

## Foreign investment

6.55 Aggregate foreign investment flows experienced a rapid rise during 2003-04. On a year-on-year basis, such flows (net) increased by 255 per cent. While foreign direct investment (FDI) flows (net) increased only marginally (by around US\$200 million), portfolio flows (net) witnessed an eleven-fold increase, accounting for nearly 77 per cent of net foreign investment inflows.

6.56 During the first half of the current year, foreign investment (net) flows have been lower, compared to that in the corresponding previous period (Table 6.2). The near-halving

of foreign investment flows during the first half of the current year can be explained by a reduction in portfolio flows. Quarter-wise estimates, however, point to an improvement in both the components of foreign investment flows in the second quarter of the current year. While FDI (net) flows increased from US\$771 million in April-June 2004-05 to US\$1.3 billion in July-September 2004-05, portfolio flows also picked up from only US\$81 million in the first quarter to US\$430 million in the second quarter. There are indications of a gain in momentum of portfolio inflows in the more recent months of the current financial year.