falling at a less than sharper pace than last month). However, other than that, softening in prices is broad based. Especially some degree of sequential moderation in price of pulses is a respite.

What needs monitoring is the rise in Onion prices. In Oct'23, the retail price of Onion has increased by 36.6% on YoY basis, while in sequential terms it has risen by 12.9%. Even for the first three days of Nov'23, it has risen at a faster pace registering 88% and 54.1% increase on YoY and sequential basis, respectively. The gap between wholesale and retail price of Onion is also higher (currently at Rs 9.5/kg, long run average is Rs 6.3/kg), so a significant degree of pass through is yet to happen. However, with the arrival of Oct-Dec harvest in the market, some correction in prices is expected. Meanwhile government's intervention in the form of subsidized selling in some cities will provide temporary relief to inflation. We do not foresee significant spike as this season coincides with fresh arrival of harvest.

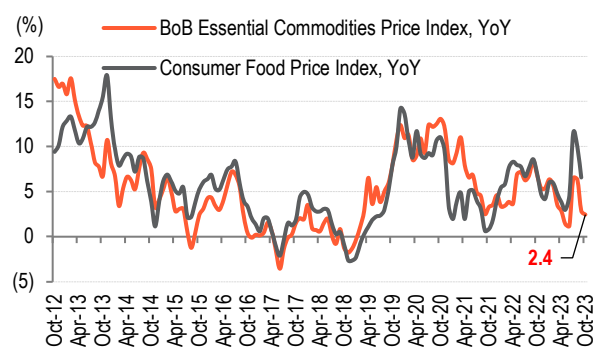
We expect headline CPI to settle between 4.5-4.7% in Oct'23.

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:

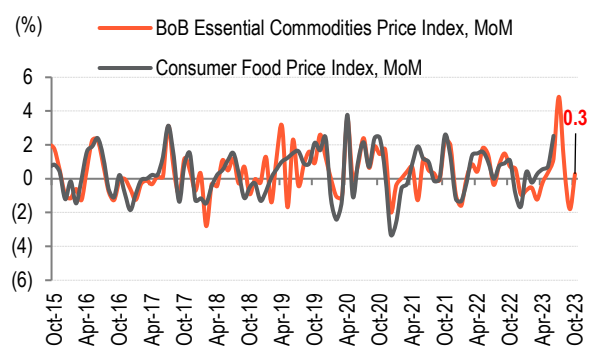
- On YoY basis, BoB ECI moderated to 2.4% in Oct'23 from 2.9% in Sep'23. 6 out of 20 commodities have registered softening of prices. Downward spiraling of tomato prices continued. Apart from this, prices of pulses such as gram and moong dal also showed some softening. Prices of edible oils such as groundnut, mustard and sunflower oil also edged down.
- On MoM basis, BoB ECI inched up to 0.3% in Oct'23 from 1.8% decline in Sep'23. The slight inching up of the index on a sequential basis is attributable to the correction in tomato prices. *On a seasonally adjusted basis, it has fallen by 0.6% in Oct'23.* Notably, 11 out of 20 commodities have seen moderation in prices. Among them, commodities such as gram, tur and urad dal, rice, wheat and gur have witnessed considerable change. *Only for Onion prices, some discomfort still persists.*
- For the first three days of Nov'23, BoB ECI inched up by 3.1% on YoY basis and by 1.2% on a sequential basis. The slight pickup is attributable to inching up of prices of onion.

Figure 1: On YoY basis, BoB ECI moderated to 2.4% in Oct'23 from 2.9% in Sep'23



Source: CMIE, Bank of Baroda Research

Figure 2: On MoM basis, it inched up to 0.3%



Source: CMIE, Bank of Baroda Research

Table 1. Price pressure seen easing, onion prices still a risk

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	11.8
Atta (Wheat)	2.6	20.2	18.3	9.4	6.5	4.3	2.7	2.7	0.3	-1.4	-1.1
Mustard oil (Packed)	1.3	-9.5	-13.3	-16.3	-17.3	-19.4	-20.8	-20	-18.6	-17.9	-17.6
Sugar	1.1	1	1.5	1.2	1.7	2.2	2.4	3.4	3.1	2.6	3.5
Tea loose	1	-3.7	-4.4	-4	-3.2	-3.7	-3	-2.2	-1.5	-1.3	-1.2
Potato	1	8.5	2.5	-6.8	-8.7	-9.7	-13.3	-10.6	-11.3	-12.6	-13.7
Tur/Arhar dal	0.8	9.2	8.7	9.9	13.1	16.1	23.8	29.6	27.2	31.5	35.7
Soya oil (Packed)	0.7	1.8	-0.8	-10.4	-15.2	-20.1	-21.7	-20	-17.6	-17.5	-17.3
Sunflower oil (Packed)	0.7	1.5	-0.3	-12	-20.5	-25.7	-28.7	-29.1	-28.2	-26.3	-25.6
Onion	0.6	-22	-27.9	-27.7	-13.6	-6.4	-4.6	4.7	17.6	29.5	36.6
Tomato	0.6	-30	-12.7	-0.4	-13.2	-45.1	-37.5	177.4	195.9	-3.9	-35.4
Urad dal	0.3	1.1	0.5	1.8	3.3	4.4	7	8.9	7.6	8.4	9.8
Moong dal	0.3	1.8	2.3	2.6	4.3	5.6	7.1	8.8	9.2	10.7	12.1
Masoor dal	0.3	-2.7	-4.2	-4.7	-3.4	-4.1	-4.6	-4.4	-5.0	-3.2	-1.4
Groundnut oil (Packed)	0.3	4.4	5.5	4.3	2.7	1.1	0.9	1.2	1.9	2.7	2.4
Salt pack	0.2	15	15.4	14.2	14.1	12.8	11.2	11.1	10.9	7.2	4.2
Gram dal	0.1	-3	-3.1	-2.7	-1.3	-0.1	1.2	2	4.4	9.8	12.9
Vanaspati (Packed)	0.1	0.7	-3.1	-11	-15.7	-19.4	-20.6	-18.5	-15.6	-14.5	-12.9
Gur	0.1	0	-0.6	0.6	1.3	2.1	3.9	5.6	5.1	4.6	4.7

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?

Based on the price dynamics, we expect CPI to settle between 4.5-4.7% in Oct'23. Till Mar'24, we are foreseeing a below 5% inflation and gradual crawling towards the 4% target. Price moderation is broadly in line with expectation. However, onion and potato prices to a certain degree are playing spoil sport. But with fresh arrival of harvest, no upside surprise is expected in prices. Apart from this, core services inflation has neared towards the 4% level. Thus, we rule out any immediate upside risk to inflation.

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