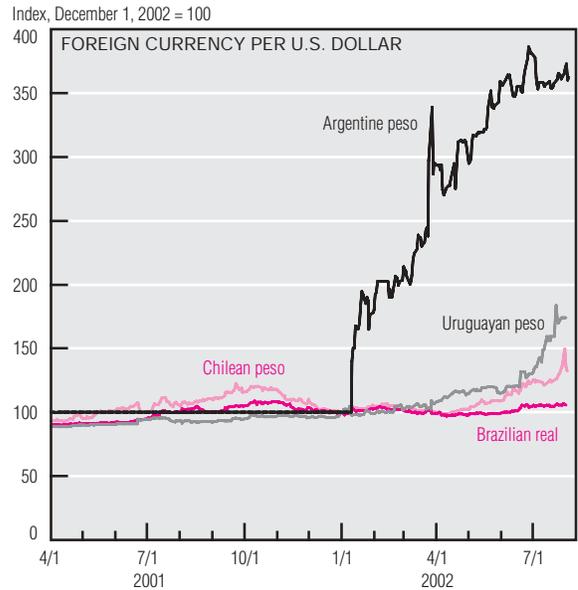
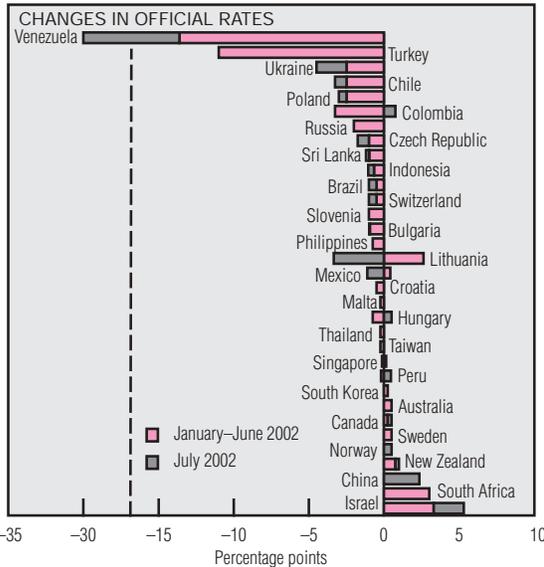
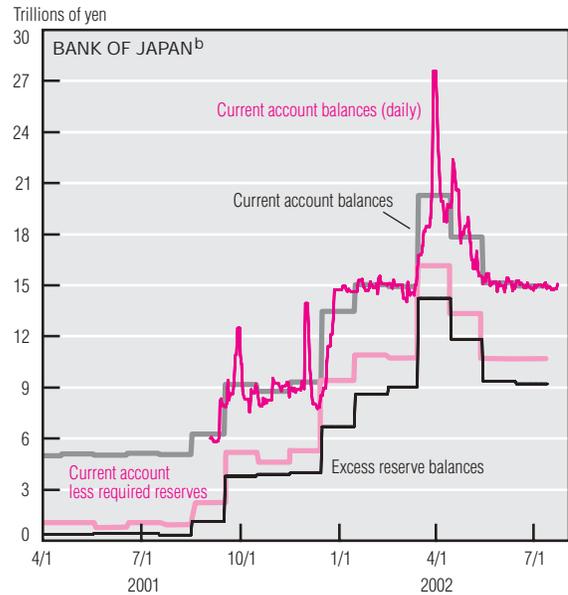
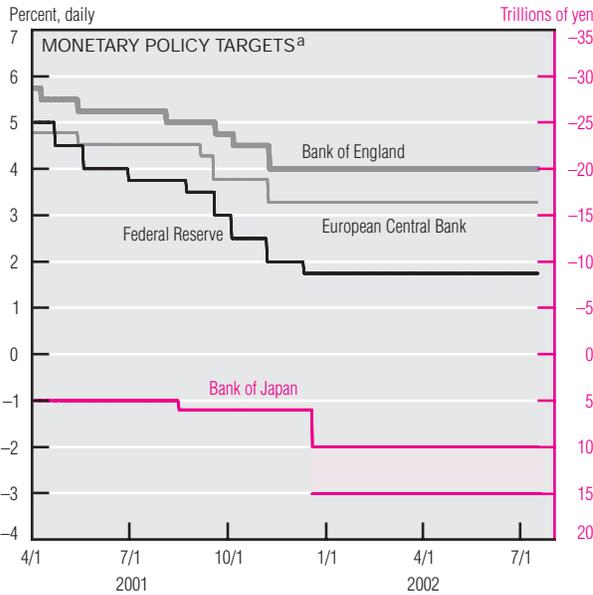


Foreign Central Banks



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. 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; Bank of Canada; and Bloomberg Financial Information Services.

Policy settings at the four major central banks have remained unchanged throughout this year. Recently, market speculation in the U.S. has shifted somewhat with the emergence of uncertainty as to whether the next policy move will be an increase or a decrease.

The Bank of Japan has continued to supply about ¥15 trillion in current account balances, at the upper end of its policy target of ¥10 trillion–¥15 trillion. Likewise, excess reserves' swollen value continues about unchanged. Banks have retained as excess reserves almost 90% of the

nearly threefold increase in current account balances over the past year. Another 9% has been added to the balances of financial institutions not subject to reserve requirements. Only 2% of the growth in current account balances has been used to meet increased need for required reserves. Although they account for only this small portion of current account balances' massive increase, required reserves nonetheless grew 4.8% over the past year (June 2001–June 2002), while nominal GDP probably fell over the same period.

Rate increases have been seen this year in the "dollar" countries of New Zealand, Australia, and Canada and in the non-euro central banks of Sweden and Norway. Rate cuts have been prevalent among central banks in Eastern Europe and Latin America, with very wide rate swings in some members of both groups. Rate cuts are also evident in some far eastern nations but not in Singapore, South Korea, or China.

In Argentina, a month's rapid peso depreciation was reversed around the beginning of July, while Uruguay's peso came under continued pressure.