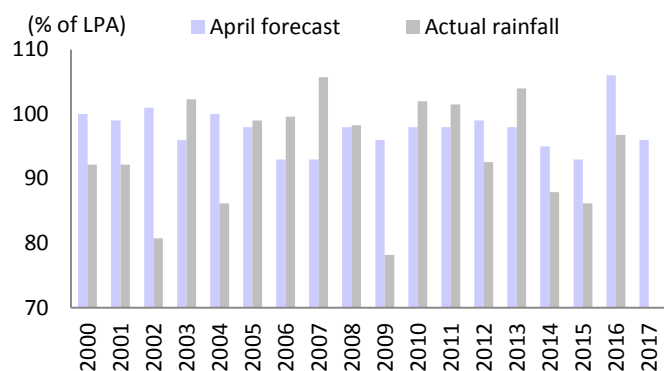


## IMD forecasts just-normal monsoon with even distribution in 2017

### Forecast in line with Skymet's prediction

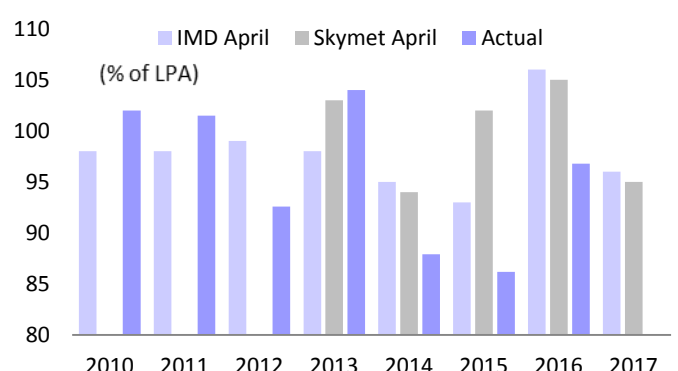
- The Indian Meteorological Department's (IMD) forecast for India's crucial June-September or south-west monsoon season stands at 96% of long-period average (LPA), with an error of +/- 5%. We note that forecast for this year is lower than last year's 106%, but higher than 2014/2015 forecast of 95%/93% (Exhibit 1). The likelihood of near-normal rainfall is 38%, and distribution of rain across the country is also expected to be good. The IMD considers rain in India as normal if it is between 96% and 104% of 50-year average of 89cm for the four months beginning June. Regarding El Nino, the weather bureau mentioned that there are weak chances of it developing in the latter part of the monsoon season. Further, the forecast of the IMD is in line with that of Skymet, the private weather forecasting agency (Exhibit 2).
- While the forecast is not as optimistic as last year, the prediction of normal monsoon is a welcome sign, considering that agriculture in India is heavily dependent on rains and that June-September monsoon accounts for ~70% of annual rainfall. While good rainfall aids crop production and thus agricultural gross value added (GVA) (Exhibit 3), there is no direct correlation of monsoon with food inflation.
- Also, although there is no direct correlation between monsoon and rural wages (Exhibit 4), a second consecutive normal monsoon season could ease pressure on the government to waive off farm loans.

Exhibit 1: IMD forecasts just-normal monsoon in 2017...



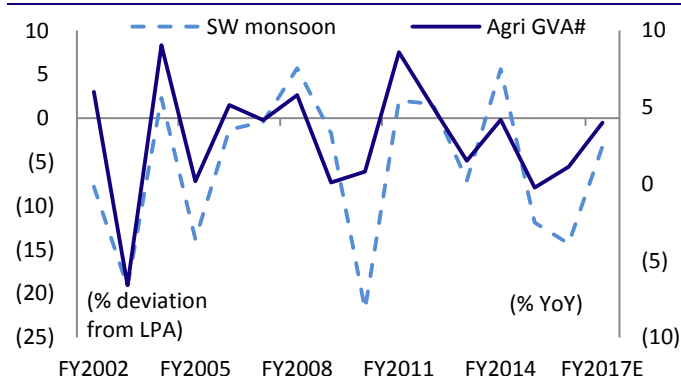
Source: IMD, MOSL

Exhibit 2: ..which is in line with Skymet predictions



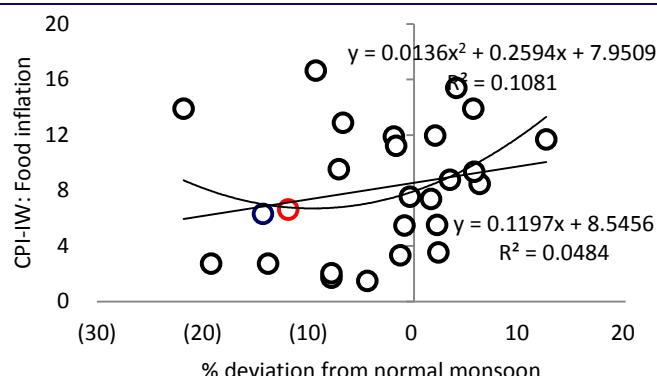
Source: IMD, Skymet, MOSL

Exhibit 3: While south west monsoon aids agri GVA...



Source: IMD, MOSPI, MOSL

Exhibit 4: ...it isn't directly correlated with rural wages



Source: IMD, MOSPI, MOSL

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