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Inflationary risks are building up

BoB Essential Commodities Index (BoB ECI) adjusted for the new series is showing momentum for the past three months. In Mar'26 it went up by 0.7%, on YoY basis and in Apr'26, it is higher by 1% (first 5 days of Apr'26). The upward pressure on prices is visible for edible oils, some items of pulses and Tomato prices. This edition of BoB ECI focusses on the momentum of global prices (Annexure 1). Though the direct transmission of higher global prices to CPI is limited but the elevated risks of imported inflation in a scenario of higher energy prices and weaker currency cannot be ruled out.

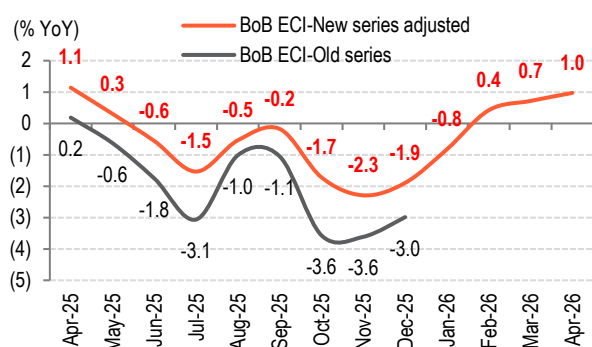
Against this backdrop, we expect CPI to settle at 3.7% in Mar'26, with risks tilted to the upside. A lot hinges on the duration of the war and arrival of a formal peace deal.

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:

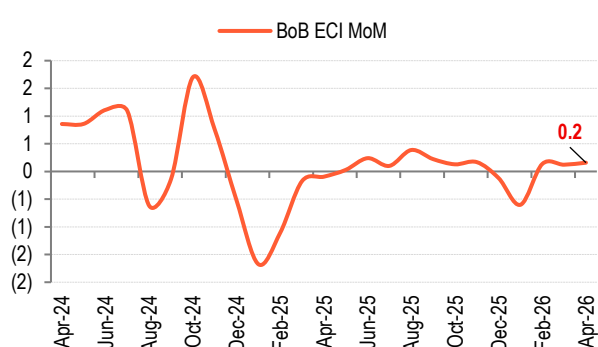
- BoB ECI inched up by 0.7% in Mar'26, on YoY basis. Among 20 items, 12 items witnessed increase in inflation rate. Among them, the steepest increase was seen for some components of edible oils (such as soya and sunflower oil) and pulses (such as Tur, Urad, Gram, among others). However, for pulses it is not much of a concern as the deflationary trajectory persists, albeit at a slower pace (except for Masoor dal). The increase in edible oils prices is in line with increase in international prices, driven by higher quotations across palm, soy, sunflower and rapeseed oils, globally as highlighted in FAO report. The report also pointed out that higher crude oil prices due to ongoing supply side disruption may impinge on prices, especially for palm oil (at present visible in Mar'26). Hence, domestic prices of edible oil component, which is already elevated, should be closely monitored. What has been a respite is that still the trajectory of Potato and Onion is in deflation. On the other hand, retail prices of Tomato prices are higher at 33.3%, in Mar'26, on YoY basis.
- **Sequential picture:** BoB ECI inched up by 0.1% in Mar'26, same as in Feb'26. The majority price increase was visible for Tomato. Apart from this edible oils, milk and masoor dal showed some pickup in Mar'26.
- **Apr'26 trend:** For the first 5 days, BoB ECI has inched up at a faster pace by 1%, on YoY basis and by another 0.2%, on MoM basis.

Figure 1: The new BoB ECI has been picking up on YoY basis...



Source: CMIE, Bank of Baroda Research, Note: For Apr'26: *first 5days

Figure 2: ...On sequential basis (MoM) as well, some build up is seen



Source: CMIE, Bank of Baroda Research, Note: For Apr'26: *first 5days

Table 1. Food inflation for majority of the items is still well below 4%

| Retail Price of major essential commodities, (% YOY) | Jan-26 | Feb-26 | Mar-26 | Apr-26* |
|--|--------|--------|--------|---------|
| Cereals | | | | |
| Rice | -0.2 | 0.2 | 0.2 | 0.0 |
| Atta (Wheat) | -1.3 | -2.1 | -2.6 | -1.1 |
| Edible Oils | | | | |
| Mustard oil (Packed) | 10.0 | 10.4 | 10.3 | 11.0 |
| Soya oil (Packed) | 2.5 | 3.4 | 4.4 | 6.7 |
| Sunflower oil (Packed) | 8.9 | 11.4 | 13.1 | 14.5 |
| Groundnut oil (Packed) | -2.1 | 0.2 | 3.0 | 4.9 |
| Vegetables | | | | |
| Tomato | 50.7 | 41.9 | 33.3 | 25.8 |
| Onion | -27.0 | -24.5 | -25.0 | -15.7 |
| Potato | -23.5 | -13.3 | -12.2 | -14.7 |
| Pulses | | | | |
| Urad dal | -7.5 | -4.7 | -2.2 | -1.1 |
| Moong dal | -2.9 | -2.0 | -1.4 | -0.9 |
| Masoor dal | 0.2 | 0.5 | 0.9 | 1.1 |
| Gram dal | -7.5 | -5.2 | -3.5 | -2.5 |
| Tur/Arhar dal | -24 | -14.9 | -9.0 | -5.4 |
| Miscellaneous | | | | |
| Salt pack | -1.8 | 0.5 | 1.4 | 2.0 |
| Vanaspati (Packed) | 5.8 | 4.7 | 3.4 | 3.2 |
| Gur | 4.6 | 4.8 | 5.6 | 4.9 |
| Milk | 0.9 | 1.2 | 1.4 | 1.2 |
| Sugar | 3.8 | 2.9 | 1.8 | 1.5 |
| Tea loose | -0.2 | 0.2 | 0.1 | 0.0 |

Source: CMIE, Bank of Baroda Research, Note: Green represents below 4% inflation, *Data for Apr'26 is for first 5 days of the month

Ongoing risks and impact on supply chain:

We expect CPI in Mar'26 to be at ~3.7%. The arrival statistics of TOP vegetables (Tomato, Onion and Potato) have shown a 53.8% decline in Mar'26 over Mar'25. Other than that, edible oil prices are elevated. Hence monitoring is required on food inflation front, albeit it is softer. The increase in LPG (1.98%) prices in Mar'26 by 7% is also expected to push the housing and utility component of the new series higher. The subsidized Kerosene prices (weight in CPI: 0.01%) in metro cities have also increased. Thus, the fuel component of CPI is expected to be higher in Mar'26.

News reports have also pointed out that FMCG, consumer durable companies, are already weighing in input price risks. The gap between retail and wholesale prices for TOP vegetables (Tomato, Onion and Potato) is also falling, thus pass-through to retail prices is expected to be visible soon.

Risks are tilted to the upside

World Bank data has shown that majority upside risk is concentrated in energy, edible oils and fertiliser prices. Basic metal prices softened on a sequential basis in Mar'26. However, on a YoY basis, it remains elevated. For precious metals as well, the trend is similar. Food prices are rangebound for now. However, the second-round effect on food cannot be ruled out. With no sign of a formal peace deal in place, even after a month, the pass through of higher input prices to consumers might be visible in the near term. Even FAO data mirrored the same trend for majority of the sub-component of food inflation (cereals, vegetable oil price, amongst others).

For core inflation, the softening in gold prices (MoM: -3.3% in Mar'26, World Bank) will cap the personal care and effects component of core to some extent. Gold prices have fallen on account of a stronger dollar in Mar'26 (MoM: DXY has risen by 2.4% in Mar'26). We expect core inflation (excluding food and fuel to be ~3.9% in Mar'26. On the other hand, core excluding pan, tobacco, gold, silver and precious metals is expected to be lower at 1.7-1.8% in Mar'26. A lot hinges on how geopolitical dynamics will be at play in the coming days and to what extent the supply side disruption feed into actual inflation print. For India, the risks of imported inflation have increased compared to previous months. The same is likely to be visible in WPI print which has a higher weightage in terms of imported inflation compared to CPI. However, an already softer WPI provides the breather.

Annexure 1:

Table 1: Globally prices showing upside risks

| Components | YoY change, Mar'26 (%) | MoM change, Mar'26 (%) |
|------------------------------|------------------------|------------------------|
| Crude Oil | | |
| Crude oil, average | 35.2 | 40.5 |
| Crude oil, Brent | 42.9 | 45.8 |
| Crude oil, Dubai | 28.1 | 34.4 |
| Crude oil, WTI | 34.4 | 41.2 |
| Natural Gas | | |
| Natural gas, US | -26.2 | -15.7 |
| Natural gas, Europe | 35.3 | 59.4 |
| Liquefied natural gas, Japan | 18.4 | 31.1 |

| Components | YoY change, Mar'26 (%) | MoM change, Mar'26 (%) |
|------------------------|------------------------|------------------------|
| Edible Oils | | |
| Groundnut oil ** | 0.8 | -6.1 |
| Palm oil | 3.3 | 6.1 |
| Soybean oil | 46.5 | 15.6 |
| Rapeseed oil | 9.3 | 2.2 |
| Sunflower oil | 18.9 | 1.4 |
| Cereals | | |
| Rice | -9.1 | -4.9 |
| Wheat | 8.4 | 6.8 |
| Misc. | | |
| Urea | 83.9 | 53.7 |
| Basic Metals | | |
| Aluminum | 26.9 | 10.0 |
| Copper | 28.6 | -3.3 |
| Lead | -7.6 | -2.0 |
| Tin | 39.0 | -2.8 |
| Nickel | 6.3 | -0.6 |
| Zinc | 10.1 | -4.3 |
| Precious Metals | | |
| Gold | 62.8 | -3.3 |
| Platinum | 108.8 | -4.3 |
| Silver | 134.7 | -5.0 |

Source: World Bank, Bank of Baroda Research

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