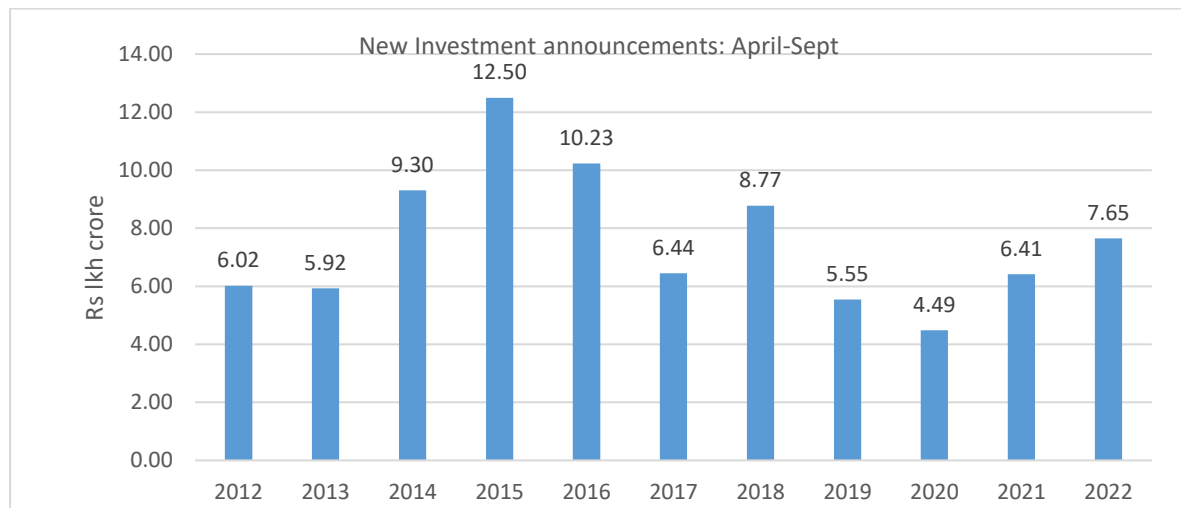


Investment may start picking up

There could be some good news based on the new investment announcements made by companies in the first half of the year. CMIE data shows that these announcements, which can be read as being investment intentions, have shown a pick-up which augurs well for the investment cycle. These intentions are for the non-government companies but include PSUs.



Source: CMIE

The chart above shows that the last 5 years represent a U-shaped curve where investment announcements declined in 2019 and 2020 and then have picked up in the subsequent years. The amount involved of Rs 7.65 lakh crore is lower than that in 2018, though higher than 2021 by 19.3%. The crux will be having these intentions materialize. As the PLI scheme is running there can be hope of a higher rate of fructification of such plans in specific sectors.

Which sectors have shown such intentions?

The table below gives the sectors that have shown interest in investment with their announcements in the last 5 years. The important takeaways are:

- In 2022, chemicals and related products and power accounted for 78% of total announcements made.
- The power sector has witnessed steady announcements over time with the share being high. On an average 23% has been accounted for by this sector.
- The transport sector (which is dominated by airlines and shipping) has witnessed high announcements in the past.
- Construction and real estate too have witnessed high shares in 2018 and 2019 which has however slowed down considerably in the last 3 years. This will be a reflection of new projects being launched by this sector.

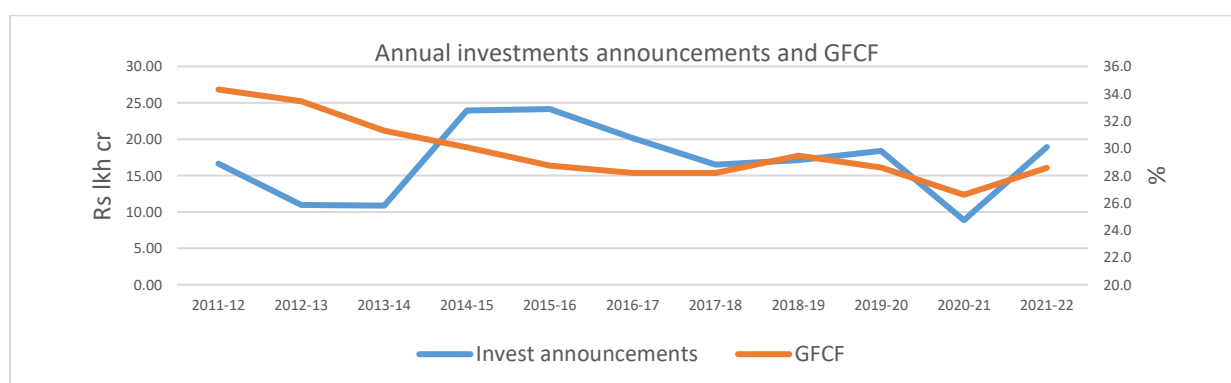
Shares of sectors in total new investment projects announcements: April-September (%)

	2018	2019	2020	2021	2022
Non-financial sector	100.0	100.0	100.0	100.0	100.0
Manufacturing	21.5	13.4	30.0	52.1	55.0
Food & agro-based products	1.3	1.2	0.5	1.5	1.1
Textiles	0.6	0.6	0.2	1.0	0.6
Chemicals & chemical products	7.5	3.9	8.5	12.0	40.8
Consumer goods	1.0	1.1	1.0	1.4	0.8
Construction materials	1.8	2.1	0.5	2.0	1.0
Metals & metal products	5.4	3.1	13.7	18.9	3.5
Machinery	1.0	0.4	3.0	13.0	1.9
Transport equipment	2.3	1.0	2.4	1.8	3.3
Miscellaneous manufacturing	0.7	0.2	0.2	0.5	2.1
Mining	2.9	1.9	3.5	1.6	1.8
Electricity	17.2	22.1	23.9	13.1	37.2
Services (other than financial)	43.8	29.4	35.1	30.4	5.9
Hotels & tourism	0.3	0.5	1.2	0.5	0.2
Wholesale & retail trading	2.4	0.3	0.3	0.4	0.4
Transport services	32.5	18.5	10.2	19.2	1.8
Communication services	0.0	0.0	-	0.3	0.2
Information technology	0.9	2.7	6.0	5.0	2.0
Miscellaneous services	7.6	7.3	17.3	5.1	1.3
Construction & real estate	14.6	33.2	7.4	2.7	0.2

Source: CMIE

How indicative are the new project announcements of actual investment?

The announcements are signals of intention and may not necessarily fructify. The chart below maps the new project announcements with overall gross fixed capital formation at the economy level to examine if a relation exists.



Source: CMIE and CSO

The chart shows that there is low correlation between the two. In the years when GFCF was high in the region of above 30% investment announcements were not buoyant. Post 2013-14 when investment announcements increased, the capital formation rates came down. Therefore the relation between the two is not very firm. Yet, new investment announcements made is indicative of industry confidence levels in the economy which provides comfort in the present context.

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