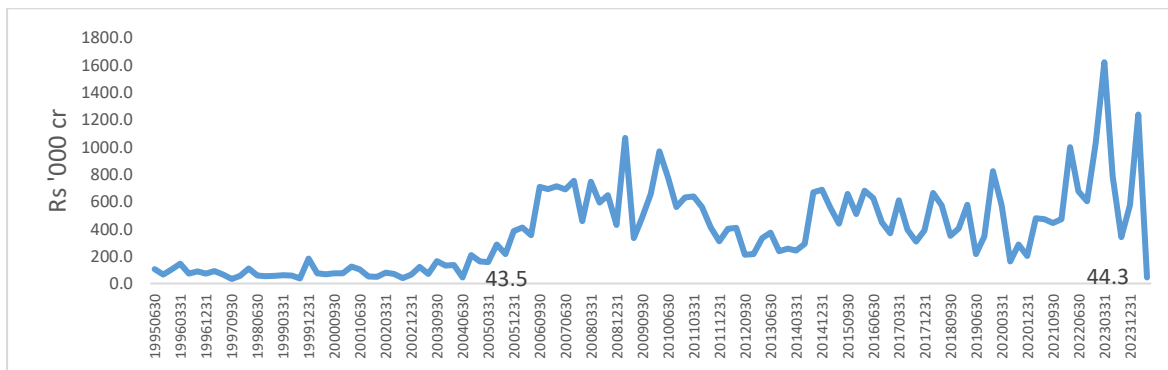


July 6, 2024

Corporate Investment in Q1-FY25

Investment announcements for the first quarter of the year were at the 20-year low level at Rs 44,300 crore. The previous lowest level was in June 2005. Given the fact that the economy has been growing at a steady pace, the only reason that can be attributed to the sluggish intentions can be the Elections. Industry has been probably in a wait and watch mode before taking any investment decision. This however, has not been the trend in the past when Elections were held. For Q1-FY15, investments were for Rs 2.9 lakh crore and Rs 2.1 lakh crore for Q1-FY20. Hence while June does tend to have lower investment announcements as they normally peak in March which is the yearend, it has been exceptionally low this year. The exhaustion of plans in the preceding March quarter where a high of Rs 12.35 lakh crore was announced, which was lower to only that of March 2023 when it was 16.20 lakh cr could be another reason for this slowdown.

New investment announcements: 1995-2024



Source: CMIE

The table below gives the shares of various industries in the new investment announcements for Q1-FY25.

Shares of sectors in new investment announcement Q1-FY25

Manufacturing	46.4
Food & agro-based products	1.6
Textiles	4.5
Chemicals & chemical products	15.4
Consumer goods	1.6
Construction materials	3.5
Metals & metal products	7.5
Machinery	11.2
Transport equipment	1.0
Electricity	23.5
Services (other than financial)	22.2
Hotels & tourism	5.6
Transport services	5.6
Information technology	1.0
Miscellaneous services	10.0
Construction & real estate	7.9
All industries	100.0

Manufacturing has been the dominant sector in the total intentions listed here with share of 46.4% followed almost evenly by electricity and services. Interestingly, over the period June 2023 and June 2024, the fall in value of investment announcements was Rs 7.4 lakh crore. Of this, the major dip was accounted for by the transport services sector at 61%. This decline of Rs 4.61 lakh crore was due to the airlines industry as in the past they had announced intentions to buy new aircrafts. It may be inferred that this pattern would be observed in the coming quarters too as these plans are unlikely to be restored until the earlier orders are executed fully. Another 20% of the decline of the order of around Rs 1.5 lakh crore was in the electricity sector. In the past most of the additions have been in the renewable space and here too a slowdown may be expected.

What does activity in the financial sector show?

CMIE data on corporate bond issuances for the first quarter of the year show that a similar trend is witnessed. Overall issuances had increased from Rs 1.43 lakh crore in Q1-FY23 to Rs 2.86 lakh crore in Q1-FY24, but came down sharply to Rs 1.73 lakh crore in Q1-FY25.

During the first quarter of the year, 76% has been accounted for by the financial services sector with power, mining and diversified companies having shares each of between 4-5%.

On the banking front, there is information available up to 14th June 2024. Between March end and June 2014, incremental credit was Rs 2.78 lakh crore as against Rs 3.78 lakh crore last year. In terms of growth rate on YTD basis it was 1.7% against 2.5% last year.

Therefore it can be concluded that there has been a slowdown in investment in the first quarter of the year. It would need to be seen whether there is any major pick-up in the second quarter considering that the budget will be announced only towards the end of July. A good monsoon and steady demand during the festival season which starts from end-August and lasts till December would be the time when investment could increase at a faster pace.

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For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

+91 22 6698 5143

chief.economist@bankofbaroda.com