Public discussion of expected monetary tightening has begun to spread around the globe, although the four major central banks left their policy settings unchanged in April. In Europe, the Governing Council of the European Central Bank concluded that an unchanged policy rate was “in line with the maintenance of price stability over the medium term,” while officials outside the bank continued to press for a cut in its main refinancing rate.

The Bank of England’s Monetary Policy Committee, noting that “global economic recovery still seemed to be developing broadly as expected,” left its policy rate unchanged in April after raising it 50 basis points since October. Federal Reserve Chairman Alan Greenspan’s remark that deflation “was no longer an issue” in the U.S. triggered spirited public speculation about the timing of potential future increases in the policy rate.

Economic recovery and lower excess reserves led to talk of an end to the Bank of Japan’s policy of quantitative easing. Governor Fukui, however, reiterated that for this to happen, the bank would need to see both past and prospective core CPI measures at or above zero and might continue the policy “even if these two conditions are fulfilled.”

The Bank of China continued to battle rapid growth and potential inflationary pressures in April by raising reserve requirements for the second consecutive month.