5 Aug 2026

Dipanwita Mazumdar
Economist

Food-driven price pressure to persist

BoB Essential Commodities Index (BoB ECI) has risen at its sharpest pace in the entire series in Jul'26 by 4.1%, on YoY basis. In Aug'26, the build-up is even higher (first 5-days) at 5.4%. Inflation is heavily skewed on food front. However, what has been comforting is that supply side dynamics remained in favour. The arrival statistics of TOP vegetables (Tomato, Onion and Potato) have improved in Jul'26, as well. Monsoon is also progressing better with now 63% of States receiving normal rainfall. The area sown as percentage of normal area of major Kharif crops (except oilseeds and sugarcane) as on 31 Jul 2026 have remained above same period of pervious year. International food prices have also softened especially edible oil prices. Core inflation is likely to get some relief from softening of international gold prices. However, upside risks may emerge in the near term as Q1 transcript of major companies indicated pass through of higher input costs to consumers amidst robust demand conditions.

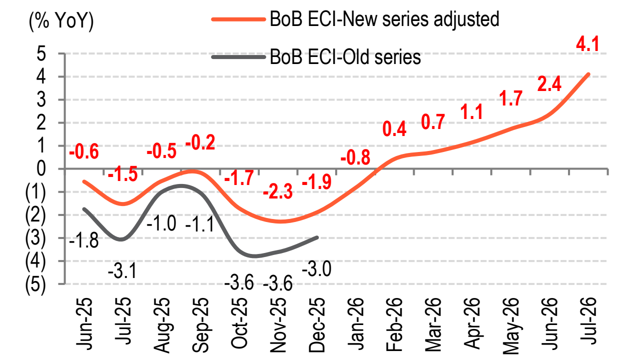
Against this backdrop, we expect CPI to settle at 4.5% in Jul'26, with risks tilted to the upside.

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-Adjusted for new base year:

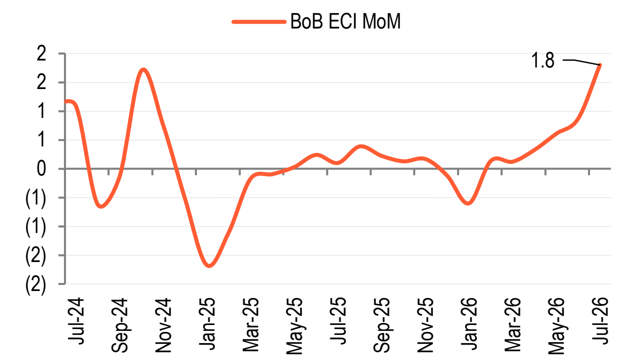
- BoB ECI rose at its highest pace in the new series by 4.1% in Jul'26, on YoY basis. Among 20 items, 18 items witnessed increase in inflation rate. In the past few months, inflation has been getting broad-based especially on food inflation front. Among them, the steepest increase was seen for onion, edible oils, rice and some components of pulses. Onion retail prices surged to its highest since Oct'24 to 20% in Jul'26 after inching by only 2.3% in Jun'26. Within pulses, Urad dal is witnessing considerable momentum. Amongst other items, sugar prices firmed up in Jul'26 due to adverse weather conditions. Other miscellaneous items also noted increase in retail prices such as Gur, Tea (loose) and salt pack.
- **Sequential picture:** BoB ECI rose at the sharpest by 1.8% in Jul'26. Majority steepness was visible for onion prices which showed considerable upward correction of 23.5%, on MoM basis. Looking at the onion price trajectory, it can be said that prices are likely to be on the upside. Even potato prices showed sequential increase of 4.6%, much in line with previous months. The only comfort among the TOP (Tomato, Onion and Potato) vegetables has been the reversal in Tomato retail price trajectory which showed MoM decline of -1.2 after 3 consecutive months of increase. Some sequential buildup of retail prices was visible for sugar, gur, tea loose and salt pack as well, broadly mirroring the YoY trend.
- **Aug'26 trend:** For the first 4 days, BoB ECI rose at a significantly higher pace by 5.4%, on YoY basis. On a MoM basis, it has risen by 1.6%.

Figure 1: BoB ECI rose at the sharpest pace by 4.1% in Jul'26



Source: CMIE, Bank of Baroda Research, Note: For Jul'26: *for the first 6 days

Figure 2: …On sequential basis (MoM), it picked up by 1.8%



Source: CMIE, Bank of Baroda Research, Note: For Jul'26: *for the first 6 days

Table 1. Food inflation is facing upside risks

Retail Price of major essential commodities, (% YOY)	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26*
Cereals								
Rice	-0.2	0.2	0.2	0.5	1.2	2.1	4.5	5.6
Atta (Wheat)	-1.3	-2.1	-2.6	-1.6	0	0.5	0.8	1.0
Edible Oils								
Mustard oil (Packed)	10	10.4	10.3	10.6	11.3	11.6	9.0	5.0
Soya oil (Packed)	2.5	3.4	4.4	7.8	8.6	10.5	11.5	11.4
Sunflower oil (Packed)	8.9	11.4	13.1	15.2	15.4	16.8	17.9	17.9
Groundnut oil (Packed)	-2.1	0.2	3	4.5	6.7	8.1	9.2	9.4
Vegetables								
Tomato	50.7	41.9	33.3	35.8	52.8	31.2	-1.7	-27.7
Onion	-27	-24.5	-25	-16.2	-5.6	2.3	20.0	25.3
Potato	-23.5	-13.3	-12.2	-14.5	-14.5	-13.9	-11.7	-11.3
Pulses								
Urad dal	-7.5	-4.7	-2.2	-0.9	0.6	2.2	4.3	6.3
Moong dal	-2.9	-2	-1.4	-0.6	-0.2	0.3	0.8	1.1
Masoor dal	0.2	0.5	0.9	1.4	1.8	2	2.2	1.0
Gram dal	-7.5	-5.2	-3.5	-2.4	-2	-0.8	-0.2	-0.9
Tur/Arhar dal	-24	-14.9	-9	-5.3	-3	-0.2	2.4	4.7
Miscellaneous								
Salt pack	-1.8	0.5	1.4	1.4	1.9	1.9	2.8	3.5
Vanaspati (Packed)	5.8	4.7	3.4	4.2	3.9	4.7	5.4	5.7
Gur	4.6	4.8	5.6	5.2	5.7	5.4	2.7	2.5
Milk	0.9	1.2	1.4	1.5	1.7	2.4	5.9	6.0

Retail Price of major essential commodities, (% YOY)	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26*
Sugar	3.8	2.9	1.8	1.5	1.7	2	4.4	7.1
Tea loose	-0.2	0.2	0.1	0.9	1	1.3	1.4	0.7

Source: CMIE, Bank of Baroda Research, Note: * for the first 4-days of Aug'26

Food inflation needs to be monitored

We expect CPI to be at ~4.5% in Jul'26. Major risks emanate from food inflation which has seen broad based increase in Jul'26.

Among vegetables, albeit the stickiness in the Onion price trajectory, the arrival statistics of TOP (Tomato, Onion and Potato) vegetables have been comforting. As per UPAJ data, the arrival of TOP rose by 14.7% sequentially in Jul'26. Hence supply-side dynamics remain in favour. Further monsoon conditions have improved in Jul'26. Currently, 63% of the States are receiving normal rainfall (on a cumulative basis). The area sown as % of normal area of major Kharif crops (except oilseeds and sugarcane) as on 31 Jul 2026 have remained above same period of previous year.

Core (excl. food and fuel) is likely to remain in the range of 4-4.1% in Jul'26. International gold prices have softened further by (-) 3.7%, on MoM basis, hence personal care and effects of core inflation are likely to derive some relief. Core excluding precious metals is also likely to be muted for now. However, going forward, some upside pressure may be visible as transcript of major companies hinted at pass-through of higher input cost, going forward as demand conditions have broadly remained buoyant.

How are Global prices moving?

World Bank data has shown that sequentially there has been some degree of downward correction in energy prices, however, on YoY basis, prices have remained elevated. Global edible oil prices have also softened in Jul'26 which is a positive thing for India since its import dependency is higher. Fertiliser prices have softened. Global metal prices are on the downside. Hence there is no immediate spillover risk of fuel to other components as seen in the data for the couple of months since the start of the war. The outlook of global fuel and metal prices remain contingent on the arrival of a formal negotiation in place between US and Iran. For food inflation, adverse weather conditions may act adversely on food inflation, to some extent.

Annexure 1:

Table 1: Globally prices showing sequential moderation, albeit elevated on YoY basis

Components	MoM change, Jul'26 (%)	YoY change, Jul'26 (%)	Change since Feb'26
	Crude Oil		
Crude oil, average	-2.3	15.3	17.4
Crude oil, Brent	-2.3	17.5	17.3
Crude oil, Dubai	-1.3	10.8	12.1
Crude oil, WTI	-3.1	17.8	22.9

Components	MoM change, Jul'26 (%)	YoY change, Jul'26 (%)	Change since Feb'26
	Natural Gas		
Natural gas, US	-8.3	-9.4	-19.9
Natural gas, Europe	19.1	55.4	60.7
Liquefied natural gas, Japan	0.1	-0.9	4.2
	Edible Oils		
Groundnut oil	-5.6	-2.2	-6.2
Palm oil	-0.3	12.8	6.0
Soybean oil	-4.6	27.0	29.5
Rapeseed oil	-1.8	24.3	17.2
Sunflower oil	-1.7	22.2	2.6
	Cereals		
Rice	-4.7	19.5	14.7
Wheat	8.5	27.5	15.9
	Misc.		
Urea	-11.7	-19.4	-15.3
	Basic Metals		
Aluminum	-8.1	21.3	3.1
Copper	-0.1	38.6	4.6
Lead	-5.3	-7.6	-3.9
Tin	-0.1	57.6	8.8
Nickel	-5.3	10.8	-3.0
Zinc	1.7	30.3	8.3
	Precious Metals		
Gold	-3.7	21.9	-18.9
Platinum	-6.0	16.6	-24.1
Silver	-11.8	56.0	-28.2

Source: World Bank, Bank of Baroda Research

Table 2: Arrival statistics and rainfall status

Arrival, in tonnes	Apr-26	May-26	Jun-26	Jul-26	Rainfall Status (Cumulative- 1st Jun till 4 Aug'26)
		Tomato			
Andhra Pradesh	21,944	55,465	1,36,682	1,60,715	Deficit
Gujarat	20,659	20,471	22,229	25,014	**Normal**
Karnataka	32,014	47,296	1,04,571	1,86,377	**Normal**
Madhya Pradesh	3,710	4,432	5,975	9,428	**Normal**
Odisha	na	na	na	na	Excess
		Onion			
Gujarat	2,29,410	96,936	43,105	42,831	**Normal**
Karnataka	98,453	95,687	80,123	81,461	**Normal**
Madhya Pradesh	1,23,547	2,07,886	2,10,972	3,49,403	**Normal**
Maharashtra	5,85,624	7,92,134	8,59,899	8,01,651	**Normal**
Rajasthan	50,509	38,562	42,250	35,655	**Normal**

Arrival, in tonnes	Apr-26	May-26	Jun-26	Jul-26	Rainfall Status (Cumulative- 1st Jun till 4 Aug'26)
			Potato		
Bihar	75		14269.39	15754.35	Deficit
Gujarat	51,030	48,972	48,635	86,847	**Normal**
Madhya Pradesh	54,434	38,988	24,586	27,817	**Normal**
Uttar Pradesh	6,50,100	6,28,844	6,76,728	7,72,420	Deficit
West Bengal	60,572	54,224	59,142	59,758	**Normal**

Source: Upaj statistics, IMD, Bank of Baroda Research

For further details about this publication, please contact:

Economics Research Department
Bank of Baroda
chief.economist@bankofbaroda.com