

**PRESS INFORMATION BUREAU
GOVERNMENT OF INDIA**

STATEMENT ON BEHALF OF MINISTRY OF FINANCE ON US TAPERING

New Delhi, January 30, 2014
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The Central Government has taken note of the US Federal Reserve's decision to reduce the level of purchase of mortgage-backed securities and longer-term treasury securities to USD 65 billion per month as against USD 75 billion per month. This decision was expected and should not in any way surprise or affect the Indian markets. However, it may be noted that USD 65 billion is not a small sum and will continue to infuse a large amount of liquidity into the world markets.

The Federal Reserve has not announced a sequential taper and has made it clear that "asset purchases are not on a pre-set course" and that they will take "further measured steps at future meetings." The Federal Reserve has also made it clear that the result of the decision will be a "sizeable and still-increasing holdings of longer-term securities".

The Federal Reserve has also "reaffirmed its expectations that the current exceptionally low target range for the federal funds rate of 0 to ¼ percent will be appropriate at least as long as the unemployment rate remains above 6½ percent".

As Government has stated earlier, India's economy is better prepared for the consequences, if any, of the taper. We have added to our foreign exchange reserves which stand at USD 295 billion. FDI and FII inflows continue to be robust, liquidity is comfortable, stronger regulations have been put in place in the capital markets, the investment cycle appears to have turned positive, credit demand from key sectors is strong, and WPI inflation has moderated. The Current Account Deficit which was earlier estimated at USD 70 billion is now expected to be below USD 50 billion in 2013-14. Therefore, there should be no undue concern over external factors.

However, both the Government of India and the Reserve Bank of India will continue to remain vigilant and will take whatever steps are necessary to ensure that there is stability in the financial markets.
