

Box 2**Monetary policy operations and liquidity conditions in the reserve maintenance period ending on 23 August 2003**

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

Open market 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	Fixed rate
MRO	30/07/2003	13/08/2003	114.57	73.00	1.57	257	2.00	2.06	2.07	-
MRO	06/08/2003	20/08/2003	174.50	144.00	1.21	279	2.00	2.05	2.06	-
MRO	13/08/2003	27/08/2003	118.01	61.00	1.93	268	2.00	2.05	2.06	-
MRO	20/08/2003	03/09/2003	192.89	144.00	1.34	321	2.00	2.06	2.06	-
LTRO	31/07/2003	30/10/2003	25.42	15.00	1.70	134	1.99	2.08	2.10	-

Source: ECB.

Two of the MROs were relatively large (€144 billion). Since bid amounts did not increase proportionally, bid-cover ratios in these operations were correspondingly lower. Bidding rates remained within a narrow range throughout the maintenance period, with weighted average rates at 2.06 or 2.07% and marginal rates at 2.05 or 2.06%.

The EONIA fell from 2.06% on 24 July to 2.04% on 28 July, the lowest level within this maintenance period. It peaked at 2.11% on 31 July due to the usual month-end effect, and decreased on the following day to 2.08%. From 2 August to 19 August, the EONIA remained stable at a level of 2.06% to 2.07%, reflecting the absence of rate change expectations and smooth liquidity conditions. Over the last three working days of the maintenance period, it increased to 2.09%, 2.15% and 2.45% respectively. The reserve maintenance period ended slightly on the tight side, with net recourse to the marginal lending facility of €0.4 billion.

The average difference between current account holdings of credit institutions with the Eurosystem and the minimum reserve requirements was €0.69 billion.

Contributions to the banking system's liquidity

(EUR billions)

Daily average during the reserve maintenance period from 24 July to 23 August 2003

	Liquidity providing	Liquidity absorbing	Net contribution
(a) Monetary policy operations of the Eurosystem	258.6	0.1	+ 258.5
Main refinancing operations	213.4	-	+ 213.4
Longer-term refinancing operations	45.0	-	+ 45.0
Standing facilities	0.2	0.1	+0.1
Other operations	-	-	-
(b) Other factors affecting the banking system's liquidity¹⁾	315.8	441.5	- 125.7
Banknotes in circulation	-	391.6	- 391.6
Government deposits with the Eurosystem	-	51.5	- 51.5
Net foreign assets (including gold)	315.8	-	+ 315.8
Other factors (net)	-	1.6	- 1.6
(c) Credit institutions' holdings on current accounts with the Eurosystem (a) + (b)			132.8
(d) Required reserves			132.1

Source: ECB.

Note: Totals may not add up due to rounding.

1) The published estimates of the average liquidity needs stemming from autonomous factors ranged between €116.1 billion and €128.9 billion. The largest deviation between the published estimate and the actual figure occurred for the period from 28 July to 5 August and amounted to €1.6 billion.