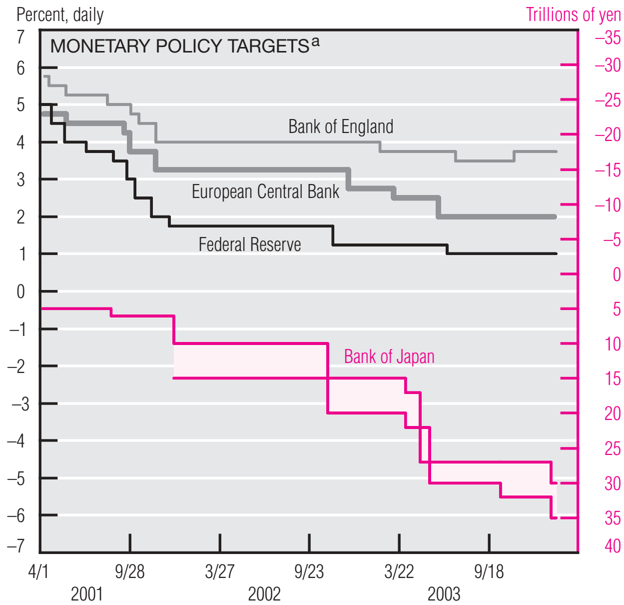
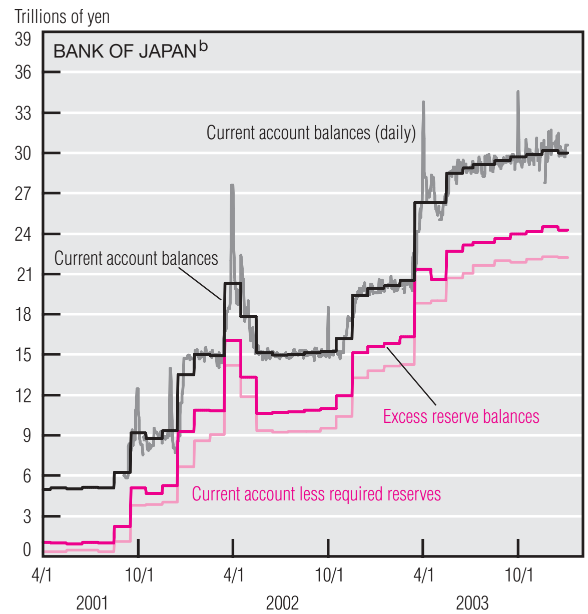
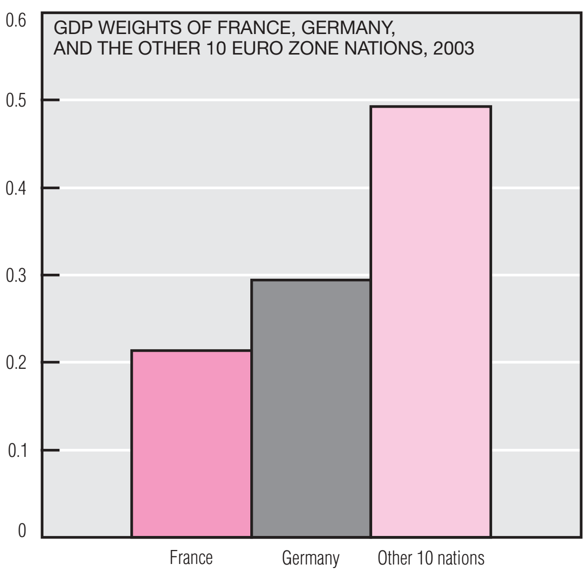
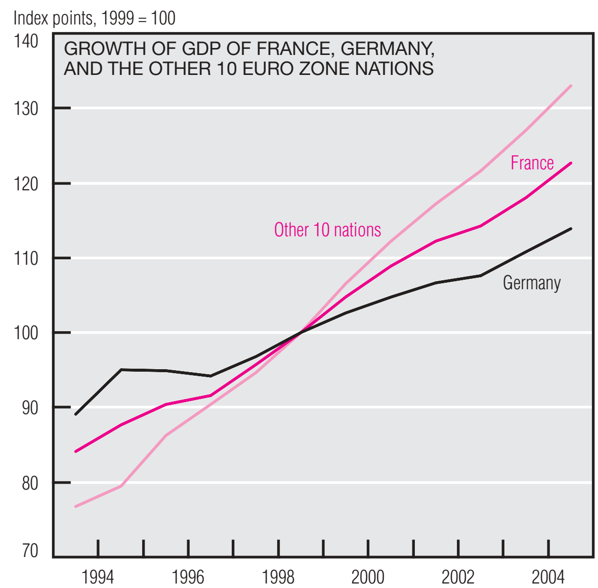
Foreign Central Banks









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.

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; and Bank of England.

The Bank of Japan, alone among the four major central banks, adjusted its monetary policy setting recently. The actual monthly average supply of current account balances has been increasing gradually for most of the past year, reaching a level of about ¥30 trillion. On January 20, the Bank raised its current account balance target from "around 27 to 32 trillion yen" to "around 30 to 35 trillion yen," in order to "reaffirm its policy stance to overcome deflation and ensure a continued recovery."

In the euro area, implementation of the Stability and Growth Pact continues to be an issue. The European Commission has filed a legal action with the European Court of Justice, formally challenging the finance ministers' decision to hold in abeyance the Commission's November 2003 recommendation that excessive deficit procedures be imposed on France and Germany. Moreover, in a regularly scheduled review of several European Union nations, the Commission warned that France's debt-to-GDP ratio was projected to run above 60% throughout 2005 and that risks surround the nation's plan to reduce its budget deficit below 3% of GDP by the end of 2005. By comparison, the ratio of publicly held Treasury debt to GDP in the U.S. was about 36% in 2004:IIIQ. Germany is one of the nations scheduled for review in February.

Trend growth through 2005 for France and Germany, which together account for about half of the euro area's GDP, is noticeably slower than that of the other 10 euro area nations.