

Pradhan Mantri Awas Yojana – Urban 2

PMAY-U 2 may have ripple effect on multiple sectors; although the impact on major sectors is expected to be limited

November 2024





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The GoI has approved an assistance of Rs 2.3 trillion for PMAY-U 2, which will lead to an investment of Rs 10 trillion in the next five years.

PMAY-U 2 expected to create minimum development of 3 billion sq ft in the next five years.

ICRA examines the anticipated impact of Pradhan Mantri Awas Yojana-Urban 2 (PMAY-U 2), launched in August 2024 for a period of five years, on key industries in this report. The Government of India (GoI) will provide assistance of Rs 2.3 trillion under this scheme, which is expected to lead an investment of Rs 10 trillion in the next five years. PMAY-U 2 is expected to lead to a minimum development of 3 billion sq ft. in the next five years, which will boost demand across multiple interconnected sectors, addressing housing needs and supporting employment generation. However, its incremental boost for sectors like steel, cement, and housing loans may be relatively limited, in ICRA's view.

The PMAY is a flagship housing scheme of the GoI aimed at ensuring 'Housing for All' by providing affordable housing options to the economically-weaker sections (EWS), low-income groups (LIG), and middle-income groups (MIG). The PMAY is divided into PMAY-Urban (PMAY-U) and PMAY-Rural (PMAY-G). The first phase of the scheme was launched in FY2015, for which 73% of the sanctioned houses were completed as on September 2024 for PMAY-U 1*. Over the past decade, PMAY has influenced sectors such as steel and cement, as well as home loans.

- The GoI approved PMAY-U 2 scheme in August 2024, under which financial assistance will be provided to 10 million urban poor and middle-class families to construct, purchase or rent a house at an affordable cost in urban areas in the next five years. Assistance of Rs 2.3 trillion will be provided under the scheme by the GoI and it is expected to lead an investment of Rs 10 trillion in the next five years.
- PMAY-U 2 also has four verticals like PMAY-U 1, however, the Credit-Linked Subsidy Scheme (CLSS) and "In-situ" Slum Redevelopment (ISSR), which was available under PMAY-U 1 has been replaced by affordable rental housing (ARH) and Interest Subsidy Scheme (ISS). The ARH has been introduced to promote rental housing and ISS vertical has interest subsidy similar to the CLSS under the PMAY-U 1.
- Considering the minimum area under the PMAY-U 2 scheme, the minimum development in the next five years will be around 3 billion sq ft.

Note: *The earlier PMAY-U scheme is termed as PMAY-U 1 in this report for bifurcation from PMAY-U 2

PMAY-U 2 will modestly improve demand for major sectors like steel, cement, housing loan etc.

Sectoral impact:

- **Cement:** The projected cement demand for PMAY-U 2 housing over the next five years is estimated at 12-14% of current annual consumption.
- **Steel:** The estimated steel demand for PMAY-U 2 housing over the next five years is 9-12 MT, equivalent to a modest 6-7% of the current annual domestic steel consumption.
- **Housing loan:** The pool estimated to be generated by the ISS scheme will be equivalent to 5-10% (depending on loan quantum and beneficiaries) of the current housing loan portfolio of Housing Finance Companies (HFC) and banks, with a minimal annual effect during the scheme period.
- **Other sectors:** The implementation of PMAY-U 2 will also drive demand for building materials, consumer durables, electronics, paints, and wood products along with benefit to local suppliers and the transportation businesses, creating income opportunities in rural and semi-urban regions.

Distinct features of the scheme:

- PMAY-U 2 differs from the earlier phase of PMAY-U 1 in several key aspects – like sustainability in construction, preference to women ownership, ARH for urban dwellers who do not want to own a house or do not have the financial capability to construct or buy a house, better monitoring etc.

In a nutshell, PMAY-U 2 will have a ripple effect on demand of multiple sectors and will add to the current demand of these interconnected sectors. It will also address housing needs and aid in employment generation. However, the impact of the same on major sectors like steel, cement, housing loan remains modest.



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