

**BANK OF ALBANIA INTERVENTIONS IN THE MONEY MARKET AND FOREIGN
EXCHANGE MARKET
DURING 2023 Q2**

1. BANK OF ALBANIA INTERVENTIONS IN THE MONEY MARKET DURING 2023 Q2**1.1. Open market operations and factors affecting liquidity shortage in the banking system**Table 1 Temporary open market operations
(*in ALL billion¹.) Source: Bank of Albania.

DATE	R/REPO overnight	R/REPO 1-week	R/REPO >1-week <3-month	REPO Overnight	Total injected liquidity
6-Apr-23		27.54			37.16
13-Apr-23		31.91			41.53
20-Apr-23		31.12			40.74
24-Apr-23			4.41		43.56
27-Apr-23		28.36			40.80
3-May-23		31.63			44.07
11-May-23		30.88			43.32
18-May-23		30.22			42.67
24-May-23			4.42		44.53
25-May-23		41.17			55.43
1 June-23		32.07			46.38
8 June-23		29.87			44.18
15 June-23		36.14			50.45
22 June-23		43.55			57.86
26 June-23			7.09		59.47
29 June-23		40.41			56.33

In 2023 Q2, the Bank of Albania intervened in the money market through open market operations to inject liquidity.

Average daily injections through liquidity injecting operations with maturity 1-13 week increased at ALL 45.41 billion, against the average ALL 34.89 billion in the previous quarter. The shortage has returned to the values above the 2022 average and has stabilized at the end of the period, around the level of ALL 56 billion, against ALL 36 billion at the beginning of the period.

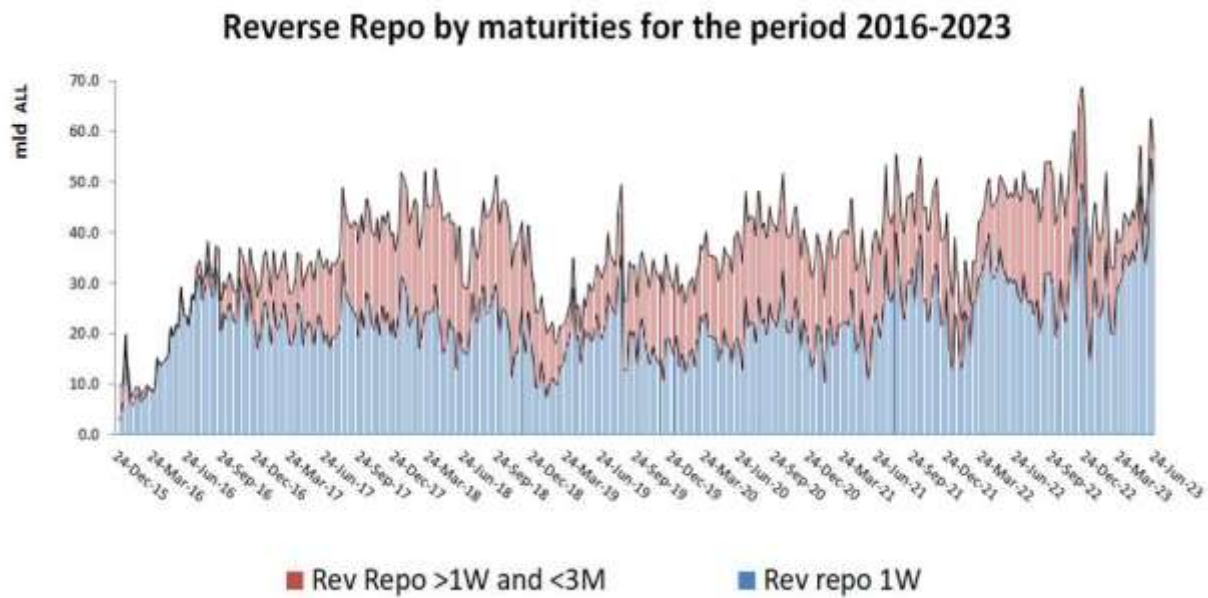
¹ The figures are expressed in purchase price.

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The increase in shortage was mainly due to the accumulation of liquidity in government account, totalling around ALL 32.7 billion - out of this amount ALL 5.7 billion was utilized to reduce the volume of SWAP agreements with the Bank of Albania, - and as a result of the negative effect originating from the increase in the currency in circulation, amounting to ALL 6.1 billion, particularly concentrated in June.

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 – for ALL 32.70 billion on average, or 68% against 64% in the previous quarter. Despite the continuous increase in long-term injections, from ALL 9.6 billion at the beginning of the quarter to ALL 15.9 billion at the end of the quarter, the share of long-term injections did not increase as the accumulation of liquidity in government account was faster than our estimates.

Chart 1: Bank of Albania interventions in the money market in 2016-2023 (at nominal value)
Source: Bank of Albania.



1.2 Use of standing facilities by the banking system

The banking system used the deposits at the Bank of Albania, for the maximum amount of ALL 17.70 billion at the beginning of the period. In the last two months of the period, the use of deposit was for the maximum amount of ALL 8 billion. In the last week of June, banks did not use this instrument with the beginning of the new Required Reserve.

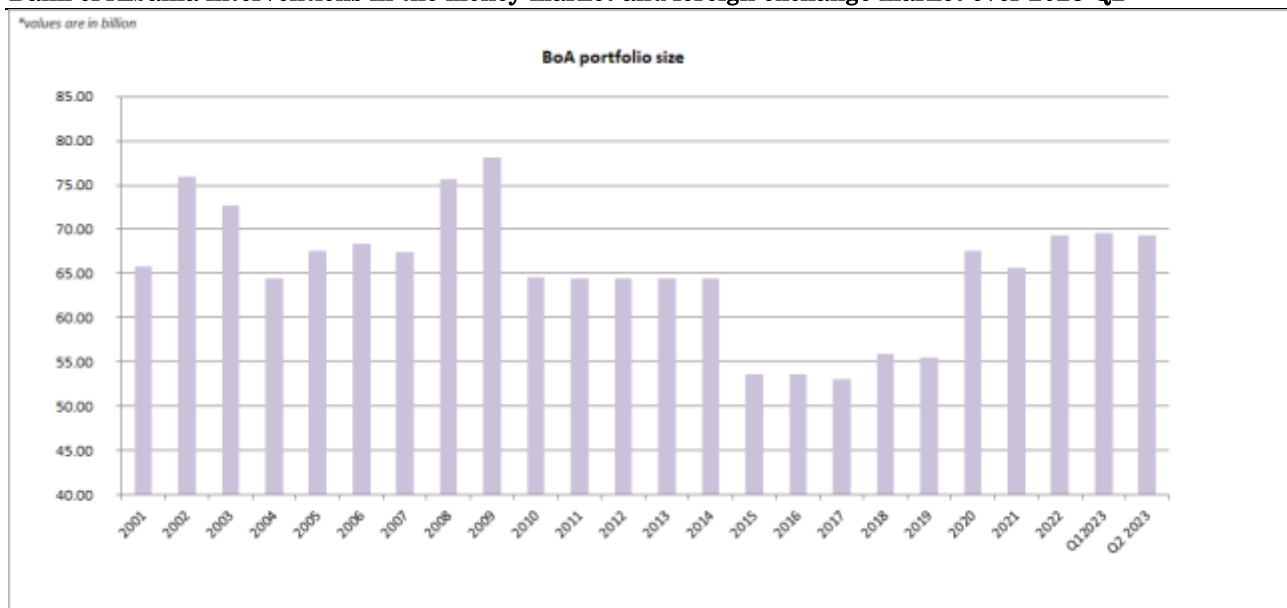
The overnight loan facility was employed in 13 cases in this quarter, downwards compared to 20 cases in the previous quarter. Meanwhile, the average amount decreased to ALL 0.86 billion from ALL 2.1 billion.

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

During 2023 Q2, the Bank of Albania has continued tending to increase the portfolio through auctions for the purchase of securities, but the participation of the banks has been quite low, driving the portfolio to remain close to the lower level of the approved band. In addition to the usual reluctance of banks to participate in these auctions due to the positive performance of government securities, the re-classification of most portfolios into HTM over 2022 was another reason for the low participation of banks during 2023.

The value of the Bank of Albania's T-bills portfolio stands at its highest level since 2009, but in relative terms against public debt issued in national currency, the amount of the portfolio is around 9.3% compared to around 25% in the early 2000s.

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1.4 Use of fine-tuning operations

Fine-tuning operations were carried out during this period, at the end of Required Reserve in May and June. Two banks participated in Main, while only 1 bank participated in fine tuning operations in June.

2. BANK OF ALBANIA INTERVENTIONS IN THE DOMESTIC FOREIGN EXCHANGE MARKET DURING 2023 Q2

2.1 Transactions with commercial banks

During 2023 Q2, as announced on 13 December 2022, the Bank of Albania has held 6 auctions for the purchase of foreign currency, two of them with the forward option.

Calendar of interventions - 2023

Date	Amount in the first round (in euro)	
1 17/02/2023	5-9 mln	(1 mo FW)
2 17/03/2023	5-9 mln	(1 mo FW)
3 11/04/2023	5-9 mln	(1 mo FW)
4 20/04/2023	5-9 mln	
5 11/05/2023	5-9 mln	
6 26/05/2023	5-9 mln	
7 09/06/2023	5-9 mln	
8 21/06/2023	5-9 mln	(1 mo FW)

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9	06/07/2023	5-9 mln	
10	20/07/2023	5-9 mln	
11	04/08/2023	5-9 mln	
12	18/08/2023	5-9 mln	(1 mo FW)
13	18/10/2023	5-9 mln	(1 mo FW)
14	17/11/2023	5-9 mln	(1 mo FW)
15	06/12/2023	5-9 mln	
16	20/12/2023	5-9 mln	(1 mo FW)

During 2023, with the objective to increase the international reserve, the Bank of Albania, intends to buy EUR 160-220 million through auctions.

The participation of the banks was quite high and the amounts purchased in each auction were higher than EUR 14 million in all auctions except the one in April where they purchased only EUR 9.10 million and there was no bid in the second round. Including the auctions taking place in July, the total amount purchased in 10 auctions during 2023 is EUR 150.20 million. There are still 6 auctions to be held².

In early June, in response to the increasing speed in the exchange rate up to 4-6% compared to the compared to two and three weeks earlier, and the shortage of the demand for foreign currency after the Bank of Albania' auction on 7 June, the Bank of Albania decided to intervene in the foreign exchange market aimed to avoid disorders, by purchasing EUR 5 million from commercial banks³.

2.2 Operations with other institutions

In 2023 Q2, the Ministry of Finance and Economy matured the SWAP agreement for ALL 5.7 billion, after the maturity for ALL 8.94 billion in the first quarter. The un-matured SWAP agreements are as follows:

1. EUR 50 million on 18 SEPTEMBER 2023;
2. EUR 40 million on 20 October 2023;
3. EUR 45 million on 30 November 2022.

During the quarter, EUR 4.47 million were purchased from the IPA program and EUR 400 thousand were sold to the ADIA.

² In August the calendar of interventions (purchases) was changed for the September-December period, adding an auction and the aimed amount of purchases has been increased.

³ In July there was another intervention with this objective

