

Box 2**Monetary policy operations and liquidity conditions in the reserve maintenance period ending on 23 August 2000****Allotments in monetary policy operations**

During the reserve maintenance period which lasted from 24 July to 23 August 2000, the Eurosystem settled five 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 €45 billion and €118 billion. The amounts of bids submitted varied between €172.3 billion and €218.1 billion, with an average of €195.2 billion. The marginal rate was stable at around 4.30% in the first three operations, and increased to 4.35% in the operation conducted on 14 August and to 4.47% in the last operation of the period. The weighted average rate was 4.31% in the first three operations and subsequently increased to 4.37% and 4.50% in the following two operations. The number of bidders participating in the tenders was between 590 and 786.

On 26 July 2000 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 235 bidders participated in the operation and submitted a total amount of bids of €40.8 billion. The marginal rate of the operation was 4.59%, while the weighted average rate was 1 basis point higher at 4.60%.

Until 10 August 2000 the EONIA had remained very stable at a level of around 4.33%. Only on 31 July was it significantly above this level, namely at 4.45%, reflecting a regular end-of-month calendar effect. As from 11 August, increasing expectations of a rise in ECB interest rates, combined with temporarily tight liquidity conditions, put upward pressure on the EONIA, which increased by a few basis points. However, the market perception changed again as from 18 August, also reflecting eased liquidity conditions, and on 23 August the EONIA finally dropped to 4.08%, as the comfortable liquidity situation became obvious during the last day of the reserve maintenance period.

Contributions to the banking system's liquidity

(EUR billions)

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

	Liquidity providing	Liquidity absorbing	Net contribution
(a) Monetary policy operations of the Eurosystem	218.6	0.3	+ 218.4
Main refinancing operations	163.1	-	+ 163.1
Longer-term refinancing operations	55.4	-	+ 55.4
Standing facilities	0.1	0.3	- 0.1
Other operations	0.0	0.0	0.0
(b) Other factors affecting the banking system's liquidity	382.0	488.1	- 106.0
Banknotes in circulation	-	359.2	- 359.2
Government deposits with the Eurosystem	-	48.8	- 48.8
Net foreign assets (including gold)	382.0	-	+ 382.0
Other factors (net)	-	80.0	- 80.0
(c) Credit institutions' holdings on current accounts with the Eurosystem (a) + (b)			112.4
(d) Required reserves			111.8

Source: ECB.

Totals may not add up due to rounding.

Compared with the previous reserve maintenance period, the average daily use of the marginal lending facility decreased from €0.4 billion to €0.1 billion, while the average use of the deposit facility decreased from €0.5 billion to €0.3 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 €106 billion on average, i.e. €2.4 billion more than in the previous reserve maintenance period. The daily sum of autonomous factors fluctuated between €99.8 billion and €119.9 billion.

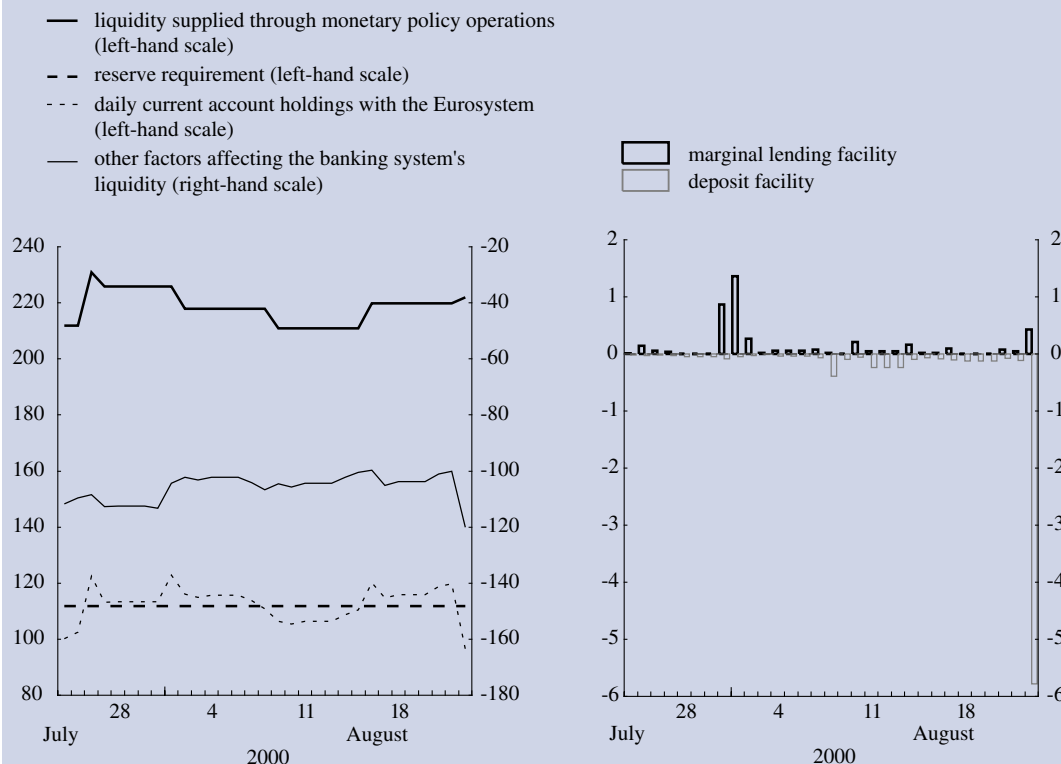
The published estimates of average liquidity needs, stemming from autonomous factors, ranged between €113.1 billion and €102.6 billion. They differed from the ex post figures by an amount ranging from plus €1.1 billion to minus €2.3 billion.

Current account holdings of counterparties

The average current account holdings amounted to €112.4 billion, and reserve requirements to €111.8 billion. The difference between the two amounted to €0.6 billion, which was €0.2 billion less than in the previous reserve maintenance period. This decline was caused by a decrease in the excess reserves from around €0.6 billion to €0.4 billion. 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 August 2000

(EUR billions; daily data)



Source: ECB.