

Monsoon continues to be in surplus zone yet spatial distribution needs close watch

Visible recovery in Monsoon; distribution uneven

After retracing from deficit zone, monsoon continues to be in surplus and looks promising as the surplus status is maintained for the last 8 days consistently. As on 30th July'24, monsoon is in 2% surplus on all India level though spatial distribution, especially the key north west region with prolonged deficit, continues to be a major area for concern (refer Fig.1).

Spatial distribution is uneven and needs close watch. Central India has seen a sharp recovery during the week from neutral to 17% surplus. North-west region and east & north east region have slipped into deeper deficit zone. South India region continues to be the region with consistently high surplus.

Reservoir levels are also catching up

With advancement in monsoon, reservoir levels have also picked up during the last week in terms of % share of live storage capacity from 29% on 18th July'24 to 39% on 25th July'24 (refer Fig. 2 & 3). Excessive rainfall in central and southern regions have contributed to this pickup. Average live storage capacity for the month of July this year is still 29% so far, vs 37.3% last year and historical average of 32.8% of the last 10 years.

Region-wise, southern region has the highest reservoir levels at 50% of the live storage capacity as against 37% same period last year. Northern region which had 76% reservoir levels last year is maintaining only 29% as on 25th July'24. Meanwhile, eastern region is lagging with the lowest level of 28%.

Crop sowing continues at a brisk pace mainly in pulses, rice and coarse cereals

Crop sowing has also seen a sharp and continuous recovery during the last week. As on 26th July'24, the sowing area under pulses is up 14% y/y and 19% over previous week (19th July'24) and in coarse cereals, 5% y/y. On a weekly basis, the sowing area has seen the highest improvement in rice (30%), followed by Coarse Cereals and pulses (24% and 19% respectively).

Meanwhile, total sown area for all crops at 81.2 million hectares is up 2% y/y and 15% w/w (refer Fig.4). Sowing levels are tracking higher than corresponding period last year yet are lagging the previous years.

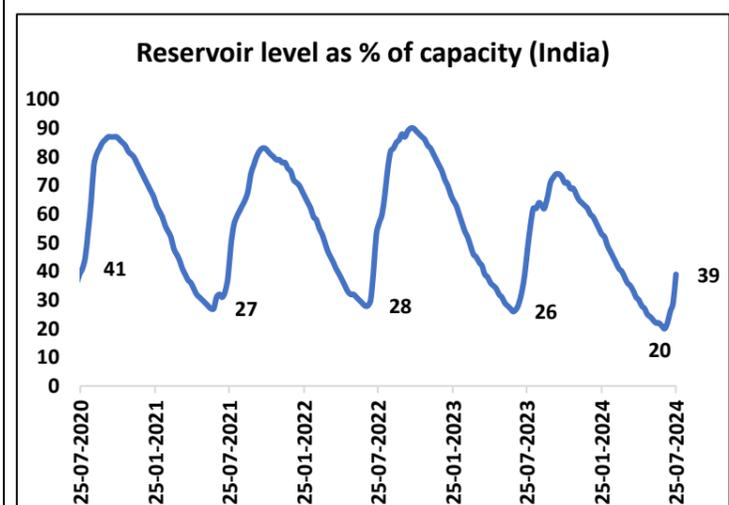
Fig. 1. Monsoon is back in surplus zone, North west region still in deep deficit

Rainfall deviation (cumulative from 1st June, % of long period average)

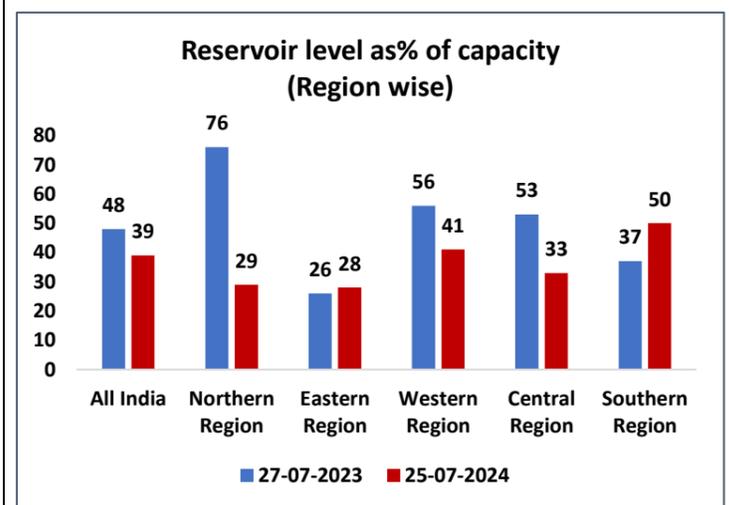
	30-Jul-23	15-Jun-24	30-Jun-24	15-Jul-24	30-Jul-24
All India	6	-16	-11	-2	2
N. West India	33	-62	-33	-6	-17
Central India	14	-21	-14	-4	17
South India	6	31	14	13	26
East & N. East India	-25	-27	-13	-6	-19

(Source: CEIC, UBI research)

Fig.2 & 3. Reservoir levels also picking up, spatial distribution a concern here too



(Source: CEIC, UBI research)



(Source: CEIC, UBI research)

Fig.4. Kharif Crop sowing up versus last year while lagging historical trends (million hectares)

Crop	29-07-2021	29-07-2022	26-07-2023	26-07-2024
Rice	26.7	23.2	21.6	21.6
Coarse cereals	13.5	14.2	14.6	15.3
Pulses	10.3	10.6	8.9	10.2
Oilseeds	16.3	16.4	16.5	17.2
Sugar	5.4	5.5	5.7	5.8
Cotton	11.2	11.8	11.4	10.6
All Crops	84.2	82.3	79.4	81.2

(Source: CEIC, UBI research)

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Continued rainfall deficit at elevated levels in North west region

North west region states (comprising the prime agri belt) continue to witness rainfall deficit; UP, Punjab, Haryana and Bihar are still in deep deficits of 15%, 44%, 42% and 36% respectively. In the last ten days, Uttar Pradesh has moved down from 3% cumulative rainfall deficit to 15% deficit, Punjab from 40% to 44%, Haryana from 36% to 42% and Bihar from 23% deficit to 36% deficit (refer Fig.5).

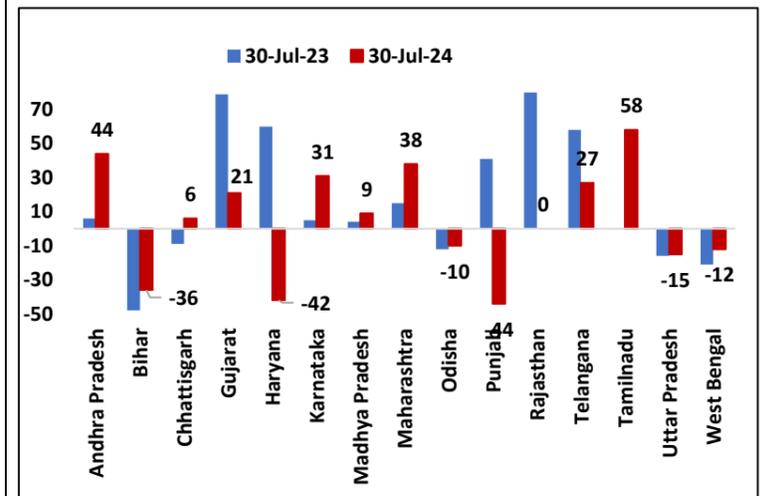
North west region is known for its forte in production of wheat, rice, pulses, coarse cereals and sugarcane crops' cultivation (refer Fig.6) and has a direct impact on food inflation.

Food inflation and hence monsoon likely to remain key driver of CPI inflation outlook in FY25 MPC expects headline inflation to ease to 4.5% in FY25 and 4.1% in FY26 assuming a normal monsoon and no further external or policy shocks.

FY24 was adversely affected by extreme weather conditions and lower reservoir levels affecting the food prices. Food inflation increased from 3.8% in FY22 to 6.6% in FY 23 and 7.5% in FY24. So far in FY25 also, food inflation with a 45.9% share in headline CPI has stayed at close to 8% or higher even as core inflation has declined to record low levels of close to 3%. Cereals and veggies inflation collectively contribute to almost 50% of the food inflation. CPI ex veggies has been trending at sub 4% levels for the past 6 months (Fig.7).

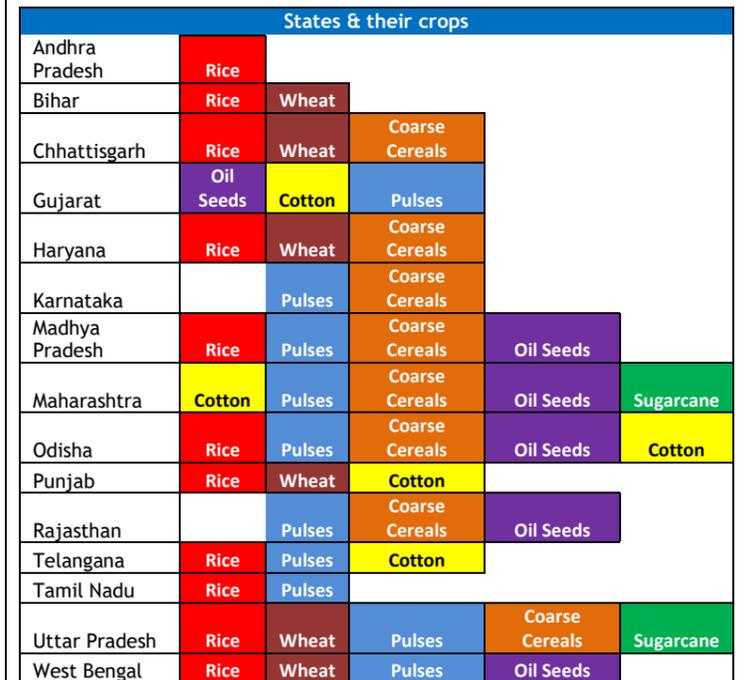
The spread of monsoon has improved in the month of July and has now been progressing satisfactorily in line with the above average rainfall forecast by the IMD (India Meteorological Department). However, the month of August will be crucial to watch out if the momentum sustains to boost the supply side and bring down the food prices as has been factored in the CPI projection for FY25. It needs to be noted that July and August together contribute to c.65-70% of rainfall and crop sowing.

Fig. 5. Key agri states still facing rainfall deficit (%)



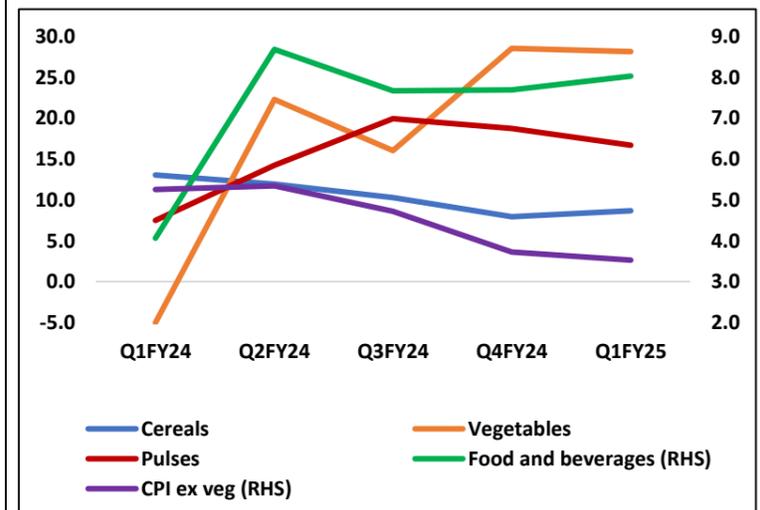
(Source: CEIC, UBI research)

Fig.6. Key crops of States



(Source: UBI research)

Fig.7. Inflation in food items prevailing at uncomfortable levels (% y/y)



(Source: CEIC, UBI research)

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