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## **May-CPI to show the fuel price hike impact**

*BoB Essential Commodities Index (BoB ECI) has risen at its sharpest pace since Mar'25 by 1.7% in May'26, on YoY basis. In Jun'26, the build-up is even higher (first 8-days) at 2%. Thus, inflation faces both food and fuel pressure. The May'26 fuel price hike in phases, itself translates to straight 14bps jump in CPI considering the weights of petrol and diesel component in the new basket (Assuming the average of petrol and diesel prices for all the cities and averaging the prices of Apr'26 and May'26). International food and metal prices are also elevated partly bearing the spillover effect of higher energy cost. However, for India, till now, the supply side story is in favour. Most of the arrival statistics of vegetables (Tomato, Onion and Potato) have improved in May'26. Heatwave guidance by IMD is also less intense compared to what was seen in the past two weeks. The overall reservoir storage position as on 4 Jun 2026 is also better than the Normal storage for the corresponding period.*

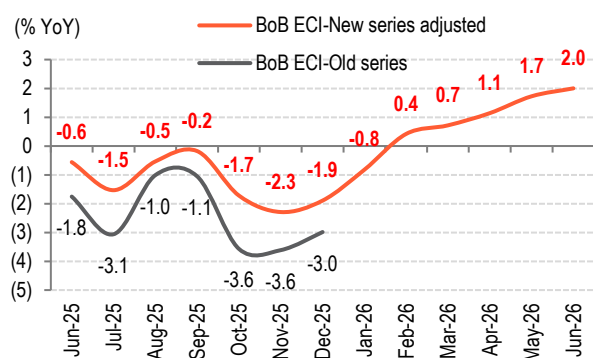
*Against this backdrop, we expect CPI to settle at 4.1% in May'26, with risks tilted to the upside.*

*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:**

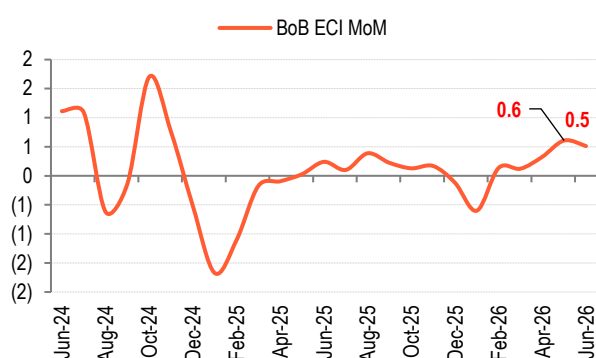
- BoB ECI rose at its highest since Mar'25 by 1.7% in May'26, on YoY basis. Among 20 items, 18 items witnessed increase in inflation rate. Among them, the steepest increase was seen for Tomato and Onion (albeit in deflation territory), edible oils (except vanaspati), pulses and cereals. Onion retail prices trajectory has come in single digit deflation compared to sharp double-digit deflation seen in the previous 12 episodes. Within pulses, Urad dal has also reversed its 15-month deflation trajectory. For Masoor dal as well, the change in prices need to be monitored. For rest of the items of pulses, increase in retail prices is still modest. The increase in edible oils prices is albeit some moderation in international prices in May'26 (FAO data).
- **Sequential picture:** BoB ECI inched up by 0.6% in May'26, fastest pace since Nov'24. The price increase was broad based. Majority steepness was visible for Tomato, Potato, Onion, edible oils and pulses. Some sequential momentum was also visible for other miscellaneous items such as Gur, milk, and salt pack.
- **Jun'26 trend:** For the first 8 days, BoB ECI rose at a faster pace by 2%, on YoY basis. On a MoM basis, it has risen by 0.5%.

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



Source: CMIE, Bank of Baroda Research, Note: For Jun'26: \*first 8days

**Figure 2: ...On sequential basis (MoM) as well, the momentum is maintained**



Source: CMIE, Bank of Baroda Research, Note: For Jun'26: \*first 8days

**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	Jun-26*
<b>Cereals</b>						
Rice	-0.2	0.2	0.2	0.5	1.2	1.3
Atta (Wheat)	-1.3	-2.1	-2.6	-1.6	0.0	0.5
<b>Edible Oils</b>						
Mustard oil (Packed)	10	10.4	10.3	10.6	11.3	11.0
Soya oil (Packed)	2.5	3.4	4.4	7.8	8.6	9.8
Sunflower oil (Packed)	8.9	11.4	13.1	15.2	15.4	16.2
Groundnut oil (Packed)	-2.1	0.2	3	4.5	6.7	7.6
<b>Vegetables</b>						
Tomato	50.7	41.9	33.3	35.8	52.8	17.4
Onion	-27	-24.5	-25	-16.2	-5.6	-2.0
Potato	-23.5	-13.3	-12.2	-14.5	-14.5	-15.4
<b>Pulses</b>						
Urad dal	-7.5	-4.7	-2.2	-0.9	0.6	2.1
Moong dal	-2.9	-2	-1.4	-0.6	-0.2	0.3
Masoor dal	0.2	0.5	0.9	1.4	1.8	2.0
Gram dal	-7.5	-5.2	-3.5	-2.4	-2.0	-1.0
Tur/Arhar dal	-24	-14.9	-9	-5.3	-3.0	-0.3
<b>Miscellaneous</b>						
Salt pack	-1.8	0.5	1.4	1.4	1.9	1.7
Vanaspati (Packed)	5.8	4.7	3.4	4.2	3.9	4.2
Gur	4.6	4.8	5.6	5.2	5.7	5.2
Milk	0.9	1.2	1.4	1.5	1.7	2.1

Retail Price of major essential commodities, (% YOY)	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26*
Sugar	3.8	2.9	1.8	1.5	1.7	1.9
Tea loose	-0.2	0.2	0.1	0.9	1.0	1.1

Source: CMIE, Bank of Baroda Research, Note: Red represents above 6% inflation, \*Data for Jun'26 is for first 8 days of the month

### Risks are tilted to the upside

We expect CPI in May'26 to be at ~4.1%. Major risks in May'26 emanate from fuel-driven announcements. The increase in petrol and diesel price hike in May'26, itself translates to straight 14bps jump in transportation component of CPI, considering the weight of these components at 4.8% in the CPI basket. The second order impact remains blurry albeit some stickiness in freight cost (CMIE data on Truck Freight Rates per Km from Delhi to Various Cities in India, Rs. per 15 tonnes per km truck). Further, with increase in domestic cylinder prices in Jun'26 first time since Mar'26, the fuel component of CPI needs to be closely watched.

Apart from this, retail food prices are also increasing across the board. The volatility in prices of TOP vegetables (Tomato, Onion and Potato) is again visible with sharp double-digit inflation of Tomato (52.8%, YoY in May'26). The Onion trajectory is also likely to show reversal (from deflation to inflation) in the coming months, simply going by the pace of it. However, some comfort remains. The arrival statistics of TOP (Tomato, Onion and Potato) have shown a 5.6% sequential jump in May'26 over Apr'26. The probability of heatwave continuing has also reduced as can be seen from IMD's outlook for the next two weeks.

### How are Global prices moving?

World Bank data has shown that risks have somewhat pacified in the month of May'26 with some correction in international crude prices (towards the end of May) amidst growing expectations of a formal peace deal. Global edible oil prices are also softening, which remained elevated since Feb'26. Despite some restraint in energy prices, metal prices inched up, especially Tin, Nickel and Copper. Thus, the second-order effect from energy to metal prices needs to be closely watched. International cereal prices are also sticky.

### Core to exhibit upward pressure:

Core (excl. food and fuel) is likely to remain in the range of 3.5-3.8% in May'26. International gold prices have softened by -2.8, on MoM basis, hence core excluding precious metals are likely to be muted in the range of 2.1-2.3%. However, for core inflation another issue that might be building is some anticipated pass-through of higher input price prices to retailers in the coming months. Financial results of companies have also hinted the same contingent on the demand conditions. Companies in their Q4 results have reported an increase in prices of key inputs as well as higher freight and logistics charges. The translation to final output prices and the lagged impact on inflation pint is yet to be closely watched in the near term.

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