

6 May 2026

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Inflation to reach the 4% mark

BoB Essential Commodities Index (BoB ECI) has shown momentum for the past three months. In Apr'26 it went up by 1.1%, on YoY basis and on a sequential basis it has picked up by 0.3%, fastest pace since Aug'25. The upward pressure on prices is visible for Tomato, Onion, edible oils and other miscellaneous items. The increase in prices is more entrenched this month. Global energy, metals and food prices are also stickier, due to the impact of war. (Annexure 1). On domestic front, the pass-through to inflation requires monitoring, especially for components such as edible oils. Other than that, heatwave warnings of IMD, especially in TOP (Tomato, Onion and Potato) producing States pose higher risks to the upcoming arrival statistics (already declining in Apr'26).

Against this backdrop, we expect CPI to settle at 4% in Apr'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.

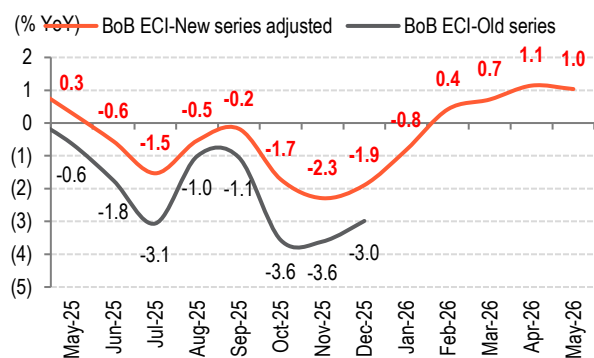
Price picture using BoB Essential Commodity Index-Adjusted for new base year:

- BoB ECI inched up by 1.1% in Apr'26, on YoY basis. Among 20 items, 16 items witnessed increase in inflation rate. Among them, the steepest increase was seen for Tomato, Onion (albeit in deflation territory) some components of edible oils (such as sunflower, mustard, and soya oil) and pulses. 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.

It is to be noted that there has been a gradual buildup of food inflation in the past three months. However, it is not significant, especially the trajectory of Potato and Onion is still in favourable double-digit deflation.

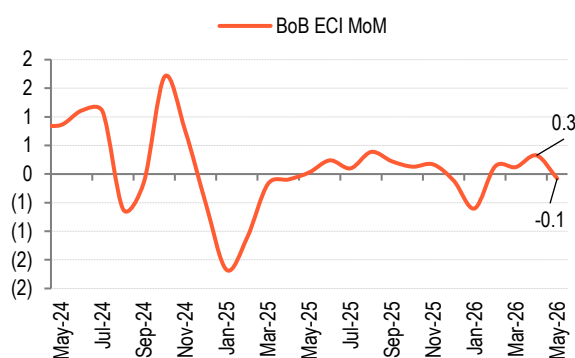
- **Sequential picture:** BoB ECI inched up by 0.3% in Apr'26, fastest pace since Aug'25. The majority price increase was visible for Tomato and edible oils. Some sequential momentum was also visible for other miscellaneous items such as sugar, milk, tea (loose) and salt pack.
- **May'26 trend:** For the first 5 days, BoB ECI has inched up by 1%, on YoY basis. However, on a MoM basis, it has softened by -0.1%.

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



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

Figure 2: ...On sequential basis (MoM), some softening is seen in May'26



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

Table 1. Food inflation is facing some risks, albeit not broad based

Retail Price of major essential commodities, (% YOY)	Jan-26	Feb-26	Mar-26	Apr-26	May-26*
Cereals					
Rice	-0.2	0.2	0.2	0.5	0.4
Atta (Wheat)	-1.3	-2.1	-2.6	-1.6	-0.1
Edible Oils					
Mustard oil (Packed)	10	10.4	10.3	10.6	11.0
Soya oil (Packed)	2.5	3.4	4.4	7.8	8.1
Sunflower oil (Packed)	8.9	11.4	13.1	15.2	15.0
Groundnut oil (Packed)	-2.1	0.2	3	4.5	6.1
Vegetables					
Tomato	50.7	41.9	33.3	35.8	45.8
Onion	-27	-24.5	-25	-16.2	-8.1
Potato	-23.5	-13.3	-12.2	-14.5	-16.4
Pulses					
Urad dal	-7.5	-4.7	-2.2	-0.9	0.2
Moong dal	-2.9	-2	-1.4	-0.6	-0.4
Masoor dal	0.2	0.5	0.9	1.4	1.3
Gram dal	-7.5	-5.2	-3.5	-2.4	-2.4
Tur/Arhar dal	-24	-14.9	-9	-5.3	-3.3
Miscellaneous					
Salt pack	-1.8	0.5	1.4	1.4	1.4
Vanaspati (Packed)	5.8	4.7	3.4	4.2	2.9
Gur	4.6	4.8	5.6	5.2	4.6
Milk	0.9	1.2	1.4	1.5	1.1
Sugar	3.8	2.9	1.8	1.5	1.1
Tea loose	-0.2	0.2	0.1	0.9	0.4

Source: CMIE, Bank of Baroda Research, Note: Red represents above 6% inflation, *Data for May'26 is for first 5 days of the month

Risks are tilted to the upside

We expect CPI in Apr'26 to be at ~4%. The arrival statistics of TOP (Tomato, Onion and Potato) have shown a -12.8% decline in Apr'26 over Apr'25. IMD has issued warnings of heatwave in May'26 over major TOP producing States such as East Coast States, Gujarat and Maharashtra. Thus, arrivals of TOP might be impacted in the coming months and some upside risks to inflation remain. The fuel component of CPI also requires monitoring.

How are Global prices moving?

World Bank data has shown that risks are getting entrenched. From previous episodes of concentration only in energy, spillover is also felt in global food prices such cereals and edible oils. However, the report on Commodity markets outlook pointed out that the current crisis is less of a concern for food compared to what was seen in 2022 since disruptions during that time were centered on major food producing regions.

Basic metal prices also witnessed stickiness even on a sequential basis. As per World Bank report, the war has caused supply-side disruptions for base metals, especially for aluminum and curtailed supply of essential production inputs such as sulfuric acid.

Edible oil prices are also increasing partly due to seasonal factor. This month also saw upward movement in food prices which have been rangebound till now, especially for global cereal prices. With no sign of a formal peace deal in place, the pass through of higher input prices from producers to consumers cannot be ruled out. Thus, risks of imported inflation have increased this month compared to previous months.

Core to comfort from lower prices of precious metals:

Only comfort comes from precious metal prices whose prices have softened albeit moderation in dollar. Gold and silver prices have fallen by -2.8% and -2.6%, respectively, on MoM basis in Apr'26 (World Bank data). Thus, we believe core inflation is likely to be capped. Only upside risk in core inflation emanates from transport inflation and restaurant and hospitality sector. For the former higher ATF prices might pose upside risk and for the latter, higher commercial cylinder prices might be reflected in menu cost. We expect core inflation (excluding food and fuel) to be ~3.5% in Apr'26. On the other hand, core excluding pan, tobacco, gold, silver and precious metals is expected to be lower at 1.8-1.9% in Apr'26.

Annexure 1:

Table 1: Globally prices showing upside risks

Components	YoY change, Mar'26 (%)	MoM change, Mar'26 (%)	YoY change, Apr'26 (%)	MoM change, Apr'26 (%)
Crude Oil				
Crude oil, average	35.2	40.5	57.7	8.7
Crude oil, Brent	42.9	45.8	77.8	16.1
Crude oil, Dubai	28.1	34.4	38.6	0.9
Crude oil, WTI	34.4	41.2	56.4	8.2
Natural Gas				
Natural gas, US	-26.2	-15.7	-18.6	-9.5
Natural gas, Europe	35.3	59.4	33.0	-13.9
Liquefied natural gas, Japan	18.4	31.1	-7.9	2.2

Edible Oils				
Groundnut oil	0.8	-6.1	14.3	14.1
Palm oil	3.3	6.1	15.5	3.6
Soybean oil	46.5	15.6	45.1	8.8
Rapeseed oil	9.3	2.2	5.9	2.0
Sunflower oil	18.9	1.4	20.7	0.9
Cereals				
Rice	-9.1	-4.9	-3.2	4.7
Wheat	8.4	6.8	12.6	1.0
Misc.				
Urea	83.9	53.7	121.5	18.1
Basic Metals				
Aluminum	26.9	10.0	51.8	6.7
Copper	28.6	-3.3	41.1	3.4
Lead	-7.6	-2.0	1.4	2.8
Tin	39.0	-2.8	49.9	3.1
Nickel	6.3	-0.6	18.8	5.2
Zinc	10.1	-4.3	28.3	5.7
Precious Metals				
Gold	62.8	-3.3	46.7	-2.8
Platinum	108.8	-4.3	111.5	-0.9
Silver	134.7	-5.0	135.4	-2.6

Source: World Bank, Bank of Baroda Research

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