

Box I**Monetary policy operations and liquidity conditions in the reserve maintenance period ending on 23 December 2000****Allotments in monetary policy operations**

During the reserve maintenance period, which lasted from 24 November to 23 December 2000, the Eurosystem settled four main refinancing operations and one longer-term refinancing operation.

The main refinancing operations were carried out as variable rate tenders with a minimum bid rate of 4.75%. The allotted volumes ranged between €91 billion and €128 billion. The ratio of the amount bid to the volume allotted varied between 1.01 and 1.60, with an average of 1.29. In the first operation, the marginal rate was 4.82%. After decreasing in the second operation to 4.75%, it increased again to 4.76% in the third operation and 4.80% in the fourth. The spread between the weighted average rate and the marginal rate was relatively large in the second and fourth operations of the reserve maintenance period, amounting to 4 and 6 basis points respectively. In the second operation, this spread reflected the small amount bid relative to the amount allotted, which resulted in a lower marginal rate than expected by counterparties when submitting their bids. In the fourth operation, which was the first operation maturing in the new year, the relatively large spread reflected uncertainty and heterogeneity of preferences relating to the year-end. In the other two operations the spreads were only 1 and 2 basis points respectively. The number of bidders participating in the tenders varied between 496 and 680.

On 29 November the Eurosystem conducted a longer-term refinancing operation through a variable rate tender with a pre-announced allotment volume of €15 billion. A total of 226 bidders participated in this operation, submitting total bids of €32.0 billion. The marginal rate of the operation was 5.03%, and the weighted average rate was 2 basis point higher, at 5.05%.

Starting the reserve maintenance period at 4.83%, the EONIA rose by 1 basis point on each of the following three days before climbing to 4.94% on 30 November, reflecting the usual end-of-month effect. It immediately dropped the following day by 10 basis points and then decreased further to reach 4.78% on 6 December, reflecting in part comfortable liquidity conditions. During the following two weeks the EONIA moved within a relatively narrow band around 4.80%, before resuming its downward trend to reach 4.74% on 20 December and 4.73% on 21 December. However, it subsequently rose to 4.85% on 22 December, the last business day of the reserve maintenance period.

Contributions to the banking system's liquidity

(EUR billions)

Daily average during the reserve maintenance period from 24 November to 23 December 2000

	Liquidity providing	Liquidity absorbing	Net contribution
(a) Monetary policy operations of the Eurosystem	255.8	0.2	+ 255.6
Main refinancing operations	210.4	-	+ 210.4
Longer-term refinancing operations	45.0	-	+ 45.0
Standing facilities	0.4	0.2	+ 0.2
Other operations	0.0	0.0	0.0
(b) Other factors affecting the banking system's liquidity	394.4	532.6	- 138.2
Banknotes in circulation	-	360.4	- 360.4
Government deposits with the Eurosystem	-	61.1	- 61.1
Net foreign assets (including gold)	394.4	-	+394.4
Other factors (net)	-	111.1	- 111.1
(c) Credit institutions' holdings on current accounts with the Eurosystem (a) + (b)			117.4
(d) Required reserves			116.6

Source: ECB.

Totals may not add up due to rounding.

Use of standing facilities

Compared with the previous reserve maintenance period, the average daily use of the marginal lending facility increased from €0.2 billion to €0.4 billion, while the average use of the deposit facility remained unchanged at €0.2 billion.

Liquidity factors not related to monetary policy

The net liquidity-absorbing impact of the autonomous factors (the factors not related to monetary policy) on the banking system's liquidity (item (b) in the table above) was €138.2 billion on average, i.e. €25.2 billion more than in the previous reserve maintenance period. This rather substantial rise was mainly due to both the seasonal increase in banknotes in circulation of €7.7 billion on average and a rise in government deposits, which were €11.3 billion higher on average compared with the previous reserve maintenance period. The daily sum of autonomous factors fluctuated between €119.4 billion and €158.6 billion.

The published estimates of average liquidity needs stemming from autonomous factors ranged between €126.1 billion and €149.8 billion. They differed from the ex post figures by between minus €1.2 billion and plus €0.4 billion.

Current account holdings of counterparties

Average current account holdings amounted to €117.4 billion, and reserve requirements to €116.6 billion. The difference between the two (€0.8 billion) was €0.2 billion more than in the previous reserve maintenance period. The increase was caused by higher excess reserves due to the fact that the reserve maintenance period ended on a Saturday. As in the previous reserve maintenance period, an amount of €0.2 billion of the current account holdings did not contribute to the fulfilment of reserve requirements.

Factors contributing to the banking system's liquidity during the maintenance period ending on 23 December 2000

(EUR billions; daily data)

