

A-45011/4/2023-Coord.II
Government of India
Ministry of Finance
(Department of Economic Affairs)

New Delhi, 12th October, 2023

OFFICE MEMORANDUM

The undersigned is directed to circulate herewith the unclassified portion of Monthly Summary on important policy decisions in respect of Department of Economic Affairs for the Month of August, 2023.


(Susruta Samanta)

Deputy Secretary to the Government of India
Tel No. 2309- 5244

To

1. All Members of the Union Council of Ministers, Government of India, New Delhi.
2. Vice Chairman, Niti Aayog, Yojna Bhawan, New Delhi.
3. Cabinet Secretary, Cabinet Secretariat, Rashtrapati Bhavan, New Delhi.
4. Secretary to the President of India, Rashtrapati Bhavan, New Delhi.
5. Secretary to the Vice-President of India, 6, Maulana Azad Road, New Delhi.
6. Principal Secretary to the Prime Minister, PMO, South Block, New Delhi
7. Chairman, Union Public Service Commission, Dholpur House, New Delhi.
8. All Members of Niti Aayog, Yojna Bhawan, New Delhi.
9. Secretaries to all the Ministries/Departments, Government of India, New Delhi.
10. PS to MOS (F), PPS to Finance Secretary, PPS to Secretary (EA), PPS to Secretary (Revenue), PPS to Secretary (Expenditure), PPS to Secretary (DIPAM).
11. Shri V. Anantha Nageswaran, Chief Economic Adviser, DEA.

12. Additional Secretary, Cabinet Secretariat, Rashtrapati Bhavan, New Delhi.
13. Shri Manoj Sahay, AS&FA(Finance).
14. Ms. Aparna Bhatia, Advisor(Admn./Coord./ C&C)
15. Ms. Manisha Sinha, AS(G20 logistics(Coord-II)/OMI/Crypto assets and CBDC)
16. All Heads of Divisions in Department of Economic Affairs.
JS(IPP/JS(ISD)/JS(Inv)/JS(Budget)JS(FM)/All Advisers/CAAA
17. Shri Rajesh Malhotra, DG (M&C), M/o Finance, North Block, New Delhi.
18. Guard File – 2023.

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Subject: **Monthly Summary on important policy decisions pertaining to Department of Economic Affairs (DEA) for the month of August, 2023.**

1. Important policy decisions taken and major achievements during the month:

Macroeconomic Overview:

The estimates of national income released by the National Statistical Office (NSO) highlight that the GDP grew at 7.8 per cent in real terms in Q1 of FY2023-24. Strong domestic demand for consumption and investment propelled the GDP growth in this quarter. A steady decline in the urban unemployment rate has also contributed in keeping private consumption strong for the economy. As strengthening consumption led to a rise in demand for goods and services, both manufacturing and services sectors witnessed robust output and value-added growth in Q1 of FY2023-24. The Government's continued emphasis on capital expenditure also strengthened domestic investments. Measures implemented by the Union Government have also incentivised States to increase their capex spending. The external demand has further complemented the domestic growth stimulus. The contribution of net exports to GDP growth has increased in Q1 of FY2023-24, bolstered by strong performance of services exports. High-frequency indicators for July/August 2023 suggest continuation of the growth momentum in Q2 of FY2023-24.

Banking sector has also witnessed improved performance. A variety of indicators suggest increasing resilience of the sector through declining Non-Performing Assets (NPA), improving Capital to Risk-weighted Asset Ratio (CRAR), rising Return on Assets (RoA) and Return on Equity (RoE) as of March 2023. Similarly, as of March 2023, data for Non-Banking Finance Companies (NBFCs) indicated improvements in their profitability and risk-taking behaviour. As per the July 2023 estimates by the RBI, there has been consistent and broad-based growth in the non-food bank credit of Scheduled Commercial Banks since April 2022.

Robust health of the banking system can be attributed to the deleveraging process undertaken by the corporate sector over the previous decade. During the pandemic years, the fall in this sector's earnings again resulted in rising debt levels. With easing restrictions and steady economic recovery, gradual improvement and strengthening of the corporate balance sheets has been observed. There has been decline in core debt to the private non-financial sector and an improvement in various leverage ratios. The restructuring of the balance sheets has placed the companies in a sound position to expand investment activities and become more resilient to economic shocks.

Complementing the robust economic growth in the first quarter of FY2023-24, the organised sector employment also indicated healthy growth, including a rise in new members joining EPFO and more members rejoining than exiting the social security net.

The retail inflation, including core inflation and food inflation, decreased in August. The calibrated measures taken by the Government, including adjustments in the duties of many critical inputs, helped to reduce core inflation to a 40-month low level. Consumer food price inflation eased to 9.9 per cent in August on account of Government's intervention through targeted measures for specific crops, including building buffer stocks, timely procurement from producing centres and subsidised distribution.

Going forward, the rising crude oil prices will get reflected in inflation figures. The monsoon deficit in August could impact both Kharif and Rabi crops. A stock market correction, *in the wake of a global stock market correction*, is an ever-present risk. The bright spots of corporate profitability, viz private sector capital formation, bank credit growth and activity in the construction sector, offset these risks.

2. Important Developments:

- (i) Hon'ble Finance Minister along-with Hon'ble Union Health & Family Welfare Minister **co-chaired** the **G20 Joint Finance and Health Track Ministerial Meeting** in Gandhinagar, Gujarat on 19th August, 2023.
- (ii) Following **important meetings were attended by the Hon'ble Finance Minister:**

- a) A meeting was held between Hon'ble Finance Minister and Group of Executive Directors from the World Bank on 03rd August, 2023.
 - b) Hon'ble Finance Minister reviewed the various initiatives underway in IFSC-GIFT City on 19th August, 2023. Secretaries from Ministry of Finance, Corporate Affairs and Regulators participated in the review.
 - c) Hon'ble Finance Minister chaired the Chintan Shivir for the Ministries of Finance and Corporate Affairs, which was held in Kevadia, Gujarat from 20th to 22nd August, 2023. Both the Ministers of State (Finance) also participated as Guest of Honour. Around 100 officers (JS and above) participated in the Chintan Shivir, including Secretaries from six Departments, Chief Economic Adviser, Chairmen of CBDT and CBIC, Controller General of Accounts etc.
- (iii) Following **important meetings** were held/attended at the official level:
- a) Drafting session for G20 Finance Track paragraphs for the G20 Delhi Declaration was held virtually from 27th – 28th August, 2023.
 - b) FSB plenary meeting was held on 29th August, 2023 to discuss the issues of IMF-FSB Synthesis Paper: Policies for Crypto-Assets, CCP financial resources and Reports on NBFIL leverage.
 - c) AIIB Board of Directors met virtually on 15th August, 2023 to consider Financial Statements in consultation with ARC members to discuss on Quarterly Financial Statements.
 - d) AIIB Board of Directors met virtually on 23rd August, 2023 to consider AIIB's Operational Policy on Financing, Emerging Market Infrastructure Fund, Green Development Project and Climate Change Fund.
 - e) AIIB Board of Directors met virtually on 30th August, 2023 to consider Investment Projects, June Retreat Follow-up and External Expertise to Support AIIB's work.
 - f) The 142nd meeting of the DEA Screening Committee for consideration of proposals seeking financing from Multilateral

Development Banks/ Bilateral Agencies held on 31st August, 2023.

- g) Virtual Tripartite Meeting was organized to discuss select state sector projects on 10th August, 2023.
- h) India-UK negotiation (Round 9) was held virtually on 17th-18th August, 2023.
- i) India-Canada negotiation of Investment Chapter under EPTA was held virtually on 18th August, 2023.
- j) India-Australia Investment Agreement negotiations (Round 7) was held at New Delhi on 14th and 16th -18th August, 2023.
- k) The 30th meeting of the FSDC sub-committee was held on 28th August, 2023 at RBI in Mumbai, chaired by the Governor, RBI.
- l) The 1st Cyber Security Table Top Exercise for Board-level officials from 50+ regulated entities under SEBI, conducted on 31st August, 2023. The exercise, a joint initiative between CERT-In and SEBI, was conducted with the primary objective of systematically assessing the challenges and opportunities integral to elevating the cyber security maturity of the sector and cultivating cyber security awareness.

(iv) Following **Notification was issued** during this month:

- (a) Amendment of Investment Guidelines for Non-Government Provident Funds for investing the proceeds on redemption of Equity and related instruments.
- (v) Guidelines for IDF- NBFC has been revised by RBI to enable IDF-NBFCs to play a greater role in the financing of the infrastructure sector and to harmonise the regulations governing financing of infrastructure sector by the NBFCs.
- (vi) Hon'ble Finance Minister's approval for offer of GoI Line of Credit (LoC) of USD 2.50 million was conveyed to Government of Guyana on 08th August, 2023 for installation of Solar Photo Voltaic Power Plant at Cheddi Jagan International Airport in Guyana.
- (vii) Hon'ble Finance Minister's approval for foreclosure of the LoC of USD 1,000 million extended to Govt. of Mongolia and sanction of three new LoCs, viz., LoC-1 for an amount of USD 203.34 million; LoC-2

for an amount of USD 599 million and LoC-3 for an amount of USD 190 million was conveyed to Government of Mongolia on 15th August, 2023.

(viii) Following **loan/grant agreement** was signed with multilateral development agency:

a) Loan for additional funding of USD 150 million for “Resilient Kerala Development Programme” was signed with World Bank.

(ix) Following **capacity building programmes** in infrastructure sector were organized during this month:

(a) Training Programme on ‘Capital Structure Decision and Project Finance’ at IIM Bangalore from 31st July to 04th August, 2023.

(b) Training Programme on ‘Project Management’ at IIM Calcutta from 7th to 11th August, 2023.

(b) Training Programme on ‘PPP Project Finance, Risk and Valuation’ at IIM Indore from 7th to 11th August, 2023.

(c) Training Programme on ‘Project Feasibility and Project Financing & Execution’ at IIM Raipur from 28th August to 01st September, 2023.

(d) Training Programme on ‘Public Private Partnership– A Basic Perspective’ at AJNIFM from 21st to 25th August, 2023.

3. Minimum Government, Maximum Governance

The use of ICT in submission of information is being encouraged.

4. Non-Compliance of ACC directions/orders: NIL

5. Details of FDI proposals cleared during the month and status of FDI proposals awaiting approval in the Department:

Number of proposals cleared	:	NIL
Awaiting Approval in the Department	:	15