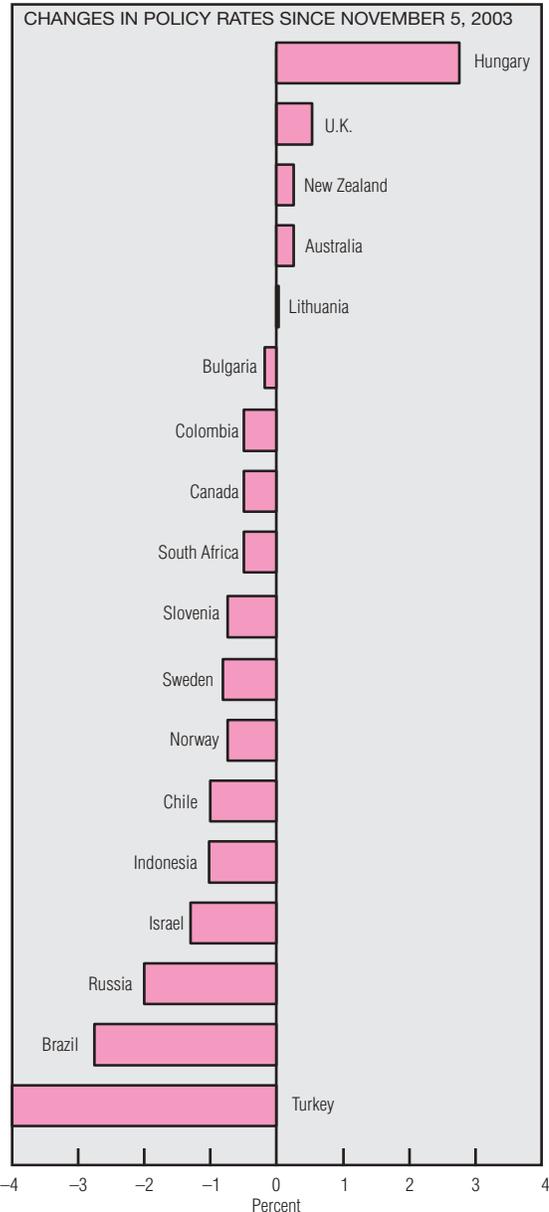
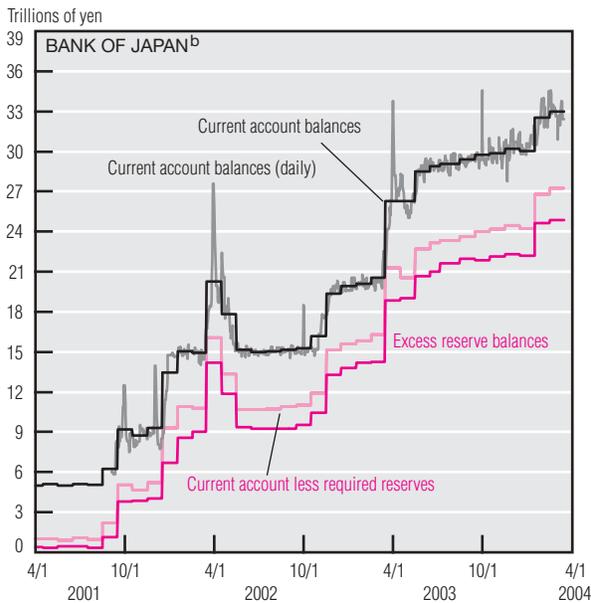
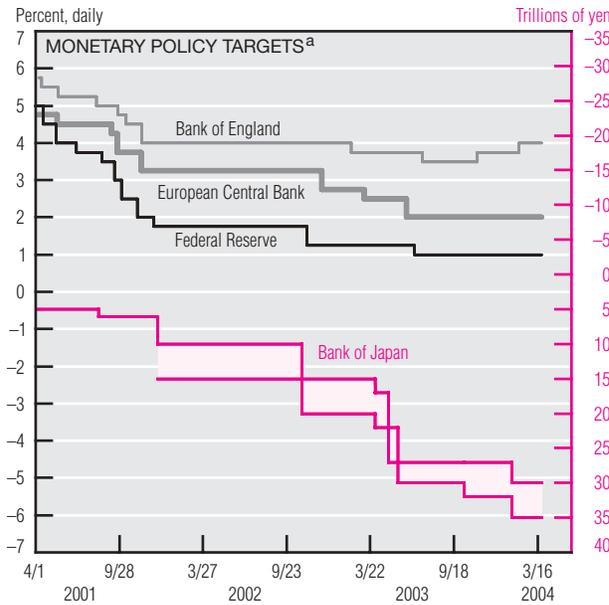


Foreign Central Banks



a. Federal Reserve: overnight interbank rate. Bank of Japan: a quantity of current account balances (since December 19, 2001, a range of quantity of current account balances). Bank of England: one-week repo rate; and European Central Bank: two-week repo ("main refinancing") rate.
 b. Current account balances at the Bank of Japan are required and excess reserve balances at depository institutions subject to reserve requirements plus the balances of certain other financial institutions not subject to reserve requirements. Reserve requirements are satisfied on the basis of the average of a bank's daily balances at the Bank of Japan starting the sixteenth of one month and ending the fifteenth of the next.
 SOURCES: Board of Governors of the Federal Reserve System; Bank of Japan; European Central Bank; Bank of England; and Bloomberg Financial Information Services.

None of the four major central banks has changed its policy setting since early February.

Japan's official foreign exchange reserves grew by \$104 billion in the first two months of this year. The Bank of Japan normally does not participate in the government's currency interventions, and its stated foreign currency assets are essentially unchanged from a year ago. The limitations of the government's budget, however, led to a December 2003 agreement with the

Ministry of Finance for the Bank to purchase up to about \$100 billion of U.S. Treasury notes from the Foreign Exchange Fund Special Account with a resale clause. That temporary facility was to expire on March 31, 2004.

The 2003 Monetary Policy Report of the People's Bank of China acknowledges "emerging inflationary pressures." For 2004, it projects an inflation rate similar to last year's 3.2%, with slower growth of real output, money, and lending, along with an exchange

rate that is "basically stable at an adaptive and equilibrium level."

The European Council of Economic and Finance Ministers took no further excessive-deficit action against Germany in March, paralleling its earlier treatment of France. The European Central Bank, however, has noted "a high risk of persistent or renewed excessive deficits" in these countries because of "insufficient ambition" as well as "strong risks on the expenditure side of budgets."