Despite being the second fastest growing economy of the world, India has been experiencing sharp deceleration in growth rate as well as in investments. Any quick turnaround in the growth rate cannot be expected unless, the investments pick up in the ensuing months. The largest democracy of the world, as well as the country, home to one sixth of the global humanity has tough time ahead to revive the economic growth rate, back to pre-meltdown era. This decelerating slowdown in the capital investments is though, not very explicit in the aggregate investment figures as it, has been offset by a corresponding rise in the household investments. Yet, in terms of capital expenditure (capex) most dampening decline is visible. The real estate boom and Indians' love for gold too have eluded growth in production focused investments in past 3 years. Indeed, it is the corporate capital expenditure and the public-investment in agriculture, which alone can infuse sustainable growth in output. Ever since, the meltdown of 2008, there has been a sharp deceleration in corporate investments, and today it has reached to the lowest ebb in the last 10 years. The hype, visible in the household investments, real estate and gold has little to contribute to the economic health of the nation, when the capital expenditure (capex) by private companies has halved to 9.9 percent of GDP in the financial year 2012-13 from a high of 18.8 percent of the GDP in 2007-08, according to the figures released by the Central Statical Office. To the contrary, the investments by households during this period have enhanced to 15.9 percent of GDP, from 11.7 percent of the GDP in 2007-08. Private Equity Investments in the real estate too, have declined by 67 percent in the Q3 of 2013-14. Now, as a consequence of decline in the quality employment and corresponding stagnation in income levels, the upswing in the demand for housing visible till a couple of years ago is no more there. The Private Equity Investment in the Q3 of 2013-14 had been $ 1.3 billion vis-à-vis, an investment of $ 2.6 billion in the preceding quarter. The Private Equity Investments, excluding real-estate, in the first 9 months of 2013 have declined to $ 5.05 billion, vis-a-vis $ 8.15 billion in the corresponding period of 2012. Thus, there had been a decline of 38 percent.

The manufacturing sector has witnessed a sharpest ever and an unprecedented decline in the commissioning of new projects, during the quarter ended December 2013. The average quarterly commissioning of projects which hovered around Rs.287 billion in the past 17 quarters dropped to Rs.81 billion. All the major sectors like textiles, machinery, chemicals, basic metals, transport equipments, consumer goods have recorded steep decline in new capacity creation.

The share of financial savings of the household sector (bank deposits, mutual funds, shares and debentures, insurance and pension funds) in capital formation too, during the reference period has declined to 8.0 percent from a high of 11.8 percent in the FY07-08, and to the contrary, share of household investment in physical assets (real estate, gold etc.) has increased to 14.3 percent in 2011-12 from 10.8 percent in 2007-08. In the present state of high inflation, people are scared away from financial
instruments and have been showing growing inclination towards physical assets. Indeed, a boom in the corporate capex prior to FY08 was accompanied by a steady decline in the share of household investments in gross capital formation and a decline in the share of physical assets in the household total savings portfolio. Corporate capital expenditure based investments are one of the biggest growth drivers as seen in China, where a large part of economic growth in last two decades was contributed by high corporate investment rate. Capex slowdown is most visible in machinery and equipment, which would have a cumulative impact in the quarters to come.

Persistent fall in investments in India has plunged the growth rate in the economy to sub-five percent rate for the straight fifth quarter in a row with a fateful contraction in both, manufacturing and scam ridden mining sector, during the Q3 of current fiscal i.e. Oct.-Dec.2013. Official figures released on February 28, reveal that the GDP growth rate in the Q3 was down to 4.7 percent, from 4.8 percent in July-Sept. quarter of current fiscal. The aggregate growth rate for the first three quarters of the current fiscal is at a lackluster level of 4.6 percent. Hence, the year long growth rate would also be in the sub-five percent zone and may hardly touch even 4.8 percent for the fiscal 2013-14. The manufacturing sector has even contracted by 1.9 percent and mining sector by 1.6 percent in the Q3 of 2013-14. Agriculture sector growth has also fallen to 3.6 percent in this quarter, from 4.6 of last quarter. This deprofiling in the manufacturing sector, key for generating quality jobs with elevation in the income to spend, has led to fall in demand for white goods viz the washing machines, cars, refrigerators etc., as well as for capital goods. The commercial vehicle sector, which tells about the true health of the level of industrial activity is also experiencing worst ever slowdown of the post independence history and has contracted by more than 30 percent. Almost 5 percent of the 6 crore trucks running on the roads and having the outstanding liability of servicing debt had been taken over by the financers for loan-recovery.

In view of such a worse frigidity in the economic activities across the sectors, the new government, likely to assume power after the election for Lok Sabha shall have to chart a bold turnaround strategy to fight the slow down, inflation, unemployment and declining new project investments.

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