Trade uncertainties continue to weigh on pvt projects

September was the fourth quarter in a row where projects dropped on a rolling-basis

SACHIN P MAMPATTA
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The private sector appears to have retreated more from investments amid the ongoing uncertainties around trade and other issues than it did during previous disruptions such as the Covid-19 pandemic.

Investments typically involve the setting up of new factories and other initiatives. Companies dropped plans worth ₹14.3 trillion in investments on a rolling four-quarter basis in September, according to data collated from the Centre for Monitoring Indian Economy (CMIE). This marks the fourth quarter in a row where dropping projects on a rolling-basis is higher than the peak of around ₹13.4 trillion in dropped projects recorded in March 2019. The figure during the June 2025 quarter was ₹13.4 trillion worth of dropped projects. The September figure is higher than any of these quarters and also the highest in data going back to 2011, which covers periods such as the introduction of the goods and services tax (GST) and demonetisation.

The value of government-dropped projects has declined during this time, suggesting that the government is following-through on its projects even as the private sector has dialled back.

A combination of uncertainties with regard to the US trade deal and lack of private consumption may have contributed to lacklustre private capital expenditure (capex), according to Madhavi Arora, chief economist at Emkay Global. Certain sectors may have announced intentions in anticipation of a favourable trade deal, which has not materialised. Poor demand amid weakening growth has also contributed to lower private capex. An uptick in consumption is expected in the last two quarters of 2025-26 (FY26).

"Going forward, a consumption rebound could be an important factor in determining how fast capex rebounds," she said.

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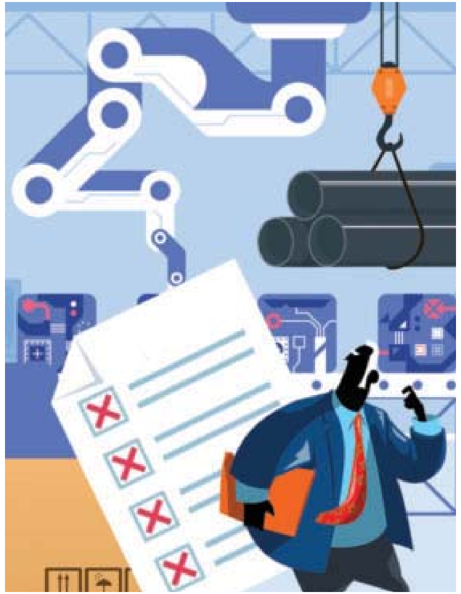

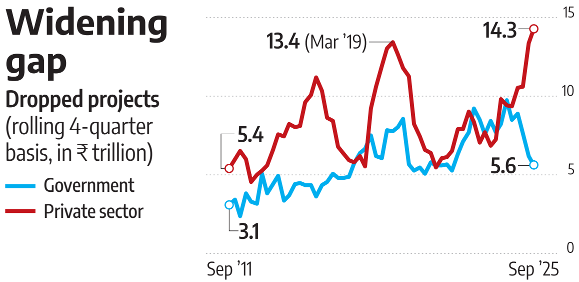

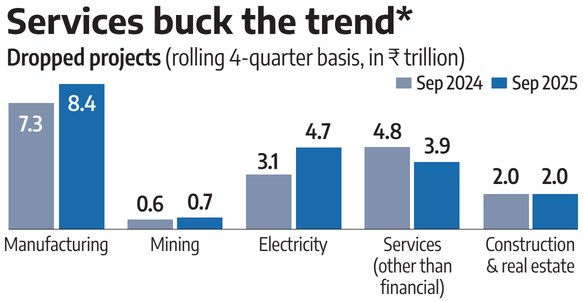

*Values for financial services (FS) and irrigation are too low to display on the chart. In Sep 2025, FS was 0.0 and irrigation was 0.1; in Sep 2026, FS was 0.0 and irrigation was 0.3

Source: CMIE

The Reserve Bank of India (RBI) quarterly Order Books, Inventories, and Capacity Utilisation Survey (Obicus) recorded capacity utilisation at 75.8 per cent on a seasonally adjusted basis for the three months ending June 2025.

Companies typically invest in creating additional capacity when existing capacity shows signs of being fully utilised and unable to keep up with demand.

The growth in private consumption, however, is not expected to boost capacity utilisation beyond 80 per cent just yet, added Arora. The public sector has been driving capex and this trend is expected to continue, according to her. Adjacent segments to such spends such as roads and infrastructure could see some traction. Power generation and data centres are the other sectors that have a favourable investment outlook, she said.

"The trade deal with the US looks like it will be delayed longer than anticipated, which will affect export-oriented sectors," said independent market analyst Anand Tandon.

Lower-end manufacturing jobs may be affected in the interim even as higher-end information technology (IT) jobs are also facing some uncertainty. The effect of this on consumption will have to be closely watched, added Tandon.

Sectoral data shows that electricity and manufacturing are among the sectors that are the worst-affected, accounting for over a ₹1 trillion in dropped projects each. Non-financial services have done better.

There may be relatively more resilience for companies in the listed space, suggested Chandraprakash Padiyar, senior fund manager at Tata Mutual Fund. Many companies still have large investment plans, especially in sectors like real estate, energy (power generation, transmission and distribution) as well as data centres.

"I see reasonable strength," Padiyar said, adding that export-oriented companies may pause plans while awaiting clarity but domestic consumption is likely to pick up with the RBI easing liquidity conditions for banks, which should have a positive effect on consumption from FY27.