

Equity FDI inflows nearly halve on global overhang

ABHIJIT LELE

Mumbai, 19 September

Showing the effect of the slowdown in global economic activity, the equity foreign direct investment (FDI) into India declined sharply to \$13.9 billion in April-July 2023 from \$22.04 billion a year ago.

The net FDI, inflows minus outflows, declined from \$17.28 billion in April-July 2022 to \$5.70 billion in April-July 2023 on account of moderating gross FDI and a rise in repatriation. Gross FDI into India moderated to \$22.0 billion during April-July 2023 from \$29.6 billion a year ago, according to Reserve Bank of India data.

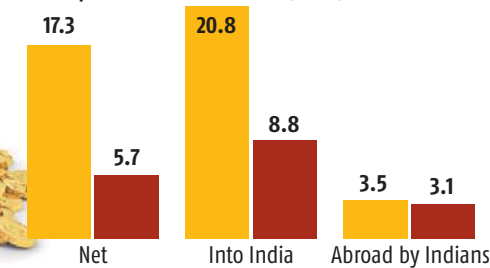
RBI's State of the Economy article (September 2023 bulletin) said the repatriation/disinvestment, by those who made direct investments in India, rose to \$13.18 billion in four months of the current financial year from \$8.81 billion in April-July 2022.

Around two-thirds of the FDI equity flows were directed towards manufacturing, financial services, business services, computer services, electricity, and other



DRYING UP

FDI in Apr-Jul 2022 2023 (\$ mn)



FDI: Foreign direct investment; source : RBI's September 2023 bulletin

energy sectors. Singapore, Japan, the Netherlands, the US, and Mauritius were major source countries, accounting for more than two-thirds of the FDI equity flows during the same period, RBI report.

High-frequency indicators point to some loss of momentum in global economic activity in the third quarter of calendar 2023 and divergent paths across geographies. The outlook was complicated by structural shifts in the global economy amidst unusual uncertainty.

The looming concern is that global growth is likely to slow in 2024 after outperforming expectations in 2023 so far, which will act like a negative base effect.

This is premised on the belief that inflation could remain stubbornly above target, forcing central banks to maintain disinflationary stances well into 2024.

The upheavals over the past three years may likely bring about persistent price pressures that will be unpredictable and harder to root out.