

gdp: FDI flows into India to rise to 2.5% of GDP in 5 years: UBS

MUMBAI: [FDI](#) inflows into the country is likely to rise to 2.5 per cent of [GDP](#) over the next five years, helped by economic growth and ongoing structural reforms, said a report by [UBS Securities India](#).

The foreign direct investments (FDI) into India have nearly doubled over the past decade to USD 42 billion, which was 1.9 per cent of GDP in 2016-17.

"Post 2014 general election, FDI inflows saw a compound annual growth rate of 11 per cent versus a dip of 6 per cent seen over the previous 5 years," UBS said.

"We expect FDI inflows to India to rise further to 2.5 per cent of GDP over the next 5 years," added the foreign brokerage.

UBS noted that unlike [China](#), where the government has phased out FDI-favoured policies, India will be increasingly recognised as a favoured destination by overseas investors "if growth is accompanied with continuous structural reforms".

Interestingly, the report said that over the last couple of years, India has recorded a pickup in FDI inflows to the manufacturing sector. Historically such investments have been more towards the service sector.

According to the report, FDI flows into manufacturing "bodes well for creating a productive spill-over impact on other sectors of the economy; for instance, boosting exports and creating jobs".

"In 2016-17, the largest increase in FDI was in the telecom sector (USD 4.2 bn) followed by insurance. Besides these, cement, electrical equipment, banking services, metallurgical industries and the broadcasting sectors also received higher flows in the last fiscal," it added.

Observing that India needs FDI inflows to fund its current account deficit, UBS said the country requires "to focus on attracting stable FDI flows to improve the competitiveness of its manufacturing sector and to make it an integral part of the global value chain".

It said transfer of technical and organisational knowledge that accompanies these flows would help boost productivity, support investments and contribute to India's overall growth - under the right conditions.

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