

Outward FDI down in Aug on grim global prospects

Fell 33.3% sequentially to \$1.21 billion, compared to over \$1.82 billion in July

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Reflecting subdued global economic growth, India's outward foreign direct investment (FDI) fell by 33.3 per cent sequentially to \$1.21 billion in August, compared to over \$1.82 billion in July.

According to data from the Reserve Bank of India (RBI), year-on-year (Y-o-Y), outward investments saw a sharp decline compared to \$9.76 billion in August 2022.

After declining for two consecutive months, outward FDI had increased sequentially to \$1.8 billion in July 2023, compared to \$1.07 billion in June, marking a rise of 73 per cent.

Outbound FDI, expressed as a financial commitment, comprises three components: equity, loans, and guarantees.

A slowdown in economic and business activities, especially in developed markets, has impacted direct investment flows, both inbound and outbound, according to bankers.

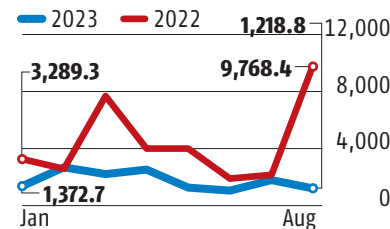
Madan Sabnavis, chief economist at Bank of Baroda, said, "Most investments (outward FDI) are in subsidiaries or stakes in foreign companies. A slowdown in the West (developed markets) means fewer opportunities."

Inward FDI — overseas money flowing

ILLUSTRATION: AJAY MOHANTY



OUTWARD FDI TRENDS (\$ million)



Source: Reserve Bank of India

into India — has also been sluggish. Net FDI in India sharply declined to \$4.99 billion in April-June 2023-24 (FY24), down from \$13.92 billion in April-June 2022-23 (FY23), according to RBI data.

Looking at the components of out-

bound FDI, equity commitments marginally increased to \$454.6 million in August 2023, up from \$452.3 million in July but significantly lower than the \$7.71 billion recorded in August 2022.

Debt commitments decreased to \$269.3 million in August, down from \$607.5 million in July, also lower compared to \$1.38 billion in August 2022.

Guarantees for overseas units declined to \$494.7 million in August from \$769.1 million in July, and they were lower compared to \$672.9 million a year ago, revealed RBI data.

Key deals in August 2023 included a guarantee by the state-owned Indian Oil Corporation of about \$158.02 million provided to its Netherlands-based subsidiary, Indoil Global BV and Jio Platforms' equity investment of \$81.47 million in US-based Radisys Corporation.

TVS Supply Chain Solutions also committed to infusing \$23.87 million in equity into a UK-based subsidiary involved in transport and storage businesses.

While the domestic market, with its resilient economic growth, is drawing investment interest, the capital expenditure cycle seems to be just about gathering pace. Sabnavis noted that it does not seem like corporates are investing much in India, as only some sectors are performing well in terms of investment.