

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

In the reserve maintenance period under review, the Eurosystem conducted five 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
MRO	24/09/2003	08/10/2003	109.74	81.0	1.35	304	2.00	2.06	2.07
MRO	01/10/2003	15/10/2003	164.02	123.0	1.33	292	2.00	2.05	2.06
MRO	08/10/2003	22/10/2003	135.89	82.0	1.66	304	2.00	2.05	2.06
MRO	15/10/2003	27/10/2003	153.30	113.0	1.36	321	2.00	2.05	2.05
MRO	22/10/2003	05/11/2003	119.33	90.0	1.33	310	2.00	2.04	2.05
LTRO	25/09/2003	17/12/2003	28.44	15.0	1.89	106	-	2.10	2.12

Source: ECB.

The marginal and weighted average MRO rates declined gradually from 2.06% to 2.04% and from 2.07% to 2.05% respectively.

Except for the usual increase on the last trading day of the calendar month, the EONIA declined gradually from 2.07% at the beginning of the reserve maintenance period to 2.05% on 16 October. This development is consistent with the comfortable liquidity conditions that prevailed throughout the reserve maintenance period. Indeed, as in the previous maintenance period, the MRO allotment volumes were relatively generous. Over the subsequent days, the EONIA fell to levels close to or slightly below the minimum bid rate of 2.00%, and on 23 October, the last day of the reserve maintenance period, it declined further to 1.44%. The last day of the reserve maintenance period ended with a net recourse to the deposit facility of €1.9 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 September to 23 October 2003

	Liquidity providing	Liquidity absorbing	Net contribution
(a) Monetary policy operations of the Eurosystem	253.5	0.2	+ 253.3
Main refinancing operations	208.4	-	+ 208.4
Longer-term refinancing operations	45.0	-	+ 45.0
Standing facilities	0.1	0.2	-0.1
Other operations	-	-	-
(b) Other factors affecting the banking system's liquidity¹⁾	321.3	442.7	- 121.4
Banknotes in circulation	-	395.5	- 395.5
Government deposits with the Eurosystem	-	48.3	- 48.3
Net foreign assets (including gold)	315.0	-	+ 321.3
Other factors (net)	-	1.1	-1.1
(c) Credit institutions' holdings on current accounts with the Eurosystem (a) + (b)			131.9
(d) Required reserves			131.2

Source: ECB.

Note: Totals may not add up due to rounding.

1) The published estimates of the average liquidity needs resulting from autonomous factors ranged between €111.6 billion and €141.4 billion. The largest deviation between the published estimate and the actual figure was for the period from 6 October to 14 October and amounted to €2.2 billion.