

# Investment Tracker

**West Asia crisis, weak monsoon forecast dampen outlook for investment activity in FY2027**

**APRIL 2026**



## 1 Trends in High Frequency Indicators for Investments



## 2 Trends in Order Books and Capacity Utilisation



## 3 Trends in Government, Corporate and Household Investments



## 4 Annexure





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*The YoY performance of seven of the 11 investment-related indicators improved in Q4 FY2026 vis-à-vis Q3.*

*New project announcements slumped to Rs. 13.5 trillion in Q4 FY2026 from Rs. 25.5 trillion in Q4 FY2025, likely reflecting the adverse impact of the ongoing geopolitical uncertainty amid the conflict in West Asia.*

Trends for India's investment activity were largely positive in Q4 FY2026, prior to the complications thrown up by the West Asia conflict. The year-on-year (YoY) performance of seven of the 11 investment-related indicators improved in January-February/Q4 FY2026, compared to the prior quarter, while project completions scaled up to an all-time high of Rs. 4.1 trillion in Q4 FY2026. However, the heightened geopolitical uncertainty dampened new investment announcements by the private sector to Rs. 7.0 trillion in Q4 FY2026, down from Rs. 17.3 trillion in the year-ago quarter. Moreover, the investment outlook for FY2027 is clouded by external shocks, given the surge in energy prices and constrained availability of key inputs and their negative implications to India Inc.'s profitability and capex plans in the near term, amid likely sub-optimal utilisation of capacities in some sectors. While the growth target of Government of India's (GoI's) capex is set at a healthy 11.5% for FY2027, fiscal slippage risk owing to higher subsidy requirements and lower revenues could lead to a paring in its discretionary spending, including capex. In addition, the data from 19 state budgets revealed a strong aggregate capex growth of 14.3% in FY2027, which seems optimistic, given the revenue challenges they may face, with the West Asia conflict and a feared El Nino dulling the consumption outlook.

- **Investment activity improved in Q4 FY2026:** The YoY performance of as many as seven of the 11 investment-related indicators reported an improvement in January-February/Q4 FY2026 vis-à-vis Q3, including finished steel consumption, stamp duty collections, capital goods output (largely driven by machinery and equipment), infrastructure credit, and engineering goods' exports. Moreover, the Centre's capex also reverted to a YoY expansion in January-February 2026, after contracting in Q3 FY2026. On the other hand, the YoY performance of engineering goods imports, output of infrastructure/construction goods and cement, and states' capital outlay and net lending deteriorated in January-February/Q4 FY2026 relative to Q3.
- **West Asia crisis weighed on new project proposals in Q4 FY2026:** New project announcements nearly halved to Rs. 13.5 trillion in Q4 FY2026 from Rs. 25.5 trillion in the year ago quarter; this is the lowest value of announcements in the last quarter of a fiscal in three years, likely reflecting the adverse impact of the ongoing geopolitical uncertainty owing to the conflict in West Asia. The slump was primarily led by the private sector, with the value of their proposals tanking to Rs. 7.0 trillion from Rs. 17.3 trillion in Q4 FY2025. Interestingly, while announcements in the manufacturing sector fell sharply to a 7-quarter low of Rs. 1.5 trillion, those in the services sector spiked to a 12-quarter high of Rs. 10.0 trillion, led by transport services and data centre projects.

*Project completions surged to a record-high of Rs. 4.1 trillion in Q4 FY2026 from Rs. 2.0 trillion in Q3, driven by the Government sector.*

*The Gol's capex is implicitly estimated to decline by a sharp ~31% YoY in March 2026, which is likely to have dampened GDP growth in Q4.*

*Thereafter, while the Gol has budgeted its capex to grow by a healthy 11.5% in FY2027, risks around fiscal slippage could lead to a paring in the same.*

*The West Asia crisis has led to a surge in energy prices and constrained availability of inputs, which would weigh on the profitability of corporates and impact their capex plans in the near term.*

- **Project completions spiked to all-time high of Rs. 4.1 trillion in Q4 FY2026:** This was 45.4% higher than the year ago level of Rs. 2.8 trillion, while also being more-than-double the level seen in Q3 FY2026 (Rs. 2.0 trillion). Nearly 58% of the completions was led by the Government sector (8-quarter high of Rs. 2.4 trillion), followed by a slightly lower contribution by the private sector (Rs. 1.7 trillion). The railway (Western Dedicated Freight Corridor and Ghaziabad-Meerut Regional Namo Bharat Rapid Transit System Project) and chemicals (Vishakhapatnam Refinery Expansion/Modernisation project) segments largely drove completions in Q4 FY2026. Overall, the spike seen in the March 2026 quarter pushed the value of project completions to a record-high of Rs. 10.4 trillion in FY2026 from Rs. 6.3 trillion in FY2025.
- **Gol's capex target for FY2027 subject to downside risks:** The Gol's capex rose by 14.5% YoY to Rs. 9.3 trillion in 11M FY2026 from Rs. 8.1 trillion in 11M FY2025; consequently, it is required to contract by a sharp ~31% in March 2026 to meet the FY2026 RE (Rs. 11.0 trillion), which is likely to have weighed on GDP growth during Q4 FY2026. Thereafter, the Gol has pegged the gross capital expenditure at Rs. 12.2 trillion in FY2027 BE, a healthy 11.5% higher than Rs. 11.0 trillion in FY2026 RE. This would play an important role in supporting GDP growth in FY2027, particularly when private capex activity is expected to remain subdued. However, risks around fiscal slippage, owing to higher subsidy burden and lower receipts stemming from elevated energy prices amid the West Asia conflict, could lead to a paring in the Gol's discretionary spending, including capex.
- **West Asia conflict poses risks to India's capex outlook:** ICRA believes that stronger public capex, trade deals with the EU and the US, as well as an expected improvement in housing demand, elevated capacity utilisation (CU) levels and steady corporate/bank balance sheets augur well for India's capex outlook. However, investor sentiments are expected to have weakened as the West Asia crisis disrupted supply chains, led to a surge in energy prices, and constrained the availability of inputs; this would weigh on the profitability of the corporate sector and consequently impact their capex plans in the near term. An early normalisation of the situation and a reversion of energy prices to pre-conflict levels would be crucial to boost investment demand. Assuming an average crude oil price of \$85/barrel in FY2027, we have pegged India's GDP growth to slow down to 6.5% in the fiscal from the 7.5% estimated for FY2026, with risks tilted to the downside.



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