

## **Inflation risks seen subsiding**

*BoB Essential Commodity Index (BoB ECI) witnessed moderation in Nov'24 both on a sequential and YoY basis. This is led by sharp correction in prices of Tomato and Onion. For Onion, the retail price in Nov'24 declined for the first time since Jul'23. This is a significant development surrounding the constant fear of prices of TOP vegetables (Tomato, Onion and Potato). For Tomato as well, the mandi arrival statistics showed a jump of 46% in Nov'24 compared to Nov'23 (Upaj data). Wholesale prices of TOP items are also on the deflationary path. Thus, retail prices are likely to exhibit further downward correction in the near term. Importantly, prices of energy, precious metals, fertilisers are also on a downtrend, so no major cost push inflation is expected. Moreover, international prices of edible oils and cereals are also largely contained. This couple with the arrival of fresh winter harvest will in turn lend comfort to headline CPI in the near term.*

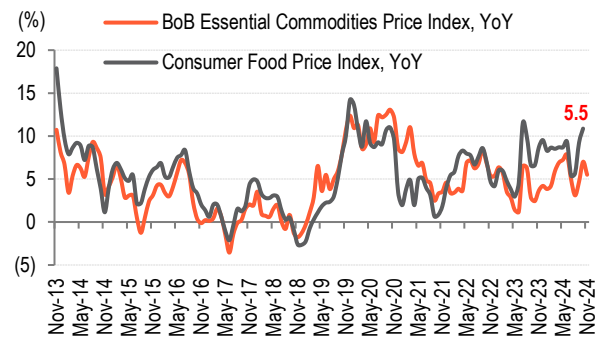
*We expect CPI to settle around 5% in Nov'24, with risks tilted to the downside.*

*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:**

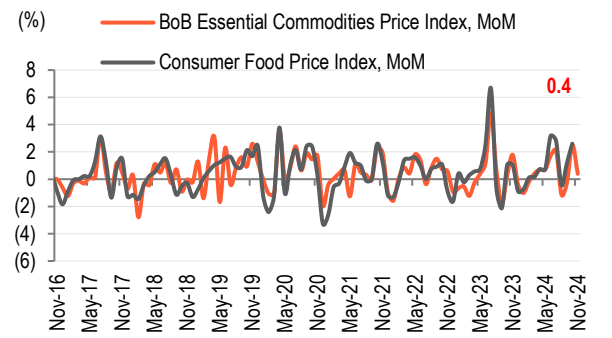
- BoB ECI showed considerable broad-based moderation in Nov'24. On YoY basis, it inched down to 5.5% in Nov'24 compared to 7% in Oct'24. 13 out of 20 commodities in the index witnessed inflation below 4%. The major comfort came from downward correction in prices of vegetables such as Tomato and Onion. In fact, for Tomato, the trajectory of retail price corrected significantly coming off to 33.7% increase in Nov'24 compared to 115.2% increase seen in Oct'24. The prices for Onion as well, are showing downward momentum as it fell by -4.4% in Nov'24 compared to 44% increase seen in Oct'24. Notably, this is the first time since Jul'23 that the retail price series of Onion has declined.
- Sequentially, BoB ECI also softened to 0.4% in Nov'24 compared to by 2.5% in Oct'24. The sequential loss of momentum in inflation broadly mirrored the trend of YoY data. Here considerable decrease was seen in case of major edible oils led by Mustard oil (3.6% in Nov'24 compared to 11.4% in Oct'24), Soya oil (4.6% in Nov'24 compared to 10.9% in Oct'24) and Sunflower oil (6.6% in Nov'24 compared to 12.3% in Oct'24). Pulses have also fallen led by Gram and Moong dal. Other than this, prices of cereals, gur, salt have also eased. On a seasonally adjusted basis, however, BoB ECI has declined by -0.1%, thus some bit of inflation is attributable to seasonal phenomenon.
- BoB ECI in Dec'24 (first 4 days) eased further by 0.1% on a sequential basis. Thus, the general price trend is witnessing some degree of softening.

**Figure 1: On YoY basis, BoB ECI moderated to 5.5% in Nov'24 from 7% increase seen in Oct'24**



Source: CMIE, Bank of Baroda Research

**Figure 2: On MoM basis, it edged down by 0.4% in Nov'24 from 2.5% seen in Oct'24**



Source: CMIE, Bank of Baroda Research

**Table 1. Price moderation is seen in major items**

Retail Price of major essential commodities (% YOY)	Wts in CPI	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24
Milk	6.4	3.5	3	2.6	2.8	2.1	0.9	0.5	0.5
Rice	4.4	13.8	13.5	12.8	9.1	5.1	2.6	1.9	1.2
Atta (Wheat)	2.6	4.7	4.7	4.6	2.9	1.7	1.4	2.5	2.5
Mustard oil (Packed)	1.3	-11.5	-9	-3.3	-2	-0.8	3.8	17.2	20.9
Sugar	1.1	5.7	5.2	4.9	4.2	3.7	2.8	2	0.7
Tea loose	1	1.3	1.8	0.7	-0.2	-3.3	-4.1	-3.7	-3.5
Potato	1	38.9	41.7	45.8	55.1	53.1	49.4	50.2	49.2
Tur/Arhar dal	0.8	29.7	30.2	27	24.6	19.8	12	7.4	4
Soya oil (Packed)	0.7	-11.3	-9.2	-6.8	-6.1	-7.5	-3.1	9.3	14.4
Sunflower oil (Packed)	0.7	-16.6	-13.7	-9.5	-8.4	-6.6	-2.5	11.9	19.7
Onion	0.6	41.4	43.4	57.9	64.9	50.3	53	44	-4.4
Tomato	0.6	40.4	38.7	28.3	-40	-50	16.6	115.2	33.7
Urad dal	0.3	15	14.7	13.8	11.9	8.9	6.1	4.9	2.1
Moong dal	0.3	9.9	9	8.7	7.1	4.5	1.6	0.3	-0.6
Masoor dal	0.3	0.5	1	2.5	1.5	-2	-4.3	-4.8	-4.3
Groundnut oil (Packed)	0.3	0.3	-0.4	-0.8	-1.6	-3.8	-4.4	-0.4	1
Salt pack	0.2	2.7	2.3	2.7	2.3	-0.4	-1.3	-1.3	-0.9
Gram dal	0.1	14.5	14.9	17.6	18.9	17.1	15	14.5	14.0
Vanaspati (Packed)	0.1	-5.1	-4.5	-3.7	-2.9	-4.5	-2.5	7.2	12.7
Gur	0.1	8.5	7.9	7.2	6.8	5.6	3.6	3.9	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?

Nov'24 witnessed broad based moderation in food prices. Most of it is attributable to correction in vegetable prices especially tomato and Onion. The November Mandi arrivals data also showed a significant rebound. Wholesale prices of TOP vegetables (Tomato, Onion and Potato) have also come off significantly. Notably for Tomato, the Mandi arrivals went up by 46% in Nov'24 compared to Nov'23. Apart from the veggie driven comfort, the fall in prices is also noticed in the case of edible oils, cereals and pulses. According to the World Bank's pink sheet data, international prices of edible oils have also fallen sharply with pronounced moderation visible in case of soyabean and groundnut oil. Apart from this, the fall in energy, metal, gold and fertilizer prices in Nov'24, might keep prices in other categories of core inflation largely capped. Nov'24 has also the relief of a favourable statistical base. Thus, weighing the underlying price dynamics, we expect headline CPI to be at 5% in Nov'24. Core has the upside risk of a festival demand push.

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