## Highlights

- **Finance Minister Smt. Nirmala Sitharaman attends Virtual G20 Finance Ministers and Central Bank Governors Meeting**

- **2nd Advance Estimates of National Income 2020-21 and Estimates of Q3**

- **Index of Eight Core Industries (Base: 2011-12=100) for January, 2021**
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The Office of the Economic Adviser, Department for Promotion of Industry and Internal Trade is releasing Index of Eight Core Industries for the Month of January, 2021.

The combined Index of Eight Core Industries stood at 137.6 in January, 2021, which increased by 0.1 (provisional) per cent as compared to the Index of January, 2020. Its cumulative growth during April to January, 2020-21 has been (-) 8.8%.

Final growth rate of Index of Eight Core Industries for October’2020 is revised to (-) 0.5% from its provisional level (-2.5%). The Eight Core Industries comprise 40.27 per cent of the weight of items included in the Index of Industrial Production (IIP).

Monthly growth rates of Index of Eight Core Industries (Overall) is depicted in the graph:

*provisional
The summary of the Index of Eight Core Industries is given below:

**Coal**- Coal production (weight: 10.33 per cent) declined by 1.8 per cent in January, 2021 over January, 2020. Its cumulative index declined by 1.9 per cent during April to January, 2020-21 over the corresponding period of the previous year.

**Crude Oil**- Crude Oil production (weight: 8.98 per cent) declined by 4.6 per cent in January, 2021 over January, 2020. Its cumulative index declined by 5.6 per cent during April to January, 2020-21 over the corresponding period of previous year.

**Natural Gas**- The Natural Gas production (weight: 6.88 per cent) declined by 2.0 per cent in January, 2021 over January, 2020. Its cumulative index declined by 10.7 per cent during April to January, 2020-21 over the corresponding period of previous year.

**Petroleum Refinery Products**- Petroleum Refinery production (weight: 28.04 per cent) declined by 2.6 per cent in January, 2021 over January, 2020. Its cumulative index declined by 12.4 per cent during April to January, 2020-21 over the corresponding period of previous year.

**Fertilizers**- Fertilizers production (weight: 2.63 per cent) increased by 2.7 per cent in January, 2021 over January, 2020. Its cumulative index increased by 3.0 per cent during April to January, 2020-21 over the corresponding period of previous year.

**Steel**- Steel production (weight: 17.92 per cent) increased by 2.6 per cent in January, 2021 over January, 2020. Its cumulative index declined by 14.0 per cent during April to January, 2020-21 over the corresponding period of previous year.

**Cement**- Cement production (weight: 5.37 per cent) declined by 5.9 per cent in January, 2021 over January, 2020. Its cumulative index declined by 16.6 per cent during April to January, 2020-21 over the corresponding period of previous year.

**Electricity**- Electricity generation (weight: 19.85 per cent) increased by 5.1 per cent in January, 2021 over January, 2020. Its cumulative index declined by 2.7 per cent during April to January, 2020-21 over the corresponding period of previous year.
Finance Minister Smt. Nirmala Sitharaman attends virtual G20 Finance Ministers and Central Bank Governors Meeting

Union Minister for Finance & Corporate Affairs Smt. Nirmala Sitharaman participated virtually in the First G20 Finance Ministers and Central Bank Governors (FMCBG) meeting under the Italian Presidency to discuss policy actions for transformative and equitable recovery along with other issues on the agenda including global economic outlook, financial sector issues, financial inclusion and sustainable finance.

Smt. Sitharaman spoke about India’s policy response to the pandemic. The Finance Minister said that India’s domestic policies have been based broadly on supporting citizens through measures such as credit guarantees, direct transfers, food guarantees, economic stimulus packages and accelerating structural reform. Smt. Sitharaman also spoke about India’s vaccination programme, which is the world’s largest and the most ambitious vaccination drive. The Finance Minister also mentioned that India has extended vaccine support to several countries.

During this meeting, G20 Finance Ministers and Central Bank Governors also discussed the implications of climate change on global growth and financial stability. Speaking on the Presidency’s proposal to undertake systematic policy dialogue on climate risk and environment taxation, Smt. Sitharaman suggested that these conversations should remain within the ambit of Paris Agreement and should be based on the principles of common but differentiated responsibility, respective capability, and the voluntary nature of the commitments. The Finance Minister also stressed the importance of transfer of green technologies and scaling up of climate finance.
MINISTRY OF FINANCE

2nd Advance Estimates of National Income 2020-21 and Estimates of Q3

Real GDP growth of 0.4 percent in Q3 of 2020-21 has returned the economy to the pre-pandemic times of positive growth rates. It is also a reflection of a further strengthening of V-shaped recovery that began in Q2 of 2020-21, after a large GDP contraction in Q1 followed one of the most stringent lockdown imposed by Government relative to other countries. The 2nd advance estimates the contraction of GDP at 8.0 per cent in 2020-21.

The initial policy choice of “lives over livelihoods” succeeded by “lives as well as livelihoods” is now bearing positive results converging with the foresight Government had about an imminent V-shaped recovery when it entered the war with the Pandemic on health and economic fronts. The sharp V-shaped recovery has been driven by rebounds in both Private Final Consumption Expenditure (PFCE) and Gross Fixed Capital Formation (GFCF) as a combination of astute handling of the lockdown and a calibrated fiscal stimulus has allowed strong economic fundamentals to trigger quick resumption of high activity levels in the economy. While GFCF has improved from a contraction of 46.4 per cent in Q1 to a positive growth of 2.6 per cent in Q3, PFCE has recovered from a contraction of 26.2 per cent in Q1 to a much smaller contraction of 2.4 per cent in Q3.

Besides the overall uptick in the economy, the resurgence of GFCF in Q3 was also triggered by Capex in Central Government that increased year-on-year by 129 per cent in October, 249 per cent in November and 62 per cent in December, 2020. The fiscal multipliers associated with Capex are at least 3-4 times larger than Government Final Consumption Expenditure (GFCE) as Capex induces much higher consumption spending than normal income transfers. However, GFCE has played a critical role since April, 2020 as apart from supporting lives and livelihoods it provided the initial stimulus to the economy.

Significant recovery in manufacturing and construction augurs well for the support these sectors are expected to provide to growth in FY 2021-22. Real GVA in manufacturing has improved from a contraction of 35.9 per cent in Q1 to a positive growth of 1.6 per cent in Q3 while in construction the recovery has been from a contraction of 49.4 per cent in Q1 to a positive growth of 6.2 per cent in Q3. These sectors are vital to the economy to achieve a growth of 11 per cent or more in 2021-22 as they will be impacted most by the counter cyclical fiscal policy that budgets fiscal deficit at 6.8 per cent of GDP.

Real GVA in Services has also improved from a contraction of 21.4 in Q1 to a negligible contraction of 1.0 percent in Q3 of 2020-21. The much lower contraction of GVA in Services sector is welcome as activity levels in contact-based services appears to have risen with the decline in the pandemic curve. A continuous decline in the pandemic curve and a step-up in vaccination drive, as recently announced will support further revival of contact-based services. Given that services constitute more than 50 per cent of total GVA in the country, it becomes the most important source for increasing consumption in the economy. Real GVA in Agriculture continues to provide vital support to the economy having grown from 3.3 per cent in Q1 to 3.9 per cent in Q3.

India is not yet out of the danger of the pandemic. Social distancing continues to be the most effective tool to combat the pandemic as activity levels continue to rise in the economy boosted by the rapidly escalating inoculation drive in the country.
MINISTRY OF FINANCE

Monthly Review of Accounts of Union Government of India upto the month of January, 2021 for the Financial Year 2020-21

The Monthly Account of the Union Government of India upto the month of January, 2021 has been consolidated and reports published.

The highlights are given below:-

The Government of India has received ₹12,83,314 crore (80% of corresponding RE 2020-21 of Total Receipts) upto January, 2021 comprising of ₹ 11,01,855 crore Tax Revenue (Net to Centre), ₹1,41,104 crore of Non Tax Revenue and ₹40,355 crore of Non Debt Capital Receipts. Non-Debt Capital Receipts consists of Recovery of Loans (₹15,804 crore) and Disinvestment proceeds (₹24,551 crore).

₹4,08,873 crore has been transferred to State Governments as Devolution of Share of Taxes by Government of India upto January, 2021.

Total Expenditure incurred by Government of India is ₹25,17,318 crore (73% of corresponding RE 2020-21), out of which ₹21,55,210 crore is on Revenue Account and ₹3,62,108 crore is on Capital Account. Out of the Total Revenue Expenditure, ₹5,19,597 crore is on account of Interest Payments and ₹2,52,656 crore is on account of Major Subsidies.
MINISTRY OF FINANCE

Notification No.25/2021-CUSTOMS (N.T.)

In exercise of the powers conferred by sub-section (2) of section 14 of the Customs Act, 1962 (52 of 1962), the Central Board of Indirect Taxes & Customs, being satisfied that it is necessary and expedient to do so, hereby makes the following amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue), No. 36/2001-Customs (N.T.), dated the 3rd August, 2001, published in the Gazette of India, Extraordinary, Part-II, Section-3, Sub-section (ii), vide number S. O. 748 (E), dated the 3rd August, 2001, namely:-

In the said notification, for TABLE-1, TABLE-2, and TABLE-3 the following Tables shall be substituted, namely: -

“TABLE-1

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Chapter/heading/sub-heading/tariff item</th>
<th>Description of goods</th>
<th>Tariff value (US $Per Metric Tonne)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1511 10 00</td>
<td>Crude Palm Oil</td>
<td>1082</td>
</tr>
<tr>
<td>2</td>
<td>1511 90 10</td>
<td>RBD Palm Oil</td>
<td>1108</td>
</tr>
<tr>
<td>3</td>
<td>1511 90 90</td>
<td>Others – Palm Oil</td>
<td>1095</td>
</tr>
<tr>
<td>4</td>
<td>1511 10 00</td>
<td>Crude Palmolein</td>
<td>1114</td>
</tr>
<tr>
<td>5</td>
<td>1511 90 20</td>
<td>RBD Palmolein</td>
<td>1117</td>
</tr>
<tr>
<td>6</td>
<td>1511 90 90</td>
<td>Others – Palmolein</td>
<td>1116</td>
</tr>
<tr>
<td>7</td>
<td>1507 10 00</td>
<td>Crude Soya bean Oil</td>
<td>1123</td>
</tr>
<tr>
<td>8</td>
<td>7404 00 22</td>
<td>Brass Scrap (all grades)</td>
<td>4925</td>
</tr>
<tr>
<td>Sl. No.</td>
<td>Chapter/heading/ sub-heading/tariff item</td>
<td>Description of goods</td>
<td>Tariff value (US $)</td>
</tr>
<tr>
<td>--------</td>
<td>-----------------------------------------</td>
<td>---------------------------------------------------------------------------------------</td>
<td>---------------------</td>
</tr>
<tr>
<td>1.</td>
<td>71 or 98</td>
<td>Gold, in any form, in respect of which the benefit of entries at serial number 356 of the Notification No. 50/2017-Customs dated 30.06.2017 is availed</td>
<td>573 per 10 grams</td>
</tr>
<tr>
<td>2.</td>
<td>71 or 98</td>
<td>Silver, in any form, in respect of which the benefit of entries at serial number 357 of the Notification No. 50/2017-Customs dated 30.06.2017 is availed</td>
<td>900 per kilogram</td>
</tr>
</tbody>
</table>
| 3.     | 71                                      | (i) Silver, in any form, other than medallions and silver coins having silver content not below 99.9% or semi-manufactured forms of silver falling under sub-heading 7106 92;  
(ii) Medallions and silver coins having silver content not below 99.9% or semi-manufactured forms of silver falling under sub-heading 7106 92, other than imports of such goods through post, courier or baggage.  
Explanation. -For the purposes of this entry, silver in any form shall not include foreign currency coins, jewellery made of silver or articles made of silver. | 900 per kilogram    |
(i) Gold bars, other than tola bars, bearing manufacturer's or refiner's engraved serial number and weight expressed in metric units;

(ii) Gold coins having gold content not below 99.5% and gold findings, other than imports of such goods through post, courier or baggage.

Explanation. - For the purposes of this entry, "gold findings" means a small component such as hook, clasp, clamp, pin, catch, screwback used to hold the whole or a part of a piece of Jewellery in place.

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Chapter/ heading/ sub-heading/tariff item</th>
<th>Description of goods</th>
<th>Tariff value (US $ Per Metric Tonne)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>080280</td>
<td>Areca nuts</td>
<td>4284&quot;</td>
</tr>
</tbody>
</table>

Note: - The principal notification was published in the Gazette of India, Extraordinary, Part-II, Section-3, Sub-section (ii), vide Notification No. 36/2001–Customs (N.T.), dated the 3rd August, 2001, vide number S. O. 748 (E), dated the 3rd August, 2001 and was last amended vide Notification No. 16/2021-Customs (N.T.), dated the 15th February, 2021, e-published in the Gazette of India, Extraordinary, Part-II, Section-3, Sub-section (ii), vide number S.O.675(E), dated 15th February, 2021.
The Report on Currency and Finance (RCF) for the year 2020-21 was released by the RBI. First published in 1937, the RCF adopted a theme-based approach from 1998-99. After a hiatus between 2014 and 2019, the Report has been revived with this release. The theme of the Report is “Reviewing the Monetary Policy Framework” which assumes topical relevance in the context of the review of the inflation target by March 2021 against the backdrop of structural changes in the macroeconomic and financial landscape that have prompted several central banks to undertake policy framework reviews.

The period of study in this report is from October 2016 to March 2020 commencing with the formal operationalisation of the flexible inflation targeting (FIT) framework in India but excluding the period of the COVID-19 pandemic in view of data distortions.

The Report carries a Foreword from the Governor, Reserve Bank of India. The contents of the Report, its findings, views and conclusions are entirely those of the contributors and do not represent the views of the Reserve Bank.

**Highlights**

- In the international experience, inflation targeting emerging market economies (EMEs) have generally lowered their inflation targets and narrowed tolerance bands.
- During the period under review, headline CPI inflation averaged 3.9 per cent in India with a decline in inflation volatility, attesting to the success of FIT in terms of its primary mandate.
- Trend inflation to which actual inflation converges after a shock provides an appropriate benchmark for the inflation target; trend inflation has fallen from above 9 per cent before FIT to a range of 3.8 – 4.3 per cent during FIT, indicating that 4 per cent is the appropriate level of the inflation target for India.
- Threshold inflation above which growth is unambiguously impaired ranges between 5 and 6 per cent in India, indicating that an inflation rate of 6 per cent is the appropriate upper tolerance limit for the inflation target. On the other hand, a lower bound above 2 per cent can lead to actual inflation frequently dipping below the tolerance band while a lower bound below 2 per cent will hamper growth, indicating that an inflation rate of 2 per cent is the appropriate lower tolerance bound.
• The current numerical framework for defining price stability, i.e., an inflation target of 4 per cent with a +/-2 per cent tolerance band, is appropriate for the next five years.

• The institutional architecture of FIT in India, including the size of the monetary policy committee (MPC) and its composition, the decision making process, communication practices and accountability mechanisms is in line with international best practices, while the definition of the time horizon of failure, processes of onboarding of MPC members, some aspects of forward guidance and timings relating to release of minutes, shut periods and release of transcripts warrant a review.

• During the FIT period, monetary transmission has been full and reasonably swift across the money market but less than complete in the bond markets; while there has been an improvement in transmission to lending and deposit rates of banks, external benchmarks across all categories of loans and deposits could improve transmission further.

• In the conduct of monetary policy in an open economy setting, foreign exchange reserves and associated liquidity management are key; hence, there is a need to enhance the RBI’s sterilisation capacity to deal with surges in capital flows.

• The primary focus of FIT on price stability augurs well for further liberalisation of the capital account and eventual internationalisation of the Indian rupee.

(Yogesh Dayal)
Chief General Manager
RESERVE BANK OF INDIA

Extension of time to make application for authorisation as a pan-India umbrella entity for retail payments

Reserve Bank had released the framework for authorisation of pan-India Umbrella Entity for retail payments on August 18, 2020 and invited applications from desirous entities. Given the process involved for complying with the framework prescriptions, a timeline of six months was provided therefor, i.e., up to February 26, 2021.

2. Requests have been received from various stakeholders including Indian Banks’ Association for extending the timeline, keeping in view the COVID-19 related disruptions and inconveniences. It has been accordingly decided to extend the timeline for making the application up to March 31, 2021.

Ajit Prasad
Director