

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

During the fourth reserve maintenance period, which lasted from 24 March to 23 April 2000, the Eurosystem conducted four main refinancing operations and one longer-term refinancing operation. All the main refinancing operations were carried out at a fixed interest rate of 3.50%. The allotted volumes ranged between €48 billion and €89 billion. The amounts of bids submitted for the main refinancing operations varied between €2,869 billion and €4,290 billion, with an average of €3,615 billion, compared with an average amount bid of €2,589 billion in the previous reserve maintenance period. The high bid amounts submitted, especially in the last two operations, can be explained by two factors: first, the end of the reserve maintenance period coincided with the long Easter weekend and credit institutions preferred to fulfil their reserve requirements earlier than usual (i.e. before the end of the reserve maintenance period) and, second, renewed interest rate expectations. The allotment ratios in the main refinancing operations varied between 1.36% and 2.94%, compared with a range of between 2.04% and 3.13% in the preceding reserve maintenance period.

The Eurosystem conducted a longer-term refinancing operation on 29 March through a variable rate tender with a pre-announced allotment volume of €20 billion. A total number of 325 bidders participated in this operation and the total amount of bids was €75 billion. The marginal rate was calculated to be 3.78%, while the average rate was 3.80%.

Throughout the reserve maintenance period the EONIA remained above the main refinancing rate, with the exception of the last day of the period. The EONIA reached 3.75% on 31 March, owing to the usual end-of-quarter effects. Throughout the reserve maintenance period the liquidity situation was rather comfortable; even at the beginning of the period the usual liquidity deficit was comparatively small. The persistent positive spread between the EONIA and the main refinancing rate can, therefore, mainly be explained by the above-mentioned frontloading of reserve fulfilment by some counterparties owing to the long Easter weekend at the

Contributions to the banking system's liquidity*(EUR billions)*

Daily average during the reserve maintenance period from 24 March to 23 April 2000

	<i>Liquidity providing</i>	<i>Liquidity absorbing</i>	<i>Net contribution</i>
(a) Monetary policy operations of the Eurosystem	197.9	0.9	+ 197.0
Main refinancing operations	136.7	-	+ 136.7
Longer-term refinancing operations	61.0	-	+ 61.0
Standing facilities	0.2	0.9	- 0.7
Other operations	0.0	0.0	0.0
(b) Other factors affecting the banking system's liquidity	377.1	464.4	- 87.3
Banknotes in circulation	-	349.7	- 349.7
Government deposits with the Eurosystem	-	45.6	- 45.6
Net foreign assets (including gold)	377.1	-	+ 377.1
Other factors (net)	-	69.1	- 69.1
(c) Credit institutions' holdings on current accounts with the Eurosystem (a) + (b)			109.7
(d) Required reserves			108.7

Source: ECB.

Totals may not add up due to rounding.

end of the reserve maintenance period and by renewed expectation of an interest rate hike. On the last day of the reserve maintenance period the EONIA dropped to 3.35%, owing to the comfortable liquidity situation prevailing after the last tender allotment, which aimed at ending the reserve maintenance period in a smooth manner.

Use of standing facilities

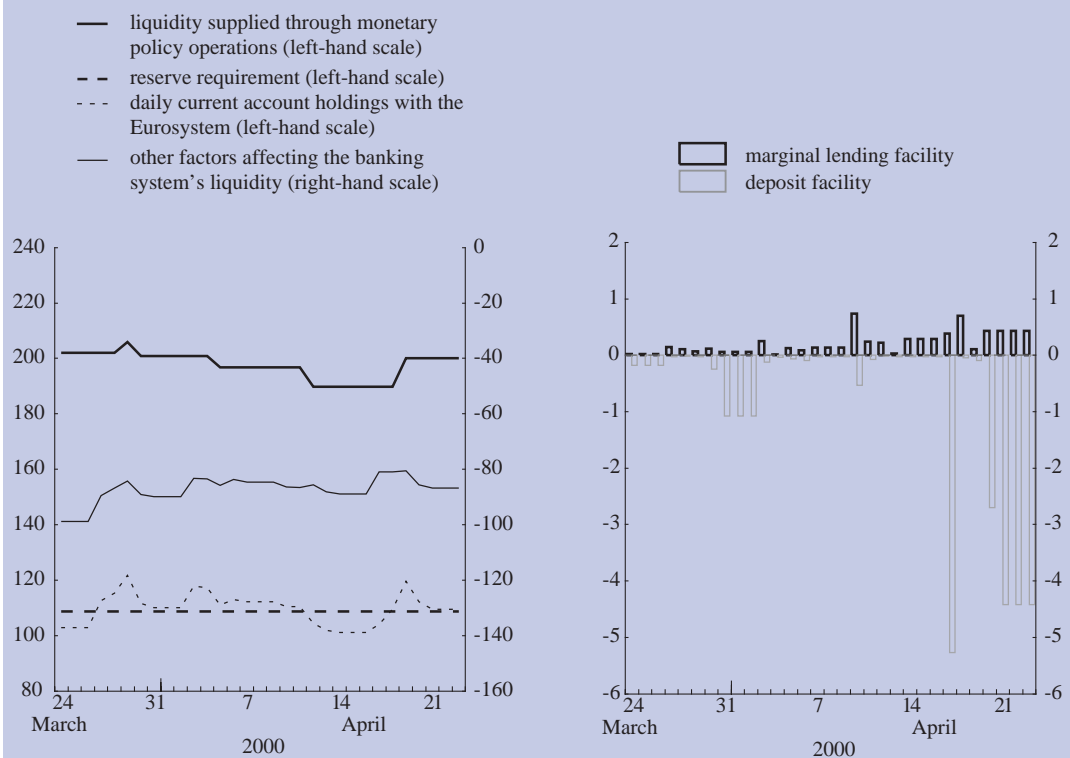
Compared with the previous reserve maintenance period, the average use of the marginal lending facility remained unchanged at €0.2 billion, while the average use of the deposit facility increased from €0.3 billion to €0.9 billion. The recourse to the marginal lending facility at the end of the reserve maintenance period amounted to €0.4 billion. The use of the deposit facility was €2.7 billion on 20 April, the last TARGET day of the maintenance period, and it increased to €4.4 billion from 21 to 23 April. As Good Friday, 21 April, was a business day in part of the euro area and some national central banks kept their real-time gross settlement (RTGS) systems open, in such cases access to the standing facilities was also possible on that day.

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 €87.3 billion on average, i.e. €6.3 billion less than in the previous reserve maintenance period. This was mainly a result of decreased government deposits and increased net foreign assets. The sum of autonomous factors fluctuated between €80.4 billion and €98.9 billion.

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

(EUR billions; daily data)



Source: ECB.

Current account holdings of counterparties

The average current account holdings amounted to €109.7 billion and the reserve requirements to €108.7 billion. The difference between the average current account holdings and the reserve requirements therefore amounted to €1.0 billion. Around €0.2 billion of this amount consisted in current account holdings not contributing to the fulfilment of reserve requirements, and €0.8 billion was related to excess reserves, the higher than usual figure probably being caused by the long Easter weekend at the end of the reserve maintenance period.