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INDIA

Inward FDI Report

**FOREIGN DIRECT
INVESTMENT**

NAVIGATING NOW , NEXT & BEYOND

2023
EDITION

TABLE OF CONTENTS

05 FDI Outlook in India - Now, Next & Beyond

07 Who is Investing in India?
FDI Equity inflows by Country

12 Preferred FDI Destinations
Top States by FDI inflows

27 Which Sectors are Growing Faster?
Top sectors attracting FDI

31 Deciphering Global FDI Currents

37 Why India is Growing
Growth propellers

47 Challenges that Hide Opportunities

52 References

53 Acknowledgement



वैश्वेय कुटुम्बकम्
ONE EARTH • ONE FAMILY • ONE FUTURE

PREFACE

This report aims to present a comprehensive overview of India's exceptional performance in attracting Foreign Direct Investment (FDI) in FY22. India has emerged as a land of unlimited opportunities for foreign companies, receiving a record-high FDI inflow of USD 84.83 bn from 101 countries across 30+ States and UTs and 57 sectors. The lucrative Investment Promotion Policies & Reforms, Ease of Doing Business (EoDB) Frameworks, and Production Linked Incentives offered by the Central and State Governments have played a pivotal role in attracting record-high inward investments across sectors of economic importance.

The IT sector has been the frontrunner in attracting FDI, and India has also become the third-largest startup ecosystem in the world, with more than 84,400 such businesses operating across the country's districts. It is commendable to see India's inward FDI growth, fostering 20 times from 2000 to 2022, boosting its capability confidence index to attract more investments upward, crossing USD 100 bn and beyond in the coming years.

The report highlights India's FDI growth story across states/UTs and sectors and compares it to global coalition performance indicators in the region for FY22. The government of India has taken numerous efforts to ease FDI regulations in critical industries, PSUs, Oil Refineries, Telecom & Defence, enabling automatic FDI routes in various sectors, and fast-paced sectoral developmental policies.

The report aims to assist companies in building an India entry strategy by identifying the newest elements that would influence global FDI inflows into the country and its effect on economies worldwide. We project India's FDI inflows to continue growing upward, crossing USD 100 bn and beyond in the coming years, boosting its capability confidence index to attract more investments.

In light of India's exceptional performance in attracting FDI, we see India as one of the best investment destinations in FY23 across key sectors such as ICT, Automobile, Aerospace & Defense, Agriculture, Manufacturing, Renewable energies, Pharmaceuticals, and Real Estate. The report concludes by emphasizing India's potential to attract more foreign investments and its position as a critical player in the global economy.



Mahesh Natarajan

Co-Founder & Partner

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FOREWORD

Globalization favors scale and India offers foreign investors a fast-growing market, a large pool of skilled people, and a favourable business environment to set up a manufacturing, services or product development hub. The growth in India's FDI inflows attests to India's advantages as an investment destination.

The year 2023 marks India's milestone as key reforms take full effect and key infrastructure projects are completed. 2023 is also a critical inflection point for the world as developed economies deal with previously unseen disruption to global supply chains and major geopolitical shifts. This report assesses the opportunities India offers investors in this challenging environment and the advantages current investors have benefited from.

Readers will gain a deeper understanding of the key sectors and industries driving FDI growth and the regulatory framework and policies designed to nurture investment. We also cover the risks and challenges India faces in its ongoing push to become an even bigger global economic powerhouse.

India holds the Presidency of the G20 from December 1, 2022, until November 30, 2023. Prime Minister Narendra Modi has been a vocal proponent of "Vasudhaiva Kutumbakam," emphasizing the concept of "One Earth One Family One Future". India has taken an active role in G20 meetings, taking a leading role in initiatives such as promoting inclusive growth, boosting infrastructure investment, and strengthening financial regulation. As a result, India is presented with a unique opportunity to attract investments and achieve multifold growth in the years to come.



Rajesh Mehta

**International Columnist &
India Market Entry Expert**

FDI Opportunities in India - Now, Next & Beyond

India's economic crisis in 1991 became an opportunity when it triggered liberalization and FDI growth has accelerated every year since. India's 1 billion citizens and growing middle-class present a large, untapped market for global businesses to accelerate growth. India has the resources and connectivity to become a manufacturing hub. India's strong base of skilled English speakers and engineers has made India a services powerhouse and with fast growth in urban and education infrastructure India is still an attractive hub for services. This combination has kept FDI inflows strong even as developed countries battle inflation and post-pandemic instability. The Indian Government's skillful fiscal management, the rapid pace of infrastructure development and focus on reforming the laws and infrastructure for labour, taxation, investment, and more make India more business-friendly by the day.



*Other Capital includes Equity capital of unincorporated bodies, it also pertains to debt transactions between parent and subsidiaries/branches of FDI enterprises. The final figures are rounded off to the next closest decimal value

Foreign Direct Investment (FDI) is a significant non-debt source of funds for an Indian economy that cannot grow fast enough. India's prudent fiscal management has minimized post-Covid inflation and avoided unviable investments in splashy projects. The Indian Government has instead focused on streamlining regulations, improving the ease of doing business, and opening more sectors to FDI. Growth in FDI inflows to USD 84.83 bn in 2022 from USD 82 bn in 2021 despite rising interest rates, extreme volatility and supply chain disruptions caused by the war in Ukraine and COVID-19 shows the confidence investors have in India's growth.

FDI - India's Sparkling Splash

India moved up one spot into 7th place among countries receiving the highest Foreign Direct Investment

Source: UNCTAD

India sees the intellectual and technological capital that accompanies FDI as a critical resource. The Indian Government and companies are focused on building cutting edge capabilities for a global market. This is why many international business executives are bullish about India's short- and long-term growth prospects.

FDI has poured into India at record levels despite souring global financial market sentiments. India is not alone, FDI in Developing Asia rose for the third consecutive year to an all-time high of USD 619 bn, good for 40% of global inflows, underscoring the regions resilience and potential.

However, FDI inflows into Developing Asia remain highly concentrated in just six economies - China, Hong Kong, Singapore, India, the United Arab Emirates and Indonesia, accounting for more than 80% of FDI inflows.



Who is Investing?

FDI Equity Inflows by Country

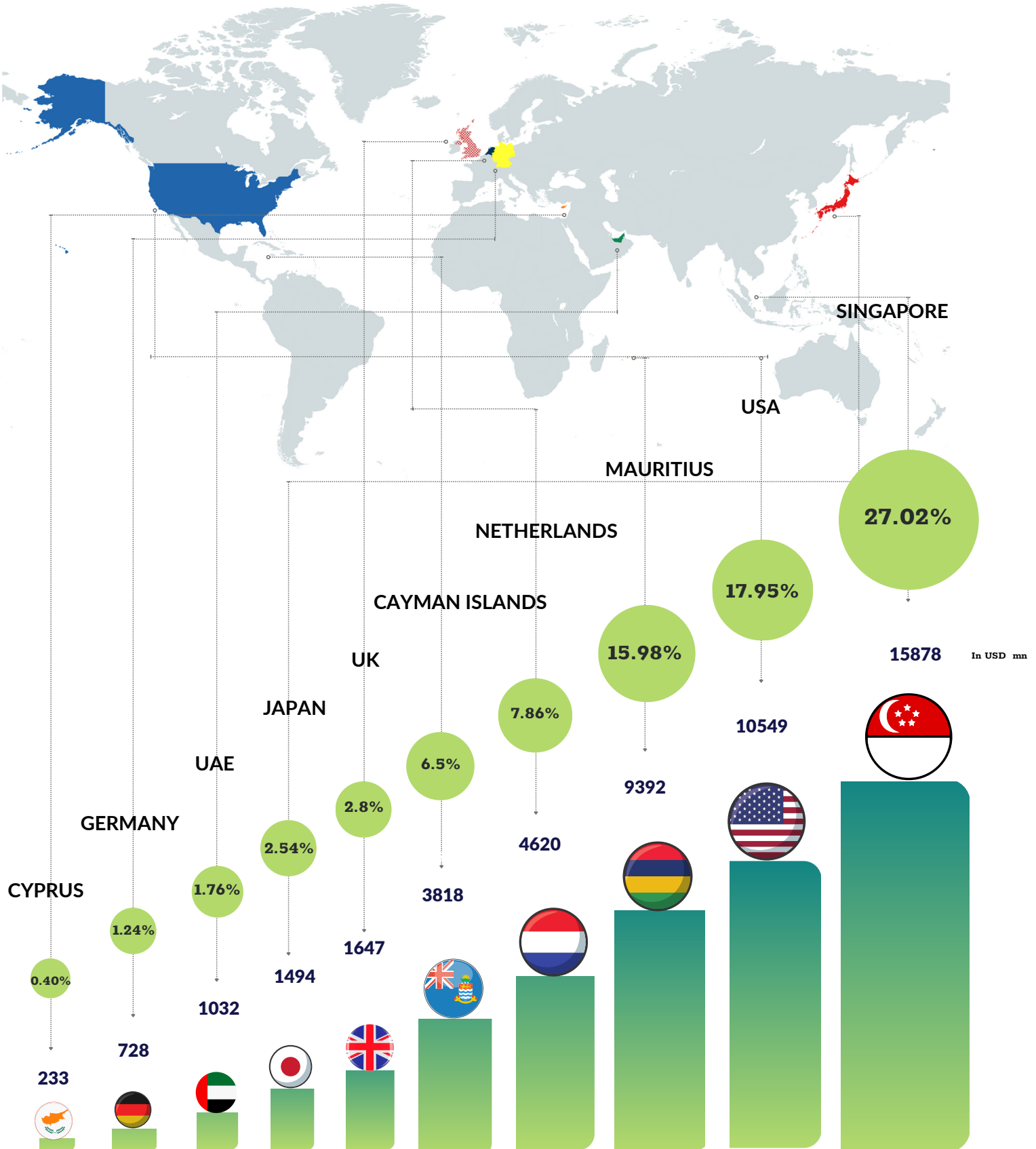
Singapore was the biggest source for FDI inflows into India accounting for 27.02% of inflows followed by the US at 17.95% and Mauritius at 15.98% with the Netherlands and Switzerland rounding up the top 5 with close to 8% each.



60.95% >>>

Total FDI equity inflows from the top three countries include Singapore, the United States and Mauritius

COUNTRY-WISE FDI EQUITY INFLOWS - FY22



Source : Department for Promotion of Industry and Internal Trade

Singapore

Top investor with 15.87 bn, 27% of total FDI inflows.

India offers the resources Singaporean firms need to scale up.

Many Indian high growth Indian start-ups bring partnership opportunities as a soft landing zone to sell in the Indian market.

HQ for many VCs keen on investing in India

Key Drivers



Double Tax Avoidance Agreement in force since 1994.

Foreign Tax Credit (FTC) system for Singaporean firms to offset taxes paid in India.

7.5% of Singapore's population consists of individuals of Indian origin

16+ Flights per Day, 5-hour journey

USA

USD 10.54 bn invested in FY22

India's biggest trade partner.

India preferred destination for captive and third-party offshore delivery and innovation centres for ICT & other Services

Major market for US apparel, CPG, food service, banking, retail and other brands

Key Drivers



Natural partners as liberal, democratic countries with a shared world view

Geopolitical synergies with growing collaboration in defence & intelligence

Fellow Quad and West Asian Quad members, unique nuclear partnership

21% of students & 6% of immigrants in the US are Indians

1.35% of the US population consists of Individuals of Indian origin

Highest earning Asian ethnic group prominent in tech, think tanks and media

Mauritius

USD 9.3 bn in FY22, up 66% from FY21

Key routing point for global giants with a large footprint in India like Cairn, Vodafone, Oracle and Merrill Lynch

Entry point for Indian companies into Africa

Key Drivers



Comprehensive Economic Cooperation & Partnership Agreement signed in Feb. 2021.

India-Mauritius CECPA was implemented in April 2021.

Comprehensive Double Tax Avoidance Agreement with India and low taxes

OECD white-listed regulatory & legal framework recognized by the IMF

Netherlands

USD 4.62 bn in FY22, up 65% from FY21

Key market for Unilever, Philips, AkzoNobel & other Dutch majors

Major synergies in the diamond trade, water management & green energy

Long-standing, successful partnerships in agriculture, food products, engineering, IT and oil & gas

Key Drivers



Dedicated bilateral Fast-Track Mechanism formalized in 2022 to simplify bilateral FDI and provide single window clearances.

Netherlands major export destination for India with well-integrated supply chains

Netherlands entry point for India's trade with Europe

DTAA in place since 1989
Bilateral investment treaty for investment protection

National treatment where foreign investors from both countries are treated the same as domestic investors

Cayman Islands

USD 3.81 bn in FY22 up from USD 2.8 bn in covid-hit FY21

Home to USD 36.8 bn in assets under the management of banks, VCs, alternative funds and other financial players

Key Drivers



Key financial centre

Second largest captive domicile with most of the world's largest banks represented

Home to many reputed global investment funds

United Kingdom

USD 1.64 bn in FY22 down from FY21 but still significant

Key market for UK majors across sectors like Standard Chartered, Vodafone, GlaxoSmithKline and Oxford University with 800+ British companies operating in India

Early entrants into India's renewable energy sector through companies like Engie and BP

Key Drivers



Trade is expected to rise with a Free Trade Agreement announced in 2021 and currently under negotiation.

Preferred destination for captive and third-party offshore delivery and innovation centres for ICT & services, particularly catering to the banking sector.

India engineering and innovation hub for automotive & aerospace, key technology transfer destination for the UK

Indian born people largest foreign-born population in the UK

India reciprocates the robust economic collaboration with the UK by being the 2nd largest FDI contributor

Japan

At USD 1.49 bn, 2.5% of FDI inflows into India

Mega infrastructure deals with finance and engineering for projects like the Delhi Mumbai Industrial Corridor

Trade includes nuclear reactors, rare earth metals and precious metal compounds

Key Drivers



DTAA, Comprehensive Economic Partnership and Japan-India Investment Promotion and Protection agreement in force since 2011, India-Japan Industrial Competitiveness Partnership in force from 2019

Japan-India Start-Up Hub and Japan Industrial Townships key collaborations

Softbank major investor in Indian unicorns

India is a key market for manufacturing companies like Suzuki, Honda and Toyota with a market share of more than 50% in passenger cars

Manufacturing and data centre hub for Japanese majors like Hitachi, Mitsubishi, NTT and Fujitsu

UAE

USD 1.03 bn in FY22 in equity, more in portfolio investments

USD 10 bn invested in India by sovereign wealth funds in energy, telecom, infra like airports & ports and start-ups like Flipkart

Major FDI inflows into services, sea transport, power, infrastructure and real estate

Key Drivers



Comprehensive Economic Partnership Agreement (CEPA) and Bilateral Investment Promotion and Protection Agreement (BIPA) was signed in 2013, India's first in the Middle-East and Africa.

Hub for both imports into India and exports from India accounting for USD 72 bn in trade

India key market for real estate and healthcare majors like Emaar, Nakheel and NMC healthcare

India major hub for ICT services provided to local and foreign companies operating in the UAE.

Germany

USD 728 mn in FY22, up every year since 2020

Funding of USD 1 bn from the German Government for development and sustainability projects

Germany is significant investor in infrastructure including ports, airports, highways, smart cities, and renewable energy, including renewable equipment manufacturing.

Key Drivers



DTAA, BIPA and Comprehensive Economic Cooperation Agreement in place

Fast Track Mechanism set up for German companies in India.

The Make in India Mittelstand program promotes the entry of German MSME's into the Indian market, 135 MSMEs operational

Joint Declarations of Intent (JDIs) on renewable energy and vocational training.

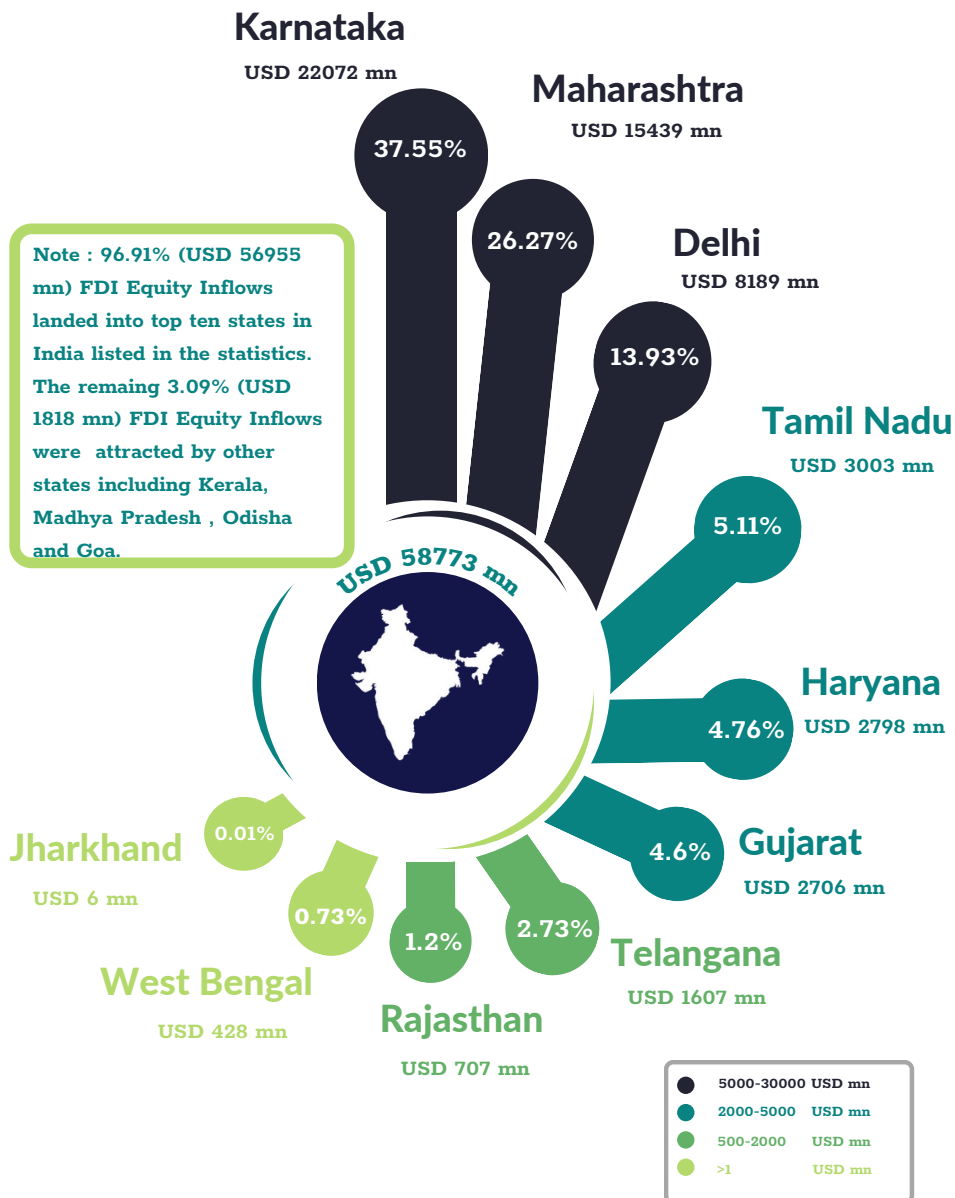
Companies with a large footprint in India include Mercedes-Benz, BMW, Volkswagen, Siemens, Bosch, Thyssen Krupp, SAP and BASF.

Preferred FDI Destinations

Top States by FDI Inflows

Karnataka had the highest inflow among the states that received FDI, with about USD 22072 mn in the FY22, followed by Maharashtra, Delhi, Tamil Nadu, Haryana, Gujarat, Telangana, Rajasthan, West Bengal, and Jharkhand.

TOP STATES BY FDI EQUITY INFLOWS - FY22



Source: Department for Promotion of Industry and Internal Trade

Karnataka is home to Bengaluru, India's first outsourcing hub, now the fourth-largest technology cluster in the world. Bengaluru is India's primary defence and aerospace hub with the IAF's Training Command and HAL spawning an entire ecosystem for manufacturing accounting for 65% of India's aerospace exports. Karnataka's countryside produces export-grade coffee and cotton and is rich in ores.

1. Karnataka

Key Sectors:



Aerospace and Defence

The state attracts 65% of the aerospace investments in the country.



Agri and Food Processing

Karnataka accounts for 75% flower production, 70% coffee production and 47% of silk production in India.



Biotechnology

Karnataka accounts for 60% of total biotech companies, which is highest in India.



Textile

The state is home to 20% of India's total garment production, valued at USD 1.6 bn. The state has a 5% share in the global textiles and apparel trade and contributes 15% to India's export earnings.



Information Technology

IT exports totaled USD 38.8 bn in FY21. The state has over 3,500 IT companies employing 4 mn direct and indirect professionals.



Heavy Engineering and Machine Tools

Bengaluru produces about 60% of India's total machine tools by value. Karnataka stands as the second-largest producer in this sector.



Automobile and Auto Components

Karnataka is the fourth largest state in automotive production, contributing 8.5% to the national output.



Electronic System Design and Manufacturing

Second largest chip design hub in India. contributed 10% of the country's electronic and industrial output

Attractiveness of the state

MOUs signed

MOUs Karnataka signed at the World Economic Forum in Davos -
Total Value - USD 6.6 bn
ReNew Power - USD 6.3 bn
The Lulu Group International - USD 0.25bn
Share of inward FDI in India in FY22- 37.55%

Policies

- ESDM Policy 2017-22 published to promote and develop ESDM sector
- Aerospace and Defence Policy (2022-27) is aimed at establishing the state as the preferred investment destination for aerospace and defence manufacturing.

Advantages

- Infrastructure
- Large Pan-India Talent Pool for Engineers
- Mature Ecosystems for Many Sectors
- Yearlong Mild Weather
- High Economic Growth
- Policy Support

GSDP

- The anticipated gross state domestic product (GSDP) for Karnataka in FY21-22, at current prices, is USD 243.56 bn.
- Between FY15 and FY22, the state's GSDP expanded at a CAGR of 8.79%.
- Notable Achievement:
- Foxconn chose Bengaluru for their upcoming mega-factory.

Maharashtra's FDI inflow stood at USD 49.93 bn from Oct 2019 to Dec 2022. Maharashtra is the largest producer of Crude oil (Offshore) in India and the second-largest producer of cotton, sugarcane, and bananas in the country. Maharashtra is one of India's most industrialized states contributing 20% of the national industrial output. Mumbai, considered India's economic capital is a hub for Banking, CPG, Media and a key port.

2. Maharashtra

Key Sectors:



Finance

Home to the India's top 2 stock exchanges, Reserve Bank of India and the stock market regulator SEBI



Tourism

Fourth most visited state in India. Mumbai, Konkan, the western ghats, ancient cave paintings and more key attractions



Biotechnology

More than one-third of the nation's biotech revenue comes from Maharashtra.



Textile

About 10.4% of India's textile and clothing production comes from Maharashtra. About 25% of India's cotton crop is contributed by the state.



Information Technology

In India's software exports, the state holds a 20% stake. Pune is one of the top three cities in India for exporting software.



Gems and jewelry

Pearls, Precious, and Semi-Precious Stones worth USD 10.2 bn were exported. Gold and Other Precious Metal Jewellery worth USD 1.88 bn were exported.



Automobile and Auto Components

35.1% of the nation's vehicle production by value is produced in Maharashtra.



Food processing

Sugar, milk, poultry, rice and flour mills, edible oil production, and fruit and vegetable units are some of the state's major processing sectors.

Attractiveness of the state

MOU signed

The Maharashtra Government signed a Memorandums of Understanding (MoUs) worth over USD 17 bn at the world economic forum in Davos in 2023.

Pharmaceuticals, medical devices, information technology, data centres, textiles, and steel were among the MoUs inked for investment in 2023

Policies

- Single Window Clearance system for new investment
- Incentives & Tax Exemptions under Maharashtra Industrial Policy 2019-24
- Dedicated start-up policy
- New textile policy to attract USD 5.6 bn, valid from 2018-23.
- The state's EV Policy 2021 aims to set up EV production, charging facilities and promote EV uptake

Advantages

- Infrastructure
- Rich Pan-India Talent Pool of Skilled, Unskilled and Specialized Talent
- Start-Up hubs in Pune & Mumbai
- 2 Expressways
- 3 International Airports
- HQs of most key Indian and foreign banks & many of India's largest companies
- 2 Metros, 2 Tier-1 Cities & 3 Smart Cities
- Neighboring Gujarat & Karnataka

GSDP

Maharashtra's gross state domestic product was predicted to be USD 430.62 bn in FY 21-22 at current prices.

India's capital has seen breakneck development over the last 15-20 years. The greater National Capital Region today incorporates Gurgaon, a hub for services, ICT, and start-ups, Noida, a manufacturing and services hub, and Faridabad, a manufacturing hub serviced by India's largest metro network and biggest airport. Delhi is a major market for real estate, retail, an attractive tourist destination and the decision-making hub for defense.

3. Delhi



Agriculture and Allied industries

Delhi is well renowned for its dairy and livestock industries, including Mother Dairy, Delhi Milk Scheme, and Amul. From 2022, milk output has the potential to expand annually by 9% instead of the current 6.3%.



Tourism

The Government has allocated USD 195.90 mn in the State Budget 2022-23 for the development of initiatives, programs, and schemes in the tourism and art & culture sectors.



Information Technology

It is expected to have a 2.2x rise in Delhi-data center capacity by end of 2023, bringing it to 89 MW.



Real Estate and Construction

In 2020-21, Delhi's Gross State Value Added (GSVA) was USD 30.9 bn and was mostly driven by real estate, home ownership, and professional services.

Attractiveness of the state

MOU Signed

- According to the state budget of 2022-23, the Delhi Government aims to spend Rs. 4,500 crore (USD 590.50 mn) in the next five years to generate 20 lakh jobs by 2027.
- DDC Delhi has partnered with (J-PAL) South Asia to strengthen evidence-based policy-making in order to stimulate Delhi's social and economic development

Policies

- Delhi Startup Policy - This policy aims to promote, enable, and encourage 15,000 companies by 2030 and provide new job opportunities.
- Excise Policy 2021-22 - Aims at generating optimum revenue and encouraging the ease of doing business policies
- The Delhi EV Policy aims to achieve the objective to improve Delhi's air quality and create an entire supply-chain ecosystem for this new segment of vehicles

Advantages

- World-Class Infrastructure
- Major Start-Up Hub
- Major Real Estate Market
- Fast Growing Tourism Industry
- Hub for Agro Industries
- HQ for Many Infrastructure & Mfg. Majors
- Structured Cluster Development
- Hub for North Indian Market

GSDP

- The preliminary estimate of Delhi's Gross State Domestic Product (GSDP) in FY21 was USD 123.90 bn at current prices.
- Between FY15 and FY21, the state's GSDP (measured in rupees) grew at a CAGR of 8.89%.

Tamil Nadu has the most operational SEZs in India and is a hub for the automotive, textile, ICT and leather industries. Tamil Nadu is home to 3 major ports, the knitwear capital of India (Tirupur) and India's first major solar park. Tamil Nadu has an emerging electronics manufacturing footprint. Tamil Nadu is also a leading producer of eggs, bananas and other produce with allied agro-industry.

4. Tamil Nadu

Key Sectors:



Agriculture and food processing

Agriculture and related activities received a budget allocation of USD 2.75 bn in the State Budget 2022-23. Crop insurance received USD 226.88 mn of this, and agricultural research and education received USD 62.78 mn.



Textile

With 41% of all cotton yarn produced in India, Tamil Nadu is the nation's top producer.



Tourism

Tourism sector in Tamil Nadu witnessed a CAGR of 9.8% over the period of 2017-2021



Automobile and Auto Components

35% of India's output of Automobile components comes from its robust ecosystem.



Information Technology

As of February 2020, the state had 18 SEZs for IT/ITeS that were in operation. With a growth rate of 10% YoY, Tamil Nadu's exports of IT and ITeS rose to USD 19.9 bn in 2018-19.



Chemicals and petrochemicals

Tamil Nadu produces 6% of the nation's total chemical manufacturing output and ranks sixth in the chemical sector in terms of sales in India.



Aerospace and defence

To increase investments in the industry, Tamil Nadu is preparing Special Purpose Aviation Resource Cluster SEZs (SPARKS).

Attractiveness of the state

MOU signed

- The state successfully positioned its vibrant FDI pathway to the global investors at WEF, Davos 2023.
- Tamil Nadu exchanged 35 MoUs in 2021-22, resulting in a total investment of USD 2.33 bn and 55,054 job opportunities. Power plants, electronics, auto parts, industrial parks, IT/ITeS services, food processing, footwear, pharmaceuticals, and textiles as top sectors received investments.

Policies

- Industrial Policy 2021 - Incentives, subsidies and land allocation for new industrial units
- MSME Policy to support ecosystems
- Dedicated policies to promote Life Sciences Promotion, R&D, Leather & Footwear, and Textile
- EV Policy being developed

Advantages

- Good Infrastructure
- Rich Talent Pool of Engineers & Skilled Labour
- Large Industrial Base
- Mature Ecosystems for Textile, Automotive and Agro Industries
- Growing Electronics Mfg Footprint with Companies Like Foxconn & Pegatron
- Emerging IT Hub
- 3 Ports
- High Economic Growth

GSDP

The predicted gross state domestic product (GSDP) for Tamil Nadu in FY22, at current prices, USD 320.27 bn. Between FY15 and FY22, the state's GSDP expanded at a CAGR of 11.27%.

Notable Achievements: Delta Electronics has chosen Tamil Nadu for their upcoming factory

Due to its proximity to Delhi, Haryana is a popular destination for manufacturers. The state is responsible for producing two-thirds of India's passenger vehicles, 50% of its tractors, and 60% of its motorbikes, largely driven by the growth of Gurgaon within the National Capital Region. Additionally, Haryana has the highest number of BPO employees and is the third largest software exporter in India. The state is also a major producer of horticultural crops, including strawberries, carrots, wheat, rice, and other crops.

5. Haryana

Key Sectors:



Automobile and Auto Components

Exports of auto parts and motor vehicles/cars from Haryana totaled USD 129.77 mn and USD 114.72 mn in FY22 (through May 2021).



Textile

One of the main exports from Haryana is pre-made cotton clothing. Exports were USD 647.3 mn in FY21 and USD 623.99 mn in FY22.



Food processing

In FY20, FY21, and FY22, the state exported important agricultural goods (basmati rice) for a total value of USD 2,290.71 mn, USD 2,113.36 mn, and USD 327.02 mn (until May 2021).



Information Technology and ESDM

When it comes to exporting IT, Haryana is one of the top states. In FY22, Haryana's exports of electric machinery and equipment totaled USD 390.7 mn, up from USD 462.5 mn in FY21.

Attractiveness of the state

MOU signed

A Memorandum of Understanding (MoU) between the Haryana Government and "Walmart Vriddhi" and "Haqdarshak" was signed to establish a route for Indian MSMEs' products to enter foreign markets.

Policies

- "Investment subsidy in lieu of Net SGST," under which projects from MSMEs and above get subsidies.
- The Haryana Aerospace and Defense Production Policy, 2022
- Industrial Policy Revised in 2019
- Dedicated policies for Food Processing & Solar Power

Advantages

- Leading Business Hub in and around Gurgaon
- Proximity to Delhi
- Strategic Location for the North Indian Market
- Excellent Road Network
- Large Pool of Skilled & Unskilled Talent
- Pan-India Specialized Talent in Gurgaon
- Agro Industry Hub

GSDP

- The state's GSDP at current prices is projected to be USD 120.11 bn. in FY 2022. Haryana's GDP growth for FY22 was predicted to be 18.1% at current prices.

Gujarat is home to the largest petroleum refining centre in the world, ranks third in the world in denim production, hosts a major automotive hub and has thriving diamond, pharmaceutical, textile and manufacturing industries. With 60 SEZs planned and 106 product clusters Gujarat is a leader in FDI inflows boosted by ease of doing business to USD 21.89 bn in 2021, accounting for 30% of inflows that year. Gujarat is a highly urbanized state with advanced infrastructure and Ahmedabad is a financial hub.

6. Gujarat

Key Sectors:



Gems and jewellery

The state produces the majority of processed diamonds in the world, contributing 72% of total processed diamond production and 80% of India's total diamond exports.



Food processing

Gujarat receives the highest portion of all investments made in India's food processing industry.



Oil and gas

In FY22, Gujarat exported petroleum products worth USD 7,065.72 mn.



Textile

About 6% of the state's industrial output is attributed to the textile industry (organised sector). Gujarat is India's top denim-producing state (65-70%)



Pharmaceuticals and biotechnology

Gujarat exported USD 3,053.53 mn worth of medicinal formulations in 2019-20, USD 2,789.92 mn in FY21, and USD 593.68 mn in FY22.



Chemicals and petrochemicals

Gujarat produces 62% of the country's petrochemicals, 35% of its other chemicals, and 18% of its chemical exports.

Attractiveness of the state

MOU signed

The Gujarat Government signed multiple memorandums of understanding (MoUs), attracting proposed investments of around USD 3 bn as part of the annual 2022 Vibrant Gujarat Global Summit (VGGGS 2022).

Policies

- Single Window Clearance
- Industrial Policy updated in 2020 focused on Industry 4.0 processes & sustainability
- Industrial Development Board to support infrastructure projects
- New Tourism Policy 2021-25' - Focus on new channels including caravan tourism and MICE (meetings, incentives, and incentives)

Advantages

- Advance Ecosystems Across Sectors
- Noted Ease of Doing Business
- Major Port at Mundhra
- Excellent Road & Rail Network
- Major MSME Network
- Entrepreneurial Population
- Duty-Free Zones in Daman & Diu
- Good Availability of Skilled & Unskilled Talent, Mostly Local

GSDP

Gujarat's Gross State Domestic Product (GSDP), at current exchange rates, is projected to reach USD 259.25 bn in FY22, a growth of 7% year over year.

Notable Achievements: Foxconn recently chose Gujarat for their upcoming plant

Telangana, a state located in southern India, has been making strides in its economic development since gaining statehood in 2014. One of the key ways it has been doing so is by attracting businesses to the region. With 64 officially sanctioned Special Economic Zones (SEZs), Telangana has been aggressively wooing companies to set up shop within its borders. The state's capital, Hyderabad, in particular, has established itself as a hub for the Information Technology (IT) and biotechnology industries, accounting for 20% of India's pharmaceutical exports. With a focus on creating a business-friendly environment and investing in infrastructure, Telangana is positioning itself as a major player in India's growing economy.

7. Telangana

Key Sectors:



Food processing

In 2019–20, 5.3 mn tonnes of fruits and 7.4 mn tonnes of vegetables were produced in the state



Information Technology and ESDM

In the state, there are around 1,500 IT/ITeS businesses.



Pharmaceuticals

State exports of pharmaceutical products totaled USD 4.66 bn in FY22.



Metals and minerals

20% of India's coal resources are made up of state coal deposits. The main mineral resources of Telangana include mica, bauxite, granite, coal, limestone, and coal.



Tourism

The Indian Railway Catering and Tourism Corporation (IRCTC) plans to attract 200,000 visitors to Hyderabad in FY 2022–23, with an estimated revenue of USD 3.34 mn.

Attractiveness of the state

MOU signed

- During the WEF 2023, WEF announced to set up a Centre for the Fourth Industrial Revolution (C4IR Telangana), India's first centre thematically focused on healthcare and life sciences, in Hyderabad. Telangana
- Multi MoUs approx amounting to USD 210 bn has been signed by the Government of Telangana in Davos, Jan 2023.

Policies

- TS-iPASS single window clearance system for project clearance within 15 days
- 10-year Electric Vehicle (EV) policy to build a hub for energy storage and electric cars with manufacturing, shared mobility, and charging infrastructure.
- Incentive schemes for textile and pharma
- Plans to create the first-ever growth phase centre and biopharma scale-up manufacturing facility known as the Biophrama hub (B-hub).

Advantages

- Single-Window Clearance
- Facilitating infrastructure
- Rich Local Labour Pool for Skilled & Unskilled Labour
- Pan-India Specialized Talent in Hyderabad
- Proximity to Vizag, a Major East Coast Port

GSDP

The predicted gross state domestic product (GSDP) for Telangana in FY22 at current prices, was USD 167.82 bn. Between FY15 and FY22, the state's GSDP expanded at a CAGR of 12.33%.

Rajasthan's economy is based on agriculture, containing nine agro-climatic zones and several types of soil to aid crop development. It is one of the key states in India which produces most of the comprehensive mineral resources. It substantially contributes to manufacturing dimensional and ornamental stones like granite, marble, and sandstone. One of the most popular travel destinations in India is the state. According to the rankings based on the adoption of reforms and the ease of doing business, Rajasthan is the sixth-ranked Indian state.

8. Rajasthan

Key Sectors:



Agriculture and Food processing

For agricultural and related operations, an estimated spend of USD 1.79 bn was made.



Cement

The state is the leading producer of cement-grade limestone in India. Production of limestone reached 31.04 mn tonnes in April-September 2020.



Energy

The state has the largest solar potential (142 GW) and wind potential (18.7 GW) among Indian states.



Metals and minerals

One of the states in India with the highest mineral production is Rajasthan. In the state, there are around 81 different types of minerals, and 57 of them are industrially produced.



Tourism

The tourism department was given a budget USD 69.10 mn as part of the State Budget 2021-22.

Attractiveness of the state

MOU signed

The Rajasthan Government has recently signed multi memorandums of understanding (MoUs) that have attracted prospective investments totaling about USD 8.7 bn. 145 MoUs and Lols totalling more than USD 10 bn have been inked in FY22

Policies

- Tourism Policy updated in 2021 to boost experience for domestic & international tourists
- Investment Promotion Scheme
- Single Window Clearance
- Dedicated policies to boost MSMEs & the Solar Industry

Advantages

- Abundant Mineral Resources
- High Quality Granite, Marble & Other Stones
- Well Connected to Delhi & Cost Effective
- Large Local Skilled and Unskilled Labour Pool
- Emerging IT Industry in Jaipur
- Major Tourist Destination for Local & International Tourists

GSDP

The state's GSDP expanded at a CAGR of 10.07 % between FY15 and FY21. 10.86% CAGR is projected between FY 2011 and FY 2020.

West Bengal ranks 12th in Ease of Doing Business and is the largest tea producer and sixth largest economy in India. Kolkata is a major port on India's eastern seaboard and West Bengal is the gateway to trade with the North-East and Bangladesh. West Bengal is a leading producer of jute, textiles and steel and also has a footprint in ICT, petrochemicals and pharmaceuticals. West Bengal is known for producing artists and is home a large Bengali movie industry.

9. West Bengal

Key Sectors:



Tea

In FY20, West Bengal produced 415.89 mn kg of tea, or 30.56 percent of all the tea produced in India.



Agriculture and allied Industries

West Bengal produced 24875 mn fish seeds and 12.90 lakh MT of fish in 2020-21. West Bengal is third largest rice producer in India.



Petroleum and petrochemicals

The state is the leading producer of cement-grade limestone in India. Production of limestone reached 31.04 mn tonnes in April-September 2020.



Information technology

The Government has budgeted USD 25.35 mn for the development of the IT and Electronics Department in West Bengal as per the State Budget 2021-22.



Tourism

In the next three years, the state Government will invest USD 646.16 mn in the tourist industry, which would result in the creation of 200,000 employment for the youth.

Attractiveness of the state

MOU signed

- West Bengal received investment proposals worth USD 44 bn during the Bengal Global Business Summit (BGBS) 2022.

Policies

- Industrial policy revised in 2021
- Single window clearance for various investment approvals
- 40K+ Acres reserved as a land bank for lease or sale to investors
- Sector specific policies for textiles, IT, agriculture and food processing
- Dedicated policies for EVs and Start-Ups

Advantages

- Hub for Trade in East & North-East India & Bangladesh
- Cost Effective
- Large Pool of Local, English Speaking, Skilled, Unskilled & Specialized Talent
- Kolkata is a Major Port

GSDP

West Bengal's gross state domestic product (GSDP) is predicted to reach USD 221.39 bn in FY22 at current Prices.

Jharkhand is blessed with large deposits of mica, iron ore, coal, copper, uranium and bauxite, accounting for 40% of India's minerals and in particular 29% and 25% of its coal and iron ore reserves respectively. This makes Jharkhand a natural hub for power, steel and cement production. Jharkhand is a leading producer of silk and silk products, producing around 80% of India's Tussar silk. Jharkhand has the potential to become an agricultural powerhouse and has been an early promoter of organic farming.

10. Jharkhand

Key Sectors:



Agriculture & Food processing

2nd largest producer of horticulture crops.



Information Technology and ESDM

A state of the art EMC cluster with 50% of land capacity to house more than 50 electronics products manufacturing



Textile, Apparel & Footware

Jharkhand is considered to be a matured and developed textile hub in the country



Metals and minerals

Contributes over 25% to India's total steel production.



Tourism

Encouraging opportunities in the Tourism Infrastructure Development

Attractiveness of the state

MOU signed

Dalmia Group signed an MoU with the state to develop a solar power plant, a solid waste management plant, and to expand their cement production, Adhunik Power signed a memorandum of understanding for investments totaling USD 0.24 bn while SAIL committed an investment of USD 0.5 bn

Policies

- Industrial policy revised in 2021 to attract investment in agriculture, food processing, renewable energy, IT & tourism
- Several industrial zones set up incorporating a large land bank
- Focus on Irrigation

Advantages

- Major Mineral Reserves
- Land Availability
- Large Pool of Skilled & Semi-Skilled Labour
- Proximity to Labour Exporting States
- Biodiversity Necessary for Rare Herbal and Agricultural Products
- Major Silk Producer

GSDP

Jharkhand's gross state domestic product (GSDP) was USD 48.63 bn at current prices in FY21.

Madhya Pradesh (MP), a major power producer with 23GW+ in installed capacity, 35% from renewable sources. MP is home to the ambitious 3GW Rewa Distributed Generation Plant. MP has major deposits of coal, iron ore, limestone, copper and diamonds along with some bauxite, manganese, rock phosphate and dolomite and produces a wide range of horticultural crops, soybean, wheat and other produce. Indore is a model city and MP's primary industrial hub with a fast-growing footprint in ICT and Pharmaceuticals, followed by Bhopal, an automotive hub in Gwalior and Ujjain. Eastern MP is home to MP's cement, steel and food processing industries.

11. Madhya Pradesh

Key Sectors:



Automobile and Auto Components

Pithampur, Indore is home to NATRAX, the biggest vehicle testing facility in all of Asia. Pithampur auto cluster is located over an area of 2,000 acres, and it is home to 120+ major units and 450 small and medium-sized businesses.



Agriculture & Food processing

Pulses, oil seeds, oranges, coriander, gram, soybeans, and other fragrant and medicinal plants all rank first in output. In terms of milk output, it ranks in the top five states.



Textile

The state produced 24 metric tonnes of cotton and 100 mn metric tonnes of silk in the 2018-2019 fiscal year. Cotton yarn exports accounted for 7.5% of the state's total exports (USD 61.36 mn) in FY22 (through December 2021).



Tourism

In 2020, the state had 0.10 mn international visitors and 23.51 mn local visitors.

Attractiveness of the state

MOU signed

- MOU was signed between Madhya Pradesh Tourism Board and CATA to further strengthen tourism ties between the two regions and enhance cooperation and goodwill.
- Memorandum of Understanding (MoU) signed with Flipkart to support small businesses under One District One Product (ODOP) initiative in Madhya Pradesh.

Policies

- Industrial policy that provides multiple subsidies
- Focused promotion policies for ICT, Tourism, Biotechnology and Food Processing
- Success of SEZ in Pithampur near Indore driving growth in SEZs around Indore, Bhopal and other urban centers

Advantages

- Western MP borders Industrial Hubs in Maharashtra, Delhi & Gujarat, Eastern MP borders mineral-rich Jharkhand & Chhattisgarh
- Beneficiary of Mega Infrastructure Projects
- Large Pool of Skilled, Unskilled Labour & Engineering Talent
- Rising, Cost-Effective Urban Centers
- Major National Parks & Tourist Destinations

GSDP

The predicted gross state domestic product (GSDP) for Madhya Pradesh in FY22 at current prices, was USD 126.4 bn. Between FY18 and FY19, the state's GSDP expanded at a CAGR of 11%.

Kerala is major producer of spices, rubber, tea, coconut and rice and a major tourist destination with well-developed infrastructure for domestic and international tourists. Boasting of India's highest literacy and social development indicators Kerala has a growing footprint in ICT, ports and manufacturing augmenting its dominant position in the rubber and spice processing industries.

12. Kerala

Key Sectors:



Tourism

Kerala is one of Asia's most sought-after tourist destinations, with many beaches, wildlife reserves, backwaters, and hill stations. Its alternative medical therapies such as Ayurveda, and advanced medical sciences make it a popular destination for medical tourism.



Information Technology and ESDM

Kerala is home to over 800 IT businesses, which employ around 100,000 people. The state provides IT infrastructure in the form of special economic zones, such as Technopark in Thiruvananthapuram and Kollam.



Agriculture & Food Processing

The overall output of horticultural crops in the state was predicted to reach 10219K MW in 2019-20, with an area under cultivation of 1590.56 thousand hectares. In 2019-20, total vegetable and fruit output were predicted to be 2757.05 thousand metric tonnes and 1731.44 thousand metric tonnes, respectively. Kerala's tea output in 2019-20 was 59.26 mn kgs and during 2020-21, the state's tea exports totalled USD 75.65 mn.

Attractiveness of the state

MOU signed

- Tata Consultancy Services, has signed a Memorandum of Understanding with KINFRA, Kochi for an investment of INR 690 Cr.
- The Kerala State Industrial Development Corporation (KSIDC) has signed a memorandum of understanding with the Muralya Dairy Products (P) Ltd for setting up a dairy project and logistics unit in Ernakulam district.

Policies

- First mega food plant inaugurated in 2020
- Vyavsaya Bhadratha Package - Aims for speedy and transparent delivery of concessions, including interest subsidies for the revival of MSMEs
- K-Swift Portal for fast clearance of investment proposals

Advantages

- Large Pool of English Speaking Skilled and Unskilled Labour
- Major Rubber and Spice Producers
- Developed Tourism Infrastructure
- Major Port Coming Up at Vizhinjam

GSDP

The predicted gross state domestic product (GSDP) for Kerala in FY22 at current prices, was USD 134.05 bn , an increase of 10.8% over previous year.

Odisha, with a 480-kilometre coastline along the Bay of Bengal, supplies almost 25% of the India's essential mineral production with India's largest deposits of chromite, nickel, bauxite, manganese, iron ore and almost 25% of India's coal. Odisha is India's largest steel producer and a power surplus state targeting 2.7GW in renewable energy by 2022. Odisha has a well-established traditional handloom industry, fisheries, a growing footprint in tourism and two major ports.

13. Odisha

Key Sectors:



Metals and minerals

Odisha's industries are mostly reliant on the state's natural resources. It transports almost 35% of the country's natural resources. The state possesses substantial quantities of iron ore, bauxite, nickel, coal, and other minerals. As a result, it is a desirable location for mineral-based companies.



Textile

Odisha is a major player in India's cotton industry. Largest manufacturer of hand-spun and -woven silk Well-known for its expert workforce and customary handloom fabrics. has among the nation's cheapest power rates.



Agriculture & Food Processing

There are ten distinct climates and eight main soil types in Odisha.

Among the top three cashew producers in the nation; the state is also the second-largest fruit producer in the country and a world leader in the cultivation of mangoes, bananas, guavas, and pomegranates.



Petroleum and petrochemicals

As the largest state-owned oil and gas company in India, Indian Oil Corporation Limited (IOCL) is the Anchor Tenant at the Paradip Port, where it operates a 15 MMTPA refinery. The Centre for the Evaluation of Plastic Production (CIPET) is located at Paradip Port.

Attractiveness of the state

MOU signed

- Industrial Promotion and Investment Corporation of Odisha (IPICOL) and Federation of Indian Chambers of Commerce & Industry (FICCI) signed an MoU making FICCI the National Industry Partner for the Make in Odisha Conclave 2022.
- The Odisha Government and natural gas firm Gail signed a memorandum of understanding (MoU) for cooperation in the production of eco-friendly fuels in the state.

Policies

- GoSwift single window clearance system for investment proposals
- Dedicated policy for start-ups
- Cluster development program
- Successful skill development program

Advantages

- Major Mineral Deposits
- 2 Major Ports, Gateway to ASEAN Countries
- Proximity to India's Labour Exporting Hubs
- Cost Effective
- Major Tourist Attractions

GSDP

The predicted gross state domestic product (GSDP) for Odisha in FY22 at current prices, was USD 77.32 bn.

Goa is powerhouse in tourism, fisheries and mining, a well-established pharmaceutical hub and a leading producer of cashew nuts, areca nuts, coconuts and rice. Goa has rich deposits of iron ore, bauxite, manganese and silica and borders highly industrialized Karnataka and Maharashtra. Goa has one of India's highest literacy rates and a growing footprint in medical devices, biotechnology and ICT.

14. Goa

Key Sectors:



Tourism

In the service sector, tourism in Goa is the leading contributor to the state's GDP. With immense potential and capabilities, the industry is poised to regain stability after the pandemic slowdown and the current Russia - UK war. Goa has remained one of India's favourite destinations, which witnesses a higher number of Russian tourists turning up to the state every year before the pandemic.



Information Technology and ESDM

The Government of India has approved the Tuem Electronics Manufacturing Cluster in the state of Goa as part of its 2016-17 budget. The cluster is being developed in an area with a high literacy rate and a concentration of knowledge-based enterprises, which is expected to generate over 2,000 job opportunities. Additionally, the state government of Goa has announced a range of policies aimed at supporting the growth of IT companies, startups, electronic companies, and small and medium enterprises.



Metals and minerals

Goa's mining belt is around 700 square kilometers in size, with the majority of the land located in the municipalities of Bicholim, Salcete, Sanguem, and Quepem. Currently, the sector is fastly maturing under massive transformation initiatives by the state Government.



Pharmaceuticals

Over ninety percent of the pharmaceutical formulations made in Goa are sent abroad. As home to over a hundred pharmaceutical factories, Goa ranks as India's fourth-largest producer of pharmaceuticals. Approximately 12% of India's pharmaceutical exports come from Goa.

Attractiveness of the state

MOU signed

- State of Goa signed a MoU with Isha Outreach to conserve soil in the state, becoming the ninth Indian state to officially join the Global Movement to Save Soil.
- Goa has signed a MoU with Navaties Solutions Pvt Ltd to promote Goan exports in the areas of both products/merchandise/goods or services and increase the export revenue for the state

Policies

- Single window clearance system for investment proposals
- Subsidies for selected sectors including pharma, agro-based industries and tourism
- Major infrastructure push with 23 industrial parks, a new airport and growth in power generation
- 100% exemption from electricity duty for renewable power

Advantages

- Mature Tourism Ecosystem & High Footfalls
- Mature Pharma Ecosystem, Hub for Indian Exporters
- Major Port in Mormugao
- New State-of-the-Art Airport
- Around 250 KM of Inland Waterways
- Local Pool of English Speaking Talent
- Proximity to Maharashtra, Karnataka & Gujarat
- Excellent Connectivity

GSDP

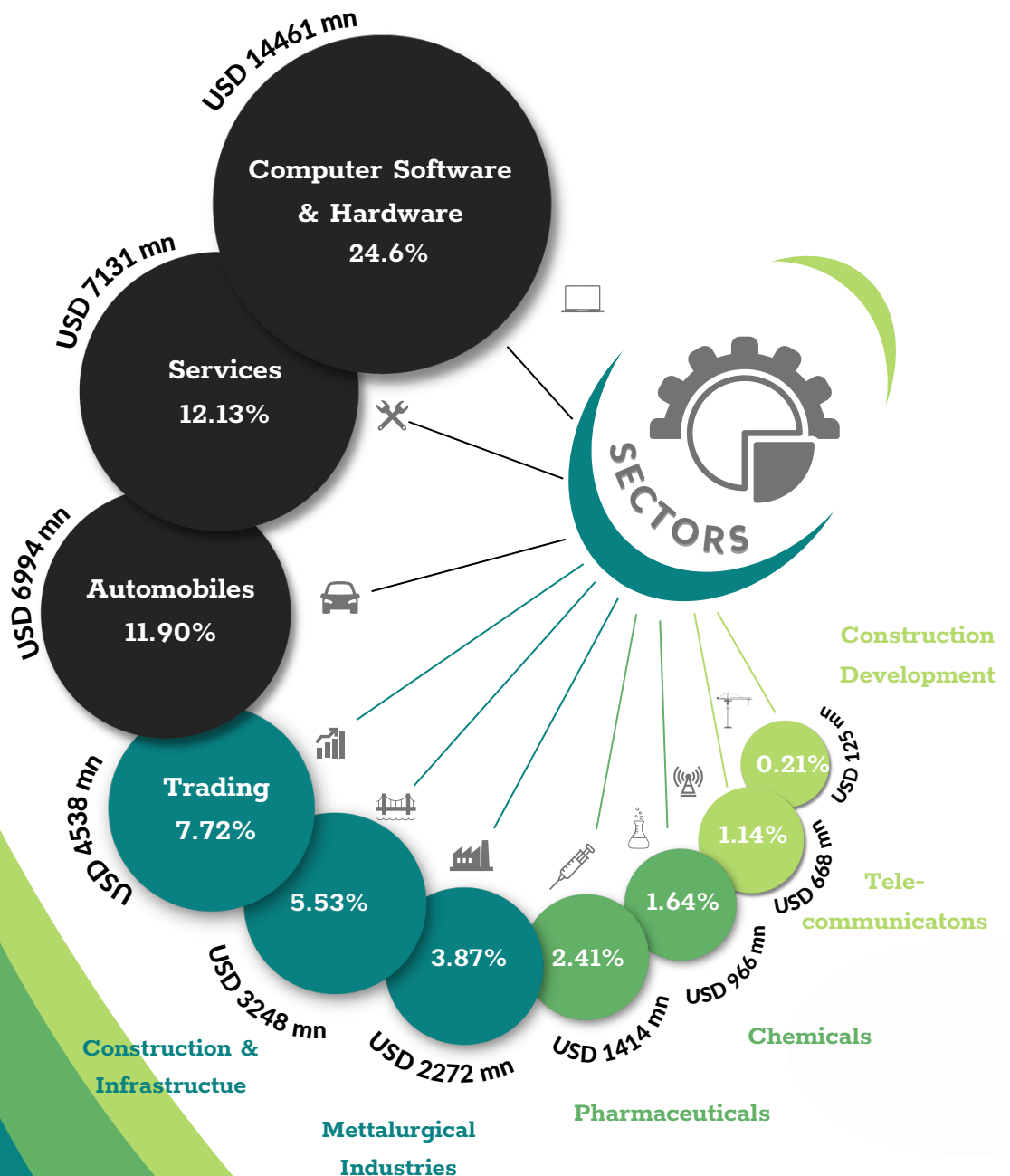
- The predicted gross state domestic product (GSDP) for Goa in FY22 at current prices, was USD 11.14 bn.
- According to the DPIIT, between October 2019-June and 2022, the FDI inflow in Goa stood at USD 118.98 mn.

Which Sectors are Growing Faster?

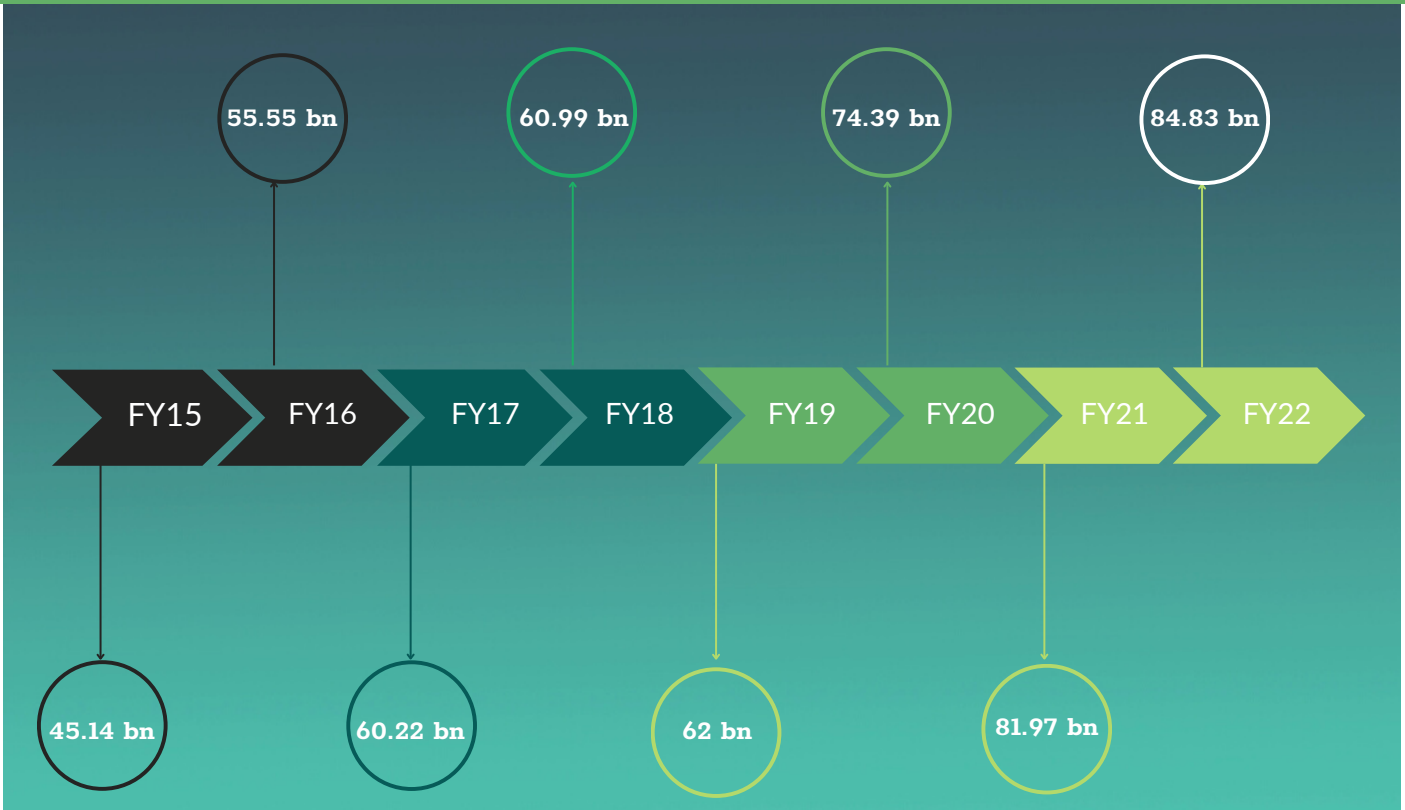
Top Sectors attracting FDI

India attracted its highest annual FDI inflows of USD 84.83 bn in FY21-22 keeping a 20 year streak intact that has seen FDI inflows grow 20 times over 20 years. The computer software and hardware sectors topped the list attracting 24.6% of FDI inflows followed by Services (12.13%), Automobiles (11.9%), Trading (7.72%), Construction and Infrastructure (5.53%), Metallurgical industries (3.87%), pharmaceuticals (2.41%), Chemicals (1.64%), Telecommunication (1.14%), and Construction development (0.21%). India has steadily moved up the value chain in the software and services sectors becoming a preferred destination for innovation and becoming home to a booming start-up ecosystem.

The figure below indicates the Foreign Direct Investment received by top sectors in the FY22.



FDI Time Line



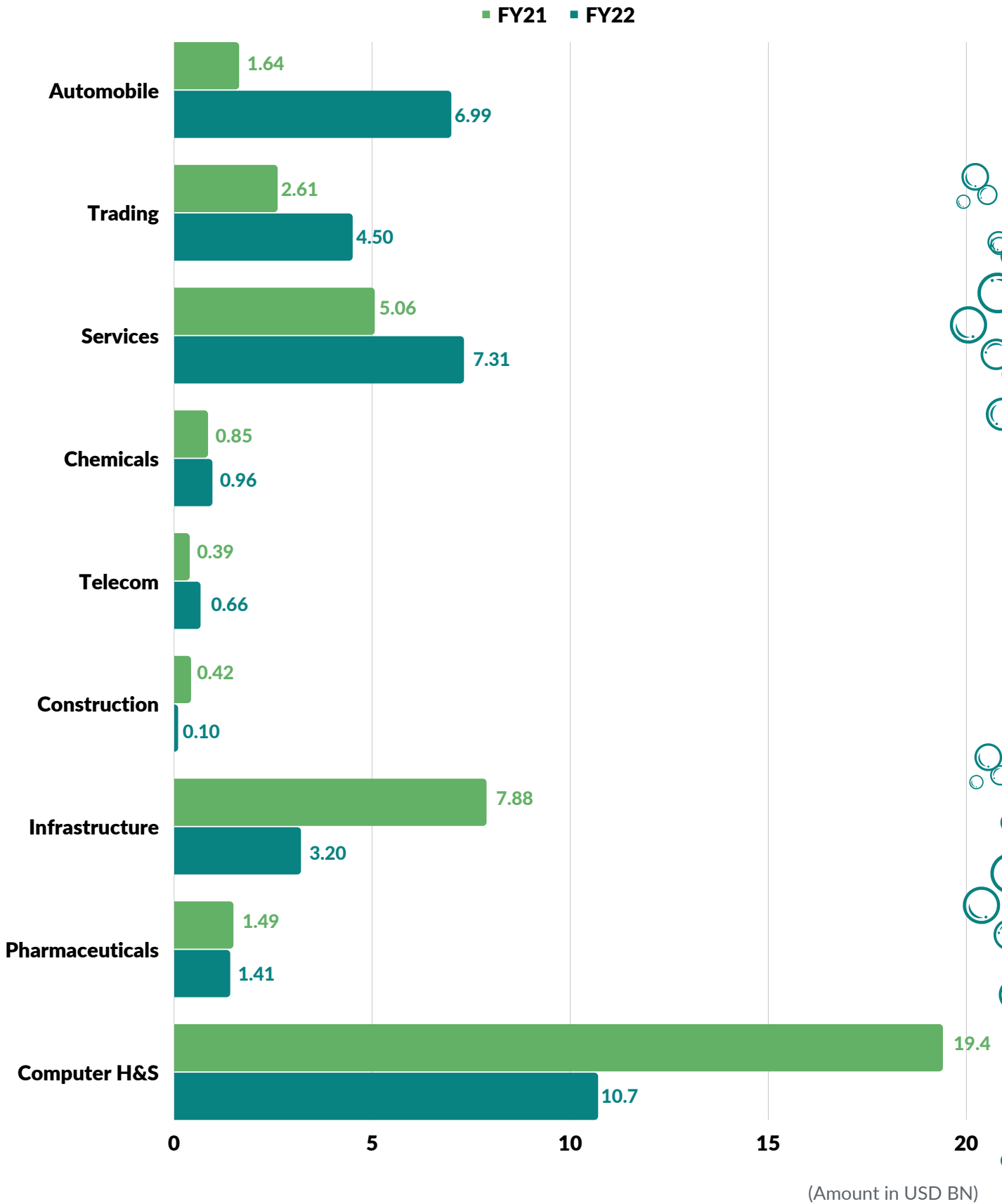
FDI inflows have grown by 23% post-Covid from 141.10 bn between February 2018 and February 2020 to 171.84 bn from March 2020 to March 2022. This growth stands testament to the success of this Government's initiatives over the last eight years.

Recent reforms have focused on opening up the coal mining, contract manufacturing, digital media, single-brand retail, civil aviation, defence, insurance, and telecommunications to FDI by allowing greater foreign shareholding and improving the ease of doing business.

Manufacturing has been a key focus and FDI in manufacturing has surged by 76% in FY22 over FY21 to USD 21.34 bn.



Comparative Analysis - Reboot - Post Covid-19





Automobile

Automobile – India became the world's third-largest car market as well as the fourth-largest producer in 2022. The pandemic saw vehicle sales slump, but sales and investment have since bounced back. Global investment funds are keenly watching and investing in India's mushrooming EV segment.

Telecommunication

Telecom – The telecom industry in India is the second-largest in the world, with a subscriber base of 1.17 bn as of April 2022. The Government now allows 100% FDI under the automatic route. The Production-Linked Incentive (PLI) Scheme for Telecom & Networking Products is designed to promote R&D and manufacturing covering 5G and next generation network equipment, IoT and more.

Infrastructure

The infrastructure sector in India offers a plethora of opportunities backed by a comprehensive roadmap, robust policy support and ready funding including NaBFID set up by the Indian Government. India's need for greenfield infrastructure is underwritten by the potential of the resources the infrastructure can unlock.

In FY21, Infrastructure activities accounted for 13% of the total FDI inflows.

Retail & Trading

India's retail market ranks as the fourth largest in the world. In the past decade, a surge of online customer demands, combined with the rapid growth of infrastructure, has paved the way for numerous unicorns to emerge. These advancements have also led to the implementation of significant reforms, such as the National Infrastructure Pipeline and Start-Up India, aimed at accelerating further growth.

Pharmaceuticals

The pharmaceutical sector in India is predicted to reach USD 54 bn by 2024. PLI schemes are aimed at adding capacity to an already dominant generics segment, building the capacity to formulate and manufacture mostly imported active components and R&D.

Chemical

The PLI scheme for the Chemical industry introduced by the Government will boost the local manufacturing and make India Technology-driven. This sector has also allowed 100% FDI under the automatic route, making it attractive to the investors.

Computer H&S

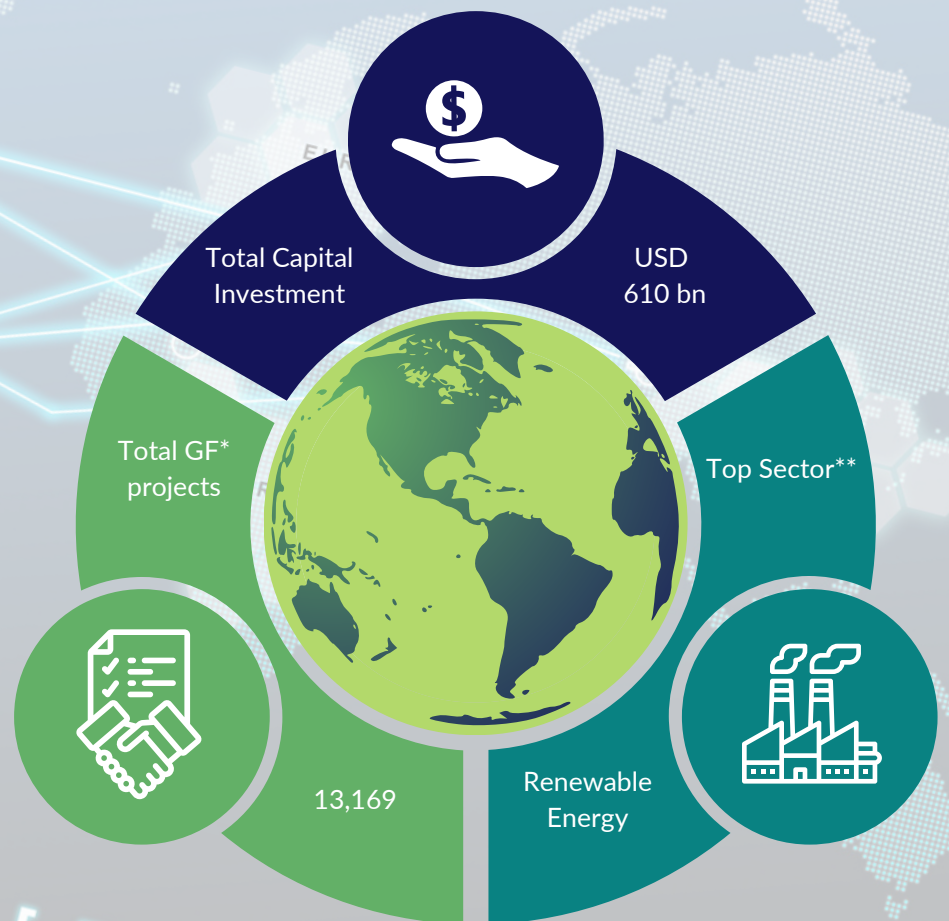
The Inflows of the computer software and hardware industry totalled USD 14.46 bn in FY22. FDI in the sector was down a little from FY21 after jumping 3 times in FY21 from FY20. Despite the funding winter in the tech sector India's start-up landscape remains vibrant.

Service Sector

FDI to the Services sector including Banking, Financial Services, Insurance, Business Outsourcing, R&D and Logistics rose to USD7.31 bn after a major drop during the pandemic. Beyond the post-pandemic resumption in contact-intensive activities the increased investment reflects the promise of growth into untapped markets on the back of greater digitization and connectivity.

Deciphering Global FDI Currents

Foreign Direct investments include equity inflows, reinvested earnings, and other capital deployments. Investment into new projects being built to add capacity to cater to growing , termed as greenfield projects, is a better indicator of investor sentiments on growth than investments into brownfield projects. This chapter focuses on the growth in FDI into greenfield projects in major economies.



Source: FDI Insights
*Greenfield projects
**Estimated by capital investments

[THE GLOBAL ECONOMY

”

Asia-Pacific was the top destination for FDI into greenfield projects at USD 165.4 bn but Western Europe announced the highest number of projects that received investment at 4795.

The renewable energy segment was down to USD 85.2 bn in capital expenditures in FY21 from USD 91.6 bn in FY20, still good for leading all sectors in capital expenditures.

”

An Overview on Global Greenfield projects

According to the Financial Times' greenfield investment monitor, investors announced 13,169 foreign direct investment projects in 2021. With a USD 610 bn capital expenditure, these projects produced more than 1.6 mn jobs.

The number of FDI projects increased by 11% in 2021 compared to 2020, while total job creation increased by 11% overall and 12% in capital investment value. The US continued to be the leading destination, drawing in USD 81.7 bn in FDI in 2021, an increase of USD 20 bn from the previous year.

The US was also the largest source for FDI in capital expenditures with USD 149.6 bn in outflows, representing a 25% share in global FDI and covering 22% of projects across the world financed by FDI.

From 2020 to 2021, the semiconductor industry saw the most growth in capital expenditures. The FDI into new projects in the semiconductor industry increased to USD 59.1 bn in FY21, up four times from 2020.

With a total of 435 projects registered, India continued to be the leading destination for FDI by number of projects in the Asia-Pacific region after passing China in 2020.

Asia-Pacific Region

FDI INTO ASIA-PACIFIC

BY PROJECT NUMBERS 2021

Country	Projects
India	435
China	414
Singapore	346
Australia	315
Japan	173
Vietnam	119
Malayasia	111
South Korea	94
Hong Kong	87
Thailand	76
Other	381
Total	2551

FDI into the Asia-Pacific region grew by 0.7% to USD 165.7 bn in FY21 compared to FY20. Investments were more widely spread out with a 10% growth in projects that received FDI, up to 2551 in FY21. FY21 also saw a 7% growth in FDI from outside of Asia-Pacific.

Source: FDI Insights

159.6

Total FDI Outbound from APAC
(In USD bn)

India remained at top position by the number of projects that received FDI in FY21 accounting for almost 3% of projects receiving FDI worldwide.

2087

Total FDI Outbound from APAC
(No. of Projects)

The number of projects financed in China also grew by 14% in FY21 and received USD 29 bn in capital investments, the most in Asia-Pacific.



INDIA

Top Destination Country
(Most projects attracted)

Despite successive waves of COVID-19, FDI flows to the region grew for the third consecutive year, with developing economies in Asia receiving 40% of global foreign investment inflows.

Notes: APAC-Asia Pacific (Values Includes Estimates)

Europe

FDI INTO EUROPE

BY PROJECT NUMBERS 2021

Country	Projects
Germany	982
United kingdom	981
Spain	675
Poland	423
France	378
Netherlands	282
Ireland	256
Belgium	241
Italy	193
Turkey	183
Other	1665
Total	6259

Source: FDI Insights

Over the course of FY21, the number of foreign direct investment (FDI) projects in Europe rose from 5648 in FY20 to 6259, an increase of 11%. Capital investment increased by 16%, and accounting for a 24% growth in jobs. Although Western Europe attracted the lion's share of foreign direct investment (FDI) projects, capital investment (capex), and job creation, emerging Europe saw growth by 13% and 20% respectively in investment and jobs.

A fifth of all capital investments in Europe were made in the UK in 2021, totaling USD 43.4 bn, a 15% increase over 2020.

Between 2020 and 2021, FDI capital investment into Spain quadrupled. A significant chunk of this investment may be attributable to a number of expensive renewable energy projects.

Since 2019, about 339,000 employment owned by foreign firms have been created in Poland, giving it the greatest market share of FDI jobs in the area at 19 percent.

241.5

Total FDI Outbound from Europe
(In USD bn)

6936

Total FDI Outbound from Europe
(No. of Projects)



GERMANY

Top Destination Country
(Most projects attracted)

Notes: Europe (with UK)
Values Includes Estimates

Middle East and Africa

FDI INTO MIDDLE EAST AND AFRICA

BY PROJECT NUMBERS 2021

Country	Projects
UAE	455
Saudi Arabia	126
South Africa	111
Qatar	82
Israel	77
Egypt	58
Morocco	50
Nigeria	41
Kenya	32
Ghana	27
Other	253
Total	1312

Source: FDI Insights



UAE

Top Destination Country
(Most projects attracted)

31.2

Total FDI Outbound from MEA
(In USD bn)

517

Total FDI Outbound from MEA
(No. of Projects)



- Africa saw a rise in the value of FDI funded projects to USD 38.9 bn in 2021, up 24% from the previous year. While the number of projects announced went down the number of projects financed by FDI went up by 45%.
- The United Arab Emirates (UAE) remained the region's leading project destination in 2021. 455 Projects received FDI, accounting for 35% of all regional projects and 16% of jobs added.
- Inbound capital investment in Namibia increased by nearly 3000 % to USD 4.6 bn in 2021..

Notes: MEAA - Middle East and Africa
Values Includes Estimates

North America

FDI INTO NORTH AMERICA

BY PROJECT NUMBERS 2021

Country	Projects
New York	192
Texas	166
California	159
Ontario	136
Florida	106
Quebec	78
Massachusetts	68
Georgia	61
Illinois	54
North Carolina	51
Other	865
Total	1936

Source: FDI Insights
Notes: N.America - North America



NEW YORK

Top Destination Region
(Most projects attracted)

168.4

Total FDI Outbound from N.America
(In USD bn)

2047

Total FDI Outbound from N.America
(No. of Projects)

The US led the region in projects, capital investments, and job creation financed by FDI. With a 32% rise in capital expenditure from the prior year, the US earned a market share of 82% in projects financed in 2021. In 2021, there were 349 FDI projects in Canada, a 16% increase over 2020. During the same time, total capital investment rose by 12% to USD 17.8 bn.

Latin America and The Caribbean



BRAZIL

Top Destination Country
(Most projects attracted)

9.3

Total FDI Outbound from LAAC
(In USD bn)

312

Total FDI Outbound from LAAC
(No. of Projects)

Mexico continued to be the top regional destination for FDI projects in 2021, with 340 investments announced. The number of projects financed by FDI increased by 23% from 2020 to 2021, accounting for 31% of foreign direct investment (FDI) in Latin America and the Caribbean.

FDI INTO L. AMERICA AND THE CARIBBEAN

BY PROJECT NUMBERS 2021

Country	Projects
Mexico	340
Brazil	172
Costa Rica	139
Colombia	126
Argentina	93
Chile	73
Peru	43
Uruguay	18
Dominican Republic	13
El Salvador	13
Other	81
Total	1111

Source: FDI Insights

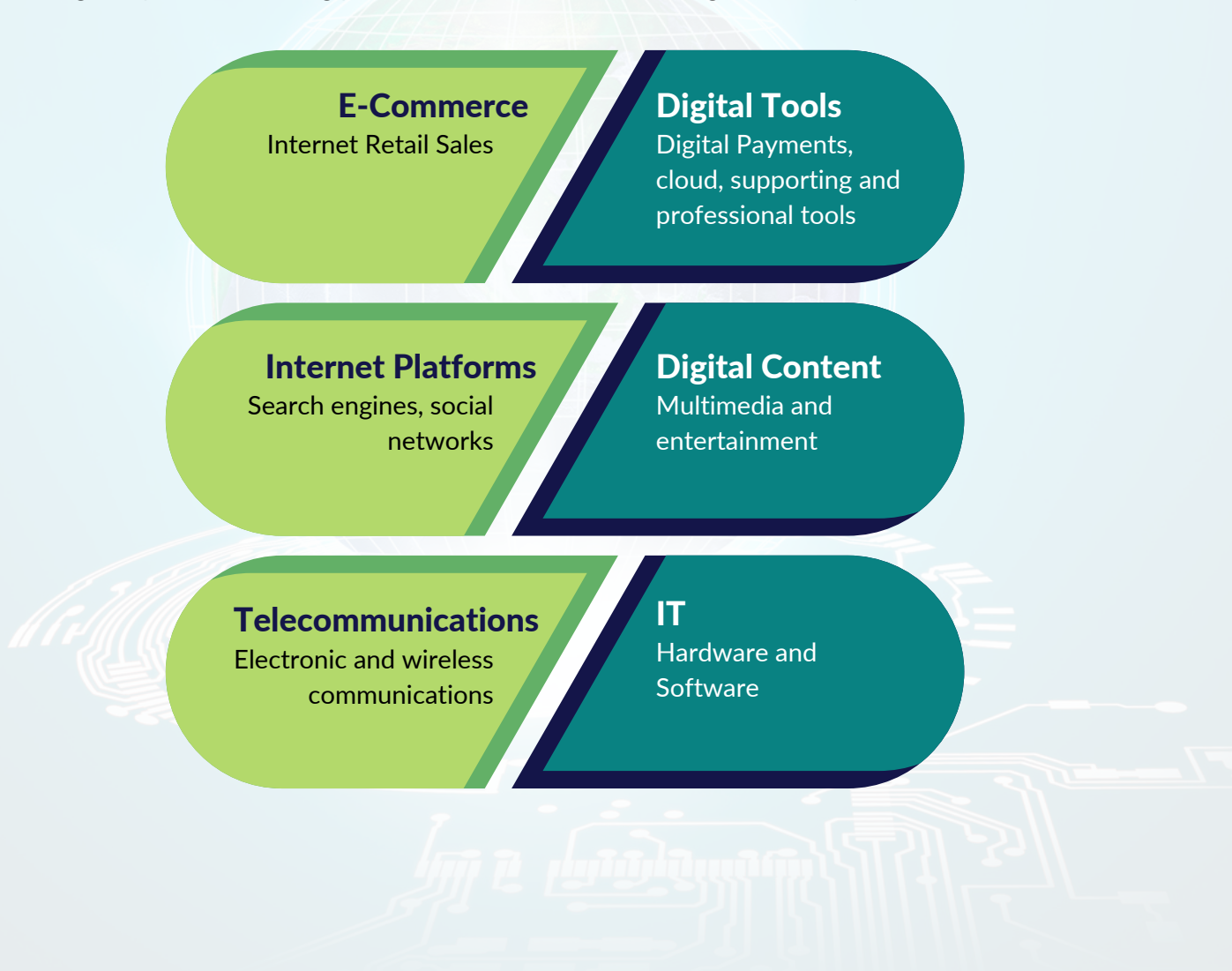
Notes: LAAC-Latin America and the Caribbean
Values Includes Estimates

Why India is Growing

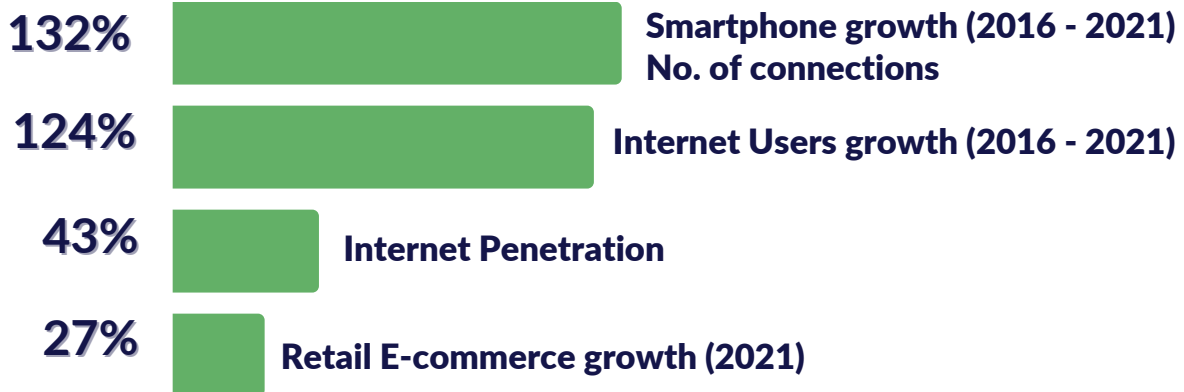
1. DIGITAL ECONOMY

New technologies, particularly in information technology and communication have found applications in almost every economic sector transforming productivity, eliminating geographical barriers and changing cultures with the free flow of ideas, content and business. This has opened up new markets and spawned new businesses. Ride-hailing pioneered by Uber and app-based food delivery are prime examples of new businesses enabled by technology. The Indian Government has used digitization to deliver welfare directly into beneficiary accounts setting a benchmark for service delivery by Governments while the changing demand profile of Indian consumers as they spend more time online represents a major cultural shift.

The digital economy remains a fast-evolving space as the initial euphoric investments are being replaced by a focus on profitability and many business models will fail along the way. It is important to map out the digital economy to understand it better and even if there are the precise definition of the digital economy remains a matter of debate, the UNCTAD (2017) identifies the following components as being part of the architecture of the digital economy:



Digital Infrastructure of India



The internet and e-commerce sector in India has emerged as one of the fastest-growing sectors in the country, with growth further accelerated by the shift in consumer behavior because of the COVID-19 pandemic. According to industry estimates, India's consumer digital economy is expected to be a USD 800 bn market in 2030, registering a 10x growth from 2020. The sector witnessed 370% y-o-y growth in PE/VC investments in 2021. Rapid growth in internet penetration and increasing smartphone usage are driving growth in online activities such as e-commerce and digital payments.

The digital economy is a major magnet for FDI even as digitization has simplified investment processes. India has a large population and a growing middle class that digitization has brought into the formal economy. Digitization has also connected a large rural population to global trends driving aspirations and consumption. India's digital economy has been focused on harnessing technology to provide everything from loans to electronics to food products to previously disconnected markets at affordable prices and the sheer size of the market has attracted significant venture capital. As this ecosystem scales up consolidation and mergers and acquisitions are expected to pick up.

E-Commerce and Internet Investment Overview

USD 30 bn

PE/VC raised by Internet and E-commerce companies across 640 deals

370%

Y-o-Y growth in Internet and E-commerce investments

USD 60 mn

Average investment ticket size, growing 228% y-o-y

Source: Recent Survey-2022

2. EASE OF DOING BUSINESS

The annual Doing Business Report from the World Bank ranks 190 economies by how simple it is to set up and run a company based on ten factors covering the whole business lifecycle (DBR). India has climbed 79 spots to rank 63 in the World Bank's Doing Business Report 2020, up from 142 in 2014.

ACTIONS BY THE INDIAN GOVERNMENT TO IMPROVE THE EASE OF DOING BUSINESS IN INDIA:



Starting a Business:

Introducing SPICe+ and AGILE PRO form by the Ministry of Corporate Affairs (MCA) saves the time and effort required for nascent company incorporation.



Dealing with Construction permits:

- Online Building Permission System (OBPS) - online Single Window for obtaining all building permissions, which includes Building plan Approval, NOC, and completion certificates (Plinth and Building)
- Application for Joint Site Inspection, which essentially stipulates all inspections regarding Fire, Water, Sewage, Environment, Archeological, etc., be conducted simultaneously. This ensures transparency and efficiency in obtaining the required No Objection Certificates (NOC)
- Implementation of Risk Based Classification of buildings helped in strengthening building regulations considerably
- Digitization of land records has been one of the top priorities to bring efficiency and transparency to property-related transactions.
- Obtain Property cards by clicking on the property map
- Detailed Plot Report can be seen just by entering the plot number



Enforcing contracts:

- Faster resolution of commercial disputes is pivotal to boosting investor confidence in the dispute resolution mechanism of the country.
- Adoption of technology for case management by lawyers and judicial officers leads to speedier dispute resolution.
- eCourts Services Portal and eCourts Service App offer seven case-related services for litigants and lawyers



Resolving Insolvency:



- Introduction of the Insolvency and Bankruptcy Code of India (IBC) in 2016 was a game changer in resolving insolvency.
- The Code's objective is maximization of asset value by aiming at reorganization rather than liquidating the Corporate Debtor.
- The Code has seen success as the creditor is in charge rather than the debtor. The increase in recovery rate to 71 % is evidence of its success even as the Government is using feedback to make improvements



Trading Across Borders:



In order to promote growth and development, the Reserve Bank of India has recently released a notification to implement international trade settlements in Indian Rupees (INR).

- Time and cost to export and import reduced by electronic sealing of containers, upgradation of port infrastructure and allowing electronic submission of supporting documents with digital signatures.
- India Customs Electronic Gateway (ICEGATE) allows traders the facility to lodge their clearance documents online at a single point
- ICEGATE offers a host of services includes Electronic filing of Bill of Entry, Shipping bill, E-payment of custom duty, Web-based Common Signer utility for signing all the Customs Documents, Facility to file online supporting documents through eSanchit(e-Storage and Computerized Handling of Indirect Tax documents), and End-to-end electronic IGST Refund.



Engaging the States & UTs-towards Open Business Platform:



- India is one of the few countries which has a sub-national ranking exercise and under BRAP (Business Reform Action Plan), all States and UTs are ranked on the basis of reforms undertaken by them on designated parameters.
- A dedicated online portal has been developed by DPIIT (Department for Promotion of Industry and Internal Trade) for States/UTs to submit evidences of implementation of these reform points and user data for feedback on reforms.
- DPIIT has undertaken the mandate of enacting the Public Service Delivery Guarantee Act to ensure timely processing, ensuring the setting up of a single window agency to serve as a single point of contact for all licensing required by businesses, mandating joint inspection under 10 Labour Acts, etc.
- States/UTs have implemented a GIS system to provide details about the land earmarked for industrial use across the state.

3. YOUTH POPULATION

India has the world's largest youth population with around 50% of Indian citizens ages less than 25. In any nation, people between the ages of 15 and 59 power the economy by supporting themselves, paying taxes and paying for the young and the old.

Currently, 62.5 per cent of the people in India are in this age bracket. In other words, around 63 out of every 100 individuals is of working age and contributes to the economy. India's working age population is expected to peak in 2036 rising to 65 per cent of the population.

Demographic dividend is the term for the benefit to a nation's economic development when it has a large population reaching working age. The country then has a larger labour force due to the greater number of workers. The country's savings increase as the number of workers rises. Saving more money leads to more capital for investment, and in turn corporate growth catering to a larger base of consumers. The scale of consumption encourages industrialization.

India's large workforce of skilled, young workers is a major attractor of foreign investment as both a cost effective workforce catering to global markets and a large base of potential customers.



India's population is expected to rise from 121.1 crores to 152.2 crores during 2011-36, an increase of 25.7% in twenty-five years.

Source: National Commission on Population, Ministry of Health & Family Welfare

India has its largest ever adolescent and youth population. It will continue to have one of the youngest populations in the world till 2030.

Source: United Nations Population Fund

India has the third-largest group of scientists and technicians in the world.

Source: All India Management Association, The Boston Consulting Group

The Ministry of Youth Affairs and Sports signed a Statement of Intent with YuWaah with UNICEF to strengthen the resolve to mobilize one crore, youth volunteers, to achieve the goals of Atmanirbhar Bharat

Source: Ministry of Youth Affairs

By 2030, it is estimated that around 42% of India's population will be urbanized from 31% in 2011.

Source: World Bank



4. GOVERNMENT POLICIES AND INITIATIVES

- Over the last eight years, the Indian government has adopted a new approach to reforms, which has emphasized creating public goods, building trust-based governance, partnering with the private sector for development, and boosting agricultural productivity. According to the Economic Survey 2022-2023, this marks a significant paradigm shift in the government's growth and development strategy, as it aims to foster partnerships among various stakeholders in the development process. This "Sabka Saath, Sabka Vikaas" approach enables all parties to contribute and reap the benefits of development.
- These efforts have resulted in consistent reforms aimed at building trust between the government and businesses/citizens, leading to improved investor sentiment, easier business practices, and more effective governance. One notable reform has been the decriminalisation of minor economic offences, which further enhances the ease of doing business.
- In addition, the government has implemented several tax policy reforms, including the adoption of a unified Goods and Services Tax (GST), reducing corporate tax rates, and exempting sovereign wealth and pension funds from taxes. The removal of the Dividend Distribution Tax has also helped to reduce the tax burden on individuals and businesses and remove distortionary incentives from the economy.
- To enhance India's manufacturing capabilities and exports across industries, the Modi government has launched the Atmanirbhar Bharat and Make in India initiatives. Moreover, the government is developing enabling infrastructure to make India a cost-effective production hub.
- Overall, the Indian government's emphasis on creating a conducive environment for Foreign Direct Investment (FDI) has resulted in numerous policies and initiatives aimed at improving the ease of doing business, reducing taxes, and boosting manufacturing capabilities. These reforms reflect a significant shift in the government's approach to growth and development, with a greater focus on collaboration and partnerships among stakeholders.

5. PRODUCTION LINKED INCENTIVE SCHEMES

The Production Linked Incentive scheme has the potential to add about 4% to India's GDP in terms of incremental revenues. It aims to provide USD 30 bn worth of incentives over the next five years, with electronics, auto components, and pharmaceuticals getting the biggest incentive allocations.

A good example of the impact of the program is the significant reduction in mobile handset imports, down by 33% in FY22, with local output up by about 26% catering to demand over the course of the year. This gain is directly attributable to the PLI and Phased Manufacturing programs of the Government.

Over the following five years, the Government anticipates that the program will improve production by USD 356 bn and create 6.45 mn new jobs with a total investment of USD 24 bn across the 14 sectors.

6. MERGERS AND ACQUISITIONS

India's M&A sector has been doing well due to considerable interest from overseas investors (the US accounted for 35% of invested dollars).

India's economy is anticipated to grow strongly in FY23 with an IMF-predicted 8.2% GDP growth rate, making it the fastest growing major economy.

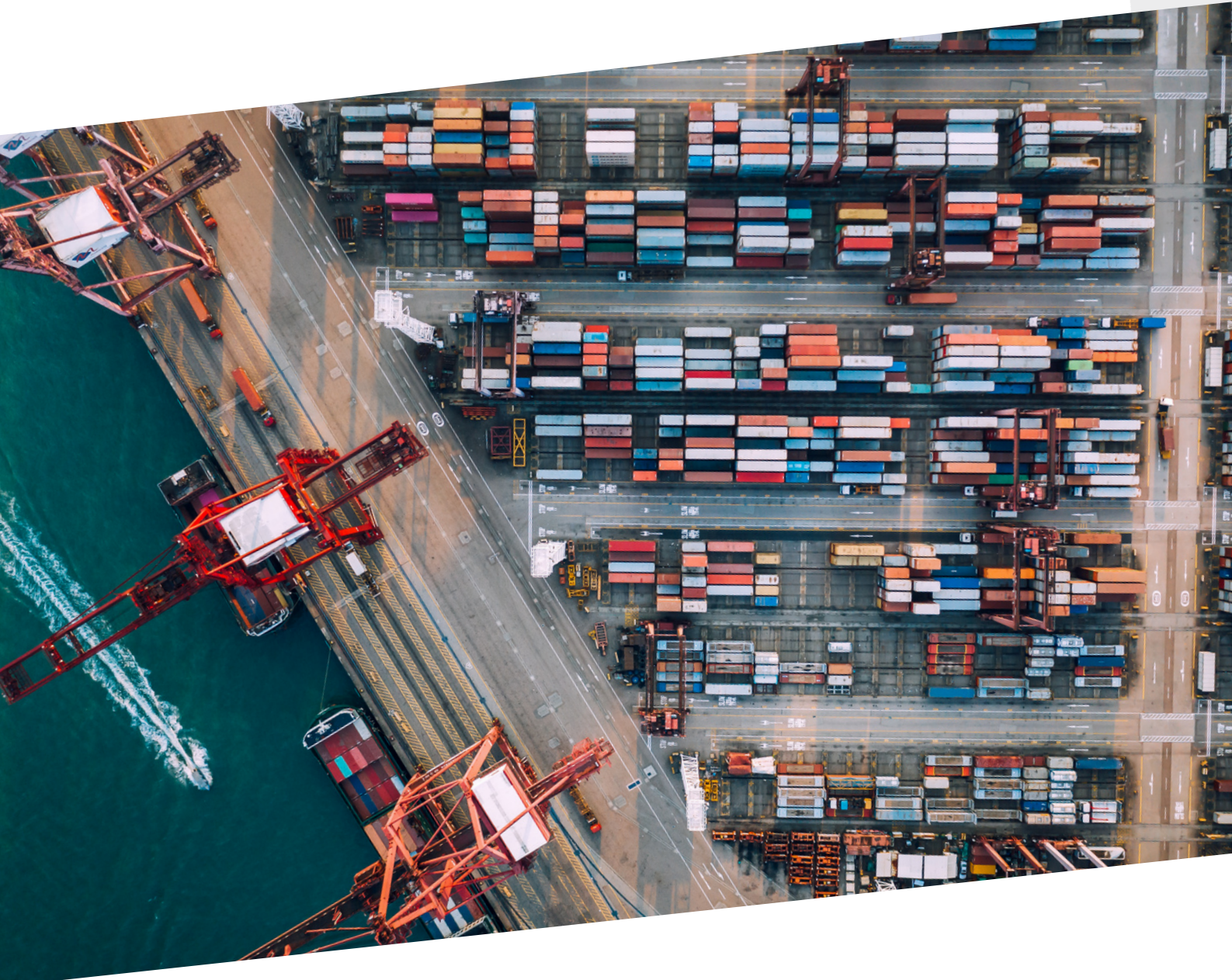
The Indian M&A industry is poised for a robust performance driven by technology with 174 total deals in Q1 FY23 (up 28% year over year).

Artificial intelligence and machine learning are automating many labour-intensive steps in the M&A process across planning, marketing, and due diligence for both buyers and sellers.



7.IMPORTS AND EXPORTS

India exported USD 250 bn worth of services in FY22, a new record. Preliminary data had predicted that goods exports would reach a record USD 400 bn in FY22, for an estimated USD 419.65 bn in exports by April. That puts India's overall exports at close to USD 670 bn in 2021-22, a figure that will undoubtedly place India among the top 10 value exporters in the world.



India's mercantile trade deficit has, however, climbed by 55% over the same period due to high commodity prices for inputs, crude oil in particular but also metals, and other raw materials, as well as a domestic industry inventory build-up to prepare for potential supply-chain disruptions brought on by the conflict in Ukraine. Indian exports had increased by around 20% to USD 42.22 bn in March, while imports increased by 24% to USD 60.74 bn over the same period according to Government figures, resulting in a USD 18.5 bn goods trade imbalance. India's product exports reached a record USD 419.65 bn in FY22, but imports rose to USD 611.89 bn, leaving a USD 192.24 bn imbalance.

8. INDIA'S SHIFT TOWARDS CLEAN ENERGY

In 2022, Indian Prime Minister Narendra Modi announced the country's ambitious target of achieving 450 GW of renewable energy capacity by 2030, with a significant portion of 175 GW being sourced from solar power. Since then, the Government of India has introduced several initiatives and schemes to promote the adoption of green energy, including the PM-KUSUM scheme and the International Solar Alliance (ISA), which aims to promote the use of solar energy and reduce dependence on fossil fuels.



Over one lakh standalone solar pumps installed under PM-KUSUM Scheme

Over **1.16 lakh** standalone solar pumps have been installed under the PM-KUSUM Scheme as on 31.05.2022.

Amongst the leading states are **Rajasthan**, Haryana, Punjab, Madhya Pradesh and Uttar Pradesh.

Over **2.5 lakh** solar pumps sanctioned by Ministry are currently under different stages of installation.

GOVERNMENT OF INDIA
MINISTRY OF NEW AND RENEWABLE ENERGY

75
Azadi Ka Amrit Mahotsav

The infographic features a circular image of a person standing in a field next to a solar panel array, with a water pump nearby. The background is a bright, sunny field.



To encourage businesses and industries to switch to renewable energy sources, the Indian Government is offering various incentives, and initiatives like "green airports" are being implemented to adopt renewable energy sources in airport operations. Additionally, India is promoting the use of electric vehicles through the FAME scheme and emphasizing the use of biofuels such as ethanol and biodiesel as a cleaner alternative to traditional fuels.

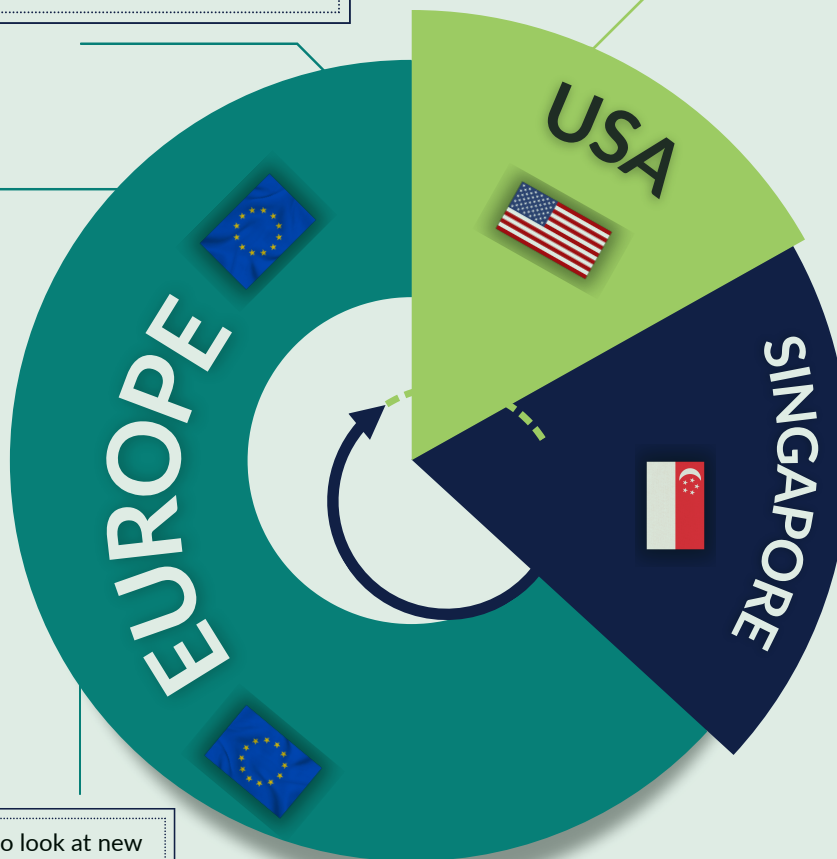
Moreover, India is investing in research and development to enhance the efficiency and reduce the cost of renewable energy technologies. The country's Government support and various initiatives, in line with Mr. Narendra Modi's vision, position it well to achieve its renewable energy targets and contribute to global efforts to mitigate climate change.

UNLOCKING THE FULL POTENTIAL OF RENEWABLE ENERGY

The present EU-India climate and energy ties are directed by the India-EU Clean Energy and Climate Partnership, which was agreed upon during the EU-India Summit on March 30, 2016, with the goal of boosting collaboration in the areas of clean energy transition and Paris Agreement implementation.

The United States-India Strategic Clean Energy Partnership is working to advance newer fuels & technologies and electrification & decarbonization of end-use industries. It also kicks off joint research and development of smart grids and energy storage, as well as a new collaboration on carbon capture, utilization, and storage (CCUS) technologies, with the potential to expand to other novel technologies under the US-India Partnership to Advance Clean Energy-Research (PACE-R).

The India-EU Hydrogen Forum will focus on exchanging best practices/policies on the role of hydrogen in energy systems with a high share of renewable energy, discussing the current state of clean hydrogen production and application technologies, and sharing information on existing and upcoming hydrogen projects in the EU and India.



Under an agreement signed by an India-based dispatchable renewables company and Singapore's energy business, India will export green energy for the first time starting in 2025, with the first shipments going to a Singapore power plant.

The Energy Panel agreed to look at new ways to improve EU-India cooperation through the International Solar Alliance. In this regard, India emphasised the significance of the ISA's One Sun One World One Grid Initiative.

The Opportunity

India today has a renewable energy generation capacity of 99.2GW and is targeting 450GW by 2030 but India's domestic manufacturing only has the annual capacity to manufacture 10GW of solar cells and 16GW of modules. India is heavily reliant on imports of polysilicon and solar wafers.

The Indian Government is aggressively promoting renewable energy equipment manufacturing with performance-linked incentives and India's manufacturing capacity for solar panels, inverters and other equipment has jumped every year since 2019. The Government is also aggressively promoting EVs and India is home to a diverse and fast-growing EV industry with a mix of start-ups and conglomerates. Bloomberg projects a CAGR of 22% for the Indian EV industry till 2040 making this an attractive opportunity for foreign investors looking for fast growth aided by policy decisions.

Challenges that Hide Opportunities

1. SUSTAINABLE DEVELOPMENT SCORE & GOALS

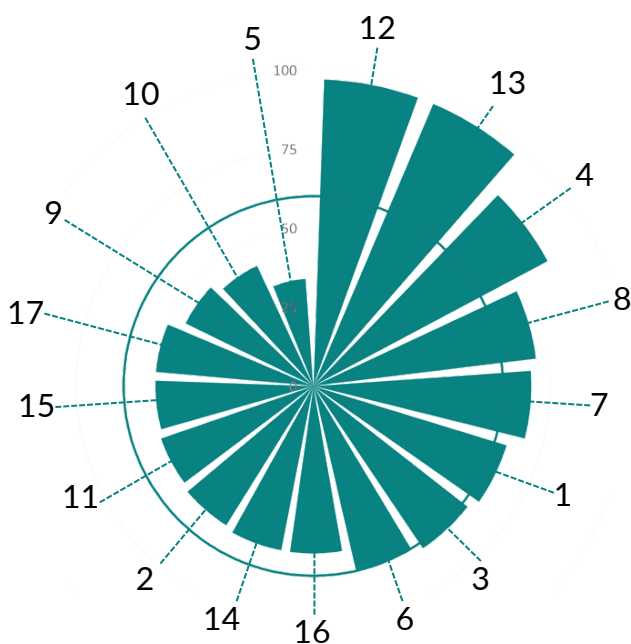
Today, every economies competes for growth in FDI inflows because FDI creates jobs, drives technology transfers, and helps local companies and workforce pools move up the value chain. FDI can promote a country's economic transformation toward a sustainability by attracting large multinational corporations (mncs) that have the financial and technical capabilities to help transform their local operations and suppliers by sharing and implementing global best practices for sustainability. mncs are stepping up the implementation of environmental, social, and governance (ESG) concepts into their investment plan to meet ESG investor score targets, save money, and reduce risks, resulting in more sustainable and profitable operations.

Market size and development potential, institutional and regulatory quality, openness to trade, infrastructure availability, economical and political stability, labour quality and costs, and cultural links are the main variables foreign investors consider when making choosing a destination for their investments. Intangible assets (such as brand name, patent protection, and managerial skills) add value, while lower capital costs, superior management, better advertising, distribution networks, access to raw materials, and economies of scale define individual opportunities.

The Sustainable Development Goals (SDGs) on the other hand are focused on building a more stable, egalitarian and eco-friendly society through business decisions and values.

SDG indicators are a holistic reflection on the Ease of Doing Business (EDB) conditions in India's states because a state with strong social indicators and Government service delivery makes for a good operating environment for businesses.

AVERAGE PERFORMANCE OF INDIA BY SDG



— India's Composite SDG Score

SDG 1	No Poverty
SDG 2	Zero Hunger
SDG 3	Good Health and Well-Being
SDG 4	Quality Education
SDG 5	Gender Equality
SDG 6	Clean Water and Sanitation
SDG 7	Affordable and Clean Energy
SDG 8	Decent work and Economic growth
SDG 9	Industry, Innovation & Infrastructure
SDG 10	Reduced Inequalities
SDG 11	Sustainable Cities and Communities
SDG 12	Responsible Consumption and Production
SDG 13	Climate Action
SDG 14	Life Below Water
SDG 15	Life on Land
SDG 16	Peace, Justice and Strong Institutions
SDG 17	Partnerships for the goals

Source: Sustainability Development Report, India, 2022

The pandemic has resulted in a direct negative impact on the achievement of SDGs 1 (no poverty), 2 (zero hunger), 3 (excellent health and wellbeing), 4 (quality education), 8 (decent job and economic growth), and 11. (sustainable cities and communities). Pandemic induced lockdowns resulted in increased, job losses, loss of life, restricted access to educational services and revenue losses leading to poverty and hunger. While India largely managed to avert hunger through the targeted delivery of free food poverty went up, reversing a trend going back almost two decades.



An one-percentage-point rise in the Ease of Doing Business (EoDB) score corresponds to a 6.32-percentage-point increase in FDI inflows for Indian states. Better performance on the SDG indicators enhances EoDB characteristics and creates a favorable investment climate.

Estimates for Indian states show that a 1% rise in SDG scores results in a 0.80% increase in EoDB parameters and a 6.77% increase in FDI inflows. Regions struggling to attract FDI need to create SEZs where EoDB and SDG performance can be improved more easily in a microcosm, while the regions attracting FDI already need to focus on their performance on environmental, social, and governance (ESG) goals to extend the benefits of FDI to more people.

Competition for FDI among Indian states with SDG indicators acting as a metric would not only assure long-term economic growth, but will also result in an equal distribution of FDI gains.


The Opportunity

India's demographic dividend has the potential of turning progress on SDGs into a virtuous cycle of economic growth. With an estimated 65% of Indians living in villages with limited access to healthcare and education India has a large pool of youth with limited skills. The achievement of SDGs turns them into a healthy and higher-skilled workforce that can power a fast-growing economy. Their higher incomes in a growing economy in turn enable them to consume more, increasing India's value as a market, in turn powering further growth.

2. LABOUR LAWS & LABOUR REFORMS

The Government of India has been steadily undertaking long overdue labour reforms since 2014. The first step was the revision of a long list of laws into four key codes. Since then the Government has been focused on aligning policies affecting salaries, working conditions and pensions with current business realities like gig work, remote working and digital payments.

The implementation of GST brought a large number of workers from the informal sector into the formal labour pool. The Government is now reforming labour laws to strike a balance between corporate needs and employee well-being while accommodating changing cultural norms.



The Parliament has passed progressive 'new labour laws' recently which impact employees' working hours, paid leave days, reimbursements and much more in every sector.

29 laws were clubbed into 4 key codes in a revolutionary step in India's labour law reform.



" According to the World Bank's Global Investment Competitiveness Survey of 754 multinational companies investing in developing countries from 2017, 86% of foreign investors cite a business-friendly legal and regulatory environment as either critically important or important in their decision to invest in developing countries. It should be noted that this aspect encompasses far more than just labour regulations. Despite the fact that strict labour restrictions are expected to raise labour prices, just 53% of foreign investors consider labour expenses to be critically important or significant for investment decisions, compared to 74% who consider labour skills to be critically important or important. "

A World Bank poll lists India's competitive labour costs and the availability of highly skilled labour as two of India's most appealing business advantages. And yet restrictive labour laws rank fifth on the list of India's least appealing business characteristics trailing even the corporate tax regime and transportation and logistics facilities.

So clearly the labour law reforms can have a transformative effect on FDI and the economy at large. The current Government of India clearly understands this and has shown its commitment to economic transformation with revolutionary changes to labour law. There is a lot more to be done but investors have good reasons to be optimistic.

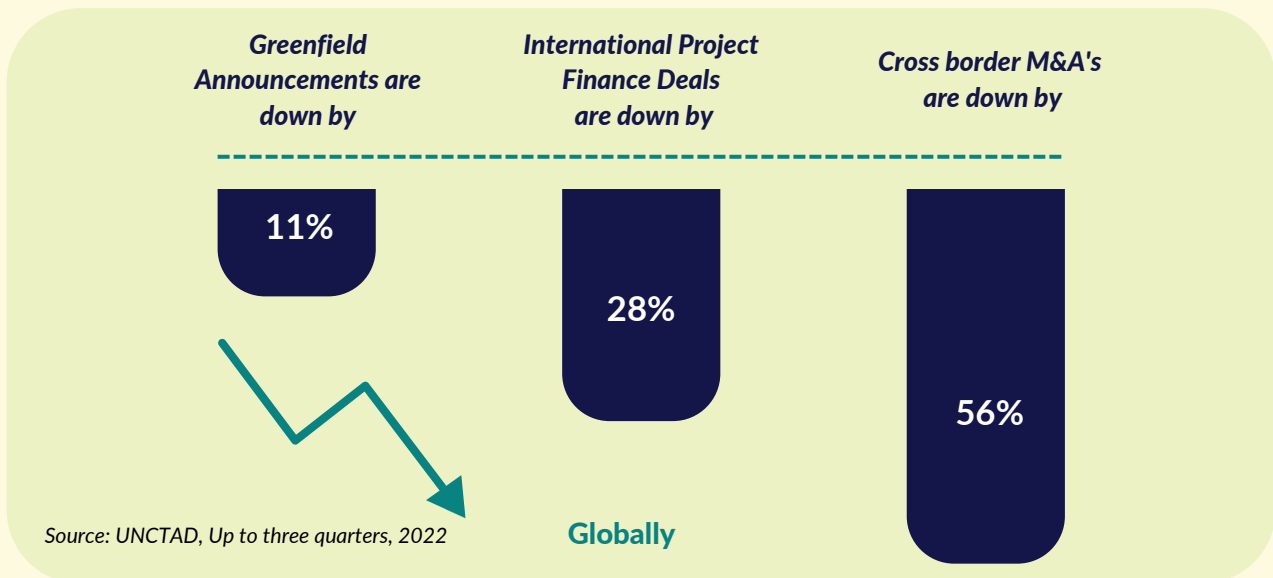
labour-intensive manufacturing exports necessitate competitiveness and flexibility for firms to adapt best & resilient practices and also train the workforce in response to changes in market demand and technology,

The Opportunity

Labour law reform is a critical aspect of India's economic growth, and it is essential that the Government prioritize this reform alongside a rapidly expanding economy with positive incentives and growing opportunities. Fortunately, India has aligned both these conditions, and the current Government has already begun to take advantage of this opportunity. The vast workforce in India presents an array of exciting investment opportunities for interested investors.

3. GEO-POLITICAL REALIGNMENTS

"Foreign direct investment is anticipated to shrink a little further by the end of this year, with the food, fuel, and financial problems precipitated by Russia- Ukraine war affecting the business climate," according to the United Nations. Global FDI recovered to pre-pandemic levels in 2021, reaching about USD 1.6 trillion, but this is unlikely to be sustained in 2022, according to UNCTAD, the United Nations trade and development agency.



The Russia-Ukraine conflict, against the backdrop of a realignment in the US-China relationship, had increased global uncertainty and raised home bias among developed-country investors. However, during that time, the capital that did get invested abroad, both foreign institutional investment (FII) and foreign direct investment (FDI), found India to be a more appealing investment destination after the war. This was due to India's democracy, foreign policy, internal stability, progress in improving the ease of doing business, and commitment to reducing carbon emissions. India emerged as an attractive alternative to China, with its geopolitics in alignment with economic needs.

The Opportunity

India has a well-developed manufacturing industry, abundant resources, and a vast pool of skilled labor. This puts India in a unique position to support large-scale manufacturers who are looking to reduce their dependence on South East Asia. As the US and the EU reassess their trade relationships with China, they are increasingly seeking alternative manufacturing hubs that can provide more stable and reliable supply chains.

India's favorable location and its strategic partnerships with countries in the Asia-Pacific region also make it an attractive option for manufacturers looking to diversify their supply chains. Additionally, the Indian Government has been actively promoting initiatives like "Make in India" to attract foreign investment and develop its manufacturing sector further.

In recent years, India has made significant progress in improving its infrastructure and logistics, which have been major obstacles to the country's manufacturing sector's growth. The Government has also taken steps to simplify regulations and streamline bureaucratic processes to make it easier for businesses to operate in India. These factors combined make India an increasingly attractive destination for manufacturers looking to mitigate the risks of being overly dependent on Chinese supply chains.

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