The Federal Open Market Committee increased its federal funds rate target by 25 basis points to 1.25% on June 30, “with underlying inflation still expected to be relatively low.” The Monetary Policy Committee of the Bank of England raised its target another 25 basis points to 4.75% on August 5, “to keep CPI inflation on track to meet the 2% target in the medium term.” The analogous committee of the Bank of Japan has maintained a ¥30–¥35 trillion target for current account balances since January, and there has been no significant change in the division of those balances between required and excess reserves.

Sporadic flare-ups in a continuing liquidity crisis disturbed Russia’s banking system in recent months and led to the closure or takeover of several banks. The episode was triggered by what the World Bank’s Moscow office describes as a “bungled…operation to withdraw the license of a medium-sized bank” in April for suspected money laundering. That action, plus pre-existing public uncertainty about the viability of other banks, induced widespread depositor withdrawals of substantial sums from a number of banks. In addition, market commentary has emphasized the drying up of interbank funding as an important source of illiquidity. Though not as high or volatile as several years ago, the overnight interbank rate has increased, with peak rates above 20% at the end of both April and May. The Bank of Russia added liquidity by reducing deposit reserve requirements by more than half, including cuts on June 15 and July 8.