

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

New Delhi, 15th September, 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 July, 2022.

 15/8/22
(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

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

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

Macroeconomic Overview:

IMF's World Economic Outlook Update of July 2022, has lowered the global growth forecasts for 2022 to 3.2 % from 3.6 % in its April update. Across the two updates, IMF has revised India's real GDP growth projections for 2022 from 8.2 % to 7.4 %. The downward revisions of growth projections coexist with the upward revision of inflationary forecasts for both India and the World. IMF has revised inflation forecast for Advanced Economies (AEs) from 5.7 % to 6.6 % and for Emerging Market Economies (EMEs) from 8.7 % to 9.5 % in 2022.

Growth momentum in services sector activity, as measured by PMI services, remained comfortably in the expansionary zone at 55.5 in July 2022, correcting for the exceedingly high level of 59.2 in June. The services sector which was impacted the most by the COVID-19 pandemic, can emerge as a key growth driver, enthused by release of pent-up demand, easing of mobility restrictions and near universal coverage in vaccination. Amongst sub-sectors, a mixed trend in recovery is observed with Real Estate and Information Technology-Business Process Management (IT-BPM) completely recovering the pre-pandemic levels of 2019-20. However, the logistics, tourism sector and hotel industry continue to be on the path of recovery having now come close to the pre-pandemic level. World services trade, as indicated by WTO's Services Trade Barometer index continued to grow, yet, some headwinds may be observed in the coming months with the slowing of output in AEs, having implications for India's services exports.

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Non-Performing Assets (NPA) ratio of Scheduled Commercial Banks (SCBs) witnessed a declining trend for four successive quarters. The NPA ratio has declined from 7.5 % in the June quarter of 2021 to 5.7 % in the June quarter of 2022. Expectedly, the rising financial soundness of banks as well as that of the corporates have been boosting the YoY growth of non-food bank credit since the June quarter of 2021. The YoY growth in non-food bank credit stood at 14 % in June, 2022 driven by credit growth to both Industry and Services in the June quarter of 2022.

Headline retail inflation declined to 6.7 % in July 2022 on the back of a decline in food inflation to 6.8 %, which to an extent has followed a decline in global food prices. Softening of inflationary pressures in India is further on the anvil as the prices of important raw materials such as iron ore, copper, tin, etc. that feed into the domestic manufacturing process, globally trended downwards in July 2022. As per PMI reports, lower global prices of minerals have contributed to bringing down input cost inflation in India. Inflation in the services sector has also decelerated as is evident in the softening of inflation in the services components of the CPI basket.

On the external front, post the outbreak of Russia-Ukraine war, an increase in uncertainty among investors has led to capital outflows, not just from India alone but from the group of EMEs as a whole. Thus, apart from India, the currencies of several EMEs also depreciated against the US dollar. Between January and July of 2022, foreign portfolio investors pulled out USD 48.0 billion from the group of EMEs as a whole, of which pull out from India was USD 29 Billion. Large outflow from India is on account of relatively more liquid equity and forex markets. This will turn into an advantage as inflows begin once again. FPI in the month of July have been net purchasers to the extent of USD 458 million with global perception of monetary tightening having reached its peak gains ground.

Global investor confidence in India's economic landscape is further endorsed by net foreign direct investment (FDI) inflows remaining robust at USD 13.6 billion in Q1 of 2022-23, as compared to USD 11.6 billion during the corresponding period of the last year. In sync, local investment activity has also picked up, as is seen in the real sector where capital goods production and import of capital goods

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registered a robust double-digit growth during Q1 of 2022-23. Government also continues to support investment activity with capital expenditure reaching Rs. 1.75 lakh crore during Q1 of 2022-23, which is 23.4 % of the budget estimate and 57 % higher as compared to the corresponding period of last year.

2. Important Developments:

- i. Hon'ble Prime Minister laid the foundation stone for International Financial Services Centre (IFSCA) headquarters and launched NSE-IFSC SGX Connect and India International Bullion Exchange at Gujarat International Finance Tec (GIFT) City.
- ii. A draft Cabinet Note was circulated for inter-ministerial consultation on Bilateral Investment Treaty (BIT) between India and Uzbekistan.
- iii. 'Joint Interpretative Statement' to the Agreement between the Governments of the Republic of India and the Government of the Republic of Mauritius for the Promotion and Protection of Investments was signed in Mauritius.
- iv. In recognition of Shri Arun Jaitley's invaluable contribution to the nation, the Arun Jaitley Memorial Lecture was organized.
- v. A Commemorative Coin on the occasion of Birth Anniversary of Raja Ram Mohan Roy was issued.
- vi. Following loan agreements were signed with multilateral and bilateral development agencies:
 - (a) ODA loan of JPY 100 billion from JICA for "Construction of Mumbai Ahmedabad High Speed Rail (III)"
 - (b) Loan of USD 47 million from World Bank for the financing of DoPT's Public Service Capability Enhancement Project.
- vii. A Line of Credit (LoC) to Mauritius for an amount of 300 million USD for Phase IV of the Metro Express Project (MEP) was extended.
- viii. IFSCA - (Finance Company) (Amendment) Regulations, 2022 were issued.

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- ix. Approval of the Union Cabinet was obtained for signing of a bilateral MoU between IFSCA and Monetary Authority of Singapore (MAS).
- x. Following capacity building programmes were organized during the month:
 - a) Project Leadership (Negotiations) and Project Ownerships, Project Risks at ISB, Mohali.
 - b) On Project Management and Project Risks at IIM, Calcutta.
- xi. Hon'ble FM participated in the following meetings during this month:-
 - a) 3rd G20 Finance Ministers and Central Bank Governors (FMCBG) meeting held under the Indonesian G20 Presidency in Bali, Indonesia.
 - b) Bilateral meetings with counterparts of Singapore, Indonesia, Canada and IMF to discuss issues of mutual interest in G20.
- xii. Following meetings at the official level were held or attended:
 - a) Finance and Central Bank Deputies Meeting at Bali, Indonesia
 - b) Bilateral meetings with Indonesia, Saudi Arabia, USA, Spain, Australia, Italy, France, European Union, World Bank, IMF, AIIB, UNDP, OECD and FSB at Bali
 - c) 130th meeting of the DEA Screening Committee for consideration of proposals seeking financing from Multilateral Development Banks/ Bilateral Agencies
 - d) Tripartite Review Meeting (TPRM) for on-going externally assisted projects of UP, Bihar and Uttarakhand
 - e) 30th meeting of Early Warning Group (EWG) to discuss financial system vulnerabilities and monitoring as well as major economic developments having bearing on risk outlook
 - f) An informal discussion with Canada on concept paper of Investment Chapter of Early Progress Trade Agreement (EPTA)
 - g) 4th round of discussion on Bilateral Investment Treaty (BIT) between India and Australia

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- h) 5th Round of negotiations between India and UK on Bilateral Investment Treaty (BIT)/Investment Chapter
- i) Asian Infrastructure Investment Bank (AIIB) Board of Directors meeting to consider investment operations of the bank.
- j) Special Session of Governing Council of International Fund for Agricultural Development (IFAD) at Rome.

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	:	02
Awaiting Approval in the Department	:	05