

Private investments picking up: Finance Ministry

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Union Finance Ministry (File photo)

By Express News Service

NEW DELHI: Private investments have picked up in the first quarter (Q1) of the current fiscal, the finance ministry has indicated in its latest monthly economic review. As per the ministry, new investment project announcements by the private sector were the highest in Q1 in 14 years.

The private sector project announcements during the quarter were up 11.6% against the corresponding period of the previous year. The ministry said that higher capacity utilisation along with double-digit growth in non-food bank credit signals positive intent of the private sector to undertake fresh investment, going forward.

As per an SBI report, credit uptake has shown a 19.7% growth in FY24 (till July 27). Rating agency ICRA has pointed out that capital expenditure-related external commercial borrowings (ECBs) flows -- for the purpose of modernisation, new projects, and local purchase and imports of capital goods -- jumped to \$13 billion in Q1 FY2024, exceeding \$9.6 billion for the full FY23.

“The gross fixed capital formation (GFCF) in the Q1 of FY24 grew in double digits based on indicators like increased net borrowing by states and private sector and capex spends by the government,” says ICRA in a recent statement.

The ministry has highlighted that the production-linked incentive (PLI) scheme and emerging sectors like green hydrogen, semiconductors, wearables, and solar modules are projected to contribute nearly 17% of capex between FY23 and FY27.

The ministry noted the healthy balance sheet of the private sector, coupled with increased government capex, which is expected to create favourable opportunities for private companies to engage in infrastructure development. The report also highlighted the significant growth in the capital goods and infrastructure/construction sectors as evidenced by the Index of Industrial Production (IIP) data.