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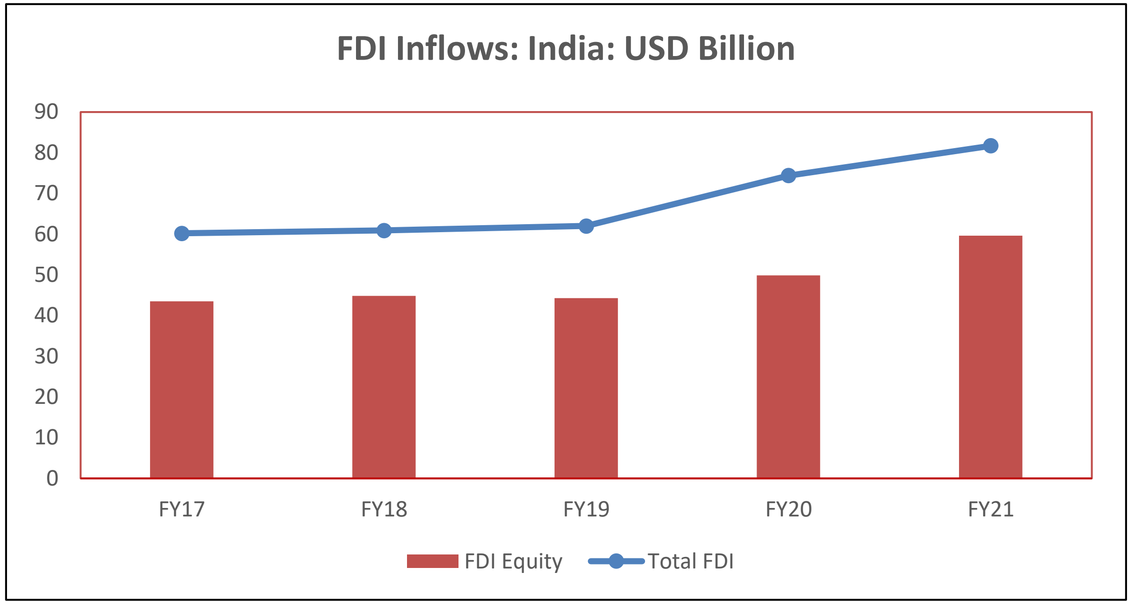
Comments on:
FDI Inflows - FY21

Govt measures started to enhance FDI flows



- FDI inflows have continued to witness a steady rise in FY21 despite the Covid pandemic
- FDI equity flows have risen by 19% to USD 59.6 billion from USD 49.9 billion in FY20
- In the context of a collapse of overall global FDI from USD 1.5 trillion in CY2019 to USD 859 billion in CY2020, this growth is encouraging.
- While one particular private sector group has accounted for a major part of FDI in FY21, the growth also reflects some of the initiatives taken by the Govt apart from the long term prospects of the economy.

FDI outlook positive over the medium term

- The government has been making efforts to enhance FDI through various measures such as:
  (i) Reduction of corporate tax rates
  (ii) Liberalisation of FDI investment limits in some industries and
  (iii) The production linked investment (PLI) scheme launched last year to boost foreign investment in the manufacturing sector.

- With computer software and hardware account for 44% of the fresh flows, foreign investors continue to be very optimistic about the growth in the digital technology and e-commerce space in India, given the favourable demographics and the expanding telecom networks.

- India also continues to attract a healthy flow of capital in the real estate sector, the weakness in domestic demand notwithstanding; the warehousing space has been a major beneficiary.

- Over the medium term, we expect to see a much larger FDI flow in the manufacturing sector as the PLI scheme gathers momentum particularly in the electronics hardware, chemicals and pharmaceuticals sector.