

# MONSOON

*An Eye in the Sky: Monsoon forecasts upgraded further*

## ■ IMD upgrades monsoon forecasts ...

The India Meteorological Department (IMD) has released its second stage forecasts for the South-West (SW) monsoon season (June-September 2010). IMD has said that the rainfall in the current monsoon season is likely to be normal. Given below is the brief summary:

- 1) Forecasts revised up for rainfall to 102% of the Long Period Average (LPA) from 98% of the LPA projected in April.
- 2) Immediate outlook for July and August looks normal, with July expected to receive rainfall to the tune of 98% of its LPA, and August 101% of its LPA.
- 3) On a geographical segmentation, in North West India, rainfall is likely to be ~102% of LPA, while in North East India it is expected to be ~103% of LPA. For Central India and South Peninsula, it is expected to be ~99% and 102% of LPA, respectively.

One of the reasons the IMD cited about rainfalls being normal is the high probability (~60%) for La Nina conditions to develop during the monsoon season, which favours stronger than normal monsoon.

## ■ ... despite relatively weak rainfall so far

The current forecast is despite a relatively weak onset of the SW monsoon for most parts of the country. IMD's latest estimates suggest that during the current monsoon season so far (June 01-24), rainfall has been ~11% lower than LPA. Of the 36 meteorological subdivisions, rainfall has been normal or excess in 20 subdivisions, while deficient/scanty in 16 sub-divisions.

**Table 1: Rainfall during SW monsoon season (2010): Current and projected**

Regions	% of LPA				
	Jun*	Jul (proj)	Aug (proj)	Jun-Sep (proj), Jun estimate	Jun-Sep (proj), Apr estimate
Country as a whole	89	98	101	102	98
Northwest India	94			102	
Central India	82			99	
South Peninsula	116			102	
North East India	78			103	

Source: IMD, Edelweiss research

\*- data from 1<sup>st</sup> to 24<sup>th</sup> June

Note: With a model error of  $\pm 4\%$  for the country as a whole for Jun- Sep forecast, model error of  $\pm 9\%$  for July and August forecasts and model error of  $\pm 8\%$  for June-Sep forecast for geographical regions

In the past, the difference between projected rainfall by IMD and the actual rainfall has been high for some years. However, the current IMD view of a normal SW monsoon has been corroborated by some international agencies such as The International Research Institute (IRI) for Climate and Society, European Centre for Medium-Range Weather Forecasts, and The US National Centre for Environmental Prediction (NCEP). (as we had highlighted in our report, "*Rainman rejoices: Forecasts normal monsoon, dated April 23, 2010*").

June 28, 2010

Siddhartha Sanyal

+91-22-4040 7505

siddhartha.sanyal@edelcap.com

Dipojjal Saha

+91-22-6623 3377

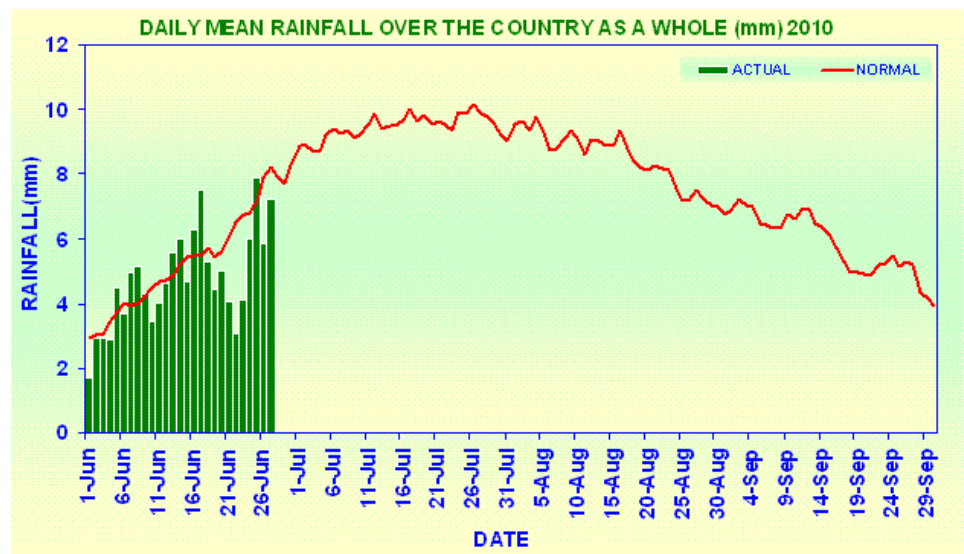
dipojjal.saha@edelcap.com

**Table 2: IMD’s forecast history vis-à-vis actual rainfall**

Monsoon (June-Sept) rainfall during	IMD’s April forecast (% of LPA)	IMD’s June forecast (% of LPA)	Actual rainfall (% of LPA)
2004	100% ± 5%	NA	91
2005	98% ± 4%	NA	99
2006	93% ± 5%	NA	95
2007	95% ± 5%	93% ± 4%	105
2008	99% ± 5%	100% ± 4%	98
2009	96% ± 5%	93± 4%	77
2010	98% ± 5%	102± 4%	?

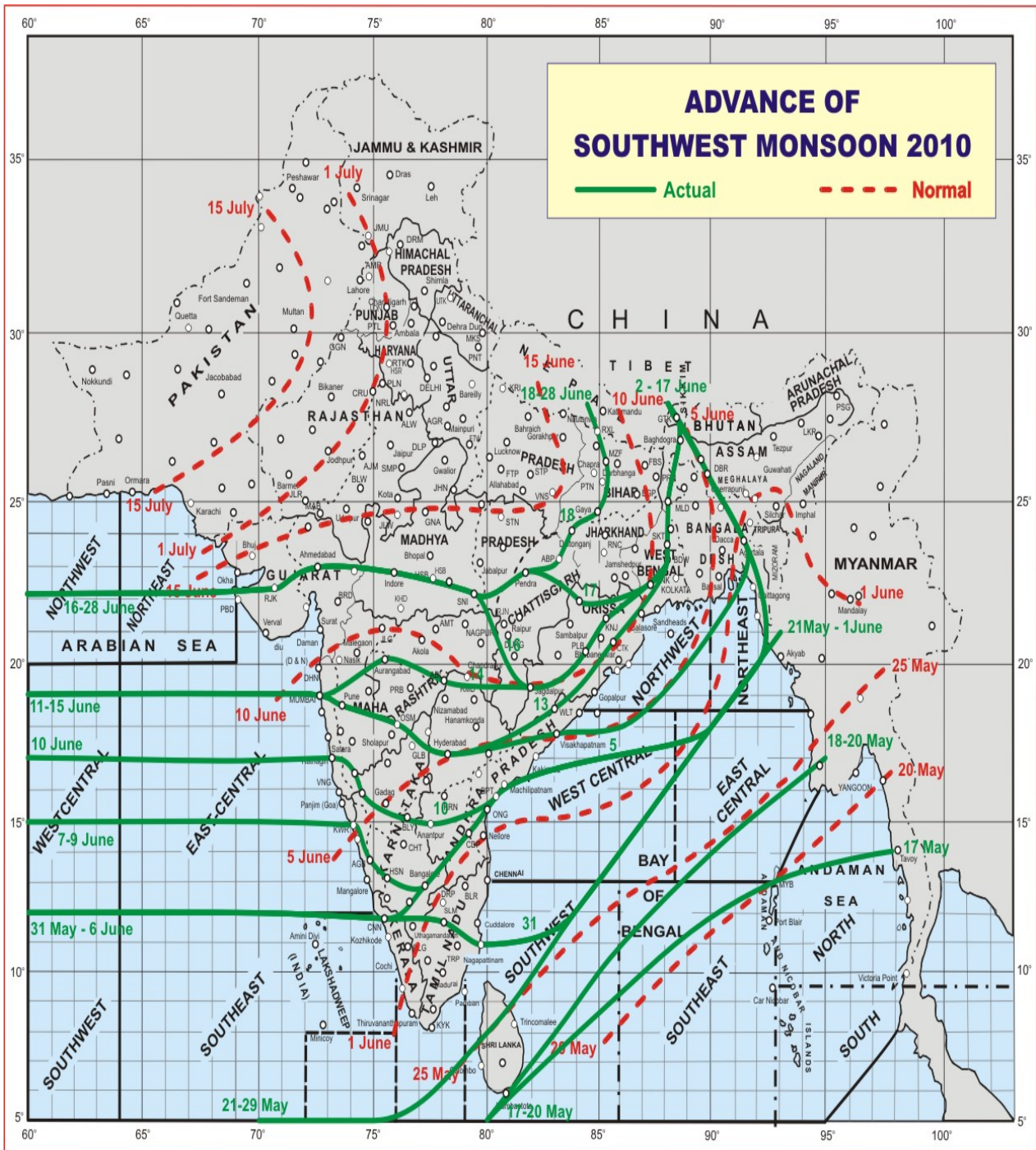
Source: IMD, Edelweiss research

**Chart 1: Onset of monsoon – Slow start so far**



Source: IMD

Fig. 1: Advance of South West Monsoon



Source: IMD

**Edelweiss Securities Limited**, 14<sup>th</sup> Floor, Express Towers, Nariman Point, Mumbai – 400 021,  
Board: (91-22) 2286 4400, Email: [research@edelcap.com](mailto:research@edelcap.com)

Vikas Khemani	Head Institutional Equities	vikas.khemani@edelcap.com	+91 22 2286 4206
Nischal Maheshwari	Head Research	nischal.maheshwari@edelcap.com	+91 22 6623 3411

#### Recent Research

Date	Title	
14-Jun-10	<b>Inflation</b>	Inflation crosses the psychological mark of 10%
11-Jun-10	<b>IIP</b>	IIP beats the most optimistic estimate
11-Jun-10	<b>Global Economy</b>	Third Dimension
1-Jun-10	<b>External Trade</b>	Trade deficit widens

#### Access the entire repository of Edelweiss Research on [www.edelresearch.com](http://www.edelresearch.com)

This document has been prepared by Edelweiss Securities Limited (Edelweiss). Edelweiss, its holding company and associate companies are a full service, integrated investment banking, portfolio management and brokerage group. Our research analysts and sales persons provide important input into our investment banking activities. This document does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. The information contained herein is from publicly available data or other sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied on as such. Edelweiss or any of its affiliates/ group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. The investment discussed or views expressed may not be suitable for all investors. We and our affiliates, group companies, officers, directors, and employees may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as advisor or lender/borrower to such company (ies) or have other potential conflict of interest with respect to any recommendation and related information and opinions. This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Edelweiss and affiliates/ group companies to any registration or licensing requirements within such jurisdiction. The distribution of this document in certain jurisdictions may be restricted by law, and persons in whose possession this document comes, should inform themselves about and observe, any such restrictions. The information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. Edelweiss reserves the right to make modifications and alterations to this statement as may be required from time to time. However, Edelweiss is under no obligation to update or keep the information current. Nevertheless, Edelweiss is committed to providing independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Neither Edelweiss nor any of its affiliates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. Past performance is not necessarily a guide to future performance. The disclosures of interest statements incorporated in this document are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. Edelweiss Securities Limited generally prohibits its analysts, persons reporting to analysts and their family members from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Copyright 2009 Edelweiss Research (Edelweiss Securities Ltd). All rights reserved