

SOUTHWEST MONSOON 2024 - UPDATE

IMD's above normal forecast for
August-September 2024 implies
rainfall in entire monsoon season
may exceed 104% of LPA

AUGUST 2024





Click to Provide Feedback

Monsoon was 2% above LPA up to July 2024, as excess rainfall in July 2024 outweighed the lull seen in June 2024

Based on this and the IMD's forecast for Aug-Sep 2024 (>106 of LPA), rainfall in entire season is implicitly estimated to exceed 104% of LPA

While cumulative kharif sowing was up by 2.3% YoY till July 26, 2024, ICRA remains cautious that episodes of heavy downpour in some states may harm standing crops and such yields



- The Southwest Monsoon gained momentum in the just-concluded month, with cumulative rainfall at 102% of the long period average (LPA) during June-July 2024. Excess rainfall of 9% over LPA in July 2024 more than offset the deficit of 11% that was recorded in June 2024.



- However, the spatial distribution of rainfall was uneven during June-July 2024, with excess rainfall in South Peninsula (127% of LPA) and Central India (117% of LPA), whereas East and Northeast, and Northwest regions witnessed deficient rainfall of 18-19% during this period.



- Based on actual rainfall (102% of LPA) witnessed during June-July 2024 and the India Meteorological Department's (IMD) forecast for August-September 2024 (>106% of LPA), the rainfall during the entire monsoon season is implicitly estimated to be atleast 104% of the LPA.



- Supported by adequate rainfall and the increase in minimum support prices (MSPs), cumulative area sown under kharif crops has risen by 2.3% YoY as on July 26, 2024, covering ~73% of the last year's final area. This was led by higher sowing for pulses (+14.1%) and coarse cereals (+5.0%).



- While the development of La Nina conditions from end-August 2024 augurs well for rainfall in September 2024 and replenishment of reservoirs for the rabi season, episodes of heavy downpour for extended period may harm the standing kharif crops and/or dampen such yields.



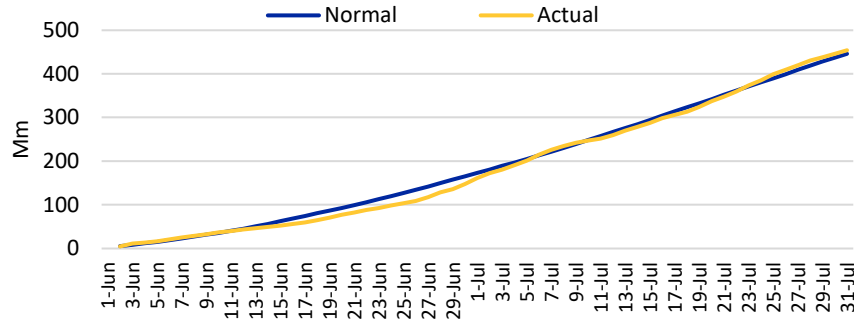
- ICRA expects the GVA growth of agriculture, forestry and fishing to improve to ~3.7% in FY2025 from 1.4% in FY2024. However, rural demand is likely to witness a meaningful recovery only in H2 after there is visibility around the kharif crop output and farm cash flows.



- In the Union Budget FY2025, the Government has made considerable allocations in agri-focused schemes and has also announced steps to encourage natural farming and increase the domestic production of pulses and oilseeds, which augur well over the medium term.

India witnessed above-normal rainfall in July 2024; IMD expects rainfall activity to be within the normal range in August 2024

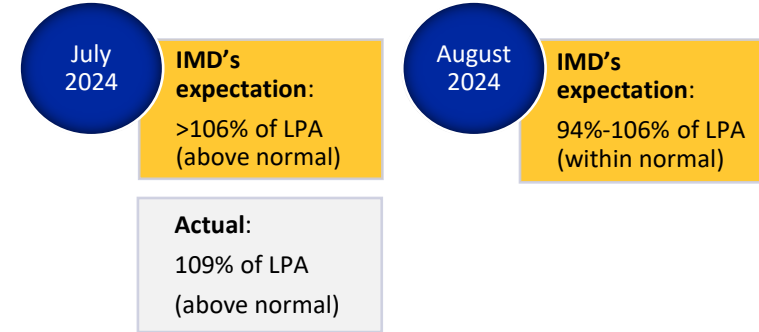
EXHIBIT: Cumulative normal vs. actual rainfall



*Till July 31, 2024; Source: IMD; CEIC; ICRA Research

- Following an inadequate and uneven rainfall in June 2024, the monsoon picked up in July 2024, with the gap between the actual and normal cumulative rainfall narrowing from a deficit of 11% by end-June 2024 to a surplus of 2% by end-July.
- In July 2024, the country recorded above-normal rainfall at 109% of LPA, in line with IMD's expectation for the month (>106% of LPA).

EXHIBIT: Actual vs. IMD's forecast of Monsoon rainfall in July and August 2024

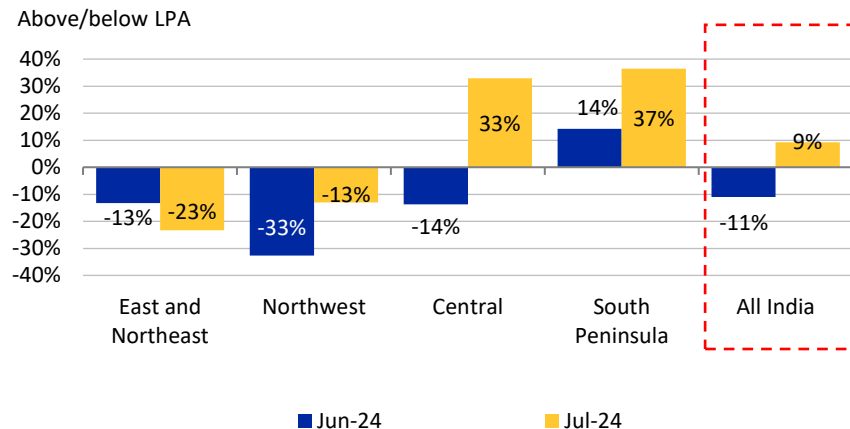


Source: Indian Meteorological Department (IMD); CEIC; ICRA Research

- The IMD has projected the pan-India rainfall to be within the normal range (94 to 106% of LPA) in August 2024 and above normal (>106% of LPA) during the second half of the monsoon (August-September 2024) as a whole.
- However, it expects below-normal rainfall over many areas in southern parts of central and adjoining northern peninsular India, northeast and adjoining areas of east India, some parts of northwest and south peninsular India in August 2024.

Spatial distribution of monsoon quite uneven during June-July 2024

EXHIBIT: Region-wise distribution of rainfall*



*On a pan-India basis, rainfall between 96% and 104% of the LPA is considered to be normal. The other classifications are deficient (below 90% of LPA), below-normal (90-96% of LPA), above-normal (104-110% of LPA) and excess (more than 110% of LPA); Source: IMD; CEIC; ICRA Research

EXHIBIT: Distribution of rainfall over 36 sub-divisions in June-July 2024

Category	% of LPA	No. of sub-divisions	Subdivisional % area of country
Large Excess	above 160	0	0%
Excess	120-159	13	32%
Normal	81-119	14	43%
Deficient	41-80	9	25%
Large Deficient	0-40	0	0%
No Rain	0	0	0%
Total		36	100%

Data for July 1-30, 2024; Source: IMD; CEIC; ICRA Research

- As per the IMD's classification, the region-wise rainfall distribution during the ongoing season (till July 31, 2024) has been quite uneven, with excess rainfall in the Southern (127% of LPA), and Central (117% of LPA) regions and deficient rainfall in East and Northeast (81% of LPA) and Northwest India (82% of LPA).
- The spatial distribution of rainfall over the 36 sub-divisions has been skewed towards normal and excess rainfall during the ongoing Southwest Monsoon season so far (till July 30, 2024), with 13 subdivisions (~32% area of country) reporting excess precipitation, and 14 recording normal rainfall (~43%). Only nine subdivisions (~25%) received deficient rains up to July 30, 2024.

State-wise rainfall distribution was uneven during June-July 2024, with heavy downpour in South Peninsula and lull in activity in Northwest and East India

EXHIBIT: State-wise monsoon rainfall during June-July 2024



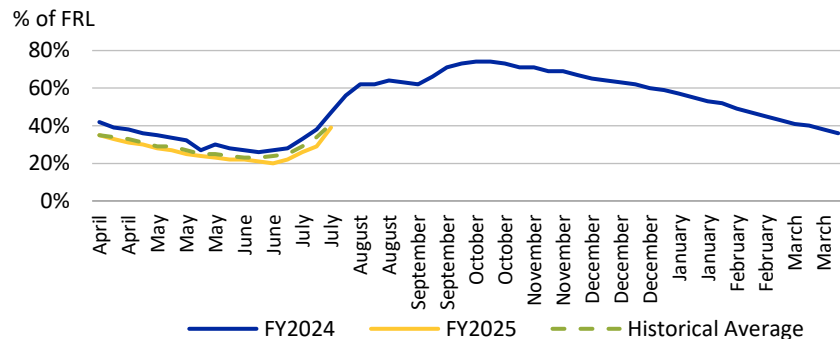
- The state-wise distribution of rainfall reveals that half of the states in Northwest India (UP, Uttarakhand, Rajasthan, and Delhi) witnessed normal rainfall in June-July 2024, while the remaining states (Haryana, Punjab and Himachal Pradesh) reported deficient rains.
- Rainfall distribution over Central India was also mixed, with states like Odisha, MP and Chhattisgarh receiving normal rains, and Maharashtra, Goa and Gujarat reporting excess rainfall during this period.
- In contrast, there was excess rainfall in most states of South Peninsula, and normal-to-deficient precipitation in East and Northeast India.

Classification on a disaggregated basis

Large Excess (above 160% of LPA)
Excess (120% to 159% of LPA)
Normal (81% to 119% of LPA)
Deficient (41% to 80% of LPA)
Large Deficient (1% to 40% of LPA)
No Rain (0% of LPA)

All-India reservoir storage catching up to the historical levels; deficit may be bridged amid expectation of above normal rains during August-September 2024

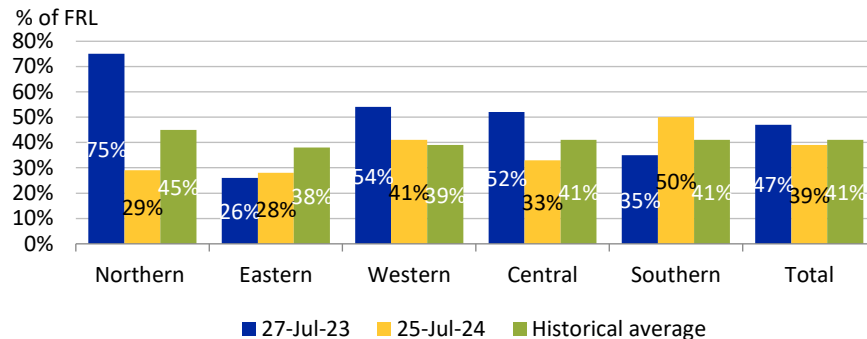
EXHIBIT: Reservoir storage levels as percentage of Live Capacity at Full Reservoir Level (FRL)



Source: Central Water Commission (CWC); CEIC; ICRA Research

- The all-India reservoir storage levels stood at 39% of the live capacity at FRL as on July 25, 2024, trailing the year-ago level of 47% of FRL. This was also marginally lower than the historical average of the last 10 years (41% of FRL).
- The YoY deficit may be bridged with the onset of La Nina conditions and IMD's expectation of above-normal rainfall in the second half of the monsoon season (>106% of LPA during August-September 2024).

EXHIBIT: Region-wise reservoir storage levels

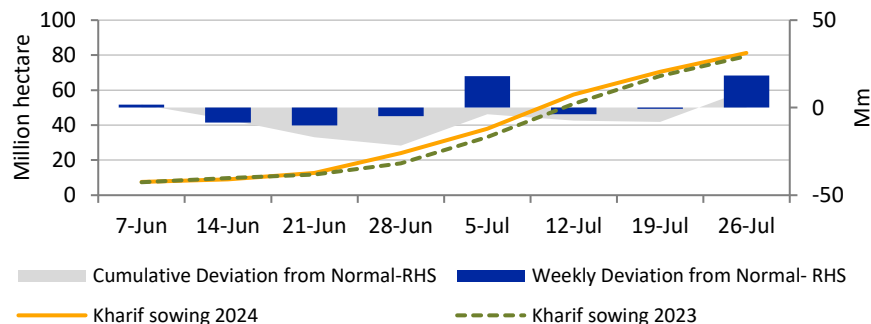


Source: CWC; CEIC; ICRA Research

- The reservoir storage in three of the five-regions including northern, western, and central India trailed the year-ago levels by 46 pp, 13 pp, 19 pp respectively as on July 25, 2024. Whereas Southern and Eastern India outpaced the year-ago levels by 15 pp and 2 pp respectively.
- Meanwhile, western and southern region overshot the historical levels as on July 25, 2024.
- Aided by above normal rainfall in the Southern peninsula in the monsoon season so far, reservoir storage in that area has now exceeded the year-ago and historical levels.

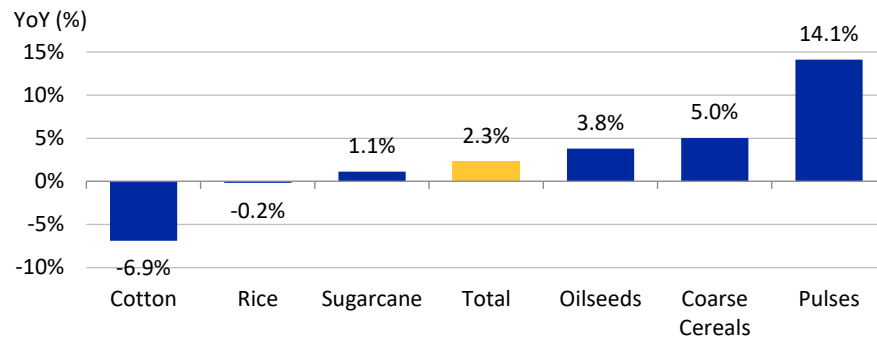
Kharif sowing up by 2.3% YoY so far; aided by adequate rainfall and higher MSPs

EXHIBIT: Kharif sowing trends and Southwest Monsoon Rainfall deviation from Normal in 2024



Source: IMD; Ministry of Agriculture and Farmers' Welfare; ICRA Research

EXHIBIT: YoY growth in Kharif Sowing as on July 26, 2024



Source: Ministry of Agriculture and Farmers' Welfare; ICRA Research

- Kharif crops were sown on 81.2 million hectares by July 26, 2024, accounting for 73.3% of the total area covered in the 2023 season, slightly higher than the 71.8% area sown around the same time in 2023.
- Aided by the pick-up in rainfall in July 2024, the cumulative sowing of kharif crops exceeded the year-ago level by 2.3% as on July 26, 2024, led by higher sowing of pulses (+14.1%), coarse cereals (+5.0%), oilseeds (+3.8%), and sugarcane (+1.1%). The area sown for cotton, which had surged vis-à-vis the year ago levels until mid-July, reversed its course with the same contracting by 6.9% as on 26 July, 2024. Additionally, the area sown for rice (-0.2%) stood marginally lower than the year ago levels. Interestingly, items that witnessed an MSP uptick in the Kharif marketing season saw a considerable increase in their sowing, such as nigerseed (sowing: +144%; MSP: +12.7%), arhar (sowing: +34%, MSP: +7.9%) and ragi (+6%, +11.5%).
- **Notably, the sharp 14.4% rise in sowing of pulses augurs well for the retail prices of the item, and subsequently CPI food inflation (Pulses account for ~6% in CPI food and beverages basket). Inflation in pulses has remained in double digits for 13 consecutive months until June 2024.**

Most crops under pulses, coarse cereals and oilseeds reported a YoY uptick in kharif sowing so far

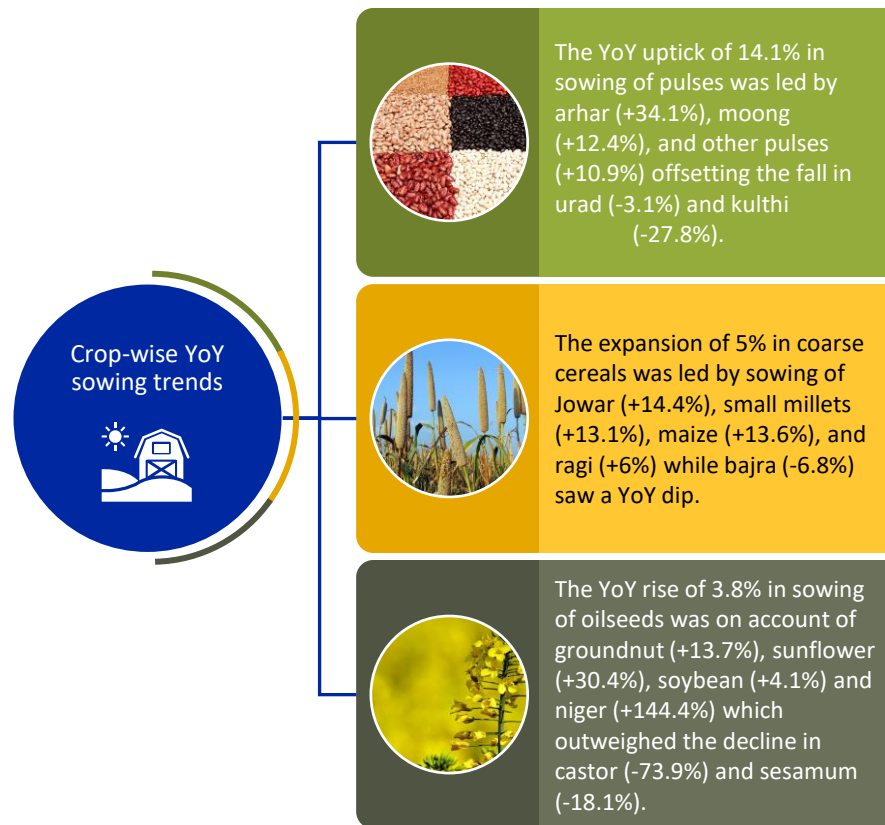
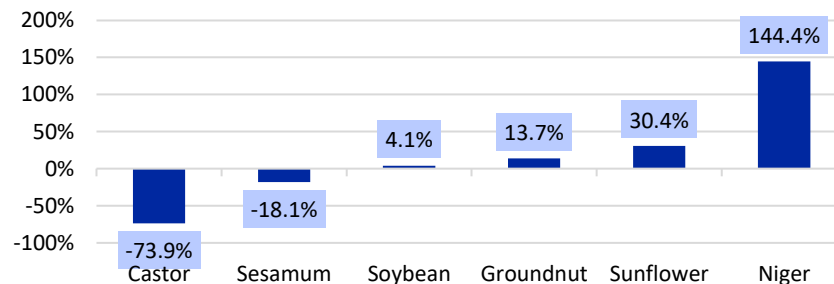
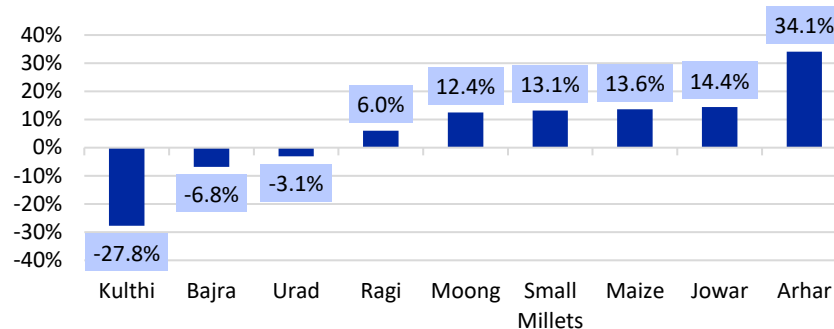
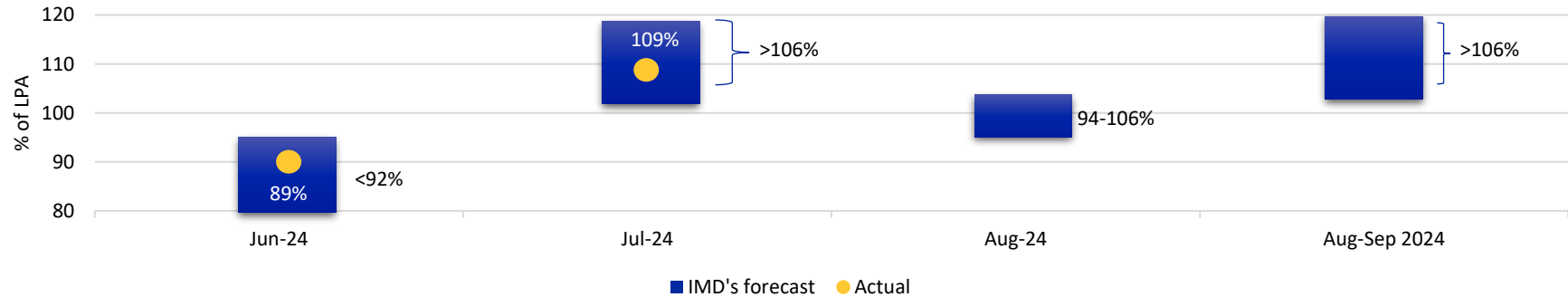


EXHIBIT: YoY growth in sowing of crops under pulses, coarse cereals and oilseeds as on July 26, 2024



Based on actual rainfall in Jun-Jul 2024 and IMD's forecast for Aug-Sep 2024, entire monsoon implicitly estimated to exceed by at least 4% over LPA

EXHIBIT: Monthly forecast of monsoon rainfall by the IMD and actual precipitation in the month

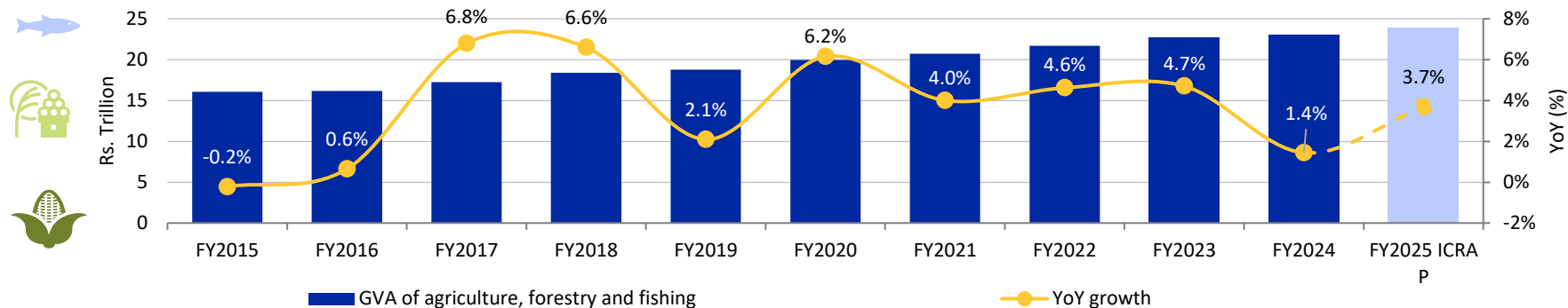


Source: IMD; ICRA research

- On August 1, 2024, the IMD released its Long-Range Forecast for the second half of the Southwest monsoon (August-September 2024), which has estimated the volume of rainfall to be above normal in excess of 106% of the LPA, with the development of La Nina conditions since end-August 2024. Moreover, the volume of rainfall in August 2024 is estimated to be within the normal range of 94% to 106% of LPA, implying that the IMD expects above normal rainfall in September 2024.
- Given the ~2% surplus during June-July 2024, the entire monsoon rainfall (June-September) in 2024 appears likely to be at 104% of the LPA, even if the actual rainfall in H2 comes in at par with 106% of the LPA in the second half of the season. Therefore, the SW monsoon is likely to be at least 4% above normal/LPA based on the projection of the IMD for the second half of the season.**

Forecast of above normal monsoon in 2024 augurs well for agri output, rural demand in H2 FY2025

EXHIBIT: Annual GVA of agriculture, forestry and fishing (at 2011-12 prices)

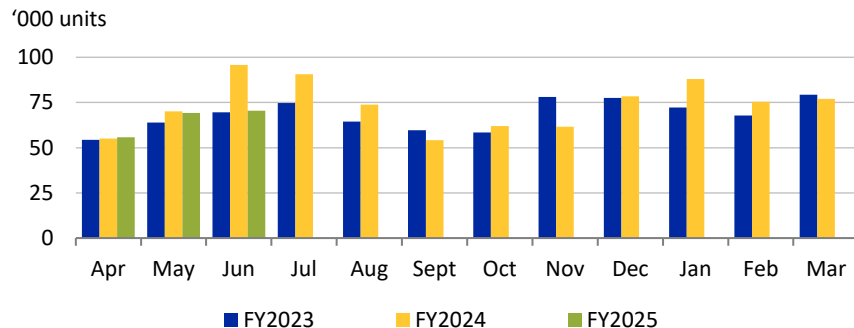


P: Projected; Source: NSO; ICRA Research

- The IMD's expectations of above normal rainfall during August-September 2024, amidst development of La Nina conditions at end-August 2024, augurs well to support the sowing of kharif crops and replenish reservoirs for the rabi crop season, although the adequacy and distribution of rainfall over the country needs to be monitored. **However, episodes of excess rainfall for prolonged period could harm the standing kharif crops and/or dampen such yields.**
- **Overall, ICRA expects the GVA growth to improve to 3.7% in FY2025 from 1.4% in FY2024, amid projections of an uptick in growth in H2 FY2025, owing to a favourable base (+0.5% in H2 FY2024; +2.8% in H1 FY2024). However, rural demand is likely to witness a meaningful recovery only in H2 after there is visibility around the kharif crop output and farm cash flows.**

Motorcycle wholesale dispatches projected to grow by 7-10% in FY2025; tractor volume growth likely to be relatively modest at 1-4% YoY

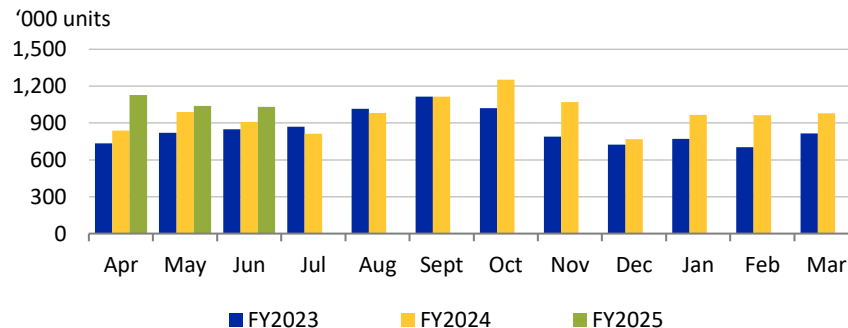
EXHIBIT: Trends in domestic tractor retail volumes



Source: CMIE; ICRA Research

- After recording a YoY decline of 8.3% in FY2024, owing to the base effect, and weak farm sentiments, the domestic wholesale tractor volumes rose by a muted 0.5% on a YoY basis during Q1 FY2025. However, on a monthly basis, such volumes reverted to a seven-month high YoY growth of 3.6% in June 2024 from the contraction of 3.0% seen in April 2024, supported by a timely arrival of monsoon and onset of kharif sowing. **ICRA expects industry volumes to grow at a modest pace of 1-4% in FY2025.**
- In retail terms, the domestic tractor volumes increased by 7.5% in FY2024. Thereafter, volumes recorded a contraction of 11.5% Q1 FY2025, weighed down by a sharp decline in June 2024 (-26.4% YoY).

EXHIBIT: Trends in domestic motorcycle wholesale volumes

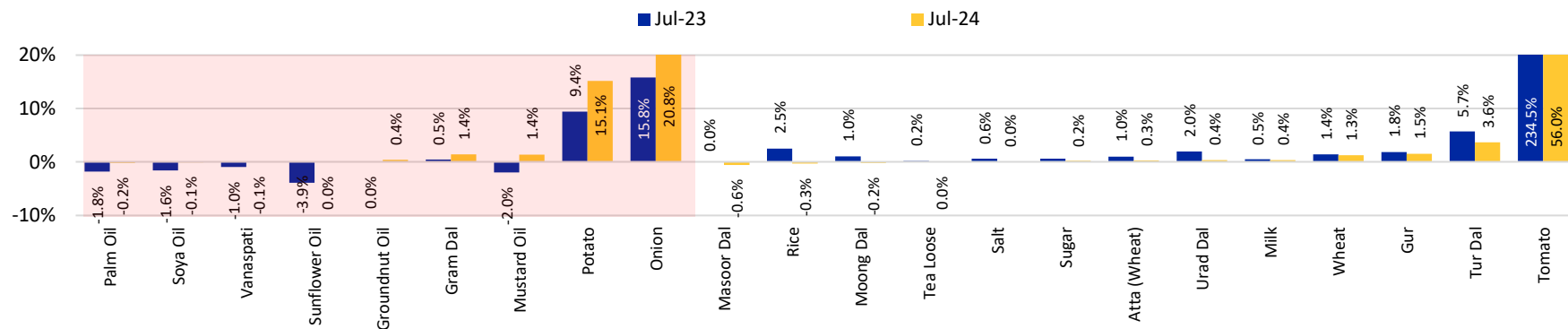


Source: CMIE; ICRA Research

- After rising by 13.9% in FY2024 owing to inventory build-up and healthy demand during the festive and marriage seasons, domestic wholesale motorcycle volumes expanded by a healthy 16.8% in Q1 FY2025, aided by the timely arrival of monsoon.
- Despite improved volumes, concerns around a sustained demand recovery persist, amid the material rise in ownership costs. ICRA expects the domestic motorcycle volumes to grow by 7-10% YoY in FY2025 (+13.9% in FY2024).**

Headline CPI inflation to witness transient dip to 3.7-3.8% in July 2024

EXHIBIT: MoM trends in prices of essential commodities (%)

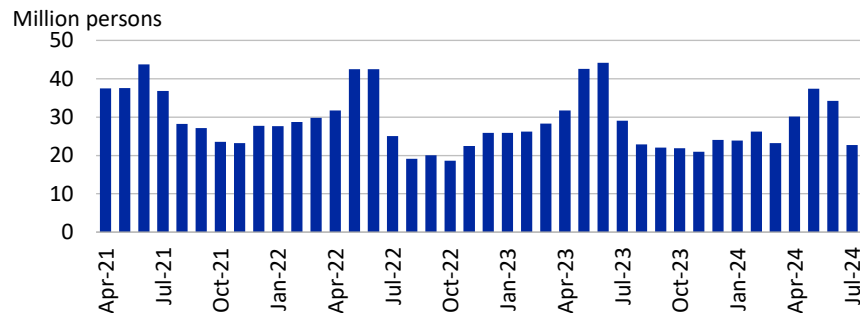


*Data for July 2024 is up to July 29, 2024; Source: DCA; ICRA Research

- The retail data released by the Department of Consumer Affairs (DCA) indicates a much sharper sequential hardening in prices of essential vegetables (potato and onion) in July 2024 vis-à-vis July 2023, stemming from lower arrivals of onion and potato amid a dip in production in 2023-24. Additionally, tomato prices saw a 56.0% MoM rise in July 2024 amid crop damage in tomato-growing states, although this was lower than the sharp sequential increase seen in the year ago period. Overall, nine of the 22 items saw a sharper MoM uptick in July 2024 vis-à-vis July 2023. An equal number of items saw a higher YoY print in July 2024 vis-à-vis June 2024.
- In YoY terms, the prices of several vegetables (including potato, onion, cabbage, peas, etc.) have risen in July 2024, compared to June 2024, suggesting that the food and beverages inflation may remain elevated in July 2024. Overall, the CPI inflation is expected to ease sharply, albeit temporarily, to 3.7-3.8% in July 2024, owing to a favourable base (July 2023: +7.4%), which will partly absorb the impact of the sequential surge in vegetable price and the telecom rate hikes undertaken in that month.
- An adequate volume and dispersion of rainfall in the remaining part of the monsoon season remain key to improve the prospects for kharif crop and replenish the reservoir levels, which would be crucial to support the rabi crop, and rein in food prices. However, a sustained spell of heavy rainfall can further push up perishable prices, which imbues caution into the near-term outlook.

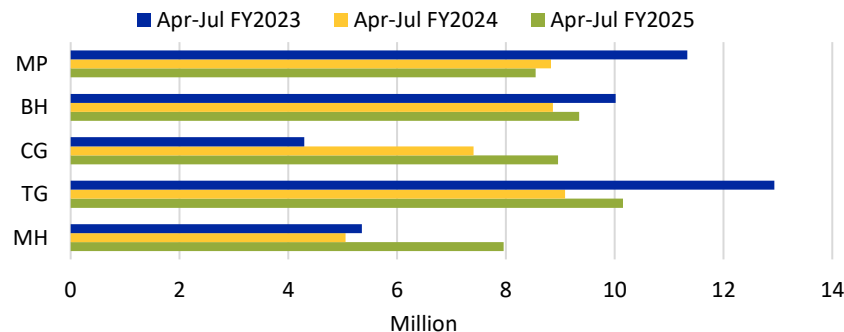
Work demand under MGNREGS fell sharply in July 2024, amid pick up in kharif sowing; agro-climatic shocks may warrant additional allocation in FY2025

EXHIBIT: Monthly trends in work demanded under MGNREGS (excluding West Bengal)



Source: Ministry of Rural Development, GoI; ICRA Research

EXHIBIT: State-wise trends in work demanded during April-July FY2023-25

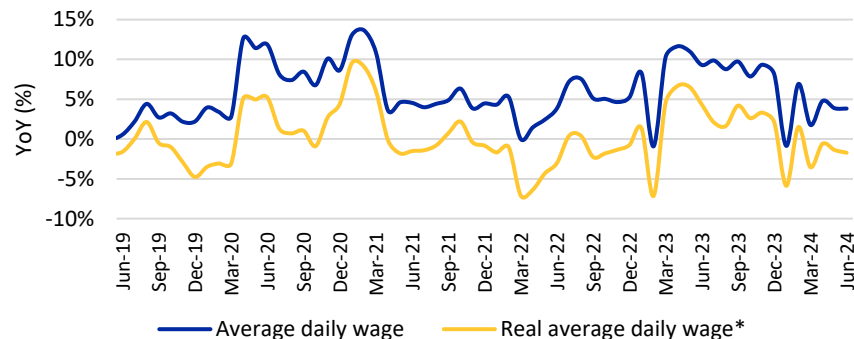


MP: Madhya Pradesh, BH: Bihar, CG: Chhattisgarh; TG: Telangana; MH: Maharashtra; Source: Ministry of Rural Development, GoI; ICRA Research

- The work demand under Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), excluding West Bengal (WB), fell by a sharp ~34% to 22.8 million people in July 2024 from 34.2 million people in June 2024, while also trailing the year ago levels by 21.7%, amidst the onset of kharif sowing activities. Overall, the work demand stood at 124.6 million people in April-July FY2025, 15.6% lower than the year ago level of 147.6 million people seen in April-July FY2024 (excluding WB).
- In April-July FY2025, Maharashtra (+2.9 million), Chhattisgarh (+1.6 million), and Telangana (+1.1 million) saw the highest incremental work demanded by people, relative to the year ago level. Notably, while Tamil Nadu had availed the maximum demand in FY2024 (with a share of 15.3%), it has seen a sharp reduction in FY2025 so far, with its share in the total demand dropping to a mere 5.0% (vs. 14.9% in April-July FY2024).
- The GoI has kept the allocation for MGNREGS unchanged at Rs. 860 billion in the FY2025 RBE, similar to the IBE. Out of this, nearly ~47% or Rs. 404.0 billion has already been spent on this scheme in FY2025 so far (up to July 31, 2024). Going ahead, any agro-climatic shocks may warrant additional spending under this account, which can be announced over the course of the year, as seen in previous fiscals.

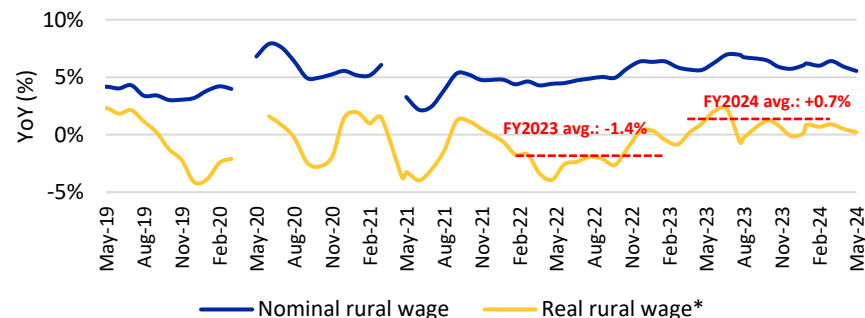
Real rural wages up by 0.4% YoY in April-May FY2025, lower than the uptick seen in FY2024

EXHIBIT: YoY growth in MNREGA wages in nominal and real terms



*real average daily wage growth is computed by adjusting nominal average daily wage growth with CPI inflation in rural areas; Source: Ministry of Rural Development, GoI; ICRA Research

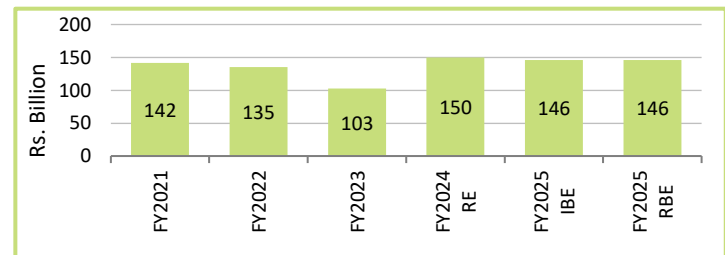
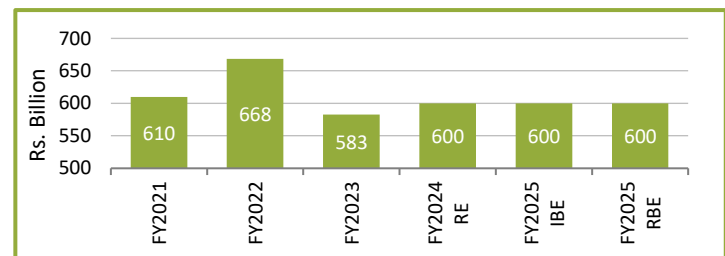
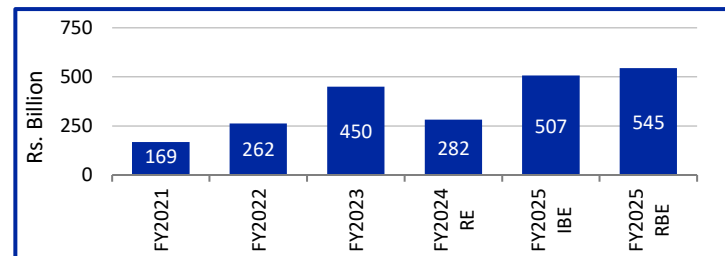
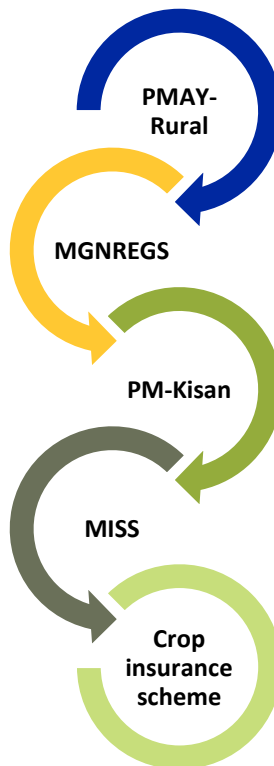
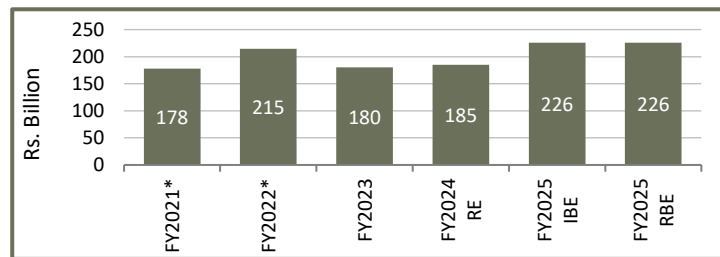
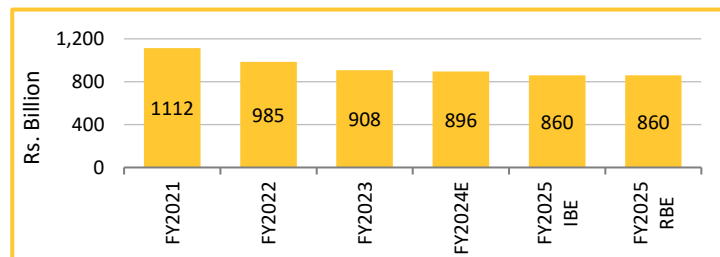
EXHIBIT: YoY growth in simple average wage rate for all rural occupations# in nominal and real terms



#simple average wages of all agricultural and non-agricultural occupations for men; *real rural wage growth is computed by adjusting nominal rural wage growth with CPI inflation in rural areas; Source: Labour Bureau, GoI; ICRA Research

- After rising by 7.7%, the pace of YoY expansion in daily average MGNREGS wages eased to 4.2% in Q1 FY2025. In real terms, such wages slipped into a YoY contraction of 1.2% in Q1 FY2025 (+5.8% in Q1 FY2024) from the expansion of 2.1% seen in FY2024, with the CPI inflation in rural areas only easing marginally during this period (to +5.5% in Q1 FY2025 from +5.6% in FY2024).
- The YoY growth in the simple average wage rate for all rural occupations, which includes both agricultural and non-agricultural occupations, moderated to 5.7% in April-May 2024 (+6.0% in April-May 2023) from 6.3% in FY2024. In real terms, growth eased slightly to 0.4% in April-May 2024 from 0.7% in FY2024, while also printing lower than the corresponding year ago level (+1.5%).
- The uptick in real rural wages (based on the simple average wage rate for all rural occupations) in FY2024 (+0.7%) and FY2025 so far (+0.4%) stood in contrast to the decline seen in FY2022 (-1.7%) and FY2023 (-1.4%). An uptick in nominal wage growth, along with a cooling off in the CPI inflation in rural areas, has led to the turnaround in real rural wage growth.

Govt has made considerable allocations to support the rural sector in FY2025 RBE



*includes allocation for the erstwhile interest subsidy for short term credit to farmers, which was later revamped to Modified Interest Subvention Scheme (MISS); Source: Union Budget, Govt; ICRA Research

Additional measures announced by the GoI in Union Budget FY2025 to boost productivity and resilience in the agricultural sector

Agriculture Research	The GoI intends to undertake a comprehensive review of the agriculture research setup to bring focus on raising productivity and developing climate resilient varieties. Moreover, 109 new high yielding and climate resilient varieties of 32 field and horticulture crops would be released for cultivation by farmers.
Natural Farming	Nearly 1 crore farmers will be initiated into natural farming supported by certification and branding over the next two years. Additionally, 10,000 need-based bio-input resource centres would also be established.
Mission for pulses and oilseeds	To achieve self sufficiency, the GoI has decided to strengthen the production, storage and marketing of pulses and oilseeds. A strategy would be put in place to achieve 'atmanirbharta' for oilseeds such as mustard, groundnut, sesame, soybean, and sunflower.
Vegetable production and supply chains	The GoI will develop large scale clusters for vegetable production closer to major consumption centres and promote farmer-producer organisations, cooperatives and start-ups for vegetable supply chains.
Digital Public Infrastructure (DPI)	The GoI will facilitate the implementation of the DPI in agriculture for coverage of farmers and their lands in 3 years. During this year, digital survey for Kharif crops using the DPI will be taken up in 400 districts. The details of 60 million farmers and their lands will be brought into the farmer and land registries.
Shrimp production and export	The GoI will provide financial support to set up a network of Nucleus Breeding Centres for Shrimp Broodstocks, and financing for shrimp farming, processing and export will be facilitated through NABARD.



Click to Provide Feedback



ICRA

Analytical Contact Details

Name	Designation	Email	Contact Number
Aditi Nayar	Chief Economist, and Head- Research and Outreach	aditin@icraindia.com	0124- 4545 385
Rahul Agrawal	Senior Economist	rahul.agrawal@icraindia.com	022 – 6114 3425
Aarzoo Pahwa	Economist	aarzoo.pahwa@icraindia.com	0124 – 4545 835
Tiasha Chakraborty	Senior Associate Economist	tiasha.chakraborty@icraindia.com	0124- 4545 848
Isha Sinha	Associate Economist	isha.sinha@icraindia.com	022 – 6114 3445





ICRA

Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	022-61693304
Neha Agarwal	Head – Research Sales	neha.agarwal@icraindia.com	022-61693338
Rohit Gupta	Head Business Development – Infrastructure Sector	rohitg@icraindia.com	0124-4545340
Vivek Bhalla	Head Business Development – Financial Sector	vivek.bhalla@icraindia.com	022-61693372
Vinita Baid	Head Business Development – Corporate Sector - West & East	vinita.baid@icraindia.com	033-71501131
Shivam Bhatia	Head Business Development – Corporate Sector - North & South	shivam.bhatia@icraindia.com	0124-4545803
Naznin Prodhani	Head – Group Corporate Communications & Media Relations	communications@icraindia.com	0124-4545860





© Copyright, 2024 ICRA Limited. All Rights Reserved.

All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies, while publishing or otherwise disseminating other reports may have presented data, analyses and/or opinions that may be inconsistent with the data, analyses and/or opinions in this publication. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.



ICRA

Thank You!