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Government of India
Ministry of Finance
(Department of Economic Affairs)

New Delhi, 13th January, 2022

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 October, 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, 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. Chief Economic Adviser, DEA.
12. Additional Secretary, Cabinet Secretariat, Rashtrapati Bhavan, New Delhi.
13. Ms.Meera Swarup, Special Secretary.
14. Shri A.M. Bajaj, Additional Secretary (FM), DEA
15. Shri Rajat Kumar Mishra, Additional Secretary (Budget), DEA.
16. Shri Sanjeev Sanyal, Principal Economic Adviser, DEA
17. All Heads of Divisions in Department of Economic Affairs.
Sr.Adviser(C&C/FSLR/FS&CS)/JS(BC&IER)/JS(Inv)/Adviser (IER)/CAAA.
18. Shri Rajesh Malhotra, DG (M&C), M/o Finance, North Block, New Delhi.
19. Guard File.

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

1. Macro-Economic Overview

India is well-placed on the path to swift recovery with growth impulses visibly transmitted to all sectors of the economy. Agriculture exhibited consistent performance and industry witnessed sharp rebound with manufacturing output almost at pre-pandemic level. While resumption of activity in services sector is gradual, it is improving steadily on the strength of rapid progress in vaccination and policy measures. Moreover, high frequency economic activity indicators have swiftly recovered after the second wave disruptions to reach or surpass pre-pandemic levels in October, 2021. Indian economy is, therefore, expected to surpass pre-pandemic output level by end of FY 2021-22.

India is also poised for stronger growth in the long term on the back of stronger macro-economic fundamentals supported by structural reforms that enable enhanced efficiency and productivity. In addition, Government's capex push to crowd-in private investment and financial sector clean-up will further support growth. Rapidly increasing vaccination coverage and richer experience with pandemic management provide confidence for a solid recovery.

2. Other Important Developments

(i) Following Amendments have been made in Foreign Exchange Management (Non-debt Instruments) Rules:

(a) Foreign Investment up to 100% under the automatic route is allowed in case an "in-principle" approval for strategic disinvestment of a PSU has been granted by the Government - S.O. 4091 (E) dated 5th October, 2021.

(b) All telecom services and such other services as may be permitted by the Department of Telecommunications - S.O. 4242 (E) dated 12th October, 2021.

(ii) Following regulations have been issued on 21st October, 2021 by International Financial Services Centres Authority (IFSCA):

- a. International Financial Services Centres Authority (Registration of Insurance Business) Regulations, 2021.
- b. International Financial Services Centres Authority (Insurance Intermediary) Regulations, 2021.
- c. International Financial Services Centres Authority (Capital Market Intermediaries) Regulations, 2021.

(iii) Following loan agreements were signed and negotiations were held in with multilateral and bilateral development agencies.

- a) Loan agreement with the Asian Infrastructure Investment Bank (AIIB) for financing USD 105 million for Punjab Municipal Services Improvement Project;
- b) Loan agreement with the Asian Infrastructure Investment Bank (AIIB) for financing USD 356.67 million for Chennai Metro Rail Project, Phase 2 Corridor 4;
- c) Loan agreement with World Bank (International Bank for Reconstruction & Development) for financing USD 40 million for Meghalaya Health Systems Strengthening Project;
- d) Loan agreement with Asian Development Bank (ADB) for financing USD 100 million [Ordinary Capital Resources](OCR) for Maharashtra Agribusiness Network Project (MAGNET);
- e) Loan agreement with Asian Development Bank for financing USD 4.5 million for Aizawl Sustainable Urban Transport Project;
- f) Loan agreement with ADB for financing USD 251.0 million for Integrated Urban Flood Management for the Chennai – Kosasthalaiyar Basin Project;
- g) Negotiations with World Bank for financing of USD 135 million for West Bengal Electricity Grid Modernisation project;
- h) Negotiations with AIIB and ADB for financing of USD 1500 million for Responsive COVID-19 Vaccines for Recovery Project under the Asia Pacific Vaccine Access Facility negotiations; and

i) Negotiations for financing of USD 500 million for Accelerating State Education Program.

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

- i. Hon'ble Finance Minister Smt.Nirmala Sitharaman attended the following meetings during the month:
- a. Represented India MoF in the Fourth G20 Finance Ministers and Central Bank Governors (FMCBG) meeting held on 13th October, 2021 on the sidelines of Annual Meeting of World Bank / IMF in Washington DC. Secretary(EA) along with Adviser accompanied Hon'ble FM in the meeting.
 - b. Led an Indian delegation in the 2021 Annual meetings of the International Monetary Fund (IMF) and World Bank and other related meetings/events during 11th – 18th October, 2021 in Boston, New York and Washington DC, USA. During 2021 Annual Meetings of World Bank and IMF, following meetings were held:
 - Held a Bilateral Meeting with International Finance Corporation (IFC) MD in Washington DC on 14th October, 2021.
 - Attended the World Bank Development Committee Meeting in Washington as Indian Governor of the World Bank DC on 15th October, 2021.
 - Held a Bilateral Meeting with World Bank Group President in Washington DC on 15th October, 2021.
 - c. Attended the International Monetary Fund (IMF) Breakfast meeting held on 14th October, 2021 followed by a Plenary session of International Monetary & Financial Committee (IMFC).
 - d. Led a delegation to attend the Eighth Cabinet level India-USA Economic & Financial Partnership Dialogue held on 14th October, 2021 at Washington D.C., USA on the sidelines of the Annual Meetings of the World Bank / IMF, 2021.
 - e. Also met Rt Hon Mary Elizabeth Truss, Foreign Secretary of United Kingdom on 22nd October, 2021 at New Delhi. Investments in green energy, infrastructure, National Monetization Pipeline, FinTech and IFSCA were identified as key areas of collaboration between the two countries.
 - f. Met Mr. Frans Timmermans, Executive Vice President of the European Commission, on 22nd October, 2021 at New Delhi. The meeting covered

discussions on cooperation on climate action and to understand the responsiveness of India to EU's encouragement to raise climate ambition.

- g.** Held a meeting with Global Investors 11-16th October, 2021 during her visit to USA.
 - h.** Attended the Asian Infrastructure Investment Bank (AIIB) Board of Governors 6th Annual Meeting by virtual means on 28th October, 2021.
 - i.** Represented India MoF in the G20 Joint Finance and Health Ministers meeting held on 29th October, 2021 in Rome, Italy. The Ministers endorsed the Joint Finance and Health Ministers Communique during this meeting.
- ii.** Secretary(EA) attended the following meetings during the month of October, 2021:
- a.** Bilateral Meeting with World Bank Group MD (Operations) on 14th October, 2021 in Washington DC.
 - b.** Bilateral Meeting with Vice President & Chief Executive Officer, Multilateral Investment Guarantee Agency (MIGA) on 14th October, 2021 in Washington D.C.
 - c.** Represented India as India's Finance Deputy in the Fifth G20 Finance and Central Bank Deputies meeting under the Italian Presidency was held virtually on 7th – 8th October, 2021.
 - d.** Held a meeting with Regional Vice President of International Finance Corporation (IFC) held on 27th October, 2021.
 - e.** Chaired a meeting coordinated on 6th October, 2021 in pursuance to the direction given in the 24th FSDC meeting to suggest measures to improve the Insolvency and Bankruptcy Code (IBC), 2017, in which reforms needed in IBC were identified.
- iii.** Additional Secretary, DEA chaired the 121st meeting of the DEA Screening Committee for consideration of proposals seeking financing from Multilateral Development Banks / Bilateral Agencies held on 29th October, 2021.

- iv. Additional Secretary also attended the International Development Association-20 (IDA-20) Replenishment 3rd meeting alongwith World Bank ED (India) on 20-22nd October, 2021.
- v. The meeting of Standing Committee on Standards Implementation (SCSI) of the Financial Stability Board (FSB) was held on 6th October, 2021 to discuss FSB's annual report on implementation and effects of reforms, and monitoring the use of flexibility and consistency of COVID-19 responses with international standards. The representative of the Government on SCSI participated in the said meeting.
- vi. The FSB's Plenary meeting was held on 18th October 2021 to discuss the Lessons learnt from COVID-19 for financial stability policy; Progress report on non-bank financial intermediation, and Glasgow Financial Alliance for Net Zero. The representative of the Government participated in the said meeting.
- vii. A meeting was held on 8th October, 2021, in presence of officers of PMO, to review the functioning of Single Point of Contacts (SPOCs), created by the Department of Economic Affairs to address the issues raised by Global investors during the Virtual Global Investor Roundtable (VGIR) 2020.
- viii. First and Second round of discussion on draft Bilateral Investment Agreement (BIA) between India and Taiwan (India Taipei Association & Taipei Economic and Cultural Center) were held on 14th & 28th October, 2021.
- ix. Fifth & Sixth round of discussion between India and USA on Investment Incentive Agreement were held on 12th October & 28th October, 2021.
- x. Seventh round of discussion on Bilateral Investment Treaty (BIT) between India and UAE held on 27th October, 2021.
- xi. Senior officers of DEA participated in the AIB Board of Directors meeting held virtually on 13th October and 21st October, 2021 to discuss various policy issues and investment operations.

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

Table 1: Quarterly Real Growth in demand side of GDP and its components (per cent)

Components	Growth over Q1 of 2020-21	Recovery over Q1 of 2019-20	Growth over Q4 of 2020-21
Total Consumption	13.8	91.2	(-) 15.7
Government Consumption	(-) 4.8	107.4	(-) 7.6
Private Consumption	19.3	88.1	(-) 17.4
Gross Fixed Capital Formation	55.3	82.9	(-) 23.6
Change in Stock	45.9	98.0	(-) 16.0
Valuables	456.1	38.8	(-) 79.1
Exports	39.1	108.7	0.8
Imports	60.2	94.7	(-) 7.1
GDP	20.1	90.8	(-) 16.9

Source: National Statistical Office, MoSPI.

Table 2: Quarterly Growth of GVA at constant (2011-12) Prices (per cent)

Sectors	Growth over Q1 of 2020-21	Recovery over Q1 of 2019-20	Growth over Q4 of 2020-21
Agriculture & Allied Sectors	4.5	108.2	(-) 10.7
Industry	46.1	93.8	(-) 17.1
Mining & quarrying	18.6	98.2	(-) 10.8
Manufacturing	49.6	95.8	(-) 13.9
Electricity, gas, water supply & other utility services	14.3	103.0	3.1
Construction	68.3	85.1	(-) 30.3
Services	11.4	87.5	(-) 11.8
Trade, Hotels, Transport, Communication and Services related to Broadcasting	34.3	69.8	(-) 35.3
Financial, Real Estate & Professional Services	3.7	98.5	18.8
Public administration, defence and other services	5.8	95.0	(-) 19.3
GVA at basic prices	18.8	92.2	(-) 13.3

Source: National Statistical Office, MoSPI.

Table 3: INFLATION - CPI-C, WPI (in Per Cent)			
	September 2020	August 2021	September 2021
CPI-C	7.27	5.30	4.35
WPI	1.32	11.39	10.66

Source: NSO for CPI-C and OEA, DPIIT for WPI
Note: WPI inflation for last two months and CPI-C inflation for last one month is provisional.

Table 4: MONETARY DEVELOPMENT	
Item	15.10.2021
Policy Repo Rate	4.0
10-Year G-Sec Par Yield (FBIL)	6.35
Bank Credit Year-on-Year growth #	6.5

Note: # as on 8.10.21

Table 5: Merchandise Trade Performance (Customs Basis) (in US\$ billion)			
	Exports	Imports	Trade Balance
September 2020	27.6	30.5	(-) 3.0
September 2021	33.8	56.4	(-) 22.6

Table 6: Services Trade Performance (in US\$ billion)			
August 2021	19.6	11.5	8.1
Source: Provisional data as per the Press Release dated <u>14.10.2021</u> of the Department of Commerce, Ministry of Commerce and Industry.			

Table 7: Balance of Payments		
Items	2020-21 (April-June)	2021-22 (April-June) (P)
Current Account Balance (in US\$ billion)	19.1	6.5
Current Account Balance / GDP (Per cent)	3.7	0.9

Source: Reserve Bank of India.

Table 8: Foreign Exchange Reserves (in US\$ billion)	
End-March, 2021	577.0
22.10.2021	640.1

Source: Reserve Bank of India

Table 9: Exchange Rate of the Indian Rupee (Rupee per unit of foreign currency)				
	US Dollar	Pound Sterling	Euro	Japanese yen
9.9.2021	73.6887	101.4900	87.1266	66.9400

Source: Reserve Bank of India

Table 10: External Debt (US\$ Billion)			
	as at end June 2020 PR (1)	as at end June 2021 P (2)	Percentage variation [(2/1)-1]*100
Total External debt outstanding	555.2	571.3	2.9

Source: Quarterly Report on External Debt for quarter ending June 2021, Reserve Bank of India.

Table 11: Industrial Production Highlights Monthly Growth (YoY) in per cent			
Index of Industrial Production (IIP)	June 2020	July 2020	August 2020
	(-) 16.6	(-) 10.5	(-) 7.1
	June 2021	July 2021	August 2021
	13.6	11.5	11.9

Table 12: Eight Core Industries Monthly Growth (YoY) in per cent			
Eight Core Industries (ICI)	July 2020	August 2020	September
	(-) 7.6	(-) 6.9	0.6
	July 2021	August 2021	September
9.9	11.5	4.4	
