Monetary policy operations and liquidity conditions in the reserve maintenance period ending on 23 June 2001

During the reserve maintenance period that lasted from 24 May 2001 to 23 June 2001, the Eurosystem settled four main refinancing operations (MROs) and one longer-term refinancing operation.

All the MROs were carried out as variable rate tenders with a minimum bid rate of 4.50%. The allotted volumes ranged between €67 billion and €91 billion. The ratio of the amount bid to the volume allotted varied between 2.08 and 1.37, while the average for the reserve maintenance period was 1.78. In the first operation of the maintenance period, both marginal and weighted averages were 4.55%, while in the remaining three operations, the marginal rate declined to 4.51% and the weighted average rate was one or two basis points above this. The number of counterparties participating in the tenders ranged between 411 and 492, with an average of 455.

On 30 May the Eurosystem conducted a longer-term refinancing operation through a variable rate tender with a pre-announced allotment volume of €20 billion. A total of 268 bidders participated in this operation, submitting a total amount of bids of €46.4 billion. The marginal and the weighted average rates of the operation were 4.49% and 4.51% respectively.

On 24 May 2001 the maintenance period started with an EONIA of 4.59%, which dropped continuously to 4.56% on 30 May. The EONIA then temporarily spiked to reach 4.60% on 31 May 2001 on account of the end-of-month effect, but fell back to 4.54% on 1 June 2001. The downward trend of the overnight rate mainly reflected improving liquidity conditions, after the usual tightness at the start of the maintenance period. From 4 to 21 June the EONIA remained stable, fluctuating between 4.52% and 4.53%. During the penultimate business day of the reserve maintenance period, the EONIA declined to 4.42%, driven by market perceptions of comfortable liquidity conditions prevailing at the end of the maintenance period. The EONIA increased on the last business day of the maintenance period to 4.61%, owing to some imperfections in the distribution of liquidity between market participants at the end of the day.

Contributions to the banking system's liquidity
(EUR billions)

Daily average during the reserve maintenance period from 24 May to 23 June 2001

	Liquidity providing	Liquidity absorbing	Net contribution
(a) Monetary policy operations of the Eurosystem	**221.0**	**0.4**	**+ 220.6**
Main refinancing operations	161.7	-	+ 161.7
Longer-term refinancing operations	59.1	-	+ 59.1
Standing facilities	0.2	0.4	- 0.2
Other operations	0.0	0.0	0.0
(b) Other factors affecting the banking system's liquidity	**385.0**	**479.9**	**- 94.9**
Banknotes in circulation	-	351.1	- 351.1
Government deposits with the Eurosystem	-	41.3	- 41.3
Net foreign assets (including gold)	385.0	-	+385.0
Other factors (net)	-	87.5	- 87.5
(c) Credit institutions' holdings on current accounts with the Eurosystem (a) + (b)			**125.7**
(d) Required reserves			**125.0**

Source: ECB.
Totals may not add up due to rounding.

As can be seen from the table above, the average daily use of the marginal lending and deposit facilities amounted to €0.2 billion and €0.4 billion respectively. The net liquidity-absorbing impact of the autonomous factors (the factors not related to monetary policy, see Box 2) on the banking system's liquidity (item (b)) was €94.9 billion on average. The daily sum of autonomous factors fluctuated between €86.1 billion and €100.1 billion. The published forecasts of average liquidity needs, stemming from autonomous factors, ranged between €99.2 billion and €89.7 billion, differing from the actual figures by an amount ranging from minus €2.7 billion to plus €0.5 billion. Finally, the difference between average current account holdings (€125.7 billion) and reserve requirements (€125.0 billion) amounted to €0.7 billion, slightly higher than during the previous reserve maintenance period but in line with other reserve maintenance periods that ended on a weekend.