ICRA

SOUTHWEST MONSOON WRAPUP 2024

Surplus SW monsoon rainfall of 8%, higher kharif acreage, upbeat rabi outlook to improve agri output prospects, rural farm cash flows

OCTOBER 2024

Highlights

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Rainfall in SW monsoon season was 8% above normal in 2024

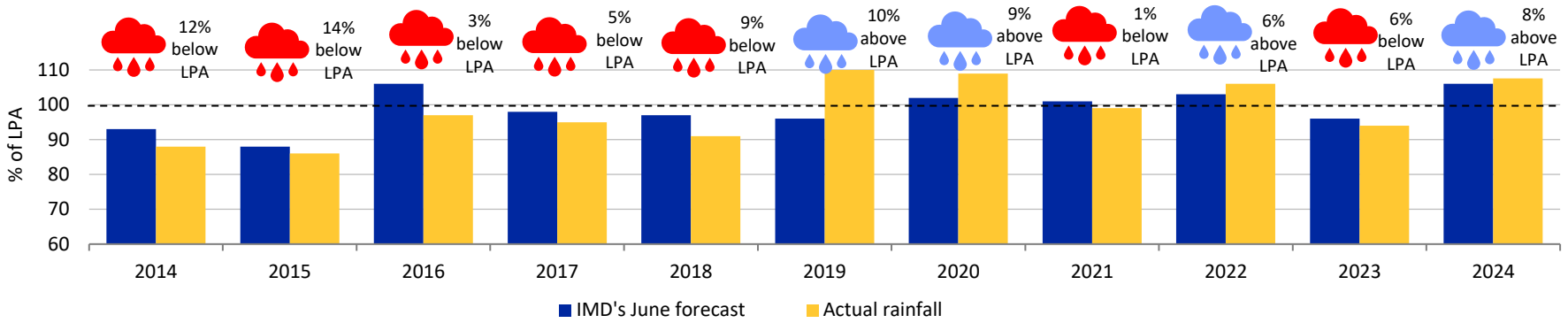
Boosted by surplus rains, cumulative kharif sowing was up by 1.5% YoY as on September 23, 2024

Given the bright prospects for kharif output and the likely favourable impact of elevated reservoir levels as well as potential development of La Nina conditions on rabi sowing, agri-GVA growth is projected to rise to ~3.5% in FY2025 from 1.4% in FY2024

- The all-India rainfall was above normal at 108% of the long period average (LPA) in the Southwest (SW) Monsoon season 2024. This was in line with the Indian Meteorological Department's (IMD's) forecasted range of 106% of LPA, with a model error of +/-4%.
- However, the spatial distribution was uneven; the South Peninsula (114% of LPA) and Central India (119% of LPA) received excess rainfall, while the rainfall was above normal in Northwest India (107% of LPA) and deficient in East and Northeast India (86% of LPA).
- Aided by the surplus rainfall, cumulative kharif sowing was up by 1.5% year-on-year (YoY) as on September 23, 2024, covering ~99% of last year's final acreage. However, the potential impact of the expected above normal rains in October 2024 (>115% of LPA as per the IMD's forecast) on the kharif crop harvest and yields remains a monitorable.
- The pan-India reservoir storage has surged to 87% of live capacity at the full reservoir level (FRL) as on September 26, sharply exceeding the year ago (71% of FRL) as well as historical (77% of FRL) levels. This is likely to support a timely onset of rabi sowing.
- The outlook for the ensuing rabi crop is upbeat, given the ample reservoir storage in most regions, as well as the IMD's forecast of La Nina conditions developing in the post monsoon season that will lead to cooler-than-usual temperatures – which is conducive for cultivation and plantation of rabi crop, especially wheat, even as Punjab's low reservoir storage poses a concern.
- ICRA expects the GVA growth for agriculture, forestry and fishing to improve to ~3.5% in FY2025 from 1.4% in FY2024, amid bright prospects for kharif output and the likely favourable impact of elevated reservoir levels and potential development of La Nina conditions on the rabi crop, with the latter expected to boost growth in H2 FY2025 along with a low base (+0.5% in H2 FY2024).

Pan-India rainfall was above normal at 108% of LPA in 2024 Southwest monsoon season, within the IMD's forecasted range

EXHIBIT: IMD's June Forecasts of Pan-India Monsoon Rainfall in the season vs. Actual Rainfall (% of LPA)

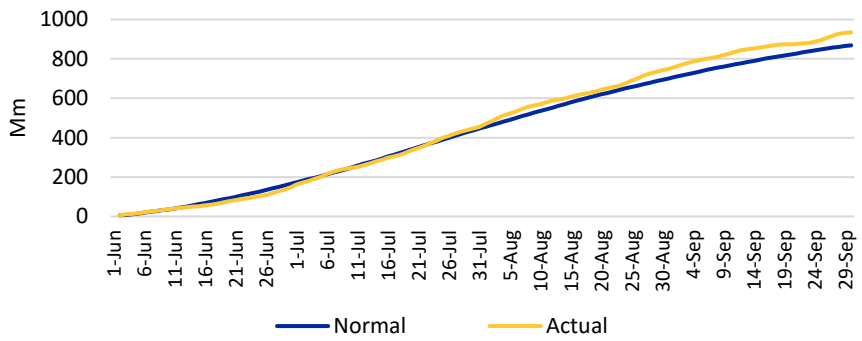


On a pan-India basis, rainfall between 96% and 104% of the LPA is considered to be normal. The other classifications are deficient (below 90% of LPA), below-normal (90-96% of LPA), above-normal (104-110% of LPA) and excess (more than 110% of LPA); Source: IMD; ICRA Research

- India received above normal rainfall at 108% of LPA or 93 cm in the entire Southwest monsoon season (June-September) of 2024, amid above-normal rainfall in July 2024 (109% of LPA), and excess rainfall in August 2024 (116% of LPA) and September 2024 (111% of LPA).
- This was largely in line with the IMD's second stage Long Range Forecast (LRF) for this season at 106% of LPA with a model error of +/-4%, released in May 2024.
- Moreover, the withdrawal of Southwest monsoon began later than usual on September 23, 2024 (normal date: September 18), amidst excess rainfall in several parts of the country in September 2024.
- Notably, the IMD highlighted that neutral El Nino Southern Oscillation (ENSO) conditions had developed in July 2024 and continued till September 2024 as opposed to the earlier expectation of the development of La Nina conditions by end-September 2024. In addition, Indian Ocean Dipole (IOD) conditions also remained neutral throughout the Southwest monsoon season.

Excess rainfall at 111% of LPA was recorded in September 2024, in line with the IMD's projections

EXHIBIT: Cumulative normal vs. actual rainfall



Source: IMD; CEIC; ICRA Research

- After a weak start in June 2024 (11% below LPA), monsoon rainfall at the all-India level picked up in July 2024 (9% above LPA) and gained further momentum in August 2024 (16% above LPA).
- Thereafter, while surplus rainfall was recorded at the all-India level during September 1-12 (23% above LPA), a deficient patch was seen during the next 10 days (September 13-23; 41% below LPA). However, rainfall reverted to a large surplus of 75% above LPA in the last week of September 2024. Overall, rainfall in September 2024 was excess at 11% above LPA.

EXHIBIT: Actual vs. IMD's forecast of Monsoon rainfall

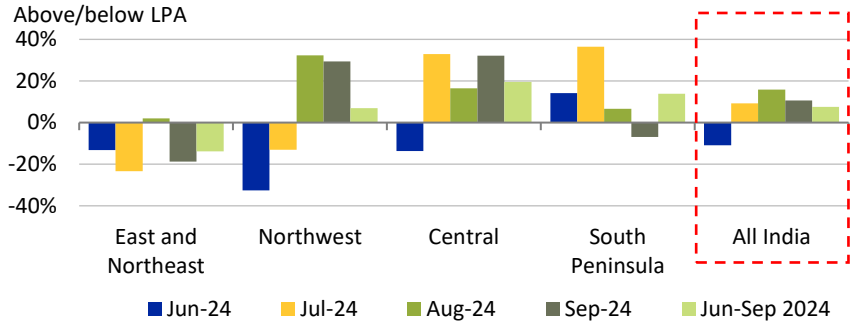
Jun 2024	Jul 2024	Aug 2024	Sep 2024
IMD's expectation: <92% of LPA (below normal)	**IMD's expectation**: >106% of LPA (above normal)	**IMD's expectation**: 94-106% of LPA (normal)	**IMD's expectation**: >109% of LPA (above normal)
Actual: 89% of LPA (deficient)	**Actual**: 109% of LPA (above normal)	**Actual**: 116% of LPA (above normal)	**Actual**: 111% of LPA (excess)

Source: IMD; ICRA Research

- After trailing the IMD's forecast in June 2024 (actual: 89% of LPA vs. IMD's exp.: <92% of LPA), the actual pan-India rainfall stood in line with the IMD's expectations (109% of LPA vs. >106% of LPA) in July 2024.
- In August 2024, the actual rainfall significantly overshot the IMD's projection (94-106% of LPA) and stood at 116% of LPA. Subsequently, actual pan-India rainfall was excess at 111% of LPA in September 2024, within the IMD's forecasted range of >109% of LPA for that month.

Spatial and temporal distribution of rainfall in the Southwest monsoon season was uneven in 2024

EXHIBIT: Region-wise distribution of rainfall*



**On a pan-India basis, rainfall between 96% and 104% of the LPA is considered to be normal. The other classifications are deficient (below 90% of LPA), below-normal (90-96% of LPA), above-normal (104-110% of LPA) and excess (more than 110% of LPA); Source: IMD; CEIC; ICRA Research*

EXHIBIT: Distribution of rainfall over 36 sub-divisions in June-September 2024

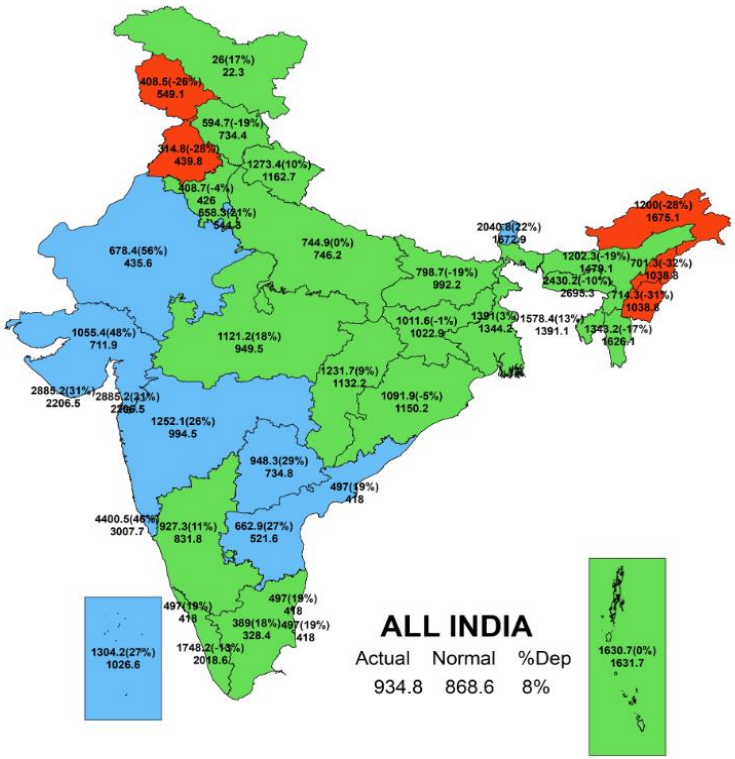
Category	% of LPA	No. of sub-divisions	Subdivisional % area of country
Large Excess	above 160	2	9%
Excess	120-159	10	26%
Normal	81-119	21	54%
Deficient	41-80	3	11%
Large Deficient	0-40	0	0%
No Rain	0	0	0%
Total		**36**	**100%**

Source: IMD; CEIC; ICRA Research

- As per the IMD's classification, India has received above normal rainfall at 108% of the LPA during June-September 2024, although this was skewed towards South Peninsula (114% of LPA) and Central India (119% of LPA), which witnessed excess precipitation during the season. Simultaneously, rainfall was above normal in Northwest India (107% of LPA), while being deficient in East and Northeast (86% of LPA), depicting unevenness in the spatial distribution.
- The temporal distribution was also uneven through the season. While all regions barring the South Peninsula received below normal rains in June 2024, the situation improved in Central India in July 2024. Thereafter, all the regions recorded surplus rainfall in August 2024, before it turned deficient in East and Northeast India (81% of LPA) and below normal in the South Peninsula (93% of LPA) in September 2024.
- As many as 21 of the 36 sub-divisions in the country (accounting for 54% area of the country) saw normal rains during the Southwest monsoon season 2024, while 12 (35% area of the country) saw either excess or large excess rainfall during this period. In contrast, only three sub-divisions (11% area of the country) recorded a deficient rainfall.

State-wise distribution was uneven, with majority of states/UTs reporting either normal (20) or excess (10) rainfall during the Southwest monsoon season 2024

EXHIBIT: State-wise rainfall trends during the ongoing monsoon season



- The state-wise distribution of rainfall reveals that some states in the South Peninsula (Andhra Pradesh and Telangana) and Central India (Gujarat, Goa and Maharashtra) received excess rainfall during the Southwest monsoon season.
- Rainfall distribution over Northwest India was mixed during this period, with normal rainfall in UP, Uttarakhand, Haryana and Himachal Pradesh, deficient in Punjab and J&K, and excess rainfall over Rajasthan.
- A similar mixed trend across states is also seen in East and Northeast India.

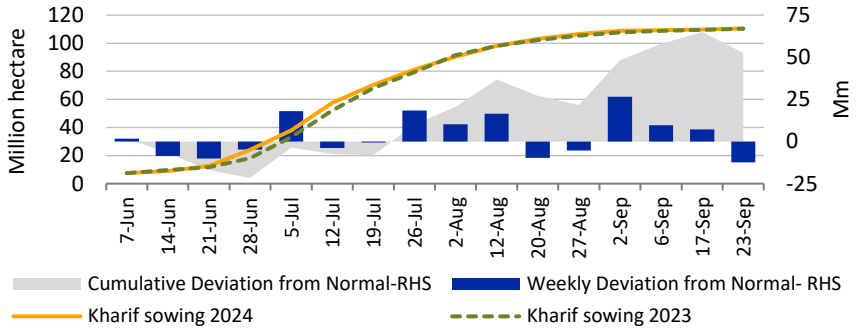
Classification on a disaggregated basis

Large Excess (above 160% of LPA)
Excess (120% to 159% of LPA)
Normal (81% to 119% of LPA)
Deficient (41% to 80% of LPA)
Large Deficient (1% to 40% of LPA)
No Rain (0% of LPA)

As on Sep 30, 2024; Source: IMD; ICRA Research

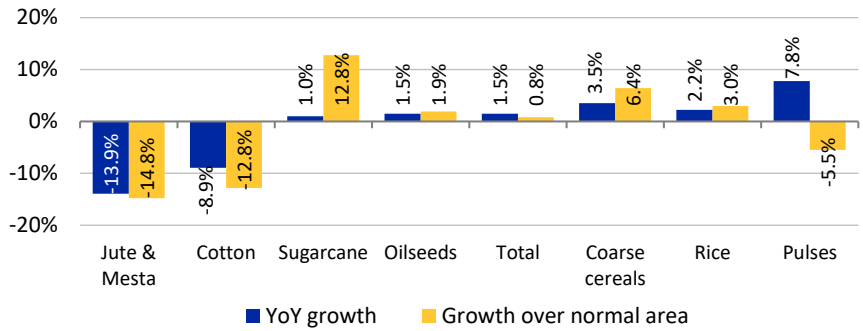
Kharif sowing rose by 1.5% YoY in September 2024

EXHIBIT: Kharif sowing trends and Southwest monsoon rainfall deviation from normal in 2024



Source: IMD; Ministry of Agriculture and Farmers' Welfare; CEIC; ICRA Research

EXHIBIT: YoY growth and % change from normal sown area (average sowing area from 2018-19 to 2022-23) in Kharif Sowing as on September 23, 2024



Source: Ministry of Agriculture and Farmers' Welfare; ICRA Research

- The above normal Southwest monsoon of 2024 led to a pickup in kharif sowing, with a cumulative area of 110.5 million hectare sown by September 23, 2024. This was equivalent to 99.8% of the total area covered in 2023, higher than the 98.3% area sown around the same time in 2023.
- The cumulative kharif sowing is 1.5% higher on a YoY basis as on September 23, 2024. This was driven by the YoY increase in the area sown for most crops, namely, pulses (+7.8%; albeit on a low base), rice (+2.2%), coarse cereals (+3.5%), oilseeds (+1.5%), and sugarcane (+1.0%), even as the sowing for cotton, and jute and mesta reported a decline till September 23, 2024.
- **Going forward, the potential impact of the expected above normal rains in October 2024 (>115% of LPA as per the IMD's forecast) on the kharif crop harvest and yields remains a monitorable.**

Most crops under pulses, coarse cereals and oilseeds witnessed a YoY uptick in kharif sowing

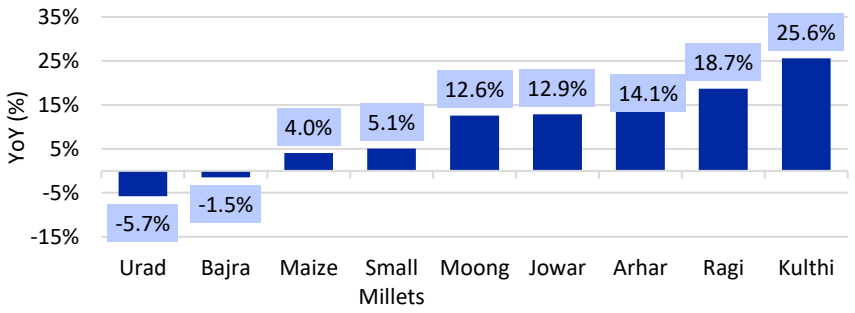
Crop-wise YoY sowing trends

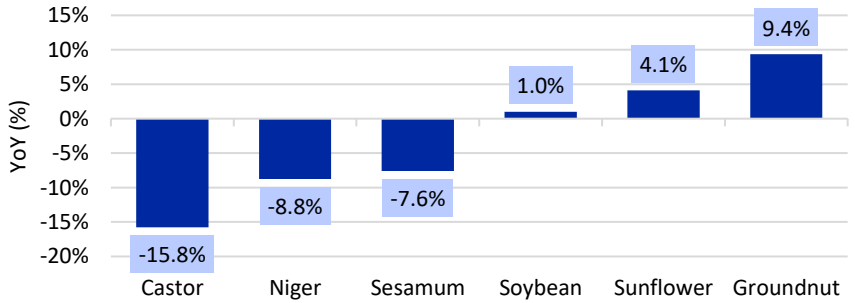
The YoY uptick of 7.8% in sowing of pulses was led by arhar (+14.1%), moong (+12.6%), and kulthi (+25.6%). While the sowing of urad fell by 5.7% YoY.

The expansion of 3.5% in coarse cereals was led by the sowing of ragi (+18.7%), jowar (+12.9%), small millets (+5.1%), and maize (+4.0%), while bajra (-1.5%) saw a marginal YoY dip.

The sowing of oilseeds was up by a marginal 1.5% YoY, with the uptick in the sowing of groundnut (+9.4%), sunflower (+4.1%), and soybean (+1.0%) being offset by the decline in castor (-15.8%), niger (-8.8%) and sesamum (-7.6%).

EXHIBIT: YoY growth in sowing of crops under pulses, coarse cereals and oilseeds as on September 23, 2024





Source: Ministry of Agriculture and Farmers' Welfare; ICRA Research

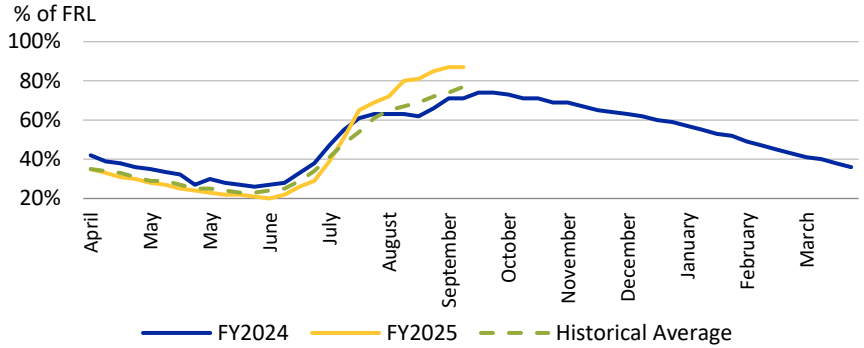
Maharashtra, Madhya Pradesh and Karnataka saw increase in sowing of major crops, barring cotton, amid surplus rainfall

	YoY change				
	+0.93 Million hectare	+0.90 Million hectare	+0.65 Million hectare	+0.29 Million hectare	-1.10 Million hectare
	Pulses	Rice	Coarse Cereals	Oilseeds	Cotton
					
Key states	**YoY rise in coverage area**: Karnataka (+0.62) and Maharashtra (+0.31) and Rajasthan (+0.19). **YoY decline in coverage area:** Madhya Pradesh (-0.54)	**YoY rise in coverage area**: Jharkhand (+0.54), UP (+0.36), Madhya Pradesh (0.19), and West Bengal (0.17). **YoY decline in coverage area:** Telangana (-0.42) and Andhra Pradesh (-0.18).	**YoY rise in coverage area**: Karnataka (+0.19), Madhya Pradesh (+0.18), and Maharashtra (+0.17). **YoY decline in coverage area:** Rajasthan (-0.16) and Gujarat (-0.03).	**YoY rise in coverage area**: Gujarat (+0.17) and Maharashtra (+0.12). **YoY decline in coverage area:** Rajasthan (-0.07) and Andhra Pradesh (-0.03).	**YoY rise in coverage area**: Karnataka (+0.01) **YoY decline in coverage area:** Gujarat (-0.32), Rajasthan (-0.27), Haryana (-0.19), Maharashtra (-0.14) and Punjab (-0.11).

As on September 23, 2024; Cotton includes both BT and Non-BT segments; Source: Ministry of Agriculture and Farmers' Welfare, GoI; ICRA Research

All-India reservoir storage rose to 87% of full reservoir level at end-September 2024, highest in two years

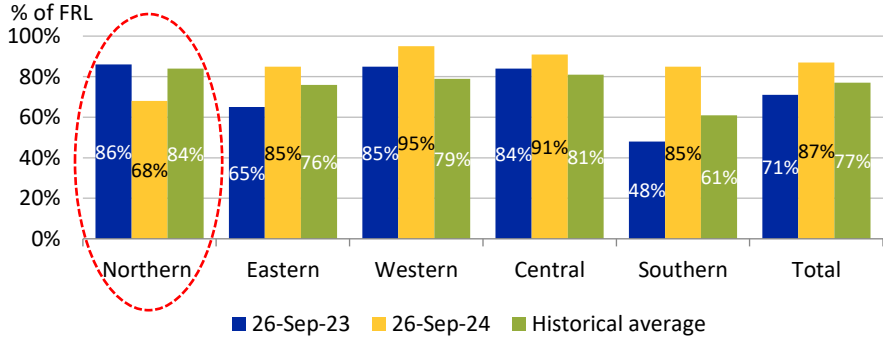
EXHIBIT: Reservoir storage levels as percentage of Live Capacity at Full Reservoir Level (FRL)



Source: Central Water Commission (CWC); CEIC; ICRA Research

- Boosted by ample Southwest monsoon rains, the all-India reservoir storage surged to 87% of live capacity at FRL as on September 26, 2024, from 22% at the beginning of the season (as on June 6, 2024). This is the highest storage level since September 2022 (88% on September 22).
- This materially exceeds the 71% seen at the corresponding period of last year as well as the normal storage of 77% (historical decadal average), which would augur well for timely rabi sowing.

EXHIBIT: Region-wise reservoir storage levels

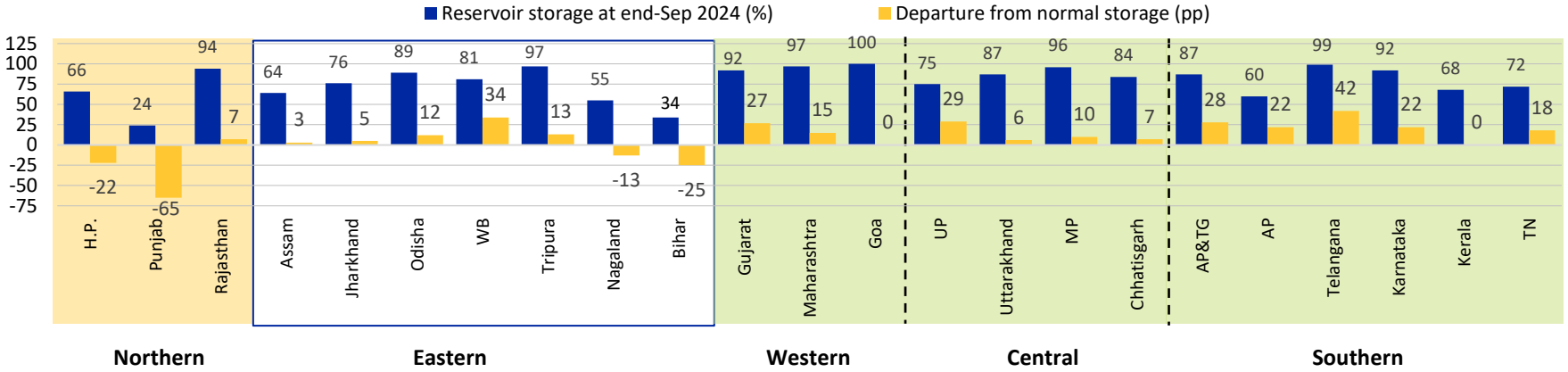


Source: CWC; CEIC; ICRA Research

- Except for the northern region (68% as on September 26, 2024 vs. 86% seen last year and historical average of 84%), all other regions have ample reservoir storage by end-September 2024, exceeding both the year ago and historical average levels.
- The surplus in reservoir storage across regions ranged between 7 pp (central) to as high as 37 pp (southern) in terms of their year ago levels, and 9 pp (eastern) to 24 pp (southern) in the case of respective historical levels.

While most states have favourable reservoir storage, HP and Punjab in north and Bihar in east significantly lagged their respective historical levels

EXHIBIT: State-wise reservoir storage at end-September 2024 and departure from normal/historical levels i.e. 10-year averages (pp of FRL at live capacity)

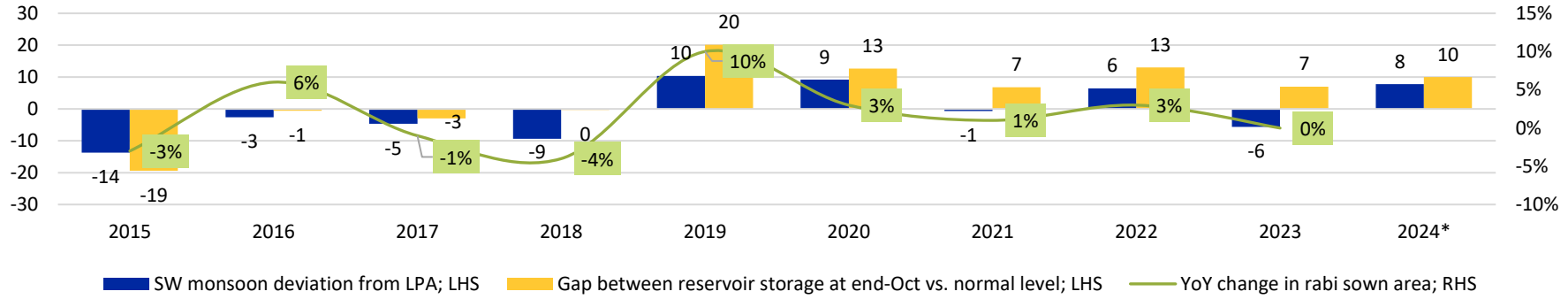


- Encouragingly, the reservoir storage of all states in southern, central and western regions is either higher or at par, relative to their normal historical levels by the end of September 2024. However, a mixed trend is visible across states in the eastern region, with Bihar (which accounts for a large proportion of rabi maize output) and Nagaland lagging the respective historical levels, and the other five states like West Bengal, Jharkhand and Assam trending above the same. Given that most states have ample and above normal reservoir storage, the upcoming rabi season is likely to witness a timely onset of sowing.
- Trends in the northern region are unfavourable. While Rajasthan's reservoir storage has been healthy, and above normal at 94% as on September 26, 2024, Punjab has the lowest storage levels at 24%, lagging the historical level by an astounding 65 pp owing to the large 28% deficit in rainfall in the state during the Southwest monsoon season. Punjab contributes significantly to the country's rabi wheat output (average of ~15.6% between 2018-19 and 2022-23), and the low reservoir levels could pose risks to sowing and yields in the state.

HP: Himachal Pradesh, WB: West Bengal; UP: Uttar Pradesh; MP: Madhya Pradesh; AP&TG: Andhra Pradesh and Telangana; TN: Tamil Nadu; Source: CWC; ICRA Research

Ample reservoir storage, potential cooler temperatures owing to La Nina conditions to boost prospects for rabi crop

EXHIBIT: Deviations in reservoir storage at end-October from historical averages and YoY trends in cumulative area sown under rabi crops

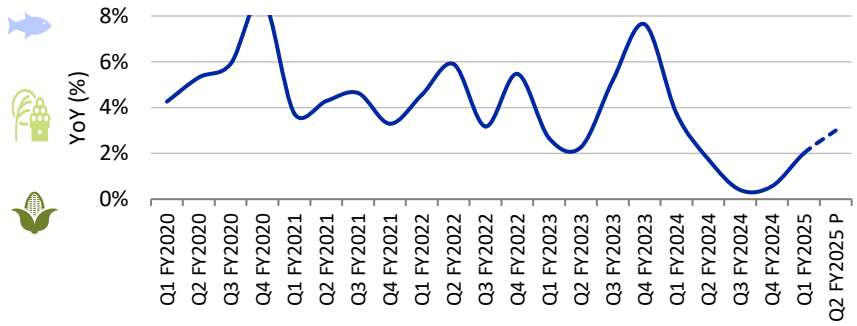


*Source: Department of Agriculture and Farmers' Welfare; *computed as reservoir storage levels as % of Live Capacity at FRL at end-October minus historical average levels at end-October; *At end-September 2024; Source: IMD; Central Water Commission (CWC); CEIC; ICRA Research*

- Comparing the past-year trends, there is a strong correlation between the deviation in reservoir storage at end-October from their historical levels (10-year average), the deviation in Southwest monsoon from the LPA and the YoY changes in cumulative area sown for rabi crops.
- For instance, reservoir storage was 19 pp lower than historical average at the end of Oct 2015, amid deficient South-west monsoon rains (-13.7%) owing to El Nino conditions, which translated into a 3% YoY decline in the area sown during the ensuing rabi season. In contrast, the rabi sowing had expanded by a healthy 10% YoY in the 2019 season, benefitting from ~10% surplus in SW monsoons, higher-than-normal reservoir storage and a low base.
- In 2024, the Southwest monsoon rainfall was 8% above normal which boosted the reservoir storage to 87% as at end-September 2024, 10 pp above the historical level, which should provide a fillip to rabi sowing. **Overall, the outlook for the ensuing rabi crop is upbeat, given the ample reservoir storage in most regions, as well as the IMD's forecast of La Nina conditions developing in the post monsoon season that will lead to cooler-than-usual temperatures – which is conducive for cultivation and plantation of rabi crop, especially wheat, even as Punjab's low reservoir storage poses a concern.**

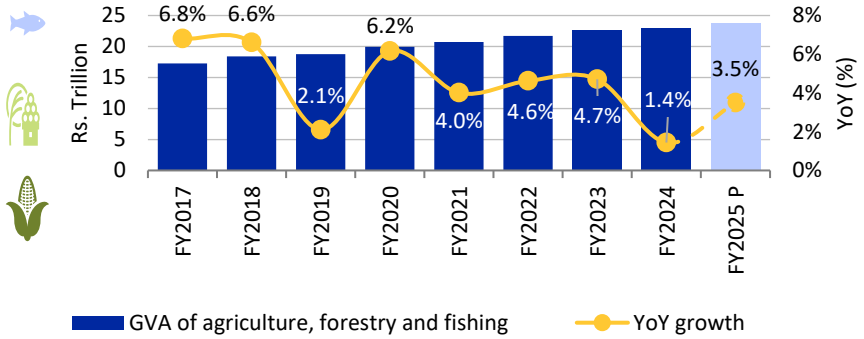
Prospects for kharif output bright in FY2025, amid favourable monsoon, higher area sown for most major crops; agri GVA growth to accelerate in Q2 FY2025

EXHIBIT: Quarterly GVA of agriculture, forestry and fishing (at 2011-12 prices)



P: Projected; Source: NSO; ICRA Research

EXHIBIT: Annual GVA of agriculture, forestry and fishing (at 2011-12 prices)

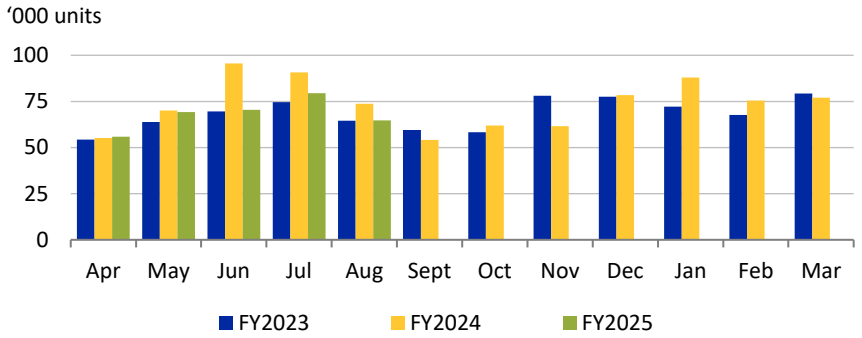


P: Projected; Source: NSO; ICRA Research

- The YoY growth in GVA of agriculture, forestry and fishing saw a higher-than-expected uptick to a four-quarter high of 2.0% in Q1 FY2025 from 0.6% in Q4 FY2024, despite the decline in the output of most rabi and summer crops in AY2023-24 (Agricultural Year: July to June) and deficient rainfall seen in June 2024.
- **Based on the kharif sowing trends and adequate rainfall, ICRA pegs the GVA growth for agriculture, forestry and fishing at 2.5-3.0% in Q2 FY2025 (+1.7% in Q2 FY2024), slightly higher than the 2.0% print seen in Q1 FY2025 (+3.7% in Q1 FY2024). Nevertheless, the potential impact of excess rainfall in September 2024 on the kharif crop output and yields remains a monitorable, going forward.**
- **Overall, ICRA expects the agri GVA growth to improve to 3.5% in FY2025 from 1.4% in FY2024, amid bright prospects for kharif output and the likely favourable impact of elevated reservoir levels on the rabi crop, with the latter expected to boost growth in H2 FY2025 along with a low base (+0.5% in H2 FY2024). A healthy kharif harvest should support rural demand and provide thrust to consumption growth especially during the upcoming festive and marriage seasons.**

Concerns around sustained demand recovery for motorcycles persist; tractor volume growth likely to be relatively modest at 1-4% YoY

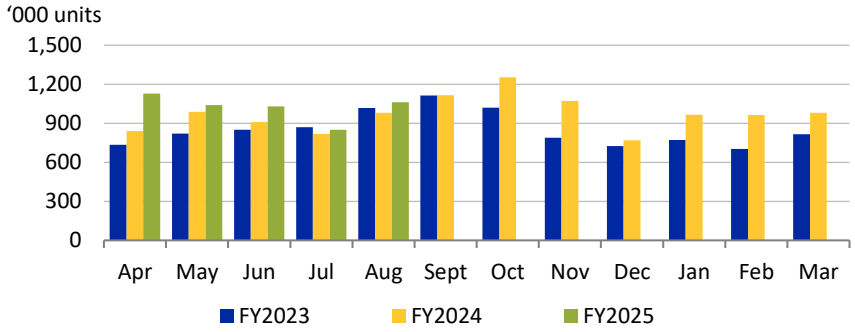
EXHIBIT: Trends in domestic tractor retail volumes chart not matching with text



Source: CMIE; ICRA Research

- After contracting by 14.2% YoY in Q1 FY2025, domestic wholesale tractor volumes expanded by a sharp ~38% in July-August FY2025 supported by the 74% YoY surge in July 2024 to 102k units. Thereafter, such volumes have reverted to five-month low levels of 59.5k in August 2024 (+1.6% YoY). Overall domestic tractor wholesale volumes have risen by 2.0% during April-August 2024. **ICRA expects industry volumes to grow at a modest pace of 1-4% in FY2025 (-8.8% in FY2024).**
- In retail terms, domestic tractor volumes contracted by 12.4% YoY July-August FY2025 (+18.1% in Jul-Aug FY2024), after declining by 11.5% in Q1 FY2025 (+17.6% in Q1 FY2024), amidst an elevated base. Going forward, a pick-up in retail volumes remains a key monitorable.

EXHIBIT: Trends in domestic motorcycle wholesale volumes

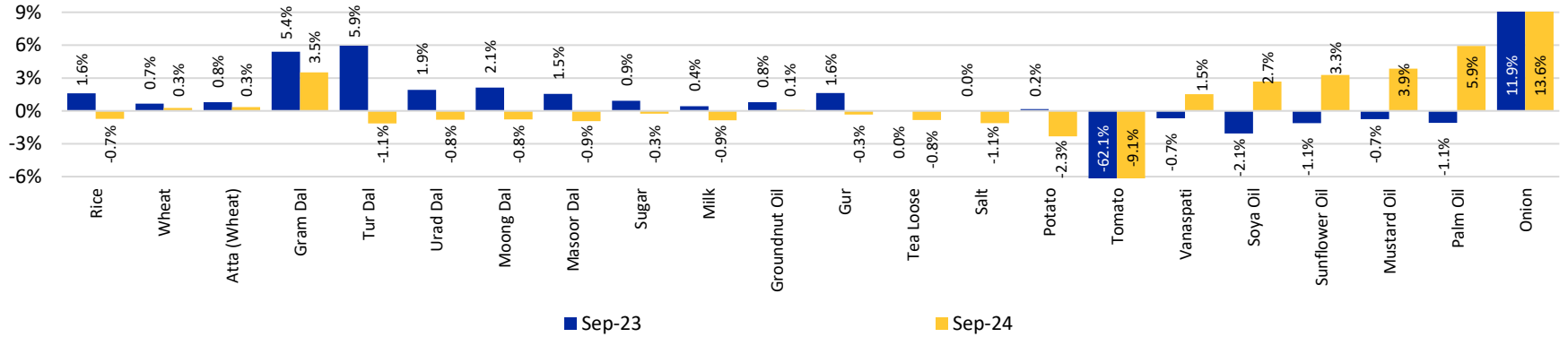


Source: CMIE; ICRA Research

- After rising by a heathy 16.8% in Q1 FY2025, the domestic wholesale motorcycle volume sales grew by just 4.1% in July 2024 despite a favorable base (-5.7% in July 2023). Thereafter, the growth in such volumes accelerated to 8.2% YoY in August 2024. Going ahead, increased cash-flows on account of healthy progression of kharif sowing, should provide a fillip to rural demand.
- **Notwithstanding the improvement in volumes, concerns around a sustained demand recovery persist, amid the material rise in ownership costs.**

CPI inflation to rise to 4.7% in September 2024 amid the fading of favourable base in the food and beverages segment

EXHIBIT: MoM trends in retail prices in September 2023 and September 2024

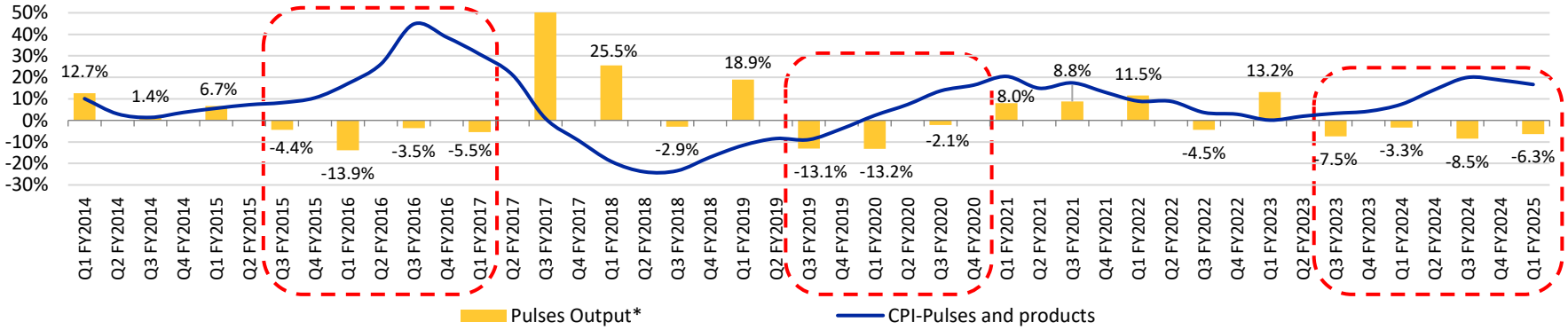


Source: DCA; CEIC; ICRA Research

- The data released by the Department of Consumer Affairs (DCA) indicates that the average retail prices of 12 of the 22 essential commodities eased in September 2024 vis-à-vis August 2024, barring those for wheat, gram dal, most edible oils and onions. In September 2024, onion prices crossed the Rs. 50/kg-mark and surged to a ten-month high of Rs. 51.09/kg (MoM: +13.6% and YoY: +53.2%) prompting the Centre to release stocks at subsidised rates in the market. This is similar to the strategy deployed by the GoI in July 2024 to help cool tomato prices, that fell to a three-month low of Rs. 45.75/kg (MoM: -9.1%) in September 2024.
- Further, 15 of the 22 items saw a lower MoM inflation in September 2024 vis-à-vis September 2023 including rice (-0.7% vs. +1.6%), most pulses, and veggies including potato (-2.3% vs. +0.2%). In contrast, most of the edible oil, barring groundnut oil, witnessed a higher MoM print in September 2024 relative to 2023. Likewise, the same set of 15 items reported an easing in their YoY inflation rates in September 2024 vs. August 2024.
- **Nevertheless, ICRA estimates the food and beverages inflation print to rise sharply in September 2024 from 5.3% in August 2024 amid the fading of the elevated base (+6.3% in September 2023 vs. +9.2% in August 2023). This would push up the headline CPI inflation to 4.7% from 3.7% in the previous month.**

Near term outlook for inflation in pulses is favourable

EXHIBIT: Pulses output* and inflation in CPI-Pulses and products (YoY %)

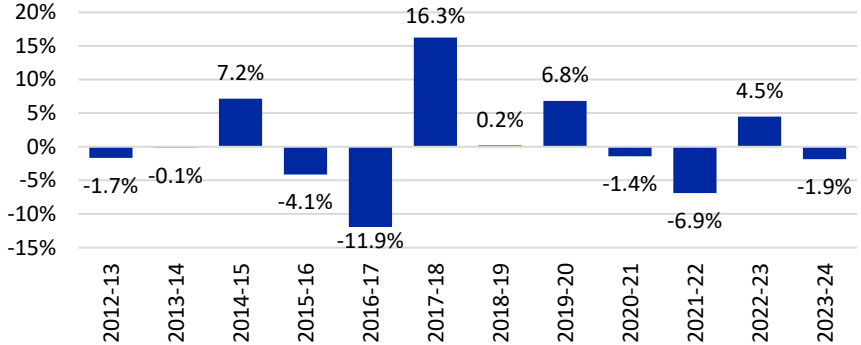


The rabi output of pulses is reflected in Q1 of the ensuing year, while the kharif output is reflected in the Q3 of the same year; Source: Ministry of Agriculture and Farmer's Welfare; MOSPI; ICRA Research

- The retail inflation in pulses and products has printed in double digits for 15 consecutive months until August 2024, amid a decline in the pulses output in each of the last two years (AY2022-23 and AY2023-24).
- The trends in pulses inflation are clearly associated with those in output, as seen over the last ten years. India has witnessed three cycles of a continued decline in output across two or more cropping seasons during this period, which led to a sharp acceleration in pulses inflation to double digits for extended periods (including the current cycle). However, a robust output across two or more cropping seasons is associated with a continued disinflation in the food item.
- The kharif sowing trends for pulses (+7.8% YoY as on September 23, 2024) suggest that kharif output of the crop is likely to be quite healthy, even as the impact of the uneven rainfall distribution in the monsoon season and the possibility of excess unseasonal rains in October 2024 on pulses yields needs to be seen. Besides, healthy reservoir levels across most parts of the country augur well for the rabi output of pulses. **These trends imply that India is likely to see an extended period of moderate inflation in pulses, which would augur well for the food inflation outlook over the next three to four quarters.**

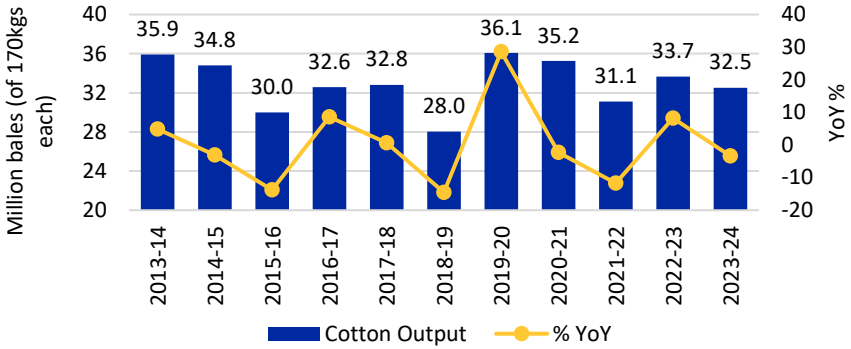
Lower sowing for cotton likely to weigh upon output in 2024-25; may impart upward pressure on cotton prices and clothing inflation

EXHIBIT: Growth in area sown for cotton (YoY %)



Source: Ministry of Agriculture and Farmer's Welfare; ICRA Research

EXHIBIT: Trends in cotton output

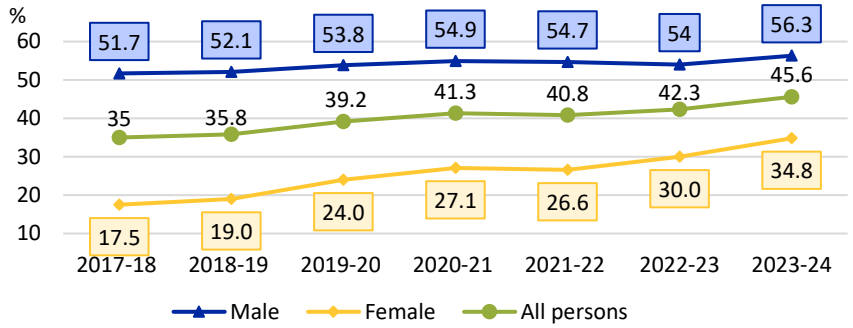


Source: Ministry of Agriculture and Farmer's Welfare; ICRA Research

- The area sown under cotton has consistently trailed the year ago levels since mid-July 2024 in the ongoing kharif sowing season so far (up to September 23, 2024). The cumulative area sown under this crop stood at 11.3 million hectare as on September 23, 2024, a considerable ~9% lower than the corresponding year ago level (12.4 million hectare).
- This may translate to a lower cotton output in 2024-25, as seen in 2023-24 wherein a 1.9% decline in the area sown for cotton led to a 3.4% fall in the output.
- **In addition, the lower output of cotton may weigh upon raw cotton prices (weight in WPI: 0.66%). Moreover, if this trend sustains, it could spill over to the retail clothing segment in the CPI basket (weight in CPI: 5.58%), thereby imparting an upward pressure on the headline CPI inflation.**

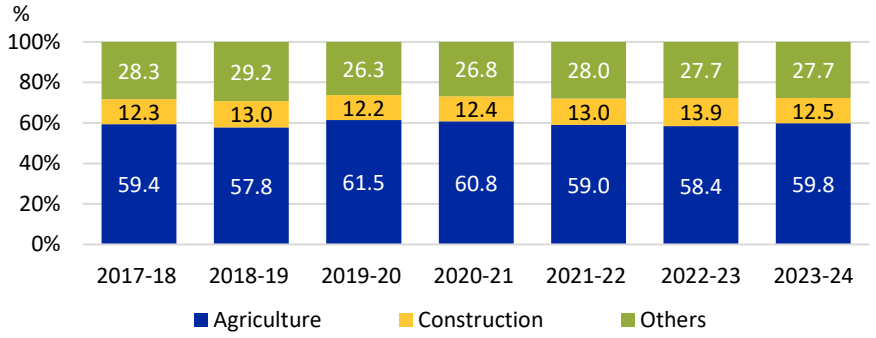
PLFS indicates sharp increase in rural workforce in 2023-24 amid rising female WPR; quality of incremental jobs quite poor

EXHIBIT: Trends in Worker Population Ratio (WPR) in rural India



Data for all years is for July-June period; Source: PLFS, NSO, ICRA Research

EXHIBIT: Percentage distribution of workers by sector in rural India

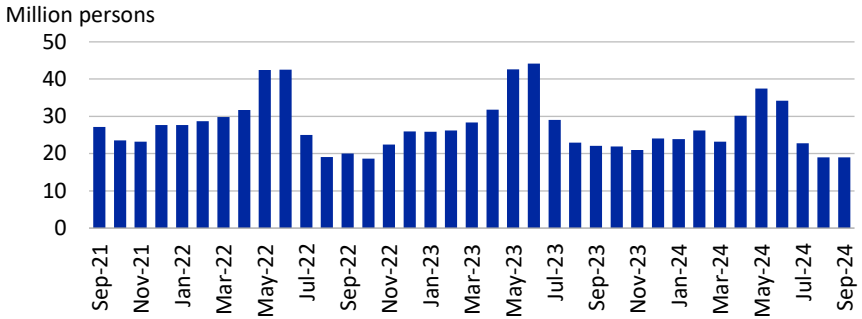


Data for all years is for July-June period; Source: PLFS, NSO, ICRA Research

- As per the Periodic Labour Force Survey (PLFS) for 2023-24 released in September 2024, the worker population ratio (WPR) in rural India rose to 45.6% in 2023-24 from 42.3% in 2022-23, amid an uptick in the participation rates for women (to 34.8% in 2023-24 from 30.0% in 2022-23) and men (to 45.6% from 42.3%). **Based on this and the population estimates released by the Ministry of Health and Family Welfare, ICRA estimates that the size of the workforce in rural India rose to ~412 million in 2023-24 from ~381 million in 2022-23, amid a larger increase in female workers vis-à-vis male workers.**
- Interestingly, the WPR for females in rural India has nearly doubled between 2017-18 and 2023-24, amid a sharp increase in women workers in rural areas. In fact, **females have accounted for nearly three-quarters of the ~105 million increase in the rural workforce during this period. However, this is nothing to cheer about as ~90% of this increase has been on account of self-employment, of which a little more than half is on account of rising helpers in HH enterprises (which is unpaid work). If we were to exclude the helpers in HH enterprises, then the female WPR in rural India would be significantly lower.**
- In terms of the sectoral distribution, agriculture (59.8%) and construction (12.5%) together accounted for 72.3% of all workers in rural India in 2023-24. These two sectors have accounted for ~74% of the incremental jobs added between 2017-18.

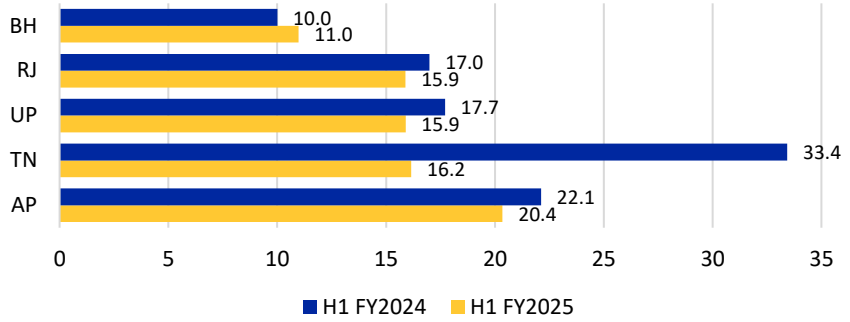
Work demand under MGNREGS moderated by ~16% in H1 FY2025 on a YoY basis

EXHIBIT: Monthly trends in work demanded under MGNREGS (excluding West Bengal)



Source: Ministry of Rural Development, GoI; ICRA Research

EXHIBIT: Top 5 contributing states in work demanded in H1 FY2025 (million)

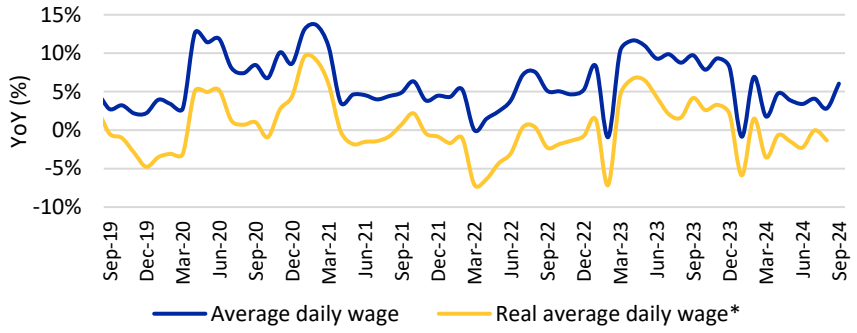


BH: Bihar, RJ: Rajasthan; UP: Uttar Pradesh TN: Tamil Nadu, AP: Andhra Pradesh; Source: Ministry of Rural Development, GoI; ICRA Research

- The work demand under Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), excluding West Bengal (WB) continued to contract on a YoY basis, with the pace of the same widening to 18.0% in Q2 FY2025 from 14.1% in Q1 FY2025. The progress of the monsoon in 2024 was favourable which augured well for sowing during the kharif season, in contrast with the sub-par rains and poor output in the El Nino-affected 2023 kharif season.
- In H1 FY2025, the work demanded at all-India (barring WB) level stood at 162.6 million, 30 million lower than the level seen in H1 FY2024 (192.6 million). States like Tamil Nadu (YoY change: -17.3 million), Odisha (-4.6 million), Jharkhand (-2.0 million), Assam (-1.9 million) and Uttar Pradesh (-1.8 million) saw lower demand for work under this scheme in H1 FY2025 on a YoY basis. Five states, namely, Andhra Pradesh (13% of total demand), Tamil Nadu (10%), UP (10%), Rajasthan (10%) and Bihar (7%) contributed as much as 50% to the overall work demand in India in H1 FY2025.
- Out of the total allocation for MGNREGS of Rs. 860 billion in the FY2025 RBE, nearly 66% or Rs. 564.3 billion had already been spent in H1 FY2025 (including Rs. 141 billion released for prior years). Going forward, the GoI may enhance spending under this scheme over the course of the year in the event of any rural distress or agro-climatic shocks, as seen previously.

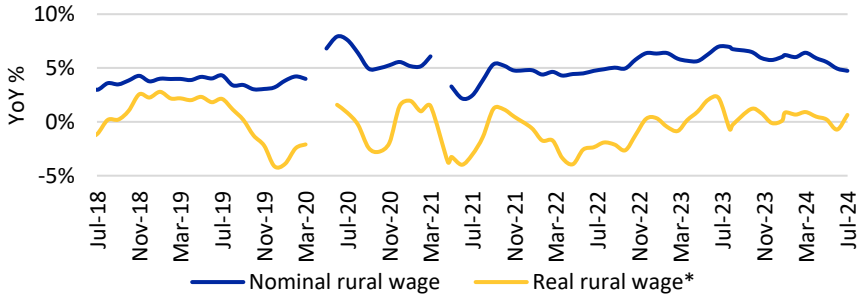
Real average daily wages under MGNREGS were sluggish in July-August FY2025

EXHIBIT: YoY growth in MGNREGS wages in nominal and real terms



**real average daily wage growth is computed by adjusting nominal average daily wage growth with CPI inflation in rural areas; Source: Ministry of Rural Development, GoI; ICRA Research*

EXHIBIT: YoY growth in simple average wage rate for all rural occupations# in nominal and real terms



*#simple average wages of all agricultural and non-agricultural occupations for men; data available up to July 2024 only; *real rural wage growth is computed by adjusting nominal rural wage growth with CPI inflation in rural areas; Source: Labour Bureau, GoI; ICRA Research*

- The YoY expansion in daily average MGNREGS wages improved from 4.0% in Q1 FY2025 to 4.3% in Q2 FY2025. The provisional data for September 2024 reveals that the nominal wage growth improved materially to a seven-month high of 6.1% in the month from just 2.8% in August 2024.
- In real terms, such wages remained negative in four of the five months during April-August FY2025. On a monthly basis, after remaining stagnant in July 2024, real wages declined by 1.3% on a YoY basis in August 2024, with the moderation in nominal wage growth (to +2.8% from +4.1% in July 2024) and slight uptick in CPI rural inflation (to +4.2% from +4.1%).
- In addition, the real rural wage (based on the simple average wage rate for all rural occupations) rose by 0.6% YoY in July 2024 (-0.7% in July 2023), after declining by 0.7% in June 2024 (+2.2% in June 2023). A moderation in the CPI inflation in rural areas (to +4.1% YoY in July 2024 from +5.7% in June 2024), along with a relatively lower dip in the nominal wage growth (to +4.7% from +4.9%) boosted real wages between these months. Overall, real rural wages were up by 0.2% during April-August FY2025, lower than the uptick of 1.1% seen during April-August FY2024.

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