

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

During the reserve maintenance period, which lasted from 24 August to 23 September 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. In the first operation, the minimum bid rate was 4.25%, while in the remaining operations it was 4.50%. The allotted volumes ranged between €63 billion and €108 billion. The amounts of bids submitted varied between €149.9 billion and €190.5 billion, with an average of €166.7 billion. In the first operation, the marginal rate was 4.68% while in the others it remained in the range of between 4.55% and 4.58%. In the first operation the weighted average rate was 4.71%, while in the three following operations it varied between 4.57% and 4.59%. The number of bidders participating in the tenders varied between 637 and 663.

On 30 August 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 240 bidders participated in this operation and submitted a total amount of bids of €35.4 billion. The marginal rate of the operation was 4.84%, while the weighted average rate was 3 basis points higher, at 4.87%.

The EONIA peaked at 4.76% on 28 August 2000, affected both by high expectations of a rise in ECB interest rates and by somewhat tight liquidity conditions which, however, are quite normal for the beginning of a maintenance period. After the decision by the Governing Council on 31 August to increase rates by 25 basis points to 4.50%, the EONIA fell to close to 4.60%, where it remained until mid-September. Towards the end of the maintenance period, eased liquidity conditions, against the background of reduced expectations of interest rate increases, pushed the EONIA down further, to reach 4.12% on the last day of the period. With net recourse to the marginal lending facility of €0.8 billion, the liquidity situation on the last day of the maintenance period was more or less neutral.

Contributions to the banking system's liquidity

(EUR billions)

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

	Liquidity providing	Liquidity absorbing	Net contribution
(a) Monetary policy operations of the Eurosystem	224.5	0.2	+ 224.3
Main refinancing operations	173.1	-	+ 173.1
Longer-term refinancing operations	51.1	-	+ 51.1
Standing facilities	0.3	0.2	+ 0.1
Other operations	0.0	0.0	0.0
(b) Other factors affecting the banking system's liquidity	381.6	492.6	- 111.0
Banknotes in circulation	-	354.8	- 354.8
Government deposits with the Eurosystem	-	56.6	- 56.6
Net foreign assets (including gold)	381.6	-	+ 381.6
Other factors (net)	-	81.2	- 81.2
(c) Credit institutions' holdings on current accounts with the Eurosystem (a) + (b)			113.3
(d) Required reserves			112.6

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 increased from €0.1 billion to €0.3 billion, while the average use of the deposit facility decreased from €0.3 billion to €0.2 billion.

The concerted foreign exchange intervention which was conducted on 22 September (see the “Exchange rate and balance of payments developments” section) and settled on 26 September had no impact on liquidity conditions in the maintenance period ending on 23 September.

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 €111.0 billion on average, i.e. €5.0 billion more than in the previous maintenance period. The largest changes were in government deposits with the Eurosystem, which increased by €7.8 billion, and in banknotes in circulation, which decreased by €4.4 billion. The daily sum of autonomous factors fluctuated between €103.9 billion and €117.7 billion.

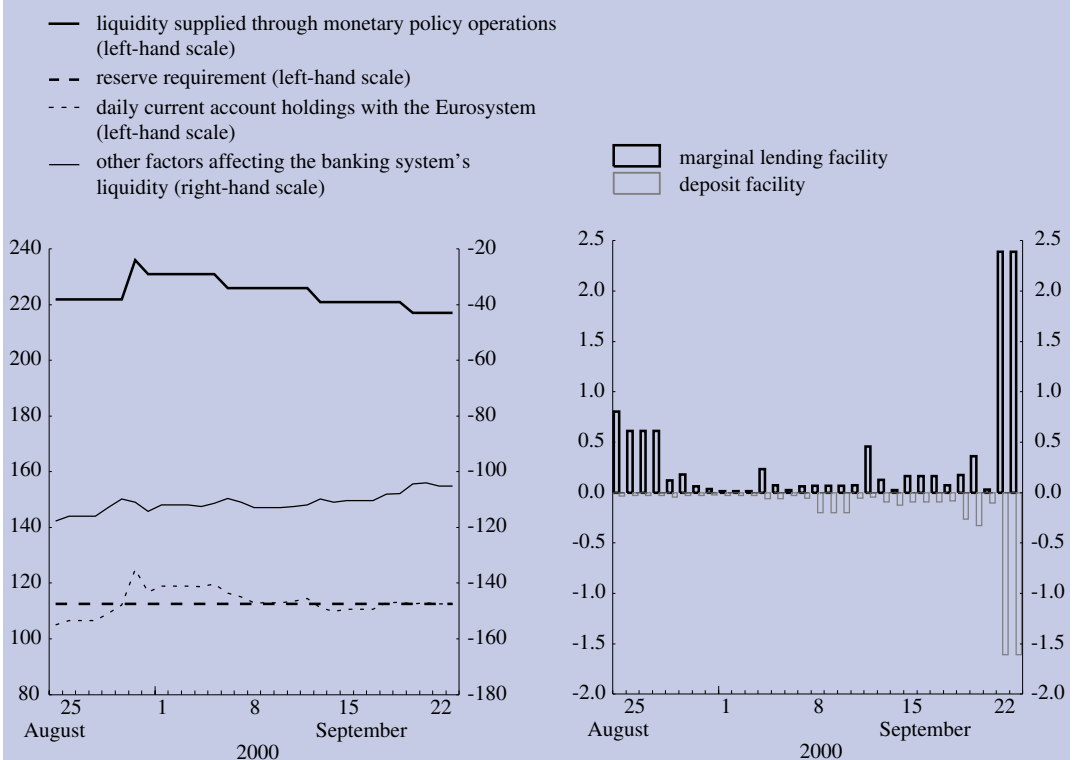
The published estimates of average liquidity needs stemming from autonomous factors ranged between €115.4 billion and €104.3 billion. They differed from the ex post figures by an amount ranging from plus €1.5 billion to minus €0.7 billion.

Current account holdings of counterparties

The average current account holdings amounted to €113.3 billion, and reserve requirements to €112.6 billion. The difference between the two amounted to €0.7 billion, which was €0.1 billion more than in the previous maintenance period. This increase was caused by a rise in the excess reserves from €0.4 to €0.5 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 September 2000

(EUR billions; daily data)



Source: ECB.