

Box 3**Monetary policy operations and liquidity conditions in the reserve maintenance period ending on 23 November 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
MRO	27/10/2003	11/11/2003	135.87	117.00	1.16	255	2.00	2.04	2.05
MRO	05/11/2003	19/11/2003	125.77	84.00	1.50	290	2.00	2.04	2.05
MRO	11/11/2003	26/11/2003	126.83	118.00	1.07	243	2.00	2.03	2.04
MRO	19/11/2003	03/12/2003	113.35	99.00	1.14	281	2.00	2.00	2.02
LTRO	30/10/2003	29/01/2004	32.38	15.00	2.16	150	1.8	2.13	2.14

Source: ECB.

The weighted average MRO rate declined gradually from 2.05% to 2.02% over the maintenance period under review. The marginal MRO rate was 1 basis point lower than the weighted average rate for the first three MROs and 2 basis points lower for the last one, being equal to the minimum bid rate in the latter case. The bid-cover ratio was below 1.2 in three of the MROs, somewhat lower than usual.

From the start of the maintenance period until 12 November, with the exception of a relatively moderate month-end effect on 31 October, the EONIA remained stable at around 2.05%. In subsequent days it declined to around 2.00% as market participants appeared to anticipate a loose end of the maintenance period. On the last three business days of the maintenance period, the EONIA decreased further and ended at 1.46% on the last day as a result of the prevailing comfortable liquidity conditions. Owing to the evolution of autonomous liquidity factors, the reserve maintenance period ended with a total net recourse to the deposit facility of €4.05 billion (in accumulated terms, from Friday 21 November to Sunday 23 November).

The average difference between current account holdings of credit institutions with the Eurosystem and the minimum reserve requirements was €0.73 billion.

Contributions to the banking system's liquidity

(EUR billions)

Daily average during the reserve maintenance period from 24 October to 23 November 2003

	Liquidity-providing	Liquidity-absorbing	Net contribution
(a) Monetary policy operations of the Eurosystem	250.9	0.3	+ 250.6
Main refinancing operations	205.8	-	+ 205.8
Longer-term refinancing operations	45.0	-	+ 45.0
Standing facilities	0.1	0.3	-0.2
Other operations	-	-	-
(b) Other factors affecting the banking system's liquidity¹⁾	324.0	442.8	- 118.8
Banknotes in circulation	-	399.4	- 399.4
Government deposits with the Eurosystem	-	43.4	- 43.4
Net foreign assets (including gold)	321.8	-	+ 321.8
Other factors (net)	2.2	-	+ 2.2
(c) Credit institutions' holdings on current accounts with the Eurosystem (a) + (b)			131.8
(d) Required reserves			131.0

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 €110.5 billion and €127.7 billion. The largest deviation between the published estimate and the actual figure occurred for the period from 3 November to 10 November and amounted to €1.4 billion.