ICRA

SOUTHWEST MONSOON 2025 – UPDATE

IMD's H2 forecast implies rainfall in entire Southwest Monsoon season may exceed 106% of LPA, leading to favourable crop outcomes

AUGUST 2025

Highlights

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All-India rainfall was above-normal at 105% of LPA in July 2025, albeit lower than IMD's forecast.

Based on IMD's estimates for Aug-Sep 2025 (>106% of LPA), rainfall at the end of the entire season is implicitly expected to exceed 106% of LPA.

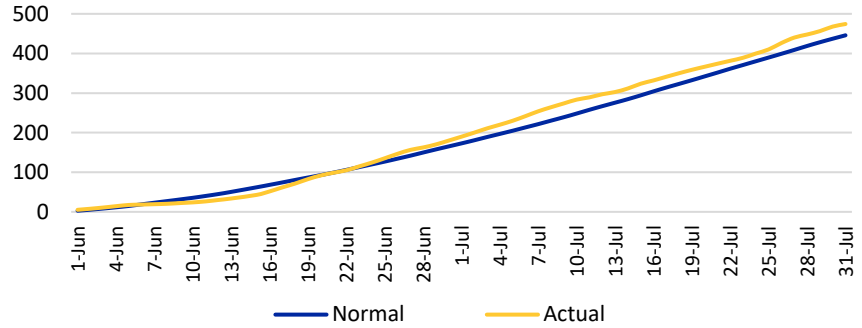
Kharif crops have covered 76% of normal sown area, with YoY growth of 4.0% as at end-July 2025.

ICRA expects agri GVA to grow by 4.5% in Q1 FY2026 and 3.5-4.0% in FY2026.

- India received above-normal rainfall (105% of long period average or LPA) in July 2025, mildly lower than the India Meteorological Department's (IMD) forecast (>106% of LPA) for the month, amid the dip seen in the second half of July (0.5% below LPA), compared to July 1-15 (11% above LPA).
- Cumulatively, the first half of the Southwest (SW) Monsoon reached 106% of LPA in June-July 2025, albeit with an uneven spatial distribution. Based on this, and the IMD's forecast for August-September 2025 (>106% of LPA), the rainfall during the entire Southwest Monsoon season is implicitly estimated to exceed 106% of the LPA, the upper end of IMD's second range forecast (106% +/4% of LPA).
- Aided by favourable monsoon turnout so far, kharif sowing has been completed on 76% of the normal sown area for the season, and is up by a healthy 4.0% YoY as on July 25, 2025, led by *moong*, rice, and maize even as soybean, *arhar* and *urad* trailed in YoY terms. Given these trends, cumulative kharif sowing in the entire season may exceed last year's level by a reasonable margin.
- The IMD's expectation of above-normal rainfall during August-September 2025, augurs well for the continued sowing of kharif crops, and the replenishment of the reservoirs, which in turn will be favourable for rabi sowing. Nevertheless, the spatial and temporal distribution of rainfall remains key, including a timely withdrawal of the rains to allow for well-timed harvesting.
- ICRA estimates the GVA growth of agriculture, forestry and fishing at ~4.5% in Q1 FY2026 (+5.4% in Q4 FY2025) led by healthy growth in output of rabi as well as most summer crops (in AY2024-25 as per 3rd AE). Overall, presuming a healthy turnout for kharif output, ICRA expects the agri GVA growth at ~3.5-4.0% in FY2026 (vs. +4.6% in FY2025 PE).
- Encouragingly, growth in real rural wages moved up swiftly to a multi-year high 4.0% YoY by May 2025 from near zero levels in January 2025, aided by sharp dip in rural CPI inflation (to 69-month low 2.6% in May 2025) and an uptick in nominal wage growth during this period. These trends, with limited risks to inflation in the immediate term, are likely to continue to support rural consumption demand.

India received above-normal rainfall in July 2025; IMD expects rainfall to be normal in August 2025

EXHIBIT: Cumulative normal vs. actual rainfall in Monsoon season 2025



Source: IMD; CEIC; ICRA Research

- After an early onset, the progress of the monsoon was slow in early-June 2025, with the pan-India rainfall remaining deficient at 69% of LPA until June 15, 2025. Thereafter, it picked up, with excess rainfall at 133% of LPA seen during June 16-30, 2025.
- Subsequently, all-India rainfall remained excess at 125% of LPA in the first 10 days of July 2025. However, it has eased somewhat in the following weeks, turning normal at 97% of LPA during July 11-31.

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

July 2025

IMD's expectation: >106% of LPA (above-normal)

Actual: 105% of LPA (above-normal)

August 2025

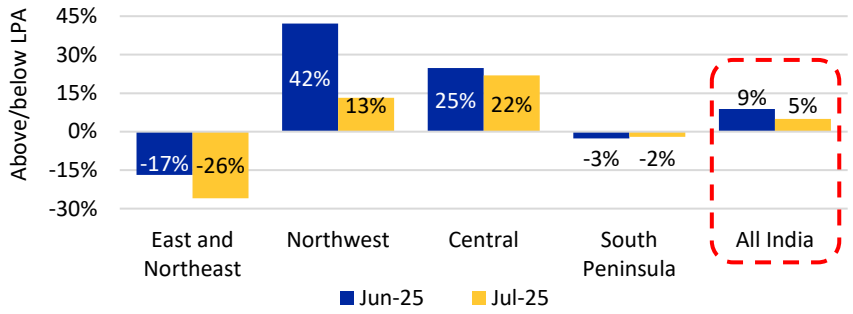
IMD's expectation: 94-106% of LPA (normal)

Source: IMD; CEIC; ICRA Research

- Overall, India recorded above-normal rainfall (105% of LPA) in July 2025, slightly lower than the IMD's forecast for the month (>106% of LPA).
- Thereafter, the IMD has projected the pan-India rainfall to be normal (94-106% of LPA) in August 2025.
- It expects normal to above-normal rainfall over most parts of the country except parts of central India, western parts of peninsular India, northeast India, and some parts of east and northwest India, where it is likely to be below-normal.

Spatial distribution of rainfall has been uneven in the ongoing SW Monsoon season so far

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-July 2025

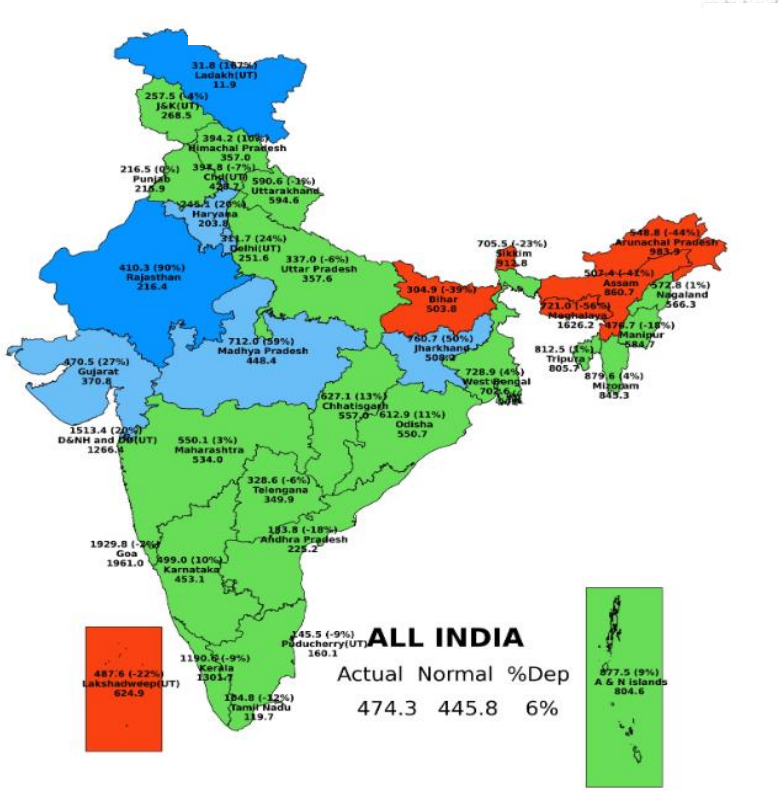
Category	% of LPA	No. of sub-divisions	Subdivisional % area of country
Large Excess	above 160	3	15%
Excess	120-159	8	22%
Normal	81-119	18	47%
Deficient	41-80	7	16%
Large Deficient	0-40	0	0%
No Rain	0	0	0%
Total		**36**	**100%**

Source: IMD; CEIC; ICRA Research

- As per the IMD's classification, the region wise rainfall distribution during the ongoing Monsoon season (till July 31, 2025) has been quite uneven, with excess rainfall in the Northwest (121% of LPA) and Central (123% of LPA) regions, normal rainfall in the South Peninsula (98% of LPA), and deficient rainfall in the East and Northeast region (78% of LPA).
- The spatial distribution of rainfall over the 36 sub-divisions in the country has been somewhat skewed during the ongoing Southwest Monsoon season so far (till July 31, 2025), with only half or 18 subdivisions (~47% area of country) reporting normal precipitation, and 11 subdivisions (~37%) receiving large excess and excess rainfall and 7 recording deficient rainfall (~16%).

Most states received excess/normal rainfall during June-July 2025, apart from some regions in East and Northeast India

EXHIBIT: State-wise monsoon rainfall during June-July 2025



- The state-wise distribution of rainfall reveals that most of the states in Northwest India (UP, Uttarakhand, Punjab, Himachal Pradesh, and J&K) witnessed normal rainfall in June-July 2025, while Delhi and Haryana reported excess rains, and Rajasthan received large excess rainfall.
- Rainfall distribution over Central India was mixed, with states like Odisha, Goa, Maharashtra, and Chhattisgarh receiving normal rains, even as MP and Gujarat saw excess rainfall during this period.
- In addition, nearly all states of South Peninsula recorded normal rainfall during the ongoing SW Monsoon season so far. However, the rainfall distribution was quite uneven in the East and Northeast region.

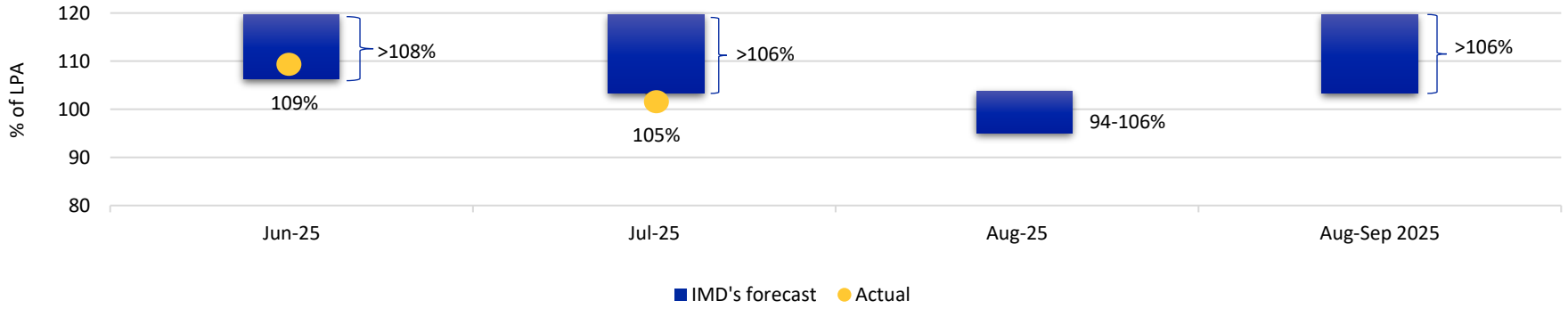
Classification on a disaggregated basis

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)

Source: IMD; CEIC; ICRA Research

Based on actual rainfall during June-July 2025 and IMD's forecast for H2 of season, entire SW Monsoon is expected to exceed LPA by at least ~6%

EXHIBIT: Monthly forecast of monsoon rainfall by the IMD and actual precipitation in the month

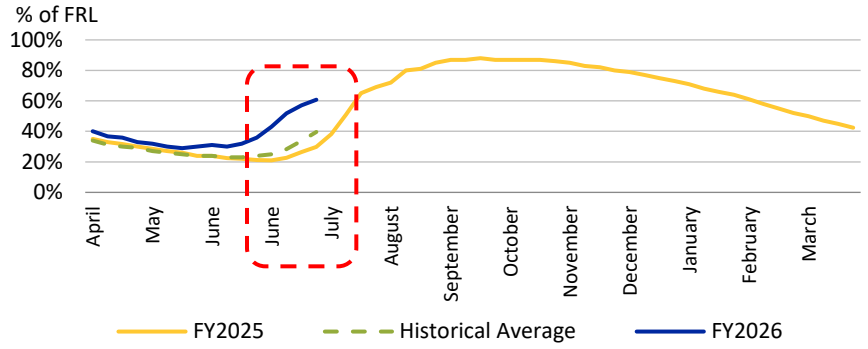


Source: IMD; ICRA Research

- On July 31, 2025, the IMD released its Long-Range Forecast for the second half of the Southwest Monsoon (August-September 2025), which has estimated the volume of rainfall to be above-normal in excess of 106% of the LPA. Moreover, the volume of rainfall in August 2025 is estimated to be normal in the range of 94-106% of LPA, implying that the IMD implicitly expects excess rainfall in September 2025.
- **Given the ~6% surplus during June-July 2025, the entire monsoon rainfall (June-September) in 2025 appears likely to be at 106% of the LPA, even if the actual rainfall in H2 comes in at par with the lower bound of 106% of the LPA estimated by the IMD for the second half of the season. Consequently, the Southwest Monsoon appears set to be at least ~6% above-normal/LPA based on the projection of the IMD for the second half of the season.**

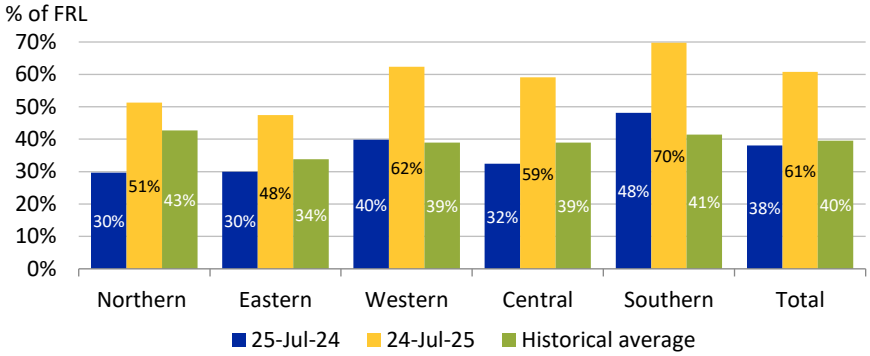
Reservoir storage stood at a healthy 61% of live capacity at FRL, exceeding the year-ago and historical levels as on July 24, 2025

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

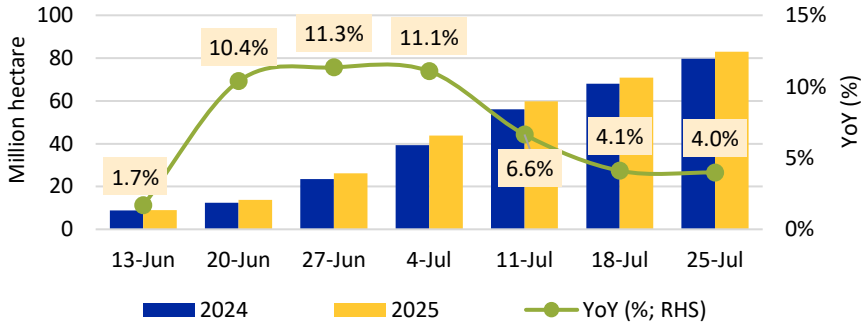


Source: CWC; CMIE; ICRA Research

- Boosted by the above-normal Southwest rains until end-July 2025, the all-India reservoir storage more-than-doubled to 61% of the live capacity at FRL as on July 24, 2025 from 30% of the live capacity at FRL at end-May 2025. This is significantly higher than the year ago (38% of FRL) and historical (40% 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).
- Moreover, storage levels in all regions exceeded their respective year ago levels as on July 24, 2025, in the range of 27 pp (Central India: 59% vs. 32%) to 18 pp (Eastern India: 48% vs. 30%). Even as compared to the historical levels, the storage in all regions exceeded their respective historical average levels.
- **Given the IMD's forecast of an above-normal rainfall in the second half of the Monsoon season (>106% of LPA during August-September 2025), reservoir levels are expected to remain healthy. This is expected to augur well for the sowing of rabi crops later in the year.**

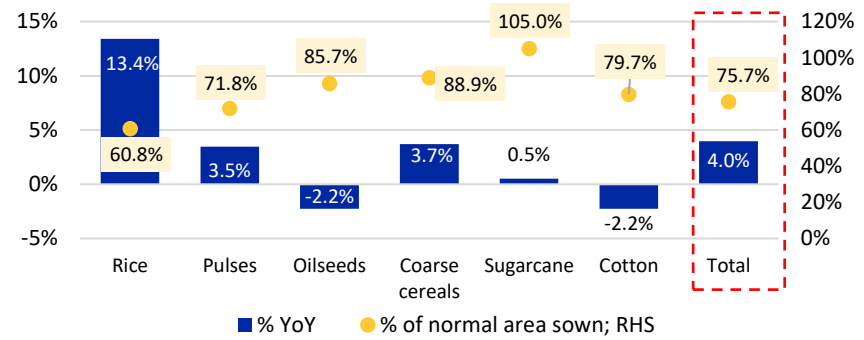
Kharif sowing completed on 76% of normal sown area for the season as on July 25, 2025, with YoY growth of 4.0%

EXHIBIT: Cumulative weekly kharif sowing trends



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

EXHIBIT: Trends in Kharif Sowing as on July 25, 2025



**Normal area is computed as five-year average of total kharif sowings; Source: Ministry of Agriculture and Farmers' Welfare; ICRA Research*

- While kharif sowing has surpassed the corresponding year-ago levels so far through the season, the momentum of YoY growth has narrowed from 11.3% seen in end-June 2025 to 4.0% as on July 25, 2025, as the base enlarged. The sown area stands at 82.9 million hectare (vs. 79.8 million hectare in the year-ago period), accounting for 75.7% of the normal area sown for the season (five-year average of total kharif sowing), higher than the corresponding level of 72.8% (of normal area) in 2024.
- The uptick was led by rice (up +13.4% YoY), pulses (+3.5%; led by moong even as the acreage for *arhar* and *urad* dipped), and coarse cereals (+3.7%; primarily driven by maize whose sowing stands at 108% of the normal area amid higher demand of the crop for biofuel purposes).
- In contrast, the area sown under oilseeds (-2.2%), primarily driven by soybean (-3.8% YoY; that typically constitutes 65% of the normal area sown under oilseeds) dipped likely owing to unremunerative price of soybean to farmers (Mandi price of Rs. 4,091/quintal in June 2025 and Rs. 4,155/ quintal in July 2025 trending lower than MSP). Additionally, acreage under commercial crops like cotton and jute & mesta declined as on end-July 2025.
- **Cumulative kharif sowing at the end of the ongoing season can meet last year's level (110.9 million hectare), even if it contracts by ~10% YoY in the remainder of the season. ICRA expects kharif sowing in the entire season to exceed last year's level by a reasonable margin**.

Moong, rice, and maize witnessed healthy growth in sowing, while soybean, arhar and urad trailed the year-ago levels

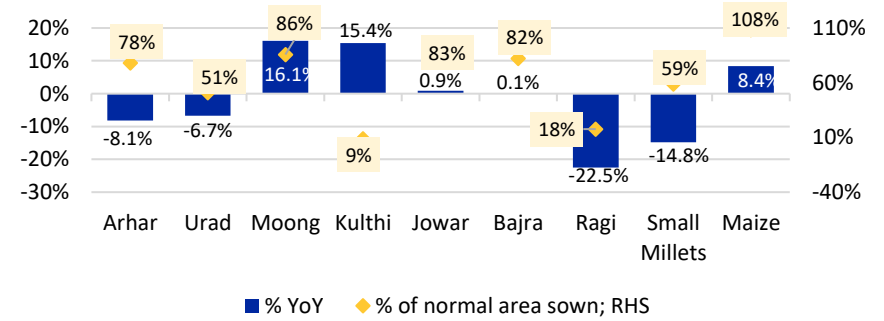
Crop-wise sowing trends

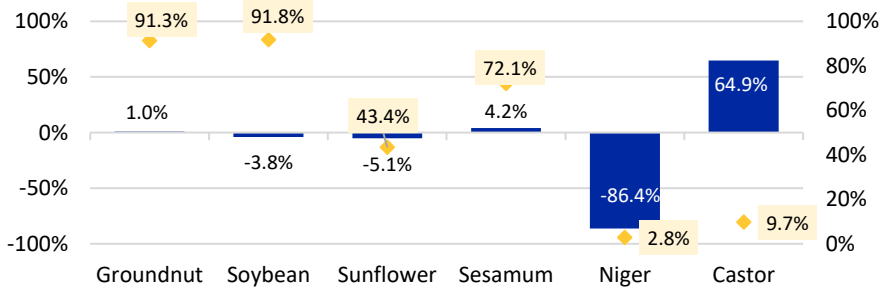
The area sown under pulses stood at 72% of the normal area as on July 25, 2025 vs. 69% in the year-ago period. On a YoY basis, it is up by 3.5%, led by moong (+16.1%) while arhar (-8.1%) and urad (-6.7%; wherein sowing extends till mid-Sept) declined.

Coarse cereals acreage stood at 89% of the normal area vs. 86% in 2024. The 3.7% expansion in the same was primarily led by sowing of maize (+8.4%), likely supported by higher demand of the crop for biofuel purposes.

Acreage under oilseeds contracted by 2.2% YoY; led by sunflower (-5.1%), soybean (-3.8%) and niger (-86.4%), coupled with muted growth in groundnut (+1.0%).

EXHIBIT: Trends in sowing of crops under pulses, coarse cereals and oilseeds as on July 25, 2025

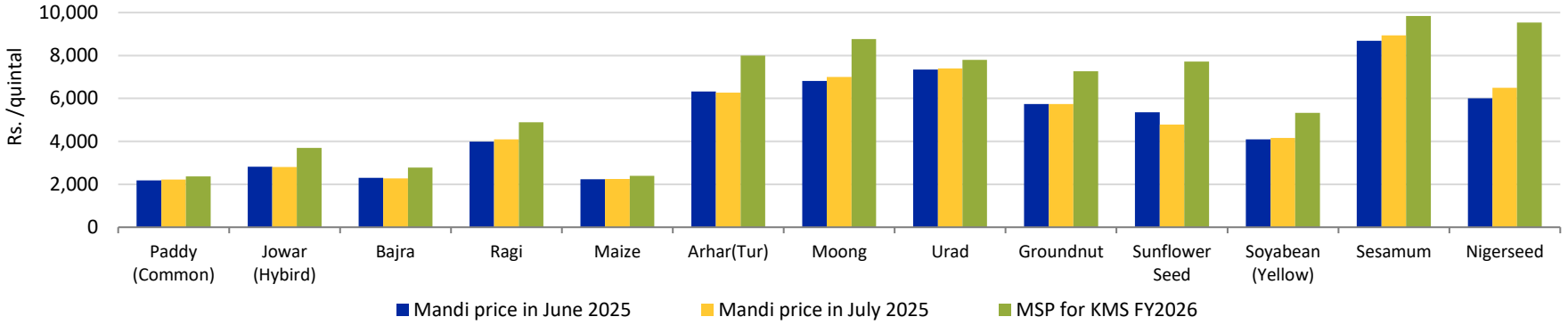




Source: Ministry of Agriculture and Farmers' Welfare; ICRA Research

Mandi prices trailed the MSP for all kharif crops in July 2025

EXHIBIT: Monthly Mandi prices and Minimum Support Prices of Kharif crops for marketing season 2025-26

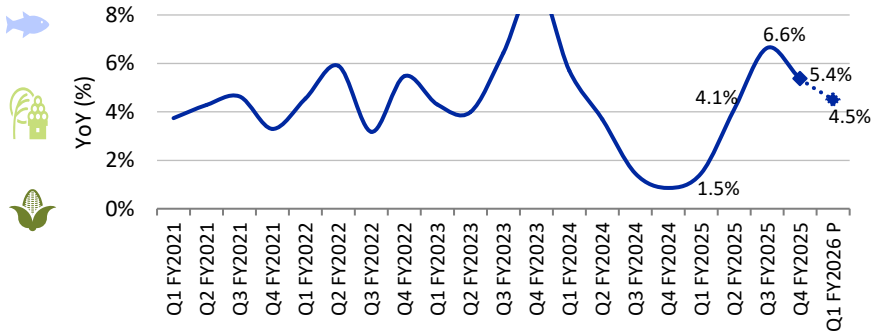


Source: Cabinet Committee on Economic Affairs; GoI; CMIE; ICRA Research

- The minimum support prices (MSPs) for kharif crops for the FY2026 marketing season, as announced by the Cabinet Committee on Economic Affairs (CCEA), saw a YoY increase ranging 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 was 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 remained healthy in the range of 6-9%.
- Even as the mandi prices of most crops have inched up in July 2025 vis-à-vis June 2025, they continue to trail their respective MSPs. For instance, the MSPs exceed the July mandi prices by at least Rs. 1,000/quintal for groundnut oil (difference of Rs. 1,526/ quintal), *arhar* (Rs. 1,724/quintal), *moong* (Rs. 1,773/quintal), sunflower seed (Rs. 2,932/quintal), soybean (Rs. 1,173/quintal) and nigerseed (Rs. 3,037/quintal). However, mandi prices for paddy (Rs. 150/quintal) and maize (Rs. 156/quintal) trailed the MSPs by significantly lower margins, thus, supporting the sowing activity.

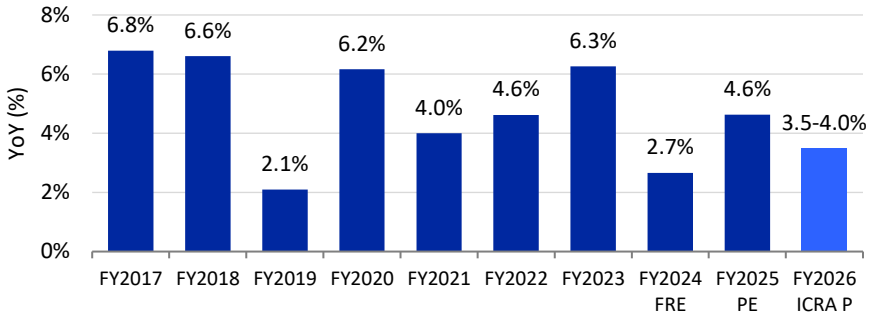
ICRA expects agri GVA to expand by ~4.5% in Q1 FY2026, supported by healthy growth in output of rabi and summer crops in AY2024-25

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)

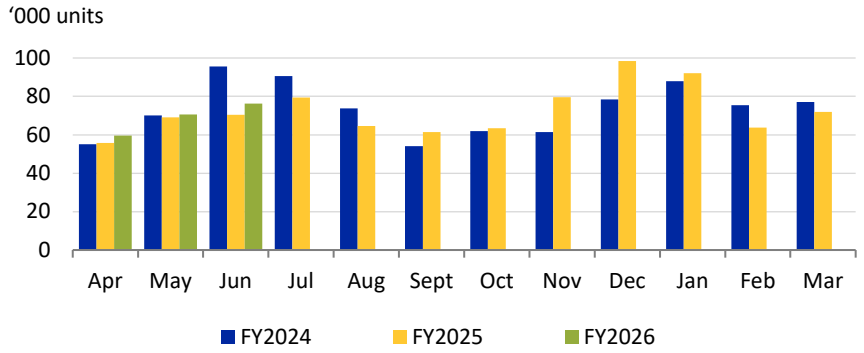


P: Projected; FRE: First Revised Estimates; PE: Provisional Estimates; Source: NSO; CEIC; ICRA Research

- The IMD's expectations of above-normal rainfall during August-September 2025, coupled with the prevailing neutral El Nino, augurs well to support the sowing of kharif crops, although the distribution of rainfall across the country needs to be monitored during the rest of the season. Episodes of excess rainfall in parts of the country for a prolonged period could harm the standing kharif crops and/or dampen such yields. A timely withdrawal of the rains would allow for well-timed harvesting. Nevertheless, an above-normal rainfall in the second half of the monsoon would help replenish reservoirs, portending well for the rabi crops.
- **ICRA projects the pace of expansion in the agri-GVA to moderate slightly to ~4.5% in Q1 FY2026 (+1.5% in Q1 FY2025) from 5.4% in Q4 FY2025 (+0.9% in Q4 FY2024), while remaining robust, led by healthy growth in output of rabi and most summer crops (in AY2024-25 as per 3rd AE). Overall, presuming a healthy turnout for kharif output, ICRA expects the GVA growth of agriculture, forestry and fishing to print at 3.5-4.0% in FY2026 (vs. +4.6% in FY2025 PE).**

Domestic retail tractor and 2W volumes expanded by ~6% in Q1 FY2026

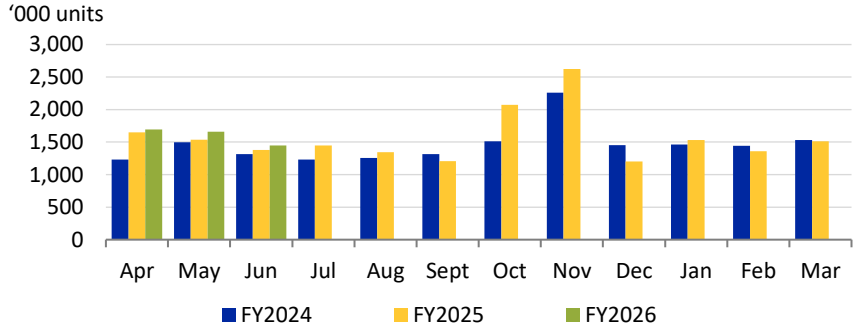
EXHIBIT: Trends in domestic tractor retail volumes



Source: CEIC; ICRA Research

- Domestic retail tractor volumes had declined by 1.3% YoY to 870k units in FY2025 (+7.5% in FY2024). Subsequently, such volumes grew by 5.7% YoY to 206.6k units in Q1 FY2026, aided by positive farm sentiments and an early arrival of the monsoon, 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), supported by a favourable monsoon forecast. Moreover, pre-buying ahead of the TREM V emission norms, proposed to take effect from April 1, 2026, could further aid volume growth.**

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

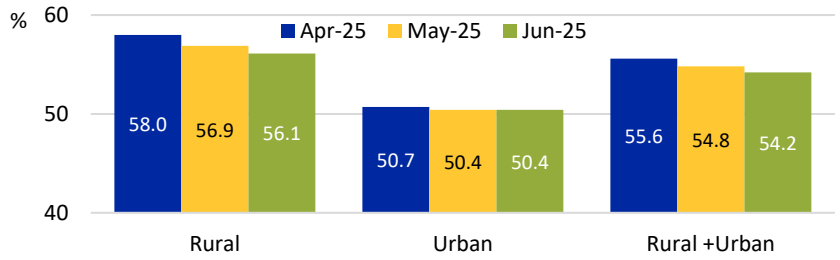


Source: CEIC; ICRA Research

- Domestic two-wheeler (2W) retail volumes had risen by a healthy 7.8% in FY2025 (vs. +9.4% in FY2024), in contrast with the contraction seen in the domestic tractor segment. Thereafter, 2W volumes increased by a modest 5.1% YoY in Q1 FY2026 (+13.0% 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.**

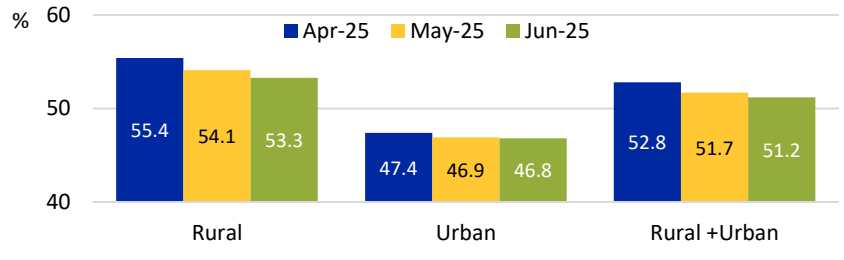
Labour market conditions deteriorated in rural areas in June 2025

EXHIBIT: The Labour Force Participation Rate (LFPR) eased for the second consecutive month in June 2025, amid a fall in LFPR in rural areas



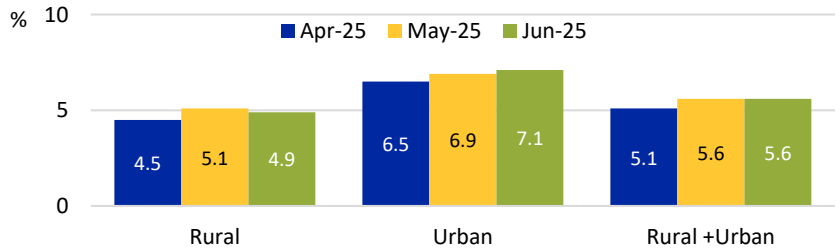
Based on CWS for persons of age 15 years and above; Source: PLFS-Monthly Bulletin, MOSPI; ICRA Research

EXHIBIT: The Worker-Population Ratio (WPR) moderated further in June 2025 in both urban and rural areas



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

EXHIBIT: Although the Unemployment Rate (UR) remained unchanged at 5.6% in June 2025, contrasting trends were witnessed in rural and urban areas

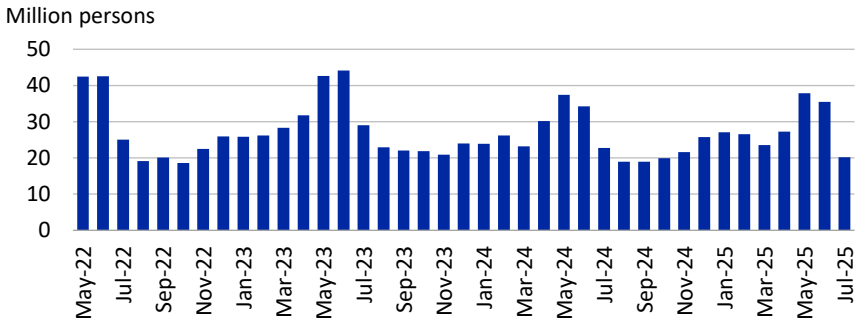


Based on CWS for persons of age 15 years and above; Source: PLFS-Monthly Bulletin, MOSPI; ICRA Research

- A dip in the LFPR and WPR in rural areas in June 2025 vs. May 2025 coupled with a decline in the UR, implies that people dropped out of labour force in rural India.
- As per the PLFS press note, this was largely influenced by seasonal agricultural patterns and a shift of some unpaid helpers, particularly from higher-income rural households, towards domestic chores. Nevertheless, the unavailability of month-wise year-ago data makes the analysis of labour market conditions challenging.

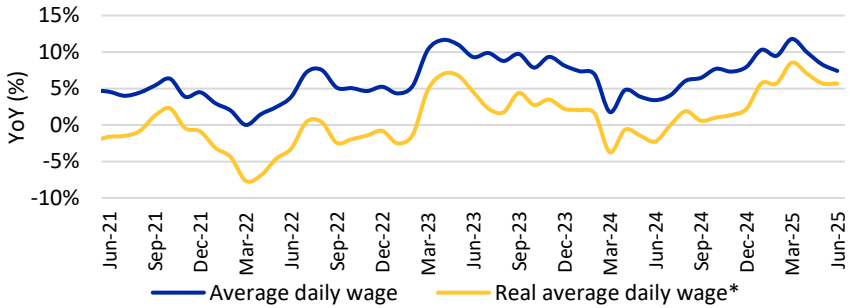
Work demand under MGNREGS witnessed a seasonal dip in June and July 2025; subdued real wages under the scheme remain a key concern

EXHIBIT: Monthly trends in work demanded under MGNREGS^



^This 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

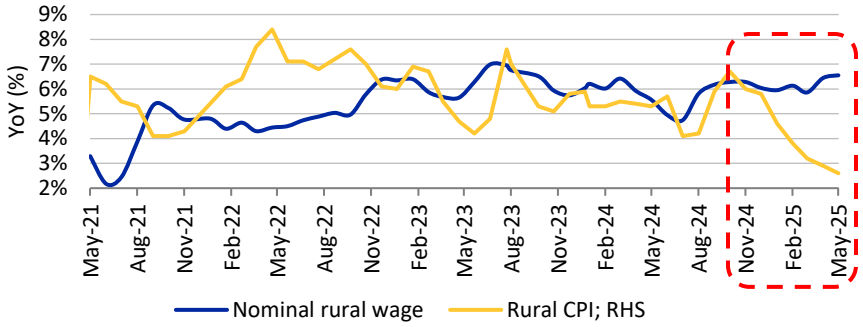


**real average daily wage growth is computed by adjusting nominal average daily wage growth with CPI inflation in rural areas; Source: Ministry of Rural Development, GoI; ICRA Research*

- In line with the PLFS findings for June 2025, which saw people dropping out of the labour force in rural India (vis-à-vis May 2025 levels), the work demanded under the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), excluding West Bengal (WB), also declined to 35.4 million people in June 2025 from a 23-month high of 37.9 million people in May 2025. Thereafter, the work demanded under the scheme expectedly saw a dip to 20.2 million people in July 2025, although this was largely seasonal in nature, driven by a pick-up in kharif sowing activity. Overall, during 4M FY2026, the work demanded has contracted by 3.1% on a YoY basis.
- 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) eased to 7.0% in April 2025 and thereafter to 5.7% each in May 2025 and June 2025, mainly on account of greater moderation in nominal wage growth (to +7.4% in June 2025 from +11.8% in March 2025) that more than offset the support from falling CPI rural inflation (to +1.7% from +3.3%).

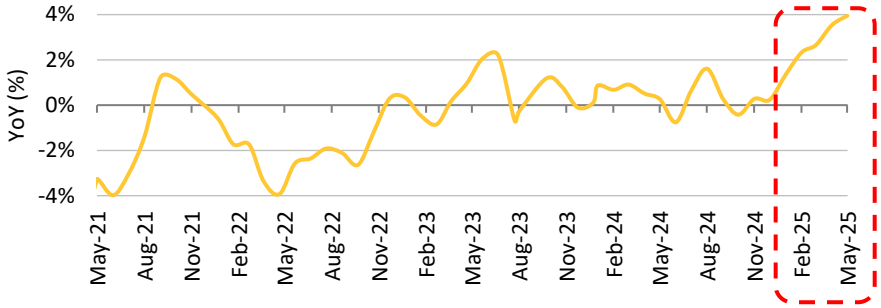
Real rural wage growth at multi-year high 4.0% YoY in May 2025, led by substantial cooling in inflation

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



Source: Labour Bureau, GoI; ICRA Research

EXHIBIT: YoY growth in simple average wage rate for all rural occupations# in real terms (adjusted for inflation)



**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 growth in the simple average wage rate for all rural occupations, which includes both agricultural and non-agricultural occupations, had bottomed out in July 2024, before rising gradually to 6.3% in November 2024. Thereafter, it hovered around 6% over the next three months, and eased to 5.9% in March 2025, partly impacted by the adverse base.
- In the beginning of the ongoing fiscal, nominal wage growth rose appreciably to 6.4% in April 2025, and inched up to a 21-month high of 6.5% in May 2025, with a falling base, as off-season (peak summer) period leads to people dropping out of the labour force likely influenced by seasonal agricultural patterns and a shift of some unpaid helpers towards domestic chores.
- Encouragingly, the YoY growth in real rural wages (nominal wages adjusted by rural CPI) moved up swifty to a multi-year high of 4.0% YoY by May 2025 from near zero levels in January 2025. This stemmed from the considerable softening in rural CPI inflation (to 69-month low 2.6% in May 2025) combined with an uptick in nominal wage growth. These trends, along with limited risks to inflation, would support rural consumption demand in FY2026.

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Thank You!