EAC-PM Meeting – Strengthening India’s Growth Momentum Amid Global Uncertainty

June 7, 2026 • vajiramandravi.com

EAC-PM Latest News

- The Indian PM chaired a meeting of the Economic Advisory Council to the Prime Minister (EAC-PM) to –
    - Review India’s economic outlook,
    - Discuss reform priorities,
    - Assess external risks such as the West Asia conflict, and
    - Examine measures to sustain high economic growth.
- The discussions also focused on attracting foreign capital, improving ease of doing business, and reducing vulnerabilities arising from climatic uncertainties.

Key Outcomes of the Meeting

- **Focus on sustaining economic growth:** The EAC-PM deliberated on policy measures to maintain and accelerate India’s growth trajectory despite a challenging global environment marked by geopolitical tensions and economic uncertainty.

- **Major themes included:**
  - Strengthening long-term economic transformation.
  - Deepening structural reforms.
  - Enhancing Ease of Doing Business (EoDB) and Ease of Living.
  - Preserving macroeconomic stability while promoting investment-led growth.

Measures to Boost Foreign Capital Inflows

- **Tax reforms for foreign investors:** The government announced significant tax relief measures for Foreign Institutional Investors (FIIs):
  - Removal of Short-Term Capital Gains Tax (STCG) on investments in government bonds.
  - Removal of Long-Term Capital Gains Tax (LTCG) on such investments.
  - Elimination of withholding tax on interest income earned by FIIs from government securities.
- **RBI measures:** The Reserve Bank of India (RBI) complemented these reforms by:
  - Easing norms for banks to mobilise foreign currency deposits.
  - Reviving the Foreign Currency Non-Resident (Bank) [FCNR(B)] Deposit Scheme, under which the RBI bears exchange-rate hedging costs.
  - Providing a temporary concessional forex swap facility for Public Sector Undertakings (PSUs) raising External Commercial Borrowings (ECBs).
- **Significance**: These measures are expected to improve liquidity and make India more attractive to global investors.

Potential Foreign Fund Inflows

- **Estimated inflows of around $70 billion:**
  - According to discussions at the meeting, the combined impact of fiscal and monetary measures could attract nearly $70 billion in foreign capital.
  - A major share depends on India's inclusion in the Bloomberg Global Aggregate Bond Index, which would:
    - Increase passive investments from global funds tracking benchmark indices.
    - Expand demand for Indian government securities.
    - Reduce government borrowing costs by lowering bond yields.
- **Importance of global bond indices:**
  - India has already been included in:
    - JPMorgan Emerging Market Bond Index (from June 2024).
    - Bloomberg Emerging Market Local Currency Index (from January 2025).
    - FTSE Russell Emerging Market Bond Index (from September 2025).
  - Inclusion in Bloomberg's flagship Global Aggregate Bond Index could potentially bring **$20–25 billion** in additional inflows over about ten months.

Assessment of Global and Domestic Risks

- **West Asia conflict:**
  - No major immediate concerns were expressed regarding its impact on India.
  - However, geopolitical developments continue to be monitored due to their implications for energy prices, trade flows, and global financial markets.
- **El Niño and monsoon vulnerability:**
  - A major concern discussed was the possibility of sub-par rainfall due to El Niño conditions.
  - The need to reduce India's dependence on monsoon outcomes.
  - The discussion highlighted the importance of **climate-resilient agriculture**, irrigation expansion, water management reforms, and diversification of growth drivers beyond agriculture.

Strong Economic Performance

- **Better-than-expected GDP growth:**
  - The Council took note of encouraging growth data for FY 2025–26.
  - **For example,**
    - GDP growth of 7.8% in the January–March 2026 quarter.
    - Full-year provisional GDP growth estimate revised to 7.7%, higher than the earlier estimate of 7.6%.
- **Significance:**
  - Growth remained robust despite global uncertainties and the overlap of the West Asia conflict with the final month of the quarter.
  - Strong economic performance reinforced investor confidence and supported positive market sentiment.

About the EAC-PM

- **Nature and composition:**
  - It is a **non-constitutional, non-permanent** and **independent** advisory body constituted directly by an executive order.
  - It has been constituted several times since the independence of India. In the latest occurrence, the council was reconstituted in 2017, and is currently chaired by **S. Mahendra Dev.**
  - It includes full-time and part-time members from economics, finance, academia, banking, and public policy.
- **Functions:**
  - Provides inputs to the PM on economic and related policy matters.
  - Advises on macroeconomic policy.
  - Evaluates economic trends and risks.
  - Suggests reforms for sustainable and inclusive growth.
  - Provides analytical inputs on development priorities.

Conclusion

- The EAC-PM meeting underscored India’s strategy of combining structural reforms, investor-friendly taxation, monetary support measures, and macroeconomic stability to **sustain high growth.**
- While geopolitical tensions and climate-related risks remain concerns, strong GDP performance, prospects of higher foreign capital inflows, and continued reform momentum position India favourably for long-term economic development.

Source: TH | IE
