

FDI outflow rises 73% to \$1.85 bn in July over June

ABHIJIT LELE
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Interrupting a two-month streak of decline, outward foreign direct investment (FDI) rose sequentially to \$1.85 billion in July over \$1.07 billion in June, an increase of 73 per cent.

However, it was lower than the \$2.18 billion in July last year, according to the Reserve Bank of India data.

Outbound FDI, expressed as financial commitment, has three components — equity, loans, and guarantees. The commitments (under outward FDI) stood at \$1.29 billion in May. Outward FDI was \$2.52 billion in April, the RBI data showed.

However, bankers said it was too early to come to a conclusion about changes in trends of decline seen through this calendar year. The slowdown in global economic and business activities, especially in developed markets, has impacted direct investment flows, both inbound and outbound. Showing the effect of global slowdown, net FDI in India declined sharply to \$4.99 billion in the April-June quarter (Q1FY4) from \$13.92 billion in the same period a year ago. The moderation in gross inward FDI, coupled with a rise in the repatriation of investment from India, resulted in a decline in net FDI.

Madan Sabnavis, chief economist, Bank of Baroda, said while it would be premature to call the rise in outbound FDI a change in trend, Indian businesses were trying to go beyond the domestic market, where the scope for private investment had been limited.

Opportunities are opening up in developed markets and valuations are better for making investments in subsidiaries, joint ventures, and new investments.

Getting into the components of outbound FDI, the RBI data showed the equity commitment declined to \$442 million in July from \$488 million in June. It was lower than the \$629 million in July 2022.

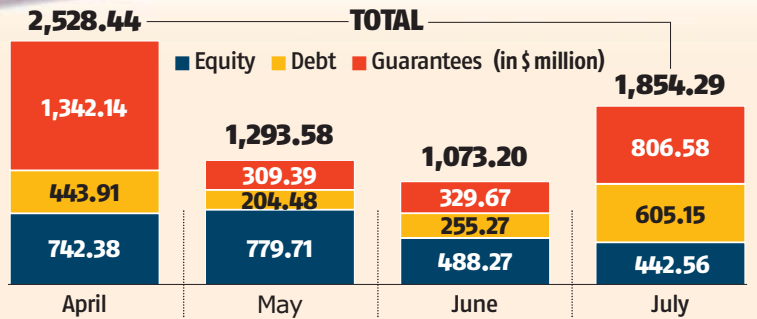
The debt commitment rose to \$605 million in July from \$255 million in June. However, it was over three times over the \$180 million in July 2022.

The guarantees for overseas units grew to \$806 million in July from \$329 million in June.

However, they were much lower than the \$1.37 billion in July 2022.



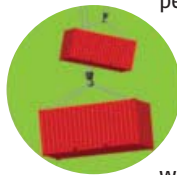
IN NUMBERS



Amid slowdown, Centre reviews export scenario

Amid sustained contraction in outbound shipments of goods, exporters have urged the government to give a push to the rupee trade mechanism. The matter was discussed at the Centre's review of sectoral progress in exports with the export promotion councils on Tuesday, people aware of the matter told *Business Standard*.

The Special Rupee Vostro Account mechanism has not taken off. Exporters said this was because both sides — India and its export partner — were not keen to test the new arrangement. "Besides, currencies not having direct exchange rate are subject to cross currency exchange rate twice which takes away 3 – 4 per cent of the aggregate amount," the Federation of Indian Export Organisations informed the commerce department during the review meeting.



SHREYA NANDI

India Inc files ECB intents worth \$2.55 bn in July

Indian corporates have filed application with Reserve Bank of India in July 2023 for raising \$ 2.55 billion through External Commercial Borrowings (ECBs).

This includes an intent by Reliance Jio Infocomm for \$1.56 billion for local sourcing of capital goods (rupee expenditure). According to Reserve Bank of India data Reliance Jio Infocomm would raise ECB money having approximate maturity of 121 months from commercial banks.

REC Ltd intends to raise \$ 500 million from the overseas branch of Indian Commercial bank.

The maturity of ECB money is 60 months and would be used for on-lending purposes. ABHIJIT LELE