

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

New Delhi, 31st March, 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 August, 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, SS&FA(Finance).
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 – 2021.

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

1. Macro-Economic Overview

Growth of real Gross Domestic Product (GDP) in first quarter (Q1) of 2021-22 is estimated at 20.1% over Q1 of 2020-21 (Table 1). With this, more than 90.8% of the Q1 output of 2019-20, the pre-pandemic year, stands recovered. Sequentially, the decline in Q1 output of 2021-22 over the preceding quarter has been contained by rapid surge in vaccination coverage from 4.7% of the total population in Q4 of 2020-21 to 24.5% in Q1 of 2021-22. On the demand side, recovery of pre-pandemic levels is most significant in government consumption at 107.4% and exports at 108.7%. Recovery in private consumption is close to 90%. On the supply side, recovery of pre-pandemic levels is most significant in agriculture & allied sectors at 108.2% and recovery in manufacturing is about 96%.

India's macroeconomic fundamentals remain strong on the back of fiscal consolidation measures and structural reforms despite deceleration prior to COVID-19 outbreak owing to financial sector imbalances feeding into real sector. Astute handling of the lockdown and a calibrated fiscal stimulus has allowed strong economic fundamentals to trigger quick resumption of high activity levels in the economy. Broad-based structural reforms under the Atmanirbhar Bharat Mission, Union Budget 2021-22 and rapidly escalating inoculation drive will further strengthen the fundamentals of the economy and place India back on a strong and sustainable growth path in the years ahead.

As per the latest quarterly bulletin of Periodic Labour Force Survey (PLFS) for the period July-September 2020 released on 02 August 2021 for urban areas as per Current Weekly Status (CWS), labour force participation rate, i.e. supply of labour, increased from 35.9% in April-June 2020 to 37.0% in July-September 2020; the worker population ratio, i.e. labour force that was employed, improved from 28.4% in April-June 2020 to 32.1% in July-September 2020, while the unemployment rate decreased from 20.9% to 13.3% over the same period. The sector-wise growth rates are given in the table at Annexure.

2. Other Important Developments

- (i) First batch of supplementary demands for Grants 21-22 and excess demands for grants for 2017-18 has been passed in the Parliament and assented to by the President. The Notification for the same had also been issued by the Law Ministry.
- (ii) With the in-principle approval of Hon'ble Finance Minister, it is proposed to issue a special series of circulatory coins to celebrate 75 years of India's Independence under the Azadi Ka Amrit Mahotsav celebrations.
- (iii) A draft Notification, directing that certain provisions of the Companies' Act, 2013, shall apply with such exceptions, modifications and adaptations, to financial products, financial services or financial institutions in an International Financial Services Centre, under sub-section (2) of Section 31 of the International Financial Services Center Act, 2019, laid in both the Houses of Parliament (Lok Sabha and Rajya Sabha).
- (iv) Following amendments /notifications have been done by International Financial Services Center Act (IFSCA) during the month:
 - (a) Exemptions given to Foreign Companies offering their securities for subscription in IFSCs
 - (b) Companies (Registration of Foreign Companies) Amendment Rules, 2021
 - (c) Companies (Specification of definitions details) Third Amendment Rules, 2021
- (v) Following amendments have been made in Foreign Exchange Management (Non-Debt Instruments) Rules to enforce changes notified in the Foreign Direct Investment (FDI) Policy vide Department for Promotion of Industry and Internal Trade's Press Note:
 - (a) Treatment of downstream investment by Indian entity owned and controlled by NRIs.
 - (b) Increasing sectoral cap for foreign investment in Insurance companies from 49 to 74% with necessary checks.
- (vi) The Securities and Exchange Board of India (Foreign Portfolio Investor) Regulations have been amended vide Gazette Notification dated 3rd August 2021 to allow select group of non-individual Resident Indians to be constituents of FPI applicants.

(vii) DEA, vide order dated 3rd August 2021, in the public interest, has given additional one year time till August 2022 to listed public Sector enterprises and listed public sector banks to comply with the requirement of Minimum Public Shareholding (MPS) norms under Security Contract (Regulation) Rules, 1957.

(viii) On 2nd August 2021, Hon'ble Finance Minister of India had voted in favour of the IMF Resolution for a general allocation of Special Drawing Rights (SDR) worth USD 650 billion. On 23rd August 2021, IMF has allocated SDR 456.5 billion (equivalent to about USD 650 billion). India has received SDR 12,569.6 million. With this, India's total SDR allocation has become 16,547.6 million.

(ix) A ballot paper on Direct Remuneration of Executive Directors and their Alternates has been signed by Hon'ble Finance Minister on 25th Aug, 2021 in the capacity of World Bank Governor and conveyed to the World Bank Group.

(x) DEA, on behalf of Government of Punjab, has entered into a Loan Agreement with the World Bank on 10th August, 2021 for 'Punjab Municipal Services Improvement Project (Loan No 9226-IN) for USD 105 million (Loan) from the International Bank for Reconstruction and Development (IBRD).

(xi) A financial assistance (loan) of USD 500 Million has been signed on 19th August, 2021 for the "Bengaluru Metro Rail Project".

(xii) Loan/TA for Enhancing Market Linkages for Farmer Producer Organization [PPR ID No. 11200] of Govt. of Maharashtra posed to Asian Development Bank (ADB) for Technical Assistance of USD 2.8 million.

(xiii) Loan/TA for Feasibility Study on Carbon Capture, Utilization and Storage (CCUS) Project at three OICL Refineries in Assam (Digboi, Bongaigaon and Guwahati) for Industrial applications along with Integrated Feasibility Study for CO₂ capture from OICL Digboi Refinery and injection in depleting oil fields of Oil India Limited for Enhanced Oil Recovery (EOR) [PPR ID No. 11279] of Ministry of Petroleum and Natural Gas posed to ADB for Technical Assistance of USD 2 million.

(xiv) Loan/TA for Small Multipurpose Reservoirs in Meghalaya (SMRM) (PPR ID No. 11141) of Government of Meghalaya posed to ADB for loan assistance of USD 80 million on 2nd August, 2021.

(xv) The Loan Negotiation of "Maharashtra Agribusiness Network (MAGNET) Project" were held with ADB on 11th August, 2021 virtually between the representatives of India including the State of Maharashtra ("State"), MAGNET Society and, representatives of the Asian Development Bank ("ADB") for loan commitment of USD 100 million and TA of \$2.5 million.

(xvi) Loan assistance of USD 125 million has been signed on 10th August, 2021 with the Asian Infrastructure Investment Bank (AIIB) for financing Government of Kerala's project proposal entitled "the Resilient Kerala Program".

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

i. A meeting was held on 5th August, 2021 between Hon'ble Finance Minister Ms.Nirmala Sitharaman and Mr. Tony Abbott, Special Envoy of Hon'ble Prime Minister of Australia to discuss the ways to strengthening of economic and trade relations between India and Australia.

ii. World Bank MD & CFO had a courtesy meeting with Hon'ble Finance Minister on 10th August, 2021.

iii. Hon'ble Finance Minister chaired a meeting on 17th August 2021 with the concerned Departments to take stock of the status of various Antrix and Devas cases.

iv. Under the 2021 BRICS Chairship hosted by India, Hon'ble Finance Minister and Governor, Reserve Bank of India jointly chaired the Second Meeting of BRICS Finance Ministers and Central Bank Governors (FMCBGs) virtually on 26th August, 2021.

v. Secretary(EA) met the Managing Director & Chief Financial Officer, World Bank on 9th August, 2021 to update him on World Bank's ongoing initiatives to enhance the effectiveness of the COVID crisis response, the SBL, progress made on the International Development Association – International Bank of Reconstruction and Development (IDA-IBRD) Exposure Exchange Agreement and the IDA-20 replenishment discussions.

vi. Secretary(EA) chaired the 105th Meeting of Public Private Partnership Appraisal Committee (PPPAC) on 27th August, 2021 to consider Proposal of MoPNG for asset monetization of two natural gas pipelines of GAIL through the InvIT route-'In-Principle' approval.

vii. EFC meeting was held on 4th August 2021 under the chairmanship of Finance Secretary and Secretary (Expenditure) which recommended continuation and revamping of IDEA Scheme.

viii. Chief Economic Adviser chaired the 24th Macro Financial Monitoring Group Meeting (MFMG) on 25th August, 2021.

ix. Addl. Secretary, DEA as Indian Director and Joint Secretary, DEA as Indian Alt Director for New Development Bank (NDB) participated in the Asian Infrastructure Investment Bank (AIIB) Board of Directors meeting on 26th August, 2021. AIIB Board approved sovereign-backed loan of USD 500 million to the Republic of India for the Creating a Coordinated and Responsive Indian Social Protection (CCRISP) System on 26th August, 2021.

x. Addl. Secretary, DEA chaired the 119th meeting of the DEA Screening Committee for consideration of proposals seeking financing from Multilateral Development Banks/ Bilateral Agencies held on 27th August, 2021.

xi. Rising corporate debt globally is an issue of major concern. FSB (Financial Stability Board) is doing a thematic peer review on out of court debt workouts, and the implications for financial stability. Senior Economic Adviser is a member from India in the peer review group and participated in various meetings of the group held during August 2021.

xii. India hosted the second meeting of the BRICS Task Force on PPP and Infrastructure under India's 2021 Presidency on 10th August, 2021. India was represented by Joint Secretary, DEA as the Head of the Indian Delegation and Chair. Ministry of Finance delegates from Brazil, Russia, China and South Africa attended the meeting. NDB also participated in the meeting held as an Observer.

xiii. A Tripartite Portfolio Review Meeting (TPRM) for New Development Bank (NDB) supported projects in India has been held on 25th August, 2021 wherein delegates from the line departments of State Government / Central Governments, DEA and NDB participated and reviewed 29 projects.

xiv. Third round of discussion between India and Uzbekistan on Bilateral Investment Treaty (BIT) was held on 25th August, 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: 23

Annexure**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)			
	July 2020	June 2021	July 2021
CPI-C	6.73	6.26	5.59
WPI	(-) 0.25	12.07	11.16

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	13.8.2021
Policy Repo Rate	4.0
10-Year G-Sec Par Yield (FBIL)	6.28
Bank Credit Year-on-Year growth #	6.1

Note: # as on 30.7.2021

Table 5: Merchandise Trade Performance (Customs Basis) (in US\$ billion)			
	Exports	Imports	Trade Balance
July 2020	23.6	28.5	(-) 4.8
July 2021	35.4	46.4	(-) 11.0

Table 6: Services Trade Performance (in US\$ billion)			
June 2021	19.7	11.2	8.6

Source: Provisional data as per the Press Release dated 13.8.2021 of the Department of Commerce, Ministry of Commerce and Industry.

Table 7: Balance of Payments		
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.		

Table 8: Foreign Exchange Reserves (in US\$ billion)	
March 2021	577.0
20.8.2021	616.9
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
30.7.2021	74.3871	103.7269	88.3882	67.8900
Source: Reserve Bank of India				

Table 10: External Debt (US\$ Billion)			
	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			

Table 11: Industrial Production Highlights Monthly Growth (YoY) in per cent			
Index of Industrial Production (IIP)	March 2020	April 2020	May 2020
	(-) 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			
Eight Core Industries (ICI)	May 2020	June 2020	July 2020
	(-) 21.4	(-) 12.4	(-) 7.6
	May 2021	June 2021	July 2021
	16.2	9.3	9.4
