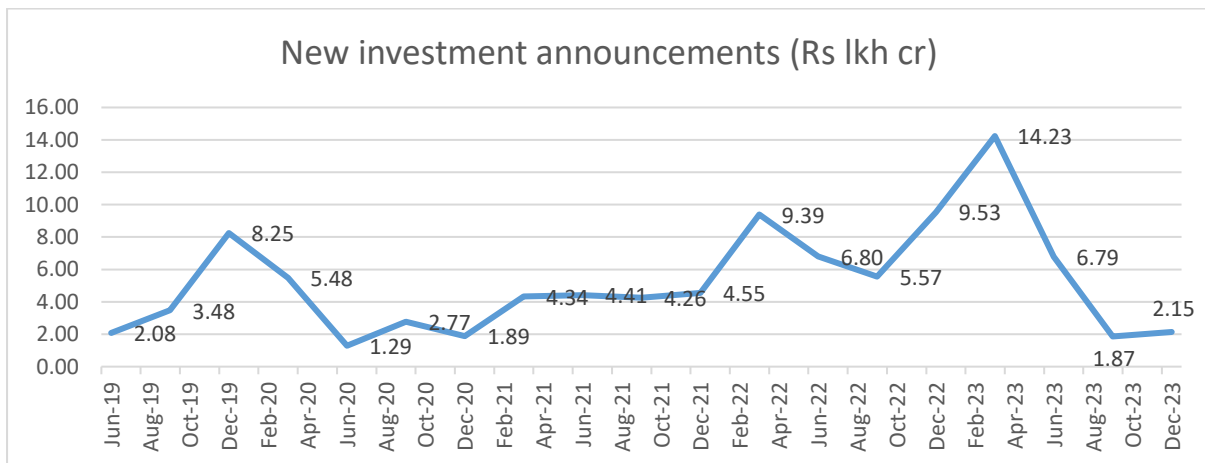


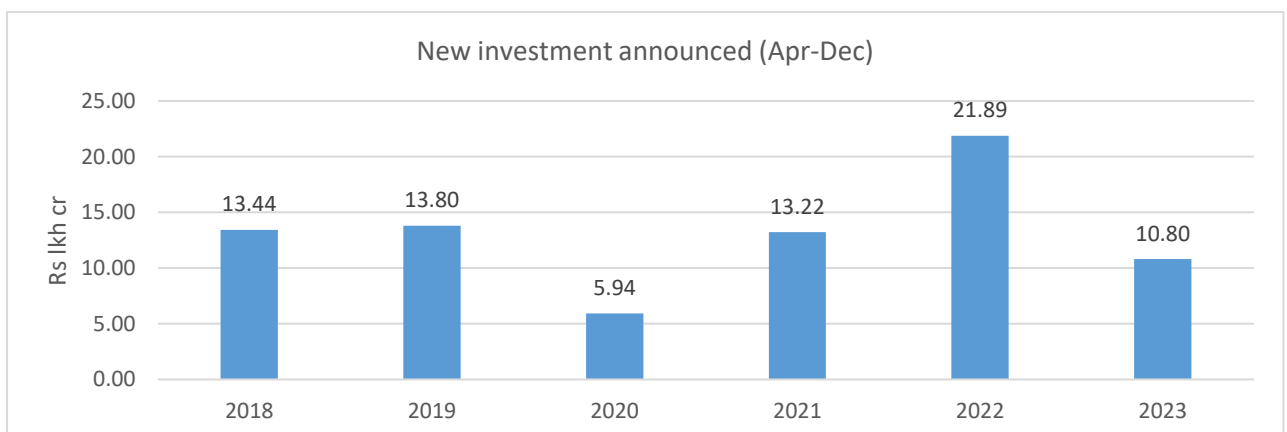
New investment announcements remain low

The Indian economy appears to be on the road to achieve GDP growth of around 6.6-6.7% for FY24. A question that is often posed is whether or not investment has picked up. Here there are varying signals that are received from the market. Several companies have stated in their investor presentations that they would be expanding capacity which is a good sign. One indicator that is available is the information on new investment announcements. CMIE provides this data on a quarterly basis. The quarterly data shows some pick up in Q3 of FY24 at Rs 2.15 lakh crore as against Rs 1.87 lakh crore in Q2. However as can be seen in the chart below, the amount is still very low compared with the earlier 10 quarters. Announcements are only intentions and may not necessarily materialize.



Source: CMIE

Also quarterly data could be prone to time factors with announcements being made at different times of the year. Therefore, a better way to look at them is to track the announcements on a cumulative basis. This is done in the chart below.



Source: CMIE

The chart shows that at Rs 10.80 lakh crore for the first three quarters investment announcements are at the lowest if 2020 is excluded, which was during the lockdown. Hence, there is definitely a case of investment still being low and not picking up at the desired rate.

In this context, it is also interesting to see as to in which sectors have these announcements been made. The data is presented in the Table below.

New investment announcements: Industry wise (Rs lakh cr: April-December 2023)

Manufacturing	3.04
Food & agro-based products	0.14
Textiles	0.07
Chemicals & chemical products	1.28
Metals & metal products	0.39
Machinery	0.58
Transport equipment	0.36
Mining	0.02
Electricity	2.27
Services (other than financial)	5.30
Transport services	4.96
Construction & real estate	0.17
	10.80

Source: CMIE

Almost 49% of the investment intentions are in the services sector of which transport services contributes to 94% of the total. This is mainly in the aviation sector with orders being placed for new aircrafts by some companies. Within manufacturing which has a share of 28%, chemicals and machinery have larger shares of 42% and 19% respectively. The power sector continues to be a driver with share of 21%. Hence clearly the intentions are biased towards 4 sectors.

The other aspect of investment intentions is the ownership pattern. Data on the same is presented below. The share of government companies came down to 20.7% from 23.2% in 2022. But in absolute terms there was a fall in both government and private companies, and within private, both Indian and foreign sectors witnessed a decline.

Therefore, there is still a long way to go for revival of investment. One factor holding back investment could be excess capacity in several sectors. RBI data for June shows the average at 73.6%. The other is uncertainty due to the Elections next year as there is a tendency for companies to wait and watch before investing. The third factor could be high interest rates and the expectation of repo rate cuts next year in the second quarter of the fiscal.

Ownership of Investment intentions (Rs lakh cr)

April-December	2022	2023
Government	5.09	2.24
Private sector	16.80	8.57
Indian private sector	12.55	7.83
Foreign private sector	4.25	0.73
Total owners	21.89	10.80

Source: CMIE

On the funding side too one can see that there is weak evidence of pick up in investment. The broad sectors which have raised funds in the corporate bond market as per CMIE is listed below.

Funds raised in bond market (April-December Rs lakh cr)

	2022	2023
All industries	5.73	5.21
Manufacturing	0.33	0.33
Chemicals & chemical products	0.19	0.22
Electricity	0.16	0.15
Services (other than financial)	0.94	0.35
Communication services	0.69	0.07
Construction & real estate	0.11	0.23
Financial services	4.14	4.08

Source: CMIE

Two features which stand out here are that overall issuances in 2023 are lower than that in 2022. Further, the share of financial services is the highest at 78.3% as against 72.2% last year. Another source of funding which is bank credit shows that the growth in credit to large manufacturing is low at 3.6% - which is lowest across all sectors. Also the share in total credit has come down from around 20% last November to 17% this November.

Concluding remarks

Data on new investment announcements do indicate that industry in general is still in a wait and watch mode. Hence, only specific sectors have witnessed an increase in such intentions. It is dominated by airlines industry as of the first three quarters. Power, chemicals and machinery are the other three sectors with significant shares. The same picture comes also from the financial side where bond issuances are dominated by the finance companies and there is limited traction in bank credit to large manufacturing.

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