

**Monsoon has started to retreat after clocking 5% surplus this year**

As southwest monsoon prepares for withdrawal, the cumulative rainfall shows a promising picture with 5% surplus as on 24<sup>th</sup> September'24 which is down from 7% surplus recorded on 31<sup>st</sup> August'24 but better than 6% deficit recorded a year back. However, East and North-East India continues to be in deficit of 17% (refer fig.1) while all other regions are in good surplus.

As per IMD press release, the southwest monsoon has withdrawn from some parts of west Rajasthan and Kachchh, on 23<sup>rd</sup> September against the normal date of 17<sup>th</sup> September. Further withdrawal from some more parts of west Rajasthan and adjoining areas of Punjab, Haryana and Gujarat is expected in coming days. Currently, neutral El Nino Southern Oscillation (ENSO) conditions are prevailing in the equatorial Pacific region which are likely to maintain until the end of the monsoon season. As per the latest outlook release on ENSO by the Australian Bureau of Meteorology, it is possible that a La Niña may develop in coming months but if so, it is forecast to be relatively weak (in terms of the strength of the sea surface temperature, i.e., SST anomaly) and short-lived.

**Reservoir levels are healthy**

The reservoir levels have seen good progress during the months of August and September till date with storage capacity currently at 87% on 19<sup>th</sup> September as against 80% on 29<sup>th</sup> August and 39% on 25<sup>th</sup> July.

Region wise, western region has the highest reservoir levels at 93% of the live storage capacity followed by central and southern regions. Eastern region, though facing a rainfall deficit of 17% has the reservoir storage of 84% of the capacity, much better than northern region at 68% (refer fig 2 & 3).

**Crop sowing progress slows down as most of the sowing is almost over**

Crop sowing during the month of September so far shows tepid progress from levels recorded in end August (July/August contribute to 65-70% of rains and sowing).

As on 20<sup>th</sup> September'24, the sowing area under pulses is up 8% y/y and in rice and coarse cereals, 2% and 3% respectively. Cotton sowing is still 9% below last year's sowing and may be a cause for concern going forward.

Meanwhile, total sown area for all crops at 110.5 million hectares is up 2% y/y (refer fig.4) and tracking higher vis a vis previous years.

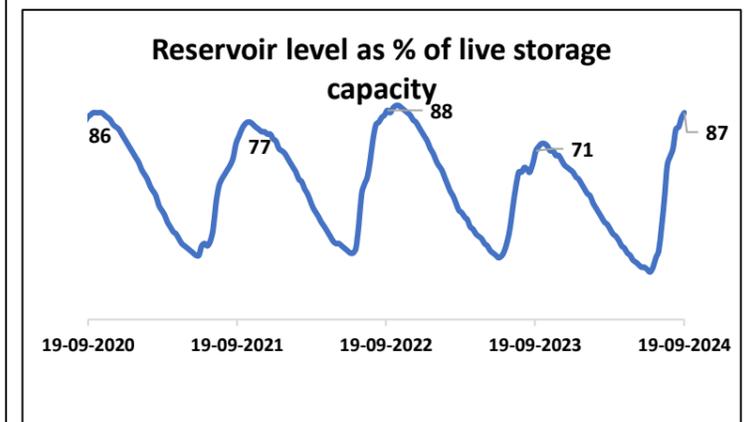
**Fig. 1. Monsoon maintains the surplus, East still in deep deficit while key agri regions in surplus**

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

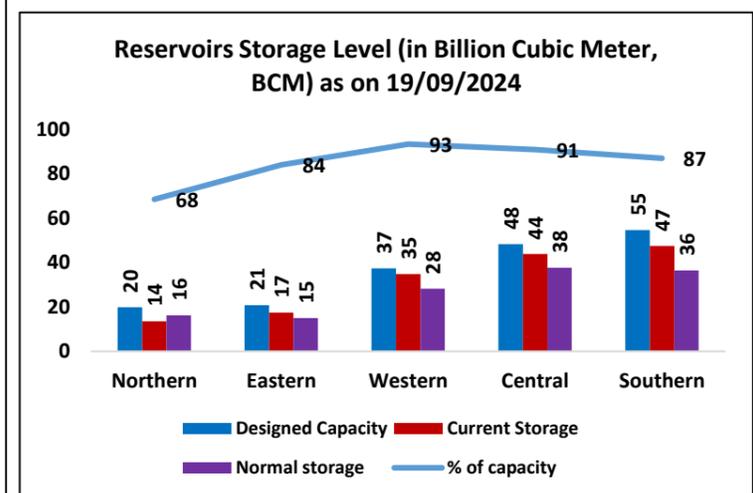
	24-Sep-23	30-Jun-24	31-Jul-24	31-Aug-24	24-Sep-24
All India	-6	-11	2	7	5
N. West India	2	-33	-18	2	5
Central India	0	-14	17	17	16
South India	-9	14	27	20	15
East & N. East India	-17	-13	-19	-13	-17

(Source: CEIC, UBI research)

**Fig.2 & 3. Reservoir levels showing good numbers**



(Source: CEIC, UBI research)



(Source: CWC, CEIC, UBI research)

**Fig.4. Kharif Crop sowing trends stronger vs historical trends (million hectares)**

Crop	16-09-21	20-09-23	20-09-24	% change
Rice	41.8	40.5	41.4	2%
Coarse cereals	17.4	18.6	19.3	3%
Pulses	13.8	11.9	12.9	8%
Oilseeds	19.2	19.1	19.4	2%
Sugar	5.5	5.7	5.8	1%
Cotton	11.8	12.4	11.3	-9%
<b>All Crops</b>	<b>110.2</b>	<b>108.8</b>	<b>110.5</b>	<b>2%</b>

(Source: CEIC, UBI research)

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**Extreme conditions in major agri producing states**

North west region (comprising the prime agri belt) that persistently showed rainfall deficit till mid-August, has turned to good surplus and continues to maintain the surplus levels at 5%. However, UP, Punjab and Haryana continue to be in deficits of 7%, 28%, and 5% respectively (refer fig.5). Punjab continues to be an area for concern as along with low rainfall, the state's only reservoir has storage levels at below 50% of normal storage. Bihar is also facing drought like situation with 28% deficit. States like Rajasthan, Gujarat, Andhra Pradesh, Telangana, Maharashtra and Tamilnadu are facing flood like situation. While there is a divide among key agri states with some facing deficit rainfall while others witnessing floods, any significant impact on food prices is yet to be seen and remains on close watch.

**Monsoon, vegetable prices and food inflation likely to remain key driver of CPI inflation outlook in FY25**

MPC expects headline inflation to ease to 4.5% in FY25 assuming a normal monsoon and no further external or policy shocks. Food inflation was 3.8% in FY22 and jumped to 6.6% in FY 23 and 7.5% in FY24. So far in FY25, average food inflation is trending at 6.9% after staying at above 8% for Q1FY25 despite favourable base effects. 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 8 months (refer fig.6).

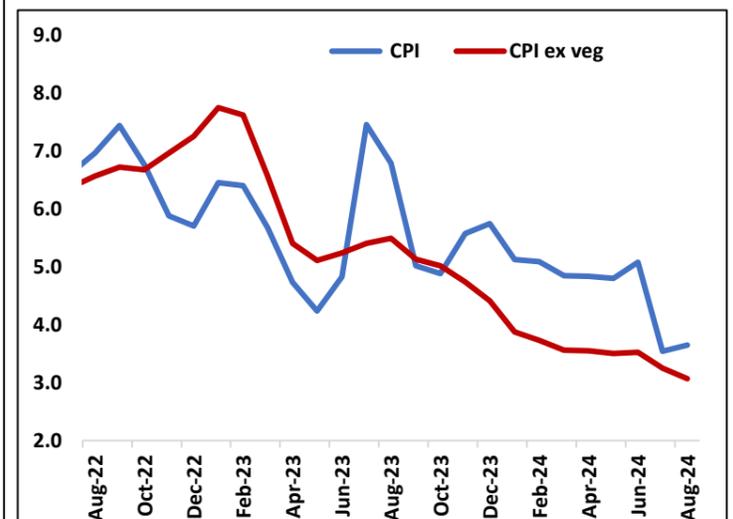
With good monsoon and sowing, though the food prices have continued the downward trend (refer fig.7), the trends in the coming weeks need close watch as the monsoon retreats and risk of unseasonal rains in October continues to remain. Flood affected Tamilnadu, Telangana and Andhra Pradesh collectively account for approximately 22% of rice production whereas Rajasthan and Gujarat together produce close to 41% of oilseeds in the country. Excess and above excess rainfall is recorded in 36% of sub divisions while below normal rains is seen in 11% sub divisions. In case of rice however, the impact on prices may be limited due to buffer stocks. While on the ground prices have been relatively well behaved, our discussions with traders signal concerns on some food crops with trends on close watch. The harvesting season will be keenly watched now, as La Nina induced unseasonal rains may pose upside risk to the food inflation.

**Fig. 5. Key agri states facing either excessive rainfall or deficit, impact on crop disruption on watch (%)**

States	Key Crops	24-Sep-23	24-Sep-24
Rajasthan	Pulses, Coarse Cereals, Oil seeds	14	56
Gujarat	Oil seeds, Cotton, Pulses	19	41
Andhra Pradesh	Rice	-9	28
Maharashtra	Pulses, Coarse Cereals, Oil Seeds, Sugarcane, Cotton	-6	23
Tamilnadu	Rice, Pulses	8	22
Telangana	Rice, Cotton, Pulses	8	22
Madhya Pradesh	Rice, Pulses, Coarse Cereals, Oil seeds	0	14
Karnataka	Pulses, Coarse Cereals	-19	13
Chhattisgarh	Rice, Wheat, Coarse Cereals	-7	6
West Bengal	Rice, Pulses, Potatoes, Oilseeds, Wheat	-11	-2
Haryana	Wheat, Rice, coarse Cereals	-1	-5
Uttar Pradesh	Wheat, Rice, Pulses, Coarse Cereals, Sugarcane	-15	-7
Odisha	Rice, Pulses, Coarse Cereals, Cotton, Potato, Oilseeds	-3	-8
Punjab	Wheat, Rice, Cotton	-3	-28
Bihar	wheat, Rice	-21	-28

(Source: CEIC, UBI research)

**Fig.6. Inflation in food items prevailing at uncomfortable levels (% y/y)**



(Source: CEIC, UBI research)

**Fig.7. Pace of sequential drop in food prices corrected in Sep'24 (% m/m)**

% Change in Price (m/m)	May-24	Jun-24	Jul-24	Aug-24	Sep-24 (as of 24 <sup>th</sup> )
Cereals	0.20	0.64	-0.40	-1.67	-0.45
Pulses	1.67	2.56	1.86	-1.09	-0.61
Oils	-0.13	0.49	-0.14	-1.92	0.79
Vegetables (OPT*)	4.06	16.61	29.43	-7.09	-0.80
Milk	0.07	0.55	0.34	0.02	-0.84
Sugar	0.54	0.49	0.18	-0.09	-0.25

\*OPT: Onion, Potato & Tomato

(Source: CEIC, UBI research)

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