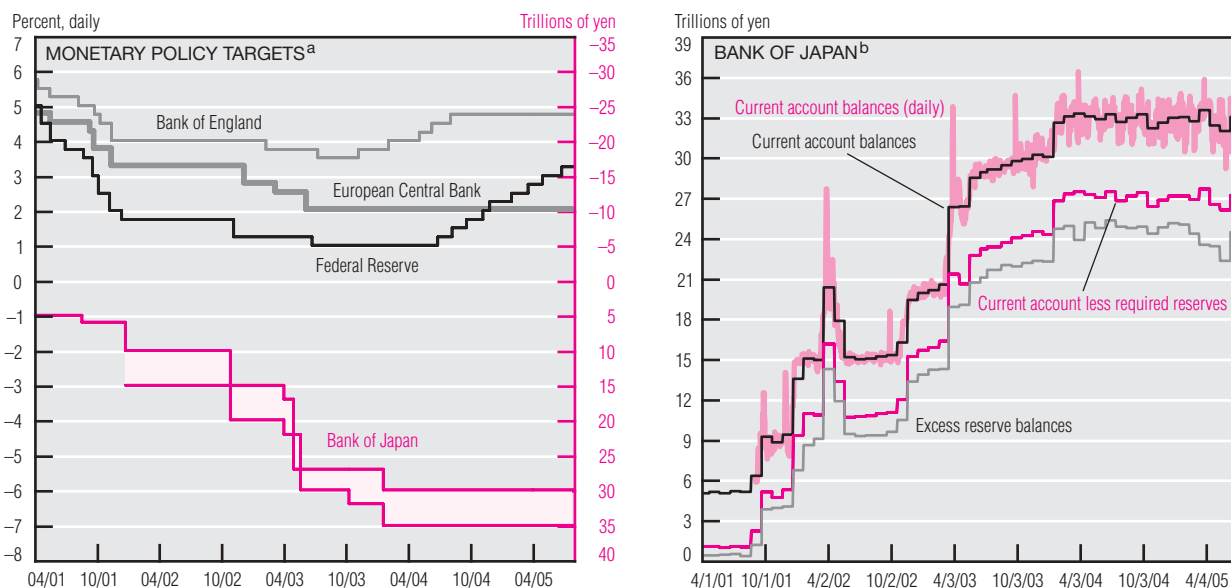


Foreign Central Banks



Central Banks of Venezuela and China

	Venezuela (millions of bolivares)	China (millions of renminbi)
Assets:	59,936,000	8,608,000
Foreign-exchange denominated	58,625,000	5,363,000
Investments and funds in foreign exchange	48,477,000	5,298,000
All other, net	10,148,000	65,000
Local-currency denominated	1,311,000	3,245,000
Liabilities:	44,877,000	8,586,000
Monetary base	17,745,000	5,659,000
Own securities issues	12,734,000	1,727,000
Other local currency liabilities	14,397,000	1,200,000
Equity:	15,059,000	22,000
Initial capital and general reserves	1,100,000	22,000
Equity increases ^c	13,959,000	22,000

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: 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.

c. Corrective entry due to valuation of external assets and liabilities in domestic currency.

SOURCES: Board of Governors of the Federal Reserve System; Bank of England; Bank of Japan; European Central Bank; Banco Central de Venezuela; and Central Bank of the People's Republic of China.

The Bank of England maintained a 4.75% repo rate at its early July meeting, although only by the slimmest of margins: Four of the nine members wanted to cut the rate in anticipation of a “softer [growth] outlook going forward.” At about the same time, the European Central Bank left its deposit, repo, and loan rates unchanged despite “risks to growth on the downside” because of “risks to inflation on the upside.” The Federal Reserve’s Open Market Committee meets on August 9 to reconsider its

current 3.25% federal funds rate target. The Bank of Japan has not changed its policy setting since January 2004, nor has it allowed the supply of current account balances to fall below ¥30 trillion since early June.

Both the Venezuelan and the Chinese monetary authorities have been making large purchases of foreign exchange to combat currency appreciation. Ninety-eight percent of assets in the Banco Central de Venezuela are now denominated in foreign currencies, as are 60% of the Chinese

monetary authority’s (compared to about 6% for the Federal Reserve Banks). Both countries issue domestic securities to drain some of the base money created by their foreign exchange purchases, and policy changes in July may also affect their practices: China allowed its currency to appreciate slightly against the dollar; Venezuela stopped routing dollar petroleum earnings to the central bank, sending them to a government development agency instead.