

Box I**Monetary policy operations and liquidity conditions in the reserve maintenance period ending on 23 January 2003**

During the reserve maintenance period under review, the Eurosystem settled five main refinancing operations (MROs).

Regular monetary policy operations

(EUR billions; interest rates in percentages per annum)

Operation	Date of settlement	Date of maturity	Bids (amount)	Allotment (amount)	Bid-cover ratio	Number of participants	Minimum bid rate	Marginal rate	Weighted average rate
MRO	24/12/2002	07/01/2003	146.2	88.0	1.66	350	2.75	3.02	3.08
MRO	31/12/2002	14/01/2003	117.4	92.0	1.28	217	2.75	2.85	2.95
MRO	07/01/2003	22/01/2003	133.8	82.0	1.63	302	2.75	2.83	2.84
MRO	15/01/2003	29/01/2003	120.4	79.0	1.52	270	2.75	2.80	2.81
MRO	22/01/2003	05/02/2003	123.7	91.0	1.36	313	2.75	2.80	2.81

Source: ECB.

In the first two MROs of the maintenance period, which both covered the turn of the year, the marginal and weighted average rates emerged at relatively high levels compared with the minimum bid rate. In the subsequent operations, tender rates declined to more normal levels.

The EONIA started the maintenance period at levels slightly above 3%, partly anticipating the rather strong increase on 31 December 2002, the last trading day of the year. On that day it reached 3.44%, mainly reflecting the usual high liquidity demand resulting from balance sheet considerations of financial institutions at year-end. This spread to the minimum bid rate of 69 basis points is comparable with that observed at the end of 2001 (66 bps). Subsequently, the EONIA declined gradually from 2.90% on 2 January to 2.81% on 17 January 2003. After the allotment of the last MRO of the reserve maintenance period on 21 January, the EONIA decreased further, to 2.57% and 2.12% on the penultimate and last day of the reserve maintenance period respectively, as market participants perceived the liquidity conditions to be ample.

Contributions to the banking system's liquidity

(EUR billions)

Daily average during the reserve maintenance period from 24 December 2002 to 23 January 2003

	Liquidity providing	Liquidity absorbing	Net contribution
(a) Monetary policy operations of the Eurosystem	221.8	0.3	+ 221.5
Main refinancing operations	176.3	-	+ 176.3
Longer-term refinancing operations	45.0	-	+ 45.0
Standing facilities	0.5	0.3	0.2
Other operations	0.0	-	0.0
(b) Other factors affecting the banking system's liquidity	360.9	450.9	- 90.0
Banknotes in circulation	-	353.9	- 353.9
Government deposits with the Eurosystem	-	43.7	- 43.7
Net foreign assets (including gold)	360.9	-	+ 360.9
Other factors (net)	-	53.3	- 53.3
(c) Credit institutions' holdings on current accounts with the Eurosystem (a) + (b)			131.6
(d) Required reserves			130.8

Source: ECB.

Note: Totals may not add up due to rounding.

Indeed the maintenance period ended with a net recourse to the deposit facility of €5.6 billion. The average difference between current account holdings of credit institutions with the Eurosystem and minimum reserve requirements was €0.70 billion.

The net liquidity-absorbing impact of the autonomous factors, i.e. factors not related to monetary policy operations (item (b) of the table above) was, on average, €90.0 billion. The published estimates of the average liquidity needs stemming from autonomous factors ranged between €78.5 billion and €94.0 billion. The largest deviation between the estimate, published together with an MRO announcement, and the actual figure amounted to €4.0 billion and occurred for the period from 27 December to 7 January. However, the ECB published a revised estimate on 30 December, when the corresponding MRO was allotted.