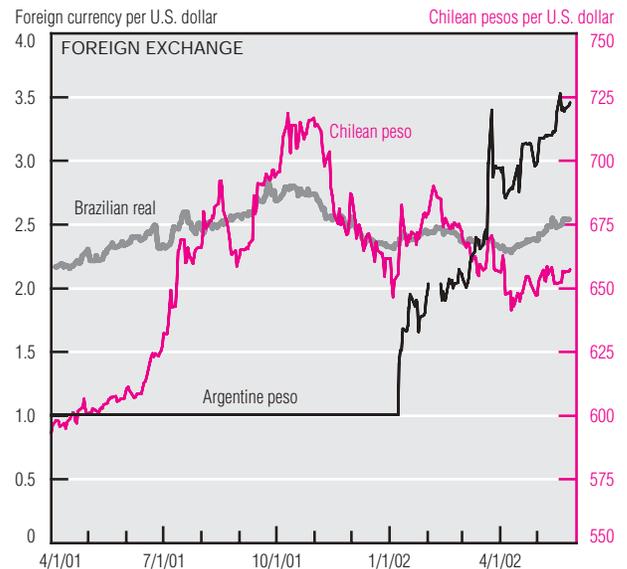
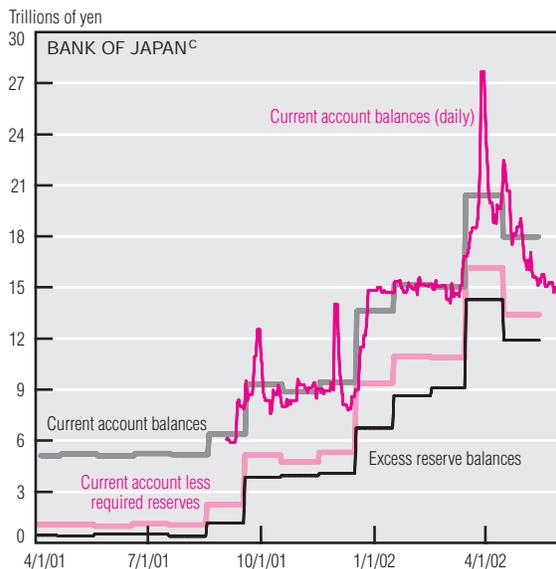
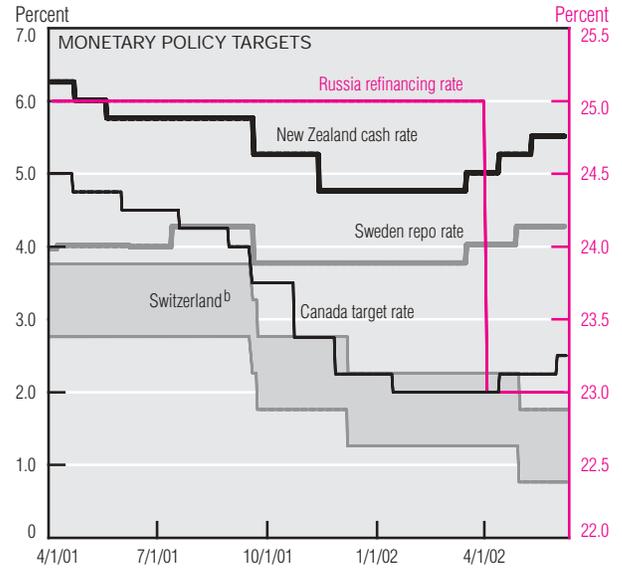
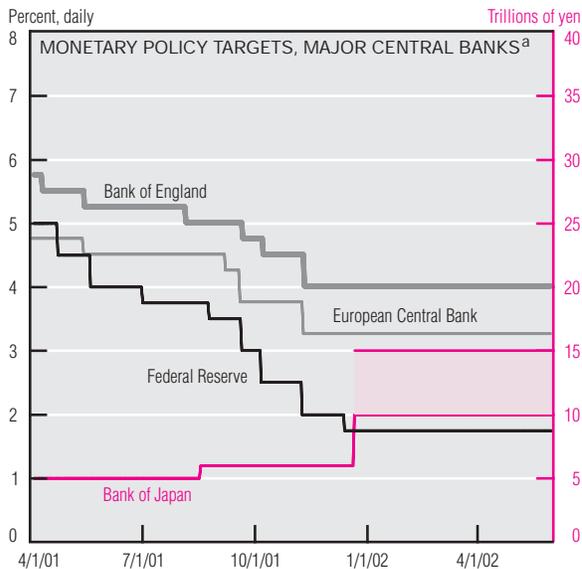


Foreign Central Banks



a. Federal Reserve: overnight interbank rate. Bank of England and European Central Bank: two-week repo rate. Bank of Japan: quantity of current account balances; since December 19, 2001, it has targeted a range for the quantity.

b. The Bank of Switzerland targets the range of repo rates.

c. Current account balances at the Bank of Japan are required and excess reserve balances of 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; Bank of Canada; Swiss National Bank; and Bloomberg Financial Information Services.

The four major central banks did not change their stated policy settings in May, although some movement in policy outlook can be seen. The Bank of England's Monetary Policy Committee "agreed that, in the absence of new information which changed [two-year inflation] projections, the repo rate would need to be increased eventually." The Federal Open Market Committee now believes that "the risks are balanced with respect to the prospects for both [its price stability and sustainable economic growth] goals. The European Central Bank "concluded that the prospects for price stability

appear to be somewhat less favourable than they were towards the end of last year," but that "price developments partly reflect the influence of specific temporary factors."

Some central banks have raised their policy rates recently as the international economic slowdown seemingly has ended and future inflation has become a concern. Others, however, remain in a rate-cutting mode. The Bank of Japan appears to be among the first to tighten policy, by reducing the supply of current account balances substantially over the most recent reserve maintenance

period; however, the stated policy target has not changed. Before this decrease, supply was temporarily above target, to meet liquidity demands expected at the fiscal year's end (March) and "against the background of a system failure of a major bank group due to business integration."

Argentine currency depreciation has continued, with a 27.8% decline in the dollar value of the peso since renewed pressure began on April 5. The Brazilian real and Chilean peso depreciated only 10.8% and 1.5%, respectively, over this period.