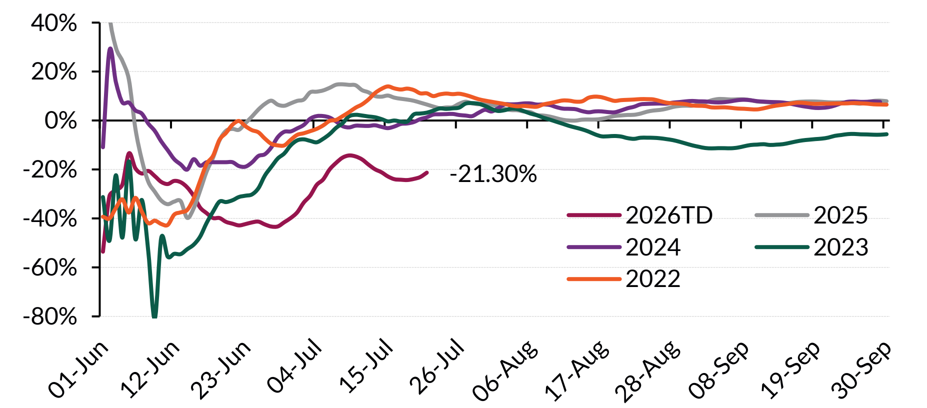
Economic Research | **Monsoon Update**

Dipole drives limited improvement, risks persist

Rains have improved in the past few days, in line with a better Indian Ocean Dipole, even though El-Nino trends remain strong. This has driven a modest improvement in the deficit and temporal distribution, though spatial distribution, reservoir levels and soil moisture are still points of weakness. El-Nino conditions have led edible oil prices above seasonal norms, higher temperatures have pushed vegetable prices higher, and concerns over the Rabi wheat crop (limited irrigation water) have helped wheat prices higher. These represent risks to inflation and inflation expectations.

July 22, 2026
Monsoon
Weekly update

Exhibit 1 - Monsoon deficit improves, but is still high



Source: IMD, Axis Bank Research

Mild improvement in monsoon, but portents still weak

India rains have recently improved, but the deficit still remains high at 21.3% of Long Period Average (Fig 1). Current rains likely reflect fresh improvement in the Indian Ocean Dipole, though the El-Nino Seasonal Oscillator remains high (Fig 2) with the Relative Nino 3.4 index at 1.74 degrees Celsius the highest for this time of the season in decades. There remains a strong relationship between El-Nino and weaker rainfall (Fig 3). Spatially, some states look good though an uncomfortably large part of the country has deficient rains (Figs 4 & 6). However, recent rains have taken rains until July so far above those seen in 2015 (Fig 5).

Sowing trends still weak, with water stress still visible

There is also a relationship between weaker rains and lower agri output (Fig 7). This is also seen in lower area sown (Fig 12), as well as in higher rural unemployment and demand in job schemes. Reservoir levels are now below 10y averages (Fig 11), with soil moisture also somewhat depleted (Figs 16-17). Lower topsoil moisture is also seen in strong electricity demand to pump midsoil water (Fig 15). Despite higher food stocks (Figs 9-10) after a record harvest (Fig 7), depletion of wheat stocks and limits to Rabi output given lower irrigation might be a risk going ahead.

Food prices already seen rising in the here and now, bringing inflation risks

With the above, wheat prices are already higher than last year (Fig 18), with higher than usual temperatures (Fig 14) also leading prices of tomatoes and onions higher (Figs 20-21). El-Nino conditions also tend to impact output of palm oil from East Asia, driving up prices (Fig 13), which domestic prices are sensitive to. In line with this, palm oil prices are also considerably higher than normal (Fig 19). These developments are in wholesale prices, but transmission to retail prices can push inflation and inflation expectations higher.

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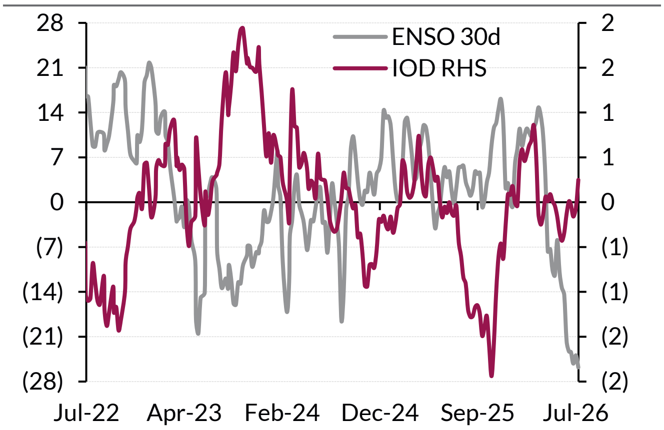
Exhibit 2 - El-Nino Seasonal Oscillator index (LHS) – levels below 7 indicate El-Nino



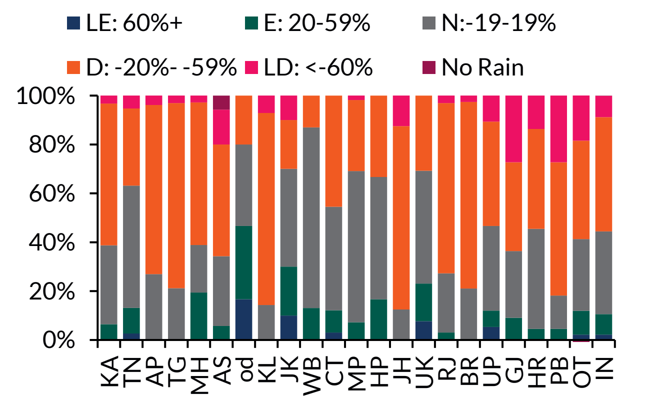
Source: Australia Met, Axis Bank Research

Exhibit 3 - El-Niño events do impact rainfall

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%

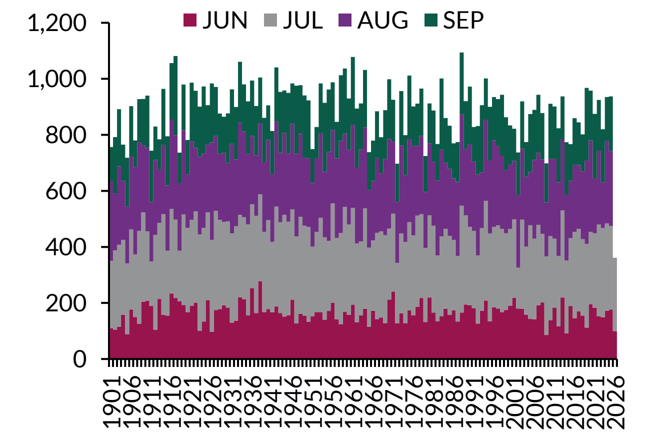
Source: Australia Met, IMD, Axis Bank Research

Exhibit 4 - A large share of districts shows deficient rains so far



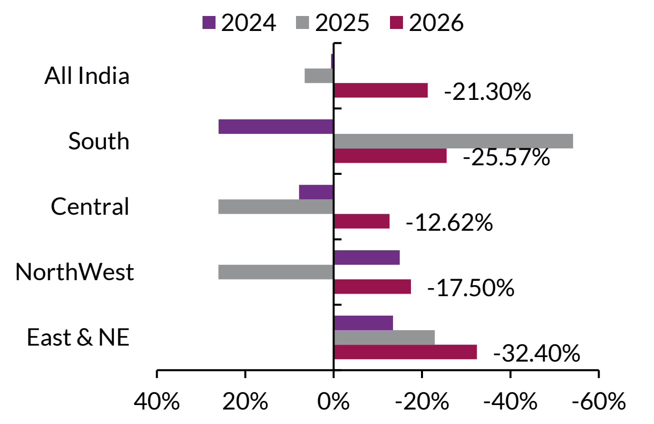
Source: IMD, Axis Bank Research

Exhibit 5 - Rainfall by month (mm) Jun'26 rainfall is low so far, comparable to 2009 and 2014



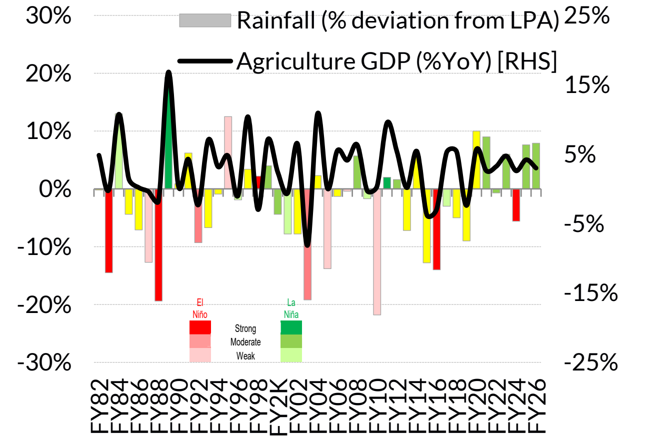
Source: IMD, Axis Bank Research

Exhibit 6 - Monsoon deficit much higher than past few years, across geographies



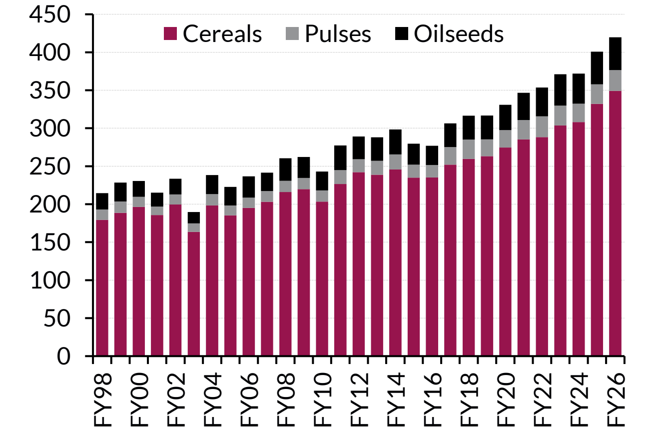
Source: IMD, Axis Bank Research

Exhibit 7 - Monsoon rains according to El-Nino/La-Nina along with agriculture GDP



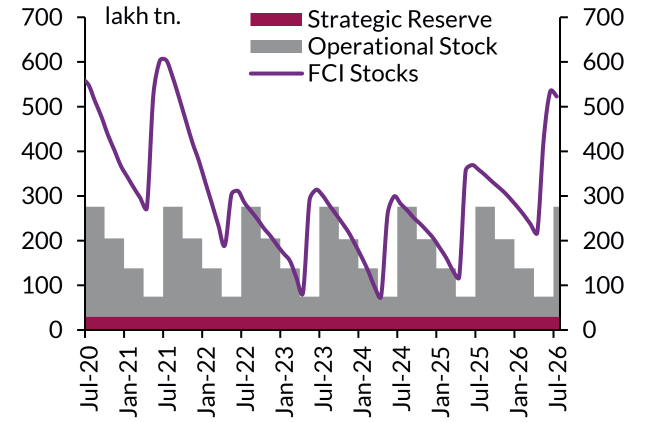
Source: IMD, Australia Met, UPAG, Axis Bank Research

Exhibit 8 - Foodgrain output for the last year is likely to be at a record



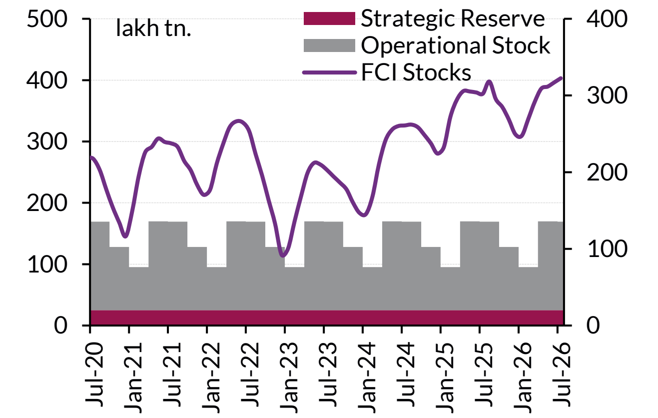
Source: UPAG, Axis Bank Research

Exhibit 9 - Central pool stocks of wheat are decent, higher than after the Ukraine war drawdown



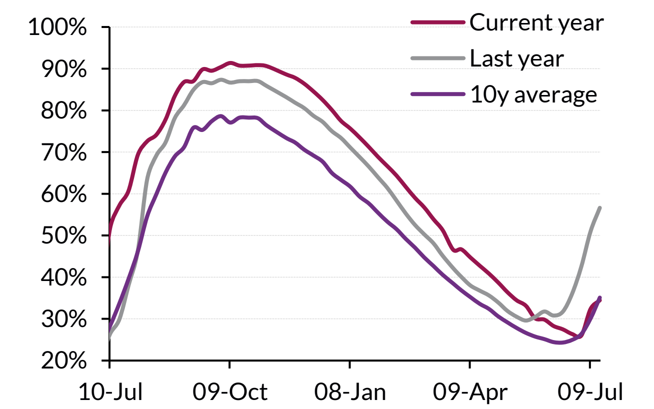
Source: FCI, Axis Bank Research

Exhibit 10 - Central pool rice stocks are also high and well above requirements



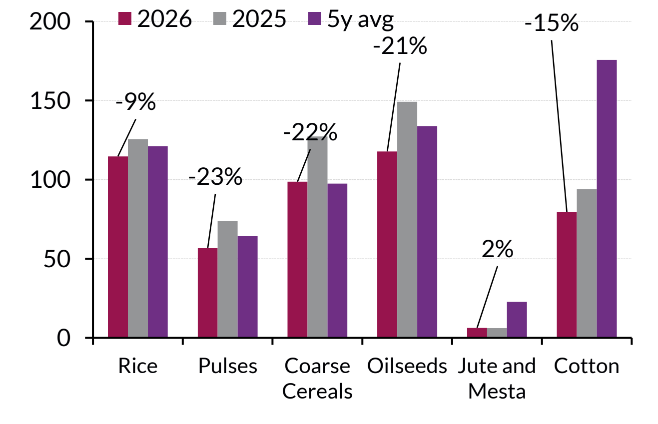
Source: FCI, Axis Bank Research

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



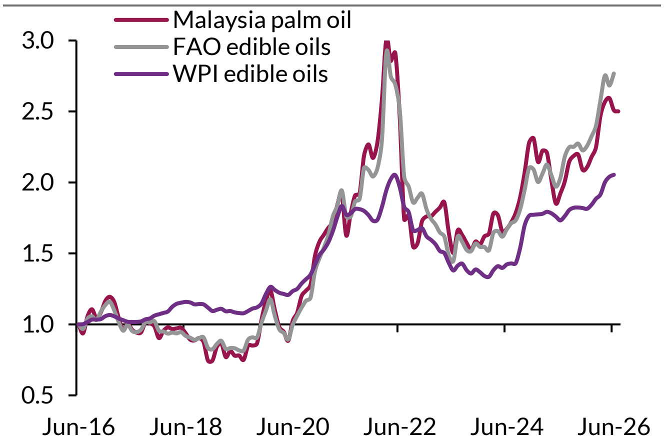
Source: CWC, Axis Bank Research

Exhibit 12 - Area sown is now sharply lower, especially in oilseeds



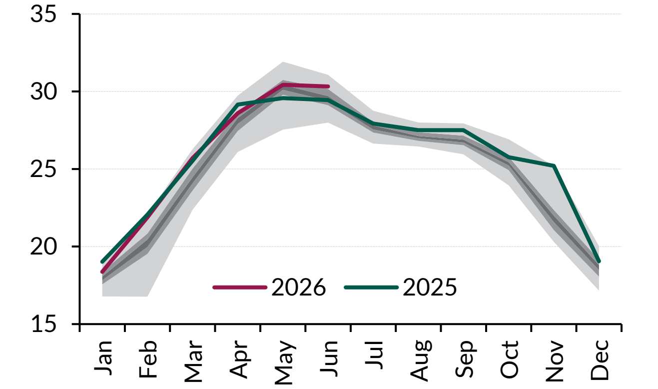
Source: UPAG, Axis Bank Research

Exhibit 13 - Domestic edible oil prices respond to global trends



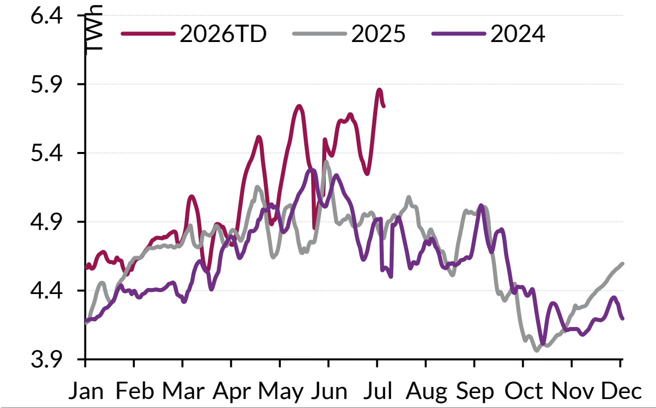
Source: FAO, MOSPI, Axis Bank Research

Exhibit 14 - India mean temperature (Celsius, with quintiles) was higher in May



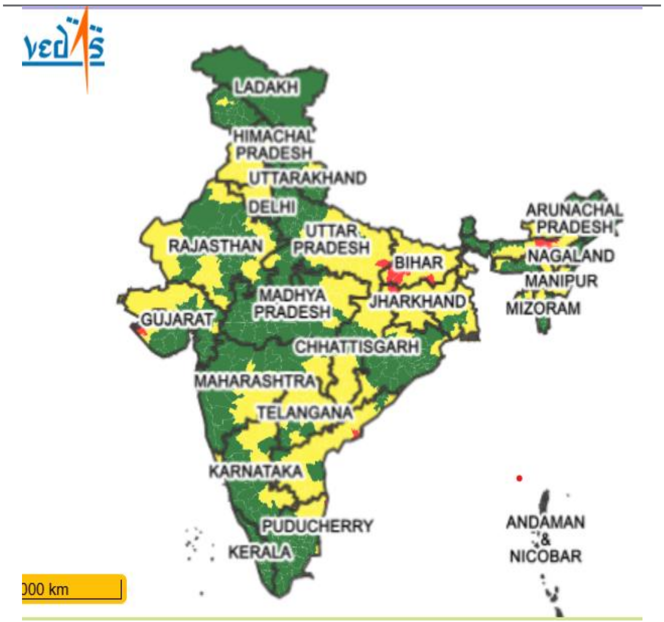
Source: IMD, Axis Bank Research

Exhibit 15 - Electricity demand has been strong of late on pumping demand



Source: NLDC, Axis Bank Research

Exhibit 16 - Soil moisture adequacy – root zone soil moisture deviation – is weak

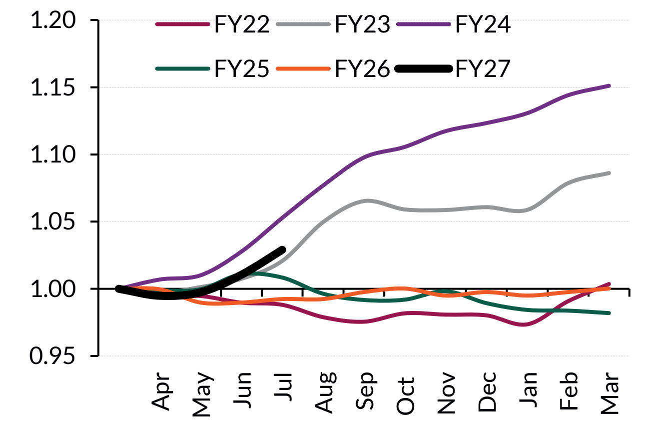


Source: CWWG, Axis Bank Research

Exhibit 17 - Especially when compared to trends of the same time last year

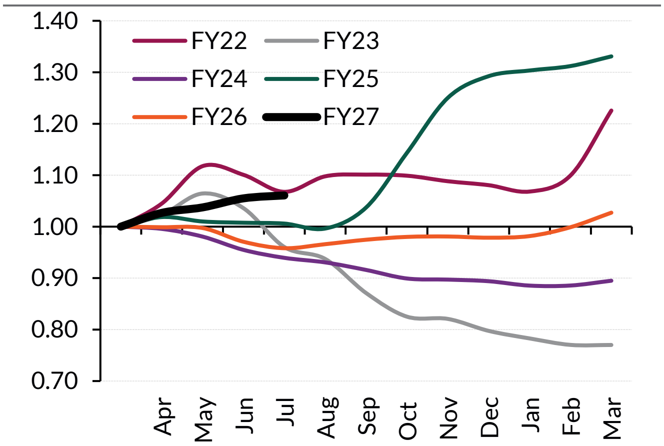
Source: CWWG, Axis Bank Research

Exhibit 18 - Wheat prices are already higher than in the last year on a normalised basis



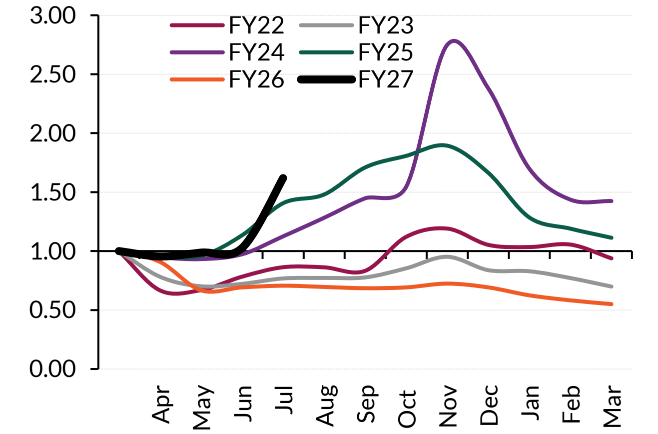
Source: DCA, Axis Bank Research

Exhibit 19 - Palm oil prices are also sharply higher



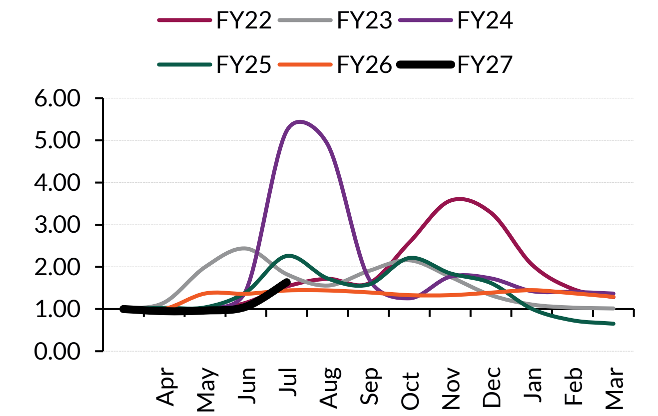
Source: DCA, Axis Bank Research

Exhibit 20 - Onion prices have shot up owing to the heat



Source: DCA, Axis Bank Research

Exhibit 21 - With tomatoes also rising



Source: DCA, Axis Bank Research