FPI flows muted in June 2025; as macro risks induce caution

FPIS BUYERS IN JUN-25, BUT MORE CAUTIOUS

If April saw net FPI buying of $528 million and May 2025 saw FPI buying of $2.32 billion in Indian equities; then June was relatively more muted at $497 million. FPIs did come back with some aggressive buying in the second half of the month. However, FPIs were net sellers in debt for the month of June 2025. As of the close of June 2025, the FPI assets under custody (AUC) stood at $867 billion, compared to $834 billion as of May. However, AUC is still lower than the peak of $931 billion in Sep-24. Overall FPI AUC at $909 billion is also lower than the $1.01 trillion AUC as of September 2024.

FPI Net Buying	Jun 2025	FPI Net Selling	Jun 2025
Financial Services (BFSI)	$1,042 Million	Power Sector	$(735) Million
Oil & Gas	$716 Million	FMCG Sector	$(463) Million
Automobiles	$553 Million	Consumer Durables	$(220) Million
Telecommunications	$320 Million	Capital Goods	$(215) Million
Chemicals	$278 Million		
Consumer Services	$158 Million		
Data Source: NSDL			

WHAT WE READ FROM THE SECTORAL STORY OF FPI FLOWS?

First, the positive flows. BFSI attracted substantial flows on hopes of banks riding the domestic consumption theme for India. An extension of this theme was automobiles and telecom; both of which gained in terms of FPI flows in June 2025. Chemicals is a recent entrant as India becomes a key player in the global chemicals value chain. Consumer services was dominated by Eternal.

What about the sectors witnessing FPI outflows in June 2025? There were broadly 2 sub-themes in these outflows. Power and capital goods saw FPI outflows on valuation concerns and also on slowing capex from private sector. FMCG and consumer durables saw FPI selling on concerns that weak urban demand could prove to be a headwind.

THE BIG TRIGGERS FOR FPI FLOWS IN JUNE 2025

Broadly, there were 6 factors that influenced caution in FPI flows in June 2025.

- The Indo-US trade deal is yet to become a reality and as it stands, there are wide differences between India and the US on agriculture, services, and GM crops

- Another reason for the caution has been the weak IIP numbers, which came in at just 1.23% for May, compared to 2.57% in April 2025, due to capex constraints.

- FPIs were also cautious about the geopolitical situation in the Middle East, despite a rather tenuous peace deal between Iran and Israel for the time being.

- There are concerns that fiscal deficit could overshoot due to defence spending, and the 0.8% as of May could be misleading due to the front-loading of RBI dividends.

- As the Q1FY26 results season commences, there are concerns that weak urban demand and lack of private capex could hit the sales and profit growth overall.

- Finally, there are concerns over the value of the US dollar as indicated by the dollar index (DXY); and the passage of the OBBBA only makes it worse for the FPIs.