

Monsoon switched to 1% surplus as of 9th July'24 from -11% in end-June

Swift recovery in monsoon in July'24

Post almost a dry June, monsoon has seen a remarkable recovery during the first nine days of July'24 as the monsoon progressed from 11% deficit vs Long Period average (LPA) on 30th June 2024 to 1% surplus on 09th July 2024 (refer Fig.1). The recovery is led by north-west region which includes key agri states of Uttar Pradesh, Punjab and Rajasthan. While southern states continue to clock surplus rainfall, both Central and Eastern parts of the country stay in deficit despite witnessing progress in rainfall.

The latest ENSO update from the Australian Bureau of Meteorology is at LaNina watch due to early signs that an event may form in the Pacific Ocean later in the year. Hence, monsoon trends remain on close watch in the coming weeks, after the ElNino last year weighed on monsoon rainfall in India.

Fig. 1. Monsoon has switched to a strong surplus in July'24
Rainfall deviation (cumulative from 1st June, % of long period average)

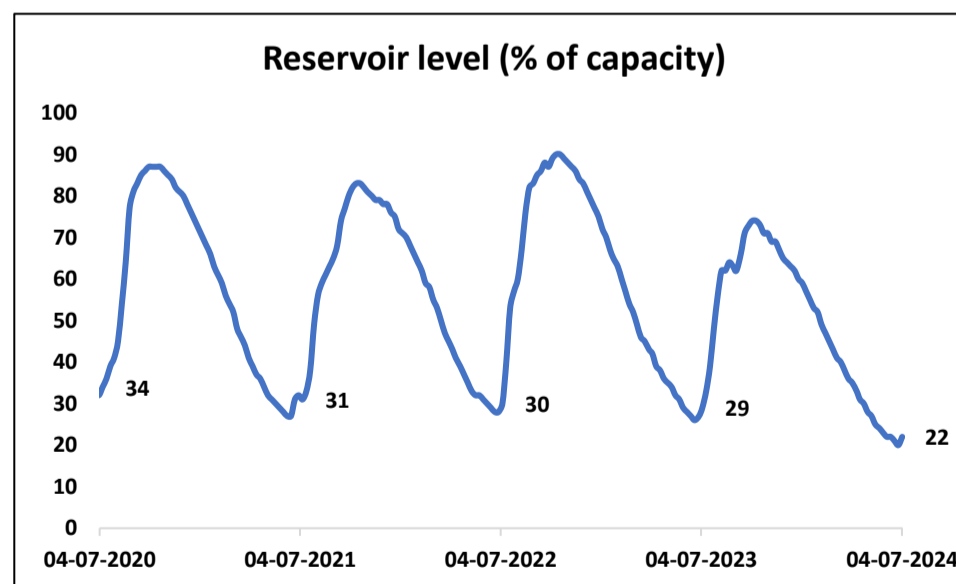
Rainfall deviation (cumulative from 1st June, % of long period average)				
	09-Jul-23	15-Jun-24	30-Jun-24	09-Jul-24
All India	2	-16	-11	1
North-west India	59	-62	-33	9
Central India	4	-21	-14	-5
South	-23	31	14	12
East & N. East India	-17	-27	-13	-3

Source: CEIC, UBI research

Reservoir levels still lagging; progress on close watch

With progress in monsoon, reservoir levels have slightly improved slightly to 22% of live storage capacity as of 04th July 2024 (refer Fig.2). However, it still persists close to multi-year lows on the back of weak rainfall last year on the back of El-Nino effects. With a pick-up in monsoon, the reservoir levels will be closely watched given the impact on irrigated crop area (close to 55% area in total).

Fig. 2. Reservoir levels continue to persist close to multi year lows



Source: CEIC, UBI research

Crop sowing has started to pick up led by pulses, oil seeds and cotton

The good news has been the pickup in crop sowing which is tracking better trends vis-à-vis last year led by pulses (up 55% y/y as per latest data), oilseeds (55%) and rice (19%). Crop sowing as of 8th July 2024, shows area covered at 37.9 lakh hectares, up 14.1% y/y, given weak trends last year, though it remains lower vis-à-vis previous years (refer Fig.3). Going forward, the impact of monsoon progress of sowing will be closely watched as July and August together contribute towards 60-70% of overall south-west monsoon and kharif crop sowing.

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Fig. 3. Crop sowing up versus last year yet trailing historical trends

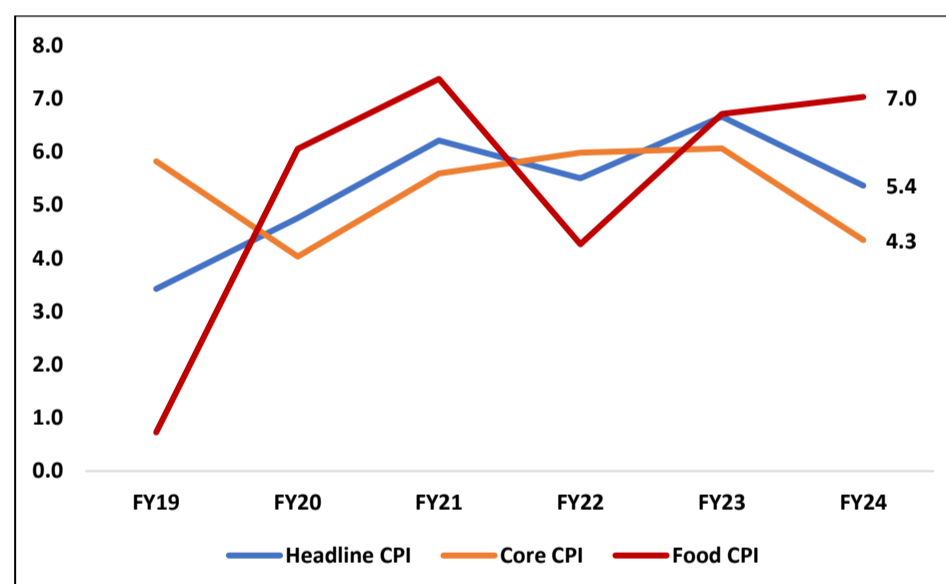
Crop sowing area (million hectare)						
Crop	09-07-2020	09-07-2021	08-07-2022	08-07-2023	28-06-2024	08-07-2024
Rice	12.6	11.5	7.2	5.0	2.3	6.0
Coarse cereals	8.8	7.3	6.5	8.2	3.1	5.8
Pulses	5.3	5.2	4.7	2.4	2.3	3.7
Oilseeds	12.6	11.3	7.8	5.2	4.3	8.0
Sugar	5.3	5.4	5.3	5.5	5.7	5.7
Cotton	10.5	8.6	8.5	6.2	5.9	8.1
All Crops	55.8	50.0	40.7	33.2	24.1	37.9

Source: CEIC, UBI research

Impact of monsoon recovery on on-the-ground food prices yet to be seen

In FY24, weak monsoon led to subdued agri GVA growth of 1.4% and spike in food inflation to c.7%. Meanwhile, the expectations of a strong monsoon this year (with recent trends encouraging as well) are likely to drive food inflation lower to c.5% in FY25 and lead to drop in headline CPI to 4.5% (in line with MPC’s forecast). Any expectations of further downward pressure vis-à-vis current projection is dependent on monsoon trends (both temporal and spatial distribution). In this regard, we will keep a close watch on trends in food prices in the coming weeks. Given the elevated rain deficit in June, we see headline inflation spiking to 5.06% driven by food CPI at 8.5%.

Fig 4. Food inflation stays elevated even as core inflation is coming down



Source: CEIC, UBI research

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