

At \$10,428 m, India records highest FPI outflow in October

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The month of October witnessed heightened volatility in global equity markets due to uncertainty fuelled by the US elections and other geopolitical tensions. Indian markets slumped and recorded the highest foreign portfolio investment (FPI) outflow among global economies. This appears to be due to the higher valuation and prolonged bull run in Indian equities in the preceding months.

DATA FOCUS.

Analysis of data from Bloomberg showed that 8 out of 11 countries recorded net FPI outflows in October, with the exception of Taiwan, the Philippines and Japan. Data on China's foreign institutional investor (FII) flows for October were not available. India's overall FPI outflow at \$10,428 million is the highest among global economies, for which fund flow data is available.

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During the same period, returns on the benchmark indices also saw a decline in 8 out of 11 countries with India's Nifty recording its worst monthly fall of 6.2 per cent since the Covid month of March 2020. The Philippines, Malaysia and Vietnam were the other markets that saw a decline in the month at 3.2 per cent, 2.9 per cent and 2.1 per cent respectively.

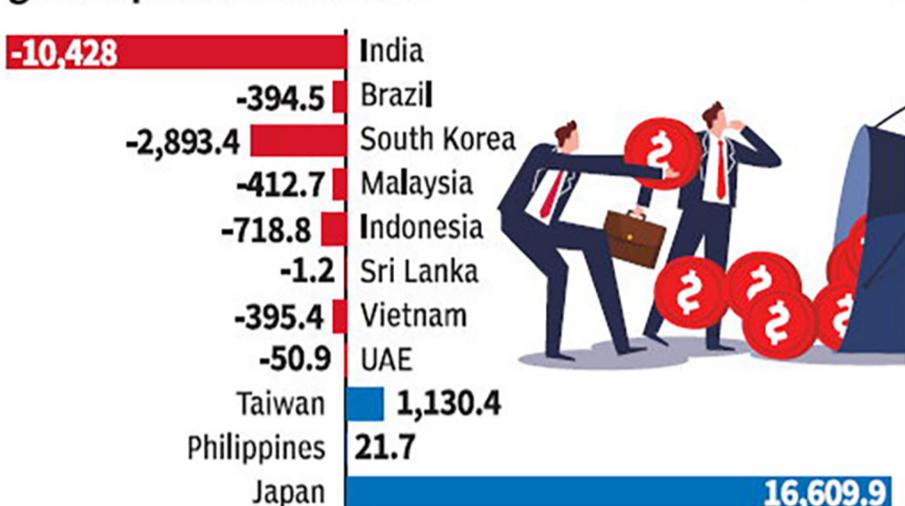
Riaz Thingna, Partner, Grant Thornton Bharat, said that higher interest rates in developed markets and attractive valuation offered by China, Hong Kong and Japan were among key drivers of foreign investment outflows from Indian equities.

"This [selling] is happening across the globe; some Asian markets faced with FII sell-offs are South Korea, Thailand, Indonesia and Malaysia. There has been a trend of FIIs diversifying into European markets on account of currency stability," he said. As per his estimates, post the stimulus, China recorded an inflow of \$53 billion in two weeks, followed by an outflow of \$15 billion in October.

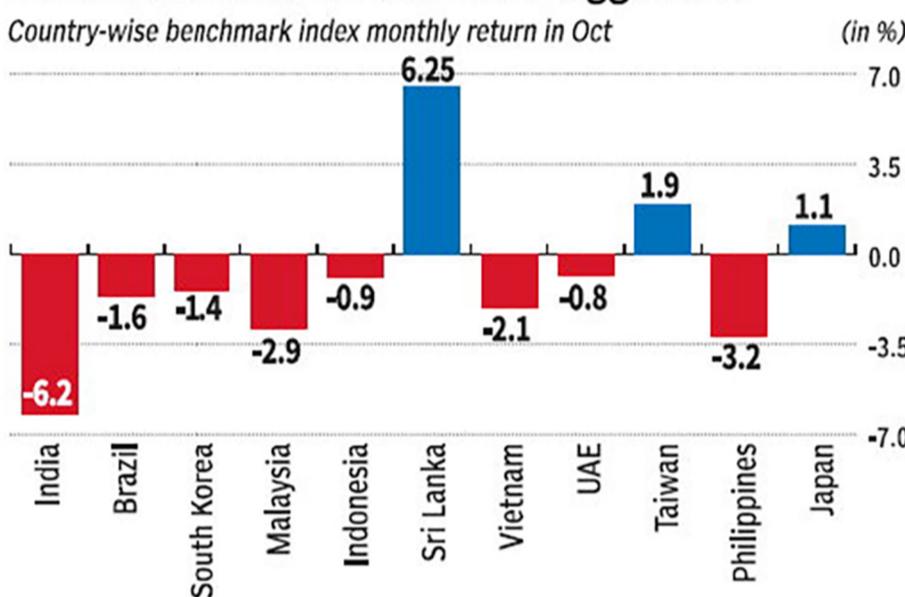
India's robust FPI inflows in 2024 have been wiped out due to an outflow of \$11,473

FPI exodus

India saw the highest FPI outflow among global peers in October



Indian stock market also sees biggest fall

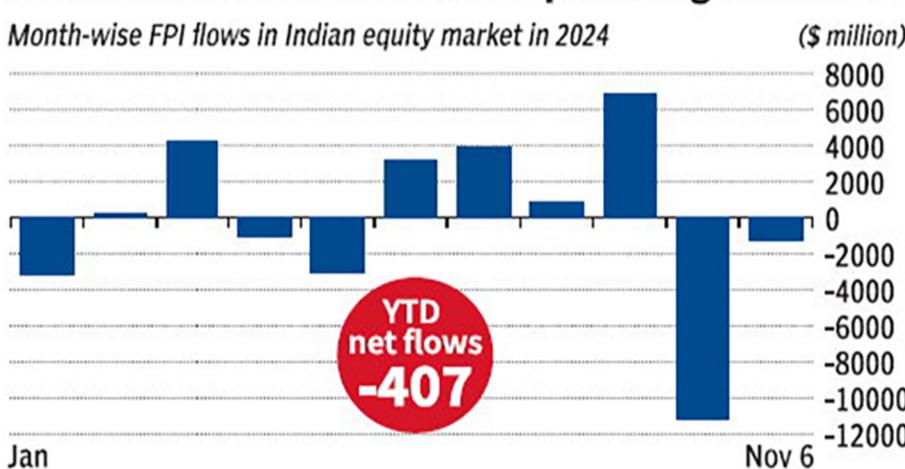


China's FPI inflows 14-times that of India's in September

*China's FPI flow data for October are not available



October FPI sell-off in India wiped out gains of 2024



Source: Bloomberg, NSDL

million in October. India clocked net FPI outflow of \$407 million in 2024 (January to November 6).

Analysts note that slowing earnings growth, elevated valuations, and recent stimulus measures in China led to FIIs taking money out of India and allocating to China. China has been historically more affordable and with valuations in India going up, there has been a disparity in FII flows, they said. They, however, acknowledged that this has been true globally.

Rakesh Vyas, co-Chief Investment Officer and Portfolio Manager, Quest Investment Advisors, noted that

FII outflows were linked to a "Buy China, Sell India" decision for portfolio rebalancing but was later driven by lower earnings growth in the Indian market and premium valuation compared to historic averages.

"The US election uncertainty and rising US yields, coupled with muted earnings' growth by Indian companies, imply some more selling by FIIs," he noted. "However, among the emerging markets, the expected earnings growth for India in FY26 remains attractive and hence continued selling by FIIs in CY25 is unlikely," he added.