

Poor demand hits investments by private sector in Q3

New investments by domestic private players fell 1.4% from Q2 reflecting fears over costs, slow growth; States drive growth in public investments

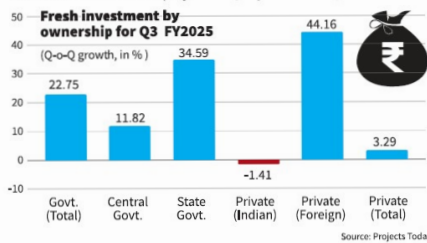
Vikas Dhoot
NEW DELHI

With domestic demand seen waning amid a spike in inflation and input costs, investment plans by India's private sector took a hit, falling 1.4% in the October-December quarter (Q3) of 2024-25 after a fleeting recovery in the second quarter (Q2).

However, government capex plans registered a sharp growth, lifting overall fresh investments in the economy by 9.9% in Q3 to ₹11.46 lakh crore from an updated tally of ₹10.43 lakh crore recorded in Q2. This rise was led by a 34.6% spike in fresh investments by State governments over

Corporate India's capex slips

Government capital spending grows, led by States, to lift overall value of new investment projects in Q3 by 9.9% over Q2



Q2 levels, almost thrice the 11.8% growth in new outlays announced by the Union government.

Domestic investors, however, pulled back fresh investment plans by 1.4% from Q2 to nearly ₹6.11

lakh crore in Q3, show data from Projects Today, a firm tracking new and ongoing investment projects in the country since 2000.

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Poor demand hits Q3 private investments

Total private sector projects slipped sharply from 1,253 in Q2 to 1,061 in Q3. Private investors' share in new investment projects dropped to 62.2% in Q3 from 66.2% in Q2. New investments by foreign players rose 44.2% sequentially, albeit from a low base, to ₹1.02 lakh crore. This spike was largely thanks to a single ₹70,000 crore steel project announced by Arcelor Mittal Nippon.

"The slowdown in domestic private investments during the third quarter of FY2025 reflects the apprehensions of India Inc. over rising input costs, driven by high inflation and ongoing geopolitical uncertainties," Shashikant Hegde, director and CEO of Projects Today, told *The Hindu*.

He added that weak corporate results and flagging urban demand in Q2 may have also dimmed investor appetite. India's GDP growth had slowed to a seven-quarter low of 5.4% in Q2.

"The outlook for 2025-2026 remains optimistic, as favourable economic conditions like easing inflation, and the execution of policy interventions to spur consumption and growth, are expected to stimulate private investment activity," Mr. Hegde reckoned.

New power projects

At almost ₹2.28 lakh crore, new investments by States surpassed the Centre's ₹2.05 lakh crore announcements in Q3, and accounted for almost 20% of all new outlays. In Q2, the value of new projects announced by the Centre was higher than the States.

Mining, irrigation, and pharma, as well as the employment-intensive construction and automobile sectors clocked deep contractions in fresh outlays relative to Q2. Infrastructure investments were only fractionally higher by 0.8% at ₹4.25 lakh crore, but new electricity projects grew a sharper 21.9% to ₹4.5 lakh crore to account for the largest share of 39.3% in new investments through Q3.

"Such investments, particularly in transport and social infrastructure, are essential for sustaining the overall economic momentum, as they not only lay the groundwork for long term growth but also complement private sector initiatives by improving the business environment and reducing operational bottlenecks," Mr. Hegde explained.

There was a significant shuffling among States that accounted for the top shares of new investment projects. Rajasthan emerged as a surprise leader, with fresh project outlays in the State – by both public and private investors – rising almost three times over Q2 to about ₹2.25 lakh crore in Q3.

Maharashtra and Gujarat, which were the top two States in Q2, moved one rank lower as a consequence, while Tamil Nadu was edged out of the top 10 States, after being the third-ranked State in terms of investment plans in Q2. In Q3, new projects in Tamil Nadu amounted to just ₹18,066 crore, 60.8% below its Q2 tally of ₹46,119 crore.