

Box

Monetary policy operations and liquidity conditions in the reserve maintenance period ending on 23 July 2000

Allotments in monetary policy operations

During the reserve maintenance period which lasted from 24 June to 23 July 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 4.25%. The allotted volumes ranged between €53 billion and €99 billion. The amounts of bids submitted varied between €160.5 billion and €201.6 billion, with an average of €181.7 billion, which is a fraction of the €5,258 billion average bid amount in the previous reserve maintenance period, when fixed rate tenders were applied, reflecting the different nature of each tender procedure. The marginal rate was 4.29% in all four operations. The weighted average rate was 4.32% in the first operation, conducted on 27 June, and 4.30% in the following three operations. The allotment ratios at the marginal rate varied between 15.57% and 95.72%.

On 28 June 2000 the Eurosystem conducted a longer-term refinancing operation through a variable rate tender with a pre-announced allotment volume of €20 billion. 258 bidders participated in this operation and submitted a total amount of bids of €41.8 billion. The marginal rate of the operation was 4.49%, while the weighted average rate was 3 basis points higher, i.e. 4.52%.

As regards the development in the EONIA, the reserve maintenance period can broadly be divided into three periods. During the first week the EONIA moved between 4.33% and 4.75%. The latter figure, which represented the peak of the period, was reached on 30 June, i.e. the last day of the first six months of 2000, and can mainly be attributed to end-of-semester balance sheet activities. During the following two and a half weeks, i.e. from Monday, 3 July, until Wednesday, 19 July, the EONIA moved within the narrow range from 4.30% to 4.34%, while most days staying at 4.31%. On the last two business days of the reserve maintenance period, when the comfortable liquidity situation became apparent, the rate dropped to 4.22% and 3.98% respectively.

Compared with the previous reserve maintenance period, the average daily use of the marginal lending facility increased slightly from €0.3 billion to €0.4 billion, while the average use of the deposit facility decreased from €0.8 billion to €0.5 billion.

Contributions to the banking system's liquidity

(EUR billions)

Daily average during the reserve maintenance period from 24 June to 23 July 2000

	Liquidity providing	Liquidity absorbing	Net contribution
(a) Monetary policy operations of the Eurosystem	218.2	0.5	+ 217.7
Main refinancing operations	157.9	-	+ 157.9
Longer-term refinancing operations	59.9	-	+ 59.9
Standing facilities	0.4	0.5	- 0.1
Other operations	0.0	0.0	0.0
(b) Other factors affecting the banking system's liquidity	380.8	484.3	- 103.5
Banknotes in circulation	-	357.0	- 357.0
Government deposits with the Eurosystem	-	50.4	- 50.4
Net foreign assets (including gold)	380.8	-	+ 380.8
Other factors (net)	-	76.8	- 76.8
(c) Credit institutions' holdings on current accounts with the Eurosystem (a) + (b)			114.2
(d) Required reserves			113.3

Source: ECB.

Totals may not add up due to rounding.

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 operations) on the banking system's liquidity (item (b) in the table above) was €103.5 billion on average, i.e. €17.1 billion more than in the previous reserve maintenance period. This was mainly due to a substantial increase in government deposits and also to a higher volume of banknotes in circulation. This liquidity-absorbing effect was partly offset by slightly higher net foreign assets. On a daily basis, the sum of autonomous factors fluctuated between €95.2 billion and €113.1 billion.

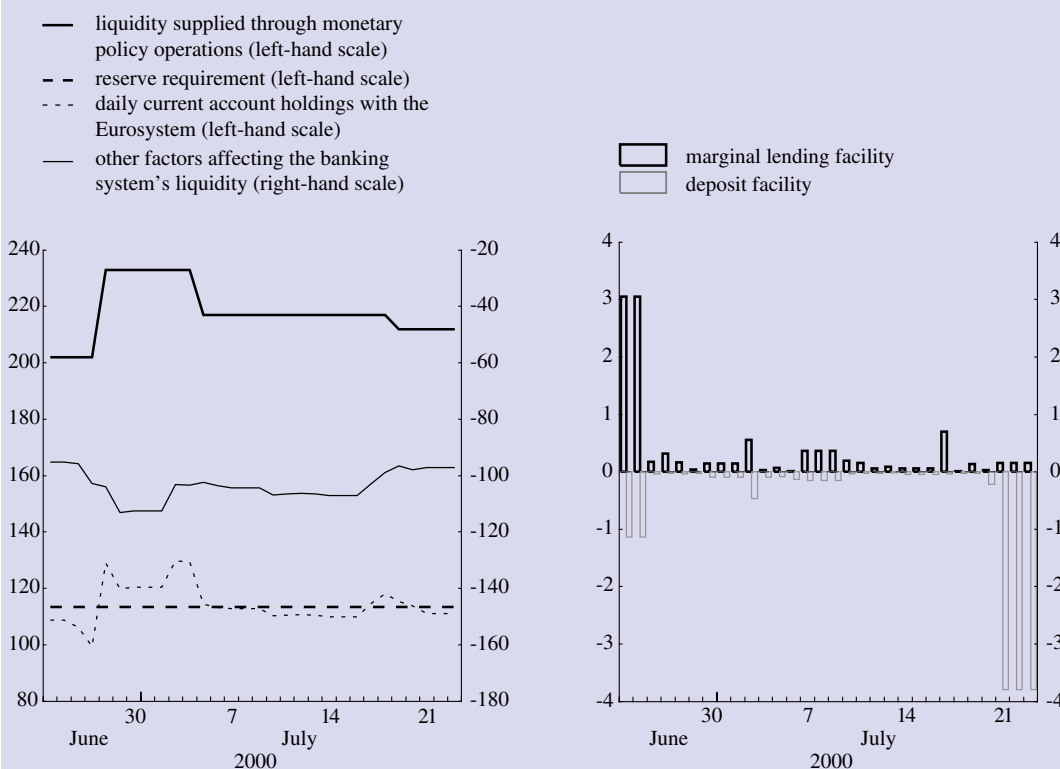
In the reserve maintenance period under review, the ECB started to publish estimated liquidity needs. The figures for estimated liquidity needs stemming from autonomous factors, published as a daily average, ranged from €107.5 billion to €98.6 billion. The ex post figures ranged from €106.7 billion to €98.3 billion. The published estimated figures differed from the actual results for an amount ranging from plus €0.8 billion to minus €1.0 billion.

Current account holdings of counterparties

The average current account holdings amounted to €114.2 billion, and reserve requirements to €113.3 billion. The difference between the two amounts therefore totalled €0.9 billion. Around €0.2 billion of this amount was due to current account holdings not contributing to the fulfilment of reserve requirements, and more than €0.6 billion was related to excess reserves.

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

(EUR billions; daily data)



Source: ECB.