

**No. A-45011/3/2022-Admn.III**  
**Government of India**  
**Ministry of Finance**  
**(Department of Economic Affairs)**

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New Delhi, 22nd August, 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 June, 2022.

  
(Ravinder Kumar)

Director (Ad.IV & Coordination)  
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. Shri Ashish Vachhani, Joint Secretary (Budget), DEA.
15. All Heads of Divisions in Department of Economic Affairs.  
Sr Economic Adviser(C&C/FSLR/FS&CS)/JS(C&C and OMI)/JS(IPP/JS(ISD)/JS(Inv)/All Advisers/CAAA
16. Shri Rajesh Malhotra, DG (M&C), M/o Finance, North Block, New Delhi.
17. Guard File - 2022.

**No. A-45011/3/2022-Admn. III**

**Ministry of Finance**

**Department of Economic Affairs**

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Subject: **Monthly Summary on important policy decisions pertaining to Department of Economic Affairs (DEA) for the month of June, 2022**

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

**Macroeconomic Overview:**

The month of June 2022 saw Federal Reserve of the US raising the policy rate by 75 basis points. RBI also increased the repo rate by 50 basis points. While financial market analysts had already factored in rate hikes, the unexpectedly large size of it clearly messaged that the central banks are prioritising inflation control over economic growth. The Federal Reserve and the RBI have also conveyed that further tightening of monetary policy is both inevitable and imperative.

Economic growth in India however appears to be on course to achieve a near 8 per cent growth as seen in the robustness of high frequency indicators in Q1 of FY 2022-23. PMI Manufacturing and PMI Services continue to be in the expansionary zone. The steady growth of e way bill in both volume and value terms is a further reflection of sustained levels of economic activity. With Google mobility index continuing to rise, the service sector, accounting for more than 50 per cent of GDP, appears to have become the growth engine, at least for now in the current financial year.

Q4 data for 2021-22 also became available in June 2022 for the corporate and financial sector showing increase in their profits at year closing, highlighting their preparedness to support economic growth in the FY 2022-23. Financial sector appears to have turned a corner with bank credit growing 13.1 per cent year-on-year (YoY) in the fortnight ending June 3, the highest in the past three years. Private equity and venture capital investment in Q1 of 2022-23 have risen above their levels in the corresponding period of the previous year. On the other hand, the corporate sector strengthening is seen in the share of the private sector rising to 85 percent of total investment in Q1 of 22-23, from 63 per cent, the average of the 4 preceding quarters. Revival of Monsoons and increase in Kharif sowing also bodes well for yet another record level of agricultural output in the current year.

The second half of FY 2022-23 may begin to see a slowing of growth as high inflation and monetary tightening measures by RBI begin to restrain demand. Inflation may eventually weaken as demand is restrained and global commodity



prices further soften with monetary tightening in several countries. However, in net commodity import dependent countries like India, a significant de-escalation of crude oil prices is also necessary to contain the widening of current account deficit (CAD), and ever more so as exports weaken with world-wide recession getting triggered by monetary tightening. The CAD is also feeding into depreciation and in turn getting fed by it resulting in a vicious spiralling up of CAD deterioration and rupee depreciation.

Rupee depreciation is also being triggered by flight of FPI capital as Federal Reserve continues to raise rates and the Russia-Ukraine crisis makes cautious investors pull out capital from Emerging Market and Development Economies like India. However, sustained growth of FDI and recent measures taken by RBI to attract dollar inflows into the country may bring in offsetting amounts of capital.

A critical challenge facing the government is to restrain fiscal deficit otherwise it would lead to further widening of CAD giving rise to the problem of twin deficits, that not only makes country's finances unsustainable but also weakens growth. The challenge will be stiffer as on one hand rising inflation may make additional demands on revenue expenditure while capital expenditure cannot be curtailed given its negative impact on growth. Fiscal deficit is also challenged from the revenue side as recently imposed windfall taxes and export duties may not recover in entirety the tax losses following from excise duty cuts on petrol and diesel in the month of May.

The economic situation in the year ahead may take a more revealing shape by end of September quarter. However, the projections of growth rate and inflation by the RBI in its forthcoming meeting of MPC may shed some light on the macroeconomic situation anticipated for the balance of the current year.

## **2. Important Developments:**

- i. A new e-Tracking and Remote Administration (NETRA) website and Mobile App for Indian Development and Economic Assistance Scheme (IDEAS), were launched during the iconic week celebrations under Azadi ka Amrit Mahotsav.
- ii. A special series of circulatory coins of ₹1, ₹2, ₹5, ₹10 and ₹20 having theme of logo of Azadi ka Amrit Mahotsav(AKAM) notified vide GSR 783 (E) to celebrate 75 years of India's Independence was released.
- iii. Gazette Notification GSR 478 (E) dated 27th June, 2022 for Issue of a commemorative coin on "175th year of Indian Institute of Technology, Roorkee" has been issued.
- iv. 3 Ex Officio Members to International Financial Services Centre Authority (IFSCA) were notified by Gazette Notification.
- v. A Grant Agreement for Euro 20 million between DEA and KFW-German Development Bank for the project 'Indo-German Global Academy for Agro ecology Research and Learning.
- vi. The following line of credit(LoCs) have been extended during this month:-
  - a. Line of credit (LoC) to Govt. of Sri Lanka for an amount of USD 55 million for procurement of Urea fertilizer.



- b. Line of Credit to Govt. of Cuba for amount of USD 100 million for export of rice from India.
- vii. Following capacity building programmes have been organized during this month:-
- a. Online Program on Project Finance for Infrastructure Projects by Indian Institute of Banking & Finance.
  - b. Training programme on PPP and Infrastructure Development held at IIM Kozhikode.
  - c. Management Development Programme on Public-Private Partnership (PPP) held at Arun Jaitley National Institute of Financial Management (AJNIFM).
- viii. Hon'ble FM participated in the Second meeting of BRICS Finance Ministers and Central Bank Governors under the Chinese Presidency.
- ix. Following meetings at the official level were held or attended:
- a) 42nd meeting of Empowered Committee (EC) to consider the proposal for "Development of Vizhinjam International Multipurpose Seaport" proposed by Government of Kerala, for "Final Approval" under the viability gap funding (VGF) Scheme.
  - b) 129<sup>th</sup> meeting of the DEA Screening Committee for consideration of proposals seeking financing from Multilateral Development Banks/ Bilateral Agencies.
  - c) 1<sup>st</sup> India-Japan Finance Dialogue on the macroeconomic situation, financial system, financial digitalization and investment environment in both countries. They agreed to continue work closely together as they hold presidency of G20 and G7 next year.
  - d) Second meeting of the working group on transition finance under the International Platform on Sustainable Finance (IPSF) to discuss a draft report on transition finance which would go as an input paper in G20's Sustainable Finance Working Group.
  - e) Third meeting of the Sustainable Finance Working Group (SFWG) of the G20 and Policy levers Forum under G20 Indonesian Presidency to discuss issues related to transition finance, enhancing accessibility and affordability of finance for sustainable projects and various policy options for achievement of climate transition.
  - f) Plenary meeting of Financial Stability Board (FSB) to discuss the financial stability outlook, Covid-19 exit measures, progress report on climate roadmap, Risks from Crypto-assets, etc.
  - g) Steering Committee Meeting of the Financial Stability Board to discuss the risks from Crypto-assets.
  - h) 12th round of negotiations between India and UAE on Bilateral Investment Treaty (BIT) to discuss the outstanding issues held in New Delhi.
  - i) 4th Round of negotiations between India and UK on Bilateral Investment Treaty (BIT)/Investment Chapter held in London, UK.
  - j) First round of negotiations between India and EU on BIT was held in New Delhi.
  - k) Asian Infrastructure Investment Bank (AIIB) Board of Directors meeting to consider various policy issues and investment operation. The Board approved the Assam Secondary Road Network Improvement project for financing USD 320 million.
  - l) New Development Bank (NDB) Board of Directors meeting to discuss the various policy issues including lending rates and membership expansion of NDB.

**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 : 03

Awaiting Approval in the Department : 07