

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

During the reserve maintenance period which lasted from 24 September to 23 October 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 two operations the minimum bid rate was 4.50%, while it was 4.75% in the following two operations. The allotted volumes ranged between €76 billion and €99 billion. The ratio of the amounts of bids submitted to the allotted volumes varied between 1.16 and 1.96, with an average of 1.64. In the first and second operations the marginal rate was 4.65% and 4.67% respectively, while it was 4.76% and 4.75% respectively in the third and fourth operations. In the first two operations the weighted average rate was 4.68%, while in the following two operations it was 4.78% and 4.76%. The number of bidders participating in the tenders varied between 517 and 659.

On 27 September 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 225 bidders participated in this operation and submitted a total amount of bids of €34.0 billion. The marginal rate of the operation was 4.84%, while the weighted average rate was 2 basis points higher, at 4.86%.

At the beginning of the reserve maintenance period, the EONIA fluctuated around the 4.70% level, reflecting expectations of a rise in the main ECB interest rates. Following the decision of the Governing Council of the ECB on 5 October to increase the main ECB rates by 25 basis points, the EONIA increased by 10 basis points to around 4.80%. Towards the end of the maintenance period, possibly as a result of a perception in the money market that liquidity conditions were ample, the EONIA declined gradually from this level, reaching a temporary low of 4.64% on 19 October, before ending the reserve maintenance period at 4.72%.

Use of standing facilities

Compared with the previous reserve maintenance period, the average daily use of the marginal lending facility increased from €0.3 billion to €0.5 billion, while the average use of the deposit facility remained unchanged at €0.2 billion.

Contributions to the banking system's liquidity

(EUR billions)

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

	Liquidity providing	Liquidity absorbing	Net contribution
(a) Monetary policy operations of the Eurosystem	222.6	0.2	+ 222.4
Main refinancing operations	176.5	-	+ 176.5
Longer-term refinancing operations	45.7	-	+ 45.7
Standing facilities	0.5	0.2	+ 0.2
Other operations	0.0	0.0	0.0
(b) Other factors affecting the banking system's liquidity	396.3	504.3	- 108.0
Banknotes in circulation	-	354.5	- 354.5
Government deposits with the Eurosystem	-	47.4	- 47.4
Net foreign assets (including gold)	396.3	-	+ 396.3
Other factors (net)	-	102.5	- 102.5
(c) Credit institutions' holdings on current accounts with the Eurosystem (a) + (b)			114.4
(d) Required reserves			113.6

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) on the banking system's liquidity (item (b) in the table above) was €108.0 billion on average, i.e. €3.0 billion less than in the previous maintenance period. The change was mainly caused by a decrease of €9.2 billion in net government deposits with the Eurosystem, which was partly offset by other autonomous factors. The daily sum of autonomous factors fluctuated between €98.1 billion and €116.6 billion.

The liquidity impact of the concerted foreign exchange intervention that was conducted on 22 September and settled on 26 September 2000 was taken into account in the allotment decisions of the subsequent main refinancing operations conducted during this maintenance period.

The published estimates of average liquidity needs, stemming from autonomous factors, ranged between €112.7 billion and €100.6 billion. They differed from the ex post figures by an amount ranging from plus €0.8 billion to minus €2.9 billion.

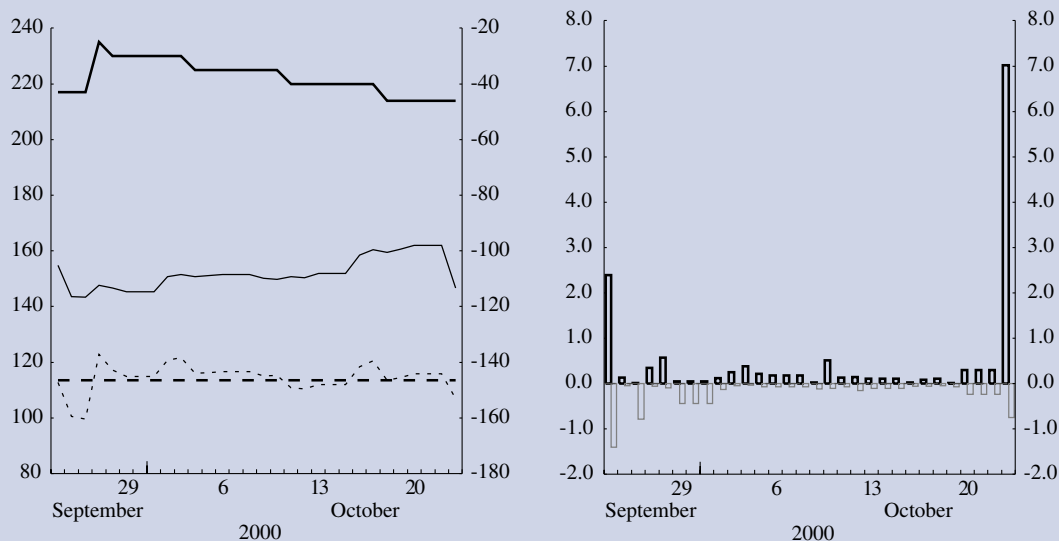
Current account holdings of counterparties

The average current account holdings amounted to €114.4 billion, and reserve requirements to €113.6 billion. The difference between the two amounted to €0.8 billion, which was €0.1 billion more than in the previous maintenance period. This increase was caused by an increase in the excess reserves from €0.5 billion to €0.6 billion. As in the previous maintenance period, 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 October 2000

(EUR billions; daily data)

- liquidity supplied through monetary policy operations (left-hand scale)
- - - reserve requirement (left-hand scale)
- - - daily current account holdings with the Eurosystem (left-hand scale)
- other factors affecting the banking system's liquidity (right-hand scale)
- marginal lending facility
- deposit facility



Source: ECB.