

**BANK OF ALBANIA INTERVENTIONS IN THE MONEY MARKET AND FOREIGN  
EXCHANGE MARKET  
OVER 2023 Q3**

**1. BANK OF ALBANIA INTERVENTIONS IN THE MONEY MARKET OVER 2023 Q**

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

Table 1 Temporary open market operations  
(\*in ALL billion<sup>1</sup>.) Source: Bank of Albania.

<b>DATE</b>	<b>R/REPO overnight</b>	<b>R/REPO 1-week</b>	<b>R/REPO &gt;1-week &lt;3-month</b>	<b>REPO Overnight</b>	<b>Total injected liquidity</b>
<b>6-July-23</b>		37.74			53.66
<b>13-July-23</b>		41.51			57.42
<b>20-July-23</b>		40.66			56.58
<b>21-24-July-23</b>	3.58				60.16
<b>24-July-23</b>			8.08		60.25
<b>27-July -23</b>		28.62			48.21
<b>3-August -23</b>		25.48			45.07
<b>10-August -23</b>		26.72			46.31
<b>17-August -23</b>		27.51			47.10
<b>18 -21-August-23</b>	2.67				49.77
<b>22-August-23</b>	2.74				49.84
<b>23-August-23</b>	3.59				50.69
<b>24-August -23</b>		41.19	4.39		60.75
<b>31-August-23</b>		36.30			55.86
<b>7-Sept-23</b>		27.75			47.31
<b>14-Sept-23</b>		41.26			60.82
<b>21-Sept-23</b>		45.98			65.54
<b>24-Sept-23</b>			7.23		65.67
<b>28-Sept-23</b>		41.55			61.23

In 2023 Q3, the Bank of Albania intervened in the money market through open market operations to inject liquidity.

<sup>1</sup> The figures are expressed in purchase price.

Average daily injections through liquidity injecting operations with maturity 1-13 week increased further at ALL 54.20 billion, from ALL 44.65 billion on average in the first six months of 2023. The shortage is at the maximum level as noted and above the upper tolerance limit of the Bank of Albania. **The shortage has been stable at high levels above ALL 45 billion, recording ALL 56.30 billion at the beginning of the period, and ALL 61.20 billion at the end of the period.**

Regarding the portfolio size, the Bank of Albania - aimed at decreasing the shortage through achieving the target band - has continued to organise auctions for the purchasing of securities. However, the participation of banks was low due to the declining trend of yields in auctions of primary market and the reclassification of securities in “hold to maturity” over 2022 from commercial banks.

The liquidity accumulation in government account in the previous months was the main factor affecting the stabilisation of liquidity shortage at high level and less in its increase. The Ministry of Finance and Economy, in the first part of the period, has impacted on the decrease of shortage, while in the second part, the MoFE affected its increase. During the period, the amount in the government account fell by ALL 1.1 billion, while the value of SWAP agreements paid to the Bank of Albania on 18 September 2023 amounted to ALL 4.47 billion.

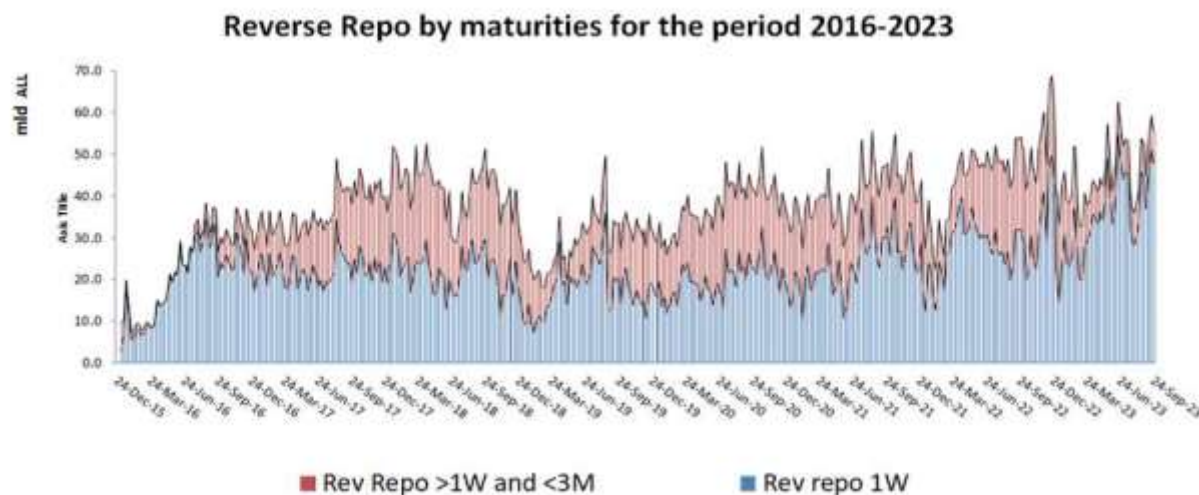
Currency in circulation increased by ALL 4.07 billion, where the growth only in July amounted to ALL 5.56 billion. In the period June and July, the growth of currency in circulation was ALL 10.63 billion, driving the previous signs for a more positive performance of this factor, to reduce during this quarter, as interest rates were higher.

The purchases of foreign currency from commercial banks, totalling ALL 9.73 billion, were factors with a positive impact on the liquidity of banks.

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 35.56 billion on average, or 65.60% from 68% and 64%, respectively in the previous quarter.

The overnight loan facility was employed in 9 cases in this quarter, downwards compared to 13 cases in the second quarter and 20 cases in the first one. Meanwhile, the employment of overnight deposit decreased to ALL 400 million on average.

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

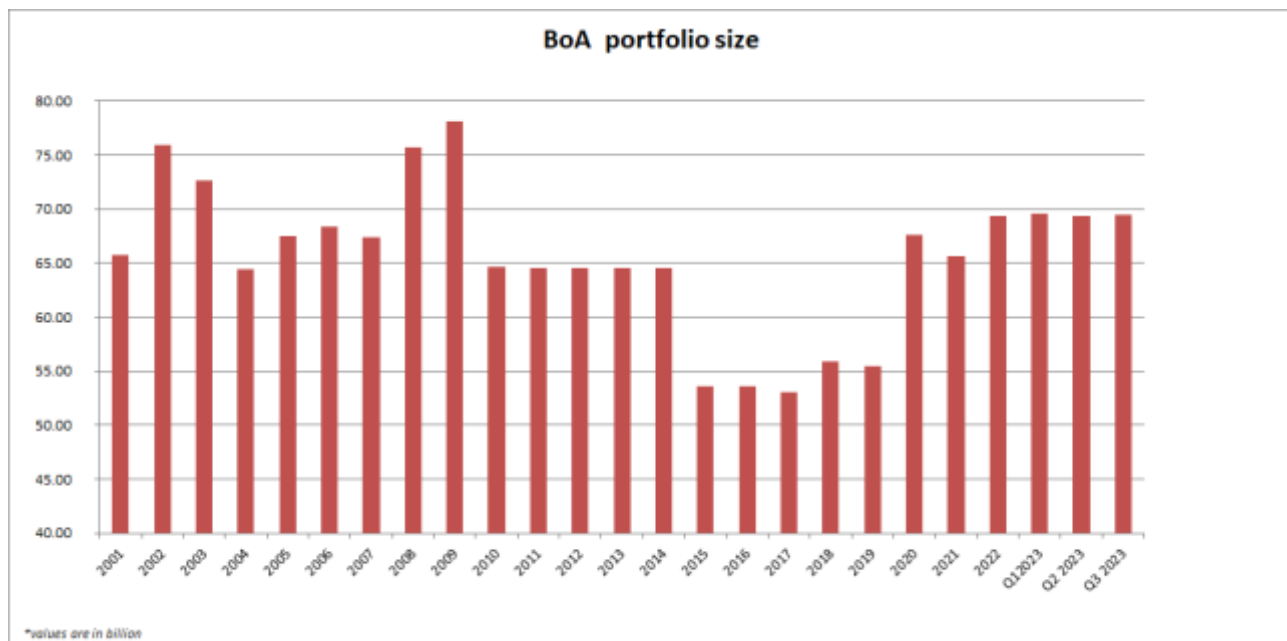


### **1.2 Use of standing facilities by the banking system**

The banking system used the deposits at the Bank of Albania, for the maximum amount of ALL 3.4 billion, versus the maximum of All 17.70 billion in the previous period.

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

During 2023 Q3, the Bank of Albania has continued tending to increase the portfolio through auctions for the purchase of securities. The value of the Bank of Albania's T-bills portfolio amounts to ALL 69.45 billion, close to the noted maximum levels, but in relative terms against public debt issued in national currency, the size of the portfolio is below 10% compared to around 25% in the early 2000s.



## **1.4 Use of fine-tuning operations**

Fine-tuning operations were carried out during this period, at the end of Required Reserve in July for the amount ALL 4 billion and in August, for three days, for the amount ALL 3-4 billion. Two banks participated in July and four banks participated in August.

## **2. BANK OF ALBANIA INTERVENTIONS IN THE DOMESTIC FOREIGN EXCHANGE MARKET DURING 2023 Q3**

### **2.1 Transactions with commercial banks**

During 2023 Q3, as announced on 13 December 2022 and revised on 3 August 2023, the Bank of Albania has held five auctions for the purchase of foreign currency, one of them with the forward option.

The amount of EUR 66.50 million was purchased in the organised auctions. Meanwhile the possible maximum amount of EUR 18 million was purchased in two of these auctions.

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

[https://www.bankofalbania.org/Markets/Operations\\_of\\_the\\_Bank\\_of\\_Albania/Interventions\\_in\\_the\\_foreign\\_exchange\\_market/](https://www.bankofalbania.org/Markets/Operations_of_the_Bank_of_Albania/Interventions_in_the_foreign_exchange_market/)

Calendar of interventions for 2023			
	Date	Amount in the first round (in euro)	
1	17/02/2023	5-9 mio	1 mo FW
2	17/03/2023	5-9 mio	1 mo FW
3	11/04/2023	5-9 mio	1 mo FW
4	20/04/2023	5-9 mio	
5	11/05/2023	5-9 mio	
6	26/05/2023	5-9 mio	
7	09/06/2023	5-9 mio	
8	21/06/2023	5-9 mio	1 mo FW
9	06/07/2023	5-9 mio	
10	20/07/2023	5-9 mio	
11	04/08/2023	5-9 mio	
12	18/08/2023	5-9 mio	1 mo FW
13	22/09/2023	5-10 mio	
14	18/10/2023	5-10 mio	1 mo FW
15	17/11/2023	5-10 mio	1 mo FW
16	06/12/2023	5-10 mio	
17	20/12/2023	5-10 mio	1 mo FW

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

**During 2023, with the objective to increase the international reserve, the Bank of Albania intends to buy EUR 220-300 million through auctions.**

## **2.2 Operations with other institutions**

During 2023 Q3, MoFE matured the SWAP agreement for ALL 4.47 billion after maturing for ALL 8.94 billion in the first quarter and ALL 4.7 billion in the second quarter. The unmatured SWAP agreements are as follows:

1. EUR 40 million on 20 October 2023
2. EUR 45 million on 30 November 2023.