

**INDIA**

**India Economics**

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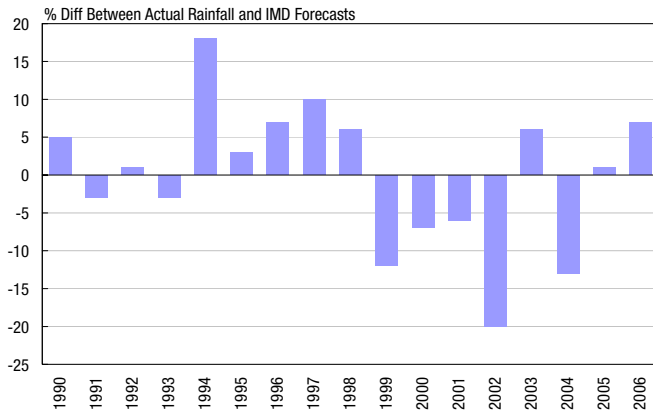
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**Monsoons 2007: Likely to be near normal**

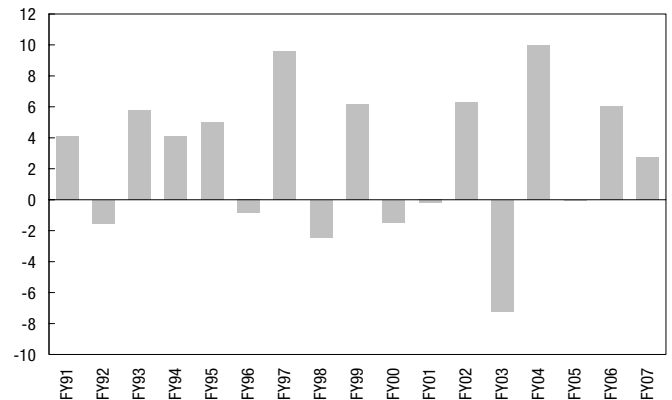
- **2007 Monsoons are likely to be near normal:** Based on its new statistical models, the Indian Meteorological Department's (IMD) 1<sup>st</sup> forecast for the summer rains (June-Sept) is that rainfall is likely to be 84.6cms which is 95% of its Long-Period-Average (LPA) of 89cms. (*Rainfall between 90-97% of LPA is classified as "near/below normal."*).
- **We maintain our FY08 GDP estimate of 9.3%:** Our FY08 GDP estimate assumes agriculture growing by its long-term trend of 3%, and industry and services at 10.3% and 10.9%, respectively. While we continue to re-iterate the need to focus on non-farm growth, with "inclusive growth" now the new mantra of the government, we could see more emphasis being given to agriculture in the run-up to the next elections.

**Monsoons and the Indian Economy**

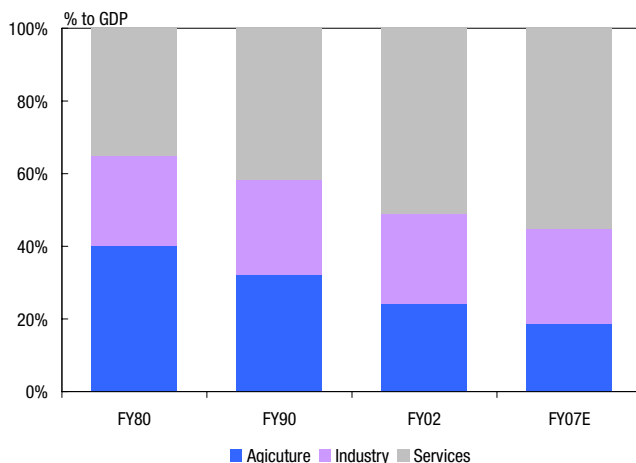
**Monsoon Forecasts have NOT had a really good track record – (Difference between Actual Rainfall and IMD forecasts)**



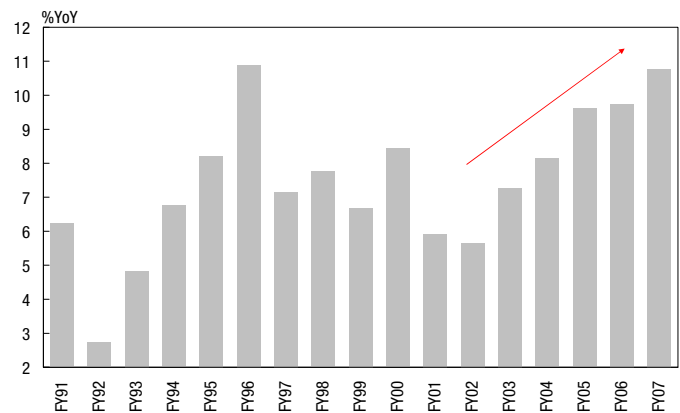
**Despite normal monsoons, agri production has varied, as timeliness and distribution of rainfall are more important than the quantum of rainfall**



**Economy is NOW Less Agri-Dependent: The composition of GDP has changed significantly with the share of agriculture just 20%**



**Non-Farm Growth is Key: These growth drivers – investment cycle turn-up, urban consumption and outsourcing – are less dependent on agri**



Source: IMD; CSO, Ministry of Agriculture, Citigroup Estimates

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