India, ASEAN-5 more fetching to FDI than other emerging mkts - Times of India

New Delhi, Aug 2 () India along with Indonesia, Malaysia, Thailand, the Philippines and Vietnam is more attractive to FDIs as compared to other emerging markets and flows to these nations are expected to surge to around USD 240 billion by 2025, says a Nomura report.

The Japanese financial services major has dubbed India and ASEAN-5 (Indonesia, Malaysia, the Philippines, Thailand and Vietnam) as "Asia's tiger cubs", and said FDI inflows to these nations will increase from around USD 100 billion per year now to around USD 240 billion by 2025.

Moreover, sources of FDI to these nations are also witnessing a significant shift with more inflows expected from countries as China and Japan.

"Unlike in the past, when the US and EU accounted for bulk of FDI flows into the 'cubs', we expect a growing regional bias as the source of FDI changes from the west to east, and especially from high-saving Japan and China," the report said.

Rising labour costs in China and an ageing population in Northeast Asia have disincentivised foreign direct investment (FDI) and they are in search of new destinations and "India and the ASEAN-5 are well placed to emerge as that destination," the report said.

Factors that are expected to encourage FDI into India and ASEAN-5 include - large and growing domestic markets; reforms focussed on improving infrastructure and the ease of doing business; a more open and liberal FDI regime; sound economic management and political stability; and availability of low-cost labour.

In terms of equity market implications, Nomura said in India, FDI is expected to flow into sectors that need growth capital (infrastructure, banks, e-commerce and hospitals) and those with strong long-term growth prospects (retail, automobiles, pharmaceuticals and diagnostics).

"While FDI inflows will be largely negative for listed companies in e-commerce due to increased competition, those in auto component, retail, hospital, infrastructure and capital goods segments should benefit," it said. DRR ANU

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