

**RESEARCH**
**BOB ECONOMICS RESEARCH | MONSOON UPDATE**

Monsoon and Sowing progress

**BOB ECONOMICS RESEARCH | CURRENCY OUTLOOK**

Fortnightly forex review

**Daily macro indicators**

Indicator	14-Sep	15-Sep	Chg (%)
US 10Y yield (%)	4.29	4.33	5bps
India 10Y yield (%)	7.13	7.20	7bps
USD/INR	83.04	83.18	(0.2)
Brent Crude (US\$/bbl)	93.7	93.9	0.2
Dow	34,907	34,618	(0.8)
Hang Seng	18,048	18,183	0.7
Sensex	67,519	67,839	0.5
India FII (US\$ mn)	13-Sep	14-Sep	Chg (\$ mn)
FII-D	115.9	56.5	(59.4)
FII-E	(276.4)	83.0	359.4

Source: Bank of Baroda Economics Research

**SUMMARY**
**INDIA ECONOMICS: MONSOON UPDATE**

For the period till date (upto 15 Sep'23), monsoon activity is in deficit zone at 9% below LPA. Kharif sowing is tracking marginally higher than last year levels with pulses, oilseeds and cotton acreage lagging behind on account of uneven distribution of rainfall. This might result in lower crop yield. Lower reservoir level also pose risk for rabi sowing. With the kharif sowing drawing to a close soon, government has kept a higher procurement target of 521.3 lakh tonne (518 lakh tonnes last year) for rice as the marketing season begin in Oct'23. Risk of lower crop yield might push the prices higher, however government has proactively made efforts in addressing the rising prices. These include reducing the prices for LPG, restriction on exports of rice, amongst others.

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**INDIA ECONOMICS: CURRENCY OUTLOOK**

INR depreciated to a fresh record-low of 83.18/\$ on 15 Sep 2023 led by a confluence of adverse shocks of rising dollar, higher oil prices and FPI outflows. In Sep'23, INR is lower by 0.5%. Pressure was also seen on other global currencies as DXY rose by 1.6%. Uncertainty remains over US monetary policy and hence investors will remain cautious ahead of the Fed's policy decision next week. A pause is widely expected, but more guidance will come from Fed's dot plot. With oil prices sustaining at current levels, India's external position also remains at risk. RBI is likely to intervene to prevent sharp moves in the exchange rate, as it has done in the past. On balance, we expect INR to trade in the range of 83-83.5/\$ in the near-term. Risks remain from indications of 'higher-for-longer' Fed rates and a further escalation in oil prices.

[Click here for the full report.](#)

**BOBCAPS Research**  
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## MONSOON UPDATE

16 September 2023

### Monsoon and Sowing progress

For the period till date (upto 15 Sep'23), monsoon activity is in deficit zone at 9% below LPA. Kharif sowing is tracking marginally higher than last year levels with pulses, oilseeds and cotton acreage lagging behind on account of uneven distribution of rainfall. This might result in lower crop yield. Lower reservoir level also pose risk for rabi sowing. With the kharif sowing drawing to a close soon, government has kept a higher procurement target of 521.3 lakh tonne (518 lakh tonnes last year) for rice as the marketing season begin in Oct'23. Risk of lower crop yield might push the prices higher, however government has proactively made efforts in addressing the rising prices. These include reducing the prices for LPG, restriction on exports of rice, amongst others.

**Jahnvi Prabhakar**  
Economist

#### Where does Kharif sowing stand?

As of 15 Sep 2023, India's overall kharif sowing is marginally up by 0.3% compared with last year. On the back of improvement in sowing levels of Bajra and Maize, sown area of coarse cereals have advanced by 0.9%. Sown area of rice and sugarcane have advanced further by 2.7% and 7.7% respectively. However pulses acreage continue to lag behind, down by (-) 5.2% on the back of scanty rainfall with Arhar sowing down by (-) 5.6% and Urad sowing lower by (-) 2.2%. Moreover, sowing area under cultivation for cotton as well as Jute and Mesta crops has also dropped by (-) 3.2% and (-) 5.7% respectively for the same period. Oilseeds sowing area has too declined by (-) 1.1% even as soyabean continue to register an uptick.

**Table 1: Kharif Sowing**

	Area sown in 2023-24 (Lakh ha)	Area sown in 2022-23 (Lakh ha)	Change (YoY %)
Coarse Cereals	183.1	181.5	0.9
Jowar	14.2	15.7	(9.3)
Bajra	70.9	70.5	0.6
Maize	83.7	81.1	3.1
Rice	409.4	398.6	2.7
Pulses	121.0	127.6	(5.2)
Oilseeds	192.2	194.3	(1.1)
Cotton	123.2	127.4	(3.2)
Sugarcane	59.9	55.7	7.7
Jute and Mesta	6.6	7.0	(5.7)
All Crops	1095.4	1091.9	0.3

Source: CEIC, Bank of Baroda | Data as of 16 Sep 2023

#### Monsoon:

For the period 1 Jun 2023 to 15 Sep 2023, South West Monsoon is 9% below LPA compared with last year.



## CURRENCY OUTLOOK

16 September 2023

### Fortnightly forex review

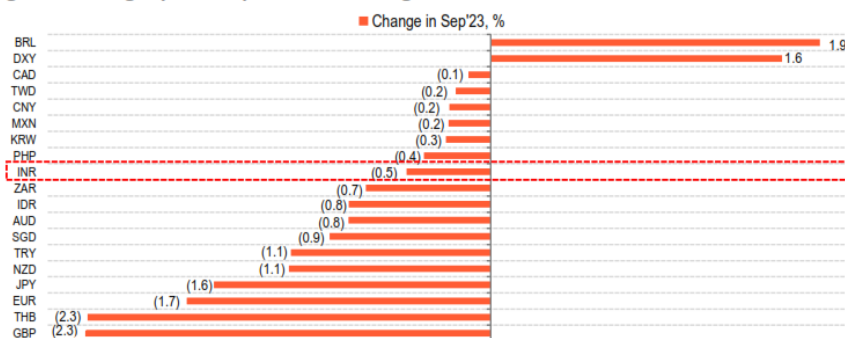
INR depreciated to a fresh record-low of 83.18/\$ on 15 Sep 2023 led by a confluence of adverse shocks of rising dollar, higher oil prices and FPI outflows. In Sep'23, INR is lower by 0.5%. Pressure was also seen on other global currencies as DXY rose by 1.6%. Uncertainty remains over US monetary policy and hence investors will remain cautious ahead of the Fed's policy decision next week. A pause is widely expected, but more guidance will come from Fed's dot plot. With oil prices sustaining at current levels, India's external position also remains at risk. RBI is likely to intervene to prevent sharp moves in the exchange rate, as it has done in the past. On balance, we expect INR to trade in the range of 83-83.5/\$ in the near-term. Risks remain from indications of 'higher-for-longer' Fed rates and a further escalation in oil prices.

**Aditi Gupta**  
Economist

### Movement in global currencies

Global currencies depreciated against the dollar. Higher US yields amidst expectations of another rate hike by the Fed boosted demand for US dollar. Recent macro data from the US has reinforced views that the soft landing scenario is likely to materialize. US inflation accelerated to 3.7% in Aug'23, from 3.2% in Jul'23, led by higher energy costs. This has revived bets of a rate hike in Nov'23. While US 10Y yield has surged to over 5%, DXY has gained 1.6% this month. This has put pressure on other currencies. Amongst major currencies, GBP and EUR have depreciated the most. Economic conditions in both UK and Europe have worsened considerably as the services sector, which had so far remained resilient, is also showing signs of slowing down. While ECB raised its benchmark rates by 25bps, it hinted at an end to its rate hike spree. JPY continued to depreciate despite warnings from BoJ and the government. BoJ meets next week and all eyes will be on the Governor who has hinted at moving away from BoJ's ultra-dovish monetary policy by the end of the year.

**Figure 1: Fortnightly currency movement in Aug'23**



Source: Bloomberg, Bank of Baroda Research | Note: Data as of 15 Sep 2023



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