ICRA

SOUTHWEST MONSOON 2025 – UPDATE

Season rainfall likely to exceed 107% of LPA; adverse base to weigh on Q2 FY2026 agri-GVA growth print, despite higher kharif acreage

SEPTEMBER 2025

Highlights

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India received above-normal rains at 105% of LPA in August 2025.

Based on IMD's September forecast, entire season's rainfall is estimated to print in excess of 107% of LPA.

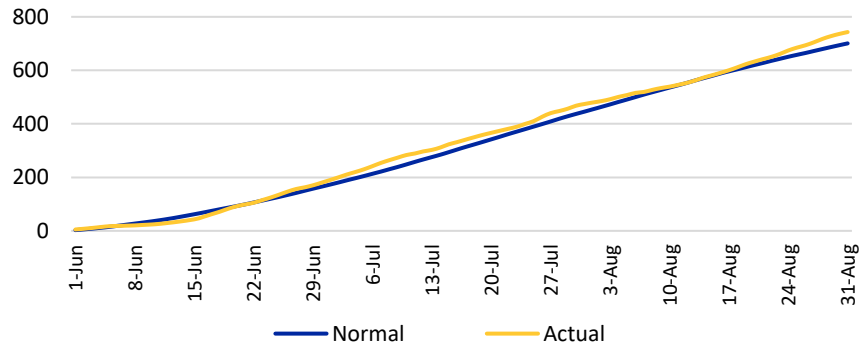
Kharif sowing was up by 3.4% as on August 22, 2025; ICRA estimates the acreage at end of the season to surpass last year's level by 2.0%.

Despite higher kharif acreage, adverse base is expected to keep agri-GVA growth around 3.5% in Q2 FY2026.

- India received above-normal rainfall (105% of long period average or LPA) in August 2025, in line with the India Meteorological Department's (IMD's) forecast (94-106% of LPA) for the month, amid a pickup seen in the second half of August (33% above LPA), compared to August 1-15 (20% below LPA).
- Cumulatively, the Southwest (SW) Monsoon reached 106% of LPA during June-August 2025, albeit with an uneven spatial distribution. Based on this, and the IMD's forecast for September 2025 (>109% of LPA), the rainfall during the entire Southwest Monsoon season is implicitly estimated to exceed 107% of the LPA, the upper end of IMD's second long-range forecast (106% +/-4% of LPA).
- Aided by favourable monsoon turnout so far, kharif sowing has been completed on 98% of the normal sown area for the season, and is higher by 3.4% YoY as on August 22, 2025, led by rice, urad, maize, and sugarcane, even as soybean, groundnut, and *arhar* trailed in YoY terms. Given these trends, cumulative kharif sowing in the entire season may exceed last year's level by ~2.0%.
- The IMD's forecast of above-normal rains in September 2025 would continue to boost reservoir storage levels, which will be favourable for a timely onset of rabi sowing. Nevertheless, heavy bouts of rainfall in September 2025 would pose risks to the timely harvest and eventual yield of the standing crops.
- While kharif acreage is estimated to surpass last year's area, an adverse base is anticipated to keep the agri-GVA growth at around 3.5% in Q2 FY2026 (+4.1% in Q2 FY2025), similar to 3.7% seen in Q1 FY2026 (+1.5% in Q1 FY2025). Moreover, excess rainfall and flooding in various parts of the country in August 2025 raised concerns on the yields for kharif crops. Overall, ICRA expects the GVA growth of agriculture, forestry and fishing to print at 3.3% in FY2026 (vs. +4.6% in FY2025 PE).
- Encouragingly, growth in real rural wages surged 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 +2.6% in May 2025) and an uptick in nominal wage growth. The sizeable moderation in the rural CPI to a record low of 1.2% in July 2025 from 1.7% in June 2025 is likely to ease the pressure on the real wage growth in these months.

India received above-normal rainfall in August 2025; IMD expects rainfall to remain at above-normal levels in September 2025

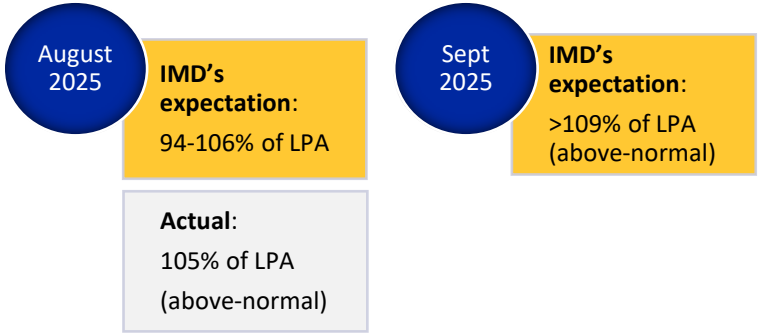
EXHIBIT: Cumulative normal vs. actual rainfall in Monsoon season 2025



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 till June 15. Thereafter, it picked up, with excess rainfall at 133% of LPA during June 16-30, and remained excess at 125% of LPA in the first 10 days of July 2025. However, momentum of rainfall eased somewhat in the following weeks, turning normal at 97% of LPA during July 11-31.
- In August 2025, the all-India rainfall was deficient at 80% of LPA during August 1-15, 2025, before reverting to excess in the last 15 days of the month (133% of LPA).

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

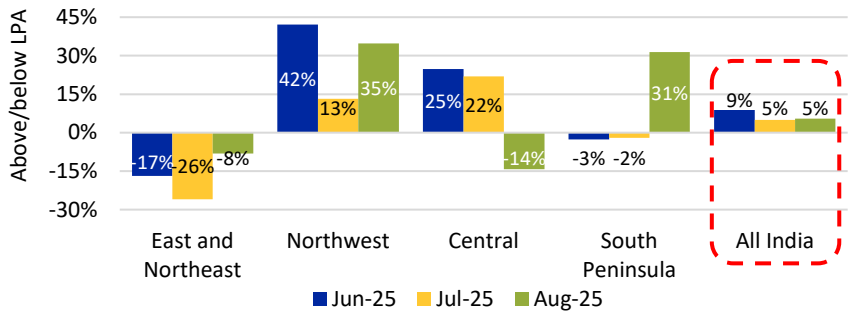


Source: IMD, CEIC, ICRA Research

- Overall, India recorded above-normal rainfall (105% of LPA) in August 2025, in line with IMD's forecast for the month (94-106% of LPA).
- Thereafter, the IMD has projected the pan-India rainfall to be above-normal (>109% of LPA) in September 2025. Notably, it expects normal to above-normal rainfall over most parts of the country except some parts of Northeast and East India, many areas of extreme South Peninsular India and some parts of northernmost India, where it is likely to be below-normal.

While ~52% of area of the country has received normal rainfall, ~39% reported excess and large excess rains during June-August 2025

EXHIBIT: Region-wise monthly 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-August 2025

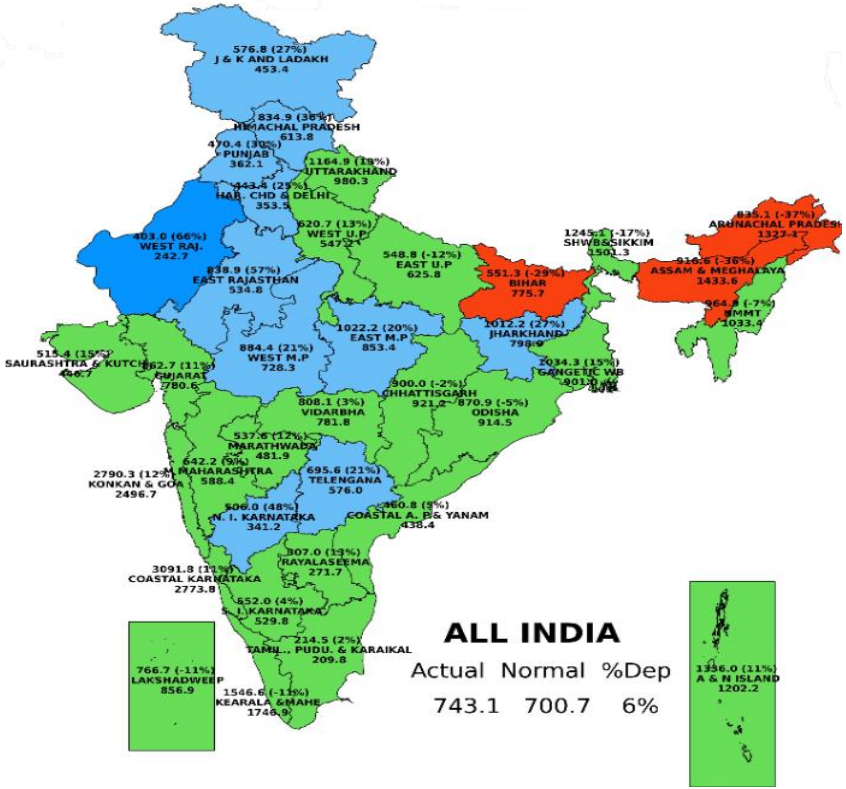
Category	% of LPA	No. of sub-divisions	Subdivisional % area of country
Large Excess	above 160	1	6%
Excess	120-159	10	33%
Normal	81-119	22	52%
Deficient	41-80	3	9%
Large Deficient	0-40	0	0%
No Rain	0	0	0%
Total		**36**	**100%**

Source: IMD; CEIC; ICRA Research

- In terms of monthly trends, the rainfall was below normal in each of the three months of the season in East and Northeast region, and excess in the case of Northwest region. However, the trend reversed in Central and South Peninsula in August 2025, as compared to what was seen in June-July 2025.
- As per the IMD's classification, the region wise rainfall distribution during the ongoing Monsoon season (till August 31, 2025) has been quite uneven, with excess rainfall in the Northwest region (127% of LPA), above normal rainfall in Central region (109% of LPA) and the South Peninsula (109% of LPA), and deficient rainfall in the East and Northeast region (82% of LPA).
- The spatial distribution of rainfall over the 36 sub-divisions in the country has been skewed during the ongoing SW Monsoon season so far (till August 31, 2025), with more than half or 22 subdivisions (~52% area of country) reporting normal precipitation, and 11 subdivisions covering 39% area of the country witnessing excess and large excess rainfall during the period.

Central India and Southern Peninsula largely received normal rainfall during June-August 2025, while most of the Northwest India posted excess rains

EXHIBIT: Subdivision-wise monsoon rainfall during June-August 2025



Source: IMD; CEIC; ICRA Research

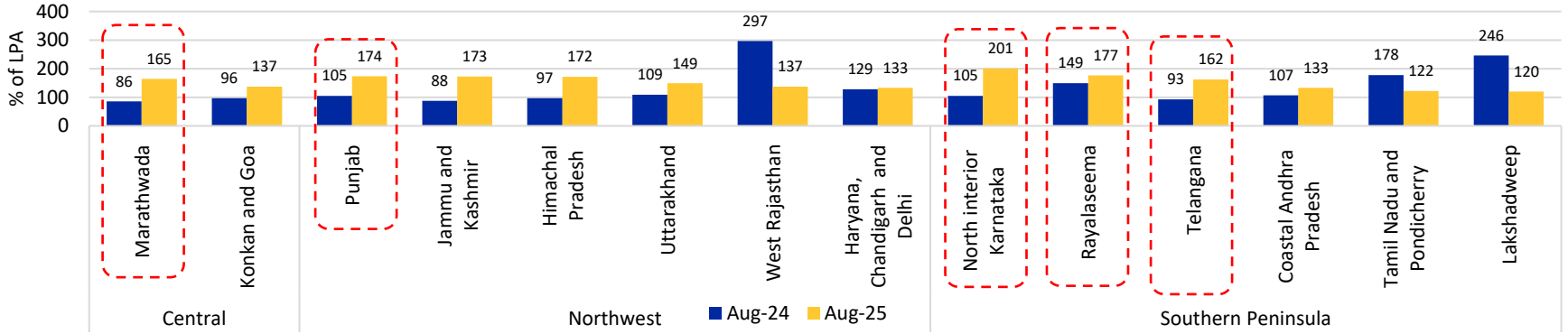
- The subdivision-wise distribution of rainfall reveals that most of the states/UT in Northwest India (including Himachal Pradesh, Punjab, Delhi, and Haryana,) witnessed excess rainfall in June-August 2025, while Uttar Pradesh and Uttarakhand reported normal rains, and Rajasthan received large excess rainfall during this period.
- In addition, nearly all states of Central India received normal rainfall (including Odisha, Goa, Maharashtra, Chhattisgarh, and Gujarat) during June-August 2025. In this region, only MP saw excess rainfall.
- In case of the Southern Peninsula, barring Telangana and Puducherry (which witnessed excess rains), all other region recorded normal rainfall.

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)

Large excess rains, flooding in some parts of the country in August 2025 could impact kharif crop yields

EXHIBIT: Sub-divisions receiving large excess and excess rains in August 2024 and August 2025

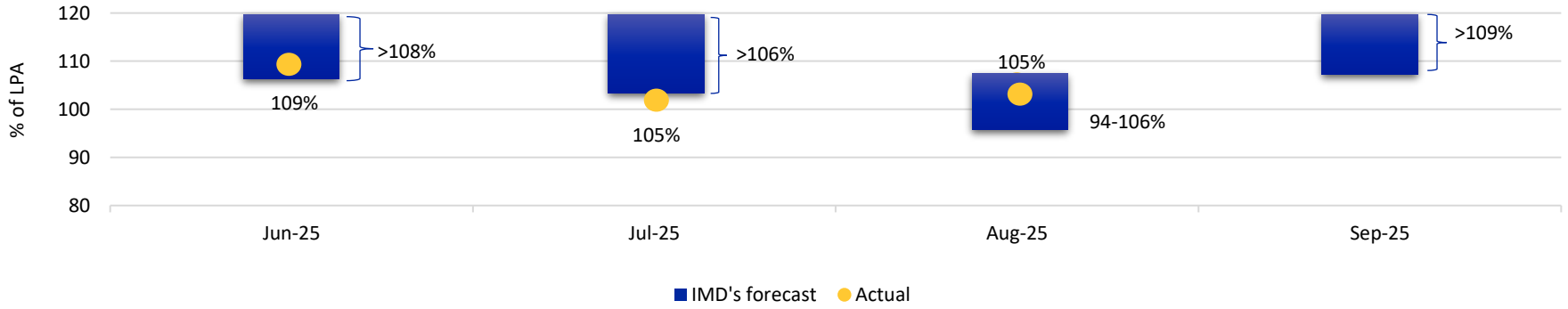


Note: On a disaggregated basis, rainfall between 120-159% of the LPA is considered as excess, and above 160% of the LPA as large excess; Source: IMD; CMIE; ICRA Research

- While the all-India rainfall stood at 105% of LPA in August 2025, several regions in Northwest India and Southern Peninsula witnessed large excess and excess rains in the month. Within the Northwest region, Punjab (174% of LPA), Jammu and Kashmir (173% of LPA), and Himachal Pradesh (172% of LPA) witnessed large excess rainfall during the month. Within the Southern Peninsula, North interior Karnataka (201% of LPA), Rayalaseema (177% of LPA), and Telangana (162% of LPA) posted large excess rains in August 2025. Given these trends, some of these regions also witnessed floods during August 2025.
- Some of the districts in states like Punjab have reported crop damage, as per the news reports.
- **Given that Andhra Pradesh, Haryana, Punjab, Karnataka, and Maharashtra are important regions for kharif crops like rice and coarse cereals, large excess rains in these regions could impact crop yields and consequently output.**

Rainfall during entire SW Monsoon expected to print above 107% of the LPA, if September rainfall reaches 109% of the LPA

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

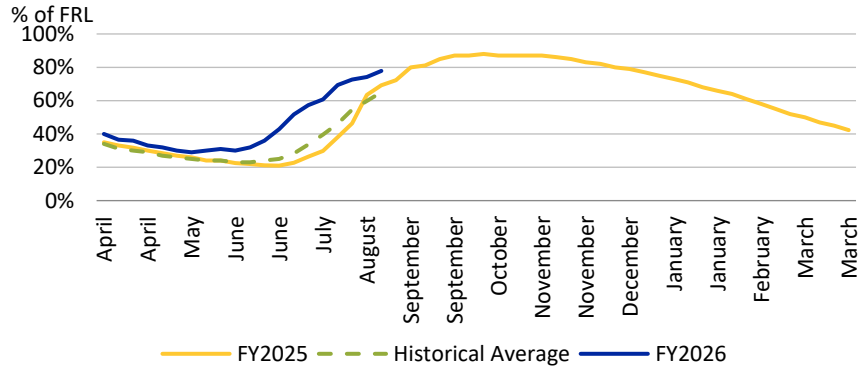


Source: IMD; ICRA Research

- On August 31, 2025, the IMD released its monthly forecast for September 2025, which has estimated the volume of rainfall to be above-normal in excess of 109% of the LPA. The LPA of rainfall over the country as a whole during September based on data from 1971-2020 is about 167.9 mm.
- **Given that the actual rainfall during June-August 2025 stood at 106% of LPA, the entire monsoon rainfall (June-September) in 2025 appears likely to be above normal at 926.1 mm or 107% of the LPA, even if the actual rainfall in September 2025 turns out to be 109% of the LPA.**

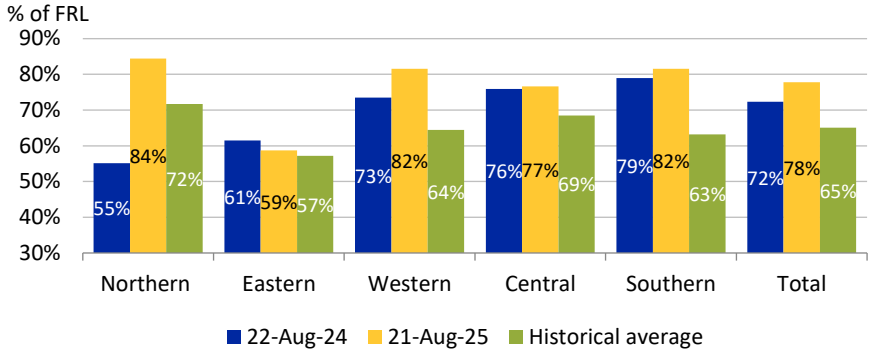
Reservoir storage stood at a healthy 78% of live capacity at FRL, exceeding the year-ago and historical levels as on August 21, 2025

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

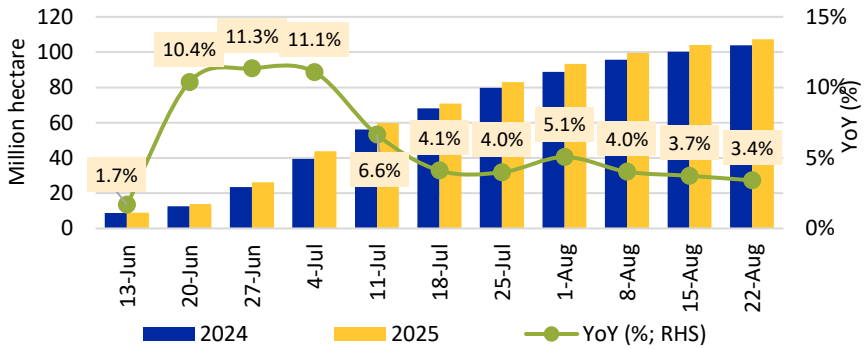


Source: CWC; CMIE; ICRA Research

- Boosted by the normal SW monsoon rains, the all-India reservoir storage charted a seasonal uptrend and surged to 78% of the live capacity at FRL as on August 21, 2025 from 30% of the live capacity at FRL at end-May 2025, exceeding the year-ago (72% of FRL) and historical (65% of FRL over past 10 years) levels. **Reservoir levels typically reach their peak at the end of SW Monsoon season (by end-September) after the downtrend during the pre-monsoon season (March-May).**
- The storage levels in all regions (apart from eastern 59% vs. 61%), exceeded the year-ago levels, including the southern (82% vs. 79%), western (82% vs. 73%), central (77% vs. 76%), and northern (84% vs. 55%) regions as on August 21, 2025. Compared to the historical levels, the storage in all regions exceeded the historical average by ~2-18 pp as on August 21, 2025.
- **Given the IMD's forecast of an above-normal rainfall in September 2025, reservoir levels are expected to remain elevated, portending well for the sowing outlook for rabi crops.**

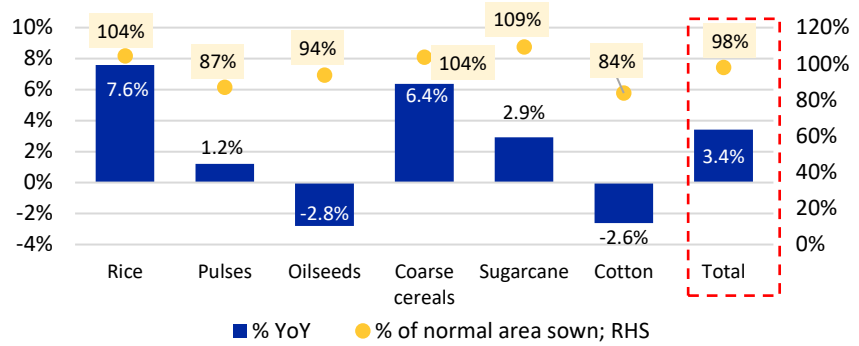
Kharif sowing up by 3.4% YoY as on August 22, 2025; acreage at end-September 2025 likely to surpass last year's level by 2%

EXHIBIT: Cumulative weekly kharif sowing trends



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

EXHIBIT: Trends in Kharif Sowing as on August 22, 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 YoY growth momentum has narrowed from 11.3% seen in end-June 2025 to 3.4% as on August 22, 2025, as the base enlarged. The sown area stands at 107.4 million hectare (vs. 103.9 million hectare in the year-ago period), accounting for ~98% of the normal area sown for the season (five-year average of total kharif sowing), higher than the corresponding level of 95% (of normal area) in 2024.
- The uptick was primarily led by rice (+7.6% YoY), coarse cereals (+6.4%; primarily driven by maize amid higher demand of the crop for biofuel purposes), and sugarcane (+2.9%). Additionally, area sown under pulses also inched up (+1.2% YoY; 87.0% of the normal area sown) with Arhar and Moong exceeding 95% of their normal area sown although the former trailed its year-ago levels. In contrast, the area sown under oilseeds (-2.8%; primarily led by soybean which is down 3.8% YoY; the crop typically constitutes 65% of the normal area sown under oilseeds), and cotton (-2.6%) dipped as on August 22, 2025.
- **Kharif sowing was quite back ended in 2024. Even if there is a YoY moderation of ~19% in the remaining part of the season, kharif sowing in 2025 would still surpass last year's area by 2.0% at the end of the season.**

Acreage under small millets, maize, and groundnut stood at over 100% of normal area sown as on August 22, 2025

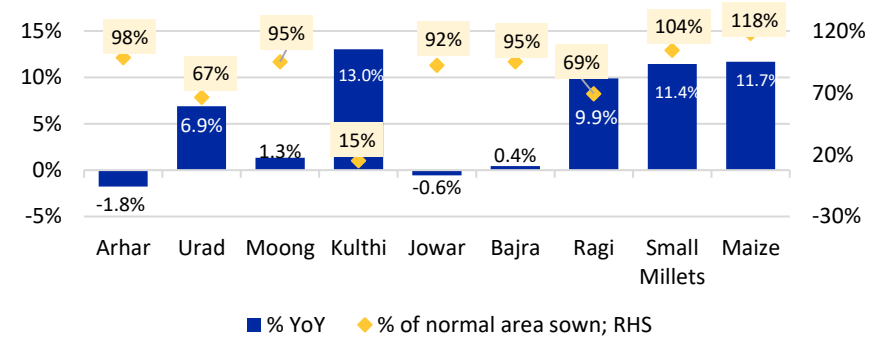
Crop-wise sowing trends

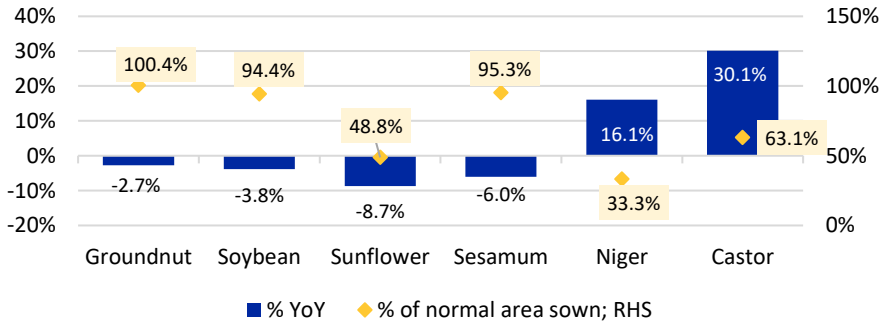
The area sown under pulses stood at 87% of the normal area as on August 22, 2025. It is up by 1.2% YoY, led by moong (+1.3%) and urad (+6.9%), while arhar (-1.8%) declined. Together, these three constitute 87% of the normal pulses area sown in the country.

Coarse cereals acreage stood at 104% of the normal area vs. 97% in 2024. The 6.4% expansion in the same was primarily led by sowing of maize (+11.7%), likely supported by higher demand of the crop for biofuel purposes.

Acreage under oilseeds contracted by 2.8% YoY; driven by broad-based contraction across crops like soybean (-3.8%), groundnut (-2.7%), sesamum (-6.0%), etc.

EXHIBIT: Trends in sowing of crops under pulses, coarse cereals and oilseeds as on August 22, 2025

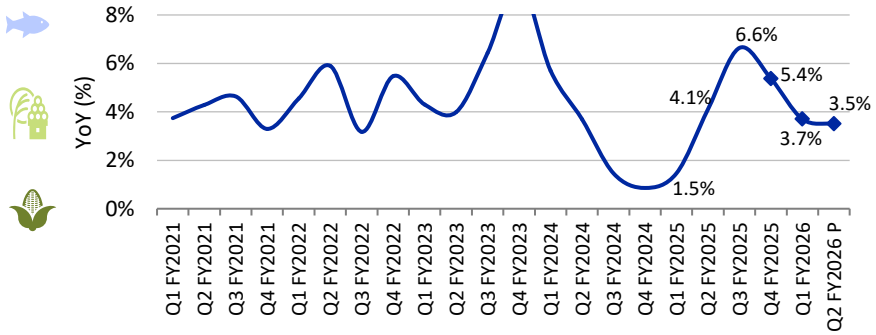




Source: Ministry of Agriculture and Farmers' Welfare; ICRA Research

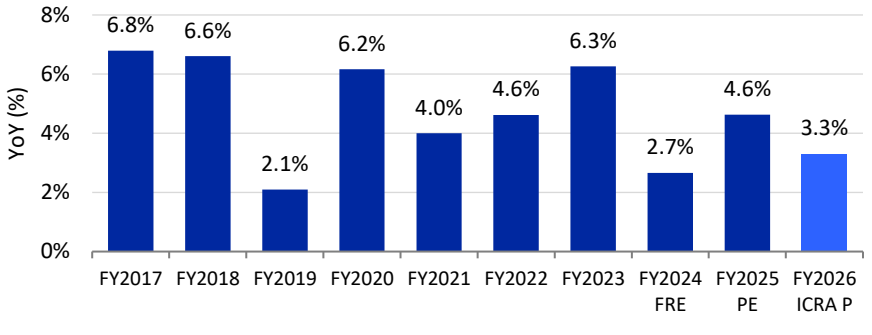
High base expected to keep agri-GVA growth at around 3.5% in Q2 FY2026, similar to 3.7% print seen in Q1

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)

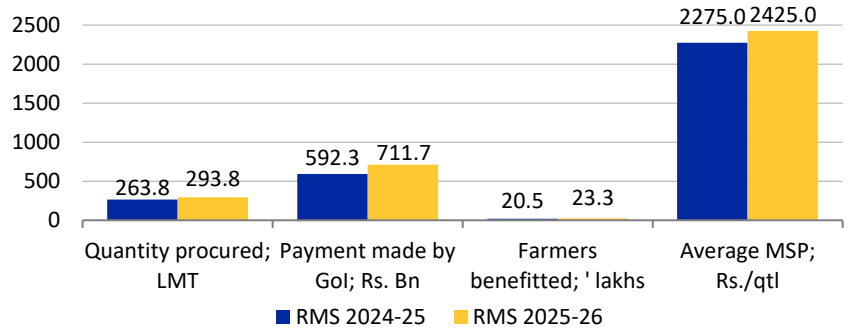


P: Projected; FRE: First Revised Estimates; PE: Provisional Estimates; Source: NSO; CEIC; ICRA Research

- The YoY growth in GVA of agriculture, forestry and fishing slowed to a four-quarter low of 3.7% in Q1 FY2026 from 5.4% in Q4 FY2025, printing lower than ICRA's forecast (+4.5%). This was despite the healthy growth seen in the output of rabi and most summer crops (in AY2024-25 as per 3rd AE).
- The IMD's forecast of above-normal rains in the last month of the Southwest monsoon season in 2025 would continue to boost reservoir storage levels, thus, portending well for the rabi crops. Nevertheless, heavy bouts of rainfall in September 2025 pose a concern to the timely harvest and eventual yield of the standing crops.
- **While kharif acreage appears likely to surpass last year's area, an adverse base is anticipated to keep the agri GVA expansion at around 3.5% in Q2 FY2026 (+4.1% in Q2 FY2025), similar to 3.7% seen in Q1 FY2026 (+1.5% in Q1 FY2025). Moreover, excess rainfall and flooding in various parts of the country in August 2025 pose concerns on the yields for kharif crops. Overall, ICRA expects the GVA growth of agriculture, forestry and fishing to print at 3.3% in FY2026 (+4.6% in FY2025 PE).**

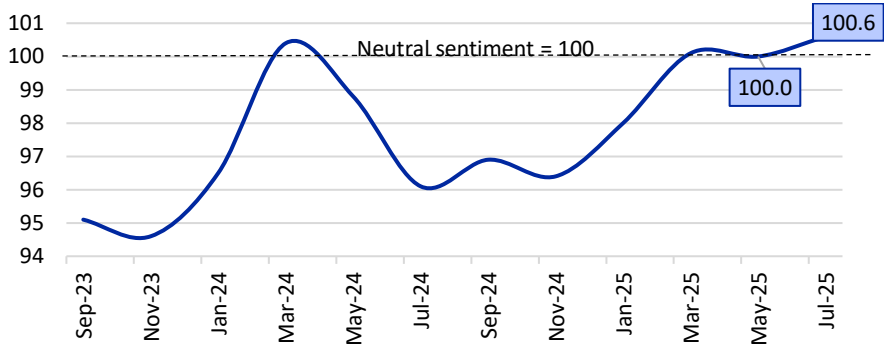
Higher wheat procurement in RMS 2025-26 so far, higher MSP to support rural farm cash flows; rural HH sentiments improved in July 2025

EXHIBIT: Trends in RMS 2024-25 and 2025-26 for wheat



**Data for RMS 2025-26 is from April 1, 2025 to August 28, 2025 and corresponding period of RMS 2024-25 has been used; Source: CFPP; ICRA Research*

EXHIBIT: Rural Current Situation Index (CSI) of RBI's Consumer Confidence Survey

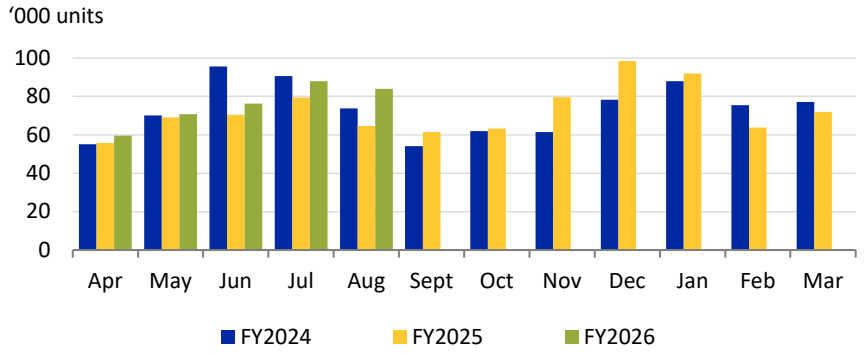


Source: RBI; ICRA Research

- The GoI procured 29.4 MMT of rabi wheat in the ongoing marketing season 2025-26 (between April 1, 2025 and August 28, 2025), equivalent to ~95% of the target set by the Government for the entire season (31 MMT). This is 11.4% higher than 26.4 MMT procured in the corresponding period of the previous marketing season. The GoI's payment to the beneficiary farmers for procurement has increased by a healthy 20.2% YoY to Rs. 0.7 trillion in this season so far (up to August 28, 2025), aided by the uptick in quantity procured and the 6.6% increase in the MSP for the crop in the marketing season 2025-26. **This augurs well for rural consumption.**
- As per the July 2025 round of the RBI's rural consumer confidence survey (RCCS), the CSI for rural and semi-urban households inched up slightly to 100.6 in July 2025 from the levels seen in the May 2025 (100.0) and March 2025 (100.1) rounds, while remaining anchored around the neutral territory, after being in the pessimistic zone through most part of FY2025. **The recent improvement in rural sentiments largely reflects favourable trends in farm output in the last two cropping seasons, and the upbeat outlook for the ongoing kharif season. Besides, considerable cooling in the rural CPI inflation (to a series-low +1.2% in July 2025 from +5.8% in December 2024) over the last seven months may have also played a role.**

YoY growth in domestic tractor volumes remained healthy in July-August FY2026, while that in 2W volumes was muted

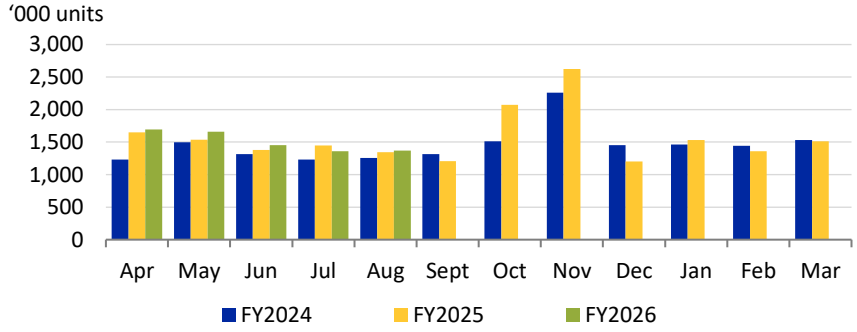
EXHIBIT: Trends in domestic tractor retail volumes



Source: CEIC; ICRA Research

- The domestic tractor retail volumes grew by a robust 11.5% YoY to 378.4k units during April-August FY2026, aided by positive farm sentiments and early arrival of the monsoon, as well as a low base (-11.9% during April-August FY2025). On a monthly basis, the YoY growth in domestic tractor retail volumes have remained robust in the two months of Q2 FY2026 (August/July 2025: +29.9%/+10.7%), amid healthy progression of kharif sowing activity.
- **ICRA expects wholesale industry volumes to grow by 4-7% in FY2026 (+7.3% in FY2025), aided by improved farm incomes amid a rise in agricultural output.**

EXHIBIT: Trends in domestic two-wheeler (2W; including motorcycles + scooters) retail volumes

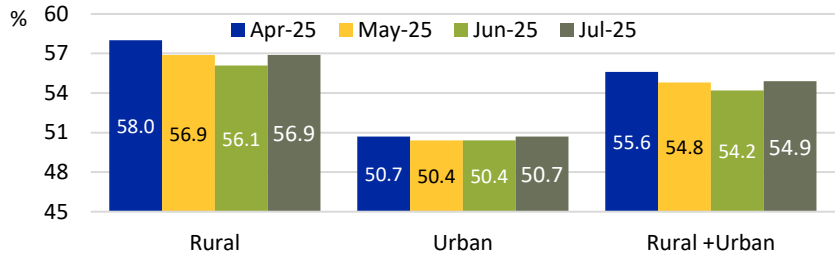


Source: CEIC; ICRA Research

- The 2W retail volumes increased by a modest 2.4% YoY in April-August FY2026, albeit on the back of a strong 12.6% growth in 5M FY2025. On a monthly basis, such volumes increased by 2.1% in August 2025 following a contraction of 6.2% in July 2025 (retail footfalls were impacted by surplus rainfall, tepid urban demand).
- **Retail 2W volumes are expected to grow at a healthy pace during the festive season, although the proposed GST rationalisation could lead to some transient postponement. ICRA estimates two-wheeler wholesale volumes to post a 6-9% growth in FY2026, supported by steady replacement demand, and healthy rural incomes, owing to a favourable monsoon.**

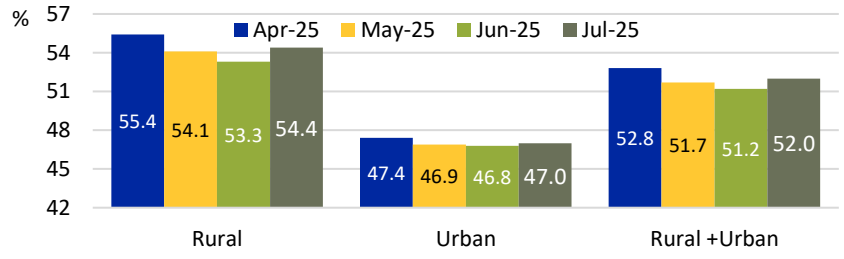
Labour market conditions improved in July 2025, led by seasonal uptick in rural employment

EXHIBIT: The Labour Force Participation Rate (LFPR) inched up slightly in July 2025 after two consecutive months of easing, largely led by rural areas



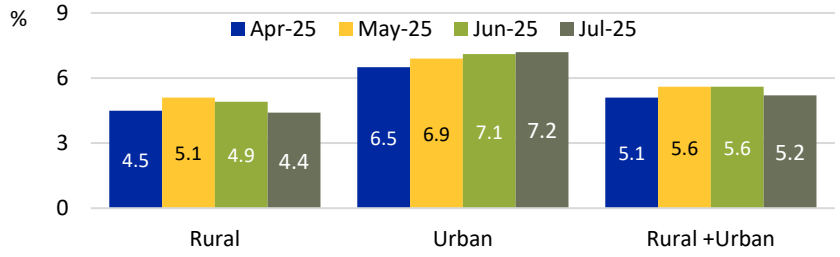
LFPR is defined as the percentage of persons in labour force (i.e. working or seeking or available for work) in the population.

EXHIBIT: Similarly, the Worker-Population Ratio (WPR) also witnessed an uptick in July 2025, primarily supported by rural areas



WPR is defined as the percentage of employed persons in the population.

EXHIBIT: While the all-India Unemployment Rate (UR) dipped to 5.2% in July 2025, contrasting trends were witnessed in rural and urban areas



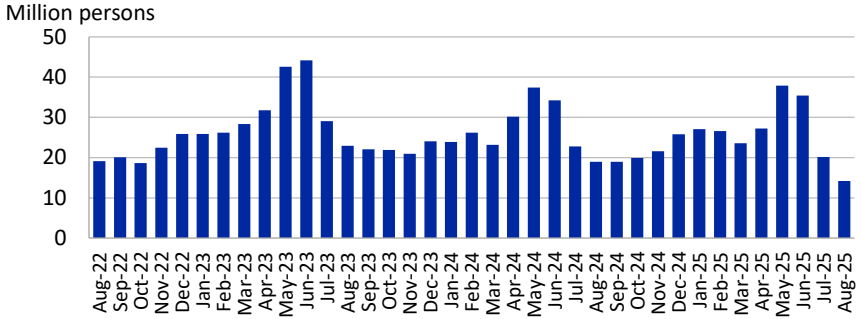
UR is defined as the percentage of persons unemployed among the persons in the labour force.

- A greater uptick in WPR (+1.1 pp) vis-à-vis LFPR (+0.8 pp) in rural areas in July 2025 vs. June 2025, led to a sharp dip in rural UR (-0.5 pp). However, in the case of urban areas, a higher increase in LFPR (+0.3 pp) vis-à-vis WPR (+0.2 pp), led to a rise in urban UR (+0.1 pp) during the period.
- Overall, while rural India led to the increase in jobs in July 2025, this was driven by a pick-up in kharif sowing activity. As per the PLFS press note, majority of rural workers are engaged in agriculture sector (~45% of men and 71% of women), while the tertiary sector was the largest source of employment in urban areas (~61% of men and 65% of women).
- The unavailability of month-wise year-ago data makes the analysis of labour market conditions a bit challenging.

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

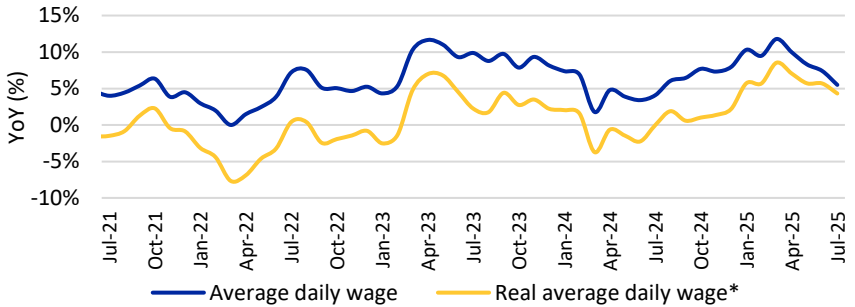
Work demand under MGNREGS declined by ~6% YoY during 5M FY2026

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

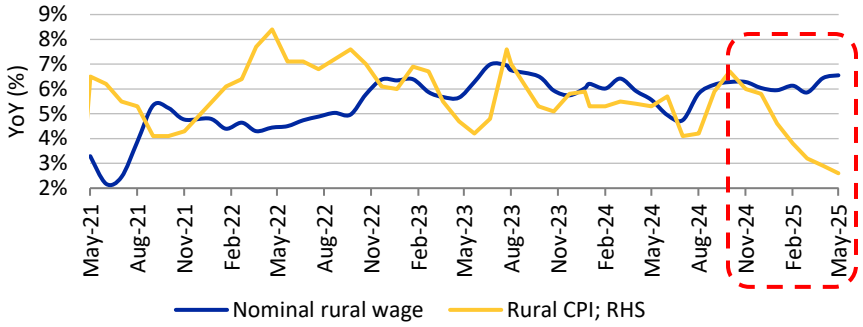


**real average daily wage growth is computed by adjusting nominal average daily wage growth with CPI inflation in rural areas; Source: Ministry of Rural Development, GoI; ICRA Research*

- Following the yearly peaks during the lean agricultural months of May 2025 (37.9 million people) and June 2025 (35.4 million people), the work demanded under the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), excluding West Bengal (WB), foreseeably declined to 20.2 million people in July 2025, driven by the seasonal pick-up in kharif sowing activity.
- Thereafter, the work demanded under the scheme dipped further to 14.2 million people in August 2025, down by a sharp 25.3% YoY—the lowest demand for August since the pandemic period. Notably, it is even lower than the pre-pandemic (2014-19) average of 17.2 million people. Overall, during 5M FY2026, the work demanded has contracted by 6.1% on a YoY basis.
- After witnessing a strong YoY growth in March 2025 (+8.5%), the pace of expansion in MGNREGS wages (in real terms) eased to 5.7% each in May 2025 and June 2025 and thereafter to 4.3% in July 2025, on account of moderation in nominal wage growth (to +5.5% in July 2025 from +11.8% in March 2025) that more than offset the support from falling CPI rural inflation (to +1.2% from +3.3%).

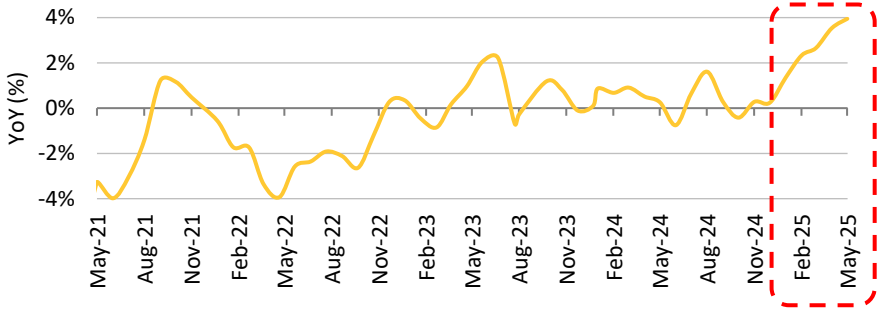
Real rural wage growth at multi-year high 4.0% YoY in May 2025, amid substantial cooling in inflation

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, inched up from 6.0% in Q4 FY2025 to 6.4% in April 2025, and further 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 swiftly 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 from 4.6% in January 2025) combined with an uptick in nominal wage growth.
- **The rural CPI inflation has moderated to 1.7% in June 2025 and further to a record low of 1.2% in July 2025, which is likely to have eased the pressure on real wage growth in these months.**

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Thank You!