

How a good monsoon can boost Indian economy

Skymet and Indian Metrological Department (IMD) have issued statement about the above normal monsoon in India this year. Last two years India faced El nino effect and it had deficit rainfall. If we analyze the data for last 100 years, we can find that India did not witness consecutive three drought seasons. With the positive prediction this year, Indian agricultural sector is set for a big boost.

In india, monsoon seasons are for four months, from June to September. IMD had predicted a rainfall of 106% of average. The IMD says that average rainfall during monsoon months according to the LPA is 89 cm and this year this is likely to go up to 94 cm. The IMD says its prediction has a 94 possibility of being realized.

After two years of sub normal rainy season, we are expecting a major growth in the agricultural demand. Agriculture is one of the major sectors and contributes around 16% in the GDP. With the increase of the rural demand and low interest rates, the industrial productions are set to pick up. There is a possibility that Indian GDP can touch around 7.5-8% growth if the rural demands picks up. The Economic Survey of India is modest in its estimate and suggests a 7-7.75 percent growth for FY 2016-17.

Global downturn and low commodity price can be blamed for lower GDP growth of the world. But low oil price is actually blessings in India. With the help of good monsoon, the food price can fall further which helps to lower the inflation further.

Most of the rural based industries like tractors, FMCG, packaged food companies will gain due to boost in the rural economy. FMCG companies source their raw materials from rural area. It will help them to lower the cost and increase the profits.

There are a number of factors apart from agricultural growth that are likely to affect the Indian economy. Despite an above-average monsoon, investors will do well to keep these in mind. With the reforms in hand, good monsoon can really make Indian economy high flying.

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