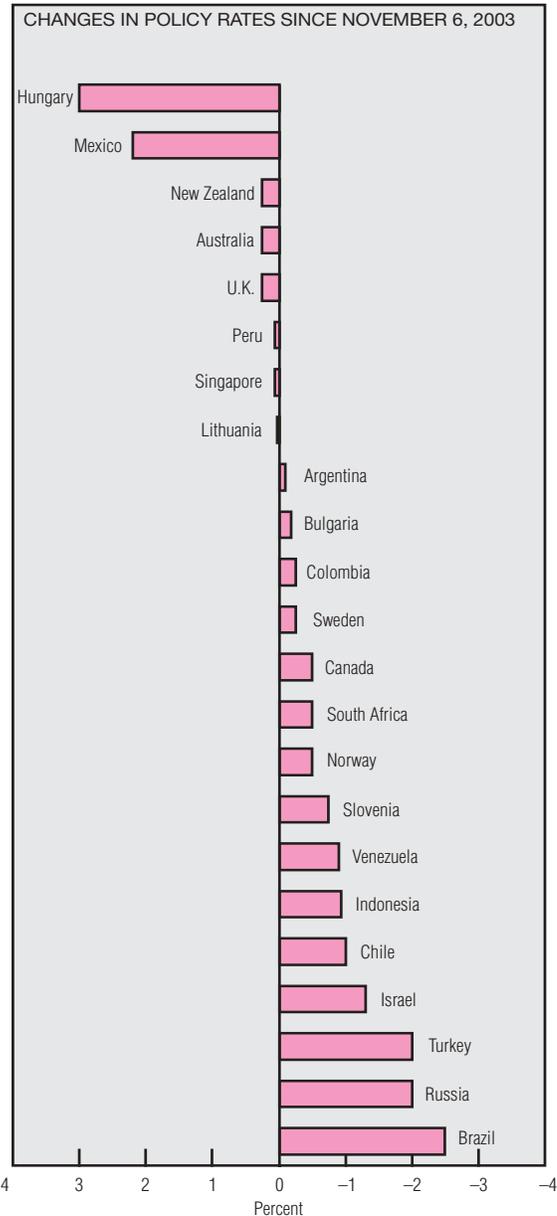
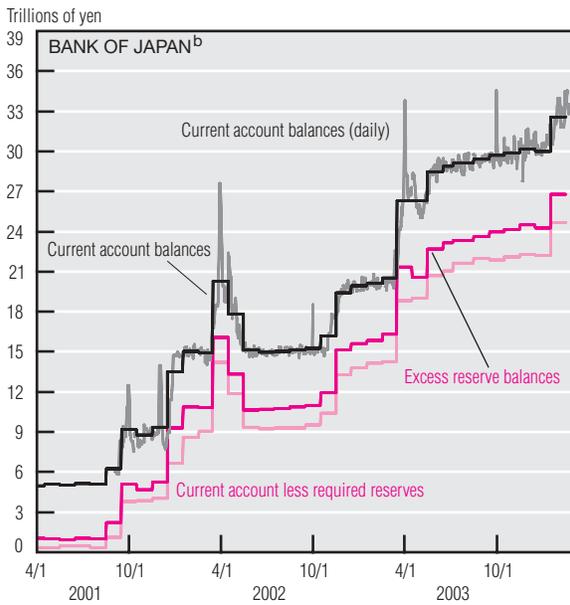
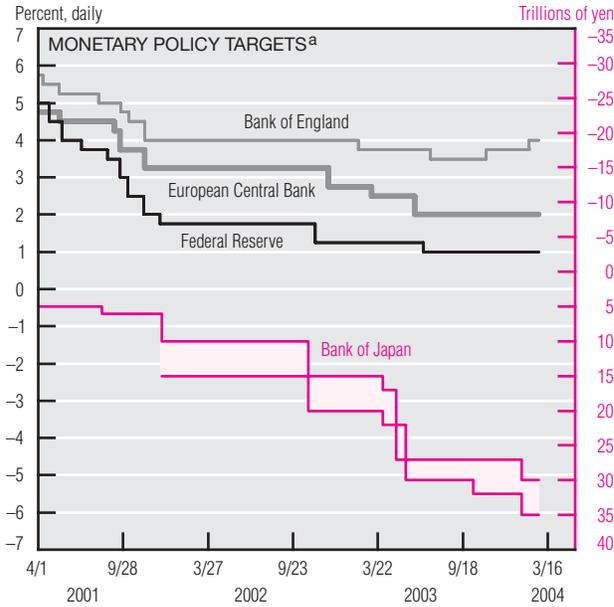


# Foreign Central Banks



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 and European Central Bank: repo 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.

The Bank of England's Monetary Policy Committee raised its repo rate to 4% in early February, the second increase of 25 basis points in three months. The committee said that this tightening action was required because, "although sterling has appreciated, continued [output] growth above trend means that inflationary pressures are likely to pick up gradually over the next couple of years."

The Bank of Japan, on the other hand, has increased the supply of current account balances recently,

consistent with its Policy Board's easing of the target range to ¥30 trillion–¥35 trillion in January. In the bank's view, the economy will continue recovering at a moderate pace, but consumer prices are expected to keep falling slightly "because the imbalance between supply and demand in the economy still remains considerable."

Disparate policy moves are evident among other nations, largely reflecting the emergence of differences in the direction of expected economic growth and inflation. Since the Bank

of England increased its repo rate last November 6, other central banks also have tightened their policy settings either slightly or, as in Hungary's case, by more substantial amounts. During the same period, however, some central banks have extended the series of easing moves that many began during the 2000–2001 recession. On January 20, the Bank of Canada lowered its overnight target rate by one-quarter of one percentage point to 2.5%.