

German investments in India

In the 2017-18 fiscal Germany ranked sixth in terms of making foreign investments in India.

Considering foreign investment inflows from April 2000, Germany is the seventh most important investing country for India. The country has consistently been among the top ten investing countries for India. During 2017-18, it ranked sixth with FDI inflows to the tune of USD 1146 million. While overall Foreign Direct Investments (FDI) into India grew by 3% during the last fiscal, inflows from Germany increased by 7.2%.

Germany specific highlights:

- German FDI inflows since April 2000 to March 2018 are around USD 10,844.56 million, accounting for almost 2.88% share of total investment inflow into India.
- Germany ranks seventh in the list of top ten investing countries since April 2000.
- German investment inflows from April 2017 to March 2018 amounted to USD 1146 million, sixth highest among all countries.
- Top sectors attracting German FDI inflows from April 2000 to March 2018 were Automobile industry (21.21%), Services sector (15.29%), Miscellaneous mechanical and engineering industries (11.98%), Chemicals-other than fertilizers (7.21%) and trading (6.82%). These top five sectors accounted for 62.51% of total inflows from Germany, since the turn of the millennium.
- Top sectors attracting FDI inflows from Germany from April 2017 to March 2018 were Automobile industry (37.22%) Services sector (29.34%), Trading (4.87%), Electrical equipment (4.10%), Drugs and Pharmaceuticals (3.27%). These top five sectors accounted for about 78.8% of total inflows from Germany during the last fiscal.
- During the financial year 2017-18, Maharashtra (44.15%), Tamil Nadu (34.58%), Karnataka (7.78%), New Delhi (5.94%), Gujarat (2.27%), were the top investment locations for German companies in India.

Germany's total investments into India during April 2017 to March 2018 amounted to USD 1146 million, accounting for 2.6% of total Indian investment inflows in that fiscal.

German investors optimistic about India's upward growth trend in the forthcoming years

Key Findings: IGCC Business Monitor 2018 - German Investors in India

German companies in India continue to see promising developments in the Indian business environment and their approach towards growth and investments remains reasonably positive. On account of India performing well

on international and domestic fronts, growth in the Financial Year April 2018 - March 2019 is expected to continue its upward trend and medium-term growth is anticipated to increase at a stable rate. With its policy changes directed towards driving growth, India seems to have reinforced its position as a relatively secure investment destination among emerging markets, in a somewhat volatile global economic environment.

For the current financial year, FY 2018 - 19, more than 50% of the survey respondents expect the growth rate of India's GDP to exceed 5%. These responses also concur with the projections made by the Reserve Bank of India and international institutions such as the World Bank and International Monetary Fund. The stated pattern can also be observed in the respondents' outlook for India's medium-term growth: more than 60% of the survey respondents expect a GDP growth rate of more than 5%.

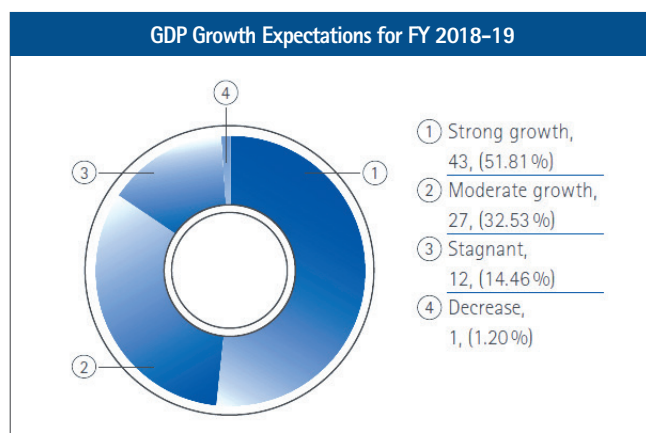
In comparison to the actual turnover of the previous financial year, FY 2017 - 18, the majority of managers expect a modest increase in both, revenue and profit, for the Financial Year 2018 - 19. An increase of up to 10% in revenues is anticipated by more the half of the companies. 30% of the surveyed companies expect revenues to grow by more than 10%, while 15% expect no change in their revenue. Over 60% of the companies anticipate a rise in profit and close to 30% companies expect their profit situation to remain more or less the same.

In this year's survey, managers were cautious in their approach towards hiring people in great numbers and adopted a modest outlook towards salary hikes. Almost half of the surveyed companies plan to have a stable headcount, whereas more than one-third expect the headcount to increase by 10% or less. Increasing the strength and productivity of their existing workforce through relevant training and development, and increasing salaries in order to retain employees, seems to be the top priority of German managers: more than 60% of those surveyed, plan to increase average salaries by 5-10% and almost one-third respondents are looking at salary increases of more than 10%.

While stabilizing their foothold in the market and acclimatizing to the improving Indian policy environment, German investors plan to remain steady with regard to their investment activities in India. Over the medium term, nearly half of the German companies will continue to invest in a consistent manner, whereas close to one-third will increase investments moderately. In addition, nearly 60% of the managers surveyed view India's current policy environment and investment climate in India, as a moderately positive influence on their business. Almost 20% of the respondents view these circumstances as very positive for their business.

The respondents identified bureaucracy, lack of infrastructure, corruption and lack of skilled people as the four main obstacles to doing business in India. Other hindrances to India's investment climate ranged from increase in import duties, tax disputes to issues in compliance with technical regulations, as well as labour unrests.

(A detailed report is available on AHK India's website)



German Investment inflows since 2000 (Table 7)

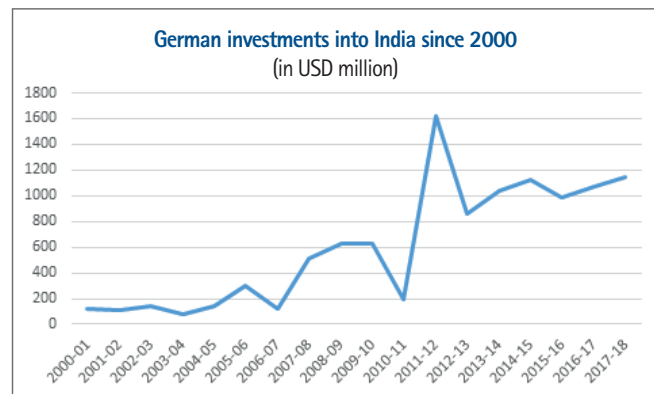
The graph of German investment inflows from the years 2000 to 2017-18 has various highs and lows. After declining initially in 2001-02, the following year saw German investments rise, posting a growth of 26.8%. In the subsequent year i.e. 2003-04, there was a substantial dip again (-43.6%) with another rise of 79% in the following year. In 2005-06, investment inflows from the country saw a healthy growth once again, growing by over 108%. That year Germany's share in total investments into India was maximum with 5.5%. Another dip in German investments followed in 2006-07 (-60.4%) only to rise substantially once again in the following year by 328%. In 2008-09, there was a reasonable growth of 22.5% in German investments and the level was more or less maintained during 2009-10. The numbers took another plunge in 2010-11 when investments dropped by over 68%. This was succeeded by the phenomenal rise of 712% during the year 2011-12, which amounted to nearly USD 1622 million accounting for a share of 4.6% of total investments from all countries into India in that fiscal. German investments once again declined 47% amounting to USD 860 million in 2012-13 and in 2013-14, investment inflows from Germany to India were to the tune of USD 1038 million, posting a growth of 20.8%. Inflows from Germany to India in 2014-15 amounted to USD 1125 million, registering a growth 8.3% while taking up a share of 3.6% of total investment inflows into India in that year. 2015-2016 saw German investment inflows to India decline by 12.4%, amounting to USD 985.6 million with a share of 2.5% of the overall FDI inflows in that fiscal. In 2016-17, German inflows into India picked up and increased by 8.5%, amounting to USD 1,069.14 million and having a share of nearly 2.5% in India's total inflows in the year. In 2017-18, India saw an inflow of USD 1146.15 million from Germany, and it accounted for 2.6% of the total FDI inflows into India.

Overall, German investments since the year 2000 amounted to around USD 10,844.56 million, accounting for a share of 2.88% of total investments into India from April 2000 to March 2017.

Year (April-March)	FDI Inflows from Germany (in USD mil.)	% Change over Previous Year	FDI from All Countries (in USD mil.)	% Share of Inflows from Germany
2000-01	123.34	-	2463	5.0
2001-02	113.48	-8.0	4065	2.8
2002-03	143.91	+26.8	2705	5.3
2003-04	81.17	-43.6	2188	3.7
2004-05	145.35	+79.1	3219	4.5
2005-06	302.82	+108.3	5540	5.5
2006-07	119.95	-60.4	12,492	1.0
2007-08	513.61	+328.2	24,575	2.1
2008-09	629.22	+22.5	31,396	2.0
2009-10	626.14	-0.5	25,834	2.4
2010-11	199.74	-68.1	21,383	0.9
2011-12	1621.95	+712.0	35,121	4.6
2012-13	859.62	-47.0	22,423	3.8
2013-14	1038.42	+20.8	24,299	4.3
2014-15	1124.86	+8.3	30,931	3.6
2015-16	985.68	-12.4	40,001	2.5
2016-17	1069.14	+8.5	43,478	2.5
2017-18	1146.15	+7.2	44,857	2.6
Total	10,844.56	+11.82	376,970	2.88

NOTE: Amounts include equity, re-invested earnings and other capital

Source: Department of Industrial Policy Et Promotion, Govt. of India

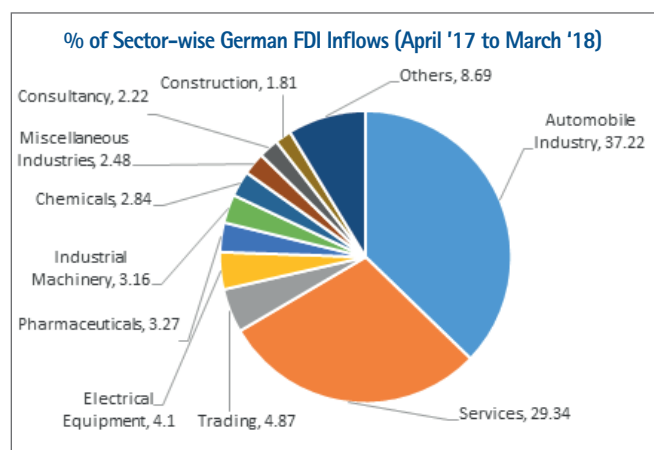


Source: Department of Industrial Policy Et Promotion, Govt. of India

Sector-wise inflows of German FDI (April 2017 – March 2018) Top Sectors (Table 8)

With a share of 37.22% of inflows from Germany in 2017-18, the automobile industry saw inflows of USD 426.55 million and moved up four positions to be the top most sector, attracting maximum German investment in 2017-18. The Services sector (including Financial, Banking, Insurance, Non-Financial /Business, Outsourcing, R&D, Courier, Technical Testing and Analysis, and other services) moved down one position and was second on the list, with inflows of USD 336.24 million and 29.34% of total inflows. The trading sector also moved down one position to be third (USD 55.78 million and a share of 4.87% of total German inflows), as did the Electrical equipment sector, to be fourth (USD 47.04 million and 4.10% of total German inflows). Drugs and pharmaceuticals was a new entrant to the list and was the fifth most important sector garnering FDI from Germany, which amounted to USD 37.52 million and 3.27% of total German inflows in 2017-18. Industrial Machinery moved up one position and was sixth (USD 36.27 million and 3.16% of total German inflows), while Chemicals (other than Fertilizers) also moved up one position to be the seventh (USD 32.56 million and 2.84% of total German inflows) most important sector attracting German FDI in 2017-18. The top ten list had three new entrants, viz. Miscellaneous Industries (eighth with USD 28.43 million inflow and 2.48% of total German inflows), Consultancy Services (ninth, USD 25.42 million inflow and 2.22% of total German inflows) and Construction (Infrastructure activities), which was tenth, with inflows worth USD 20.71 million and a share of 1.81% of the total German inflows in 2017-18.

From April 2017-March 2018, the top five categories took up 78.8% of total German equity inflows, whereas during the previous year (April 2016-March 2017) the top five categories took up 63.41%, indicating more investments were being focused into the key sectors in 2017-18, as compared to the previous fiscal.



Source: Department of Industrial Policy Et Promotion, Govt. of India

Table 8 Sector-wise German FDI equity inflows from Apr.'17 – Mar.'18			
Sr. No.	Sector	Amount of FDI Inflows (in USD million)	% Share of Total Inflows
1	Automobile Industry	426.55	37.22
2	Services Sector (Financial, Banking, Insurance, Non-Financial/ Business, Outsourcing, R&D, Courier, Technical Testing and Analysis, Other)	336.24	29.34
3	Trading	55.78	4.87
4	Electrical Equipment	47.04	4.10
5	Drugs and Pharmaceuticals	37.52	3.27
6	Industrial Machinery	36.27	3.16
7	Chemicals (other than Fertilizers)	32.56	2.84
8	Miscellaneous Industries	28.43	2.48
9	Consultancy Services	25.42	2.22
10	Construction (Infrastructure) Activities	20.71	1.81
11	Miscellaneous Mechanical and Engineering Industries	18.40	1.60
12	Printing of Books (including Litho-Printing Industry)	13.78	1.20
13	Paper and Pulp (including Paper Products)	11.61	1.01
14	Glass	7.44	0.65
15	Hotel and Tourism	6.95	0.61
16	Textiles (including Dyed, Printed)	5.53	0.48
17	Non-Conventional Energy	4.61	0.40
18	Ceramics	4.28	0.37
19	Agricultural Machinery	3.73	0.33
20	Computer Software and Hardware	3.65	0.32
21	Sea Transport	2.27	0.20
22	Prime Mover (other than Electrical Generators)	2.09	0.18
23	Petroleum and Natural Gas	2.05	0.18
24	Cement and Gypsum Products	1.81	0.16
25	Metallurgical Industries	1.58	0.14
26	Machine Tools	1.51	0.13
27	Power	1.17	0.10
28	Industrial Instruments	1.14	0.10
29	Boilers and Steam Generating Plants	1.11	0.10
30	Electronics	0.91	0.08
31	Earth-Moving Machinery	0.86	0.07
32	Hospital and Diagnostic Centres	0.83	0.07
33	Mining	0.77	0.07
34	Telecommunications	0.56	0.05
35	Medical and Surgical Appliances	0.29	0.03
36	Air Transport (including Air Freight)	0.26	0.02
37	Commercial, Office and Household Equipment	0.17	0.01
38	Food Processing Industries	0.13	0.01
39	Education	0.09	0.01
40	Fertilizers	0.04	0.00
41	Diamond, Gold Ornaments	0.03	0.00
42	Soaps, Cosmetics and Toilet Preparations	0.01	0.00
43	Construction Development: Townships, Housing, Built-Up Infrastructure and Construction-Development Projects	0.00	0.00
	Grand Total	1146.15	

Source: Department of Industrial Policy & Promotion, Govt. of India

Region-wise distribution of German FDI in 2017-18 (Table 9)

Just as in the previous fiscal, even in 2017-18, Maharashtra attracted maximum (44.15%) of German investments into India. Moving up two positions from the previous fiscal, Tamil Nadu, Pondicherry was the second most preferred destination for inflows from Germany, amounting to USD 396.39 million with a 34.58% share of investments. Karnataka retained its third position and saw investment inflows amounting to USD 89.19 million and a 7.78% share of the total investment inflows from Germany in 2017-18. New Delhi, which was on the second position in 2016-17, moved down to the fourth position. In 2017-18, inflows to New Delhi

amounted to USD 68.14 million, with a 5.94% share of total inflows. Gujarat moved up two positions to reclaim a position in the top five regions attracting German FDI. In 2017-18, Gujarat saw USD 26.04 million worth German investment inflows and a share of 2.27% of the total German FDI in the fiscal. Rajasthan, Goa, Madhya Pradesh (including Chhattisgarh) were new entrants to the list, making it to the eighth, ninth and tenth positions, respectively. In 2017-18, the top five regions accounted for around 94.72% of total German investments, as opposed to 78.56% in the previous fiscal. This shows that German companies are looking at focused investments into key regions.

Sr. No.	Regional Offices of RBI	States Covered	FDI Inflows (in USD million)	% of German Inflows
1	Mumbai	Maharashtra, Dadra & Nagar Haveli, Daman & Diu	506.06	44.15
2	Chennai	Tamil Nadu, Pondicherry	396.39	34.58
3	Bengaluru	Karnataka	89.19	7.78
4	New Delhi	Delhi, Part Of Uttar Pradesh And Haryana	68.14	5.94
5	Ahmedabad	Gujarat	26.04	2.27
6	Kolkata	West Bengal, Sikkim, Andaman & Nicobar Islands	3.67	0.32
7	Hyderabad	Andhra Pradesh	2.79	0.24
8	Jaipur	Rajasthan	2.09	0.18
9	Panaji	Goa	0.13	0.01
10	Bhopal	Madhya Pradesh, Chattisgarh	0.05	0.004
11	Kanpur	Uttar Pradesh, Uttaranchal	0.04	0.003
12	Kochi	Kerala, Lakshadweep	0.02	0.001
13	Regions Not Indicated		51.53	4.50
	Grand Total		1146.15	

Source: Department of Industrial Policy & Promotion, Govt. of India