

No. A-45011/4/2021-Admn.III
Government of India
Ministry of Finance
(Department of Economic Affairs)

New Delhi, 10th September, 2021

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 July, 2021.



(Arup Shyam Chowdhury)

Deputy Secretary to the Government of India

Tel No. 23095091

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, Dhoolpur 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. Chief Economic Adviser, DEA.
12. Additional Secretary (Shri A. Giridhar) Cabinet Secretariat, Rashtrapati Bhavan, New Delhi.
13. Shri K. Rajaraman, Additional Secretary (Admn. & Investment), DEA.
14. Ms.Meera Swarup, AS&FA(Finance).
15. Shri A.M. Bajaj, Additional Secretary (FM), DEA
16. Shri Rajat Kumar Mishra, Additional Secretary (Budget), DEA.
17. Shri Sanjeev Sanyal, Principal Economic Adviser, DEA
18. All Heads of Divisions in Department of Economic Affairs.

Sr.Adviser (C&C/FSLR/FS&CS)/JS (IPF)/JS(Budget)/JS (C&C)/
JS(Inv)/ Advisor(BC) /Adviser (Admn)/ Advisor (Investment) / Advisor
(Economic Division) / Advisor (IER) / Advisor (IPF) / CAAA.

19. Shri Rajesh Malhotra, Addl.DG (M&C), M/o Finance, North Block, New Delhi.
20. Guard File – 2021.

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Government of India
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Subject: Monthly Summary on important policy decisions pertaining to Department of Economic Affairs (DEA) for the month of July, 2021.

1. Macro-Economic Overview

The Indian economy is showing signs of revival from the impact of the COVID-19 second wave on the back of targeted fiscal relief, monetary policy measures, and a rapid vaccination drive. The broad-based economic relief package, extended to mitigate the second wave, amounted to Rs. 6.29 lakh crore. RBI continues with its efforts to calm the nerves of the market and revive sectors with both backward and forward linkages and multiplier effects on growth.

Resilient tax collections of the Central Government and continued fillip to capital expenditure, particularly in the road and rail sector, augurs well for continued economic recovery driven by capital expenditures. The recently announced economic relief package is expected to further oil the wheels of the capex cycle via implementation of the PLI scheme and streamlining of processes for PPP Projects and Asset Monetization. Consumption sentiment is expected to pick up with further enhancement of employment support under Atmanirbhar Bharat Rozgar Yojana (ANBRY), targeted support to the urban poor through the credit guarantee scheme for on-lending by micro-finance institutions, and wider Bharat-Net digitisation coverage. Free food-grain and enhanced fertilizer subsidies under the package along with continued MGNREGA implementation, on the other hand, would serve as a cushion for rural demand in the coming quarters. Maintaining a rapid pace on vaccination and quickly bridging health care infrastructure gaps across both urban and rural areas would emerge as the most sustainable stimulus for durable recovery of the Indian economy.

As per the Provisional Estimates of GDP released by National Statistical Office (NSO), Ministry of Statistics and Programme Implementation (MoSPI), real GDP growth is estimated to contract by 7.3% in 2020-21 as against a growth of 4.0% in 2019-20 (Table 1 of the Annexure).

As per the latest annual Periodic Labour Force Survey of 2019-20 released on 23rd July, 2021, labour force participation rate i.e. supply of labour, increased

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from 37.5% in 2018-19 to 40.1% in 2019-20 and the Worker Population Ratio i.e. labour force that was employed, improved from 35.3% to 38.2%, while the unemployment rate decreased from 5.8% to 4.8% as per usual status estimate. The sector-wise growth rates are given in the table at Annexure.

2. Other Important Developments

(i) Approval for 'Signing of Multilateral Memorandum of Understanding (MMoU) by the International Financial Services Centre Authority (IFSCA) with multilateral agencies, namely, International Organisation of Securities Commissions (IOSCO) and International Association of Insurance Supervisors (IAIS) was accorded by the Cabinet on 28th July 2021.

(ii) Following regulations have been notified by International Financial Services Centre Authority (IFSCA) in July 2021:

- IFSCA (Banking) (Second Amendment) Regulations, 2021.
- IFSCA (Procedure for making regulations) Regulations, 2021.
- IFSCA (Bullion Exchange) (Amendment) Regulations, 2021.
- IFSCA (Issuance and Listing of Securities) Regulations, 2021.
- IFSCA (Banking) Regulations, 2020 (as amended up to 06-07-2021)

(iii) A Gazette Notification was issued on July 19, 2021 for release of Commemorative Coin of the denomination of Rs. 125 to commemorate the 125th Birth Anniversary of Srila A.C. Bhaktivedanta Swami Prabhupada.

(iv) The Government of India has entered into a Loan Agreement and a Financing Agreement respectively with the World Bank on July 15, 2021 for 'Creating a Coordinated and Responsive Indian Social Protection System Development Policy Financing', comprising a loan for an amount of USD 387.50 million (Loan) from the International Bank for Reconstruction and Development (IBRD) and a credit made up of a concessional credit of SDR 12.60 million and a non-concessional credit of USD 94.50 million from International Development Association (IDA).

(v) With the approval of Hon'ble Finance Minister, India has agreed on July 28, 2021 to contribute 12.7 billion SDRs (equivalent to about USD 17.9 billion) to IMF's proposal of fresh SDR allocation of 456 billion SDRs (equivalent to USD 650 billion) for the Eleventh Basic Period.

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(vi) Legal Agreements for The Resilient Kerala Programme (RKDP) with loan amount USD 125 million were signed with the World Bank (IBRD) on July 16, 2021. The project aims to support the Rebuild Kerala Initiative for enhancing the State's resilience against the impacts of natural disasters and climate change.

3. Following important meetings were held during the month of July, 2021:

- i. Hon'ble Finance Minister Smt.Nirmala Sitharaman and RBI Governor represented India in the 3rd G20 Finance Ministers and Central Bank Governors meeting under the Italian Presidency held virtually on July 9-10, 2021.
- ii. Hon'ble Finance Minister met US India Business Council (USIBC) on July 16, 2021.
- iii. Secretary (EA) chaired the Wrap Up session on July 28, 2021 of the Annual Article IV consultations between India and the International Monetary Fund (IMF) which were held virtually during July 12-28, 2021. IMF held interactions with Gol officials, and RBI to discuss the State of the Indian economy, climate change issues, reform initiatives and growth prospects.
- iv. Under the 2021 BRICS Chairship, India hosted the Second Meeting of BRICS Finance and Central Bank Deputies virtually on July 27, 2021. Secretary (EA) jointly chaired the meeting with Deputy Governor, Reserve Bank of India.
- v. Additional Secretary (MBC) represented India in the Fifth Steering Committee Meeting of South Asia Regional Training and Technical Assistance Center (SARTTAC) which was held virtually on July 7, 2021. The meeting witnessed discussion on SARTTAC operations and activities in FY21 and on proposed work plan of SARTTAC during FY 2022.
- vi. Additional Secretary (MBC) chaired the 118th meeting of the DEA Screening Committee for consideration of proposals seeking financing from Multilateral Development Banks/ Bilateral Agencies held on July 23, 2021.
- vii. The second meeting of India-UK Sustainable Finance Forum was held on July 20, 2021 under the co-chairmanship of DDG (BC&SF) and Deputy Director, HM Treasury, UK to discuss UK-India co-operation on the themes "Mobilisation of sustainable finance and greening the financial system".
- viii. DDG (BC&SF) represented India in the Third meeting of Sustainable Finance Working Group (SFWG) which was held on July 27, 2021. The discussions were focused on various issues mentioned in the Synthesis Report and a multi-year G20 Sustainable Finance Roadmap.

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- ix. A meeting was held jointly by Ivory Coast and the World Bank on July 15, 2021 in Abidjan to discuss effective financing mechanisms for African Economies ahead of IDA-20 replenishment. This meeting was attended by officials of DEA virtually.
- x. The 24th meeting of Early Warning Group (EWG) was held on July 28, 2021. Director (FS&CS) is a member of the group and attended the meeting. The group discussed financial system vulnerabilities and monitoring as well as major economic developments having bearing on risk outlook.
- xi. Training Directors meeting of SARTTAC was held virtually on July 01, 2021. India was represented by officials of DEA in the said meeting.
- xii. Several Meetings of Empowered Group on Economic Welfare (EGEW) were held during the month.
- xiii. Fifth round of discussion between India and UAE on Bilateral Investment Treaty (BIT) was held on July 6, 2021 through VC.
- xiv. Third round of discussion between India and USA on Incentive Investment Agreement (IIA) was held on July 16, 2021 through VC.
- xv. A round of discussion between India and Saudi Arabia on Bilateral Investment Treaty was held on July 20, 2021 through VC.

3. Minimum Government, Maximum Governance

In particular, use of ICT in submission of Information is being encouraged.

4. Non-Compliance of ACC directions/orders

Nil

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

Awaiting Approval in the Department: 20

Annexure

Table 1: Growth of GVA at Basic Prices by Economic Activity and GDP at Market Prices (per cent)		
Sectors	Growth rate at constant (2011-12) prices (per cent)	
	2019-20 1st RE	2020-21 PE
Agriculture, forestry & fishing	4.3	3.6
Industry	(-) 1.2	(-) 7.0
Mining & quarrying	(-) 2.5	(-) 8.5
Manufacturing	(-) 2.4	(-) 7.2
Electricity, gas, water supply & other utility services	2.1	1.9
Construction	1.0	(-) 8.6
Services	7.2	(-) 8.4
Trade, hotel, transport, storage, communication, etc.	6.4	(-) 18.2
Financial, real estate & prof. services	7.3	(-) 1.5
Public administration, defence and other services	8.3	(-) 4.6
GVA at basic prices	4.1	(-) 6.2
GDP at market prices	4.0	(-) 7.3
Source: National Statistical Office, MoSPI. Notes: RE - Revised Estimates. PE - Provisional Estimates		

Table 2: Annual Real growth in demand side of GDP and its components (per cent)		
Components	2019-20	2020-21
	1st RE	PE
Total Consumption	5.9	(-) 7.3
Government Consumption	7.9	2.9
Private Consumption	5.5	(-) 9.1
Gross Fixed Capital Formation	5.4	(-) 10.8
Exports	(-) 3.3	(-) 4.7

Imports	(-) 0.8	(-) 13.6
GDP	4.0	(-) 7.3
Source: National Statistical Office, MoSPI. Note: RE - Revised Estimate. PE - Provisional Estimate.		

Table 3: INFLATION - CPI-C, WPI (in Per Cent)			
	June 2020	May 2021	June 2021
CPI-C	6.23	6.30	6.26
WPI	(-) 1.81	12.94	12.07
Source: NSO for CPI-C and OEA, DPIIT for WPI Note: 1. WPI inflation for last two months and CPI-C inflation for last one month is provisional.			

Table 4: MONETARY DEVELOPMENT	
Item	16.7.2021
Policy Repo Rate	4.0
10-Year G-Sec Par Yield (FBIL)	6.14
Bank Credit Year-on-Year growth #	6.1
Note: # as on 2.7.2021	

Table 5: Merchandise Trade Performance (Customs Basis) (in US\$ billion)			
	Exports	Imports	Trade Balance
June, 2020	21.9	21.1	0.8
June, 2021	32.5	41.9	(-) 9.4

Table 6: Services Trade Performance (in US\$ billion)			
May, 2020	17.4	10.2	7.1
Source: Provisional data as per the Press Release dated <u>15.7.2021</u> of the Department of Commerce, Ministry of Commerce and Industry.			

Items	2019-20	2020-21 (P)
Current Account Balance (in US\$ billion)	(-) 24.6	24.0
Current Account Balance / GDP (Per cent)	(-) 0.9	0.9

Source: Reserve Bank of India. Note: P – Provisional.

March 2021	577.0
16.7.2021	612.7

Source: Reserve Bank of India

	US Dollar	Pound Sterling	Euro	Japanese yen
1.7.2021	74.3943	102.7301	88.0819	66.9200

Source: Reserve Bank of India

	as at end of March 2020 PR (1)	as at end of March 2021 P (2)	Percentage variation $[(2/1)-1]*100$
Total External debt outstanding	558.4	570.0	2.1

Source: Quarterly Report on External Debt as at end March 2021, Reserve Bank of India.
Note: PR - Partially Revised. P - Provisional

	March 2020	April 2020	May 2020
Index of Industrial Production (IIP)	(-) 18.7	(-) 57.3	(-) 33.4
	March 2021	April 2021	May 2021
	22.4	134.4	29.3

Table 12: Eight Core Industries Monthly Growth (YoY) in per cent			
	April 2020	May 2020	June 2020
Eight Core Industries (ICI)	(-) 37.9	(-) 21.4	(-) 12.4
	April 2021	May 2021	June 2021
	60.9	16.2	8.9
