

RESEARCH**BOB ECONOMICS RESEARCH | BOB ESSENTIAL COMMODITIES INDEX**

Inflation likely to subside

SUMMARY**INDIA ECONOMICS: BOB ESSENTIAL COMMODITIES INDEX**

BoB Essential Commodity Index (BoB ECI) shows a significant moderation in underlying price pressure. On a YoY basis, the index has moderated to 3.1% from 5% in Jul'24. Even on a sequential basis, BoB ECI has declined by 1.1%, after increasing by 2.1% in Jul'24. This is led by a correction in prices of vegetables, especially tomato. Prices of other essential commodities also moderated sequentially. Based on this, we expect CPI inflation to print at 4% in Aug'24. Going ahead, while a normal monsoon bodes well for the inflation outlook, unseasonal and excess rainfall in part of the country remains a key risk. We expect inflation to evolve broadly in line with RBI expectations, implying the possibility of rate cut only in Dec'24.

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**BOB ESSENTIAL
COMMODITIES INDEX**

05 September 2024

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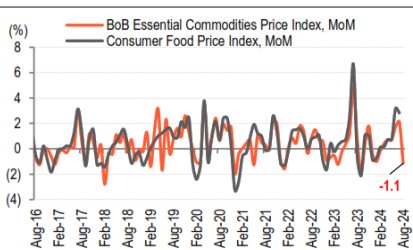
Aditi Gupta
Economist

To know more about the methodology for calculation of the index, please refer to our [previous edition](#) of BoB ECI.

Price picture using BoB Essential Commodity Index:

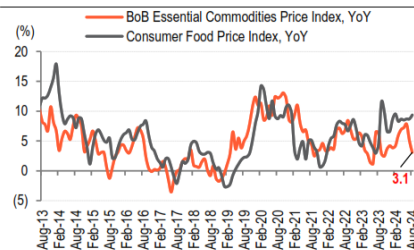
On a MoM basis, BoB ECI index has shown a significant deceleration. After increasing by a sharp 2.1% in Jul'24, the index has fallen by 1.1% in Aug'24, marking its first sequential decline in this fiscal year. Furthermore, the decline is broad based with almost all components of the index witnessing a softening momentum in Aug'24. The moderation is more pronounced in case of vegetables, with prices of potato, onion and tomato witnessing a significant correction. In fact, after increasing by a steep 57.3% in Jul'24, tomato prices declined by 23.3% in Aug'24. Even onion and potato prices increased at a much softer pace of 3.2% (21.4% in Jul'24) and 1.6% (16.2% in Jul'24) respectively in Aug'24. Apart from these, prices of rice and pulses also declined, contributing to the moderation in the index. Within edible oils, some uptick was witnessed in prices of sunflower and mustard oil, even as prices in other categories declined.

Figure 1: On MoM basis, BoB ECI has declined by 1.1%



Source: CMIE, Bank of Baroda Research

Figure 2: Even on a YoY basis, there is a moderation in BoB ECI



Source: CMIE, Bank of Baroda Research



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