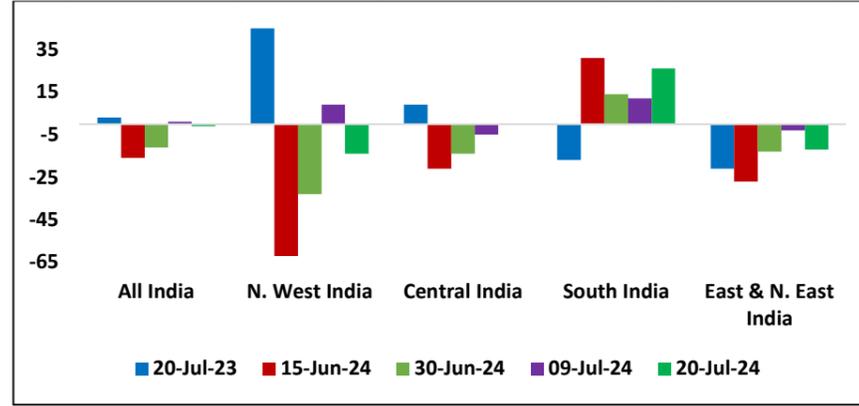


**Monsoon turns to 1% deficit from 1% surplus in a week’s time**

**Recovery in monsoon underway, close watch on spatial distribution**

The turnaround in monsoon observed last week was short lived as monsoon returns to 1% deficit as on 20<sup>th</sup> July’24 from a 1% surplus recorded on 09<sup>th</sup> July’24 (refer Fig.1). Interestingly, the North-west region consisting of key agri states of Uttar Pradesh, Punjab and Rajasthan, which were leading the recovery last week, is now leading the deficit witnessed over the week. South Indian states continue to clock surplus rainfall, whereas Central Indian states have seen good recovery. Eastern parts of the country have further moved down from 3% deficit to 12% deficit.

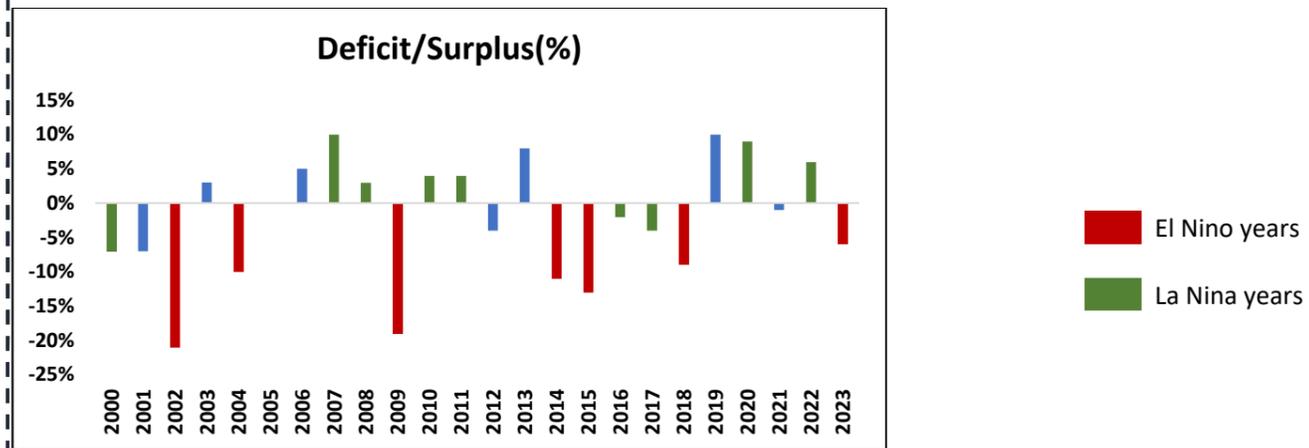
**Fig. 1. Monsoon has regressed to a deficit again**  
Rainfall deviation (cumulative from 1st June, % of long period average)



Source: CEIC, UBI research

The latest ENSO update from the Australian Bureau of Meteorology is at La Nina watch meaning there are some signs that a La Nina may form in the Pacific Ocean later in 2024. Historical data shows a clear correlation between Indian monsoon surplus/deficit and La Nina/El Nino event (refer Fig.2). Hence, monsoon progress is likely to be favourable in the coming weeks, after the El Nino last year weighed on monsoon rainfall in India.

**Fig.2. Indian monsoon and La Nina-El Nino events**

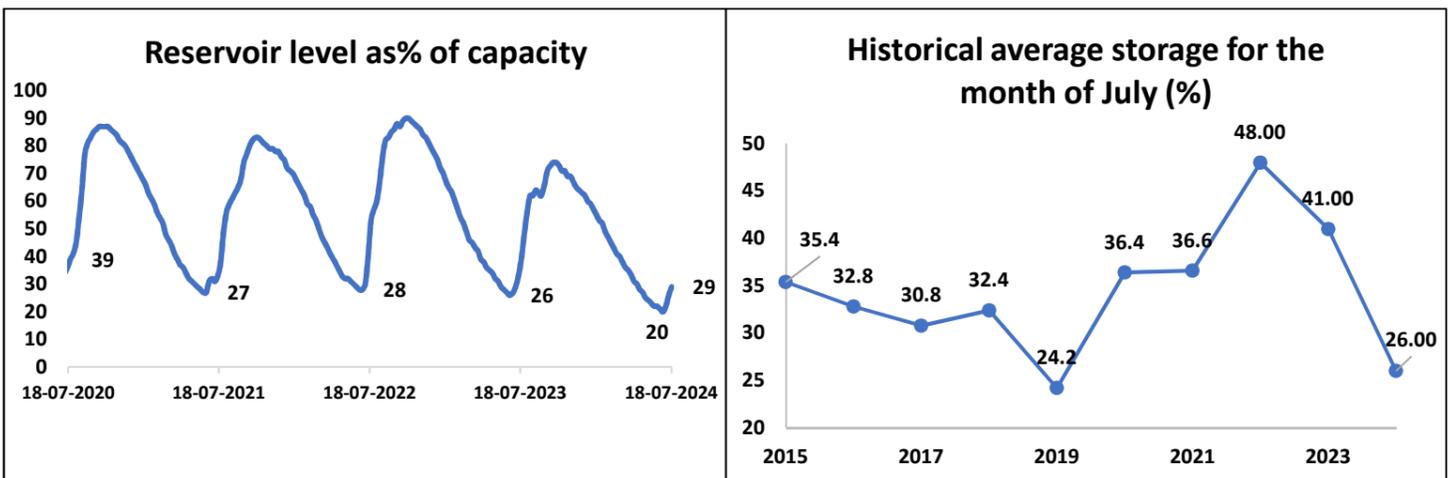


Source: CEIC, UBI research

**Reservoir levels still lagging behind the historical averages**

With progress in monsoon, reservoir levels have improved from 22% to 26% of live storage capacity during 04<sup>th</sup> July 2024 to 18<sup>th</sup> July 2024 (refer Fig.3 & 4). However, the average for the month of July this year so far is still far behind of the historical July reservoir average on the back of weak rainfall last year due to El-Nino effects. The reservoir levels will be closely watched along with the pickup in monsoon in the coming weeks.

**Fig.3 & 4. Reservoir levels continue to persist to multi year lows :**



(Source: CEIC, UBI research)

By:  
Kanika Pasricha  
[kanika.pasricha@unionbankofindia.bank](mailto:kanika.pasricha@unionbankofindia.bank)  
Nidhi Arora  
[nidhiarora@unionbankofindia.bank](mailto:nidhiarora@unionbankofindia.bank)

### Crop sowing has picked up sharply led by pulses, oil seeds and rice

Notwithstanding the deficit of monsoon, there has been a sharp pickup in crop sowing which is tracking better trends vis-à-vis last year led by pulses (up 23% y/y as per latest data), oilseeds (8%) and rice (6%). Total area sowed for all crops as on 19<sup>th</sup> July'24 is up 4% y/y as against previous year (refer Fig.5). As compared to the previous week ending on 08<sup>th</sup> July'24, the total area sown is up 86%. 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.

Fig.5. Crop sowing up versus last year yet trailing historical trends

Crop sowing area (million hectare)						
Crop	15-07-2021	15-07-2022	19-07-2023	28-06-2024	08-07-2024	19-07-2024
Rice	15.6	12.9	15.6	2.3	6.0	16.6
Coarse cereals	8.7	9.4	13.5	3.1	5.8	12.4
Pulses	6.7	7.3	7.0	2.3	3.7	8.6
Oilseeds	12.5	13.4	15.1	4.3	8.0	16.3
Sugar	5.4	5.3	5.7	5.7	5.7	5.8
Cotton	9.7	10.3	10.6	5.9	8.1	10.2
<b>All Crops</b>	<b>59.1</b>	<b>59.2</b>	<b>68.0</b>	<b>24.1</b>	<b>37.9</b>	<b>70.4</b>

Source: CEIC, UBI research

### Higher rainfall deviation in North West India may be a concern

All India monsoon deficit is majorly led by north western Indian states forming the main food crops cultivating belt which has a direct impact on the food prices in the country. Uttar Pradesh which was in a surplus of 37% last week has now a deficit of 3%. Punjab and Haryana which were already in deficit previous week are facing further downfall in rainfall (refer Fig.6).

Fig.6. Key crops of States and their Rainfall deviation (%)

States	Key crops	20-Jul-23	30-Jun-24	08-Jul-24	20-Jul-24
Andhra Pradesh	Rice	-8	64	49	64
Bihar	wheat, Rice	-40	-52	-7	-23
Chhattisgarh	Rice, Wheat, Coarse Cereals	-11	-28	-24	-17
Gujarat	Oil seeds, Cotton, Pulses	84	-30	-3	2
Haryana	Wheat, Rice, coarse Cereals	65	-46	-14	-36
Karnataka	Pulses, Coarse Cereals	-21	-1	8	25
Madhya Pradesh	Rice, Pulses, Coarse Cereals, Oil seeds	14	-10	-1	-9
Maharashtra	Pulses, Coarse Cereals, Oil Seeds, Sugarcane, Cotton	-5	1	8	21
Odisha	Rice, Pulses, Coarse Cereals, Cotton, Potato, Oilseeds	-15	-27	-26	-20
Punjab	Wheat, Rice, Cotton	52	-46	-14	-40
Rajasthan	Pulses, Coarse Cereals, Oil seeds	94	-9	15	1
Telangana	Rice, Cotton, Pulses, Cotton	1	17	14	24
Tamilnadu	Rice, Pulses	11	116	90	83
Uttar Pradesh	Wheat, Rice, Pulses, Coarse Cereals, Sugarcane	-2	-34	37	-3
West Bengal	Rice, Pulses, Potatoes, Oilseeds, Wheat	-16	-19	-1	-9

Source: CEIC, UBI research

## Projection drop in CPI in FY25 is contingent on cooling of food inflation pressures

For the last many months, core inflation is on the downslide whereas food inflation has been persisting at higher levels contributing to the headline CPI. Food inflation clocked a sharp jump in June'24 to 8.4% from 7.9% in May'24 mainly because of delayed onset of rainfall and resultant heatwave. CPI ex food and beverages has gone up only by 10 bps from 2.2% to 2.3% during the period (refer Fig.7). RBI in its monthly bulletin also has highlighted that vulnerability of food prices to climate change has increased and crop production shortfalls are occurring due to uneven south west monsoons (Source: "Are Food Prices the 'True' Core of India's Inflation?" by Michael Debabrata Patra, Joice John and Asish Thomas George, RBI Bulletin January 2024). CPI for FY25 is projected at 4.5% as against 5.4% last fiscal on expectations of cooling of food price pressures following good monsoon coverage in the coming weeks and subsequent softening of food prices in H2 of the current fiscal (refer Fig.8).

Fig 7. Food inflation (y/y %) stays elevated

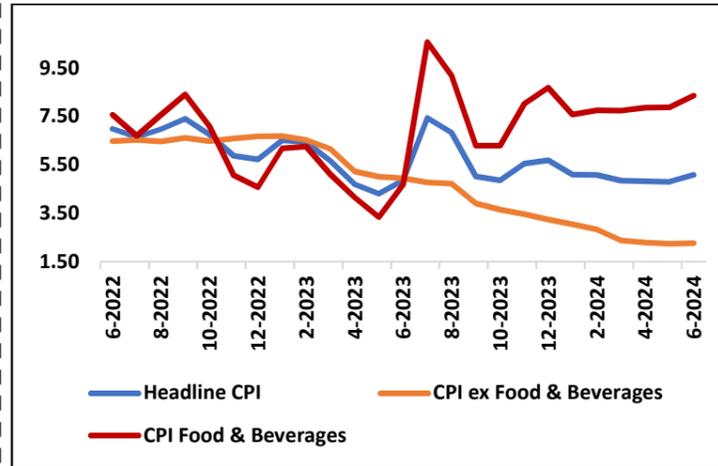
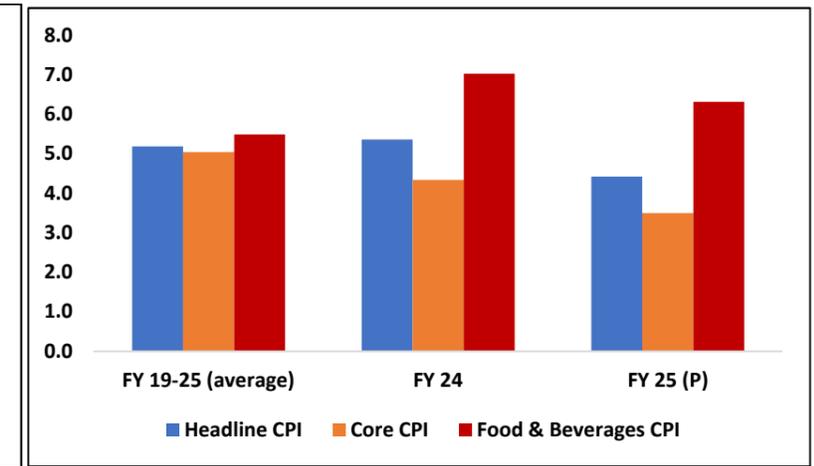


Fig.8. CPI projection tracking close to 4.5%



Source: CEIC, UBI research

Banking Research Team	
Kanika Pasricha Chief Economic Advisor	kanika.pasricha@unionbankofindia.bank
Suneesh K	suneeshk@unionbankofindia.bank
R Gunaseelan	gunaseelan@unionbankofindia.bank
Nidhi Arora	nidhiarora@unionbankofindia.bank
Rajesh Ranjan	rajeshranjan@unionbankofindia.bank
Amit Srivastava	asrivastava@unionbankofindia.bank
Jovana Luke George	jovana.george@unionbankofindia.bank
Dhiraj Kumar	dhirajkumar@unionbankofindia.bank
Akash Deb	akash510@unionbankofindia.bank
Rohit Yarmal	rohitdigambar@unionbankofindia.bank
Shreyas Bidarkar	shreyas.bidarkar@unionbankofindia.bank
S. Jaya Laxmi	s.jayalakshmi@unionbankofindia.bank

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