Box 1: The Federal Reserve's exit timetable

1. Tapering quantitative easing

The Federal Reserve currently buys US$85 billion of assets each month in an attempt to stimulate the economy. US$45 billion is spent on longer-term Treasury bonds and US$40 billion on mortgage-backed securities from government agencies. Tapering means reducing the size of these asset purchases.

Timeline: Not pinned to a threshold, but likely later in 2013.

2. Ending quantitative easing

Before the Federal Reserve starts raising rates, the asset purchases of the quantitative easing programme will end completely.

Timeline: Probably mid-2014, when the US is 'in the vicinity' of 7 per cent unemployment.

3. Raising rates

The Federal Reserve's 'Evans Rule' provides guidance as to when rates might start to rise.

Timeline: 2015, at 6,5 per cent unemployment (provided the medium-term inflation forecast is under 2,5 per cent and inflation expectations remain well-anchored). However, there is no guarantee that rates will rise at that point; the Federal Reserve has only committed not to raise rates before that, and might decide that further stimulus is warranted.

Source: Board of Governors of the Federal Reserve System, *Monetary Policy Report*, http://www.federalreserve.gov/monetarypolicy/files/20130717_mprfullreport.pdf, 17 July 2013, pp. 33–37