

Macroeconomics | **First cut**

Rainbow skies

April 16, 2024

IMD forecasts above-normal rains in 2024. What must we watch out for?

The forecast

Spell to douse the scorching summer: The India Meteorological Department (IMD) predicted above-normal rainfall for the 2024 southwest monsoon season that spans June to September. Rainfall is forecast at 106% of its long period average (or LPA), with a model error of $\pm 5\%$ (*chart 1* compares past forecasts with actuals).

While El Niño conditions are moderate, they are expected to ease to neutral in the coming months; La Nina conditions are expected to develop during the second half of the monsoon season. La Nina following in El Niño's footsteps generally favours the Indian monsoon, as per the past 72 years' data studied by the IMD. Of the nine times this phenomenon occurred during these years, rains were normal in two, above normal in two and excess in five years.

The Indian Ocean Dipole (sometimes referred to as the Indian El Niño) is currently neutral; it is likely to turn positive in the second half of the monsoon season. This is another factor that is likely to benefit the Indian monsoon.

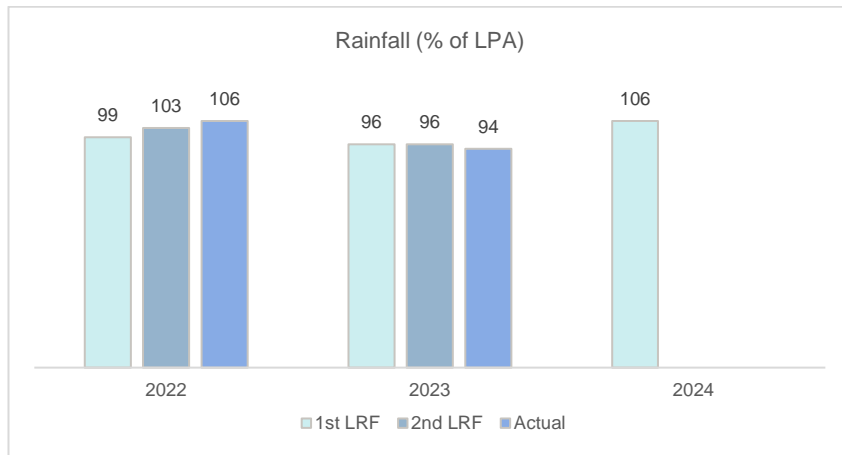
Regional and temporal distribution: For now, in its first long range forecast (LRF), the IMD has predicted a high likelihood of below-average rainfall in some areas of east and north-east India. More rigorous information on the date of monsoon onset and its spatial and temporal distribution will be available in forecasts released in May.

Rainfall distribution will be watched closely this year. Uneven distribution over regions and time in the past fiscal, with other weather disturbances, had hurt agriculture output and incomes while keeping food inflation persistently high. Food inflation climbed to 7.5% on-year in fiscal 2024 from an already high 6.6%; agricultural gross value added (GVA) dropped to 0.7% from 4.7%. Areas and/or crops that face a monsoon shock (if at all) for the second straight year could suffer more than others.

Key takeaways

1. Both Skymet and the IMD expect above-normal rains at the all-India level in 2024. This prediction bodes well for inflation since sticky food inflation has been a bane for the past two fiscals. After the sub-par growth in agriculture GVA in fiscal 2024, normal rains this year will support agriculture growth and incomes. Moreover, normal rains will help replenish water reservoirs (currently below their normal levels) and support rabi production.
2. Regional distribution will be a key monitorable this year given the uneven spread last year. In 2023 as well, the east and north-east received below-average rainfall, at 82% of the LPA (*table 1*). If this year's prediction were to manifest, states in this region (key producers of rice, sugarcane and maize) could face yet another year of rainfall distress.
3. The temporal distribution of rains will be the other key monitorable. This is because sowing decisions are based on rainfall arrival and its quantum. With ~43% of India's total cropped area rain-dependent, adequate rainfall is required in July and August, the critical months for the kharif crop. In 2023, the temporal distribution was highly uneven, with rainfall oscillating between deficit and above normal (*table 1*).

Chart 1: Forecasts versus actuals



Note: First LRF has a $\pm 5\%$ model error while updated forecasts have a $\pm 4\%$ model error
Source: IMD, CEIC, CRISIL

Table 1: Distribution of 2023 southwest monsoon

2023	June	July	August	September
All-India	-10	5	-10	-6
Northwest	42	31	3	2
Central	-6	12	-10	0
East and northeast	-18	-25	-17	-18
South	-45	5	-17	-9

Source: IMD, CEIC, CRISIL

Analytical contacts

Dharmakirti Joshi

Chief Economist, CRISIL Limited
dharmakirti.joshi@crisil.com

Dipti Deshpande

Principal Economist
dipti.deshpande@crisil.com

Pankhuri Tandon

Senior Economist
pankhuri.tandon@crisil.com

Bhavi Shah

Economic Analyst
bhavi.shah@crisil.com

Media contacts

Aveek Datta

Media Relations
CRISIL Limited
M: +91 99204 93912
aveek.datta@crisil.com

Roma Gurnani

Media Relations
CRISIL Limited
M: +91 70662 92142
roma.gurnani@ext-crisil.com

Sanjay Lawrence

Media Relations
CRISIL Limited
M: + 91 89833 21061
sanjay.lawrence@crisil.com

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