

Uncertainty could hit pvt sector capital formation

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The prospect of protracted uncertainties in the global economic landscape not only pose a risk for India's growth outlook in 2025-26, but are also likely to dent the private sector's capital raising and investment plans, the finance ministry averred on Tuesday, cautioning the country's corporates that the era of 'easy pickings' was over.

"More than trade, the perception of prolonged uncertainty may cause the private sector to put its capital formation plans on hold. The private sector and policymakers must be mindful of this risk and act urgently to avoid making uncertainty feed upon itself. The domestic economy is large and capital formation can lead to a mutually reinforcing cycle of investment-income growth-demand growth-additional capacity creation," the ministry's monthly economic review for March noted.

"In contrast to normal times, action and execution have greater impacts now. It is an opportunity not to be missed," the report stated, arguing that "this is the time" for the private sector to invest in "product differentiation and quality as easy pickings recede into history".

Stressing the importance of private capital formation in keeping India's long term growth factors intact, the review said that "public policy and regulatory measures can both facilitate and nudge the private sector to do its part". The report highlighted that removal of compliance, inspection and logistics hurdles have



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- Report says public policy and regulatory measures can nudge private sector to do its part
- Calls for close mentoring of risks arising from ongoing global trade disruptions
- Says the economy continues to demonstrate resilience in the face of turbulent global environment

assumed far greater urgency than before.

While emphasising the need to monitor risks arising from ongoing global trade disruptions, the ministry has also mooted diversification into markets that have remained unexplored till now. India has an opportunity to strengthen its position in international trade and manufacturing amid global uncertainties, it suggested.

"With renewed and sustained focus on geopolitical developments, India can mitigate these risks and capitalise on emerging opportunities through strategic trade negotiations, domestic reforms and manufacturing investments," the review explained.

"Going forward, a glide path of public debt relative to GDP will further provide domestic resources for private investment, particularly when states also reduce their debt burden," the review added.

On price trends, it noted the fall in food prices coinciding with a sharp decline in inflation expectations, and falling crude oil prices contributing to a positive outlook. "While the overall inflation outlook has improved, supported by a rate cut and positive food price trends, geopolitical uncertainties warrant close monitoring," the review noted, adding that trade tensions and geopolitical risks could disrupt supplies or cause prices to rise, or both.