

Are there chances of an improved monsoon?

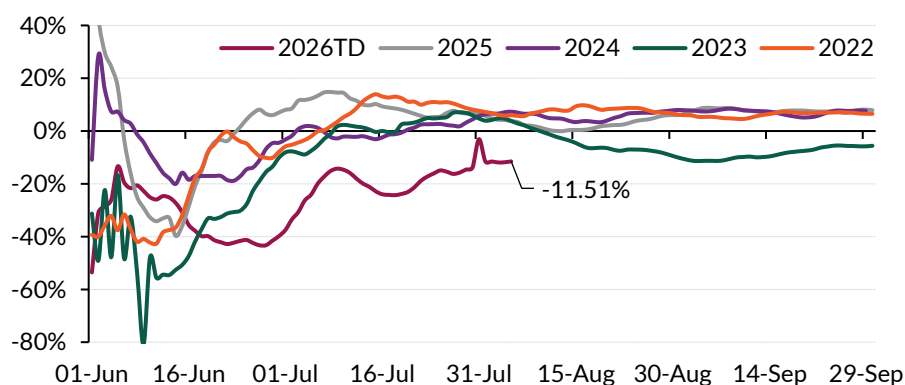
Monsoon conditions have seen significant improvement in spatial and temporal distribution. The deficit is now no worse than recent El-Nino episodes with central India at a surplus – despite continued worsening of El-Nino trends. However, wheat stocks are still lower before the Ukraine war, while global prices are rising. Concomitantly, other food items are also seeing higher prices. Potential for lower reservoir levels and soil moisture still pose risks to inflation, especially with only half the Monsoon through. These add to other risks from global prices and higher nominal growth that might indicate pricing power.

August 06, 2026

Monsoon

Weekly update

Exhibit 1 - Monsoon deficit improves, but is still high



Source: IMD, Axis Bank Research

Despite strengthening El-Nino, monsoon temporally/spatially improving

The monsoon deficit is steadily improving, and is approaching the 10% threshold for deficient rains (Fig 1). This is despite worsening of El-Nino conditions as seen in the Relative Nino 3.4 index (Fig 2) and ENSO (Fig 3). Spatial distribution has also improved, with Central India seeing the best trends (Figs 4-5). On a longer-term basis, rainfall is also better than in 2014, 2009 and 2002 (Fig 6), within the overall correlation of El-Nino and rains (Fig 7). El-Nino years and deficient rainfall do also impact crop production (Fig 8), though sowing has caught up with normal trends, with some weakness in pulses (Fig 14).

Despite healthy food stocks, all might not be well

Reservoir levels are now below both last year and 10y average levels (Fig 11). FY26 production was at a record (Fig 9), but central pool wheat stocks are still below level ahead of the Ukraine war (Fig 10), when high prices drove exports rather than storage. With the hot and dry European season, wheat prices are once again rising; lower irrigation in Rabi creates risks along this metric ahead. Already, wheat prices are rising domestically along trend (Fig 16). Coupled with warmer domestic weather (Fig 15), vegetables, sugar and other food prices are also rising (Figs 17-21). Edible oils are higher with El-Nino hitting East Asia.

With only half the monsoon over, low soil moisture does indicate risk

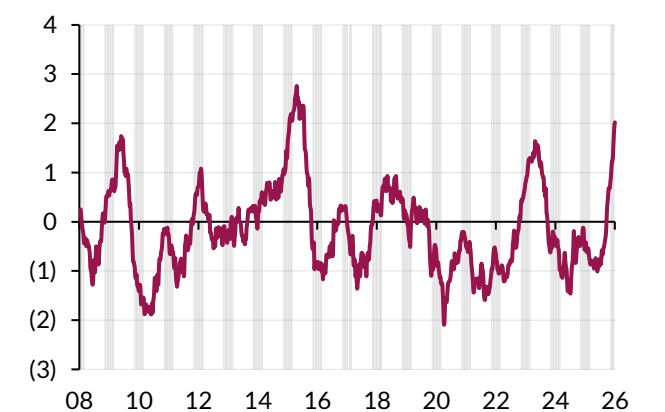
India soil moisture adequacy is not very positive, especially when compared to previous year levels (Figs 12-13). With only half the Monsoon over and El-Nino indicators continuing to worsen, there are risks around inflation, adding to shocks from higher petro-product prices (Fig 22). These are also aided by indications of stronger nominal growth (Fig 23) and higher pricing power. Though inflation expectations are stable (Fig 24), longer-term inflation risks might be to the upside of latest projections (Fig 25).

Tanay Dalal

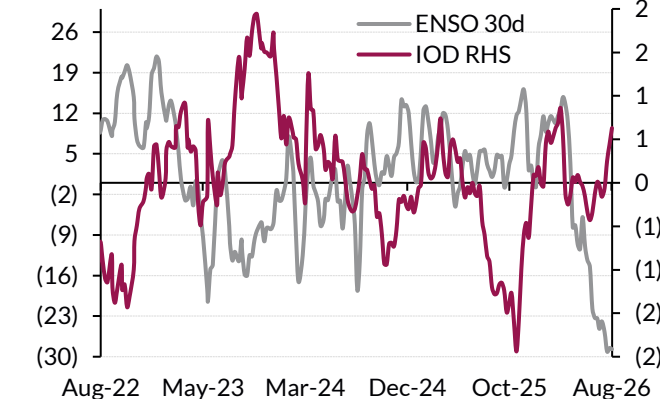
Tanay.Dalal@axisbank.com

Anshika Singh

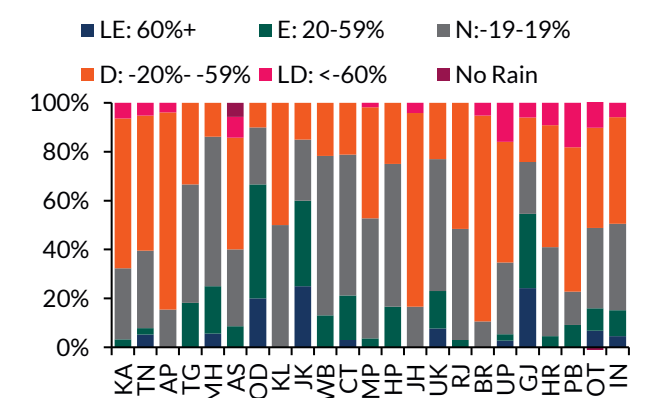
Anshika7.Singh@axisbank.com

Exhibit 2 - Relative Niño 3.4 index – level past the 2°C threshold


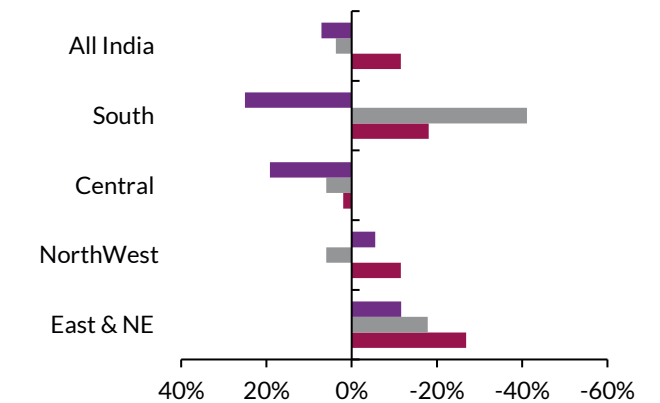
Source: Australia Met, Axis Bank Research

Exhibit 3 - El-Niño seasonal oscillator deeply negative, in agreement with this


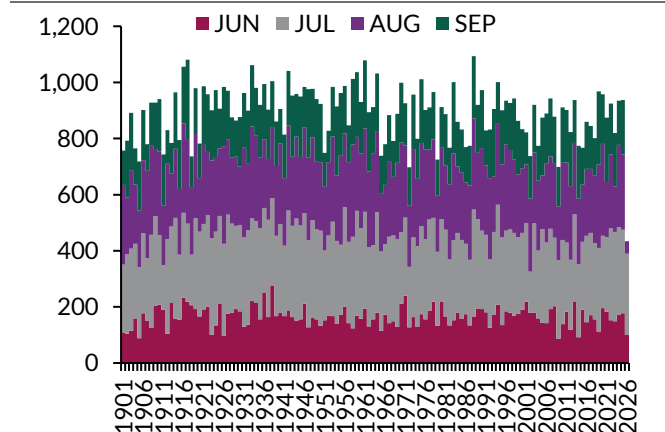
Source: Australia Met, Axis Bank Research

Exhibit 4 - Central India has fewer deficient districts


Source: IMD, Axis Bank Research

Exhibit 5 - With the monsoon actually in surplus here


Source: IMD, Axis Bank Research

Exhibit 6 - Until July, rains around the same level as 2009, 2014; better than 2002 and 1972


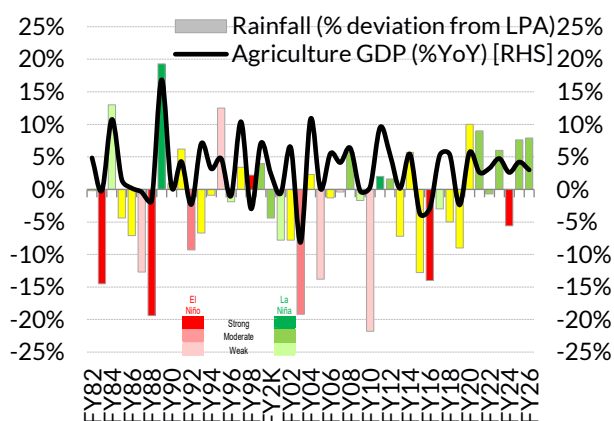
Source: IMD, Axis Bank Research

Exhibit 7 - Significant relationship between El- Niño and weaker rainfall for India

Period	Rainfall	No.	Neutral	El Niño				La Niña			
1901 - 2025	Range	of Yrs	N	S	M	W	All	S	M	W	All
Deficient	<90	22	3	9	4	4	17	1	0	1	2
Below normal	90-96	21	9	2	4	1	7	1	3	1	5
Normal	96-104	43	17	4	4	5	13	2	5	6	13
Above Normal	104-110	25	9	2	1	2	5	5	5	1	11
Excess	>110	14	2	1	1	1	3	5	2	2	9
All		125	40	18	14	13	45	14	15	11	40
In percentage terms											
Deficient	<90	18%	8%	50%	29%	31%	38%	7%	0%	9%	5%
Below normal	90-96	17%	23%	11%	29%	8%	16%	7%	20%	9%	13%
Normal	96-104	34%	43%	22%	29%	38%	29%	14%	33%	55%	33%
Above Normal	104-110	20%	23%	11%	7%	15%	11%	36%	33%	9%	28%
Excess	>110	11%	5%	6%	7%	8%	7%	36%	13%	18%	23%
All		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

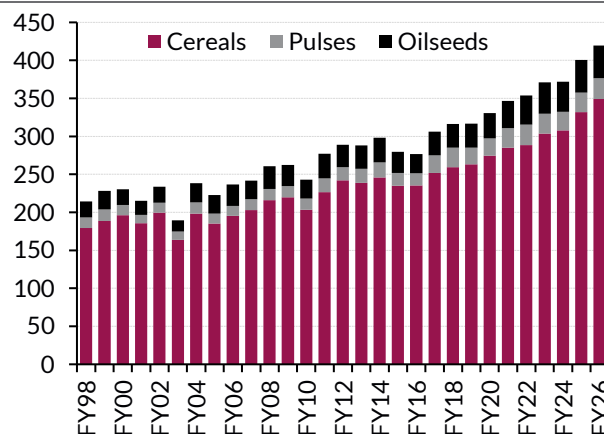
Source: IMD, Axis Bank Research

Exhibit 8 - Monsoon rains according to El-Nino – there is a notable agri impact



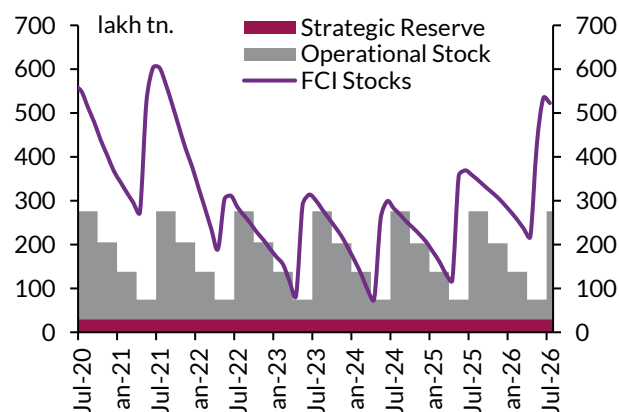
Source: IMD, Australia Met, Axis Bank Research

Exhibit 9 - Foodgrain output for the last year is likely to be at a record



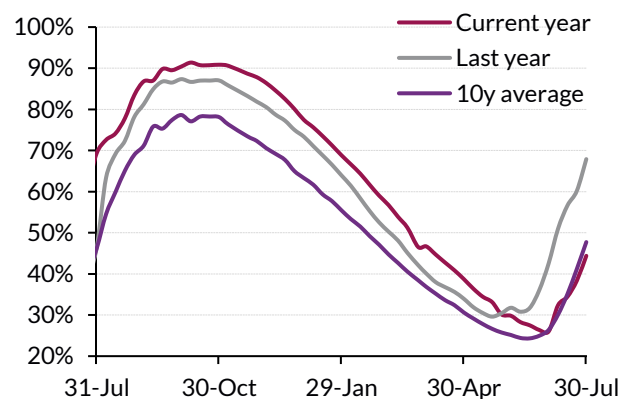
Source: UPAG, Axis Bank Research

Exhibit 10 - Central pool stocks of wheat are decent, but lower than before the Ukraine war drawdown



Source: FCI, Axis Bank Research

Exhibit 11 - Reservoir levels are now below those of 2025 and of 10y averages



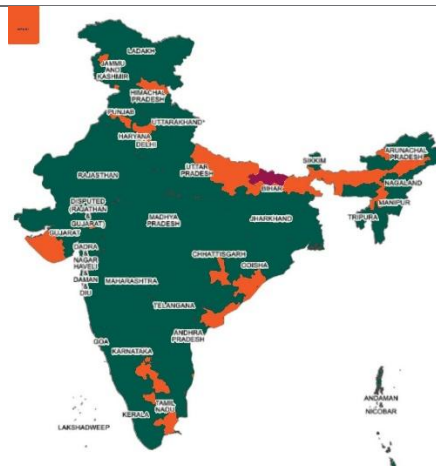
Source: FCI, Axis Bank Research

Exhibit 12 - Soil moisture adequacy – root zone soil moisture deviation – is weak

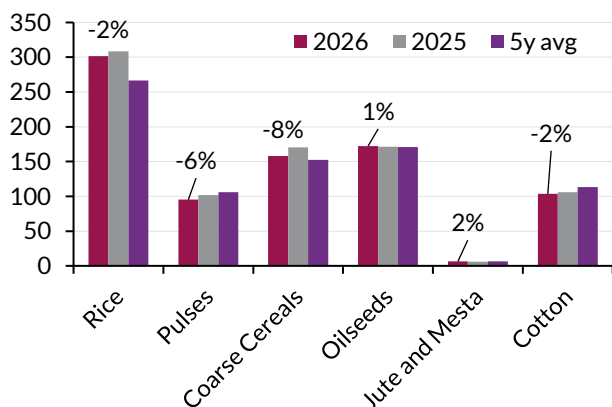


Source: CWWG, Axis Bank Research

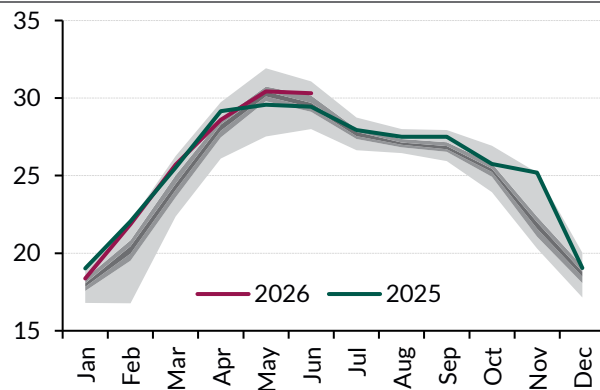
Exhibit 13 - Especially when compared to trends of the same time last year



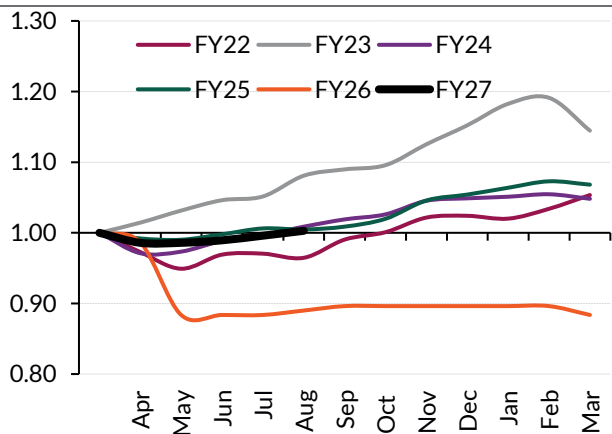
Source: CWWG, Axis Bank Research

Exhibit 14 - Kharif area sown is now reaching normal trends, except in pulses


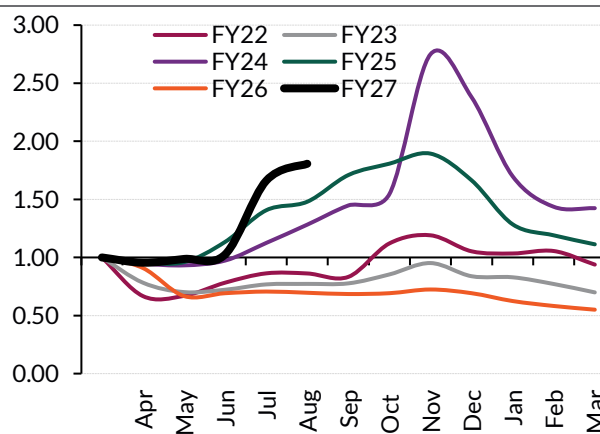
Source: UPAG, Axis Bank Research

Exhibit 15 - India mean temperature is higher in the year so far


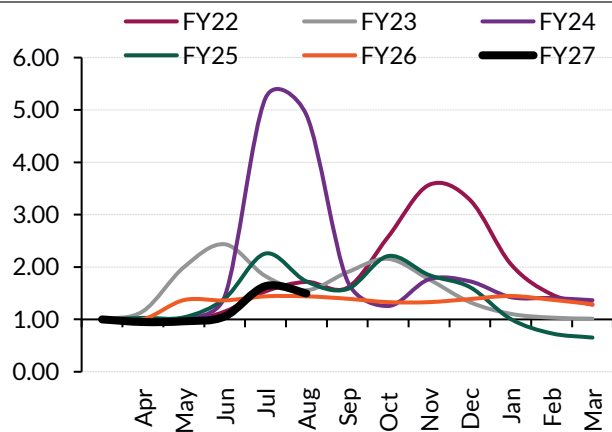
Source: IMD, Axis Bank Research

Exhibit 16 - Wheat prices are already higher than in the last year on a normalised basis


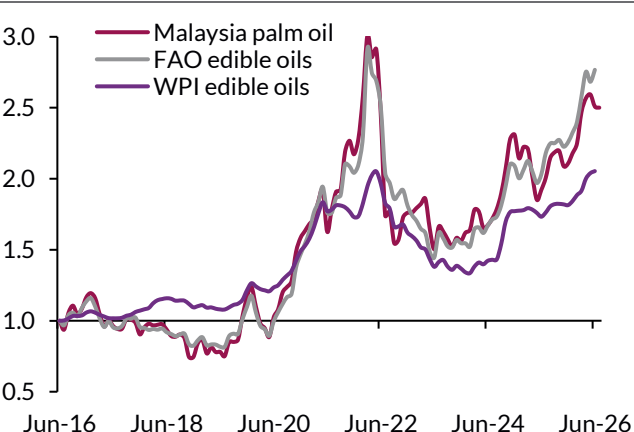
Source: DCA, Axis Bank Research

Exhibit 17 - Onion prices are sharply higher


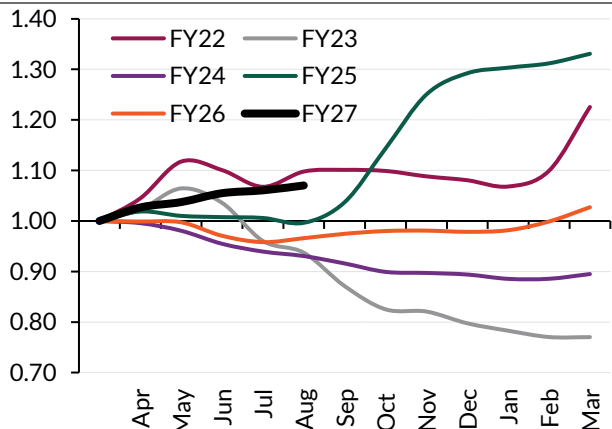
Source: DCA, Axis Bank Research

Exhibit 18 - As are tomato prices


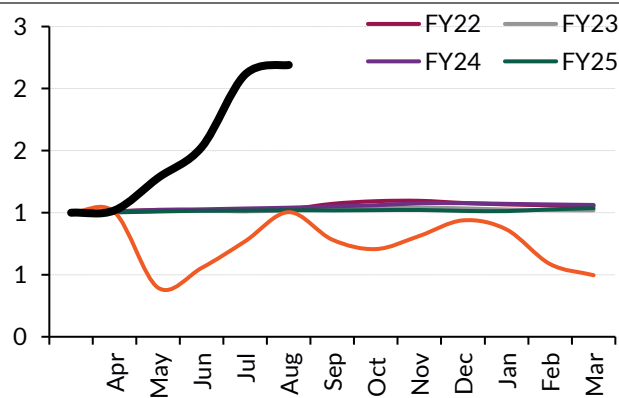
Source: IMD, Axis Bank Research

Exhibit 19 - Malaysian palm oil prices up, affecting India


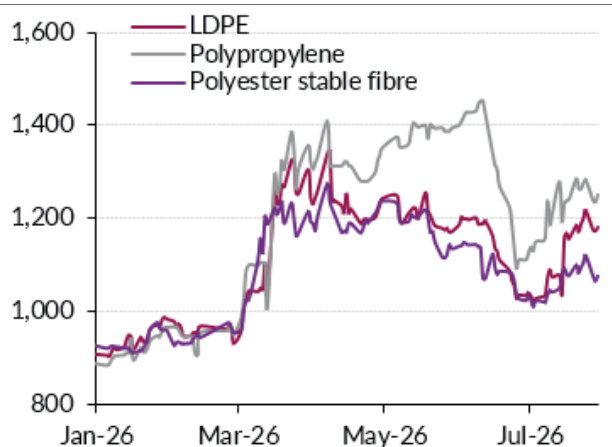
Source: NLDC, Axis Bank Research

Exhibit 20 - Palm oil prices domestically are also up


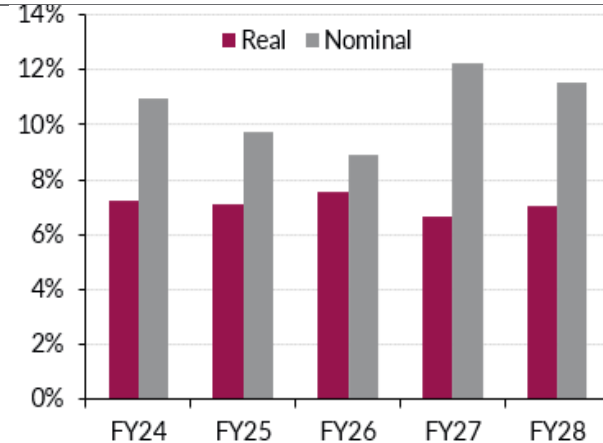
Source: DCA, Axis Bank Research

Exhibit 21 - Indications of stress now seen in sugar


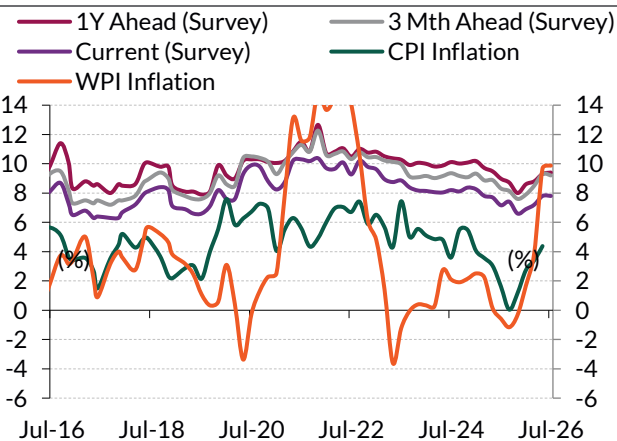
Source: DCA, Axis Bank Research

Exhibit 22 - Plastics are a big example of how petro input prices are transmitting


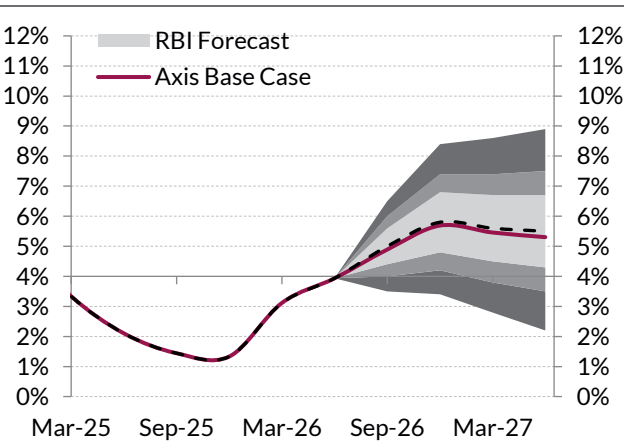
Source: DCA, Axis Bank Research

Exhibit 23 - Higher nominal growth this year also likely to boost pricing power


Source: DCA, Axis Bank Research

Exhibit 24 - Household inflation expectations are currently stable, despite higher salient prices


Source: RBI, MOSPI, eaindustry, Axis Bank Research

Exhibit 25 - Risks on the higher side of latest projections showing a Q3 peak


Source: RBI, MOSPI, Axis Bank Research

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