

## Capex Tracker: Corporate investments lowest in 19 years in FY23...

...though household investments grew strongly

- For the second consecutive quarter in 4QFY23, real investments in India grew faster than consumption. With 7.8% YoY growth in the quarter, real investments grew 9.6% YoY in FY23, compared to 6.4% YoY growth in real consumption (private + government). However, it is important to note that the share of (nominal) investments stood at 31% of GDP in FY23, broadly the same as in FY22 and the pre-COVID period. An analysis of details – covering 13 monthly and 6 quarterly indicators – provide some key insights. This regular [update](#) is intended to equip readers with India's capex/investment story, along with its key drivers. There are three key highlights:
- First, government investments grew 14.5% YoY in FY23, implying an average growth of 14% in the past four years (FY20-FY23), only slightly better than 13% average growth in the previous four years (FY16-FY19). It stood at 4.5% of GDP in FY23, the same as in FY22, equally split between the center and the states.
- The non-government sector accounts for 85% of total investments. Within that, the share of corporate investments fell to just 42% of total investments (excluding valuables), down from ~50% a decade ago. The possible [decline in central public sector enterprises](#) (based on the budget documents) only partly explains this, as non-CPSEs corporate investments is estimated to have fallen to 11.3% of GDP last year, compared to ~13% of GDP in the pre-COVID period.
- In contrast, household investments (primarily including residential real estate) is estimated to have grown 24% YoY in FY23, following ~30% YoY growth in FY22. Consequently, the share of household increased to 42.8% of total investments in FY23, the highest in a decade and higher than that of the corporate sector for the first time in 18 years.
- Overall, a strong residential property market holds the potential to boost economic activity and generally, a reversal in this sector lasts for a few years. However, weak income growth, high interest rates, fading base effect, and high economic uncertainties create vulnerabilities about its durability. The corporate capex, at the same time, is certainly still lagging.

India's total investments stood at 31% of GDP in FY23, broadly the same as in FY22 and the pre-COVID period

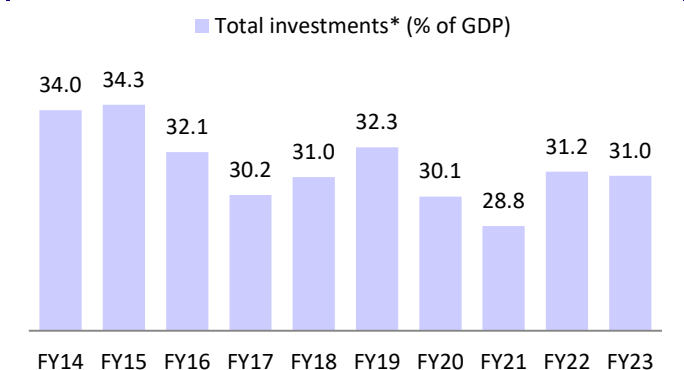
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For the second consecutive quarter in [4QFY23](#), real investments in India grew faster than consumption. With 7.8% YoY growth in 4Q, real investments grew 9.6% YoY in FY23, compared to 6.4% growth in real consumption (private + government).

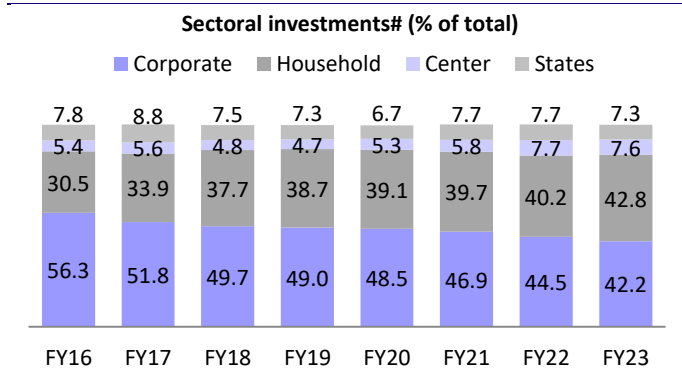
Nevertheless, total investments stood at 31% of GDP in FY23, broadly the same as in FY22 and the pre-COVID period (*Exhibit 1*). In order to provide a comprehensive and succinct analysis of India's investments, we present a compilation of 13 monthly and 6 quarterly indicators in this note. We further segregate the indicators by sectors to provide a deeper understanding of the drivers of investments.

**Exhibit 1: India's investment rate was broadly unchanged at 31% of GDP in FY23**



\* GFCF + Change in inventories + Valuables

**Exhibit 2: Share of corporate sector in FY23 was lower than households for the first time since FY04**



# GFCF + Change in inventories

MOFSL estimates

Source: Various national sources, CEIC, MOFSL

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For the first time in 18 years, households accounted for a larger share in India's investments vis-à-vis the corporate sector

Further, our estimates suggest that households were the key driver of investments in FY23, as the share of government was unchanged at ~15% and the share of corporate sector fell to the lowest in 19 years to just 42% of total investments (*Exhibit 2*). For the first time in 18 years, households accounted for a larger share in India's investments than the corporate sector.

Government capex was 4.5% of GDP last year, unchanged compared to FY22

#### Key highlights using proxy indicators:

- 1) Using monthly (preliminary) data available for 27 states, our calculations suggest that the government's capex grew 18% YoY in 4QFY23, led by 21% growth by states and 14% growth by the center. Accordingly, government investments (excluding loans & advances) grew 14.5% YoY in FY23, implying an average growth of 14% in the past four years (FY20-FY23), only slightly better than 13% average growth in the previous four years (FY16-FY19).
- 2) It means that government capex was 4.5% of GDP last year, unchanged compared to FY22. The government, thus, accounted for ~15% of total investments in the country, like in FY22. The center's capex was higher than the states' for the second consecutive year since FY05 (*Exhibit 4-5*).
- 3) Within the non-government sector, corporate investments are estimated to have declined in 4QFY23. Accordingly, corporate investments grew 11% YoY in FY23, due to which its share fell to 42.2% of total investments, the lowest in 19 years (*Exhibit 2 above*).
- 4) Although India's investment rate was broadly unchanged last year, corporate investments fell to 12.6% of GDP in FY23, the lowest since FY04 (*Exhibit 6*).
- 5) The possible decline in [CPSEs](#) (assuming FY23RE) only partly explains this, as non-CPSEs corporate investments is estimated to have fallen to 11.3% of GDP last year, compared to ~13% of GDP in the pre-COVID period (*Exhibit 7*).
- 6) Finally, as suggested by stamp duty & registration fees (SD&RF) collected by states (based on 27 states up to Mar'23), HH investments is estimated to have grown 24% YoY in FY23, following ~30% YoY growth in FY22 (*Exhibit 8*). Consequently, the share of household increased to 42.8% of total investments in FY23, the highest in a decade and higher than that of corporate sector for the first time in 18 years (*Exhibit 2 above*).
- 7) Further, household debt by banks increased 19% YoY in FY23, marking the highest growth in 16 years. Within that, non-mortgage debt grew much faster than mortgage debt last year (*Exhibit 9*). As highlighted in our recent [report](#), India's non-mortgage debt is higher than in the US and China, while mortgage debt is much lower. It is anticipated that these trends have persisted throughout FY23.

Corporate investments grew 11% YoY in FY23, due to which its share fell to 42.2% of total investments, the lowest in 19 years

The share of household increased to 42.8% of total investments in FY23, the highest in a decade and higher than that of corporate sector for the first time in 18 years

Overall, a strong residential property market holds the potential to boost economic activity and generally, a reversal in this sector lasts for a few years. However, weak income growth, high interest rates, fading base effect, and high economic uncertainties create vulnerabilities about its durability. The corporate capex, at the same time, is certainly still lagging.

## Exhibit 3: Tracking India's investments through various indicators

| Indicator                                    | Unit            | 4QFY22 | 1QFY23 | 2QFY23 | 3QFY23 | 4QFY23 | FY10-19 | FY20-23 | FY23 |
|--|-----------------|--------|--------|--------|--------|--------|---------|---------|------|
| <b>Total real investments</b>                | <b>% YoY</b>    | 3.0    | 20.8   | 6.5    | 5.2    | 7.8    | 7.3     | 3.8     | 9.6  |
| <b>GFCF + Change in inventories</b>          | <b>% YoY</b>    | 7.1    | 20.1   | 9.3    | 7.8    | 8.8    | 7.3     | 3.8     | 8.1  |
| <b>Government investments</b>                |                 |        |        |        |        |        |         |         |      |
| Total (general) government                   | <b>% YoY</b>    | 33.8   | 28.3   | 30.4   | -12.0  | 17.0   | 12.4    | 14.6    | 14.1 |
| Central government                           | <b>% YoY</b>    | 93.8   | 53.5   | 50.9   | -31.2  | 13.7   | 13.9    | 22.1    | 16.3 |
| State governments*                           | <b>% YoY</b>    | 8.4    | -9.3   | 10.4   | 11.2   | 19.4   | 11.6    | 8.7     | 11.9 |
| <b>Household (HH) investments</b>            |                 |        |        |        |        |        |         |         |      |
| Household investments@                       | <b>% YoY</b>    | 12.5   | 81.7   | 12.0   | 9.4    | 19.0   | 11.4    | 10.7    | 24.4 |
| SD&RF collection*                            | <b>% YoY</b>    | 16.2   | 80.6   | 9.4    | 4.9    | 16.1   | 12.7    | 13.8    | 21.1 |
| SCBs household debt \$                       | <b>% YoY</b>    | 11.6   | 16.3   | 17.9   | 16.8   | 18.7   | 14.0    | 14.0    | 18.7 |
| ow: Mortgage                                 | <b>% YoY</b>    | 12.9   | 15.1   | 16.0   | 16.1   | 15.0   | 15.5    | 13.3    | 15.0 |
| ow: Non-mortgage debt                        | <b>% YoY</b>    | 11.1   | 16.7   | 18.5   | 17.0   | 20.1   | 13.5    | 14.2    | 20.1 |
| <b>Corporate investments</b>                 |                 |        |        |        |        |        |         |         |      |
| Corporate investments @                      | <b>% YoY</b>    | 12.9   | 7.2    | 16.0   | 23.4   | -0.4   | 10.8    | 4.3     | 11.0 |
| SCBs Corporate debt ^                        | <b>% YoY</b>    | 5.4    | 7.5    | 12.3   | 12.7   | 10.7   | 13.0    | 3.7     | 10.7 |
| Infrastructure loans                         | <b>% YoY</b>    | 9.1    | 9.5    | 10.9   | 5.3    | -0.7   | 14.5    | 3.2     | -0.7 |
| IIP: Capital goods                           | <b>% YoY</b>    | 1.9    | 29.6   | 6.9    | 8.2    | 9.7    | 1.1     | -2.0    | 12.7 |
| Nominal imports of capital goods             | <b>% YoY</b>    | 24.8   | 28.7   | 37.9   | 13.7   | 10.8   | 5.7     | 7.9     | 21.7 |
| Manufacturing capacity utilization@          | <b>%</b>        | 75.3   | 72.4   | 74.0   | 74.3   | n/a    | 75.0    | 68.6    | 73.6 |
| Current assessment for production capacity@  | <b>%</b>        | 7.1    | 18.0   | 14.3   | 24.6   | 11.6   | 5.0     | 6.6     | 17.1 |
| Expected assessment for production capacity@ | <b>%</b>        | 26.7   | 38.8   | 46.1   | 38.4   | 39.4   | 6.1     | 17.8    | 40.7 |
| Corporate bonds@#                            | <b>% YoY</b>    | 11.2   | 9.1    | 8.9    | 11.6   | 4.6    | 16.8    | 8.2     | 4.6  |
| <b>Some other common indicators</b>          |                 |        |        |        |        |        |         |         |      |
| IIP: Construction ~                          | <b>% YoY</b>    | 7.0    | 10.3   | 5.3    | 8.8    | 7.8    | 5.1     | 3.1     | 8.0  |
| Cement production                            | <b>% YoY</b>    | 9.0    | 17.2   | 4.9    | 10.1   | 3.6    | 6.1     | 3.8     | 8.7  |
| Steel consumption                            | <b>% YoY</b>    | -1.6   | 9.5    | 13.5   | 12.7   | 17.1   | 5.4     | 5.0     | 13.3 |
| <b>Memo items</b>                            |                 |        |        |        |        |        |         |         |      |
| Total investments (including valuables)      | <b>% of GDP</b> | 33.2   | 30.5   | 32.1   | 28.3   | 33.2   | 35.1    | 30.3    | 31.0 |
| GFCF + Change in inventories                 | <b>% of GDP</b> | 32.1   | 29.8   | 29.7   | 27.3   | 32.4   | 33.3    | 29.0    | 29.8 |
| General government investments               | <b>% of GDP</b> | 6.2    | 3.5    | 4.2    | 3.5    | 6.6    | 3.7     | 4.1     | 4.5  |
| Corporate investments                        | <b>% of GDP</b> | 12.0   | 14.3   | 13.3   | 12.2   | 10.9   | 16.6    | 13.1    | 12.6 |
| Household investments                        | <b>% of GDP</b> | 13.5   | 12.2   | 12.4   | 11.8   | 14.7   | 12.3    | 11.2    | 12.8 |
| SCBs Corporate debt                          | <b>% of GDP</b> | 23.5   | 22.3   | 22.3   | 22.9   | 22.7   | 30.0    | 24.5    | 23.2 |
| Corporate bonds                              | <b>% of GDP</b> | 16.1   | 17.0   | 15.8   | 15.5   | 15.4   | 13.7    | 17.1    | 15.8 |
| SCBs HH debt                                 | <b>% of GDP</b> | 26.8   | 26.2   | 26.4   | 27.2   | 27.7   | 22.0    | 27.2    | 28.3 |

\* Based on data of 27 states up to Mar'23

\$ Including agricultural, transport operators, trade and personal loans

# Available from 1QFY11 (% YoY from 1QFY12)

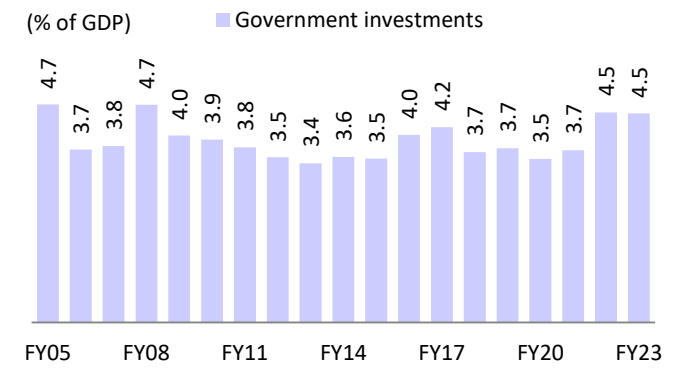
@ Quarterly in frequency, Monthly otherwise

^ SCBs loans excluding household and NBFCs loans

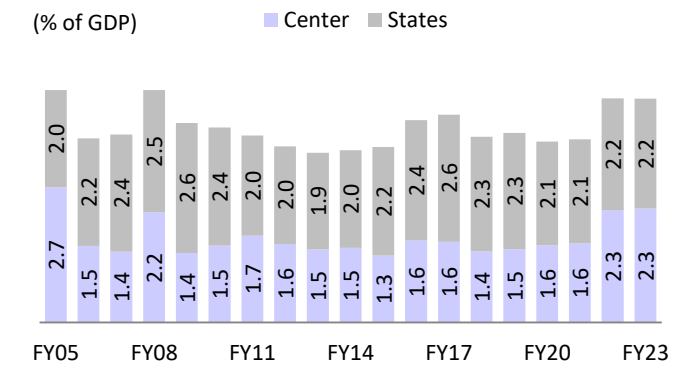
~ Available from Apr'12 (% YoY from Apr'13)

Source: Various national sources, CEIC, MOFSL

**Exhibit 4: Government investments stayed at 4.5% of GDP in FY23, same as in FY22...**

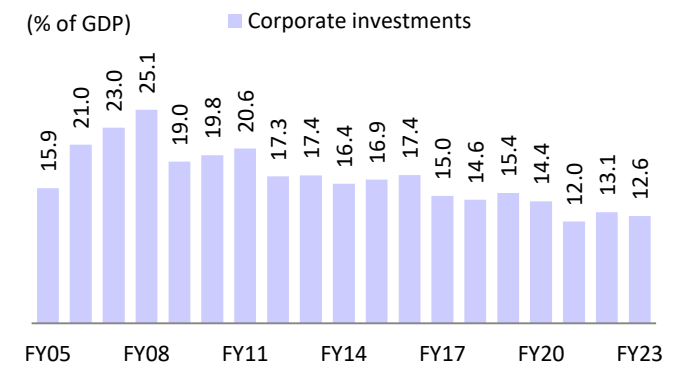


**Exhibit 5: ...and the center's capex outpaced states' capex for the second consecutive year in FY23**

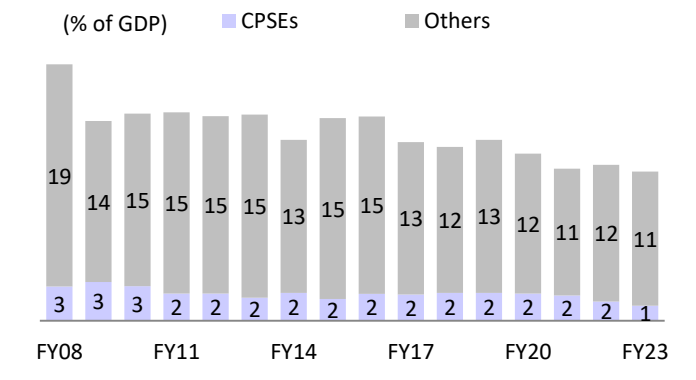


Source: CGA, CAG, CEIC, MOSL

**Exhibit 6: Corporate capex is estimated at 12.6% of GDP in FY23, much lower than in the pre-COVID period...**



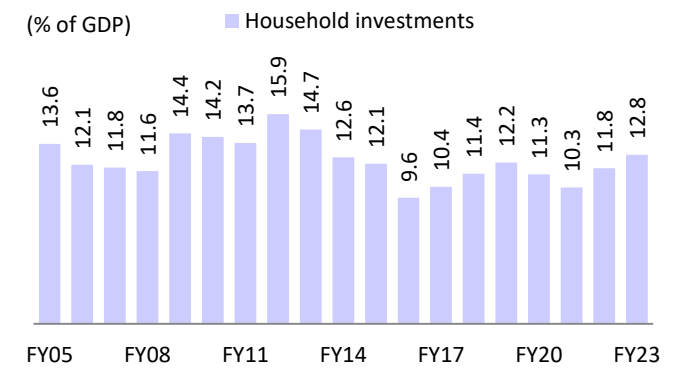
**Exhibit 7: ...and this is true even after excluding CPSEs, which have seen a sharp decline in their capex**



CPSEs capex is FY23REs

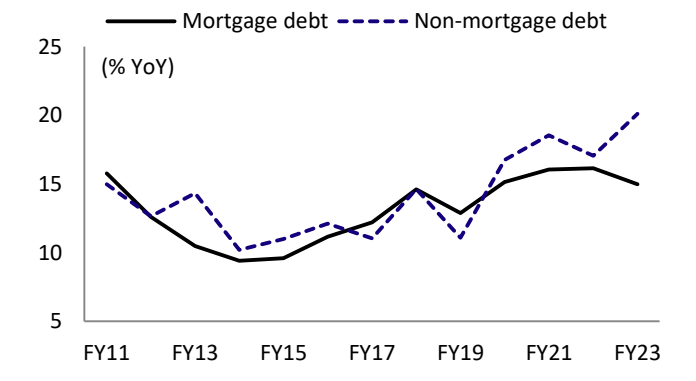
FY23 data is MOFSL estimates

**Exhibit 8: Household investments were likely at a decade high of 12.8% of GDP in FY23...**



\* Almost two-third of HH investments are residential real estate

**Exhibit 9: ...but mortgage debt likely to have grown slowly than non-mortgage debt**



Based on SCBs' exposure  
Source: Various national sources, CEIC, MOFSL

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