

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

	27-Aug-25	30-Jun-26	31-Jul-26	27-Aug-26
All India	5	-40	-13	-13
N. W. India	23	-31	-12	-10
Central India	9	-50	4	-2
South India	5	-27	-23	-22
East & N. East India	-18	-40	-30	-27

Fig 2: State wise cumulative rainfall deviation as on 27th August 2026; % of long period average

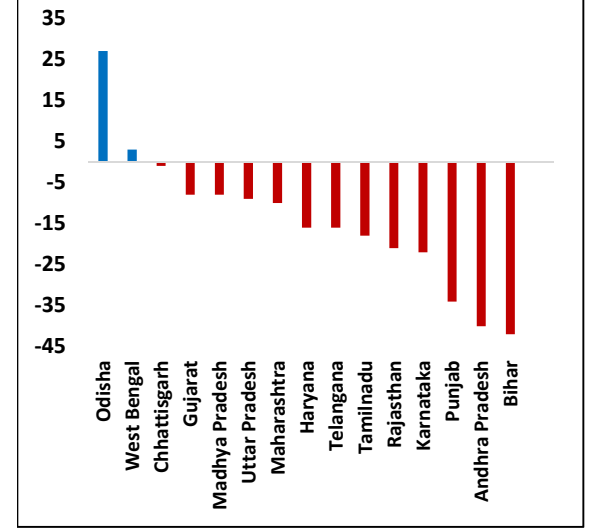
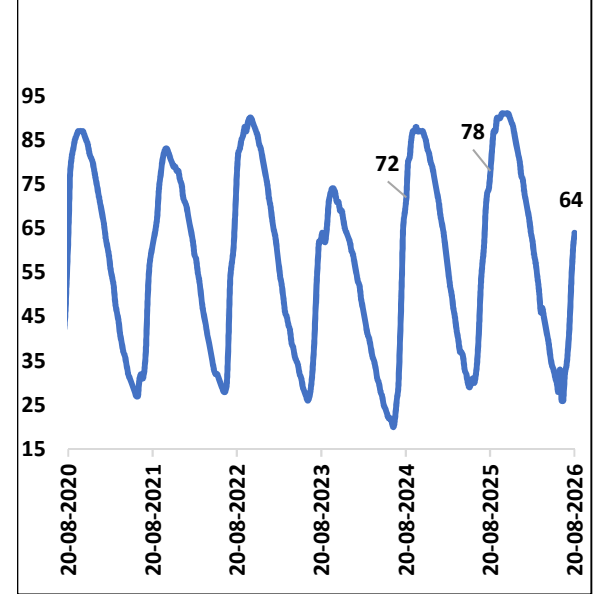


Fig. 3. Reservoir levels are at 64% of live capacity at full reservoir level; storage as % of live capacity at full reservoir level, All India



Source: IMD, CEIC & UBI research

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Monsoon 2026: Kharif sowing holds up despite deficient and uneven rains

The 2026 southwest monsoon season has remained considerably weaker than normal, validating the India Meteorological Department's (IMD) forecast of a below-normal monsoon. IMD has projected the country to receive 90% of the Long Period Average (LPA) rainfall amid the emergence of El Niño conditions. Although rainfall activity strengthened significantly during July due to the formation of multiple low-pressure systems, the improvement proved temporary. Cumulative rainfall, which was in a deficit of around 40% in June end and improved to 13% deficit in July end has not shown any recovery since and continues to be in a deficit of 13% as on 27th August (*pl refer fig.1*) vis-à-vis 5% surplus same time last year.

An equally important feature of the current monsoon has been its highly uneven regional distribution despite localized heavy rainfall episodes. While some regions have experienced intermittent heavy rainfall, several key agricultural belts have continued to receive below-normal precipitation. Such spatial asymmetry matters more than the all-India rainfall number because agricultural output depends not only on aggregate rainfall but also on its timely and uniform distribution across major crop-growing regions.

North western region and central regions, the two main regions from the crops point of view, continue to remain in deficits of 10% and 2% respectively. Southern and eastern regions too are facing poor rainfall with deficits of 22% and 27% respectively as compared to last year.

While July rains briefly recovered, August has again faced deficient rainfall and September could see continued shortfall due to strengthening EL Nino conditions. IMD continues to project below-normal rainfall during the second half of the monsoon season, with subdued precipitation expected over large parts of Peninsular India and uneven spatial distribution of rainfall across the country.

State-level rainfall remains highly uneven

The regional distribution of rainfall has been highly uneven with states like Odisha facing a surplus of 27% and Andhra Pradesh and Bihar struggling with a deficit of more than 40% each (*pl refer fig. 2 & 8*). All the regions are facing a deficit with Central India region having the lowest deficit of 2% while other three regions are running double digits deficit each.

Sowing

From an agricultural perspective, an uneven and below-normal monsoon generally affects both the pace and quality of kharif sowing. Although sowing has recovered following episodic rainfall events, inadequate rainfall during the crop vegetative and reproductive stages can adversely affect yields, particularly in rain-fed regions. The eventual agricultural outcome depends more on rainfall during the remaining part of the season than on the initial sowing progress.

India's kharif sowing in 2026 is now lagging only 1.5% behind last years' sowing level which is not too bad considering the monsoon deficit is still at 13%. The sowing has in fact seen a steady recovery right from the month of July (*pl refer fig 4*) when the shortfall was about 23%. As of 21st August, kharif sowing had covered about 105.7 million hectares vis-à-vis 107.3 million hectares a year ago. However, the composition of crops is skewed: pulses, cotton and oilseeds are expanding while rice, coarse cereals and sugar are shrinking. The monsoon deficit and El Niño conditions remain the biggest risks raising concerns for crop yields and soil moisture for the upcoming rabi season.

Fig. 4. Kharif sowing now just 1.5% down y/y from 16% in mid-July; y/y % change in sowing area coverage

Crop	01-07-2026	15-07-2026	31-07-2026	15-08-2026	21-08-2026
Rice	-25.2%	-8.6%	-2.2%	-3.7%	-3.2%
Coarse cereals	-11.7%	-22.5%	-7.5%	-2.4%	-1.9%
Pulses	-30.5%	-23.3%	-6.3%	-0.3%	1.3%
Oilseeds	-53.3%	-21.0%	0.7%	-0.5%	-0.2%
Sugar	1.2%	1.5%	1.5%	-0.5%	-0.7%
Cotton	-34.6%	-15.3%	-2.4%	-0.9%	-0.3%
All Crops	-22.7%	-16.0%	-2.9%	-2.0%	-1.5%

Source: IMD, CEIC & UBI research

Fig. 5. OTG prices other than sugar have so far been insulated from any major impact of rainfall deficit

	Jan'26	Feb'26	Mar'26	April'26	May'26	June'26	July'26	Aug'27**
Cereals	-0.21	0.47	-0.22	-0.59	0.15	0.85	1.57	1.43
Pulses	0.06	1.98	0.77	0.11	0.09	0.34	0.43	0.53
Oils	-0.03	0.43	0.38	0.70	0.54	1.36	1.39	1.36
Veggies*	-4.03	-14.11	-8.19	-1.84	8.60	9.91	8.85	2.92
Milk	0.15	-0.14	0.20	0.52	0.67	0.75	0.41	0.23
Sugar	-0.34	0.00	0.04	0.17	0.32	0.58	2.28	12.70

*OTP(Onion, Potato, tomato)

**till 27th August'26

Source : DCA

Fig. 6. Current storage in reservoirs as % of Capacity

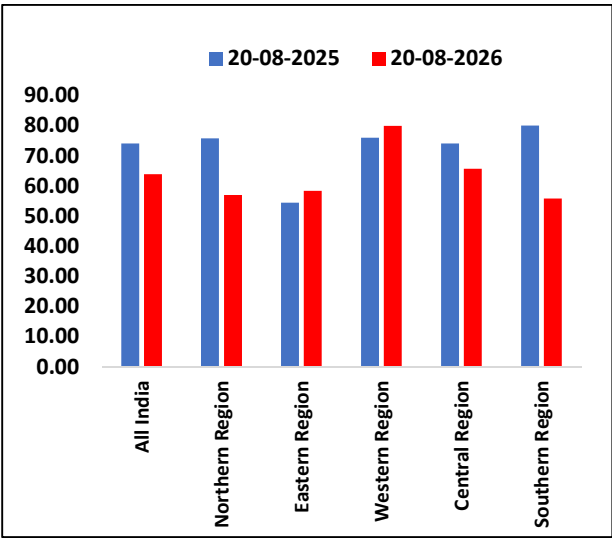
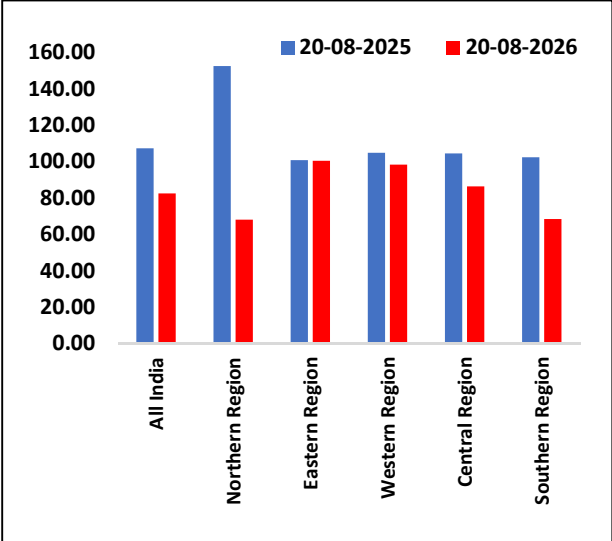


Fig. 7. Current storage in reservoirs as % of last year's storage



Reservoir levels provide cushion

As of late August 2026, the 176 reservoirs monitored by the Central Water Commission (CWC) hold about 117 billion cubic metres (BCM) of water, which is 64% of their live storage capacity. This is around 18% lower than last year. Reservoir levels, though still below last year, have improved considerably. Storage as % of live capacity at full reservoir levels stands at 64% as on 20th August as against 44% on July end and 78% last year (*pl refer fig.3*). Improved reservoir levels may provide cushion against weak rainfall. Current storage as % of capacity has improved sharply across regions yet stays below last year's levels except for eastern & western regions where it has exceeded last year's level. Northern and Southern regions are still lagging deeply behind last year's storage levels raising concerns for the water availability for upcoming Rabi seasons in the regions. As on 20th Aug, current storage in reservoirs at all India level stands at 64% of the capacity 183.57 BLM (billion cubic meters) and 82% of last year's storage level. The month of September has become exceptionally important now being the last month of southwest monsoon. Rainfall in the month will be crucial to assess the concerns regarding water resources availability in Rabi season and thus food grains availability for the coming quarters.

It is important to note that in addition to substantial rainfall deficit, northern region has fared poorly on account of reservoir levels also; the region's reservoir storage stands at just 57% of the capacity as on 20th August and has reached just 68% of last year's storage level (*pl refer fig. 6 & 7*).

Inflation outlook

While improved sowing levels provide a relief from rainfall deficit concerns and do not present any immediate concern with regard to availability of food grains; the regional disparity in the rainfall as well as the reservoir levels may pose risks to progress of upcoming season of rabi crops and food grains availability in the coming quarters in general and next financial year, in particular. From a macroeconomic perspective, the evolving rainfall pattern warrants close monitoring. A prolonged rainfall shortfall during the crop maturity phase could adversely affect kharif yields, reduce soil moisture available for the upcoming rabi season, and increase the risk of food price pressures in the months ahead. Given agriculture's dependence on the southwest monsoon, sustained rainfall deficiency may also weigh on rural incomes and consumption demand during the second half of FY27. The transmission from rainfall deficiency to food inflation is usually gradual, becoming more visible during the post-harvest period rather than immediately after sowing. Consequently, if IMD's projection of below-normal rainfall during August and September materialises, food inflation risks could remain elevated through the second half of FY27, even if near-term supply conditions remain manageable as is evident from the OTG prices of food segments (*pl refer fig 5*). India's inflation outlook now hinges critically on the late-season monsoon performance. Our FY27 CPI projection is maintained at 5% (assuming crude stabilises at ~\$90/bbl levels). In case of a confirmed El Nino occurrence, food inflation could spike, pushing our FY27 CPI projection toward 5.5% or higher. We acknowledge the impact of El Nino risks raise the possibility of a rate hike in last part of FY27 (December/ February policy). In our view, apart from monsoon led food inflation impact, Fed rate hike timing and oil price levels will be key driver of monetary policy reaction function.

Fig. 8. Rainfall deficit in core agri-produce areas clouding the macro horizon; Rainfall deviation (cumulative from 1st June, % of long-term average)

States	Key crops	27-Aug-22	27-Aug-23	27-Aug-24	27-Aug-25	27-Aug-26
Odisha	Rice, Pulses, Coarse Cereals, Cotton, Potato, Oilseeds	13	-10	-25	-6	27
West Bengal	Rice, Pulses, Potatoes, Oilseeds, Wheat	-18	-12	-5	7	3
Chhattisgarh	Rice, Wheat, Coarse Cereals	17	-16	-18	-4	-1
Gujarat	Oil seeds, Cotton, Pulses	38	20	2	-3	-8
Madhya Pradesh	Rice, Pulses, Coarse Cereals, Oil seeds	27	-11	-4	25	-8
Uttar Pradesh	Wheat, Rice, Pulses, Coarse Cereals, Sugarcane	-44	-14	9	7	-9
Maharashtra	Pulses, Coarse Cereals, Oil Seeds, Sugarcane, Cotton	23	-8	0	-8	-10
Haryana	Wheat, Rice, coarse Cereals	-2	12	-16	14	-16
Telangana	Rice, Cotton, Pulses, Cotton	54	13	12	4	-16
Tamilnadu	Rice, Pulses	70	-10	98	15	-18
Rajasthan	Pulses, Coarse Cereals, Oil seeds	52	16	1	45	-21
Karnataka	Pulses, Coarse Cereals	27	-20	3	10	-22
Punjab	Wheat, Rice, Cotton	-8	-1	-24	-4	-34
Andhra Pradesh	Rice	11	-14	56	4	-40
Bihar	wheat, Rice	-41	-24	-19	-23	-42

Source: IMD, CEIC & UBI research

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