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

New Delhi, November, 2020

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, 2020.



(Anu P. Mathai)

Adviser(IER)

Tel No. 23092449

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. Dr. C.S. Mohapatra, Additional Secretary (FS & CS), DEA
14. Shri K. Rajaraman, Additional Secretary (Admn. & Investment), DEA.
15. Ms.Meera Swarup, AS&FA(Finance).
16. Shri A.M. Bajaj, Additional Secretary (FM), DEA
17. Shri Sanjeev Sanyal, Principal Economic Adviser, DEA
18. All Heads of Divisions in Department of Economic Affairs.
JS(Budget)/JS(Inv)/ Adviser(C&C/FSLR/FS&CS)/Adviser (IER)/CAAA.
19. Shri Rajesh Malhotra, Addl.DG (M&C), M/o Finance, North Block, New Delhi.
20. Guard File – 2020.

Subject: Monthly Summary on important policy decisions pertaining to Department of Economic Affairs (DEA) for the month of October, 2020.

1. Macro-economic Overview

The phased relaxation of the lockdown, supported by the enabling policies of the Government under the AtmaNirbhar Bharat package, has resulted in much higher level of activity in the months from July to October. This is evident in growth of high frequency indicators like PMI Manufacturing, IIP, index of eight core industries, E-way bills, Kharif sowing, power consumption, railway freight, cargo traffic and passenger vehicle sales. India's manufacturing purchasing managers' index (PMI) rose to 58.9 in October as compared to 56.8 in September, the strongest improvement in over a decade. The level of new orders and output continued to recover. Growth was led by intermediate goods category with robust growth also in the consumer and investment goods sub-sectors. There was a strong upturn in sales with support from quicker pace in growth of new export orders. Revenues from the Goods and Services Tax surpassed Rs.1.05 lakh crore in October, showing a growth of 10% over the corresponding month of previous year and the highest recorded since February 2020. Indian service sector output broadly stabilised during September. PMI Services index improved in September to 49.8 over 41.8 in August. The details of important information in tabular form is given at Annexure.

2. Other important Developments

2.1 (a) India-UK Sustainable Finance Forum has been established, which was one of the announcements in 10th India-UK Economic and Financial Dialogue held on 28th October 2020. The forum has members from key ministries and department and financial sector regulators. The Forum would share experiences and best practices in the field of sustainable finance.

(b) With the approval of Hon'ble FM, one Line of Credit (LoC) has been extended to Govt. of Kenya of amount 93 USD Million for Transmission Lines, Substations and associated infrastructure during the month of October, 2020.

2.2 (a) The Central Government (Department of Economic Affairs) notified Aircraft financing and leasing as a financial product and Finance related Global-in-House Centres (GIC) as a financial service in the IFSCA Act, 2019 vide Gazette Notification dated 16.10.2020. The notification will contribute to fast tracking the development of GIFT IFSC into a global hub for finance related GICs. GIFT IFSC is poised to emerge as an

aircraft leasing centre for the sub-region/region and this will gradually promote the related Maintenance, Repair & Overhaul (MRO) business in India as well.

(b) SEBI vide Circular dated 5.10.2020, has introduced guidelines for determining the place of a mutual fund on its riskometer tool, w.e.f. 1st Jan 2021. Mutual Funds have to update the riskometer on a monthly basis on the websites of AMFI & SEBI. It is useful for investor awareness and protection.

(c) SEBI has also come up with a uniform timeline for listing of securities on a private placements basis on T+4 basis w.e.f. 1st December, 2020. Post the new norms, the allotment of securities will be completed by 'T+2' trading days after receiving funds. The listing permission from the stock exchanges should be received by 'T+4' days.

(d) On 19.10.2020 SEBI revised the norms for utilization of fund created by exchanges out of the Regulatory Fee forgone by SEBI to encourage participation by Farmers/ FPOs etc. in agricultural commodity derivatives markets.

2.3 The Bilateral Netting of Qualified Financial Contracts Act, 2020 ("the Act") has been enacted and published in the Gazette of India Extraordinary after receiving President's assent on 28th September, 2020. The Act has been brought into force by the Government w.e.f. 1st October, 2020. The Act would result in substantial saving to banking sector on credit exposure to OTC derivatives and reduce the overall systemic risks strengthening financial stability. Further, the Act would develop the financial market in India including by giving a boost to the corporate debt market. DEA has written to all the stakeholders, including regulators, to identify and notify the entities and financial products which should be eligible for netting benefits under the Act and stipulate appropriate regulatory and operational frameworks so that the full and expeditious implementation of the Act is ensured.

2.4 (a) A loan of USD 300 million was signed with the ADB on Oct 12, 2020 for the project proposal of Govt. of Rajasthan titled 'Rajasthan Secondary Towns Development Sector Project'.

(b) A loan of USD 270 million was signed with the ADB on Oct 12, 2020 for the project proposal of Govt. of Madhya Pradesh titled 'Madhya Pradesh Urban Services Improvement Project'.

2.5 A commemorative coin of Rs.75 denomination was released by Hon'ble PM on 16th October, 2020 to mark the 75th Anniversary of FAO.

2.6 Following important meetings were held during the month of October, 2020:

- i. Hon'ble Finance Minister Smt.Nirmala Sitharaman co-chaired the 10th India-UK Economic and Financial Dialogue (EFD) with the Chancellor of Exchequer from United Kingdom on October 28, 2020. The dialogue ended with the formal signing of the Joint Statement by the two Finance Ministers.
- ii. Hon'ble Finance Minister took a Review meeting of SWAMIH on 1st October, 2020.

- iii. Hon'ble Finance Minister represented India alongwith RBI Governor in a meeting of G20 Finance Ministers and Central Bank Governors (FMCBG) which was held on 14th October, 2020. The FMCBG meeting was preceded by the G20 Finance and Central Bank Deputies meeting on 12- 13th October, 2020 during which negotiations were held on the Communique which was subsequently endorsed on 14th October, 2020 in the FMCBG meeting. Secretary (EA) attended the Finance and Central Bank Deputies meeting.
- iv. Hon'ble Finance Minister attended the Plenary Meeting of the International Monetary and Financial Committee (IMFC), the Ministerial-level committee of the International Monetary Fund (IMF) on October 15, 2020 through video-conference.
- v. Hon'ble Finance Minister chaired the World Bank Annual Meeting held on 16th October, 2020.
- vi. Secretary (EA) chaired a meeting with Regulator viz RBI, DFS, IBA and SBI on 09.10.2020 to discuss proposal amendments to GMS, GML and IGC.
- vii. Secretary (EA) attended a Bilateral meeting with Mr. Axel van Trotsenburg, Managing Director, Operations, the World Bank on 22nd October 2020.
- viii. As one of the Board Members, Secretary (EA) attended the 585th Meeting of Central Board of the Reserve Bank of India (RBI) on October 23, 2020 through video conference.
- ix. Dr.C.S. Mohapatra, Additional Secretary, attended virtual meeting of FSB's Plenary on behalf of Secretary (EA) through a Webex call on 5th October 2020.
- x. On behalf of Secretary (EA), Dr.C.S. Mohapatra, Additional Secretary attended a virtual meeting of FSB's Standing Committee on Standards Implementation (SCSI) through a Webex call on 6th October, 2020.
- xi. Dr.C.S. Mohapatra, Additional Secretary attended the Remote IDA Day Meeting held on October 26, 2020.
- xii. Dr.C.S. Mohapatra, Additional Secretary participated in one-year anniversary event of the International Platform on Sustainable Finance (IPSF) on 16th October 2020. The event was co-hosted by the Managing Director of the IMF, Kristalina Georgieva, and the Executive Vice President of the European Commission, Valdis Dombrovskis, on the side lines of the annual IMF/World Bank meetings. IPSF is an European Union-led initiative in the field of sustainable finance in which India is a founding member.
- xiii. Dr. Shashank Saxena, Senior Adviser (FS&CS) attended a virtual meeting held by FSB's TBTF (Too Big To Fail) Evaluation Working Group on 14th October

2020 and discussed i) Draft Steering Committee note on consultation responses and ii) Timeline and content of analysis related to COVID-19.

- xiv. Hon'ble Finance Minister was invited to the virtual High-Level Panel Discussion "Beyond LIBOR, are we prepared" at the 2020 Annual Meetings of the International Monetary Fund and the World Bank Group on 8th October, 2020. In view of her non-availability, Senior Adviser (FS&CS) attended the meeting.
- xv. Shri Sameer Khare, Addl. Secretary chaired the 111th meeting of the DEA Screening Committee for externally aided projects, on Oct 13, 2020.
- xvi. Shri Baldeo Purushartha, Joint Secretary, attended the 2020 Annual Meeting of European Bank for Reconstruction and Development (EBRD) on 5th-8th October, 2020. In the meeting, Board of Governors elected Ms.Odile Renaud Basso of France as next President of EBRD. The Board of Governors have also approved the Bank's Strategy for next five years (2021-2025).
- xvii. A meeting to discuss and finalise matter related to transfer of seized gold by Customs to SPMCIL was held on 08.10.2020.
- xviii. A meeting to finalize SCO Draft Plan for Implementation of the Multilateral Technical and Economic Cooperation (MTEC) held from 12-14 October 2020 and Senior Officials SCO Meeting from 19 to 21 October 2020 were attended by DEA.
- xix. India – Peru Trade Negotiations Inter-sessional meeting of Chief Negotiators was attended by DEA on 14.10.2020 through VC.
- xx. An Inter-Ministerial meeting was held on 15.10.2020 to discuss the issues and concerns of global investors in connection with organization of Virtual Global Investors' Round Table (VGIR), 2020 on 5th November, 2020.
- xxi. DEA also participated in the drafting session of the BRICS Strategy for Economic Partnership which was negotiated from 14-16 October, 2020.
- xxii. A round of BIT negotiations between India and Philippines was held on 22nd October, 2020 through DVC.
- xxiii. 97th Meeting of PPPAC was held on 29th October, 2020 to consider Ministry of Railways' proposal for Passenger trains on PPP mode.

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: 16

Table 1: Quarter-wise Growth of GVA at Constant (2011-12) Prices (in %)					
Sectors	2019-20				2020-21
	Q1	Q2	Q3	Q4	Q1
Agriculture, forestry & fishing	3.0	3.5	3.6	5.9	3.4
Industry	4.2	0.5	-0.3	-0.6	-38.1
Services	5.5	6.5	5.7	4.4	-20.6
GVA at basic price	4.8	4.3	3.5	3.0	-22.8

Source: National Statistical Office (NSO).

Table 2: Annual Real Growth in Demand Side of GDP and its Components (in %)					
	2019-20				2020-21
	Q1	Q2	Q3	Q4	Q1
Total Consumption	5.6	7.8	7.6	4.2	-19.2
Government Consumption	6.2	14.2	13.4	13.6	16.4
Private Consumption	5.5	6.4	6.6	2.7	-26.7
Gross Fixed Capital Formation	4.6	-3.9	-5.2	-6.5	-47.1
Exports	3.2	-2.2	-6.1	-8.5	-19.8
Imports	2.1	-9.4	-12.4	-7.0	-40.4
GDP at market prices	5.2	4.4	4.1	3.1	-23.9

Source: National Statistical Office (NSO).

Table 3: INFLATION- CPI-C, WPI (in %)			
	Sep-19	Aug-20	Sep-20
CPI-C	3.99	6.69	7.34
WPI	0.33	0.16	1.32

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	23 rd October 2020
Policy Repo Rate	4.00
10-Year G-Sec Par Yield (FBIL)	5.88
Bank Credit Year-on-Year growth [#]	5.7

[#] as on 9th October 2020

Table 5: Merchandise Trade Performance (Customs Basis) (in US\$ billion)			
	Exports	Imports	Trade Balance
September, 2019	26.0	37.7	-11.7
September, 2020	27.6	30.3	-2.7

Table 6: Services Trade Performance (in US\$ billion)			
	Exports	Imports	Trade Balance
August, 2020	16.4	9.6	6.8

Source: Provisional data as per the Press Release dated 15.10.2020 of the Department of Commerce, Ministry of Commerce and Industry.

Table 7: Balance of Payments		
Items	2019-20 Q1	2020-21 (P) Q1
Current Account Balance (in US\$ billion)	-15.0	19.8
Current Account Balance /GDP (in %)	-2.1	3.9

Source: Reserve Bank of India.

Table 8: Foreign Exchange Reserves (in US\$ billion)	
March, 2020	477.8
23 rd October 2020	560.5

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
23 rd October, 2020	73.5780	96.0585	86.7750	70.2600

Source: Reserve Bank of India.

Table 10: External Debt (US\$ Billion)			
	as at end of June 2019 PR (1)	as at end of June 2020 P (2)	Percentage variation [(2/1)-1]*100
Total External debt outstanding	556.9	554.5	-0.4

Source: Quarterly Report on External Debt as at end September 2020, Reserve Bank of India.

Table 11: Industrial Production Highlights*			
Monthly Growth	June-19	July-19	August-19
Industrial Production Growth Rate (IIP)	1.3	4.9	-1.4
Monthly Growth	June-20	July-20	August-20
Industrial Production Growth Rate (IIP)	-15.8	-10.8	-8.0

Table 12: Eight Core Industries*			
Monthly Growth	July-19	August-19	September-19
Growth of Eight Core Industries	2.6	-0.2	-5.1
Monthly Growth	July-20	August-20	September-20
Growth of Eight Core Industries	-8.0	-7.3	-0.8
