

**BANK OF ALBANIA INTERVENTIONS IN THE MONEY MARKET AND FOREIGN
EXCHANGE MARKET
DURING 2021 Q1**

1. BANK OF INTERVENTIONS IN THE MONEY MARKET DURING 2021 Q1

1.1. Open market operations and factors affecting liquidity shortage in the banking system

Table 1: Temporary open market operations
(in ALL bilion¹.) Source: Bank of Albania

DATE	R/REPO Overnight	R/REPO 1- week	R/REPO >1wk<3mo	REPO Overnight
7-Jan-21		12.49		
14-Jan-21		14.40		
21-Jan-21	1.93	20.57		
22-Jan-21	0.64			
25-Jan-21			6.42	
28-Jan-21		19.99		
04-Feb-21		16.58		
11-Feb-21		10.14		
18-Feb-21		19.14		
24-Feb-21			4.56	
25-Feb-21		22.14		
04-Mar-21		16.95		
11-Mar-21		17.25		
18-Mar-21		20.54		
24-Mar-21			5.39	
25-Mar-21		22.45		

In 2021 Q1, the Bank of Albania intervened in the money market through the open market operations to inject liquidity.

Average daily injections through liquidity injecting operations with maturity 1-13 week amounted to ALL 33.37 billion, against ALL 39.27 billion in the previous quarter, and ALL 27.34 billion in 2020 Q1.

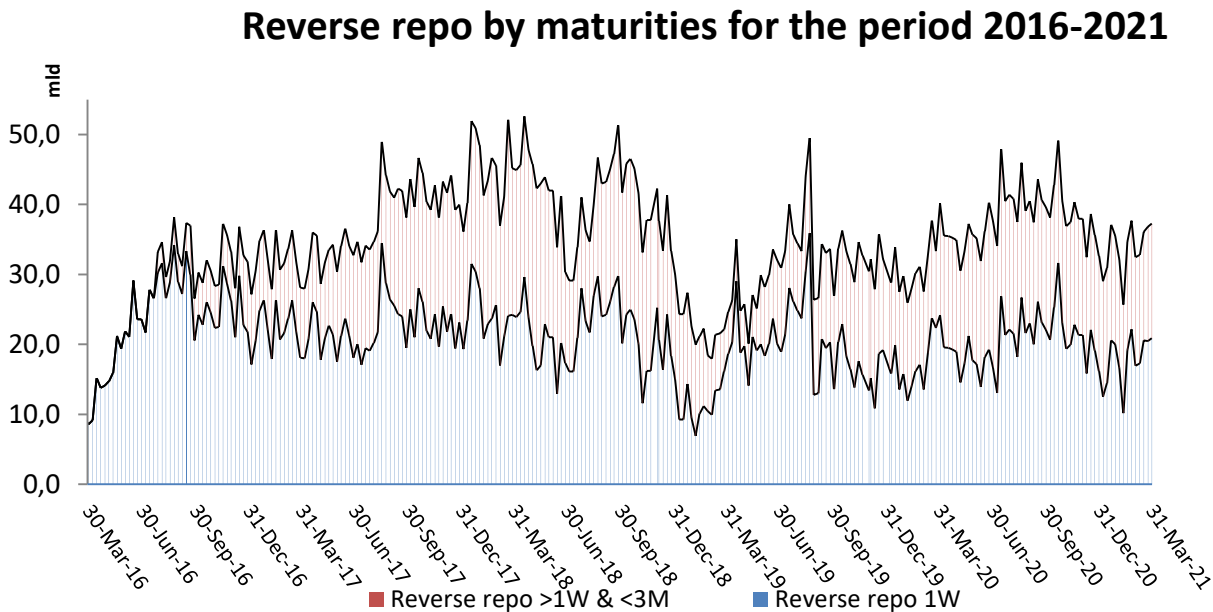
The demand for liquidity from banks in the operations of the Bank of Albania fluctuated at the wide operating band ALL 25.70 - 39.0 billion, due to the financing of the new debt in lek by the Ministry of Finance and Economy on different dates from maturities, but it has maintained the upward trend of ALL 32.66 billion, at the beginning of the period, to ALL 36.82 billion at the end of it. The growth of liquidity in the Government's account by ALL 5.61 billion and cash outflows with a cumulative effect ALL 3.61 billion were the main factors driving to the increase of liquidity shortfall. Meanwhile, the decrease in excess liquidity in the RZB account by ALL 6.73 billion was the main factor affecting the decrease in the demand for liquidity from banks in the injecting operations of the Bank of Albania.

¹ The figures are expressed at Purchase Price.

The maturity of SWAP agreements with the Ministry of Finance and Economy, *only* in the last week of the period for ALL 4.90 billion, permanent liquidity injections by the Bank of Albania through interventions with auctions to purchase foreign currency from foreign exchange market for around ALL 2.0 billion, the foreign currency purchase by IBRD and IPA funds for ALL 1.41 billion and the decrease in T-Bills portfolio of ALL 465 million in nominal value, had a lower impact on the average injections of the period.

In the context of operations for the liquidity management in the banking system, the Bank of Albania employed its main instrument - the one-week reverse REPO - to inject on average ALL 17.46 billion or 52.33%. In 2021, average weekly injections amounted to ALL 19.61 billion, or 55.88% of total injections in the Bank of Albania's transactions. Pursuant to the Monetary Policy Implementation and Advisory Committee's Decision, since the second week of March 2020, the Bank of Albania changed the auction form, from “fixed amount auction” to “fixed rate auction”, where banks can borrow unlimited amounts with the same interest rate as the policy rate. This Decision aims at decreasing the uncertainty of the banking system regarding the liquidity situation in every bank.

Chart 1. Bank of Albania interventions in the money market during 2016-2021 (nominal value)
Source : Bank of Albania



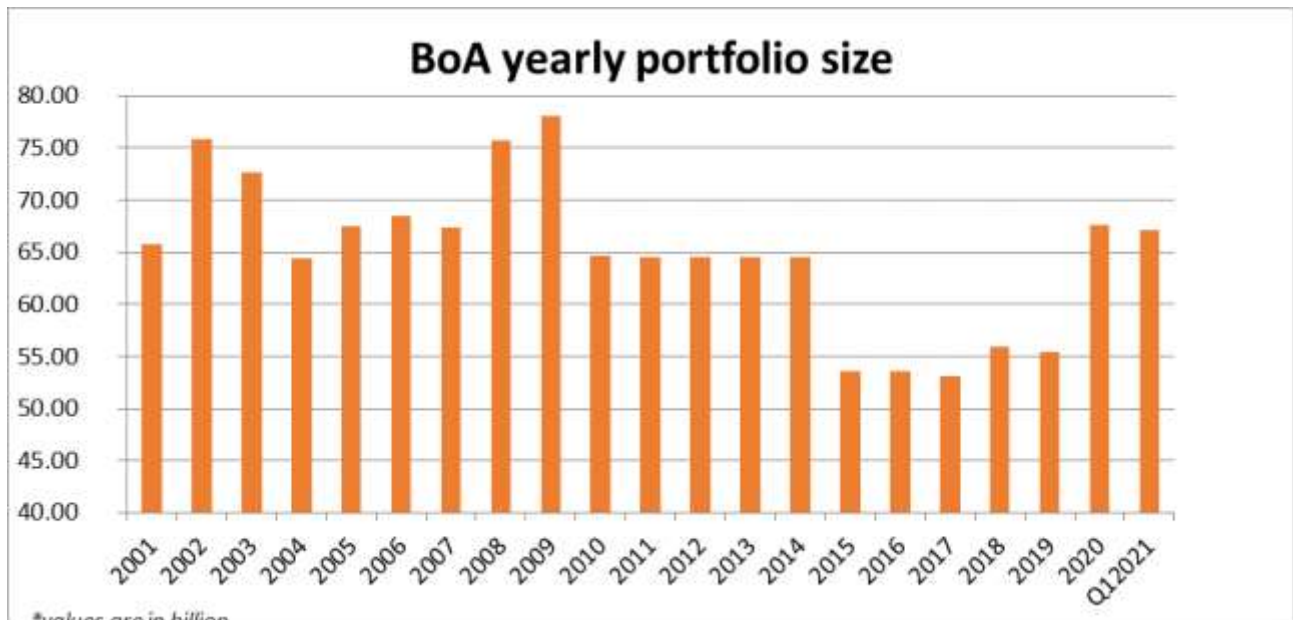
1.2 Use of standing facilities by the banking system

The banking system used the deposit at the Bank of Albania, on an ongoing basis, for ALL 6.52 billion on average, versus the average of ALL 6.38 billion and ALL 6.58 billion, respectively, in the previous quarter and in 2020. RZB has continued to be the main user of deposit instrument, by around ALL 6.17 billion.

The overnight loan facility was used in no case since 9 January 2020.

1.3 Operations to manage the banking system liquidity through the Bank of Albania’s portfolio

In 2021 Q1, the portfolio of the Bank of Albania fell by ALL 546 million to ALL 67.1 billion, versus ALL 67.60 billion at end of 2020. Pursuant to the Monetary Policy Implementation and Advisory Committee's Decision to maintain the value of T-bills portfolio at the operating band ALL 65.60-69.60 billion during the first quarter of 2021, the operations of the Bank of Albania in the secondary market of securities have aimed at increasing the holding share in new issued 3-,6- and 16-month securities, where the holding share was 0, and the reduction of holding share in some 12-month issuances where the holding share was above 30%. Participation in auctions of primary market has decreased to a total ALL 2.32 billion, during the first quarter. One day after the auction of primary market, there were purchased in the secondary market 12-month Treasury bills amounting ALL 850 million, and 3-and 6-month Treasury bills amounting ALL 1 billion in the scheduled auctions. Banks did not participate in 3 out of 6 auctions that were held.



After the growth of portfolio in the first six months of 2020, fluctuations in the portfolio of the Bank of Albania were at minimum levels in the second half of 2020 and in 2021 Q1.

1.4 Use of fine-tuning operations

Two fine-tuning operations were performed, in the last two days of the required reserve period ending on 24 January 2021. The participation of banks was low for ALL 1.93 billion and 0.64 billion.

2. BANK OF ALBANIA INTERVENTIONS IN THE DOMESTIC FOREIGN EXCHANGE MARKET DURING 2021 Q

2.1 Transactions with commercial banks

Pursuant to the Monetary Policy Implementation and Advisory Committee's decision dated 22.12.2020 and the following schedule published at the same date, the auctions in the first quarter were held in February and March

Calendar of interventions for 2021		
Date	Amount in the first round (in euro)	
1	19/02/2021	4-6 mln
2	19/03/2021	4-6 mln
3	15/04/2021	4-6 mln
4	14/05/2021	4-6 mln
5	07/06/2021	4-6 mln
6	21/06/2021	4-6 mln
7	09/07/2021	4-6 mln
8	23/07/2021	4-6 mln
9	06/08/2021	4-6 mln
10	20/08/2021	4-6 mln
11	18/10/2021	4-6 mln
12	18/11/2021	4-6 mln
13	03/12/2021	4-6 mln
14	20/12/2021	4-6 mln

** When the auction falls on a public holiday, it will be organized on the next working day.*

EUR 6.8 million were purchased in the auction held in February and EUR 9.3 million were purchased in the auction of March. In both cases, the Bank of Albania employed the option of purchasing in the second round, for EUR 2.3 million and EUR 3.3 million, respectively. Euro/Lek exchange rate fluctuated at rather low levels during the first quarter, averaging around the level ALL 123.40, with an appreciating trend of lek towards the level ALL 123.10, against the recorded maximum of ALL 123.80.

Detailed results of all auctions organised by the Bank of Albania are published at:

https://www.bankofalbania.org/Markets/Operations_of_the_Bank_of_Albania/Interventions_in_the_foreign_exchange_market/

2.3 Operations with other institutions

In 2021 Q1, the Ministry of Finance and Economy reduced the amount of SWAP agreements which were not matured to ALL 40.90 billion on 24 March 2020, from ALL 45.80 billion at end of 2020, and ALL 50 billion of the approved limit for 2021.

In 2021 Q1, the Bank of Albania purchased EUR 6.92 million from IPA programme and EUR 4.55 million from IBRD. EUR 295 million were sold to the Albanian Deposit Insurance Agency (ADIA).