

**Box I****Monetary policy operations and liquidity conditions in the reserve maintenance period ending on 23 July 2001**

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

The MROs were carried out as variable rate tenders with a minimum bid rate of 4.50%. The allotted volumes ranged between €73 billion and €85 billion. The ratio of the amount bid to the volume allotted varied between 1.29 and 1.94, while the average for the reserve maintenance period was 1.70. With the exception of the first operation, where the marginal rate amounted to 4.54%, the marginal rates were 1 basis point above or at the level of the minimum bid rate. In all four operations the weighted average rates were 1 basis point above the marginal rates. The number of counterparties participating in the tenders ranged between 391 and 452, with an average of 424.

On 27 June, 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 250 counterparties participated in this operation, submitting a total amount of bids of €44.2 billion. The marginal and the weighted average rates were 4.36% and 4.39% respectively.

The EONIA remained stable at around 4.55% during the first four days of the maintenance period, climbing up to 4.72% on 29 June owing to the end-of-semester effect. On 2 July the EONIA fell back to 4.54%, and during the following two and a half weeks it declined smoothly to reach 4.51% on 17 July. On 19 and 20 July it dropped to 4.41% and 4.33% respectively, driven by market expectations of a loose ending of the reserve maintenance period. On 23 July the maintenance period ended with an EONIA of 4.40% and a net recourse to the deposit facility of €3.5 billion.

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)) was €94.5 billion on average. The daily sum of autonomous factors fluctuated between €80.3 billion and €118.4 billion. The published estimates of average liquidity needs, stemming from autonomous factors, ranged between €86.6 billion and €106.4 billion, differing from the actual figures by an amount ranging from minus €2.3 billion to plus €2.3 billion.

**Contributions to the banking system's liquidity**

(EUR billions)

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

	Liquidity providing	Liquidity absorbing	Net contribution
<b>(a) Monetary policy operations of the Eurosystem</b>	<b>222.0</b>	<b>0.4</b>	<b>+ 221.6</b>
Main refinancing operations	161.9	-	+ 161.9
Longer-term refinancing operations	59.9	-	+ 59.9
Standing facilities	0.2	0.4	- 0.2
Other operations	0.0	0.0	0.0
<b>(b) Other factors affecting the banking system's liquidity</b>	<b>397.6</b>	<b>492.1</b>	<b>- 94.5</b>
Banknotes in circulation	-	350.8	- 350.8
Government deposits with the Eurosystem	-	42.5	- 42.5
Net foreign assets (including gold)	397.6	-	+397.6
Other factors (net)	-	98.8	- 98.8
<b>(c) Credit institutions' holdings on current accounts with the Eurosystem (a) + (b)</b>			<b>127.1</b>
<b>(d) Required reserves</b>			<b>126.4</b>

Source: ECB.

Totals may not add up due to rounding.