

Monsoon Ends on a Deficient Note and Weighs on Inflation Outlook

October 9, 2026 | Economics

Rainfall Deficit Narrows from June Lows but Persists as Monsoon Ends

India recorded its weakest monsoon performance in a decade and the fourth lowest since 2001 as this year's Southwest Monsoon season ended. While rainfall recovered in July 2026, the monsoon weakened significantly thereafter. Overall, the season has ended with a cumulative rainfall deficit of 13% (Refer Exhibit 1).

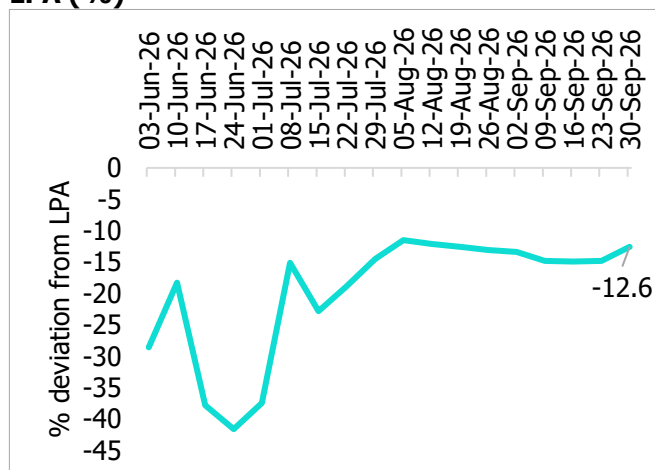
Regionally, rainfall remained below normal across all regions of the country. East and North-East India witnessed the largest deviation, registering a cumulative deficit of 25.6%, followed by the South Peninsula with a deficit of 24.3%. Rainfall deficit was comparatively lower in North-West India (-5.9%) and Central India (-2.6%). The shortfall across regions raises concerns for rain-fed agricultural activity in several parts of the country (Refer Exhibit 3).

Exhibit 1: Rainfall Progress – Normal vs Actual

Period	Actual (mm)	Normal (mm)	Deviation from Normal (mm)	Deviation from Normal (%)
Jun-26	106.8	165.3	-58.5	-35.4%
Jul-26	284.2	280.5	3.7	1.3%
Aug-26	212.2	254.9	-42.7	-16.8%
Sept-26	155.1	167.9	-12.8	-7.6%
Cumulative (Jun-Sept)	758.3	868.6	-110.3	-12.7%

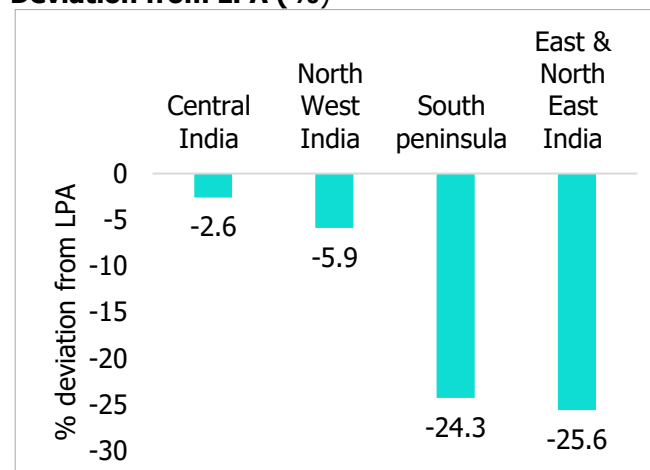
Source: IMD, CMIE, CareEdge

Exhibit 2: Progress of Rainfall Deviation from LPA (%)



Source: IMD, CMIE, CareEdge; Note – data as of September 30, 2026

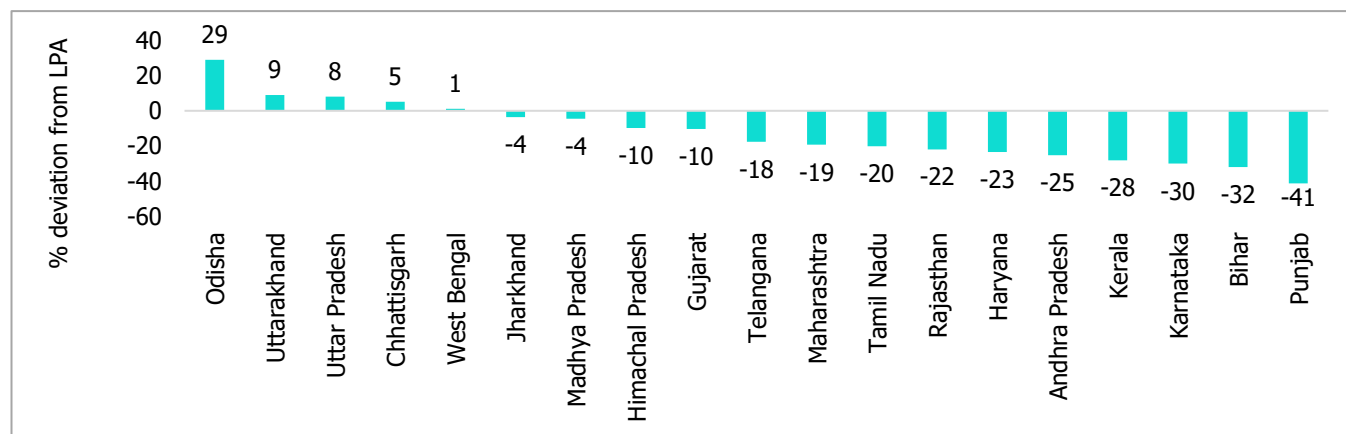
Exhibit 3: Region-wise Cumulative Rainfall Deviation from LPA (%)



Rainfall remained below normal across most major states (Exhibit 4), with the largest shortfall observed in Kerala (-28%), Karnataka (-30%), Bihar (-32%) and Punjab (-41%). The widespread rainfall deficit has impacted kharif

crop prospects. Furthermore, the deficient monsoon has led to lower soil moisture levels and has affected reservoir levels in certain regions, posing risks to rabi sowing and production going forward.

Exhibit 4: Spatial Distribution of Monsoon Rainfall as of September 30, 2026

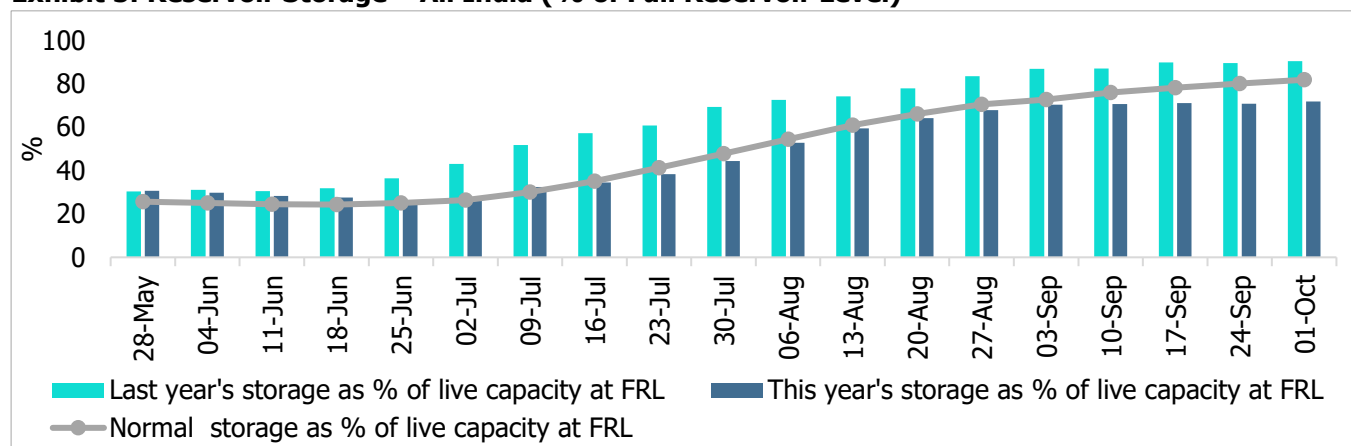


Source: IMD, CMIE, CareEdge

Reservoir Storage Recovers with Monsoon Progress, but Remains Below Seasonal Norms

All-India reservoir levels improved steadily during the monsoon season, rising from around 30% of Full Reservoir Level (FRL) in early June to nearly 72% by 1 October 2026 (Refer to Exhibit 5). The increase reflects replenishment from monsoon rainfall. However, reservoir levels remained below both last year's corresponding level and the normal storage level (last 10 years' average). As of October 2026, storage stood at around 72% of FRL, significantly lower than the seasonal normal of about 82% and last year's level of nearly 90.4%, highlighting the impact of the deficient monsoon.

Exhibit 5: Reservoir Storage – All India (% of Full Reservoir Level)

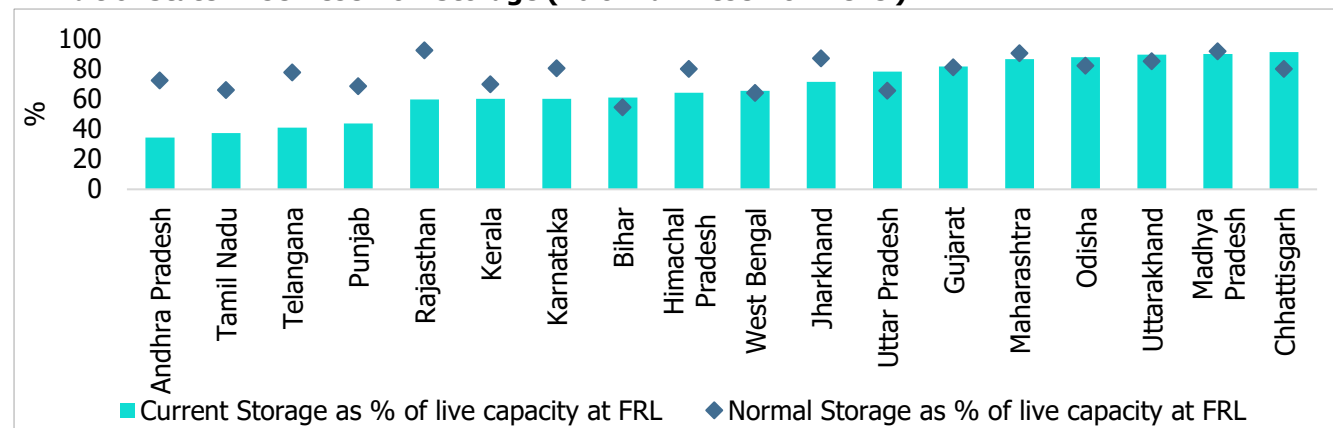


Source: Central Water Commission, CMIE, CareEdge

The state-wise picture of reservoir level is uneven (Exhibit 6). Reservoir storage trails seasonal norms across most major states, with the sharpest deficits visible in Andhra Pradesh (34.3% this year vs 72.3% last year), Telangana (41% vs 77.6%), Tamil Nadu (37.3% vs 66%), Rajasthan (59.6% vs 92.3%), Punjab (43.6% vs 68.4%) and Karnataka (60% vs 80.4%). Below-normal reservoir levels across several states may constrain irrigation water availability and pose risks for the upcoming rabi cropping season, particularly in regions more dependent on irrigation-fed agriculture. The risk is compounded by strengthening El Niño during the rabi sowing period, which

could adversely affect soil moisture and winter rainfall conditions. This may weigh on rabi acreage, crop yields, and overall production.

Exhibit 6: State-wise Reservoir Storage (% of Full Reservoir Level)



Source: Central Water Commission, CMIE, CareEdge

Kharif Sowing Declines Amid Rainfall Deficiencies

Reflecting the uneven spread of the monsoon, both spatially and temporally, kharif sowing remained subdued, with the area sown for agricultural products as of October 02, 2026, declining by 1.1% YoY. Among major crops (Exhibit 7), cereals recorded a decline of 2.3% YoY, with rice, whose sown area accounts for about 40% of total kharif acreage, declining by 3.5% YoY. Sugarcane acreage also edged lower by -0.4%. Meanwhile, pulses and oilseeds proved relatively resilient, with sown area up 2.2% and 0.6%, respectively.

Exhibit 7: Percentage change in Area Sown Under Kharif Crop – Crop-wise



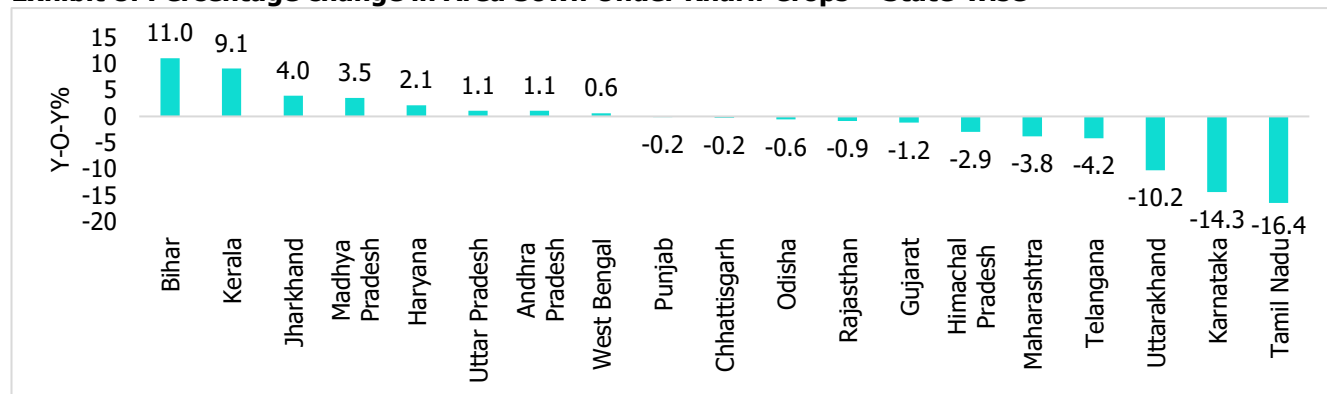
Source: Ministry of Agriculture and Farmers' Welfare, CMIE, CareEdge; Note – data as of October 02, 2026.

From a state-wise perspective, 11 out of 19 major states witnessed a reduction in kharif crop sowing (Exhibit 8). Tamil Nadu recorded the steepest decline (-16.4%), followed by Karnataka (14.3%) and Uttarakhand (10.2%). Among the top 10 states by area sown, which account for over four-fifths of the total area under kharif crops, only Madhya Pradesh, Uttar Pradesh, and West Bengal have seen an increase in sown area.

Uneven monsoon distribution and emerging drought concerns could weigh on kharif yields despite progress in sowing. Maharashtra has already declared drought in 265 of its 358 talukas, and concerns have also been raised over potential drought conditions in Karnataka, Telangana, Andhra Pradesh and Rajasthan. This could impact crop

productivity across the country and pose downside risks to agricultural output despite the progress in sowing. Reflecting these concerns, the government has lowered its 2026-27 crop year (July-June) foodgrain production target by 2.6 million tonnes to 373.9 million tonnes, accounting for deficient rainfall, water availability constraints, soil moisture conditions, and the likely impact of El Niño.

Exhibit 8: Percentage change in Area Sown Under Kharif Crops – State-wise

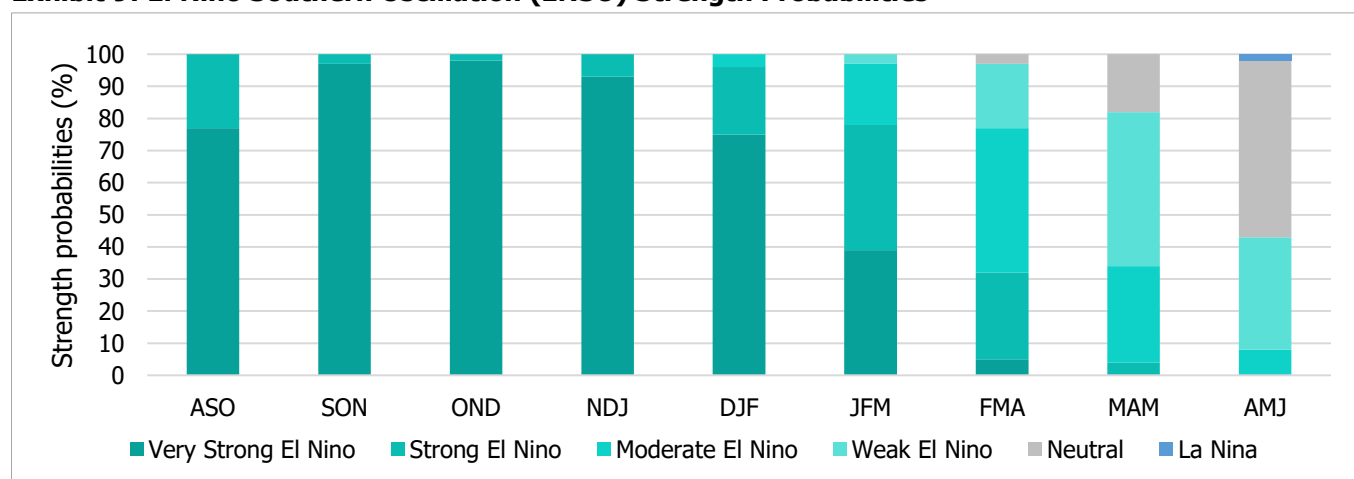


Source: Ministry of Agriculture and Farmers' Welfare, CMIE, CareEdge; Note – data as of October 02, 2026.

Emerging Risks to Rabi Production

The upcoming rabi (winter crop) season faces a challenging starting point. The ongoing El Niño episode is expected to strengthen through December to become a very strong El Niño (Exhibit 9) before gradually easing, with neutral conditions likely to emerge only by April 2027. As a result, the season will begin not only after a deficient monsoon but also against an unfavourable climatic backdrop. One key risk is higher heat stress. An IMD study finds that El Niño years are characterised not only by more frequent heatwaves, but also by longer-lasting and more intense episodes. The combination of deficient rainfall and elevated temperatures could therefore weigh on crop conditions during critical stages of the rabi season¹.

Exhibit 9: El Niño Southern Oscillation (ENSO) Strength Probabilities



Source: National Oceanic and Atmospheric Administration (NOAA); Note the X-axis represents consecutive 3-month periods. For example: ASO is August, September, October; SON is September, October, November.

¹ https://mausam.imd.gov.in/imd_latest/contents/Met_Monograph_Cold_Heat_Waves.pdf

The weather-related challenges are compounded by weakening soil moisture conditions. Satellite-based estimates from the Mahalanobis National Crop Forecast Centre (MNCFC), Department of Agriculture and Farmers Welfare, indicate a sharp deterioration in soil moisture relative to the ten-year average towards the close of the monsoon season. The shortfall is particularly pronounced across parts of western and southern India, including Rajasthan, Maharashtra, Karnataka, Andhra Pradesh, Telangana and Tamil Nadu, where many districts are expected to record soil moisture levels at least 10% below normal. This suggests that a significant portion of the country will enter the rabi sowing window with less residual moisture than usual, potentially increasing dependence on irrigation and reservoir storage. Exhibits 10 and 11 compare soil moisture conditions this year with those prevailing at the same time last year.

Exhibit 10 - Soil Moisture Deviation from Normal – 17 September 2026

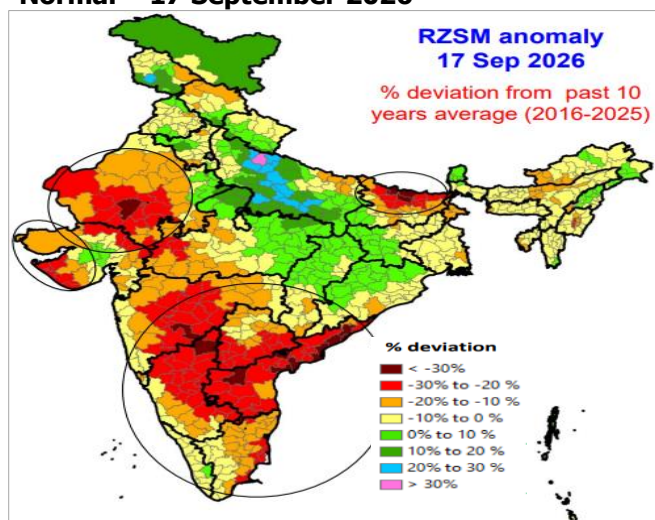
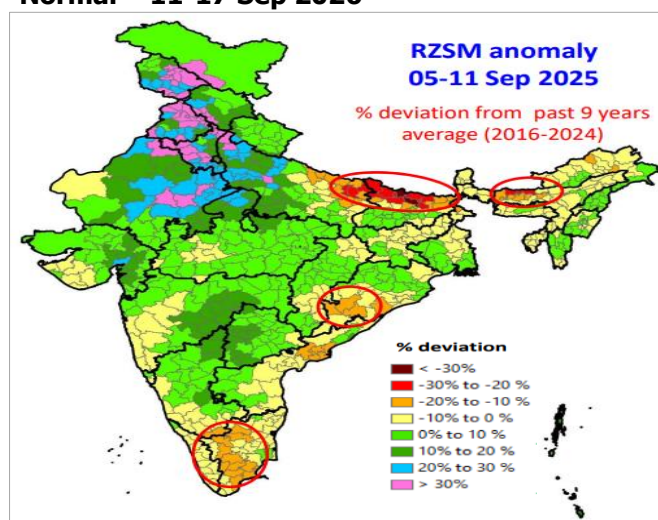


Exhibit 11- Soil Moisture Deviation from Normal – 11-17 Sep 2026



Source: Mahalanobis National Crop Forecast Centre, Department of Agriculture and Farmers Welfare; Note: RZSM – Root zone soil moisture. It is the amount of water stored in the soil layer where plant roots grow.

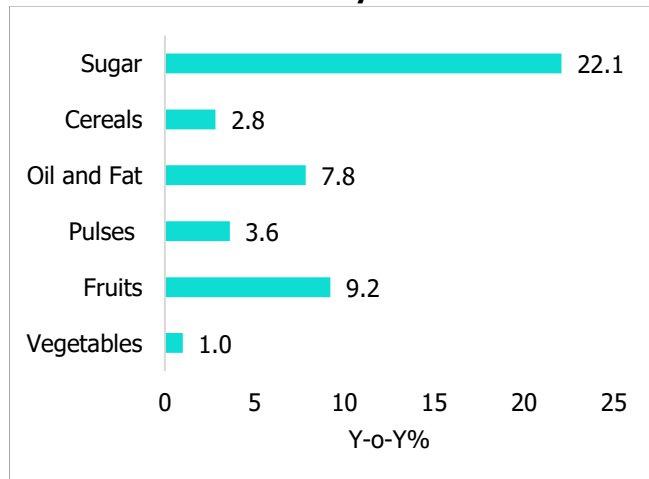
The implications of these developments are likely to vary across crops. Wheat appears relatively insulated from the immediate effects of deficient soil moisture, given that more than 90% of national wheat output is produced in states where irrigation coverage exceeds 95% of the cropped area. Pulses, however, are considerably more exposed. Around 61% of India's pulses production occurs during the rabi season, and over 45% of national rabi pulses output is concentrated in Maharashtra, Rajasthan, Karnataka and Andhra Pradesh. These states are among those facing both weaker soil moisture conditions and limited irrigation coverage for pulses, at 37.6%, 16.7%, 12.9% and 3.8%, respectively. Reservoir storage levels in these states are also significantly below seasonal norms, as highlighted in Exhibit 6. Consequently, any persistence of heat stress or moisture deficits through the season could pose downside risks to rabi pulses production, with potential implications for food price pressures in the months ahead.

Deficient Monsoon may add to Upside Risks for Food Inflation

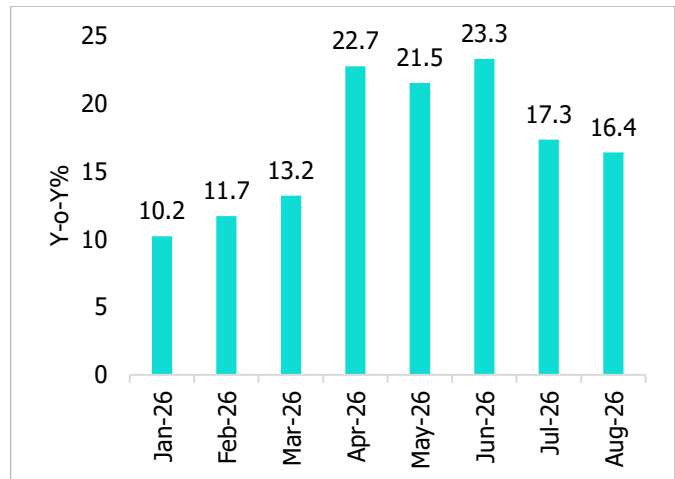
Deficient monsoon has raised concerns about food inflation. Over the past few months, price pressures in sugar risen sharply from 2.0% YoY in April 2026 to 22.1% YoY in August 2026 (Exhibit 12). Inflationary pressures also remain elevated in fruits (9.2%) and oils & fats (7.8%). Meanwhile, cereals have transitioned from a deflationary phase in February 2026 to an inflationary phase, with broad-based inflation across all constituent items. Thus, any adverse impact on crop yield could exacerbate existing price pressures. Greater heat stress from an intensifying El Niño can also increase volatility in these commodities' prices later in the year.

Edible-oil prices also warrant close monitoring, given India's high import dependence and elevated global prices. The FAO Global Oils Price Index grew 16.4% YoY in August 26, moderating from a peak of 23.3% in Jun-26 but remains elevated (Exhibit 13). These global price pressures are feeding into domestic edible oil prices, as seen in the inflation trajectory of key edible oils (Exhibit 14). CPI inflation rates in groundnut oil, mustard oil, and refined oil stood at 12.9%, 6.9%, and 14.2%, respectively, in August 2026, compared to (-) 3.2%, 9.3%, and 4.6% in January 2026. Elevated global prices along with weather-related risks to domestic oilseed production could keep edible oil inflation elevated in the near term.

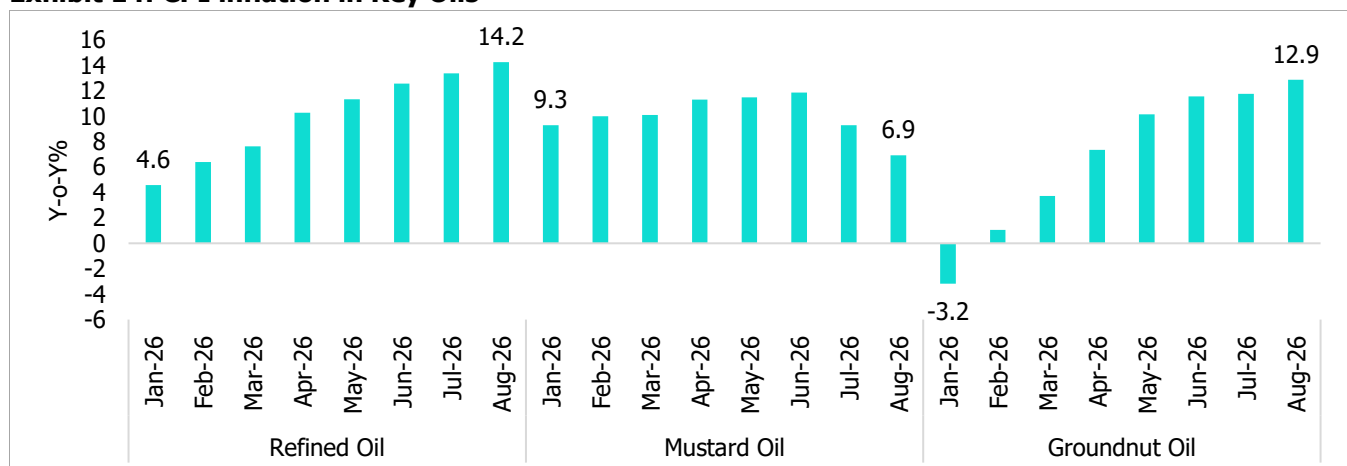
Overall, the trajectory of food inflation will depend not only on upcoming seasonal rainfall and El Niño impact but also on factors such as buffer stocks and supply-side interventions by the government, amongst others. Food inflation has already begun to trend higher, reaching 5.7% YoY in August from 2.1% in January. With weather-related risks continuing to build, we project that food inflation will peak at 7.7% in Q3 FY27 before moderating, and average 6.2% for the whole year. Also, CPI inflation has risen to 4.8% in August 2026. Given the pressure on food prices and accounting for energy price pressures stemming from the West Asia conflict, we expect CPI inflation to rise to 6% by Q3 FY27 and average 5% in FY27.

Exhibit 12: Inflation in Key Food Commodities


Source: MoSPI, CareEdge

Exhibit 13: Growth in FAO Global Oils Price Index


Source: MoSPI, CareEdge

Exhibit 14: CPI inflation in Key Oils


Source: MoSPI, CareEdge

Outlook

India has come a long way in building resilience to poor rainfall. In the two decades spanning 1965-66 to 1984-85, years with sub-normal rainfall saw average agricultural GVA contract by an average of about 4%. The linkage began to weaken thereafter. Agricultural GVA contracted less in the next two decades during episodes of subnormal rainfall. In the decade from 2005-06 to 2014-15, agricultural GVA grew by an average of 1.3% during episodes of subnormal rainfall; and in the latest decade (2015-16 to 2024-25), it grew a healthy 3.8% on average. In the last decade, agricultural GVA growth during periods of normal and above-normal rainfall averaged 5.1%. This shows that while a deficient monsoon hurts agricultural growth, the sensitivity has been declining. 2015-16 was the last episode when monsoon rainfall was in such a large deficit (13.7% below normal), a year marked by a very strong El Niño. Foodgrain output declined marginally by 0.2% YoY, while agricultural GVA growth was muted at 0.6%. However, the impact on the broader economy was limited: overall GVA grew by a strong 8% YoY, while CPI food inflation was lower in FY16 at 5.1% YoY compared to 6.5% in FY15. As noted in our earlier report "[El Niño 2026: Is India Ready?](#)", India's economy has diversified into services and manufacturing while also improving irrigation coverage to reduce rainfall dependency in the agricultural sector.

That said, the risks emanating from the agricultural sector warrant close monitoring. The government has set a foodgrain production target of 373.9 million tonnes for the 2026-27 crop year, marginally lower than the output achieved in 2025-26. While kharif sowing has remained relatively resilient, declining by only 1.1% YoY, final output will depend critically on yield outcomes. More importantly, the upcoming rabi season is set to begin under less favourable conditions. Reservoir storage levels and soil moisture are below seasonal norms across several regions, while El Niño is expected to strengthen through the remainder of the year, raising the likelihood of more frequent, prolonged and intense heatwaves. Should these conditions translate into significant crop stress, the implications could extend beyond agricultural output. Rural demand, an important pillar of economic growth in recent years, could moderate, while concerns over domestic supplies may add to existing price pressures in key commodities such as edible oils and sugar. However, given the broader diversification in the economy, we expect the impact of the poor monsoon on overall economic growth to be limited.

Looking ahead, the progress of the kharif harvest and the evolution of rabi sowing will be critical indicators to track. The inflation outlook has already become less benign, particularly within food and fuel components of the CPI basket. Reflecting these pressures, the RBI raised the policy repo rate by 25 bps to 5.50% in its October monetary policy review and shifted its stance from 'neutral' to 'calibrated tightening'. However, the effectiveness of monetary policy in addressing food-led inflation remains inherently limited. If food items emerge as the principal driver of inflation during this cycle, administrative and fiscal interventions, including measures to augment supplies and contain food-price volatility, may need to complement monetary tightening. The government has already reduced customs duty on imports of crude and refined edible oils ahead of the festive season.² As such, the trajectory of agricultural output over the coming months will be important not only for rural incomes and growth, but also for the broader inflation and policy outlook.

² The basic customs duty (BCD) on crude sunflower oil has been reduced from 10% to nil, while the BCD on crude soybean oil and crude palm oil has been reduced from 10% to 5%. The BCD on refined sunflower oil has been reduced from 32.5% to 22.5%, while that on refined palm oil and refined soybean oil has been lowered from 32.5% to 27.5%

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