

Box 4**Monetary policy operations and liquidity conditions in the reserve maintenance period ending on 23 February 2003**

During the reserve maintenance period under review, the Eurosystem settled four main refinancing operations (MROs) and one longer-term refinancing operation (LTRO).

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	29/01/2003	12/02/2003	114.9	83.0	1.38	272	2.75	2.79	2.81
MRO	05/02/2003	19/02/2003	115.8	86.0	1.35	279	2.75	2.78	2.79
MRO	12/02/2003	26/02/2003	100.5	75.0	1.34	269	2.75	2.76	2.78
MRO	19/02/2003	04/03/2003	125.1	95.0	1.32	283	2.75	2.77	2.78
LTRO	30/01/2003	30/03/2003	31.7	15.0	2.11	156	2.75	2.78	2.80

Source: ECB.

The weighted average MRO rate decreased gradually from 2.81% to 2.78% during the period, with the marginal rate in each operation either one or two basis points lower. The bid-cover ratio and the number of participants in MROs were remarkably stable.

On all but two business days the EONIA was stable between 2.77% and 2.81%. On 31 January it increased to 2.86% due to the regular end-of-month effect and, on the last business day of the maintenance period, it dropped to 2.39%, reflecting slightly loose liquidity conditions. Indeed, the maintenance period ended with an aggregate net recourse to the deposit facility of €3.9 billion (reflecting a net recourse of €1.3 billion on Friday 21 February, which automatically accumulated on both Saturday 22 and Sunday 23 February). The average difference between current account holdings of credit institutions with the Eurosystem and minimum reserve requirements was €0.71 billion.

The net liquidity-absorbing impact of the autonomous factors, i.e. factors not related to monetary policy operations (item (b) of the table below), averaged €82.5 billion. The published estimates of the average liquidity needs stemming from autonomous factors ranged from €76.7 billion to €89.0 billion. The largest deviation between the published estimate and the actual figure occurred in the first days of the maintenance period, and amounted to €1.5 billion.

Contributions to the banking system's liquidity

(EUR billions)

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

	Liquidity-providing	Liquidity-absorbing	Net contribution
(a) Monetary policy operations of the Eurosystem	213.9	0.3	+213.6
Main refinancing operations	168.6	-	+168.6
Longer-term refinancing operations	45.0	-	+ 45.0
Standing facilities	0.3	0.3	0.0
Other operations	0.0	-	0.0
(b) Other factors affecting the banking system's liquidity	356.4	438.9	-82.5
Banknotes in circulation	-	340.7	-340.7
Government deposits with the Eurosystem	-	50.2	-50.2
Net foreign assets (including gold)	356.4	-	+356.4
Other factors (net)	-	48.0	-48.0
(c) Credit institutions' holdings on current accounts with the Eurosystem (a) + (b)			131.1
(d) Required reserves			130.4

Source: ECB.

Note: Totals may not add up due to rounding.