economic essentials

BAJAJ MUTUAL FUND

BAARISH AAYI, ECONOMY MUSKURAI?: THE ECONOMICS OF RAIN

EDITION 03

The monsoon affects far more than farms. It influences how much we pay for food, how much households spend, how companies perform and even the policy decisions of the Reserve Bank of India.

EL NIÑO & LA NIÑA: THE BIG PICTURE

El Niño and La Niña are climate patterns in the tropical Pacific Ocean that influence weather across the world, including India's monsoon.

EL NIÑO (Warm phase)

EL NIÑO

- Warmer than normal sea surface temperatures in the central and eastern Pacific.
- Tends to weaken the monsoon or make it uneven across regions.

LA NIÑA (Cool phase)

LA NIÑA

- Cooler than normal sea surface temperatures in the central and eastern Pacific.
- Tends to strengthen the monsoon.

These patterns do not determine the monsoon on their own, but they are important factors.

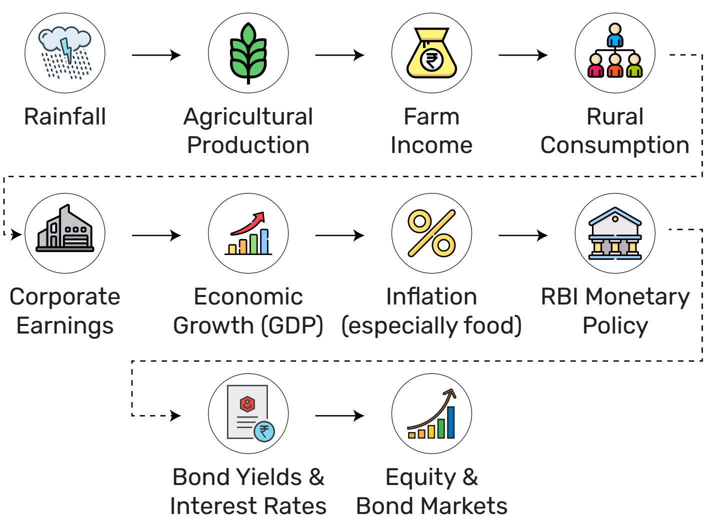
EL NIÑO: A KEY RISK THIS YEAR

- El Niño is the warming of sea surface temperatures in the central and eastern Pacific Ocean.
- It can weaken India's monsoon or make rainfall uneven across regions.
- Not every El Niño year leads to a poor monsoon, but it raises the risk of below-normal rainfall.

WHY IS THE MONSOON SO IMPORTANT?

- Most of India's workforce depends on agriculture and allied activities.
- Rural India contributes meaningfully to overall consumption demand.
- Reservoirs and groundwater determine water availability for agriculture, industry and power generation.
- Agricultural performance influences government finances through food subsidies, MSP purchases and rural support measures.

HOW THE MONSOON IMPACTS THE ECONOMY



A good monsoon supports growth and keeps inflation in check. A weak or uneven monsoon can slow growth and push up inflation.

Name of MF - Bajaj Finserv Mutual Fund | Registration no. - MF/078/23/04

BAJAJ ASSET MANAGEMENT LIMITED (Formerly known as Bajaj Finserv Asset Management Limited)

IMPACT ON KEY SECTORS

BENEFICIARIES OF GOOD MONSOON	SECTORS THAT CAN FACE PRESSURE IN WEAK MONSOON
Tractors & Farm Equipment; Fertilisers & Agrochemicals; FMCG; Two-wheelers	**Food processing companies** (if raw material prices rise)
	Power utilities (lower water levels reduce hydro generation)
Consumer Durables; Rural Housing & Building Materials; Rural Lending (Banks & NBFCs); Logistics linked to agriculture	**Water-intensive industries**
	Staple food prices (higher inflation pressure)

Higher rural incomes and stronger demand drive performance in these sectors.

WHY IS IT IMPORTANT FOR EQUITY MARKETS?

- Agriculture output drives rural incomes, which support consumption demand in two-wheelers, FMCG, consumer durables and housing.
- Better rural demand improves revenue growth and earnings visibility for many companies.
- Input cost stability (especially food and agri commodities) supports margins for multiple sectors.
- Stronger economic growth prospects lead to higher corporate earnings and better valuations.
- Overall market sentiment improves with a normal or above-normal monsoon.

A good monsoon is positive for earnings, valuations and investor sentiment.

WHY IS IT IMPORTANT FOR DEBT MARKETS?

- Food inflation is a significant and volatile component of CPI.
- A good monsoon keeps food inflation in check, supporting overall inflation moderation.
- Lower inflation gives the RBI more room to maintain or cut rates, supporting growth.
- Lower policy rates lead to lower bond yields and capital appreciation.
- Inflation stability and policy clarity reduce volatility and duration risk, making debt markets more attractive.

A good monsoon supports lower yields, better returns and more stability in debt markets.

Source: IMD, PIB, Internal Analysis. Weightage of food inflation in the CPI basket is as per the new series that was announced on 12th February 2026, as per the latest.

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