

El Niño risk for inflation, farm output: FinMin

IMD predicts above-normal temperatures this year

ASIT RANJAN MISHRA
New Delhi, 23 February

The finance ministry on Thursday raised concerns over the possible impact of El Niño conditions on India this year, saying if recent forecasts came true, the country could see lower agricultural output and higher inflation.

“Some meteorological agencies predict the return of El Niño conditions in India this year. If these predictions are accurate, then monsoon rains could be deficient, leading to lower agricultural output and higher prices,” the ministry said in its monthly economic review.

Madan Sabnavis, chief economist of Bank of Baroda, said his assumption of 6-6.5 per cent growth for FY24 was premised on steady agricultural growth of 3-3.5 per cent. “This means the monsoon needs to be normal once more. The emergence of El Niño is not good news as it can push back output, which will come in the way of not just production but also push up inflation, affecting farm income and, hence, rural spending,” he said.

Sabnavis said the rising heat in February-March was already a worry as it could affect wheat harvest. “Even a drop of 1 million tonnes (mt) can have a ratcheting effect on inflation. Therefore, this (El Niño) can be a worry, considering that we have had good harvests for sev-



FINMIN'S OUTLOOK

Global growth:

Monetary tightening appeared to have started weakening global demand.

This may continue in 2023

Inflation:

Inflation risks are likely to be lower for India in FY24

Exports: There is a likelihood of India's exports showing tepid growth

Budget: Measures announced in the Union Budget for FY24 will sustain the growth momentum

Source: Monthly Economic Review

eral years now, which provided a cushion,” he said.

The Ministry of Agriculture has projected a record wheat production of 112.18 mt in the 2023-24 crop year (July-June). Food Corporation of India (FCI) Managing Director Ashok K K Meena on Thursday said wheat procurement in the season starting mid-March would be normal at 30-40 million tonnes, notwithstanding threat from rising temperatures.

Turn to Page 6 ▶

also driving productivity from existing employees,” observes Roopank Chaudhary, partner, human capital solutions, India at Aon. Kumar points out that the talent gap is the principal reason for soaring hiring costs and higher attrition levels.

According to the survey, firms dealing with technology platforms and products are likely to see the highest hikes in salaries in 2023, with an industry average of 10.9 per cent. This comes amid reports of India’s IT majors like Wipro backtracking on its initial offers of annual salary packages from ₹6.5 lakh to ₹3.5 lakh for freshmen.

El Niño...

The India Meteorological Department on Thursday reiterated that Northwest, Central, and East India were predicted to record maximum temperatures three to five degrees above normal over the next five

days. Many parts of the country are already recording temperatures that are usually logged in the first week of March. This has fuelled concern about an intense summer and heat waves this year.

“The last El Niño event was in 2018, which coincided with below-normal rainfall in India. Since then, India has witnessed four successive good monsoons. Given the backdrop, the probability of a fifth normal monsoon appears faint at this stage. Clarity usually emerges only around April-May,” wrote Abneesh Roy, Rushabh Bhachawat and Jainam Gosar of Nuvama Research in a recent report. The Monthly Economic Review, however, remained hopeful about the performance of the Indian economy in FY24. “Thanks to the emphasis on macroeconomic stability in the last several years, the Indian economy faces the year ahead with confidence while being mindful of the risks,” it said. Though there have been some instances of inflation stiffening above the downward trending line, inflation decline does not often happen in a straight line as prices are usually downward sticky, the report said.

#3905

	3			5
9				