

**No. A-45011/2/2019-Admn.III**  
**Government of India**  
**Ministry of Finance**  
**(Department of Economic Affairs)**  
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New Delhi, 26<sup>th</sup> September, 2019

**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, 2019.

  
(Surinder Pal Singh)

Joint Secretary to the Government of India  
Tel No. 23092100

To

1. All Members of the Union Council of Ministers, Government of India, New Delhi.
2. Secretary to the President of India, Rashtrapati Bhavan, New Delhi.
3. Secretary to the Vice-President of India, 6, Maulana Azad Road, New Delhi.
4. Chairman, Union Public Service Commission, Dholpur House, New Delhi.
5. Private Secretary to the Prime Minister, PMO, South Block, New Delhi.
6. Private Secretary to Cabinet Secretary, Cabinet Secretariat, Rashtrapati Bhavan, New Delhi.
7. Vice Chairman, Niti Aayog, Yojna Bhawan, New Delhi.
8. All Members of Niti Aayog, Yojna Bhawan, New Delhi.
9. Secretaries to all the Ministries/Departments, Government of India, New Delhi.  
PPS to Secretary (EA), PPS to Secretary (Revenue), PPS to Secretary (Expenditure), OSD to MOS (F).
10. Chief Economic Adviser, DEA.
11. Additional Secretary (Shri A. Giridhar) Cabinet Secretariat, Rashtrapati Bhavan, New Delhi.
12. Dr. C.S. Mohapatra, Additional Secretary (FS &CS), DEA
13. Shri K. Rajaraman, Additional Secretary (Admn. & Investment), DEA.
14. Sh. Sameer Kumar Khare, Additional Secretary (FB&ADB), DEA
15. Ms. Meera Swarup, AS&FA (Finance).
16. Shri Sanjeev Sanyal, Principal Economic Adviser, DEA
17. All Heads of Divisions in Department of Economic Affairs.  
JS(Budget)/JS(C&C/UN&OMI)/JS(IPF)/JS(FM)/ JS(BC&IER)/Adviser(IER)/ CAAA.
18. Ms. Rajasree Ray, Adviser, DEA.
19. Dr. Shashank Saksena, Adviser (FSRL), DEA
20. Shri Arun Kumar, Adviser, DEA
21. Shri Rajesh Malhotra, Addl. DG (M&C), M/o Finance, North Block, New Delhi.
22. Guard File – 2019.

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**Subject: Monthly Summary on important policy decisions pertaining to DEA for the month of August, 2019.**

**1. Macro-economic Overview**

1.1 As per the estimates of Gross Domestic Product (GDP) released by National Statistical Office (NSO) on 31 August 2019, the growth of GDP was 5.0% in the first quarter (April-June) of 2019-20, as compared to the growth of 8.0% recorded in the corresponding quarter of the last year.

1.2 Gross Value Added (GVA) in Q1 of 2019-20 grew by 4.9% with sectoral growth of 2.0%, 2.7%, and 6.9% respectively for agriculture, industry, and services sectors.

1.3 As per the provisional estimates of national income for the year 2018-19, the growth of GDP was 6.8% in 2018-19. GDP growth was higher at 8.2% and 7.2% respectively in 2016-17 and 2017-18.

1.4 Headline inflation based on Consumer Price Index (New Series- Combined) in July 2019 was 3.1% as compared to 4.2% in July, 2018. Inflation based on Wholesale Price Index (WPI) stood at 1.1% in July, 2019 as compared to 5.3% in July, 2018. Inflation in terms of Consumer Price Index for Industrial Workers (CPI-IW) in June 2019 was 8.6% as compared to 3.9% in June 2018. Inflation in terms of Consumer Price Index for Agricultural Labourers and Consumer Price Index for Rural Labourers stood at 6.2% and 6.0% in July, 2019 respectively.

1.5 Policy repo rate was reduced by 35 bps from 5.75% to 5.40% in August 2019. This was the fourth cut by Monetary Policy Committee in 2019. The base rate for scheduled commercial banks stood at 8.95/9.40% as on 23rd August 2019, as compared to 8.75/9.45% on 24th August 2018. The yield on 10-Year Government securities stood at 6.57% on 23rd August 2019, as compared to 7.86% on 24th August 2018.

1.6 The Current Account Deficit increased to US\$ 57.2 billion (2.1% of GDP) in 2018-19 from US\$ 48.7 billion (1.8% of GDP) in 2017-18 on the back of widening of the trade deficit. India's trade deficit increased to US\$ 180.3 billion in 2018-19 from US\$ 160.0 billion in 2017-18. Net invisible receipts were higher in 2018-19 mainly due to increase in net services earnings to US\$ 81.9 billion as compared to US\$ 77.6 billion in 2017-18 and private transfer receipts to US\$ 70.6 billion in 2018-19. Net FDI inflows at US\$ 30.7 billion in 2018-19, were marginally higher than US\$ 30.3 billion in 2017-18. Portfolio investment recorded a net outflow of US\$ 2.4 billion in 2018-19 as against an inflow of US\$ 22.1 billion a year ago. In 2018-19, there was a depletion of US\$ 3.3 billion of the foreign exchange reserves (on a BoP basis).

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1.7 India's Foreign exchange reserves stood at US\$ 430.5 billion as on 16<sup>th</sup> August 2019 showing an increase of US\$ 17.6 billion over the level of US\$ 412.9 billion at end-March 2019. The average monthly exchange rate of rupee (reference rate) for the month of August 2019 was Rs. 71.14 per US dollar as against 68.81 per US dollar in July 2019.

1.8 As per the Quick Estimates released by the CSO (based on new series of 2011-12), the Index of Industrial Production (IIP) recorded a growth of 2.0% in June 2019 as compared to the growth of 7.0% in June 2018. On a cumulative basis, for the period April-June, 2019-20, the industrial growth was 3.6% as compared to the growth of 5.1% during April-June, 2018-19. Eight Core Industries registered a growth of 2.1% in July 2019 as compared to 7.3% in July 2018. The growth of core industries during April- July, 2019-20 is 3.0% as compared to 5.9% during April- July, 2018-19.

1.9 India's merchandise exports during July 2019 were valued at US\$ 26.3 billion as compared to US\$ 25.7 billion during July 2018, exhibiting an increase of 2.2%. India's Imports during July 2019 were valued at US\$ 39.8 billion which declined by 10.4% over the level of imports valued at US\$ 44.4 billion in July 2018. India's oil imports during July 2019 were valued at US\$ 9.6 billion which was 22.1% lower as compared to US\$ 12.3 billion in July 2018.

1.10 The trade deficit for July 2019 was estimated at US\$ 13.4 billion as against the deficit of US\$ 18.6 billion during July 2018.

1.11 Exports & Import of services during June 2019 were valued at US\$ 18.6 billion and US\$ 11.8 billion. Trade balance in Services for June 2019 was estimated at US\$ 6.8 billion.

## **2. Other important Developments**

2.1 (a) (i) In the Budget Speech of 2019-20, announcement to remove the DRR requirements for NBFCs has been made. Subsequent to this, Ministry of Corporate Affairs was requested by DEA, Ministry of Finance to consider amending relevant provisions of Companies (Share Capital and Debenture) Rules, 2014 for implementation of the Budget announcement and also for prescribing DRR requirement of 0 (Zero) % for listed companies and 5% for unlisted companies (other than NBFCs). Ministry of Corporate Affairs vide Gazette Notification dated August 16, 2019 has introduced Companies (Share Capital and Debentures) Amendment Rules, 2019 vide which Government has removed Debenture Redemption Reserve (DRR) requirements for listed companies, NBFCs (Non-Banking Financial Company) and HFCs (Housing Finance Company) and also reduced DRR requirements for unlisted companies from the earlier 25% to 10%.

(ii) A working group constituted by SEBI under the Chairmanship of Shri H.R. Khan, Deputy Governor (Retired), Reserve Bank of India to advise SEBI on redrafting the SEBI (Foreign Portfolio Investors) Regulations, 2014 for simplification, submitted its report on May 24, 2019.

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The SEBI Board, in its meeting held on 21/8/19, considered the recommendations of the working group and approved the proposed new set of Regulations. The key focus of the proposed Regulations is to simplify and rationalize the existing regulatory framework for foreign portfolio investors (FPIs) in terms of easing the operational constraints and compliance requirements. 57 circulars and 183 FAQs pertaining to FPIs issued over the years have been merged into new regulations and a single circular. Some of the key aspects of revised regulations include simplifying and expediting the registration process, bring about ease in compliance requirements, simplification of documentation requirements etc.

(iii) On 21 August 2019 SEBI Board approved the proposal for amendments to SEBI (Mutual Funds) Regulations, 1996 with respect to prudential norms for Investment and Valuation of Debt and Money Market instruments by Mutual Funds as decided in SEBI Board Meeting held on June 27, 2019; however, it has also been decided to give flexibility to mutual funds to invest in unlisted non-convertible debentures (NCDs) up to a maximum of 10% of the debt portfolio of the scheme subject to such investments in unlisted NCDs having simple structures as may be notified from time to time, being rated, secured and with monthly coupons. This shall be implemented in a phased manner by June 2020.

(b) In pursuance of the announcement made in the Union Budget 2019-20, a scheme regarding partial credit guarantee was issued on 10.8.2019 in collaboration with Department of Financial Services (DFS). The Scheme would enable the public sector banks (PSBs) to purchase high-rated pooled assets of financially sound NBFCs, amounting to a total of Rupees One Lakh crore during the current financial year wherein Government will provide one time six months' partial credit guarantee to Public Sector Banks for first loss of up to 10%.

**2.2 (a)** Following Agreements signed between DEA and KfW for the project 'Climate-friendly Modernization of Bus Services in Major Cities of Tamil Nadu':

- i. Loan Agreement was signed on 26.08.2019 for Euro 200 million loan.
- ii. Financing Agreement was signed on 30.08.2019 for Euro 3 million grant.

One of the main highlights of the loan agreement was that it was signed with 0.00% rate of interest.

(b) Government to Government Umbrella Agreement for Financial Cooperation 2018 was signed between India and Germany on 30.08.2019 to formalize the commitment of Euro 737.20 million for various financial assistance projects in the field of Energy, Environment and Sustainable Urban Development.

**2.3** During the month, a **Line of Credit (LoC)** amounting to USD 22.00 million has been extended to Government of Mali for setting up a sustainable village and use of solar photo-voltaic technology for irrigation of 2500 hectare of agriculture land in Mali.

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## **2.4 Following Meetings were held during the month of August, 2019:-**

- i. A meeting with representatives of industry, under the chairmanship of Hon'ble FM, was held on 08.08.2019 to discuss measures to boost the Economy.
- ii. Mr. Takehiko Nakao, President, ADB visited India during August 27-30, 2019. He also met Hon'ble FM and Secretary (EA) on 28 August, 2019 and discussed matters relating to ADB financing.
- iii. The Annual Article IV consultation between India and the International Monetary Fund (IMF) was held between 20 August – 3 September, 2019 and Secretary (EA) had an interaction with the IMF Mission Team on 27<sup>th</sup> August, 2019 to discuss the state of Indian economy, reforms initiatives and growth prospects.
- iv. Sh K Rajaraman AS, (Inv.) DEA participated in the 8<sup>th</sup> Intersessional Ministerial Meeting of RCEP held on 2-3 August, 2019 in Beijing, China to assist Commerce Secretary.
- v. Sh Surinder Pal Singh, JS (FT), DEA participated in the 5<sup>th</sup> Round of India-Peru Trade Agreement from 20-22 August, 2019 at New Delhi.
- vi. Sh Anwar Sheikh, Director (IITF), DEA participated in the 6<sup>th</sup> Intersessional Meeting of RCEP TNC and related meeting held on 22-25 August, 2019 in Jakarta, Indonesia.
- vii. A meeting under the Chairmanship of Addl. Secretary (FS&CS) was held on 6<sup>th</sup> August, 2019 to discuss further plan to set up Computer Emergency Response Team for the Financial Sector (CertFin).
- viii. Sh. Rajat Kumar Mishra, Joint Secretary attended the 10<sup>th</sup> Finance and Audit Committee of SDF and 31<sup>st</sup> meeting of SDF Board of Directors which were held from August 22-24, 2019 in Colombo, Sri Lanka.

## **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**

Cleared	:	00
Awaiting Approval in the Department	:	07

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