

How prices look in Feb'24

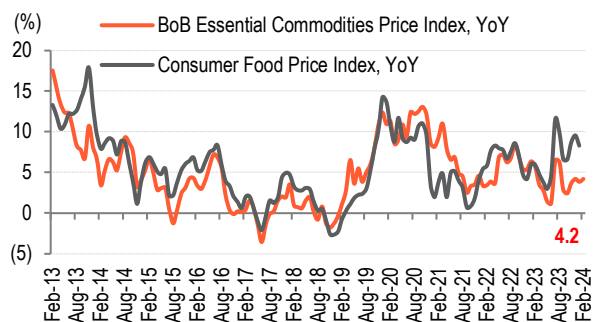
BoB Essential Commodity Index (BoB ECI) has inched up by 4.2% in Feb'24, on YoY basis. On a sequential basis, it fell at a less than sharp pace in Feb'24 compared to Jan'24, but most of it is a seasonal phenomenon. On a seasonally adjusted basis, it has inched up by 0.4%. Price increase has been broad based, with most notable ones visible in case of Potato and Tomato, major items of pulses and edible oils. Major correction of vegetable prices has already happened, so a reversal of trajectory might be forthcoming. Apart from this, hailstorm and unseasonal rains of late have hit some part of the country which might cause supply side disruption. Thus upside risk to food inflation remains. For Feb'24, we expect CPI to settle at ~5.1%.

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:

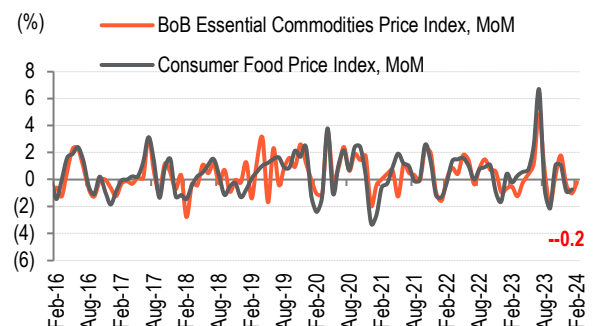
- On YoY basis, BoB ECI inched up to 4.2% in Feb'24 from 3.8% in Jan'24. 10 out of 20 commodities have registered some momentum in prices. Amongst them, sharp increase was visible for Potato, Tomato, all components of edible oil, some items of pulses such as Masur and Urad, and miscellaneous food items such as Gur and Tea.
- On MoM basis, BoB ECI fell at a less than sharper pace of 0.2% in Feb'24 from 1% decline in Jan'24. However on a seasonally adjusted basis, BoB ECI has inched up by 0.4% in Feb'24. Sequential pick up in prices were visible for 16 out of 20 commodities. Significant ones were Onion, Tomato, where some correction in prices are happening against last two months' of decline. Apart from vegetables, Rice, pulses, all components of edible oil and sugar are also observing some pickup in prices. Notably, for Pulses both Khariff and Rabi output remained suboptimal. Thus the evolution of price trajectory in the near term requires monitoring.
- For the first 5 days of Mar-24, BoB ECI has inched up further by 5.5%, on YoY basis. On MoM basis, it has remained flat compared to 0.2% decline observed in the previous month. The sequential pick up in prices were visible for atta (wheat), major items of pulses (except Urad), mustard and soya oil, potato and onion.

Figure 1: On YoY basis, BoB ECI has inched up to 4.2% in Feb'24 from 3.8% in Jan'24



Source: CMIE, Bank of Baroda Research

Figure 2: However, on MoM basis, some moderation is observed, due to seasonality



Source: CMIE, Bank of Baroda Research

Table 1. Price pressure seen building up in Feb and Mar'24

Price of major essential commodities (% YOY)	Wts in CPI	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24
Milk	6.40	10.7	10.7	10.7	8.8	7.7	6.4	5.4	4.8	4.5	3.8
Rice	4.40	9.4	11.2	11	11.1	11.8	13.5	14.2	14.4	14.2	13.8
Atta (Wheat)	2.60	2.7	2.7	0.3	-1.4	-1.1	-1.1	-1.6	-3.2	-3.5	3.4
Mustard oil (Packed)	1.30	-20.8	-20	-18.6	-17.9	-17.6	-18.6	-18.6	-18.7	-17.3	-14.9
Sugar	1.10	2.4	3.4	3.1	2.6	3.5	4.7	5.9	6.5	6.5	6.4
Tea loose	0.96	-3	-2.2	-1.5	-1.3	-1.2	-0.3	0.8	1.2	2.0	1.2
Potato	1.00	-13.3	-10.6	-11.3	-12.6	-13.7	-13.2	-7.7	-1.7	5.3	16.6
Tur/Arhar dal	0.80	23.8	29.6	27.3	31.5	35.7	37.6	38.1	35.1	33.7	31.7
Soya oil (Packed)	0.70	-21.7	-20	-17.6	-17.5	-17.3	-19.8	-18.9	-18.5	-16.8	-14.9
Sunflower oil (Packed)	0.70	-28.7	-29.1	-28.2	-26.3	-25.6	-27	-25.9	-24.6	-22.6	-20.0
Onion	0.60	-4.6	4.7	17.6	29.5	36.6	90.6	81.9	41.3	28.9	40.7
Tomato	0.60	-37.5	177.4	195.9	-3.9	-35.4	3.6	28.0	31.8	38.2	30.3
Urad dal	0.30	7	8.9	7.6	8.4	9.8	12.7	14.1	14.5	15.5	15.5
Moong dal	0.30	7.1	8.8	9.2	10.7	12.1	12.5	12.8	12.4	11.7	11.3
Masoor dal	0.30	-4.6	-4.4	-5	-3.2	-1.4	-1.5	-0.8	-0.4	0.4	0.9
Groundnut oil (Packed)	0.30	0.9	1.2	1.9	2.7	2.4	1.7	1.9	1.4	1.0	0.7
Salt pack	0.20	11.2	11.1	10.9	7.2	4.2	3.2	3.7	4.7	3.7	3.7
Gram dal	0.10	1.2	2	4.4	9.8	12.9	13.6	14.6	14.5	14.5	15.0
Vanaspati (Packed)	0.10	-20.6	-18.5	-15.6	-14.5	-12.9	-12.5	-10.6	-9.7	-8.6	-7.6
Gur	0.10	3.9	5.6	5.1	4.6	4.7	4.3	6.7	8.7	9.1	8.3

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, data for Mar'24 till 5th Mar

So where is CPI print headed?

High frequency price data have seen some momentum in Feb'24 as well as in Mar'24. For vegetables, major price correction were seen. For Onion, the gap between retail and wholesale price is still above its long run average, hence further correction to retail price cannot be ruled out. Apart from this, reports of hailstorm and rain in northern parts of India might cause supply side disruption, thus impacting prices of certain crops. Major items of pulses are also noting some increase in prices. It is crucial to see that whether it is a transient one or likely to persist in the coming months. Notably, the sub optimal output of pulses might actually put upside pressure in the near term. We expect CPI to settle at ~5.1% in Feb'24. An elevated base would provide some degree of comfort, but if recent broad based pressure in prices continue to persist in the coming months, it will refrain the headline number from nearing the 4% target.

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