

6 May 2025

Dipanwita Mazumdar
Economist

Inflationary concerns retreating

BoB Essential Commodities Index (BoB ECI) continued its deceleration in Apr'25 as well, edging down by 0.2%, on YoY basis, slowest pace since Jan'19. The major downward correction was visible in the case of vegetables and pulses. This is supported by better arrival and production statistics, respectively. Heatwave conditions in major TOP (Tomato, Onion and Potato) producing States have also pacified which is a positive development since last month when most of these States recorded above normal temperatures. We expect CPI to be ~3.0% in Apr'25. This print will give further breather to RBI in its Jun'25 policy for further easing. The expectation of above normal monsoon, downside risks to commodity price cycle amidst anticipation of muted global growth and slackening demand conditions, as highlighted in transcripts of major FMCG companies, hint at CPI might undershoot RBI's target in Q1FY26 as well.

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:

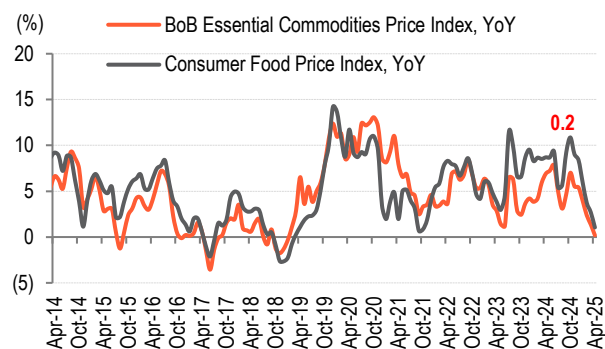
- BoB ECI continued to show moderation even in Apr'25. On YoY basis, it inched down to 0.2% in Apr'25 compared to 1.4% in Mar'25. This is the lowest number recorded since Jan'19. 10 out of 20 commodities in the index witnessed deflation with the sharpest pace being observable for TOP vegetables (Tomato, Onion and Potato). The retail price of Tomato has hit its lowest since Aug'24, falling by (-) 34.4% in Apr'25, on YoY basis. Both Potato and Onion prices went into sharp deflation, noting a decline of (-) 11% and (-) 5.7%, respectively, in Apr'25, on YoY basis. Among pulses as well, the downward correction in prices is a consecutive three-month in a row phenomenon. This is supported by better production and astute supply management policies of the government. Tur/Arhar fell sharply by -14.6% in Apr'25, on a YoY basis. Other categories of pulses fell in the range of (-) 4.5 to (-) 5.8%. Among cereals, the retail price of rice fell at a sharp pace compared to last month by -4.1% in Apr'25. For miscellaneous items such as salt pack and tea loose, deflation is reigning in Apr'25 as well, albeit at a softer pace than last month. For Edible oils, Groundnut oil prices are still contained at 0.4%, however, other categories of edible oils are elevated in the range of 18.9-29.6% in Apr'25.
- **Sequential picture:** BoB ECI declined by -0.5% in Mar'25, on MoM basis. On a seasonally adjusted MoM, it has fallen at a less sharp pace by -0.3%, thus some degree of seasonality is involved in the moderation of CPI.

Here the picture is slightly different for TOP vegetables. For Onion, the decline is persistent in Apr'25 as well, however, for Tomato, some sequential momentum in prices is observed. Thus, the YoY picture is a bit marred on account of a favourable base, in this case. For Potato, as

well, sequential build up is visible albeit some decline. For edible oils, softer international prices on account of higher outputs in major Southeast Asian countries, as highlighted by FAO report, has supported prices. The pace of deflation in pulses is retained except for Tur/Arhar where some upward correction is visible. Broadly 45% of the food items in this index have shown a loss of momentum in prices, on a sequential basis.

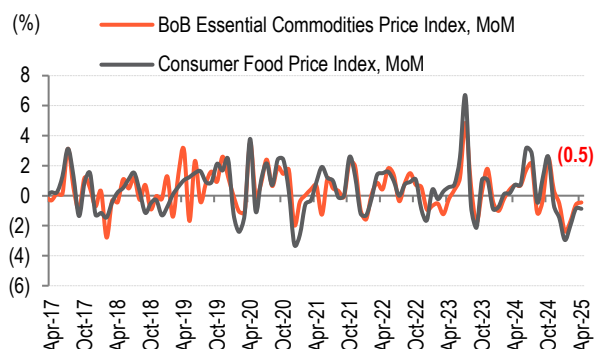
- **May'25 trend:** For the first 5 days, the trend continues as BoB ECI is tracking at -0.3% and 0.8% on MoM and YoY basis, respectively.

Figure 1: On YoY basis, BoB ECI moderated by 0.2% in Apr'25, at a sharper pace than seen in Mar'25



Source: CMIE, Bank of Baroda Research

Figure 2: On MoM basis, it declined by -0.5%



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	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25
Cereals											
Rice	4.4	9.1	5.1	2.6	1.9	1.2	-0.5	-1.6	-2.9	-3.4	-4.1
Atta (Wheat)	2.6	2.9	1.7	1.4	2.5	2.5	3	3.9	5.2	5.2	3.9
Edible Oils											
Mustard oil (Packed)	1.3	-2	-0.8	3.8	17.2	20.9	23	24.3	24.8	25	25.1
Soya oil (Packed)	0.7	-6.1	-7.5	-3.1	9.3	14.4	16.2	17.5	18.8	19.3	18.9
Sunflower oil (Packed)	0.7	-8.4	-6.6	-2.5	11.9	19.7	23.8	25	26.3	29	29.6
Groundnut oil (Packed)	0.3	-1.6	-3.8	-4.4	-0.4	1	1	1.6	1.4	0.8	0.4
Vegetables											
Tomato	0.6	-40	-50	16.6	115.2	33.7	22.4	-5.3	-28.9	-33.5	-34.4
Onion	0.6	64.9	50.3	53	44	-4.4	-1.2	3.2	11.3	5.8	-5.7
Potato	1	55.1	53.1	49.4	50.2	49.2	52.3	34.8	16.4	2.1	-11
Pulses											
Urad dal	0.3	11.9	8.9	6.1	4.9	2.1	0.8	0.6	-1.1	-3.1	-4.5
Moong dal	0.3	7.1	4.5	1.6	0.3	-0.6	-1.9	-2.3	-3.1	-4.1	-4.9

Retail Price of major essential commodities, (% YOY)	Wts in CPI	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25
Masoor dal	0.3	1.5	-2	-4.3	-4.8	-4.3	-5	-5	-5.1	-5.4	-5.8
Gram dal	0.1	18.9	17.1	15	14.5	14	12.6	11.7	9.2	6	3.8
Tur/Arhar dal	0.8	24.6	19.8	12	7.4	4	2.5	1.1	-5.4	-10.3	-14.6
Miscellaneous											
Salt pack	0.2	2.3	-0.4	-1.3	-1.3	-0.9	-1.3	-2.7	-4.4	-5.3	-4.9
Vanaspati (Packed)	0.1	-2.9	-4.5	-2.5	7.2	12.7	15.8	18.2	20	21.6	22.0
Gur	0.1	6.8	5.6	3.6	3.9	3.9	4.2	3.6	3.2	3.1	3.2
Milk	6.4	2.8	2.1	0.9	0.5	0.5	0.9	0.5	0	-0.2	0.2
Sugar	1.1	4.2	3.7	2.8	2	0.7	0	0.2	1.4	2.7	3.2
Tea loose	1	-0.2	-3.3	-4.1	-3.7	-3.5	-3.2	-3.5	-3.5	-3.6	-3.4

Source: CMIE, Bank of Baroda Research, Note: Commodities where price change is more than 6% on YoY basis, have been marked in red

CPI likely to give sufficient breather to future policy action:

We expect CPI in Apr'25 to come in at 3%. The broader comfort will be provided by food inflation. The once perceived as pain points of food inflation, especially the volatile TOP prices, is handholding the CPI at the current juncture. As per UPAJ data, arrival statistics for TOP cumulatively have risen by 54% in Apr'25 compared to 25.9% in Mar'25, on YoY basis. Thus, supply dynamics are still tilted in favour of a lower inflation print. The heatwave conditions have also subsided in major TOP producing States. This comes as a relief against anticipation of the hotter than usual summer and gives a further sigh of relief to inflation. The outlook for food inflation is also supported by better second advance estimates which pointed out record high production of wheat and major pulses, which are already showing downtrend. For fuel and light component of inflation, the hike in LPG prices will somewhat be compensated on account of softening of Kerosene price (weight of 0.55% in CPI basket) by 7% in Apr'25, on MoM basis. Other factors which also speak of a lower inflation print going forward, are the supportive commodity price cycle. World Bank data has shown a sharp decline in prices across major energy, metals and agriculture commodity baskets. It has further hinted at downside risks expected amidst exacerbating pressure on global growth amidst policy uncertainty. Core excl. gold is likely to be largely capped. As pointed out in financial result transcripts of major FMCG companies that still sales are lagging on account of slackening demand conditions, especially in certain segments of urban areas.

How are the risks distributed?

The fine print of food inflation needs vigilance. It is important to mention that both in Apr'25 and May'25, the pace of softening of retail prices of Potato and Tomato has moderated. For Tomato, there is also a slight reversal in retail prices as it is seen inching up at a meagre pace against the 6-straight months of remaining in the deflation territory. Even wholesale prices of vegetables are firming up due to seasonality factors, some pass through might be visible. International gold prices are also witnessing sharp increase amidst safe-haven demand in the ongoing tariff turmoil. As per the World Bank commodity price sheet, it has risen by 7.9%, in Apr'25, on a MoM basis. However, this does not pose any major risk albeit slight aberration, since its share is minuscule in overall CPI basket.

Table 2. Heatwave conditions in major TOP producing States and arrival statistics

Arrival, in tonnes	Jan'25	Feb'25	Mar'25	Apr'25	Temperature conditions
Tomato					
Andhra Pradesh	5,507	5,707	7,925	27,118	NIL
Gujarat	27,996	27,627	31,329	28,914	NIL
Karnataka	30,250	23,364	15,669	20,760	NIL
Madhya Pradesh	4,957	3,203	1,384	3,816	NIL
Odisha	4,252	4,590	4,591	4,211	Hot and humid
Onion					
Gujarat	2,86,173	3,84,410	2,90,176	2,19,369	NIL
Karnataka	70,766	43,487	7,347	12,155	NIL
Madhya Pradesh	83,958	73,107	76,289	2,99,206	NIL
Maharashtra	7,52,325	5,37,212	5,83,587	5,62,496	NIL
Rajasthan	30,242	21,286	43,987	58,068	NIL
Potato					
Bihar	6,325	8,324	7,145	6,696	NIL
Gujarat	66,728	65,823	80,929	66,827	NIL
Madhya Pradesh	46,879	33,811	20,781	26,357	NIL
Uttar Pradesh	12,62,944	12,65,349	13,27,576	10,40,913	NIL
West Bengal	64,564	54,456	57,844	52,337	Hot and humid

Source: UPAJ, IMD, Bank of Baroda Research

Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at www.bankofbaroda.com**For further details about this publication, please contact:**

Economics Research Department

Bank of Baroda

chief.economist@bankofbaroda.com