

Box I**Monetary policy operations and liquidity conditions in the ninth maintenance period****Allotments in monetary policy operations**

During the ninth reserve maintenance period, which lasted from 24 September to 23 October 1999, the Eurosystem conducted four main refinancing operations and one longer-term refinancing operation. All main refinancing operations were carried out at a fixed interest rate of 2.5%. The allotted volume varied between €50.1 billion and €90.1 billion. The average total amount of bids submitted to the main refinancing operations increased to €1,244.9 billion, from €1,193.7 billion in the previous reserve maintenance period.

The allotment ratios in the main refinancing operations varied between 3.9% and 6.8%, compared with a range of between 4.3% and 13.9% in the eighth reserve maintenance period. The increase in bids and the corresponding decrease in the allotment ratios were partly related to the high level of the EONIA rate during most of the reserve maintenance period. However, the EONIA rate declined considerably towards the end of the period owing to the ample liquidity available in the market.

On 29 September the Eurosystem conducted a longer-term refinancing operation through a variable rate tender with a pre-announced allotment volume of €15 billion, as on previous occasions. A total number of 198 bidders participated in this operation and the total amount of bids was €41.4 billion. The marginal interest rate was set at 2.66%.

Contributions to the banking system's liquidity

(EUR billions)

Daily average during the reserve maintenance period from 24 September to 23 October 1999

	<i>Liquidity providing</i>	<i>Liquidity absorbing</i>	<i>Net contribution</i>
(a) Monetary policy operations of the Eurosystem	188.3	0.6	+187.7
Main refinancing operations	143.0	-	+143.0
Longer-term refinancing operations	45.0	-	+45.0
Standing facilities	0.3	0.6	-0.3
Other operations	0.0	0.0	0.0
(b) Other factors affecting the banking system's liquidity	349.6	433.8	-84.2
Banknotes in circulation	-	342.5	-342.5
Government deposits with the Eurosystem	-	45.4	-45.4
Net foreign assets (including gold)	349.6	-	+349.6
Other factors (net)	-	45.9	-45.9
(c) Credit institutions' holdings on current accounts with the Eurosystem (a) + (b)			103.5
(d) Required reserves			102.8

Source: ECB.

Totals may not add up due to rounding.

Use of standing facilities

Compared with the previous reserve maintenance period, the average use of the marginal lending facility increased from €0.2 billion to €0.3 billion, while the average use of the deposit facility decreased from €0.7 billion to €0.6 billion. Around two-thirds of the use of the deposit facility is explained by the recourse to it on the last two days of the reserve maintenance period, amounting to a total of €11.3 billion.

Liquidity factors not related to monetary policy

The net liquidity-absorbing impact of the autonomous factors (i.e. the factors not related to monetary policy) on the banking system’s liquidity (item (b) in the table above) was €84.2 billion on average, i.e. €7.4 billion less than in the previous reserve maintenance period. This was mainly due to a decline in government deposits with the Eurosystem which were €6.0 billion lower than in the previous reserve maintenance period. The sum of autonomous factors fluctuated between €70.4 billion and €94.0 billion, showing higher volatility than in the previous period.

Current account holdings of counterparties

In the ninth reserve maintenance period the average current account holdings amounted to €103.5 billion, and the reserve requirements to €102.8 billion. The difference between the average current account holdings and the reserve requirements remained at the same level as in the previous reserve maintenance period (i.e. €0.7 billion). Approximately €0.2 billion of this amount was due to current account holdings not contributing to the fulfilment of reserve requirements, and €0.5 billion was related to excess reserves. Likewise, these figures were the same as in the previous reserve maintenance period.

Factors contributing to the banking system’s liquidity during the ninth maintenance period

(EUR billions; daily data)

