

RESEARCH**BOB ECONOMICS RESEARCH | MONSOON UPDATE**

Monsoon and Sowing progress

BUILDING MATERIALS

Steep rise in ocean freight rates impacts BM trade flow in Jun'24

SUMMARY**INDIA ECONOMICS: MONSOON UPDATE**

Rainfall is currently 4% above the LPA till 20 Aug 2024. Rainfall noted in the month of Aug'24 (till 20th) has even outpaced same period of last year. Out of 36 sub-divisions, 57% of the area of the country has received normal rainfall and 28% have witnessed higher than normal. With above normal rainfall, even Kharif sowing has improved compared with last year. Acreage of crops such as paddy and pulses have gained momentum, albeit less than normal sown area. What remains a cause for concern is that certain Southern and Western States are experiencing excess rains.

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BUILDING MATERIALS

- Tiles exports fell sharply by 15.4% MoM in Jun'24 due to the impact of high ocean freight rate
- The pace of net MDF import trended up over the past three months and may rise further in the near future as ocean freight has started to fall
- Monthly net export volume run rate for laminates declined 3.0% in Jun'24 over Q4FY24, despite a steep increase in domestic capacity

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MONSOON UPDATE

21 August 2024

Monsoon and Sowing progress

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These States are also major producers of perishable crops such as Tomato and Onion. Since this is the season of transplanting of some crops, some strain remains, at a time when prices have shown some downward correction.

Where does Kharif sowing stand?

As of 20 Aug 2024, overall sown area has improved by 2.1% compared with last year.

- Barring Jute and cotton, total sown area of other crops has inched up further. Most notable increase is visible in pulses (5.7%) and paddy (5.6%). This will help to keep a lid on inflation in these items, going forward, which are currently running at double digit pace.
- Within pulses, Arhar and Moong contributed to a significant increase in sowing.
- Oilseeds have also registered a 0.9% increase in sown area. Among major crops, Groundnut and Sunflower witnessed considerable momentum.
- Within Coarse Cereals, output of Ragi, Maize and Jowar has edged up.
- The overall sowing data, albeit showing improvement compared to last year, has been trailing behind normal sown area. This is led by pulses and paddy.

Table 1: Kharif Sowing

	Current, Inflation rate	Normal Sown Area 2024 (lakh ha)	Area sown in 2023-24 (lakh ha)	Area sown in 2024-25 (Lakh ha)	Growth (YoY %)
Coarse Cereals	8.5*	180.9	176.4	181.1	2.7
Paddy	10.9*	401.6	349.5	369.1	5.6
Pulses	14.8*	136.0	113.7	120.2	5.7
Oilseeds	-1.4*	190.2	185.1	186.8	0.9
Cotton	-1.5#	129.3	122.2	111.1	(9.1)
Sugarcane	3.3#	55.4	57.1	57.7	1.0
Jute and Mesta	-3.2#	6.7	6.6	5.7	(13.1)
All Crops	-	1100.1	1010.5	1031.6	2.1

Source: PIB, CMIE, CEIC, Bank of Baroda research | Data as of 20 Aug 2024, *CPI, #WPI




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These are key takeaways from Ministry of Commerce trade statistics for the building material (BM) sector for the month of Jun'24.

Tiles: India's monthly net export value run rate for tiles was up 9.8% YoY in Jun'24 due to a low base, but down 15.4% MoM to Rs 14.3bn due to the impact of rising ocean freight rate. Going ahead, Indian tiles industry exports may remain weak if the US government imposes an anti-dumping duty on Indian tiles products (for which an investigation was initiated in May'24 based on a petition filed by a US tiles manufacturer to impose high tariffs of 408%-828%). The US comprised 8% of India's total tiles exports in FY24.

MDF: India's monthly net import volume run rate for MDF was up 261% YoY in Jun'24 due to a low base. However, the net import run rate for MDF has trended up gradually over the past three months (from -1,590 CBM in Mar'24 to 1,732 CBM in Apr'24; 6,380 CBM in May'24, 8,425 CBM in Jun'24). We believe import pressure is likely to rise further in the near future as ocean freight rate has started falling in the past few weeks. Rising imports pressure along with the commissioning of large new MDF capacity (CPBI in Q1FY25 and GREENP in Q3FY25) are likely to keep the MDF industry's margin under pressure over the next few quarters, in our view.

Particleboard: India's monthly net import volume run rate for particleboard dropped sharply for the fourth consecutive month (-59.2% YoY in Jun'24) due to the impact of high ocean freight rate. However, in our view, the particleboard sector margin is likely to remain weak over the medium term due to large capacity additions (by GRLM and CPBI) over H2FY25.

Laminates: India's monthly volume net export run rate for laminates grew by 14.7% YoY in Jun'24, but is still down 3.0% from Q4FY24 due to the impact of high ocean freight rate (despite large capacity additions by GRLM and CPBI in H2FY24). Note that exports form roughly 30-50% share of total sales of major laminates companies operating in India (i.e., GRLM; Merino).



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