

Box 3**Monetary policy operations and liquidity conditions in the reserve maintenance period ending on 23 April 2003**

During the reserve maintenance period under review, the Eurosystem settled five 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	25/03/2003	09/04/2003	115.5	104.0	1.11	220	2.50	2.53	2.55
MRO	02/04/2003	16/04/2003	112.0	71.0	1.58	247	2.50	2.53	2.54
MRO	09/04/2003	23/04/2003	135.5	101.0	1.32	267	2.50	2.53	2.53
MRO	16/04/2003	30/04/2003	126.9	77.0	1.65	281	2.50	2.53	2.54
MRO	23/04/2003	07/05/2003	157.0	125.0	1.26	279	2.50	2.54	2.55
LTRO	27/03/2003	26/06/2003	33.4	15.0	2.23	133	-	2.49	2.51

Source: ECB.

The marginal and the weighted average rates in all MROs were between 2.53% and 2.55%. While in the first MRO the bid-cover ratio was somewhat low, it returned to more normal levels in the following operations.

In the first five days of the reserve maintenance period, the EONIA was 2.56%; it increased to 2.66% on Monday 31 March due to an end-of-quarter effect. From Tuesday 1 April until Wednesday 16 April, it was either 4 or 5 basis points above the minimum bid rate of 2.50%. Over the Easter weekend, 17 to 21 April, the EONIA increased to 2.64% and was 2.65% on 22 April, the penultimate day of the reserve maintenance period. This appears to reflect a stronger than expected liquidity absorption through the autonomous factors and a related market perception that the reserve maintenance period would end on the tight side, as well as a marginally higher demand for reserves because of the long Easter weekend. However, the MRO which was settled on the last day of the reserve maintenance period provided sufficient reserves for a smooth ending of

Contributions to the banking system's liquidity

(EUR billions)

Daily average during the reserve maintenance period from 24 March to 23 April 2003

	Liquidity providing	Liquidity absorbing	Net contribution
(a) Monetary policy operations of the Eurosystem	224.5	0.2	+ 224.3
Main refinancing operations	179.4	-	+ 179.4
Longer-term refinancing operations	45.0	-	+ 45.0
Standing facilities	0.1	0.2	-0.1
Other operations	0.0	-	0.0
(b) Other factors affecting the banking system's liquidity	337.4	431.0	- 93.6
Banknotes in circulation	-	358.5	- 358.5
Government deposits with the Eurosystem	-	52.1	- 52.1
Net foreign assets (including gold)	337.4	-	+ 337.4
Other factors (net)	-	20.5	- 20.5
(c) Credit institutions' holdings on current accounts with the Eurosystem (a) + (b)			130.6
(d) Required reserves			130.0

Source: ECB.

Note: Totals may not add up due to rounding.

the maintenance period, and the EONIA declined to 2.58% on that day. In fact, the reserve maintenance period ended slightly on the loose side, with a net recourse to the deposit facility of €3.9 billion.

The average difference between current account holdings of credit institutions with the Eurosystem and minimum reserve requirements was €0.65 billion.

The net liquidity-absorbing impact of the autonomous factors, i.e. factors not related to monetary policy operations (item (b) in the table above) was, on average, €93.6 billion. The published estimates of the average liquidity needs stemming from autonomous factors ranged between €89.2 billion and €102.3 billion. The largest deviation between the published estimate and the actual figure occurred in the first week of the maintenance period and amounted to €2.8 billion.