

New manufacturing projects dip in June

Fall comes after pandemic surge took announcements to record high

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New investment projects announced in the manufacturing sector declined in the three months ended June 2023.

The value of new projects was lower than in the March quarter, as well as the year-ago period, shows data from project tracker the Centre for Monitoring Indian Economy (CMIE).

The new project announcements worth around ₹85,000 crore in the manufacturing segment in June were a 48 per cent decline from the ₹1.6 trillion in March and a 66 per cent decline from the ₹2.5 trillion seen in June 2022. June marked the lowest value of quarterly manufacturing announcements since December 2020.

The decline is less severe when the pre-pandemic period is taken into account. Manufacturing announcements in June 2019 were worth ₹0.4 trillion, down from ₹0.9 trillion in June 2018.

However, the announcements have risen significantly after 2020 with June 2021 seeing new projects worth ₹3.2 trillion.

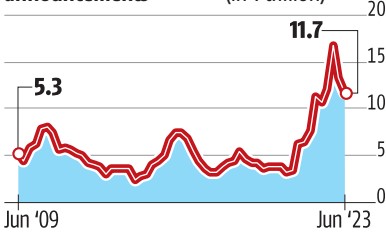
Numbers have also been rising when considered on a rolling basis over the past four quarters. This eliminates any seasonal factors involved in announcements, as all four quarters of the year are considered.

Manufacturing investments crossed ₹10 trillion on a rolling four-quarter basis in March 2022 when they came in at ₹11.3 trillion. This is the first time that this has happened in the CMIE data going back to 2009. It touched a high of ₹16.7 trillion for the four quarters ended December 2022. The latest number for the four quarters ended June



INVESTMENT PICTURE

Trailing four-quarter manufacturing announcements (in ₹ trillion)



Note: Shows new investment projects announced in the manufacturing sector on a trailing four-quarter basis until period ended June 2023
Source: CMIE

2023 was ₹11.7 trillion.

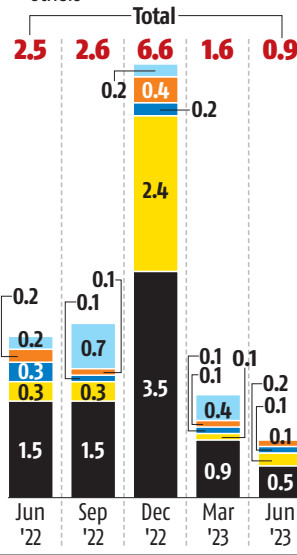
Sectoral numbers show that certain key sectors have been driving announcements. The chemicals and chemical product segment, which has dominated announcements in recent quarters, accounted for ₹0.5 trillion, or more than half of the value of announced manufacturing projects. Machinery, transport equipment, as well as metals and metal products, have also seen activity.

Only a few industries have historically driven investments, according to a June 2023 Bank of Baroda report on the capital forma-

CHEMICAL SEGMENT LEADS

Value of new investment projects announced (in ₹ trillion)

- Chemical and chemical products
- Machinery
- Transport equipment
- Metal and metal products
- Others



tion of companies authored by economist Dipanwita Mazumdar covering a five-year period starting FY18. The compound annual growth rate (CAGR) of company investments in India has been low relative to economic growth, according to the study.

"...fixed asset creation of corporates stands at 4.9 per cent, lower than the 9.8 per cent CAGR in nominal GDP. Further, the concentration ratio is skewed towards only a handful of industries due to their inherent nature, such as crude oil, power, and telecom," it said.