Box 3

Monetary policy operations and liquidity conditions in the reserve maintenance period ending on 23 September 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	27/08/2003	10/09/2003	121.93	75.00	1.63	297	2.00	2.08	2.08	-
MRO	03/09/2003	17/09/2003	185.56	140.00	1.33	316	2.00	2.07	2.08	-
MRO	10/09/2003	24/09/2003	125.76	68.00	1.85	288	2.00	2.07	2.08	-
MRO	17/09/2003	01/10/2003	177.86	150.00	1.19	331	2.00	2.07	2.08	-
LTRO	28/08/2003	27/11/2003	35.94	15.00	2.40	143	-	2.12	2.13	-

Source: ECB.

The allotment volumes of the second and fourth MROs were relatively large, and since bid amounts did not increase proportionally, bid-cover ratios were correspondingly lower in these two operations. The weighted average MRO rates stood at 2.08% throughout the maintenance period.

Except for the usual increase on the last trading day of the calendar month, the EONIA declined gradually from 2.10% at the beginning of the reserve maintenance period to 2.08% on 16 September, when the last MRO of the period was allotted. The decline of the EONIA was consistent with the comfortable liquidity conditions which prevailed throughout the reserve maintenance period as a consequence of the MRO allotment volumes. On 23 September, the last day of the maintenance period, the EONIA fell more rapidly and reached a level of 1.34%. The reserve maintenance period ended on the loose side with a net recourse to the deposit facility on the last day of €7.2 billion.

The average difference between current account holdings of credit institutions with the Eurosystem and the minimum reserve requirements was €0.64 billion.

Contributions to the banking system's liquidity

(EUR billions)

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

	Liquidity providing	Liquidity absorbing	Net contribution
(a) Monetary policy operations of the Eurosystem	**259.1**	**0.6**	**+ 258.5**
Main refinancing operations	214.0	-	+ 214.0
Longer-term refinancing operations	45.0	-	+ 45.0
Standing facilities	0.1	0.6	-0.5
Other operations	-	-	-
(b) Other factors affecting the banking system's liquidity [1]	**319.5**	**446.1**	**- 126.6**
Banknotes in circulation	-	391.7	- 391.7
Government deposits with the Eurosystem	-	54.4	- 54.4
Net foreign assets (including gold)	315.0	-	+ 315.0
Other factors (net)	4.4	-	+4.4
(c) Credit institutions' holdings on current accounts with the Eurosystem (a) + (b)			**132.0**
(d) Required reserves			**131.3**

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 €119.7 billion and €127.5 billion. The largest deviation between the published estimate and the actual figure occurred for the period from 25 August to 2 September and amounted to €1.5 billion.