

Box 2**Monetary policy operations and liquidity conditions in the reserve maintenance period ending on 23 January 2001****Allotments in monetary policy operations**

During the reserve maintenance period which lasted from 24 December 2000 to 23 January 2001 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 4.75%. The allotted volumes ranged between €95 billion and €102 billion. The ratio of the amount bid to the volume allotted varied between 1.01 and 1.36, with an average of 1.22. The marginal rate decreased over the operations, from 4.79% in the first operation to the level of the minimum bid rate in the last two operations. The spread between the weighted average rate and the marginal rate was a relatively wide 5 basis points in the first operation, reflecting a year-end effect, but subsequently narrowed to between 0 and 2 basis points. The number of bidders participating in the tenders varied between 457 and 591.

On 28 December 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 165 bidders participated in this operation, submitting total bids of €15.9 billion. The marginal rate of the operation was 4.75%, and the weighted average rate was 6 basis points higher, at 4.81%.

On the last business day of the year, Friday, 29 December, the EONIA reached 5.16% after having increased somewhat over the two preceding days, reflecting the year-end effect. It then fell back to 4.83% on 2 January. From 3 January onwards, the EONIA showed a decreasing trend, reaching 4.77% on 8 January. In the main refinancing operation on 9 January, both the marginal and the weighted average rate equalled the minimum bid rate and the bidding volume was only marginally above the liquidity needs. In the days which followed, however, the EONIA increased again slightly. On 19 January it started to decline, reflecting ample liquidity conditions at the end of the reserve maintenance period. This was a result of unexpected, comparatively large liquidity-providing effects of autonomous factors which accumulated after the last main refinancing operation of the reserve maintenance period. The reserve maintenance period ended with an EONIA of 4.19%.

Contributions to the banking system's liquidity

(EUR billions)

Daily average during the reserve maintenance period from 24 December 2000 to 23 January 2001

| | Liquidity providing | Liquidity absorbing | Net contribution |
|--|---------------------|---------------------|------------------|
| (a) Monetary policy operations of the Eurosystem | 250.8 | 0.6 | + 250.2 |
| Main refinancing operations | 205.3 | - | + 205.3 |
| Longer-term refinancing operations | 45.0 | - | + 45.0 |
| Standing facilities | 0.5 | 0.6 | - 0.1 |
| Other operations | 0.0 | 0.0 | 0.0 |
| (b) Other factors affecting the banking system's liquidity | 383.7 | 514.7 | - 131.0 |
| Banknotes in circulation | - | 368.3 | - 368.3 |
| Government deposits with the Eurosystem | - | 52.2 | - 52.2 |
| Net foreign assets (including gold) | 383.7 | - | +383.7 |
| Other factors (net) | - | 94.2 | - 94.2 |
| (c) Credit institutions' holdings on current accounts with the Eurosystem (a) + (b) | | | 119.1 |
| (d) Required reserves | | | 118.5 |

Source: ECB.

Totals may not add up due to rounding.

Use of standing facilities

Compared with the previous reserve maintenance period, the average daily use of the marginal lending facility increased from €0.4 billion to €0.5 billion, and the average use of the deposit facility increased from €0.2 billion to €0.6 billion.

Liquidity factors not related to monetary policy

The net liquidity-absorbing impact of the autonomous factors (the factors not related to monetary policy) on the banking system's liquidity (item (b) in the table above) was €131.0 billion on average, i.e. €7.2 billion less than in the previous reserve maintenance period. This decrease was mainly the result of lower average government deposits (€8.9 billion) than in the previous reserve maintenance period. The daily sum of autonomous factors fluctuated between €116.2 billion and €147.4 billion.

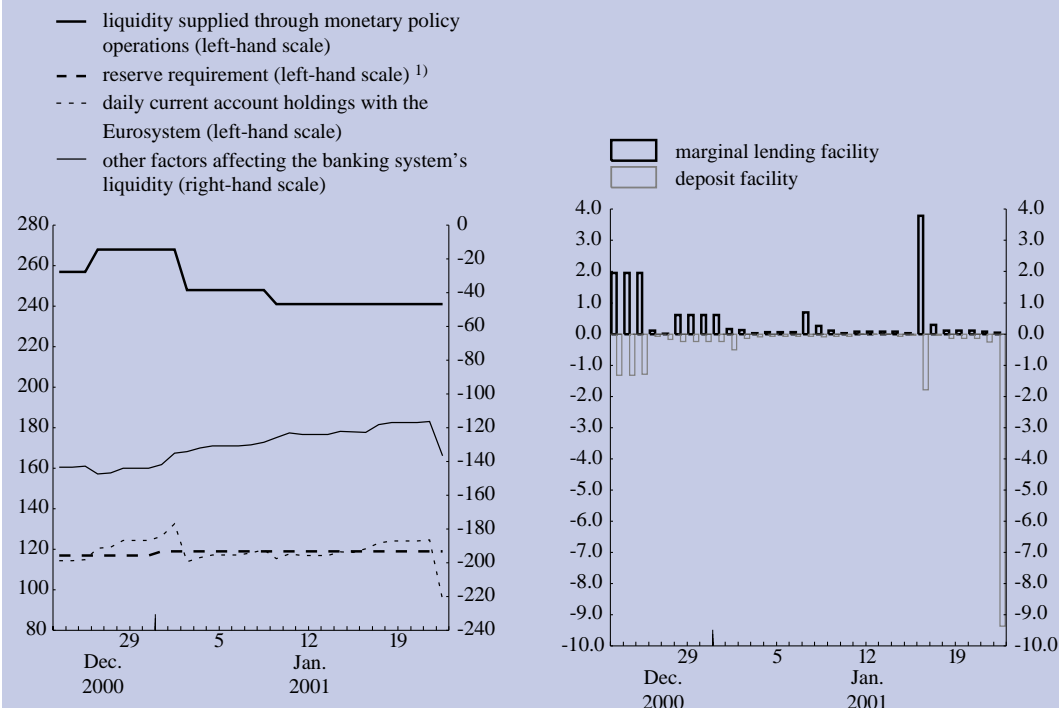
The published estimates of average liquidity needs stemming from autonomous factors ranged between €121.8 billion and €144.6 billion. They differed from the ex post figures by an amount ranging from minus €1.2 billion to plus €0.6 billion.

Current account holdings of counterparties

Average reserve requirements amounted to €118.5 billion. This is an average of the level up to 31 December 2000 (€116.9 billion) and that from 1 January 2001 onwards (€119.1 billion), which includes Greece. Average current account holdings amounted to €119.1 billion. The difference between the average current account holdings and the reserve requirements came to €0.6 billion, which was €0.1 billion less than in the previous reserve maintenance period and implies lower excess reserves. As in the previous reserve 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 January 2001

(EUR billions; daily data)



Source: ECB.

1) The increase in the reserve requirement on 1 January 2001 was due to the adoption of the euro in Greece on that date.