

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

New Delhi, 04th 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 June, 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 June, 2023.

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

Macroeconomic Overview:

After domestic retail headline inflation had risen to 7.1 per cent in Q1 FY23, concerted efforts of the government and the RBI, aided by falling commodity prices, brought inflation back into the RBI's tolerance band in Q1 FY24. The core inflation has further been softening since the beginning of the June 2023 quarter.

Wheat availability has improved in the June 2023 quarter over the corresponding period last year, with an increase in public procurement. With a decline in key input prices, manufacturing output rose in the June 2023 quarter. All services sector indicators have exhibited rising trajectories in the June 2023 quarter, as they combine with the industrial and agricultural sectors to ease supplies and keep macroeconomic stability strong in the upcoming quarters.

The combined fiscal deficit (as per cent of Budget Estimates) of the Union Government in the first two months of 2023-24 is 11.6 per cent, lower than 12.3 per cent in the corresponding period of the previous year, showcasing the government's efforts to manage its expenditure and revenues efficiently. One of the key contributors to the improvement in the fiscal deficit in April-May of 2023 over the corresponding period of the previous year has been a significant surge in non-tax revenue, largely driven by an increase in the dividend received from the Reserve Bank of India (RBI).

Merchandise exports contracted 15.1 per cent in the June 2023 quarter. Merchandise imports also contracted by 12.7 per cent in the same quarter. In absolute terms, however, the decline in imports was larger than the fall in exports, resulting in the merchandise trade deficit narrowing from

USD (-) 62.6 billion in the June 2022 quarter to USD (-)57.6 billion in the June 2023 quarter. Net services receipts grew by a robust 32.2 per cent on a YoY basis, contributing to a decline in the overall trade deficit in the June 2023 quarter.

FPI became net buyers with an inflow of USD 11.9 billion in the June 2023 quarter compared to an outflow of USD 14.4 billion in the corresponding quarter of the previous year. During the first three months (January-March) of 2023, FDI equity inflows to India moderated and were 40.4 per cent lower compared to the previous year owing to the global weakening of FDI flows. FDI inflows to India have, however, risen in April and May 2023 and are likely to increase further, given the impressive growth of the Indian economy and the steps taken by the Government to improve the business and regulatory environment.

India's foreign exchange reserves declined from USD 617.6 billion in March 2022 to USD 593.3 billion in June 2022 (end of Q1 of FY23) and reached a minimum of USD 524.5 billion in October 2022, equivalent to an import cover of 8.9 months. The forex reserves have been strengthened over the past months as they stand at USD 595.1 billion at the end of June 2023 (end of Q1 of FY24), sufficient to provide an import cover of more than ten months. In June 2023, the BSE Sensex closed at a new high of 64,718.6 points, while the Nifty 50 scaled a new life peak of 19,189 points.

In the future, India's domestic fundamentals remain strong, as has been acknowledged in the recent International Monetary Fund (IMF) World Economic Outlook (WEO) report, revising India's growth for 2023 from 5.9 per cent in the April report to 6.1 per cent in the latest report.

2. Important Developments:

(i) The following **Finance Track Meetings under G20 India Presidency** were held during this month:

(a) Hon'ble Finance Minister attended the Paris Summit for a New Global Financing Pact during June 22-23, 2023. Hon'ble Minister participated in a roundtable discussion on "Evolving the model of Multilateral Development Banks (MDBs) to address 21st century challenges" and a side event on "Investments in Social Welfare that Unleash Women's Economic Power: How

Digital Public Infrastructure (DPI) helps put money into the Hands of Women". Hon'ble Minister also held bilateral meetings with Finance Minister of Brazil, Indonesia, France, Minister for Development Co-operation from Denmark and COP28 President-Designate from UAE.

- (b) The 3rd meeting of the G20 Framework Working Group (FWG) under Indian Presidency was held during June 12-14, 2023 in Kochi. On the sidelines of this meeting, a side-event panel discussion on 'Financial Globalization: Opportunities and Risks' was also held on the sidelines of the third Framework Working Group (FWG) meeting on June 14, 2023, in Kochi.
- (c) The 3rd meeting of the International Financial Architecture Working Group (IFA WG) under the Indian Presidency was held during June 5-7, 2023 in Goa. On the sidelines of the meeting, a side event was also held on June 6, 2023 on G20 Conference "Towards Orderly Green Transition – Investment Requirements and Managing Risks to Capital Flows."
- (d) The meeting of the 3rd G20 Global Partnership for Financial Inclusion (GPFI) working group was held during June 24-26, 2023 in Bali, Indonesia. An Experience and Knowledge sharing Seminar on leveraging Digital Public Infrastructure (DPI) for Advancing Financial Inclusion and Productivity Gains towards attaining Sustainable Development Goals (SDGs) was also organized in Bali on 24th June 2023 on the side lines of 3rd GPFI WG meeting with several senior officers from various countries and international organizations.
- (e) The 3rd meeting of the G20 Sustainable Finance Working Group (SFWG) was held in Mahabalipuram during June 19-21, 2023. Two G20 workshops were also organized on the sidelines of the SFWG Meeting on the topics 'Policy Measures and financial instruments for catalysing the rapid development and deployment of green and low-carbon technologies', and 'Transition Finance, Data and Metrics for climate aligned investments and Sustainability data issues'. Also, a domestic

side event was organised on the topic 'India's G20 Roadmap to achieve a Sustainable Future'.

(f) The 3rd Meeting of the Infrastructure Working Group was held in Rishikesh during June 26-28, 2023.

(ii) Following **important meeting was attended by the Hon'ble Finance Minister:**

a) Hon'ble Finance Minister along with the Secretary (DEA) attended meeting with President of IFAD on 15th June, 2023.

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

(a) Amendment in Foreign Exchange Management (Current Account Transactions) Rules, 2000.

(iv) Following **important meetings** were held/attended at the official level:

(a) IDA Day meeting was held virtually on June 29, 2023.

(b) The 3rd Joint Finance and Health Task Force Meeting (JFHTF) meeting under India's G20 Presidency was held on 22nd June, 2023.

(c) The 7th Annual Steering Committee Meeting of IMF SARTTAC was held on June 20, 2023, to discuss the operations of Phase II along with the workplan and budget of FY24.

(d) Third IFA working group meeting was held in Goa from June 5-7, 2023.

(e) AIIB Board of Directors met in Beijing, China to consider/discuss AIIB's various policy issues including the organising the upcoming Annual Meeting, Investment Operations, Business Plan and Budget, Risk Reporting, Financial Activities, AIIB Approach to Emergency Response etc. On the side-lines of the Board meetings, a number of Bilateral Meetings with the senior management of AIIB were also held.

- (f) The 35th Meeting of the Early Warning Group (EWG) was held on June 14, 2023 to discuss the issues in valuation of private equity, distressed debt and illiquid instruments; climate risks in financial sector; indicators of FSVM (financial sector vulnerability monitor) template and the developments relating to financial sector.
- (g) The Steering Committee meeting of the Financial Stability Board was held on June 30, 2023 to discuss the work relating to Crypto and future Non-Banking Financial Intermediation (NBFI) work of FSB.
- (h) Intersessional (virtual) on India and Australia BIT was held during 15-16 June, 2023.
- (i) 14th round of India-UAE Bilateral Investment Treaty negotiations held at New Delhi during 19-22, June 2023.
- (j) 1st round of India Kuwait Bilateral Investment Treaty negotiations held at New Delhi during 12-16, June (except 15th June), 2023.
- (k) India-UK FTA Negotiation was held on 21st June, 2023 and 28th June, 2023 at New Delhi.
- (l) India-EU Bilateral Negotiation was held during 26-28 June, 2023. Intersessional (virtual) between India and EU was held on 1st June, 2023.
- (v) Hon'ble Finance Minister's approval on the extension of NPA (Note Purchase Agreement) for **one year extension of 2020 BBAs was conveyed to RBI** in response to letter from MD, IMF.
- (vi) Cabinet in its meeting dated 28.06.2023 approved the 5th Cadre Review of Indian Economic Service.
- (vii) Following **loan/grant agreements** were signed/negotiated with multilateral and bilateral development agencies:
 - a) The Loan of USD 40.50 million for "Early Childhood Development Project in Meghalaya" was negotiated on 26th June, 2023.

- b) The Loan of USD 130 million for “Himachal Pradesh Subtropical Horticulture, Irrigation and Value Addition Project” was signed with Asian Development Bank on 08th June, 2023.
- c) An assistance of USD 438.75 million was signed with AIIB for Government of Tamil Nadu’s project entitled “Chennai Metro Rail Project, Phase-II, Package 3, Corridor 5 (from CMBT to Shollinganallur (30.66 Km)-System).
- d) An assistance of USD 128 million was signed with AIIB for Government of Haryana’s project entitled “Haryana Orbital Railway (Part A)”.

(viii) Following **capacity building programmes** in infrastructure sector were held during this month:

- (a) Training Programme on ‘Project Finance’ held at IIM Shillong.
- (b) Training Programme on ‘Mega Projects Management’ held at IIM Calcutta.
- (c) Training Programme on ‘New age Project Management’ held at ISB Hyderabad.

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	:	10