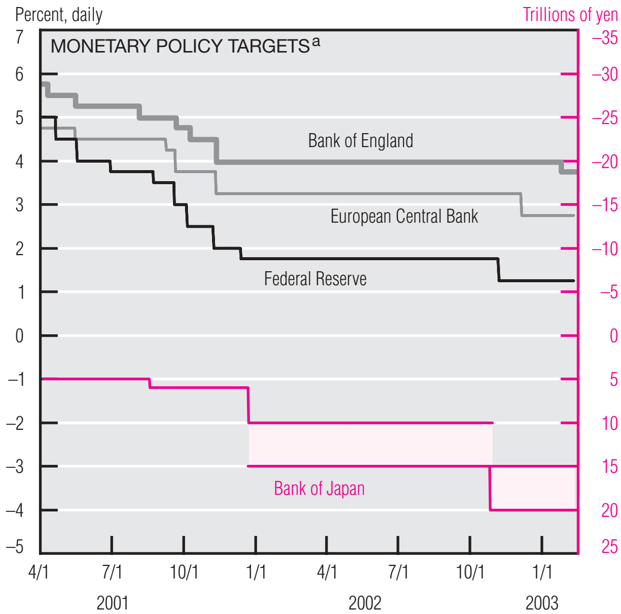
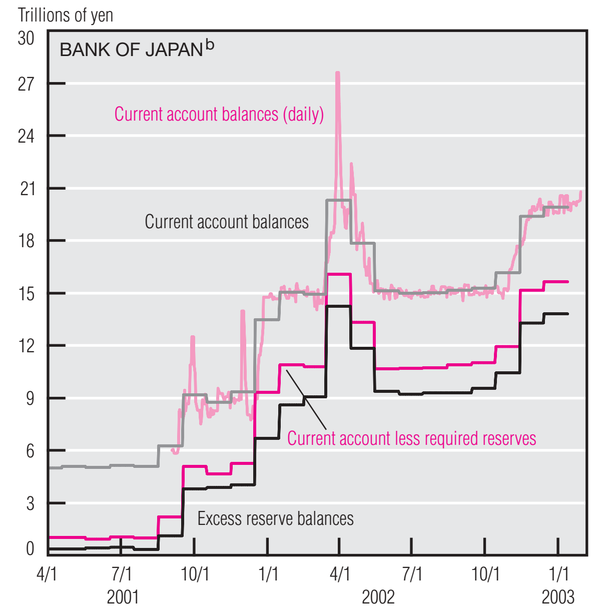
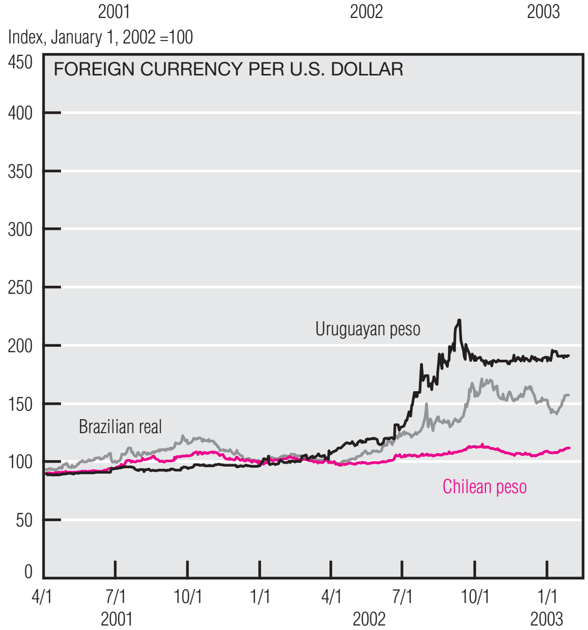
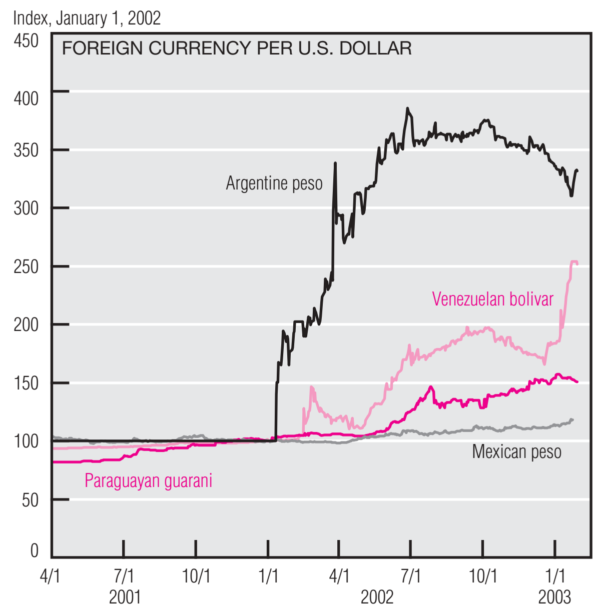
Foreign Central Banks









a. Federal Reserve: overnight interbank rate. Bank of Japan: a quantity of current account balances (since December 19, 2001, a range of the quantity of current account balances). Bank of England and European Central Bank: two-week 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 reduced its policy rate by 25 basis points to 3.75% on February 6. Its Monetary Policy Committee said the cut was necessary to keep inflation on track, given weaker-than-anticipated demand both globally and domestically. The quantity-setting Bank of Japan has been supplying slightly more than ¥20 trillion in current account balances, the upper end of its target range for the past three months. The Bank has added about ¥15 trillion to the level of current account balances over the past two years, whereas required reserves have grown by less than half a trillion.

In the Americas, several currencies have depreciated sharply in recent months. The Venezuelan bolivar has lost about 30% of its value since the onset of a widespread national strike on December 2, 2002. In late January, the central bank suspended foreign currency trading for a week in response to declining foreign exchange reserves. Since then, the nation's president has announced the imposition of exchange controls, now in the process of being formulated.

Brazil's real has depreciated somewhat, despite the country's smooth transition to a new administration. The central bank raised its policy rate 50 basis points in mid-January but decided to accept most of the immediate impacts of last year's depreciation on the 2003 inflation rate. Argentina's peso depreciated sharply at the end of January, even though the country's new credit agreement with the International Monetary Fund averted imminent default. For both of these currencies (as well as the Mexican peso), depreciation is said to be partly a response to an increasing likelihood of U.S. military action in the Middle East.