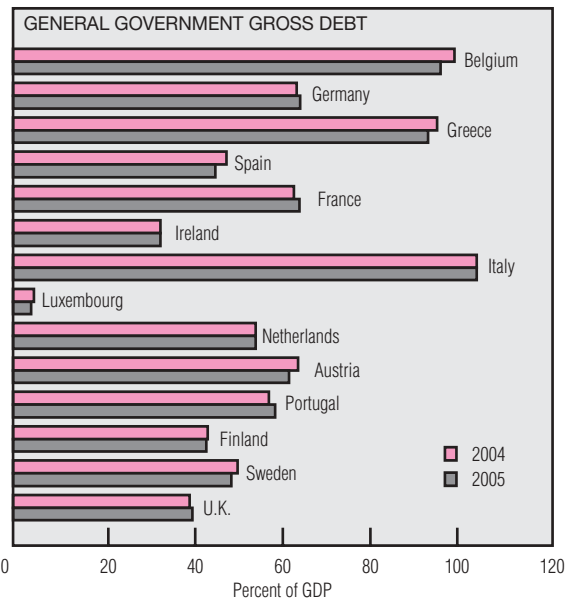
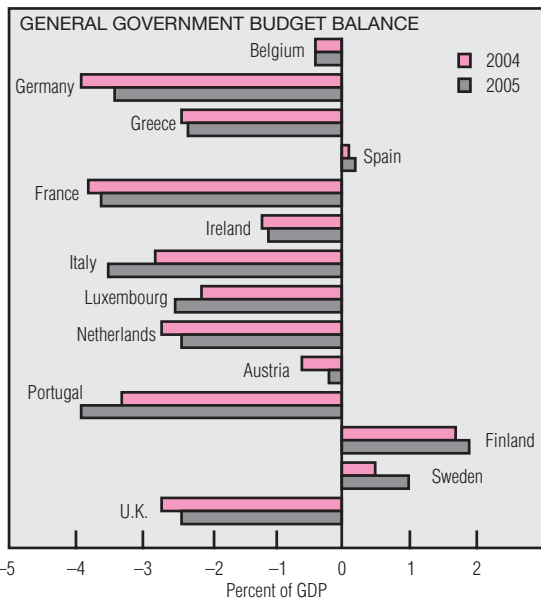
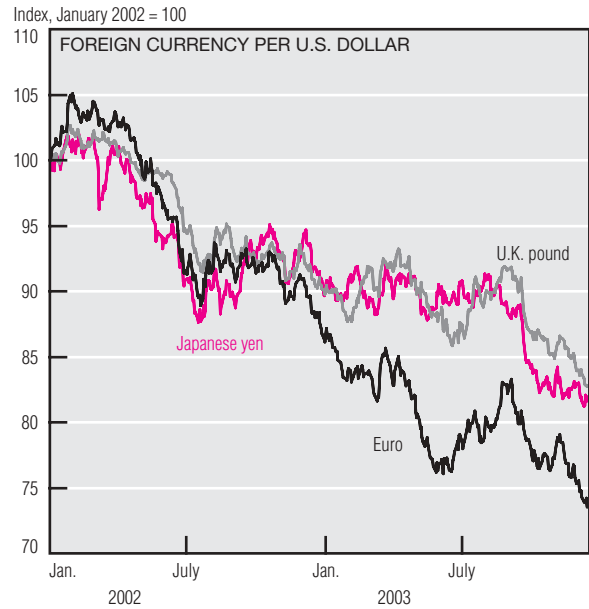
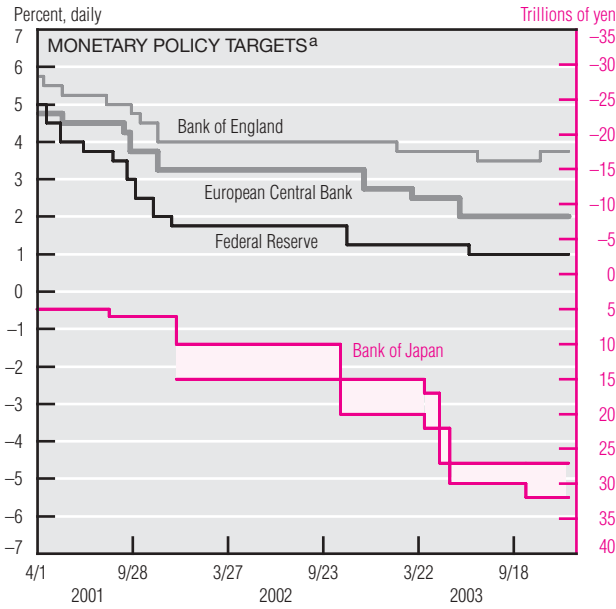


Foreign Central Banks



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: two-week repo rate.
 SOURCES: Board of Governors of the Federal Reserve System; Bank of Japan; European Central Bank; Bank of England; People's Bank of China; Wholesale Markets Brokers Association; and European Commission, *Economic Forecasts*, Autumn 2003.

The four major central banks left their policy targets unchanged as the British pound, the euro, and the yen continued to appreciate relative to the U.S. dollar. While the Bank of England held its repo rate at 3.75%, one member of its Monetary Policy Committee voted against the decision, preferring a 4% rate. Also, consistent with last June's announcement and with practice elsewhere in the European Union, the Chancellor of the Exchequer has reset the Bank's inflation target to 2%, reflecting a change to a harmonized

index of consumer prices as the basis for targeting. According to the Bank of Japan, economic recovery is expected to continue, "albeit at a moderate pace," and consumer prices are "basically projected to continue falling slightly." Likewise, the European Central Bank "noted that the economic recovery in the euro area has started and that confidence has strengthened further"; that annual inflation rates are likely to fluctuate around 2% over the coming months; and "that a gradual

and limited decline should take place later on." In a somewhat controversial decision, the European Council held in abeyance the Excessive Deficit Procedures that the European Commission recommended imposing on France and Germany. The Commission's autumn forecasts projected that the two nations' government deficits and debt would remain above the Growth and Stability Pact ceilings of 3% and 60% of GDP, respectively, through 2005.