

A photograph of a rainy night street scene, viewed through a car window. The window is covered in numerous water droplets of various sizes, some of which are blurred. In the background, a white car is visible with its headlights on, and other vehicles are partially visible with their lights glowing. The overall atmosphere is dark and moody, with the rain creating a sense of depth and texture.

**Comments on:
South West Monsoon Outlook 2021**

Favourable monsoon forecasts to assuage growth, inflationary concerns

Both IMD and Skymet predicting a normal southwest monsoon in 2021 augur well for the Indian economy which continues to be impacted by the Covid pandemic and increased inflationary pressures. With the expected absence of both El Nino and La Nina disruptive weather patterns, IMD and Skymet have forecast the monsoon rainfall to be 98% and 103% of the long period average (LPA). Skymet in particular has predicted that there is a 85% probability of normal or above normal precipitation in 2021. Although the agencies expect 'below normal' rainfall in eastern and north eastern India, it is unlikely to impact crop output in a major way, given the high average precipitation levels and ground water availability in those regions.

Agricultural growth to remain steady with successive good monsoons

Our base scenario of 11.0% GDP growth in FY22 takes into account a conducive monsoon season with a balanced geographical and temporal distribution. Despite the pandemic, agricultural growth has remained robust in FY21 at around 3.0% and rural consumption has been relatively healthy. On the back of a record food grain production in the 2020-21 season at over 300 million tonnes, another good kharif output will help to sustain farm incomes and support the overall growth recovery.

Normal monsoon also expected to cool down food inflation

The CPI as well as the WPI inflation print have risen significantly over the last 3 months, reaching 5.52% and 7.39% in March 2021 respectively. While food inflation has moderated on a sequential basis, it still recorded 5.24% in March 2021 which reflects the sticky inflation in certain food categories namely edible oil, fruits, pulses, meat and fish. Clearly, food inflation plays a critical role in anchoring the overall inflation levels and the expectation of a strong crop output can bring down the relatively high inflation in some food categories over the next 2 quarters.