

RESEARCH**BOB ECONOMICS RESEARCH | PRICE PICTURE**

Inflation might align to RBI's target

SUMMARY**INDIA ECONOMICS: PRICE PICTURE**

BoB Essential Commodity Index (BoB ECI) continued its deceleration in Feb'25 as well, moderating to 2.4%, on YoY basis. The major downward correction was visible in case of vegetables such as Tomato and Potato. Inflation in major categories of pulses have also remained in check supported by a better supply side dynamics. The slashing of milk prices will further lend support to overall CPI print. The global volatility in major asset prices such as gold, base metals has not yet fed into inflation, as energy prices have largely remained on the lower side. We expect CPI to settle at 4.1% in Feb'25. However, we completely do not rule out any upside pressure on food prices arising from stickier edible oil prices globally, inflationary tariff policies worldwide and anticipation of hotter summer.

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PRICE PICTURE

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Inflation might align to RBI's target

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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 moderation in Feb'25. On YoY basis, it inched down to 2.4% in Feb'25 compared to 4% in Jan'25. This is the lowest number recorded since Oct'23. 12 out of 20 commodities in the index witnessed a deceleration in inflation. In fact, for vegetables such as tomato and potato, there has been further downward correction in prices. For Tomato, retail prices fell by -28.9% which is the sharpest decline since Jul'24. For Onion, however, some stickiness prevails. Amongst other commodities, moderation was witnessed in case of pulses, especially Tur, which fell by -5.4% in Feb'25 compared to 1.1% seen in Jan'25. The cut in milk prices was also reflected in the series. 7 out of 20 commodities noted deflation in Feb'25.
- BoB ECI declined by 1.7% in Feb'25, on MoM basis. However, much of the decline is attributable to the usual seasonal phenomenon, especially attributable to bounty winter arrivals. On a seasonally adjusted basis, BoB ECI has declined at a less sharp pace by -0.9% in Feb'25. Sequentially, support was provided on account of loss of momentum in inflation of major pulses and falling trajectory of TOP vegetables (Tomato, Onion and Potato). It may be mentioned here that albeit deflation, the pace of it has been less compared to Jan'25, so that may be monitored in the coming days. BoB ECI in Dec'24 (first 5 days) eased further to 1.3% on YoY basis and by -0.6% on MoM basis. The sequential momentum of softening of vegetable prices is continuing in Mar'25 as well, albeit at a slower pace which will require close vigilance.



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