

Investment Trends: New project announcements continue to remain muted

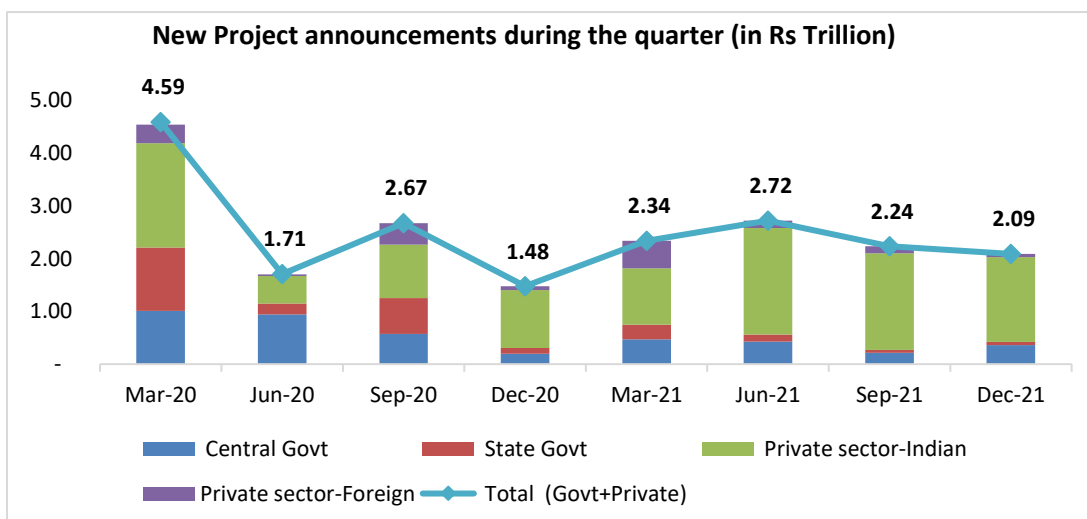
Brickwork Ratings, Bengaluru, 01 January 2022: As per the provisional data released by the CMIE, new industrial investment for the September-December 2021 quarter does not infuse much confidence. At Rs 2,086 billion, growth in investments on a Q-o-Q basis was (-)6.5%, although it was higher at 41% on a Y-o-Y basis. Since the April-June 2021 quarter, the investment trend in new projects has shown a steady deceleration.

Although the extent to which the estimates are representative is not clear, if there has indeed been a deceleration, it could be due to uncertainty about the draining of liquidity by the Fed and other advanced economies. Besides, chip shortages, which impact a number of industries, have been a major factor posing uncertainty.

Investment Trends by All Industries during the quarter						
	New projects announced		Y-o-Y changes in %		Q-o-Q changes in %	
	Cost (Rs Mn)	Numbers	Cost	Numbers	Cost	Numbers
Mar-20	4,575,491	735	6.0	-23.0	-39.1	24.8
Jun-20	1,708,085	433	-7.2	-26.5	-62.7	-41.1
Sep-20	2,674,143	761	-23.5	24.1	56.6	75.8
Dec-20	1,479,311	439	-80.3	-25.5	-44.7	-42.3
Mar-21	2,321,779	720	-49.3	-2.0	57.0	64.0
Jun-21	2,719,385	329	59.2	-24.0	17.1	-54.3
Sep-21	2,231,095	394	-16.6	-48.2	-18.0	19.8
Dec-21	2,085,792	370	41.0	-15.7	-6.5	-6.1

Source: CMIE, BWR Research

Government projects saw some uptick while private investments suffered



Source: CMIE, BWR Research



Government projects are mainly in infrastructure sectors. Having been conservative in the first two quarters, there have been attempts by both central and state governments to fast track capital expenditures. Better tax revenue collections and the front loading of tax devolution to the states have helped increase capital expenditures, though even after eight months of the current fiscal the capital expenditure is just about 49% of the budget estimates.

Outlook on investment sentiments

There is considerable uncertainty regarding the Omicron variant of the pandemic, and the possibility of a third wave looks real. However, lockdown restrictions may not be as severe as they were in the past because of the progress in vaccination and that the variant may not be as severe as the delta variant and may not require large-scale hospitalisation. Yet, the fear of the third wave of the pandemic threatens broad based recovery and it remains to be seen how this will impact the manufacturing sector output and in particular, new investment.

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