

Inflation risks linger

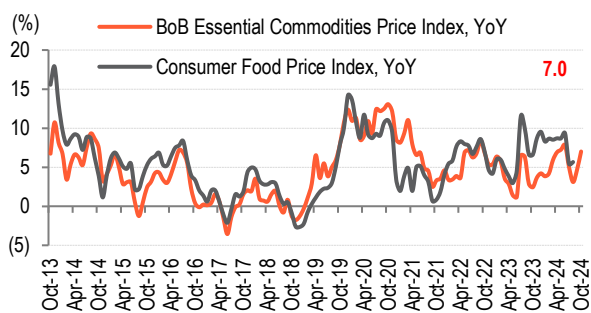
BoB Essential Commodity Index (BoB ECI) witnessed significant upswing both on a sequential and YoY basis. There is broad-based price pressure with a pronounced increase visible in tomatoes and edible oil. For the former, lower arrivals were primarily due to a lagged impact of unseasonal rains observed in Sep'24 which impacted mandi arrivals statistics. For edible oils, a sharp increase is visible because of imported inflation as prices globally are heated up. Going forward, rising intensity of climate risks, weaker currency against a stronger dollar and geopolitical risks might pose further upside risks to inflation. Thus, what is required is a holistic policy response of the government in terms of addressing climate related shocks, logistical drawbacks and other supply side disruptions, might be beneficial in bringing down inflation. We expect CPI to settle around 5.7% in Sep'24, with risks tilted to the upside.

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:

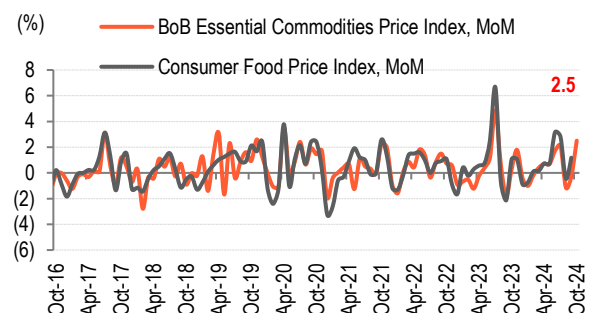
- BoB ECI shot up sharply by 7% in Oct'24, on YoY basis, its highest reading since Jun'24. Most of the increase was attributable to a sharp upswing in Tomato prices which went up by 115.2% in Oct'24 compared to 16.6% increase seen in Sep'24. Even Potato and Onion prices noted strong double digit increase of 50% and 44% respectively in Oct'24. Other than vegetables whose price increase has become a persistent phenomenon due to weather related vagaries; sharp upswing was noted in case of edible oils. Mustard (17.2% increase in Oct'24), Sunflower (11.9%) and soya oil (9.3%) all witnessed considerable jump in prices.
- Sequentially, BoB ECI inched up by 2.5% in Oct'24. This is the sharpest sequential increase since Jul'23. The increase in momentum was broad based with sharpest increase visible for tomato, all items of edible oil and even all categories of pulses (except Gram dal). Cereals also noticed some buildup. So were miscellaneous items such as tea and salt. On a seasonally adjusted basis, however, BoB ECI has risen at a softer pace by 1.2%, thus partially the jump is attributable to seasonal phenomenon.
- BoB ECI in Nov'24 (first 6 days) is also increasing however at a lesser pace by 5.5% on YoY basis and by 0.4% on MoM basis.

Figure 1: On YoY basis, BoB ECI rose by 7% in Oct'24 from 4.7% in Sep'24



Source: CMIE, Bank of Baroda Research

Figure 2: On MoM basis, it increased by 2.5% from -0.3% decline seen in Sep'24



Source: CMIE, Bank of Baroda Research

Table 1. Price increase is visible in case of edible oils, vegetables

Retail Price of major essential commodities (% YOY)	Wts in CPI	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24
Milk	6.4	4.8	4.5	3.9	3.5	3	2.6	2.8	2.1	0.9	0.5
Rice	4.4	14.4	14.2	14.2	13.8	13.5	12.8	9.1	5.1	2.6	1.9
Atta (Wheat)	2.6	-3.2	-3.5	3.4	4.7	4.7	4.6	2.9	1.7	1.4	2.5
Mustard oil (Packed)	1.3	-18.7	-17.3	-14.6	-11.5	-9	-3.3	-2	-0.8	3.8	17.2
Sugar	1.1	6.5	6.5	6.5	5.7	5.2	4.9	4.2	3.7	2.8	2
Tea loose	1	1.2	2	1.8	1.3	1.8	0.7	-0.2	-3.3	-4.1	-3.7
Potato	1	-1.7	5.3	22	38.9	41.7	45.8	55.1	53.1	49.4	50.2
Tur/Arhar dal	0.8	35.1	33.7	31.7	29.7	30.2	27	24.6	19.8	12	7.4
Soya oil (Packed)	0.7	-18.5	-16.8	-14.5	-11.3	-9.2	-6.8	-6.1	-7.5	-3.1	9.3
Sunflower oil (Packed)	0.7	-24.6	-22.6	-20	-16.6	-13.7	-9.5	-8.4	-6.6	-2.5	11.9
Onion	0.6	41.3	28.9	40.1	41.4	43.4	57.9	64.9	50.3	53	44
Tomato	0.6	31.8	38.2	36.2	40.4	38.7	28.3	-40	-50	16.6	115.2
Urad dal	0.3	14.5	15.5	15.7	15	14.7	13.8	11.9	8.9	6.1	4.9
Moong dal	0.3	12.4	11.7	11.6	9.9	9	8.7	7.1	4.5	1.6	0.3
Masoor dal	0.3	-0.4	0.4	0.6	0.5	1	2.5	1.5	-2	-4.3	-4.8
Groundnut oil (Packed)	0.3	1.4	1	0.7	0.3	-0.4	-0.8	-1.6	-3.8	-4.4	-0.4
Salt pack	0.2	4.7	3.7	3.7	2.7	2.3	2.7	2.3	-0.4	-1.3	-1.3
Gram dal	0.1	14.5	14.5	15.3	14.5	14.9	17.6	18.9	17.1	15	14.5
Vanaspati (Packed)	0.1	-9.7	-8.6	-7.3	-5.1	-4.5	-3.7	-2.9	-4.5	-2.5	7.2
Gur	0.1	8.7	9.1	8.5	8.5	7.9	7.2	6.8	5.6	3.6	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

So where is CPI print headed?

Oct'24 witnessed broad based increase in food prices. Much of it is on account of weather-related uncertainty. For Tomato, mandi arrivals have been falling sequentially in the past three months and the momentum is continuing even in Nov'24. Thus, Jul-Nov'24 harvest is impacted due to excessive unseasonal rainfall in States such as Andhra Pradesh and Maharashtra. Now, everything hinges on the December harvest. Post that some correction in prices might be visible. For Potato and Onion, price is expected to be comfortable as mandi arrivals have improved. Some volatility in international prices is also contributing to the rise in edible oil prices. As per report by FAO, excessive dryness and heat in Brazil, lower than expected production in the Black Sea region and planting delays in Argentina all got reflected in prices. Domestic price increase is a pass through of the same. Thus, headline CPI number in Oct is likely to be elevated. Core would also be on the upside due to frontloading of festive demand and higher gold prices. We expect CPI to settle at 5.7% in Oct'24, with risks tilted to the upside.

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