

SOUTHWEST MONSOON 2025 - UPDATE

IMD's forecast of above-normal rainfall in July 2025 to aid kharif sowing; crop output and agri-GVA growth remain contingent on distribution of monsoon

JULY 2025





Click to Provide Feedback

All-India rainfall was above normal at 109% of LPA in June 2025, in line with IMD's forecast. Thereafter, it expects rainfall to be above normal in July 2025 (>106% of LPA).

Kharif sowing was up by 11.3% YoY as on June 27, 2025; further progress will be contingent on distribution of rainfall in July 2025.

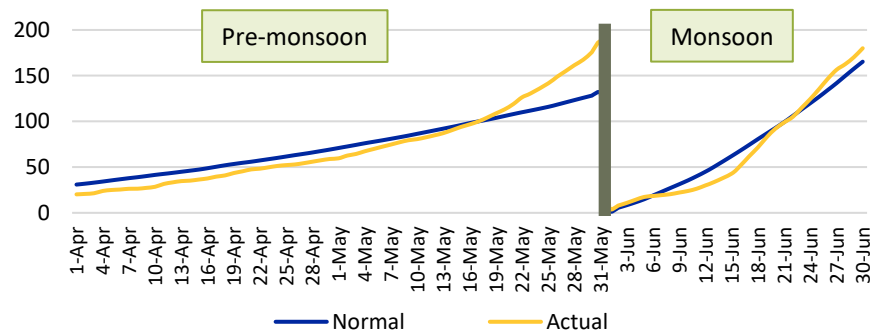
ICRA expects agri-GVA growth to print at 3.5-4.0% in FY2026; episodes of heavy rainfall poses key risks to crop output.



- India received above normal rainfall (109% of long period average or LPA) in June 2025, in line with the India Meteorological Department's (IMD) forecast (>108% of LPA) for the month. The progress of Southwest Monsoon was uneven; after an early onset, rainfall was deficient at 69% of LPA in the first half of the month, and excess at 133% of LPA during June 16-30, 2025.
- Moreover, the spatial distribution of rainfall was uneven in June 2025, with excess rainfall in the Northwest (142% of LPA) and Central (125% of LPA) regions, normal rainfall in the South Peninsula (97% of LPA), and deficient rainfall in the East and Northeast (83% of LPA) region.
- For July 2025, the IMD has predicted above normal rainfall, in excess of 106% of LPA, which augurs well for the ramping up of kharif sowing and replenishing the reservoir levels, which stood at 32% of full reservoir level (FRL) on June 19, 2025, higher than the year ago and historical levels.
- Following a slow start, kharif sowing gained momentum as monsoon progressed after halting in the first half of June 2025. The total area sown exceeded the year ago level by 11.3% as on June 27, driven by an uptick in the area sown for most major crops, apart from cotton (-8.9%).
- The minimum support prices (MSPs) for kharif crops have been raised within a wide range of 1-14% year-on-year (YoY) for the 2025-26 marketing season. Notably, the MSPs announced for all crops exceeded their mandi prices in June 2025, auguring well for farm sentiments.
- While the IMD's expectations of above normal rainfall in July 2025 augur well to accelerate the sowing of kharif crops, given that ~50% of the overall kharif sowing takes place in that month, the spatial distribution of rainfall over the country needs to be monitored.
- Although an above normal monsoon that is timely and well distributed should support agri-GVA growth and rural demand in FY2026, episodes of concentrated heavy rainfall could pose a risk to crop sowing/growth. Assuming a normal monsoon, ICRA expects the GVA growth of agriculture, forestry and fishing to print at 3.5-4.0% in FY2026 (+4.6% in FY2025 as per NSO).

India witnessed above normal rainfall in June 2025 amid sharp pick up at month-end; IMD expects above normal rainfall in July 2025

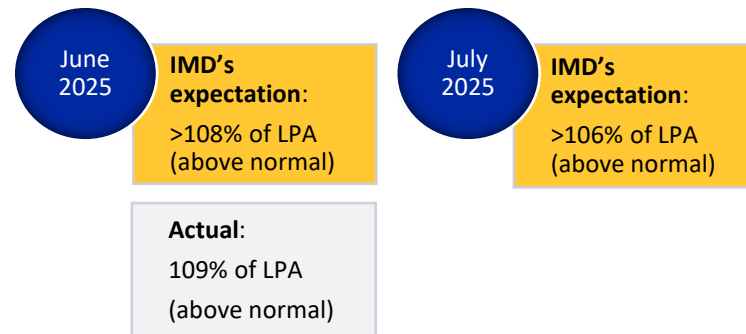
EXHIBIT: Cumulative normal vs. actual rainfall in pre-monsoon and Monsoon season 2025



Source: IMD; CEIC; ICRA Research

- Amid the early onset of the Southwest Monsoons, India received excess rainfall, at 142% of the LPA, during the pre-monsoon season of March-May 2025.
- However, the progress halted in early-June 2025, with the rainfall at pan-India level remaining deficient at 69% of LPA until June 15, 2025. The monsoon picked up subsequently, with excess rainfall at 133% of LPA seen during June 16-30, 2025.

EXHIBIT: Actual vs. IMD's forecast of Monsoon rainfall in June and July 2025

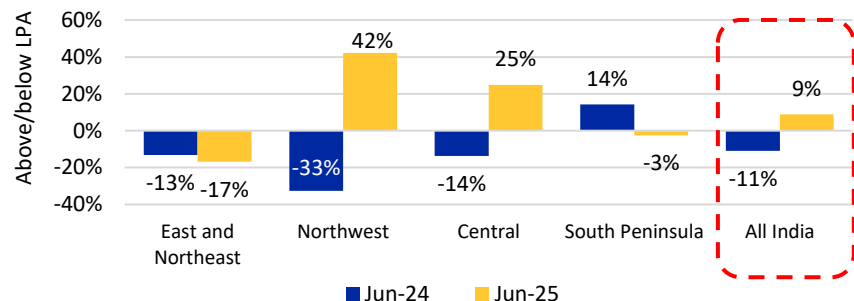


Source: IMD; CEIC; ICRA Research

- Overall, India recorded above normal rainfall (109% of LPA) in June 2025. This was in line with IMD's forecast for the month (>108% of LPA).
- Thereafter, the [IMD has projected](#) the pan-India rainfall to be above normal (> 106% of LPA) in July 2025.
- It expects most parts of the country to receive normal to above normal rainfall in July 2025. However, most parts of Northeast and East India, many areas of extreme South Peninsular India and some areas of Northwest India, are likely to receive below normal rainfall in July 2025.

Spatial distribution of rainfall was highly uneven in June 2025

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 2025

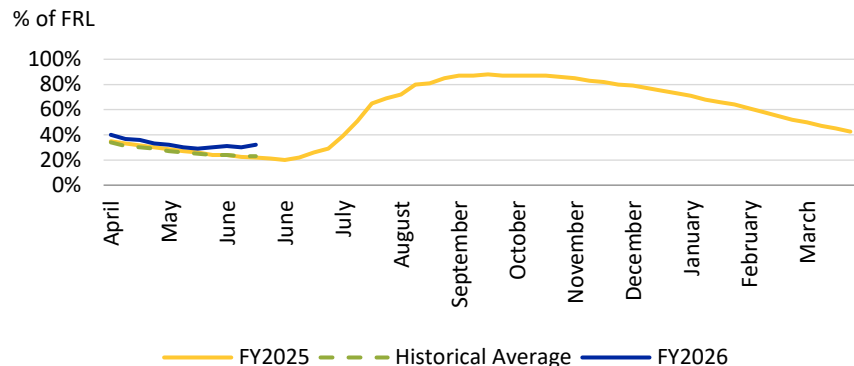
| Category | % of LPA | No. of sub-divisions | Subdivisional % area of country |
|-----------------|-----------|----------------------|---------------------------------|
| Large Excess | above 160 | 7 | 27% |
| Excess | 120-159 | 8 | 16% |
| Normal | 81-119 | 11 | 33% |
| Deficient | 41-80 | 10 | 24% |
| 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, the region wise rainfall distribution during the ongoing monsoon season (till June 30, 2025) has been quite uneven, with excess rainfall in the Northwest (142% of LPA) and Central (125% of LPA) regions, normal rainfall in the South Peninsula (97% of LPA), and deficient rainfall in the East and Northeast region (83% of LPA).
- The spatial distribution of rainfall over the 36 sub-divisions has been skewed during the ongoing Southwest Monsoon season so far (till June 30, 2025), with 11 subdivisions (~33% area of country) reporting normal precipitation, and 10 recording deficient rainfall (~24%). In addition, 15 subdivisions (~43%) received large excess and excess rainfall up to June 30, 2025.

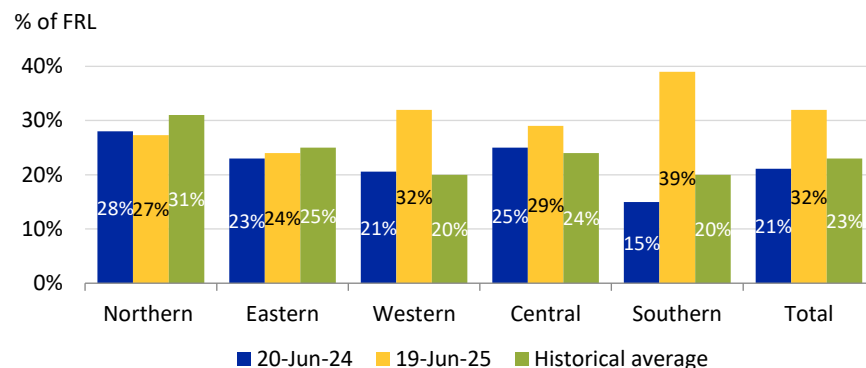
Reservoir storage exceeded year ago and historical levels on June 19, 2025; above normal rains in July 2025 to augur well for reservoir storage

EXHIBIT: Reservoir storage levels as percentage of Live Capacity at FRL



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

EXHIBIT: Region-wise reservoir storage levels

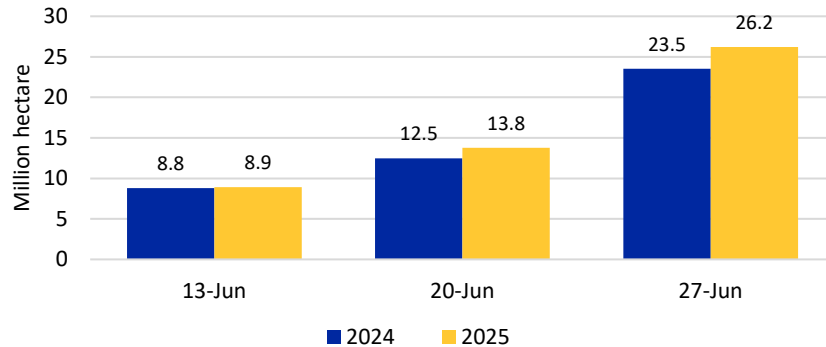


Source: CWC; CMIE; ICRA Research

- The all-India reservoir storage inched up from 30% of the live capacity at FRL at end-May 2025 to 32% of the live capacity at FRL as on June 19, 2025. This was higher than the year ago (21% of FRL) and historical (23% of FRL over past 10 years) levels. Reservoir levels typically chart a seasonal uptick during the Southwest monsoon season (June-September) after the downtrend during the pre-monsoon season (March-May).
- Barring the northern (27% vs. 28%) region, storage levels in all the other regions exceeded the year ago levels as on June 19, 2025, including the southern (39% vs. 15%), western (32% vs. 21%), central (29% vs. 25%), and eastern (24% vs. 23%) regions. Moreover, as compared to the historical levels, the storage in all regions, except northern (-4 pp) and eastern (-1 pp), exceeded their respective historical average levels in the range of 5 pp (Central India) to 19 pp (Southern India).
- **Given the trends in the progress of the monsoon and the expectations of above normal rains in July 2025, reservoir storage is expected to remain healthy.**

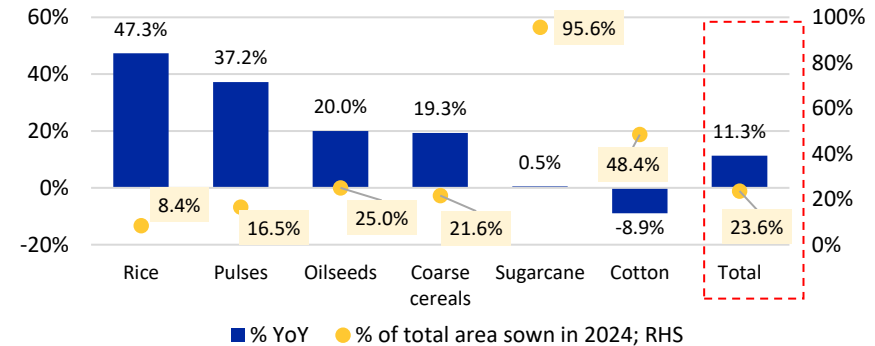
Kharif sowing up by a robust 11.3% YoY as on June 27, 2025, amid early sowing of most crops

EXHIBIT: Cumulative weekly kharif sowing trends



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

EXHIBIT: Trends in Kharif Sowing as on June 27, 2025

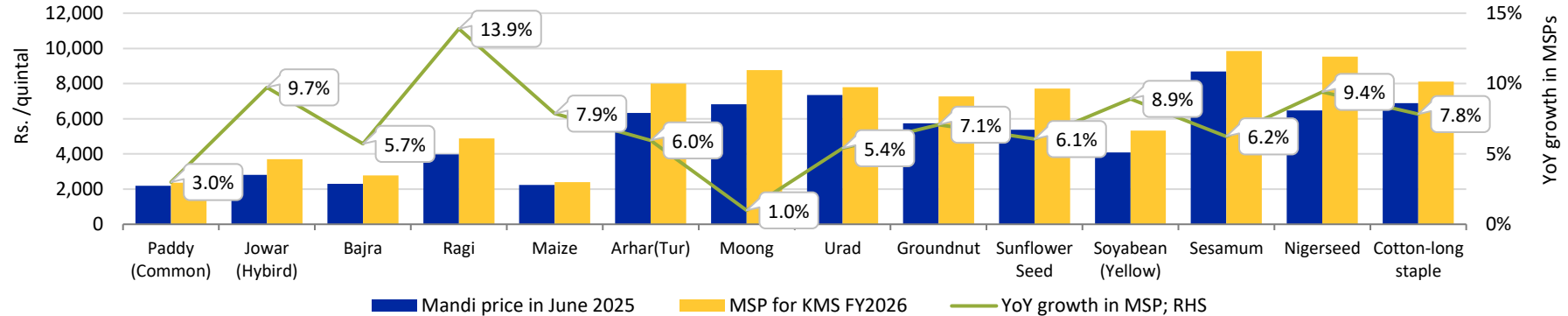


Source: Ministry of Agriculture and Farmers' Welfare; ICRA Research

- Following a slow start, kharif sowing gained momentum as monsoon progressed after having stalled in the first half of June 2025, with acreage increasing by a healthy 11.3% YoY to 26.2 million hectare by June 27, 2025. This accounted for 23.6% of the total area sown in the 2024 season, slightly higher than the corresponding level of 21.2% in 2024.
- The uptick in the total area sown was led by rice (+47.3% YoY; that witnessed an early start to sowing this year), pulses (+37.2%; led by moong and urad), oilseeds (+20.0%; led by groundnut), and coarse cereals (+19.3%; led by bajra and jowar). Among the crops that are usually sown early, the area under sugarcane rose by 0.5% (touching 95.6% of the area sown in 2024) while that under cotton declined by a sharp 8.9%.
- Going forward, the IMD's forecast of above normal rainfall in the ongoing month would augur favourably for kharif crop output, given that nearly ~50% of overall kharif sowing (between 60% and 80% for most foodgrains and oilseeds) typically takes place in the month of July.

MSP increase for kharif crops quite varied; farm sentiments to take cue from progression and distribution of monsoons

EXHIBIT: Minimum Support Prices of Kharif crops for marketing season 2025-26 (absolute and YoY growth) and mandi prices

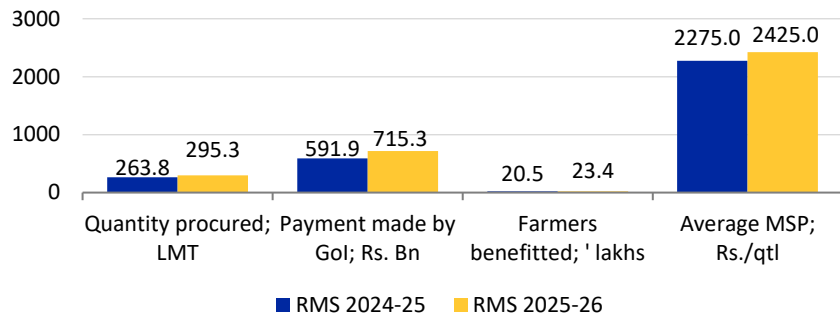


Source: Cabinet Committee on Economic Affairs; Gol; CMIE; ICRA Research

- The Cabinet Committee on Economic Affairs (CCEA) recently announced the minimum support prices (MSPs) for kharif crops for the FY2026 marketing season, with a YoY increase ranging from 1.0% to as high as 13.9%. In absolute terms, the YoY increase in MSPs also ranged widely from Rs. 69/quintal (for common paddy) to Rs. 820/quintal (for nigerseed) in the KMS 2025-26.
- The highest absolute increase in MSP has been announced for nigerseed by Rs. 820/quintal with a YoY rise of 9.4%, followed by ragi (Rs. 596/quintal; +13.9%) and cotton (Rs. 589/quintal; +7.8%). Besides, the MSP growth in oilseeds is healthy in the range of 6-9%. **These trends are likely to encourage farmers to increase the kharif sowing for such crops. Nevertheless, the distribution of rainfall remains key.**
- Notably, the MSPs announced for all crops are higher when compared with their mandi prices in June 2025, auguring well for the farm sentiments.

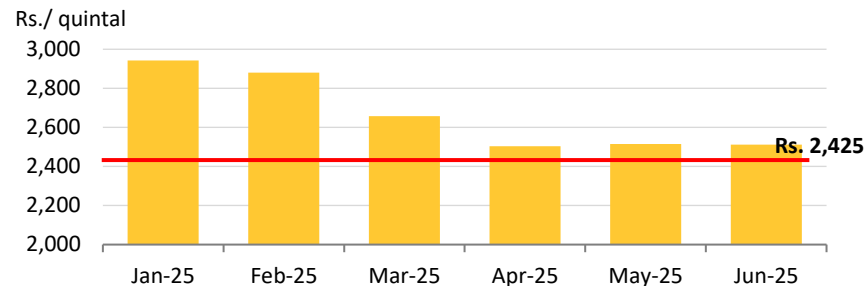
Wheat procurement exceeds year ago levels in RMS 2025-26; ~95% of target set by GoI achieved

EXHIBIT: Trends in Rabi Marketing Season (RMS) 2024-25 and 2025-26 for wheat



Data for RMS 2024-26 is between April-June; Source: CFPP; ICRA Research

EXHIBIT: Monthly average mandi price vs. MSP for wheat

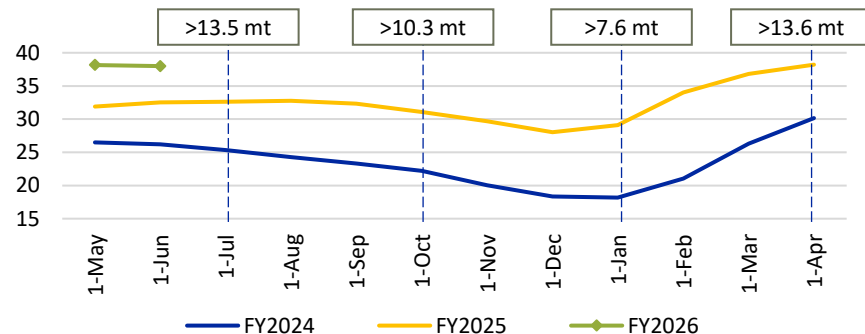


*Red line represents MSP for wheat in RMS 2025-26; Source: CMIE; ICRA Research

- As per the Central Foodgrains Procurement Portal (CFPP), the Government of India (GoI) procured 29.5 MMT of rabi wheat in the ongoing RMS 2025-26 (between April 1, 2025 and June 30, 2025), which is equivalent to ~95% of the target set by the Government for the entire season (31 MMT for wheat), with purchases nearing completion in most of the major producing states. This is 11.9% higher than the level seen in the corresponding period of the previous marketing season (26.4 MMT up to June 30, 2024) and the highest level recorded since FY2022, aided by the record high rabi wheat production (as per 3rd advance estimates/AE for AY2025).
- The GoI's payment to the beneficiary farmers for procurement has risen by a healthy 20.8% YoY to Rs. 715.3 billion in this season so far (up to June 30, 2025), driven by the uptick in quantity procured (+11.9% YoY) and the 6.6% increase in the MSP for wheat in RMS 2025-26, thereby supporting rural farm cash flows and auguring well for consumption. Besides, the market price for wheat (Rs. 2,510.3/quintal) has also trended higher than the indicated MSP (Rs. 2,275/quintal) during April-June 2025, which would have aided open market sales, and augmented incomes.
- Amid increased output of most rabi crops as per 3rd AY2025, the aggregate farm cash flows from the rabi harvest is expected to remain robust. This trend is likely to continue in the upcoming kharif season, given the favourable monsoon outlook.**

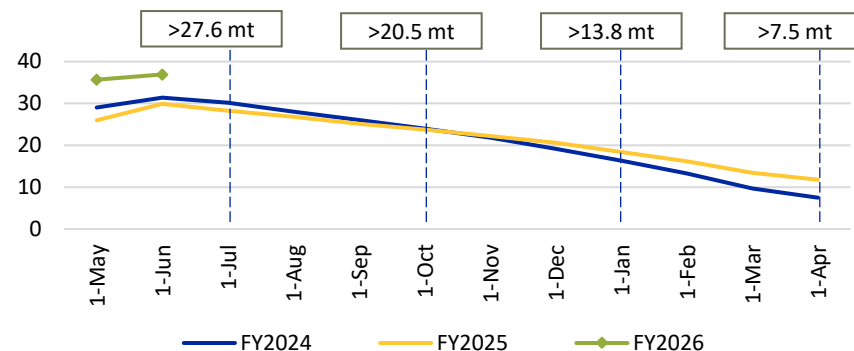
Outstanding stocks of rice and wheat in early-June 2025 stood well above the year ago levels

EXHIBIT: Monthly stock position of rice in Central Pool and minimum buffer norms (million tonne)



Boxes depict stocking norms (operating stock and strategic reserve) required at the beginning of a particular month; Source: Foodgrain Bulletin; ICRA Research

EXHIBIT: Monthly stock position of wheat in Central Pool and minimum buffer norms (million tonne)

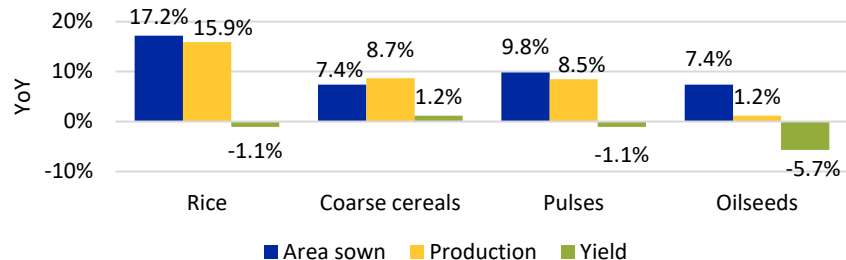


Boxes depict stocking norms (operating stock and strategic reserve) required at the beginning of a particular month; Source: Foodgrain Bulletin; ICRA Research

- The stock of rice held by the FCI and state agencies stood at 38.0 MT on June 1, 2025, 16.8% higher than the year ago levels (32.5 MT on June 1, 2024), aided by uptick in paddy procurement during the KMS 2024-25 (up +4.4% YoY to 51.8 MMT as on May 31, 2025 from 49.6 MMT as on May 31, 2024) as well as the dip in offtake under the National Food Security Act (NFSA) during February-May 2025 (-8.5% YoY). **Such stocks typically peak in April-May, and the current levels are quite healthy compared to the historical levels seen during this period.**
- Likewise, the wheat stocks were also a sharp 23.5% higher YoY at 36.9 MT as on June 1, 2025, as compared to 29.9 MT as on June 1, 2024, supported by record rabi wheat output that has also resulted in the decline in wheat prices in recent months. Notably, the rise in wheat stocks is despite the higher wheat offtake under NFSA during February-May 2025 (+9.8% YoY).

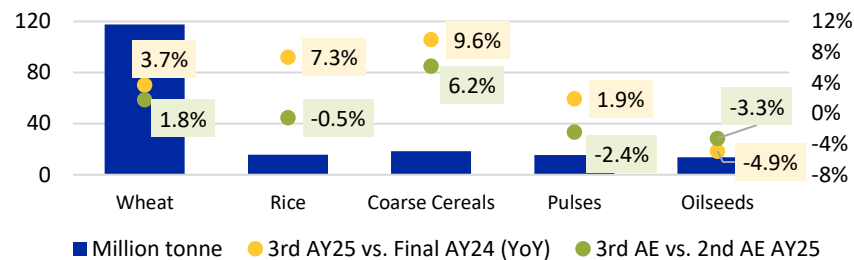
Output of most summer crops is estimated to post healthy growth on higher acreage, amidst tepid yields

EXHIBIT: Output of all major summer crops is estimated to rise on a YoY basis in AY2024-25 as per 3rd AE, despite a fall in yields of most crops



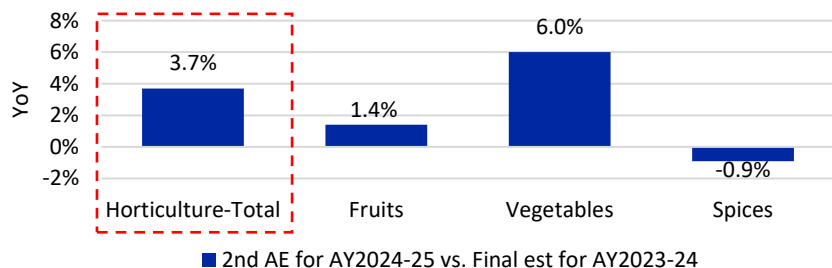
AY: Agricultural Year; Source: Ministry of Agriculture and Farmers' Welfare, GoI; ICRA Research

EXHIBIT: Rabi foodgrain output rose by 4.5% in AY2024-25 as per 3rd AE, resulting in a healthy agri-GVA print of 5.4% in Q4 FY2025



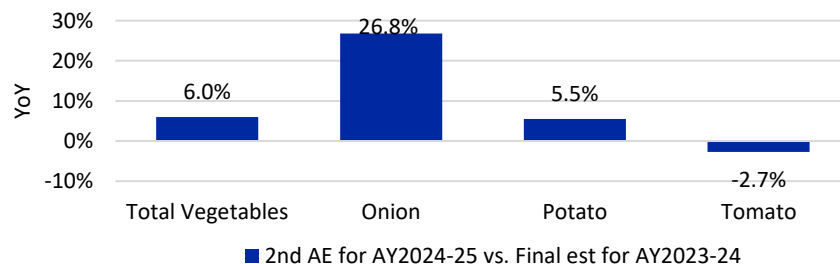
Source: Ministry of Agriculture and Farmers' Welfare, GoI; ICRA Research

EXHIBIT: Horticulture output rose by 3.7% in AY2024-25, as per 2nd AE, led by a robust growth in output of vegetables



Source: National Horticulture Board, GoI; ICRA Research

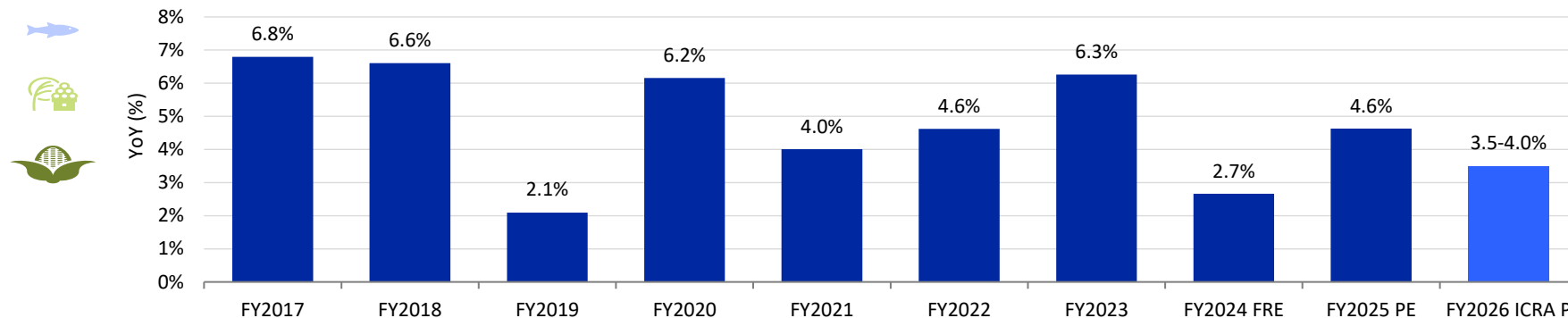
EXHIBIT: Among vegetables, the output of onion (+26.8%) and potato (+5.5%) posted a healthy growth in AY2024-25, while that for tomato (-2.7%) declined



Source: National Horticulture Board, GoI; ICRA Research

Forecast of above normal monsoon augurs well for agri output and rural demand in FY2026, although spatial and temporal distribution remains key monitorable

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

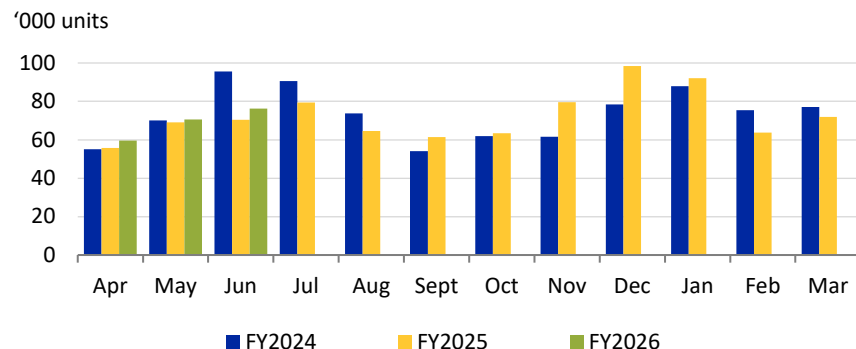


P: Projected; FRE: First Revised Estimates; PE: Provisional Estimates; Source: NSO; CEIC; ICRA Research

- The IMD's expectations of above normal rainfall in July 2025 augurs well to accelerate the sowing of kharif crops as typically ~75% of the overall kharif sowing gets completed by end-July, although the distribution of rainfall across the country needs to be monitored. While an above normal monsoon that is timely and well distributed should support agri-GVA growth and rural demand, episodes of concentrated heavy rainfall could pose a risk to crop sowing/growth.
- Presuming a normal monsoon, **ICRA expects the GVA growth of agriculture, forestry and fishing to print at 3.5-4.0% in FY2026 after growing by 4.6% estimated in FY2025 PE (as per NSO).**

Retail tractor and 2W volumes exceeded year ago levels in Q1 FY2026

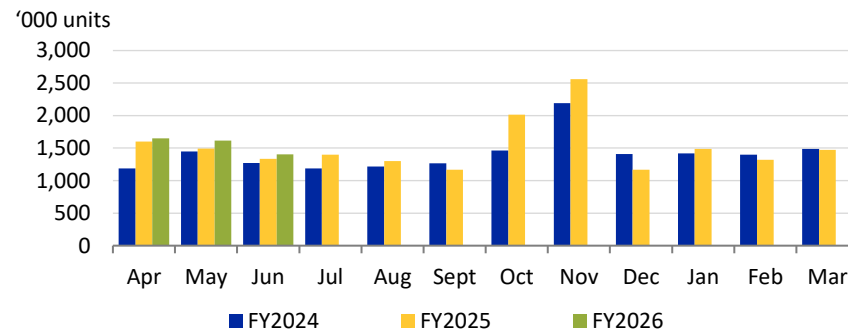
EXHIBIT: Trends in domestic tractor retail volumes



Source: CEIC; ICRA Research

- Domestic retail tractor volumes declined by 1.3% YoY to 870k units in FY2025 (+7.5% in FY2024). Subsequently, such volumes grew by 5.7% YoY to 206.5k units in Q1 FY2026, aided by positive farm sentiments and early arrival of monsoons, as well as a low base (-11.5% YoY in Q1 FY2025).
- ICRA expects wholesale [industry volumes](#) to grow by 4-7% in FY2026 (+7.3% in FY2025). This is likely to be aided by expectations of a normal monsoon and improved farm incomes on account of a rise in agri output as well as MSPs.

EXHIBIT: Trends in domestic two-wheeler (2W) retail volumes

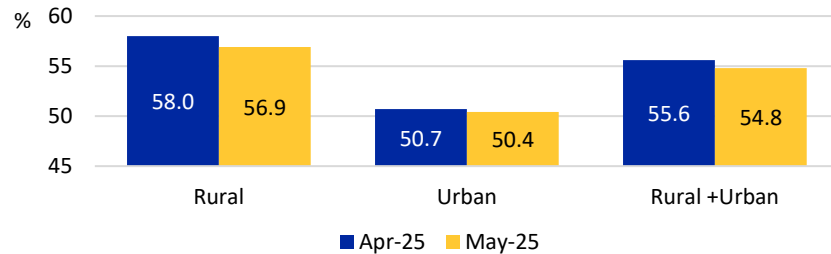


Source: CEIC; ICRA Research

- Domestic two-wheeler (2W) retail volumes rose by 8.1% in FY2025 (+10.0% in FY2025), in contrast with the decline seen in the domestic tractor segment in FY2025. Thereafter, 2W volumes were up by a modest 5.4% YoY in Q1 FY2026 (+13.3% in Q1 FY2025), amidst positive farm sentiments.
- ICRA estimates [two-wheeler](#) wholesale volumes (motorcycles + scooters) to post a 6-9% growth in FY2026, supported by steady replacement demand, and healthy rural incomes, owing to a favourable monsoon forecast.

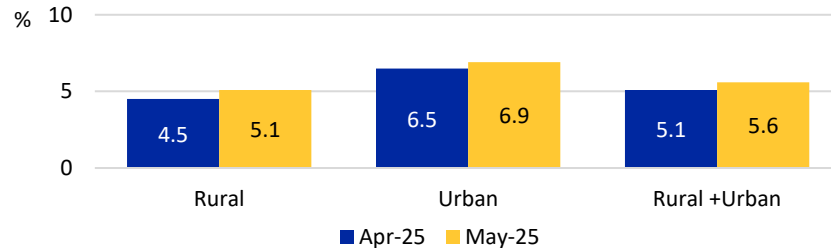
Rural unemployment rate saw an uptick in May 2025 vs. April 2025, partly owing to seasonality

EXHIBIT: The Labour Force Participation Rate (LFPR) declined in May 2025 vis-à-vis April 2025



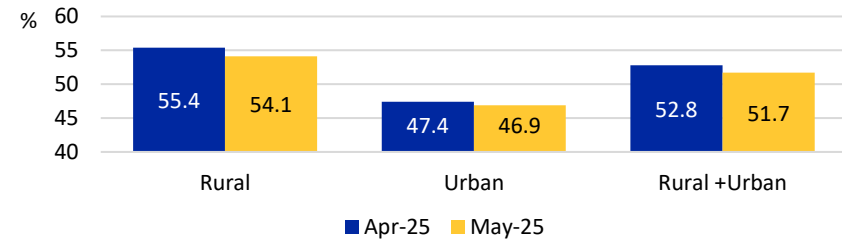
Based on current weekly status (CWS) for persons of age 15 years and above; Source: PLFS-Monthly Bulletin, MOSPI; ICRA Research

EXHIBIT: The Unemployment Rate (UR) rose to 5.6% in May 2025 from 5.1% in April 2025, led by sharper up-move in rural vis-a-vis urban areas, owing to seasonality in the former segment, with the end of rabi harvesting period



Based on CWS for persons of age 15 years and above; Source: PLFS-Monthly Bulletin, MOSPI; ICRA Research

EXHIBIT: The Worker-Population Ratio (WPR) also dipped in May 2025 compared to April 2025, which along with the declining LFPR implies a dip in employment numbers (particularly in rural India)

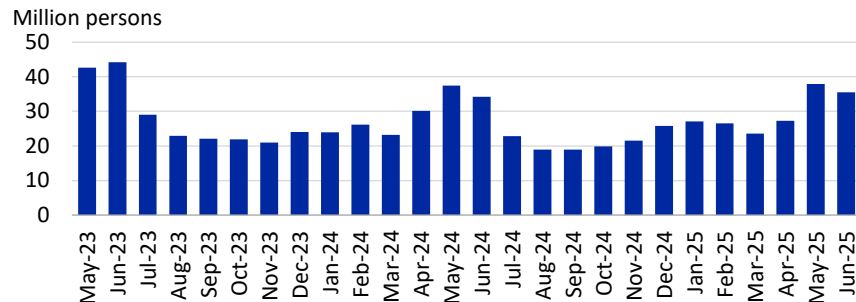


Based on CWS for persons of age 15 years and above; Source: PLFS-Monthly Bulletin, MOSPI; ICRA Research

The steeper dip in LFPR and WPR in rural areas relative to urban areas resulted in the sharper uptick in the rural UR vis-à-vis the urban UR in May 2025, due to seasonality with the end of rabi harvesting period. **Notably, the employment in rural areas shifted away from the agriculture sector (to 43.5% in May 2025 from 45.9% in April 2025, as per the PLFS press note) to secondary and services sectors - this trend may reverse from June 2025 onwards with the onset of kharif sowing season. Nevertheless, the unavailability of month-wise year-ago data makes the analysis of labour market conditions a bit challenging.**

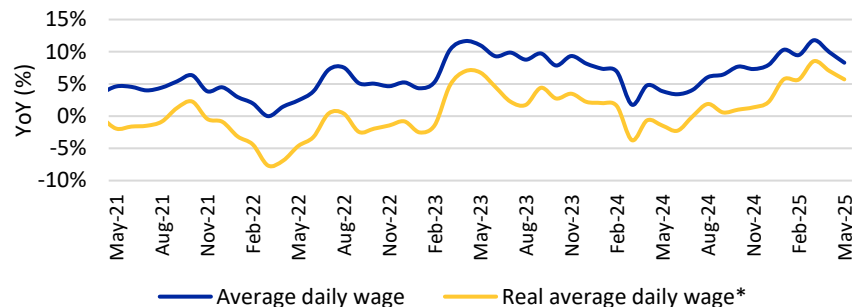
Work demand under MGNREGS witnessed a seasonal decline in June 2025, amidst onset of kharif sowing season

EXHIBIT: Monthly trends in work demanded under MGNREGS^A



^AThis excludes West Bengal as the state has stopped publishing data since October 2023;
Source: Ministry of Rural Development, GoI; ICRA Research

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

- In line with the PLFS findings for May 2025 which saw employment in rural areas shift away from agriculture sector, the work demand under the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), excluding West Bengal (WB), surged to a 23-month high of 37.9 million people in May 2025 (vs. 27.2 million people in April 2025). Thereafter, the work demanded saw a gradual seasonal dip to 35.5 million people (or -6.3% MoM and +3.7% YoY) in June 2025, with the onset of kharif sowing activities.
- In FY2025, work demanded under the scheme had peaked in May 2024 (to 37.4 million people), followed by a gradual decline in the kharif sowing period, wherein it reached its lowest level in September 2024 (18.9 million people). **Thus, the demand under MGNREGS is expected to see a seasonal decline over the coming months.**
- After witnessing a strong YoY growth in March 2025 (+8.5%), the pace of expansion in MGNREGS wages (in real terms) has eased in April 2025 (+7.0%) and May 2025 (+5.7%), on account of greater moderation in nominal wage growth (to +8.3% in May 2025 from +11.8% in March 2025) vis-à-vis the CPI rural inflation (to +2.6% from +3.2%).



Click to Provide Feedback



ICRA

Analytical Contact Details

| Name | Designation | Email | Contact Number |
|--------------------|---|--|-----------------|
| Aditi Nayar | Chief Economist, and Head- Research and Outreach | aditin@icraindia.com | 0124- 4545 385 |
| Rahul Agrawal | Senior Economist | rahul.agrawal@icraindia.com | 022 – 6114 3425 |
| Aarzoo Pahwa | Economist | aarzoo.pahwa@icraindia.com | 0124 – 4545 835 |
| Tiasha Chakraborty | Economist | tiasha.chakraborty@icraindia.com | 0124- 4545 848 |
| Isha Sinha | Associate Economist | isha.sinha@icraindia.com | 022 – 6114 3445 |





ICRA

Business Development/Media Contact Details

| Name | Designation | Email | Contact Number |
|-----------------|--|--|----------------|
| L Shivakumar | Chief Business Officer | shivakumar@icraindia.com | 022-61693304 |
| Neha Agarwal | Head – Research Sales | neha.agarwal@icraindia.com | 022-61693338 |
| Rohit Gupta | Head Business Development – Infrastructure Sector | rohitg@icraindia.com | 0124-4545340 |
| Vivek Bhalla | Head Business Development – Financial Sector | vivek.bhalla@icraindia.com | 022-61693372 |
| Vinita Baid | Head Business Development – East | vinita.baid@icraindia.com | 033-65216801 |
| Shivam Bhatia | Head Business Development – Corporate Sector – North & South | shivam.bhatia@icraindia.com | 0124-4545803 |
| Sanket Kulkarni | Head Business Development – Corporate Sector – West | sanket.kulkarni@icraindia.com | 022-6169 3365 |
| Naznin Prodhani | Head - Group Corporate Communications & Media Relations | communications@icraindia.com | 0124-4545860 |





© Copyright, 2025 ICRA Limited. All Rights Reserved.

All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies, while publishing or otherwise disseminating other reports may have presented data, analyses and/or opinions that may be inconsistent with the data, analyses and/or opinions in this publication. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.



ICRA

Thank You!