El Nino & Indian Economy

CANARA BANK | ECONOMIC RESEARCH VERTICAL | HEAD OFFICE

El Nino (draught) impacts Agri -GDP Growth Significantly…

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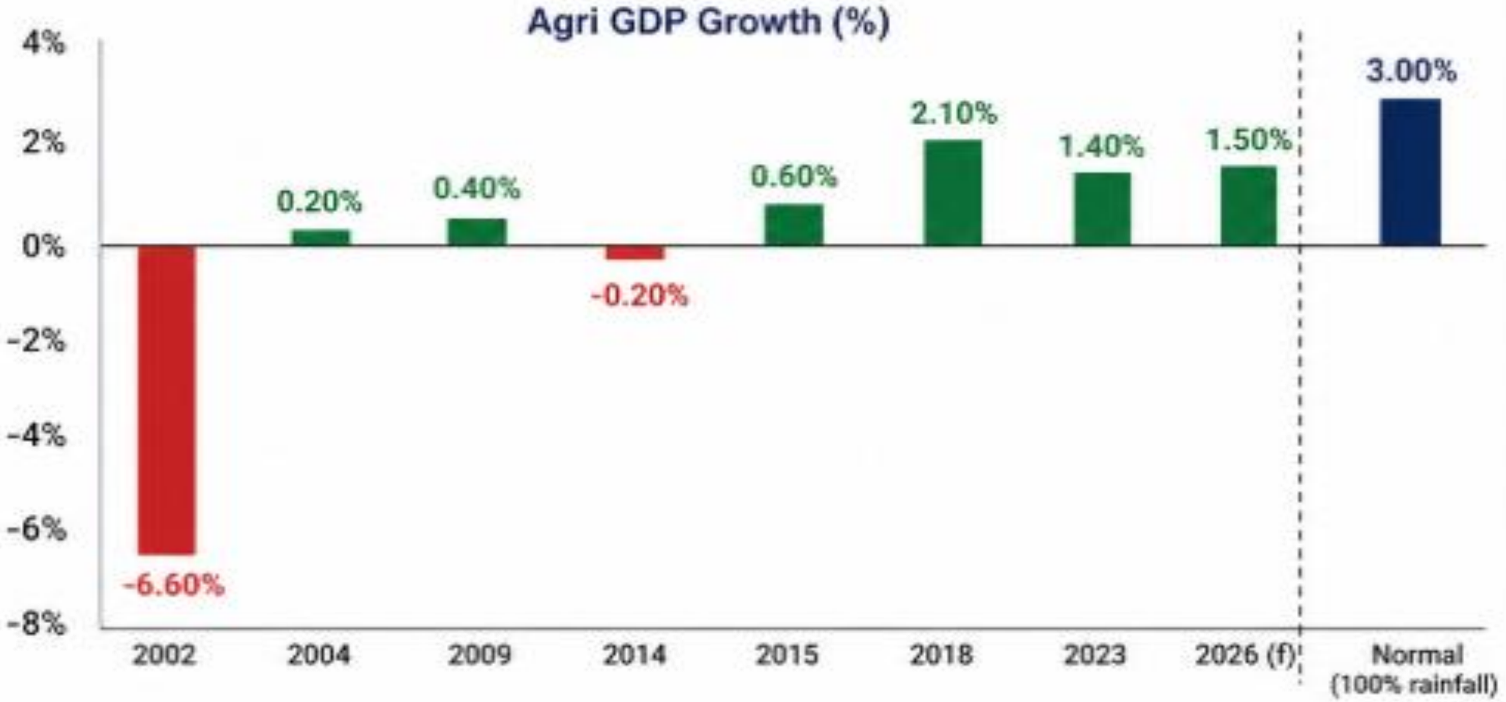
Agri GDP Growth (%) During El Niño Years vs Normal

El Niño Years	Rainfall (% of LPA)	Agri GDP Growth (%)
2002	81%	-6.60%
2004	86%	0.20%
2009	78%	0.40%
2014	88%	-0.20%
2015	86%	0.60%
2018	91%	2.10%
2023	94%	1.40%
2026 (f)	92%	1.50%
Average	86%	-0.80%
Normal (100% rainfall)		3.00%

During El Niño years agri GDP growth was muted and negative against 3% during normal times

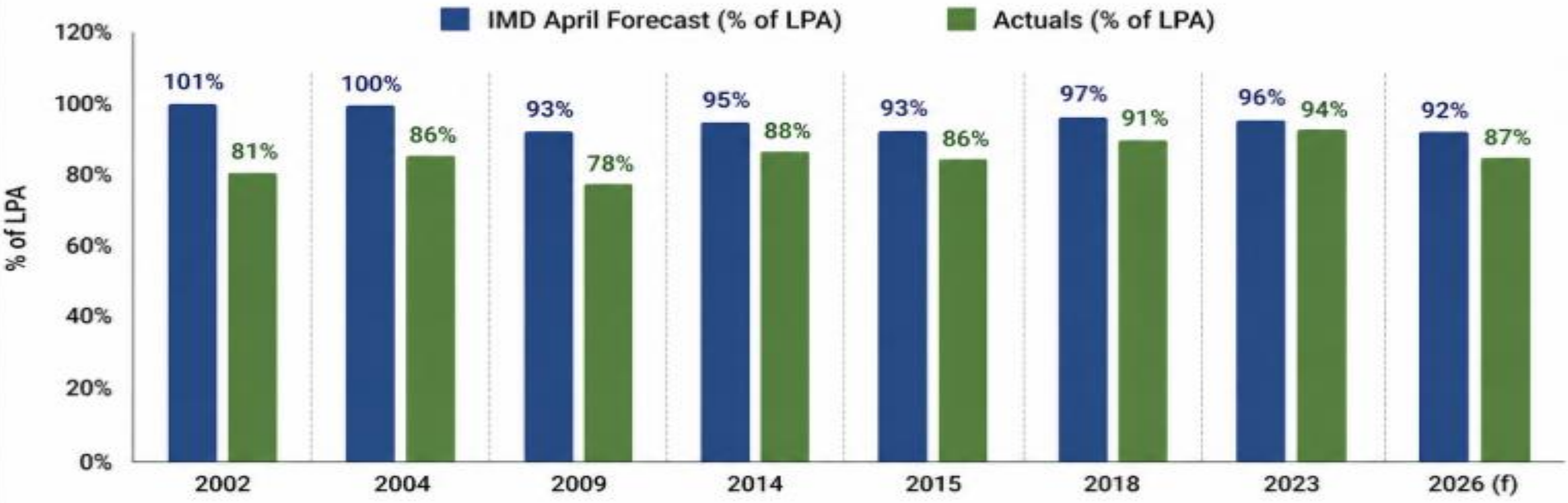


- With a weight of 18%, a 2.2% decline in agri GDP will knock off **40 bps** from overall GDP growth.
- Actual monsoon outcomes likely to be **5% below** April 2026 forecast of 92%.
- IMD April forecast varies significantly from actuals. The variance averaged **5%** (excluding outlier years).

Source: IMD, Ministry of Statistics

IMD April Forecast & Actual Outcome (% of LPA) …

IMD April forecast has varied significantly from actuals in the past.
The variance averaged 5% (excluding outlier years).



Actual monsoon outcomes are likely to be **~5% below** IMD April 2026 forecast of 92%.

How food grain production Behaved during El Nino vs normal years?

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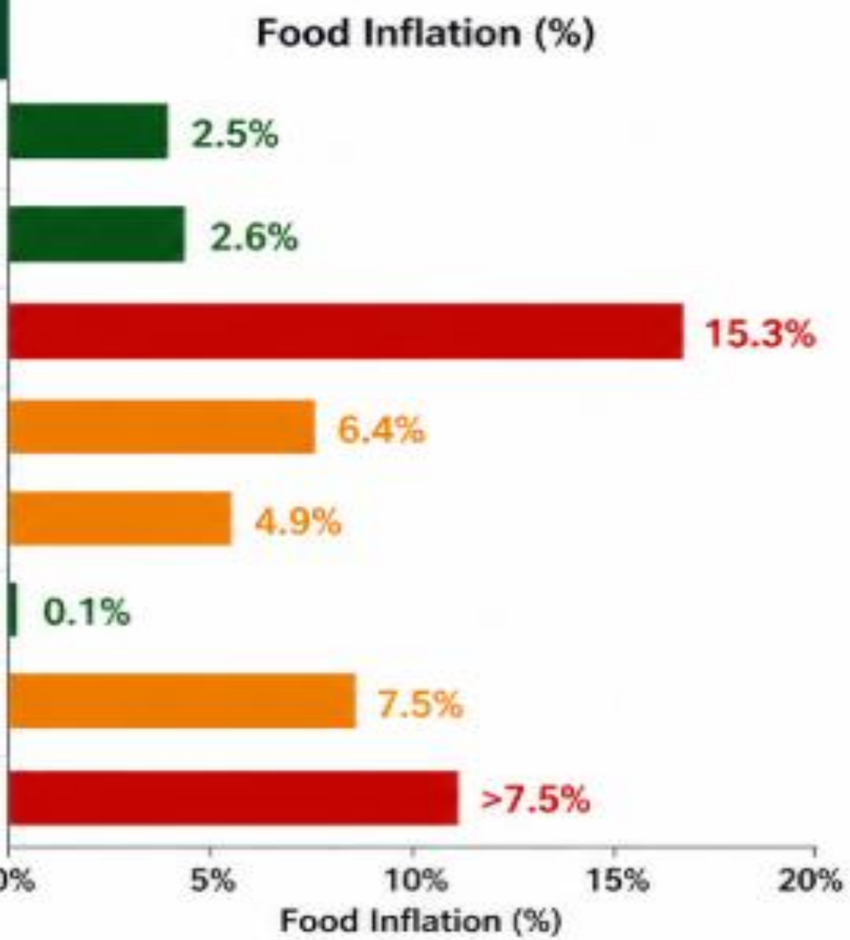
Source: Ministry of Agriculture, IMD

Food inflation during El Nino years…

Crop Year	Food Inflation (%)	Nature of El Niño	Reason for High / Low Inflation
2002–03	2.5%	Strong	Production crashed but weak rural demand suppressed prices
2004–05	2.6%	Weak	Minimal impact due to stocking
2009–10	15.3%	Moderate	High prices of pulses, vegetables, sugar
2014–15	6.4%	Weak	Fall in global crude prices helped
2015–16	4.9%	Strong	Better buffer stocks suppressed spikes
2018–19	0.1%	Weak	Broad-based vegetable deflation
2023–24	7.5%	Strong	Spike in cereals, pulses, tomato
2026–27 (f)	>7.5%	Strong	Low base, high crude, West Asia conflict



- Since 2002, 50% of El Niño occurrences were weak and remaining 50% strong.
- Reports suggest a strong El Niño in 2026–27, with probability of extending up to December 2026.
- This phenomenon alone could add 30–50 bps to food inflation.

Real wage growth in rural areas…

El Nino year	Real wage growth	Comments
2002-03	-0.5%	Strong El Nino
2004-05	0.2%	Moderate El Nino
2009-10	8.6%	Spurt due to MNREGA despite El Nino
2014-15	3.3%	Moderate El Nino
2015-16	0.8%	Trong El Nino
2018-19	0.4%	El Nino year
2023-24	-0.2%	Strong El Nino
2026-27	??	Strong El Nino

Source: RBI

- El Nino years are accompanied by negative or weak growth in rea rural wages unless compensated by policy moves like MNREGA
- Rural incomes will be undress stress during such years
- In FY27 a prolonged El Nino is expected
- Demand for gold loans/agri gold loans could see a spurt
- Government interventions by way of debt relief/waiver/income support to farmers expected

Live storage capacity in major reservoirs (April 26, 2026)

Regions	Major states	Current storage (billion cubic metre)	Reservoir capacity
Northern Region	HP, Punjab, Rajasthan	6.0	33%
Eastern	Odisha, Bengal, jharkhand	12.7	68%
Western	Gujarat, maharashtra	16.04	59%
Central	MP, UP, chattisgarh, uttarakhand	24.72	58%
Southern	AP, telengana, TN, Karnataka< Kerala	12.2	24%

Source: Central Water Commission

- Northern & southern region states operate significantly below capacity
- These states are likely to bear the brunt of more disproportionately
- As previous data shows southern states also experienced maximum distribution below LPA

Credit Growth with Major Drought Years…

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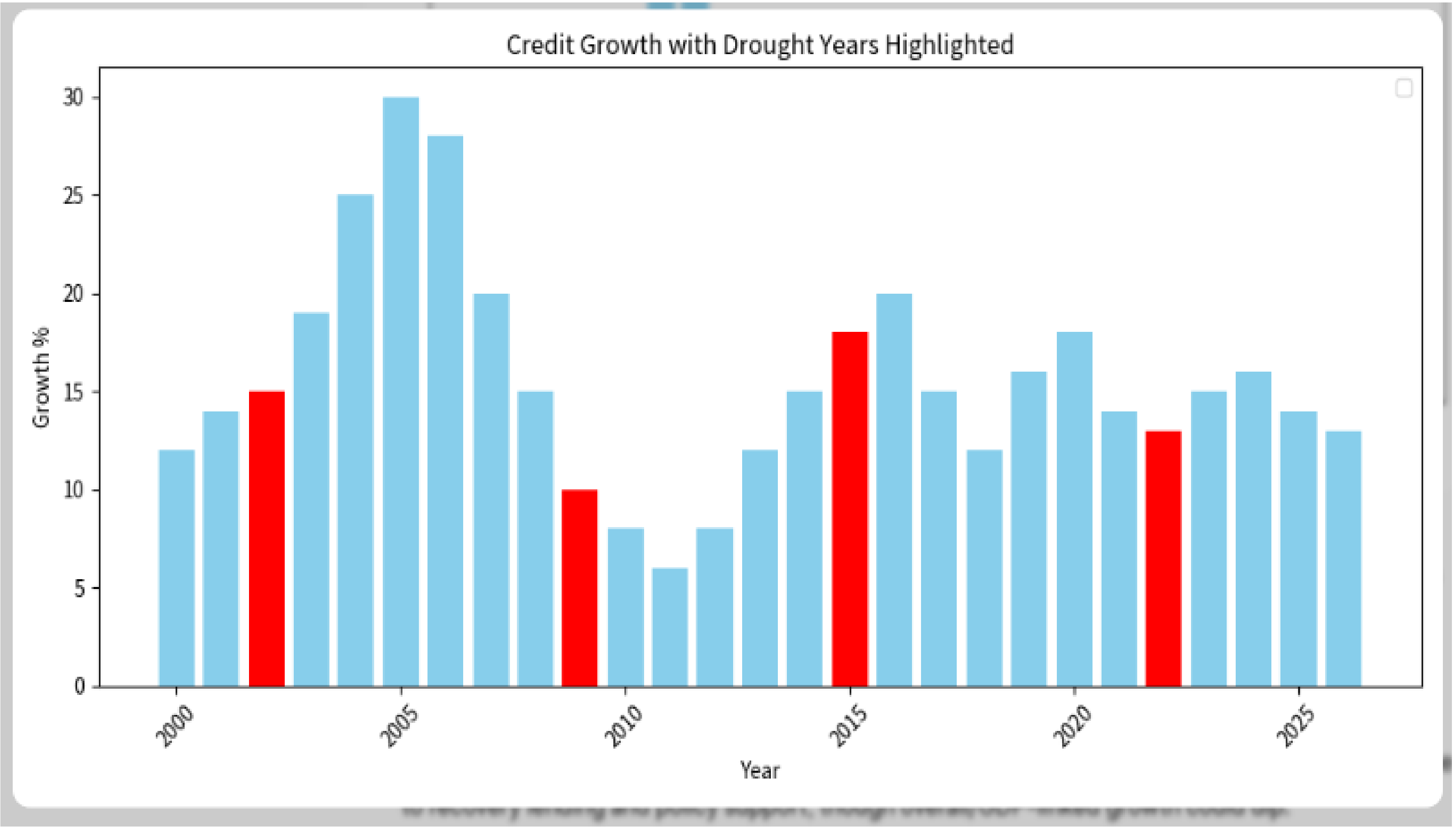

Red bars mark notable drought years

Quick Fact

Credit growth (especially agricultural) frequently held up or rose post-drought due to recovery lending and policy support, though overall/GDP-linked growth could dip.

Takeaways..

- Agri GDP growth could decline more than 2% knocking off 40 bps from GDP growth.
- Actual rainfall outcomes likely to undershoot IMD forecasts: Actual rainfall deficit could widen 5% more than IMD forecasts.
- Food inflation could spike by 30 to 50 bps due to El Nino alone.
- Real rural wages declined in most El Nino years. Agri gold loans could spurt.
- Reservoir capacity in Northern and southern regions very thin and might fall further.
- With a 36% weight in CPI basket higher food inflation will push overall CPI closer to 6%.

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