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## EARLY MONSOON IN INDIA: FIRST CUT

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The monsoon in India has important implications across the development spectrum, particularly for inflation, the economy, and the RBI's Monetary Policy. Indian agriculture has historically been subject to the vagaries of the monsoon, often referred to as "*a gamble in monsoon*". While the significance of the monsoon has reduced over the years, it continues to significantly influence agriculture, as well as lives and livelihoods.

An asymmetric development is reflected in the steep decline of the share of Indian agriculture from 52% of GDP in 1951 to about 18% in 2024, despite agriculture still accounting for approximately 54% of total employment, thereby impacting economic growth and distributive equity.



The CPI inflation softened to 3.2% in April, the lowest since July 2019, down from 3.3% in March, due to a sustained decline in food prices. CPI inflation is expected to remain range-bound, influenced by factors such as food prices, fuel prices, and economic growth. Given that the monsoon accounts for three-fourths of annual rainfall, with 60% of agriculture being rain-fed, it rejuvenates aquifers and reservoirs and provides an impetus

to the rural economy. A normal monsoon bodes well for both economic growth and distributive equity in India.

The latest indications suggest that seasonal rainfall is expected to reach 105% of the Long Period Average (LPA), with a margin of +/-5%. The likelihood of a normal monsoon will also prompt the RBI to cut policy rates by 25 bps to 5.75% in June 2025. This would also mark the third consecutive reduction in the Repo rate since February 2025.