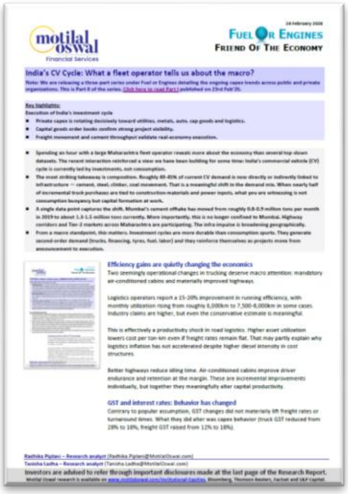
Fuel Or Engines
Friend Of The Economy


FY27 PSUs + States + Centre capex = INR28.4t/7.1% of GDP/11% YoY


India's CV Cycle: What a fleet operator tells us about the macro?

The capex continuum: Steady hands, shifting gears

We bring out our last part of the 'Fuel or Engines' series. In our first two notes, we discussed public and private capex separately. In the final part of the capex series, we discuss the capex outlook for the center, states, CPSEs, and corporates. We also introduce a high-frequency capex tracker.

Our analysis suggests that capex of the four institutions taken together is INR37.2t (9.3% of GDP; 7.5% YoY) in FY27E vs. INR34.6t (9.7% of GDP) in FY26E. From an economic perspective, what matters is the combined capital outlay. In our study, we have made the following exclusions to arrive at the core capex for the economy:

- **Loans and advances from center capex of INR12.2t, as these are already part of state capex**
- **BSNL equity infusion from telecom sector expenditure**
- **Food Corporation of India (FCI) expenditure from Internal and Extra Budgetary Resources (IEBR) of CPSEs**

While the West Asia conflict increases the risk of expenditure reorientation toward fertilizer and petroleum subsidies for the center, we believe states are likely to step in. For FY27, we analyzed capex trends across 17 state budgets and found that state capex growth is at 14% vs. 25% in FY26RE. Our confidence in state spending remains relatively strong, supported by the fact that budget utilization exceeds 90% for most large states (94% for 17 states under study). We also note that states generally backload capex spending every year, as was visible in FY26 as well. For FY26TD, states capex growth stands at 17.2% YoY, relative to the center's 11.2% YoY.

Among sectors, defense capex stands out among those driven by the Center and CPSE capex (INR2.2t in FY27E), with spending expected to expand at a CAGR of 12.4% over FY24–FY27BE. This contrasts with railways and roads, where capex growth is expected to moderate to CAGR of 3.8% and 3.7%, respectively. If the likelihood of expenditure reorientation arises for the Center toward necessary revenue spending, roads and railways capex may be further cut down. Another sector that stands out is power, where CPSE capex is expected to grow by 19% YoY to INR1t in FY27E vs. INR858b or 12% YoY in FY26RE.

Meanwhile, private corporate capex is expected to remain modest at around INR11.6t (2.9% of GDP) vs. INR11t (3.1% of GDP) in FY26. Sectors such as utilities, metals, automobiles, capital goods, and logistics are expected to do the heavy lifting.

The capex tracker points to a mixed but gradually improving trend. While 3QFY26 saw some moderation, particularly in government capex, momentum improved in Jan'26, and 10MFY26 due to a pickup in state government spending. Apart from state governments, household investment continues to be a key pillar of the investment cycle, with indicators such as stamp duty collections (24 states) rising 39.4% YoY in Jan'26 (7.4% YoY in 3QFY26; 14.0% YoY in 10MFY26) and household credit remaining strong at 13.9% YoY. Mortgage growth (~11% YoY) remains stable,

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while non-mortgage loans (~15% YoY in Jan'26) continue to expand, pointing to resilient real estate activity, led by premiumization across top eight cities in the country. Construction-related indicators remain strong, with consistent growth across IIP construction (cement production and steel consumption).

As highlighted above, corporate investment trends are improving but remain uneven. Corporate credit growth has strengthened to 15.2% YoY in Jan'26 vs. 10.1% in Jan'25, signaling improving intent, while infrastructure loans grew 6.4% YoY. However, hard indicators remain moderate, with IIP capital goods growth at 4.3% YoY in Jan'26 (6.8% in 3QFY26; 7.0% in 10MFY26) and capital goods imports at 2.1% YoY in Jan'26 (8.7% in 3QFY26; 8.1% in 10MFY26). Capacity utilization remains stable at ~75%, suggesting a gradual pickup rather than a sharp acceleration in corporate investments.

Outlook

As we wrap up the 'Fuel or Engines' series, the emerging picture is one of continuity rather than inflection. The capex cycle is being sustained not by any single engine, but through the steady interplay of public spending—where states, in particular, are carrying more weight as uncertainties persist. Beneath the aggregate numbers, there is a quiet reshuffling across sectors, with defense and power attracting higher government spending even as roads and railways moderate from their earlier pace. High-frequency data reflects this balance: activity is holding up, but without a decisive surge. Private investment, too, is inching forward, though still confined to select pockets. The durability of this cycle will hinge much on global stability as on local intent.

In our first two notes, we discussed *public* and *private capex* separately. In the note on public capex, we examined the capex outlook for the center, states, and CPSEs, and how it is likely to evolve in FY27. In the second note on private capex, we analyzed the pickup in economic activity through the lens of the CV cycle, highlighting improving investment momentum. In this final part of the capex series, titled 'Fuel or Engines', we bring together insights from the earlier notes to provide an overall outlook on capex spending, along with a high-frequency indicator (HFI)-based capex tracker.

This note is structured in three parts. The first part examines the different facets of the Center's and CPSEs' capex to assess the true extent of the infrastructure push. The second part estimates the total trackable capex spend—covering the center, CPSEs, states, and private corporate sector—for FY26 and FY27. The third part presents an HFI-based capex tracker, which is rarely compiled in a consolidated manner.

Part 1: Different facets of the Center's and CPSEs' capex

What is the Center's true capex budgeted for FY27BE?

Based on the headline data, the growth in the Center's capital spending is revised to 4.2% YoY (~INR11t) in FY26RE (from 10.1% YoY in FY26BE) and is budgeted to grow 11.5% YoY in FY27BE (INR12.2t), with clear downside risks emerging. CPSEs' capex is budgeted to grow 11.5% YoY (INR4.8t) in FY27BE, compared with a decline of 11.2% YoY (INR4.3t) in FY26RE (12.9% YoY in FY26BE).
However, three key adjustments are required to the headline data to accurately assess the Government of India's (GoI) true capital expenditure.

a) Center's capex excluding L&As to states
b) Center's capex excluding equity infusion into PSUs
c) CPSE's capex excluding allocation to FCI

Excluding L&As to states, the GoI's capex is budgeted at INR10t in FY27BE, up 8.1% YoY, following an average growth of 22% during FY21-FY25

a) **Center's capex excluding L&As to states** Capital spending by the GoI has two components – core capex and L&As. From an average of ~10% in the pre-pandemic years, L&As accounted for ~19% of GoI's total capital spending in FY26RE and are budgeted to grow significantly to 23% in FY27, which is the highest share since FY05, barring FY21 (26%). The GoI has budgeted L&As worth INR2.8t in FY27BE (33.8% YoY growth in FY27BE), including a transfer of INR2.3t to states. These L&As will be eventually counted as states' capex and, thus, must be excluded from the GoI's capex. Excluding L&As to states, the GoI's capex is budgeted at INR10t in FY27BE, up 8.1% YoY (vs. 3.9% in FY26RE), following an average growth of 22% during FY21-FY25.

Exhibit 1: Detailed analysis of capital outlays by CG and CPSEs

INR b, unless otherwise mentioned	FY23	FY24	FY25	FY26BE	FY26RE	FY27BE
Central government capital spending (Budget allocation)						
Ministry of Defense	**1,429**	**1,543**	**1,598**	**1,800**	**1,865**	**2,193**
Ministry of Railways	**1,593**	**2,426**	**2,519**	**2,520**	**2,520**	**2,778**
Ministry of Road Transport & Highways	**2,060**	**2,639**	**2,853**	**2,591**	**2,721**	**2,942**
Department of Telecommunications	**547**	**594**	**738**	**502**	**239**	**473**
Capital infusion to BSNL	**266**	**568**	**732**	**339**	**88**	**285**
Police	**82**	**97**	**116**	**118**	**160**	**213**
Others	**536**	**582**	**728**	**1,422**	**1,369**	**832**
Loans and advances (L&As)	**1,153**	**1,611**	**1,967**	**2,258**	**2,084**	**2,788**
States/UTs/foreign govt.	927	1,229	1,657	1,706	1,750	**2,264**
Total capital spending (% YoY)	**7,400**	**9,492**	**10,520**	**11,211**	**10,958**	**12,218**
	24.8	**28.3**	**10.8**	**6.6**	**4.2**	**11.5**
Center's capex ex. L&As to states (% YoY)	**6,473**	**8,263**	**8,863**	**9,505**	**9,208**	**9,954**
	13.5	**27.7**	**7.3**	**7.2**	**3.9**	**8.1**
Center's capex ex. L&As to states and equity infusion into PSUs (% YoY)	**6,207**	**7,695**	**8,131**	**9,166**	**9,120**	**9,669**
	22.2	**24.0**	**5.7**	**12.7**	**12.2**	**6.0**
Central Public Sector Enterprises (CPSEs)						
Ministry of Defense	28	32	40	41	38	43
Ministry of Railways	447	196	170	130	130	150
Ministry of Power	574	544	766	858	858	1018
Ministry of Petroleum & Natural Gas	1,190	1,369	1,689	1,324	1300	1338
Ministry of Coal	234	294	317	228	228	247
Ministry of Housing & Urban development	165	234	385	622	674	726
Food corporation of India (FCI)	305	477	755	280	150	206
Others	688	754	764	833	962	1,110
Total CPSEs capex (% YoY)	**3,631**	**3,900**	**4,886**	**4,316**	**4,339**	**4,838**
	-17.0	**7.4**	**25.3**	**-11.7**	**-11.2**	**11.5**
Total CPSEs capex ex. FCI (% YoY)	**3,326**	**3423**	**4,131**	**4036**	**4,189**	**4,632**
	-11.7	**2.9**	**20.7**	**-2.3**	**1.4**	**10.6**
Combined capital outlays (Capex)						
Ministry of Defense	1,457	1,575	1,638	1,841	1,902	2,236
(as a percentage of GDP)	0.5	0.5	0.5	0.5	0.5	0.6
% YoY	3.5	8.0	4.0	12.4	16.2	17.5
Ministry of Railways	2,040	2,622	2,690	2,650	2,650	2,928
(as a percentage of GDP)	0.8	0.9	0.8	0.7	0.7	0.7
% YoY	7.0	28.5	2.6	-1.5	-1.5	10.5
Ministry of Road Transport & Highways	2,060	2,639	2,853	2,591	2,721	2,942
(as a percentage of GDP)	0.8	0.9	0.9	0.7	0.8	0.7
% YoY	15.4	28.1	8.1	-9.2	-4.7	8.1
Combined capex of center and CPSEs ex. L&As to states, equity infusion into PSUs and FCI	**9,533**	**11,118**	**12,262**	**13,202**	**13,309**	**14,301**
(as a percentage of GDP)	**3.5**	**3.7**	**3.7**	**3.7**	**3.7**	**3.6**
% YoY	**7.8**	**16.6**	**10.3**	**7.7**	**8.5**	**7.5**

Source: Union Budget documents, MOFSL

A total of INR2.6t has been allocated during the past five years as capital infusion into BSNL under the GoI's capital spending

b) **Center's capex excluding equity infusion into PSUs:** A total of INR2.6t has been allocated during the past five years as capital infusion into BSNL under the GoI's capital spending. These capital infusions inflated the allocation under the Ministry of Communications from less than INR40b in FY22 to INR738b/INR239b in FY25/FY26RE and INR439b in FY27BE.

A detailed ministry-wise analysis of the capex also reveals that the Department of Telecommunications (DoT) has included capital infusion totaling INR266b into BSNL in FY23 (down from INR447b/INR333b in FY23BE/FY23RE), INR568b in FY24 (down from INR648b in FY24RE), INR732b in FY25 (from INR831b/INR721b in FY25BE/FY25RE), INR88b in FY26RE (down from INR339b in FY26BE), and another INR285b in FY27BE.

After excluding L&As to states and such financial support to various PSUs, the GoI's capex is budgeted to rise 6% YoY in FY27BE

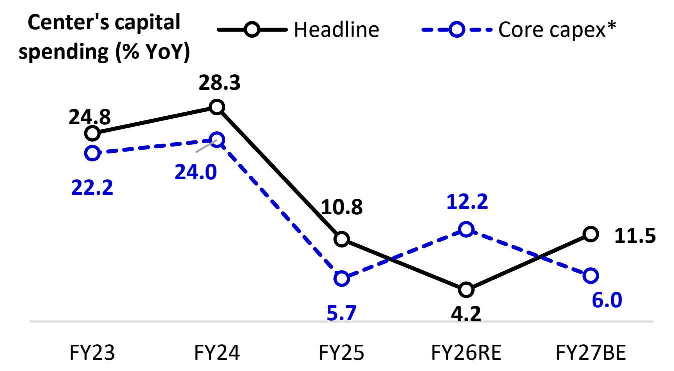
After excluding L&As to states and such financial support to various PSUs, the GoI's capex is budgeted at INR9.7t, up 6% YoY in FY27BE (vs. 12.2% YoY/5.7% YoY in FY26RE/FY25), following an average growth of 23% during FY21-FY24 *(Exhibit 2)*. The growth in capital spending, excluding L&As to states and equity infusion into PSUs (core capex), is lower than the growth in headline capital spending due to a higher number budgeted for equity infusion into BSNL (INR285b in FY27BE vs. INR88b in FY26RE) and a very sharp growth rate budgeted for L&As to states in FY27BE (29.4% YoY vs. 5.6% YoY in FY26RE).

IEBR of CPSEs: Budget allocations only account for a portion of the total capital spending by the GoI. The planned capital outlays (or capex) by CPSEs, and their likely financing, are also provided for in the Union Budget. **From an economic perspective, what matters is the combined capital outlay of the GoI and CPSEs.** After making the above-mentioned adjustments in the GoI's capital spending, we have made one adjustment in CPSEs' capex.

Excluding FCI, IEBR of CPSEs is budgeted to increase 10.6% YoY in FY27BE vs. a growth of 1.4% in FY26RE.

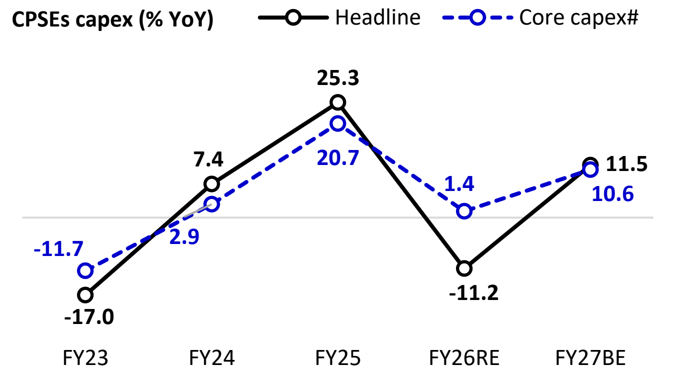
c) **CPSEs capex excluding allocation to FCI:** Since FY18, the Department of Food & Public Distribution (DF&PD) (which includes the allocation to FCI) has undertaken the maximum capital outlays among CPSEs, averaging about INR2t each year during FY18-FY20. As the GoI cleared all the arrears in FY21 and took over FCI debt on its books, the off-budget capex by the DF&PD reduced to about INR600b in the following two years, i.e., FY21-FY22, before falling further to INR300-400b in the last five years (FY23-FY27BE), barring FY25 (revised higher to INR750b from INR250b in FY25RE). This, we believe, must be excluded from the aggregate IEBR of CPSEs to understand the true extent of the infrastructure push. **Excluding FCI, IEBR of CPSEs is budgeted to increase 10.6% YoY in FY27BE vs. a growth of 1.4% in FY26RE**. *(Exhibit 3)*.

Exhibit 2: Center's core capex* budgeted to grow 6% YoY in FY27BE vs. 12.2% in FY26RE…



*Center's capex excluding Loans & advances to states and capital infusion into PSUs

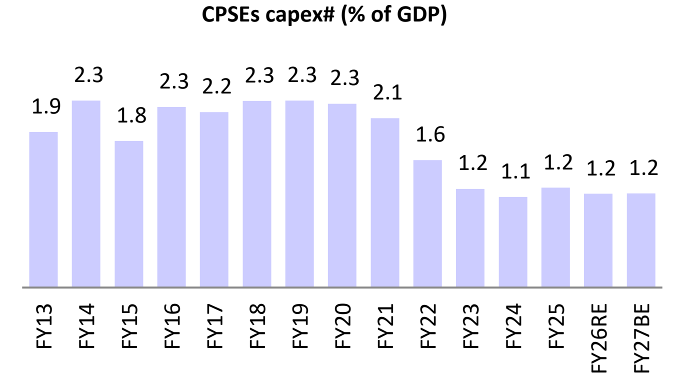
Exhibit 3: …and CPSEs' core capex# is targeted to grow 10.6% in FY27BE



#CPSEs' capex excluding FCI

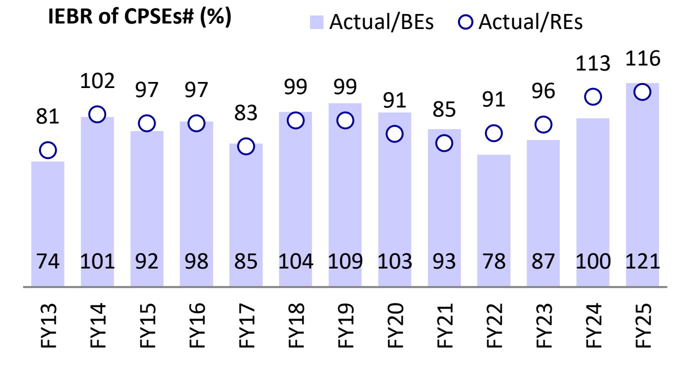
Source: Budget documents, MOFSL

Exhibit 4: CPSEs' capex (excl. FCI) has averaged at 1.2% of GDP in the past five years



#Excluding FCI allocations

Exhibit 5: Actual CPSEs' capex# exceeded BEs in FY24 and FY25, though averaged 95% in the past decade



Source: Budget documents, CSO, MOFSL

Note: FY26RE/FY26BE was 103.8%

Actual capex by CPSEs tends to be 90-95% of BEs/REs

Historical data suggests that actual capex by CPSEs (excluding FCI) tends to be about 90-95% of the budgeted and revised estimates (BEs/REs) (except FY22, FY23). In FY24 and FY25, actual CPSEs capex (excluding FCI) was higher than the revised estimates (INR4.1t in FY25 vs. INR3.6t in FY25RE). In FY26RE, it was revised up to INR4.2t from INR4.0t in FY26BE.

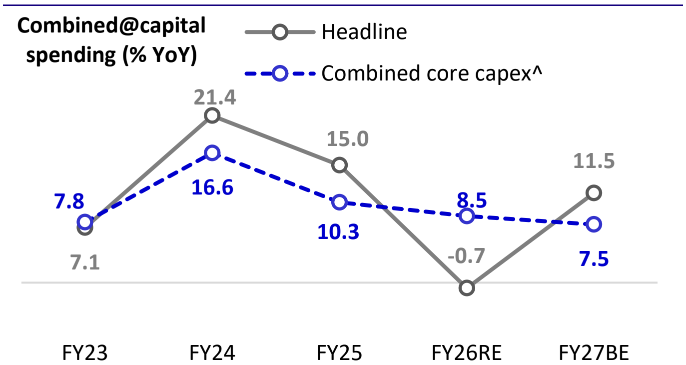
The combined capex (of the center and CPSEs) is budgeted at 3.6% of GDP in FY27

Combined capex^ stood at INR14.3t (7.5% YoY) in FY27BE; budgeted at 3.6% of GDP: Overall, from an economic perspective, what matters is the combined capex of the GoI (on-budget) and IEBRs of CPSEs (off-budget). With various adjustments (excluding L&As to states, capital infusion to PSUs, and FCI allocations from CPSEs), our estimates suggest that the combined capital outlays grew 8.5% YoY in FY26RE and were budgeted to rise by 7.5% YoY in FY27. *(Exhibit 6)*.

Defense capex stands out among key infrastructure sectors, with spending expected to expand at a CAGR of 12.4% over FY24–FY27BE. This contrasts with railways and roads, where capex growth is expected to moderate to 3.8% and 3.7% CAGR, respectively, during FY24–FY27BE, after stronger expansion in the previous period (Exhibit 9). The relatively stronger growth in defense spending reflects the government's continued focus on strengthening military capabilities and boosting domestic defense manufacturing under the 'Aatmanirbhar Bharat' initiative, with an emphasis on increasing indigenization, reducing import dependence, and promoting local defense production.

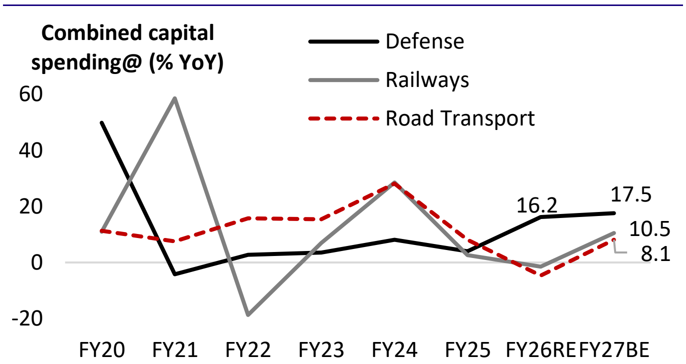
The combined capex, thus, is budgeted at 3.6% of GDP in FY27BE, slightly lower than 3.7% in FY26RE. *(Exhibit 10)*.

Exhibit 6: Combined core capex^ is budgeted to grow 7.5% in FY27BE compared to 8.5% in FY26RE



^Combined core capex = Center's capex excluding L&As to states and capital infusion into PSUs + CPSEs capex excluding FCI

Exhibit 7: Defense capex is expected to grow 17.5% in FY27BE vs. 16.2% in FY26RE



@Center + CPSEs

Source: Budget documents, MOFSL

Exhibit 8: Capex on defense, roads, and railways collectively stood at 2.1% of GDP in FY27BE

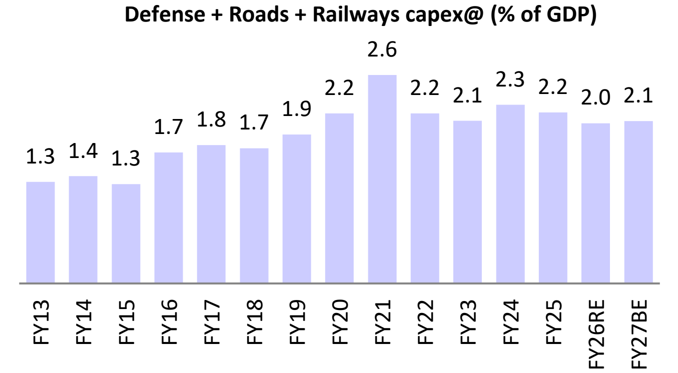
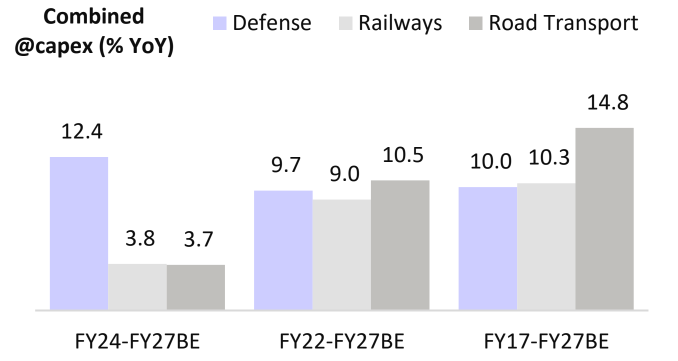
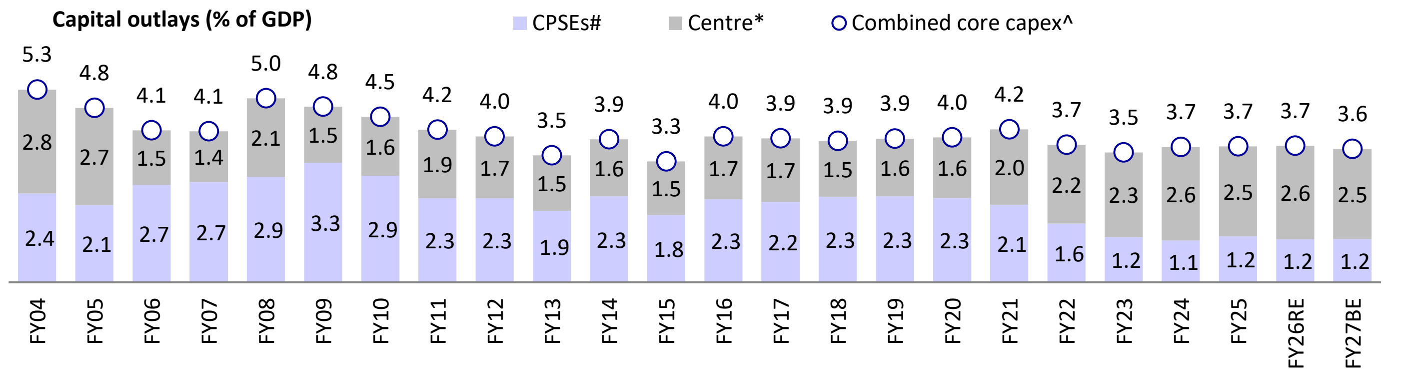


Exhibit 9: Defense capex is expected to expand at a CAGR of 12.4% over FY24–FY27BE



@Center + CPSEs Source: Budget documents, MOFSL

Exhibit 10: Combined capital outlays of the government and CPSEs



*Excluding L&As to states and equity infusion to PSUs #Excluding FCI

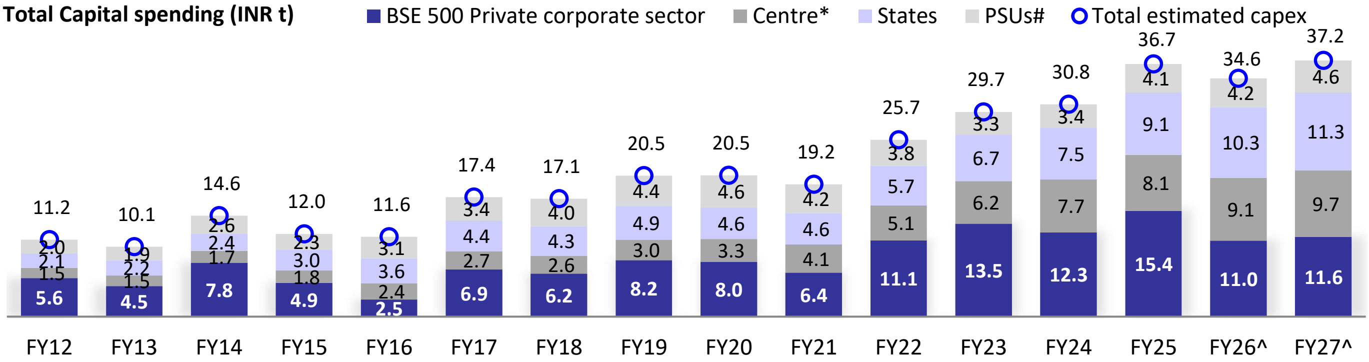
Source: Union Budget documents, CSO, MOFSL

Part 2: Total trackable capex in India expected at INR37.2t in FY27

We estimate the total trackable capex in the economy by combining investment spending across the center, states, CPSEs, and the private corporate sector (BSE 500 companies). Over the past two decades, India's investment cycle has exhibited clear cyclical movements. The previous capex upcycle peaked in FY08, when total estimated capex reached 16.6% of GDP, largely driven by strong private corporate investment. However, following the global financial crisis and the subsequent stress in corporate and banking sector balance sheets, private investment weakened significantly, leading to a sharp decline in overall capex. As a result, total estimated capex fell to around 8.4% of GDP by FY16, marking the trough of the investment cycle. Since then, the recovery in investment has been primarily public sector-led, with the center and states stepping up infrastructure spending. Consequently, public sector capex has remained broadly stable at around 6–6.6% of GDP between FY22 and FY26, providing great support to the ongoing investment cycle.

As explained in Part 1 of the note, the estimates for the center and CPSEs are based on core capex to better capture asset-creating expenditure. Accordingly, the center's capex excludes loans to states and equity infusion into PSUs, while CPSE capex excludes allocations to the FCI. In addition, the FY26 figures correspond to the Revised Estimates (RE), while FY27 numbers are based on the Budget Estimates (BE).

Exhibit 11: Total capital spending of the government, CPSEs and BSE500 companies (INR t)

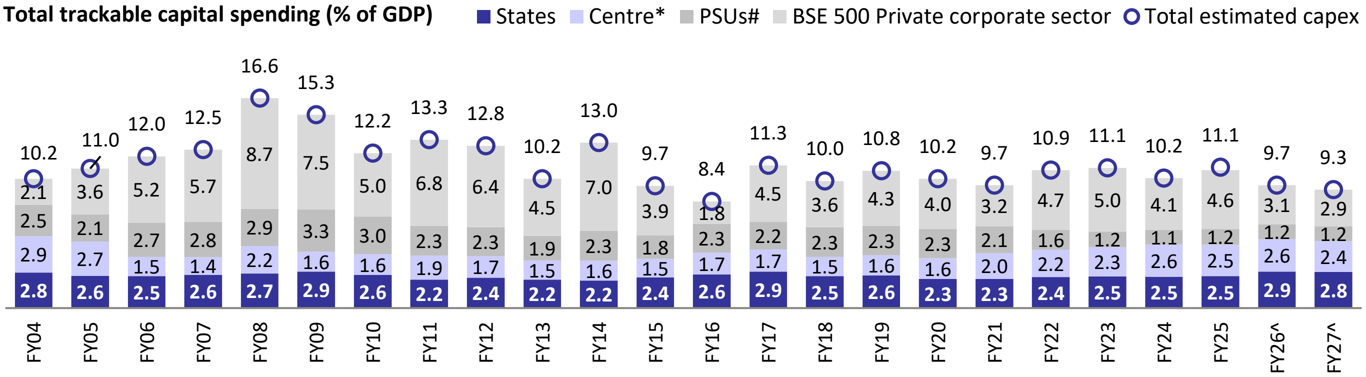


*Excluding L&As to states and equity infusion to PSUs #Excluding FCI

^FY26 and FY27- Center and CPSEs capital spending are revised and budgeted estimates, states' capex is our expectation

Source: Union Budget documents, CSO, MOFSL

Exhibit 12: Total capital spending of the government, CPSEs, and BSE500 companies (% of GDP)



*Excluding L&As to states and equity infusion to PSUs #Excluding FCI

^FY26 and FY27 – Center's and CPSEs' capital spending are revised and budgeted estimates, states' capex is our expectation

Source: Union Budget documents, CSO, MOFSL

Strong capex expansion visible in FY27 state budgets: State budgets for FY27 indicate a sustained and broad-based push toward capital expenditure. Across 17 key states, aggregate capex is budgeted to rise to INR10.4t in in FY27BE from INR9.1t in FY26RE, implying a healthy 14.0% YoY growth, following a robust 25.4% YoY expansion in FY26RE (Exhibit 13).

Exhibit 13: Capital spending of states (INR b)

	Capital Spending of states (INR b)						
States	**FY25**	**FY26BE**	**FY26RE**	**FY26RE/BE (%)**	**FY26RE (% YoY)**	**FY27BE**	**FY27BE (% YoY)**
Andhra Pradesh	212	468	395	84	86.3	539	36.5
Bihar	410	421	586	139	43.0	408	-30.4
Chattisgarh	204	268	165	62	-19.0	270	63.6
Gujarat	690	1003	895	89	29.8	1141	27.5
Jammu & Kashmir	150	269	244	91	63.1	253	3.8
Jharkhand	226	260	260	100	14.8	293	12.5
Karnataka	645	713	660	92	2.2	747	13.2
Maharashtra	949	932	1174	126	23.7	1128	-3.9
Madhya Pradesh	706	851	747	88	5.8	803	7.5
Odisha	484	666	628	94	29.9	725	15.4
Punjab	72	109	119	109	65.7	186	56.3
Rajasthan	310	541	410	76	32.1	556	35.7
Uttar Pradesh	1223	1742	1693	97	38.4	1864	10.1
Tamil Nadu	471	661	514	78	9.1	596	15.8
Haryana	156	208	212	102	35.6	282	33.0
Kerala	157	181	171	94	8.3	209	22.5
West Bengal	223	401	269	67	20.3	419	56.1
Total	**7,288**	**9,693**	**9,139**	**94**	**25.4**	**10,418**	**14.0**

Among large states, UP remains the dominant capex driver, with outlay increasing to INR 1,864b in FY27BE (10.1% YoY), followed by Gujarat (INR 1,141b; 27.5% YoY) and Maharashtra (INR 1,128b; -3.9% YoY, albeit on a high base after strong FY26RE spending). MP and Tamil Nadu continue to exhibit steady growth trajectories, with capex rising 7.5% and 15.8% YoY, respectively.

Andhra Pradesh remains a key standout, with capex growing sharply by 36.5% YoY in FY27BE (after an 86% surge in FY26RE), reflecting an aggressive infrastructure build-out across irrigation, roads, and industrial corridors. Similarly, Rajasthan (35.7% YoY), Haryana (33.0% YoY), and Gujarat are witnessing strong scaling up of capital outlays.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FRIEND OF THE ECONOMY
FY27 PSUs + States + Centre capex = INR28.4t/7.1% of GDP/11% YoY

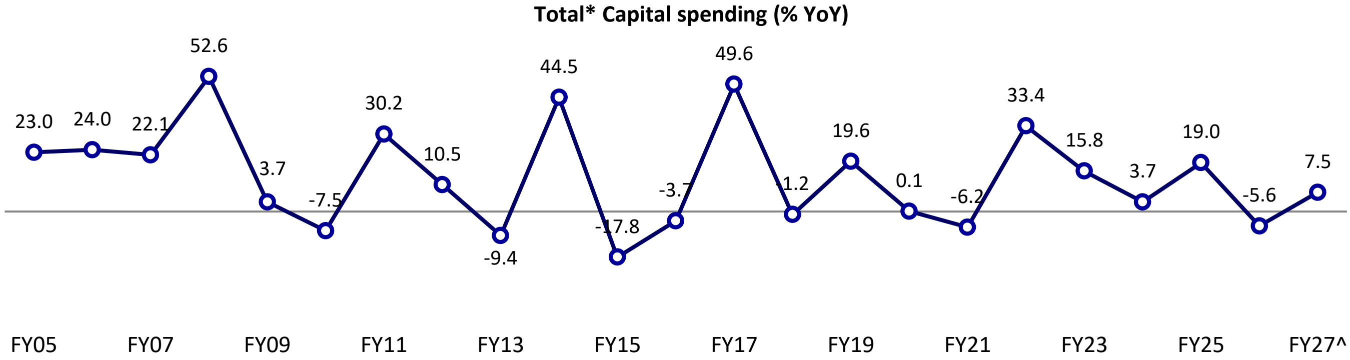
In terms of sectoral priorities, states continue to focus on transport infrastructure (roads, expressways, metro systems), irrigation and water resources, urban infrastructure, and energy. At the same time, most states are maintaining allocations toward social sectors such as healthcare, education, and welfare, indicating a balanced approach between growth-oriented capex and inclusive spending.

Overall, the FY27 state capex profile underscores continued momentum in India's public capex cycle. The strong and broad-based expansion in state capex lends credibility to our FY27 states' capex expectation of INR11.3t, as highlighted in our earlier note.

Total trackable capex in India expected at INR37.2t in FY27: In FY26, total estimated capex is projected at around INR34.6t (9.7% of GDP), with the investment cycle continuing to be largely driven by the public sector. Public sector capex is estimated at INR23.6t (6.6% of GDP), supported by sustained infrastructure spending by both the center and states, which together account for the bulk of government investment. In comparison, BSE 500 private corporate capex is estimated at around INR11.0t (3.1% of GDP), indicating some moderation after the stronger pickup seen in the previous year.

Looking ahead, FY27 is expected to witness a further expansion in overall capex to around INR37.2t (9.3% of GDP). The increase is again likely to be led by the public sector, with public capex projected to rise to around INR25.6t (6.4% of GDP) as infrastructure spending by the center and states remains strong. Meanwhile, private corporate capex is expected to recover modestly to around INR11.6t (2.9% of GDP). Overall, the data suggests that the current investment cycle continues to be anchored by government-led infrastructure spending, while private sector investment is gradually improving as capacity utilization trends upward and demand conditions remain supportive.

Exhibit 14: Total* capital spending expected to grow 7.5% YoY in FY27



*Center's capex excluding L&As to states and equity infusion to PSUs + CPSEs capex excluding FCI allocations + Capex of BSE500 companies
^FY26 and FY27- Center and CPSEs capital spending are revised and budgeted estimates, states' capex is our expectation
Source: Union Budget documents, CSO, MOFSL

Part 3: Investment tracker - Jan'26

Investment indicators point to a mixed but gradually improving trend. While 3QFY26 saw some moderation, particularly in government capex, momentum improved in Jan'26, and 10MFY26 data suggests a steady underlying recovery, led by households, construction activity, and sustained public capex support.

Public capex = Center + States + CPSEs

General Govt. Capex = Center + States

- On the general government capex front, government (Center + 24 States) spending weakened in 3QFY26, primarily due to the contraction in central capex, even as states continued to spend at a healthy pace. The rebound in Jan'26 was led by strong state capex (24.4% YoY), while central capex remained weak (-4.2% YoY). With 10MFY26 government capex growth at 14.2% YoY, the underlying investment cycle remains intact (Exhibit 15).
- Household investment continues to be a key pillar of the investment cycle, with indicators such as stamp duty collections (24 states) rising 39.4% YoY in Jan'26 (7.4% YoY in 3QFY26; 14.0% YoY in 10MFY26) and household credit remaining strong at 13.9% YoY. Mortgage growth (~11% YoY) remains stable, while non-mortgage loans (~15% YoY in Jan'26) continue to expand, pointing to resilient real estate activity and urban consumption, with positive spillovers for sectors such as cement, building materials, and consumer durables.
- Corporate investment trends are improving but still uneven. Corporate credit growth has strengthened to 15.2% YoY in Jan'26 (vs. 10.1% in Jan'25), signaling improving intent, while infrastructure loans grew 6.4% YoY. However, hard indicators remain moderate, with IIP capital goods growth at 4.3% YoY in Jan'26 (6.8% in 3QFY26; 7.0% in 10MFY26) and capital goods imports at 2.1% YoY in Jan'26 (8.7% in 3QFY26; 8.1% in 10MFY26). Capacity utilization remains stable at ~75%, suggesting a gradual pickup rather than a sharp acceleration in corporate investments.
- Construction-related indicators remain the strongest segment within the investment landscape, with consistent growth across IIP construction (cement production and steel consumption). This reinforces the view that **infrastructure and real estate are currently anchoring the investment cycle, providing visibility to earnings in construction-linked sectors.** According to a report by Knight Frank India, homes priced above INR 10m accounted for 50% of total residential sales across top eight Indian cities in 2025, with volumes in this segment growing ~14% YoY. This highlights a clear shift in the housing mix

toward premiumization, with developers aligning supply to this segment amid relatively weaker traction in affordable housing.

- DLF management highlighted that luxury-housing demand remains resilient despite ongoing global geopolitical uncertainty, with continued strong traction in the premium real estate segment.

Exhibit 15: Investment tracker

		Monthly			Quarterly					CAGR (%)		FYTD (% YoY)
Indicator	**Unit**	**Jan'25**	**Dec'25**	**Jan'26**	**3QFY25**	**4QFY25**	**1QFY26**	**2QFY26**	**3QFY26**	**FY10-19**	**FY20-25**	**10MFY26**
Government												
Total (general) government	% YoY	1.8	-4.1	11.5	15.1	51.0	29.8	12.2	-0.9	12.6	16.0	14.2
Central government	% YoY	8.7	-21.3	-4.2	20.5	44.2	35.9	23.0	-12.7	13.9	20.5	12.3
State governments	% YoY	-3.2	36.4	24.4	9.4	55.6	19.7	-1.2	12.7	11.9	12.7	16.6
Household (HH) investments												
SD&RF collection	% YoY	-3.7	0.3	39.4	6.7	5.8	23.0	6.2	7.4	12.5	12.1	14.0
SCBs HH debt	% YoY	12.2	13.8	13.9	12.4	11.9	10.3	11.0	13.8	14.0	15.9	13.9
ow: Mortgage	% YoY	11.0	11.1	11.1	11.1	10.7	9.6	10.1	11.1	15.5	17.0	11.1
ow: HH non-mortgage debt	% YoY	12.7	14.8	15.1	12.9	12.3	10.6	11.4	14.8	13.5	15.5	15.1
Corporate investments												
SCBs Corporate debt*	% YoY	10.1	15.3	15.2	9.3	9.7	7.9	9.1	15.3	13.0	5.7	15.2
Infrastructure loans	% YoY	2.3	7.2	6.4	1.6	2.8	-0.5	3.7	7.2	14.5	4.6	6.4
IIP: Capital goods	% YoY	10.2	8.3	4.3	7.4	7.0	9.8	5.6	6.8	1.1	0.6	7.0
Nominal imports of capital goods	% YoY	27.8	5.7	2.1	8.3	14.7	14.0	4.3	8.7	4.3	5.9	8.1
Manufacturing capacity utilization	Index				75.4	77.7	74.1	74.3	75.4	75.0	70.9	74.5
Current assessment for prod capacity	Index				5.0	6.7	-1.1	-2.3	-0.3	5.0	8.4	5.5
Expected assessment for prod capacity	Index				11.3	8.3	10.4	15.9	15.9	6.1	19.8	15.4
Construction-related indicators												
IIP: Construction	% YoY	7.3	12.8	13.7	7.0	8.1	6.0	11.6	11.0	5.1	4.8	10.0
Cement production	% YoY	14.3	13.7	10.7	8.7	12.4	8.0	7.3	11.2	6.1	5.0	9.1
Steel consumption	% YoY	9.5	5.4	4.9	8.1	11.2	7.9	8.8	4.6	5.4	7.5	6.8

* Based on data of 24 states up to Jan'26; $ Including agricultural, transport operators, trade, and personal loans; ^ SCBs loans excluding household and NBFCs loans; Source: Various national sources, CEIC, MOFSL

Looking ahead, the investment cycle is expected to strengthen gradually, supported by continued government spending, resilient household demand, and strong construction activity. However, the pace of recovery in private corporate capex is likely to remain measured and contingent on demand visibility and capacity utilization trends.

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