

FDI Confidence Index: Notes for UPSC

FDI Confidence index is an analysis of the effect of political, economic and regulatory changes on the inflow of Foreign Direct Investment into a given country in the years to come, as well as the preferences of CEOs, CFOs, and other top executives of Global 1000 companies. It is an index published annually by AT Kearney, a global consultancy firm.

Topic of the Day brings to you the most important and current concepts and terms for your IAS exam preparation. In this edition, you can read about the concept of FDI Confidence Index, its meaning, importance, etc.

Details about the FDI Confidence Index:

- The report includes detailed commentary on the markets and the impact a variety of global trade issues have on their FDI attractiveness, as well as a ranking of the top 25 countries.
- It is constructed using primary data from a proprietary survey administered to senior executives of world's leading corporations. The companies taking part in the survey have \$ 500 million or more annual revenue.

The Top 10 countries in FDI Confidence Index 2019 are given in the table below:

FDI Confidence Index 2019		
Country	Rank	Change from 2018
United States	1	No change
Germany	2	↑ 1
Canada	3	↓ 1
United Kingdom	4	No change
France	5	↑ 2
Japan	6	No change
China	7	↓ 2
Italy	8	↑ 2
Australia	9	↓ 1

Singapore	10	↑ 2
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- The United States has topped the index for the 6th time, in a row.

Where does India stand?

- India is ranked 15th in the FDI Confidence Index 2019, compared to 11th in 2018.
- It slipped down 4 positions from the 2018 ranking. It was ranked 9th in 2016 and 8th in 2017 and 11th in 2018.
- The fall in the ranking could be attributed to certain policies such
 - The challenges faced in the implementation of the Goods and Services Tax.
 - Demonetisation activity that caused a disruption in the business activities and subsequently, the economic growth, deterring the investor sentiments in the short term.
- However, despite the teething troubles in the implementation of GST and the demonetization decision, India has managed to keep up a high ranking due to the following reasons:
 - Certain notable reforms such as the elimination of the Foreign Investment Promotion Board (FIPB) and Liberalisation of FDI thresholds for the retail, aviation, and biomedical industries.
 - India's "Make In India" initiative continues to boost investment in the manufacturing sector.
 - India is ranked highest by the American investors and the industry sector in terms of their intention to invest which is a result of India's pursuit of closer ties with the US.