

1. BANK OF ALBANIA INTERVENTIONS IN THE MONEY MARKET AND THE FOREIGN EXCHANGE MARKET DURING 2020 Q2

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

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

DATE	R/REPO overnight	R/REPO week	R/REPO >1 week <3months	REPO Overnight
2-Apr-20		23.41		
06-Apr-20			4.62	
9-Apr-20		19.10		
16-Apr-20		19.04		
23-Apr-20		18.85		
24-Apr-20			4.44	
30-Apr-20		18.53		
7-May-20		14.54		
14-May-20		17.12		
21-May-20		20.93		
26-May-20			7.3	
28-May-20		17.58		
4-Jun-20		16.96		
11-Jun-20		13.76		
16-Jun-20			2.8	
18-Jun-20		18.19		
24-Jun-20			4.59	
25-Jun-20		19.31		
2-Jul-20		16.80		
9-Jul-20		12.94		
16-Jul-20		26.87		

In 2020 Q2, the Bank of Albania intervened in the money market through the open market operations to inject liquidity.

The average daily injections thorough liquidity injecting operations with maturity 1-13 weeks amounted to ALL 33.63 billion, against ALL 27.34 billion in the previous quarter and ALL 26.88 billion in 2019 Q2.

Banks' demand for liquidity in the Bank of Albania operations was close to ALL 32.00 billion at the beginning of the period and ALL 34.00 billion at the end of the period, fluctuating between ALL 29-38 billion, trending upward, mainly due to the tendency of banks to increase excess liquidity and the effect of

increasing currency in circulation. Following the trend identified in February, the currency in circulation was the main factor that increased the banks' need for liquidity. After the increase in February-March by ALL 9.02 billion, in the second quarter of the year, the currency in circulation increased by ALL 22.20 billion.

Some operations of the Bank of Albania, such as the increase of SWAP agreements with the Ministry of Economy and Finance by about ALL 19.50 billion, the acquisition by the EBRD of EUR 49 millions worth ALL 6.125 billion, as well as the increase of the treasury bill portfolio by

¹ Figures are in liquidity value.

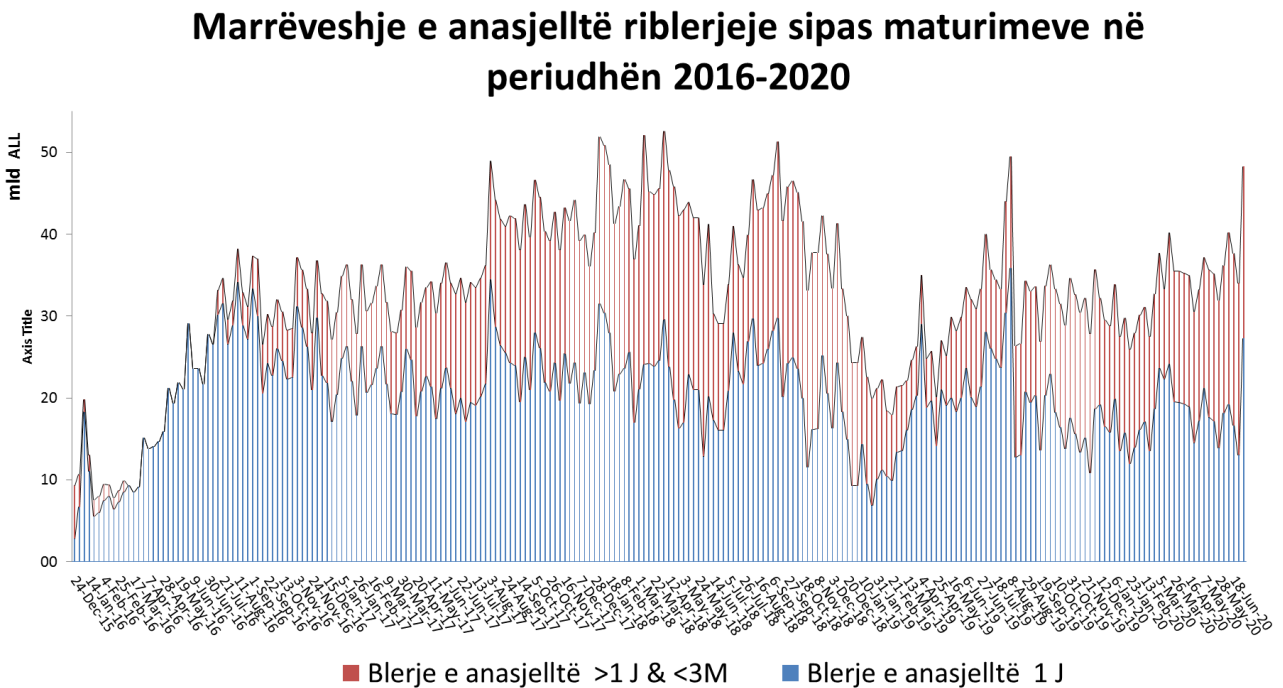
On the interventions in the money market and the foreign exchange market during 2020 Q2

ALL 6.90 billion, were some of the factors that affected positively the liquidity of the banking system and which eased the pressure for high demand for liquidity from banks.

Liquidity in the government account has fluctuated just slightly.

In the context of operations for the liquidity management of the banking system, the Bank of Albania employed its main instrument – one-week reverse REPO – for ALL 18.28 billion on average, or around 54.36% of total injections. In accordance to the Decision of MPIAC, since the second week of March, the Bank of Albania has changed the type of auctions from "fixed price auctions" to "uniform price auctions".

Chart 1: Interventions of the Bank of Albania in the money market in 2016-2020 (nominal value). Source: Bank of Albania.



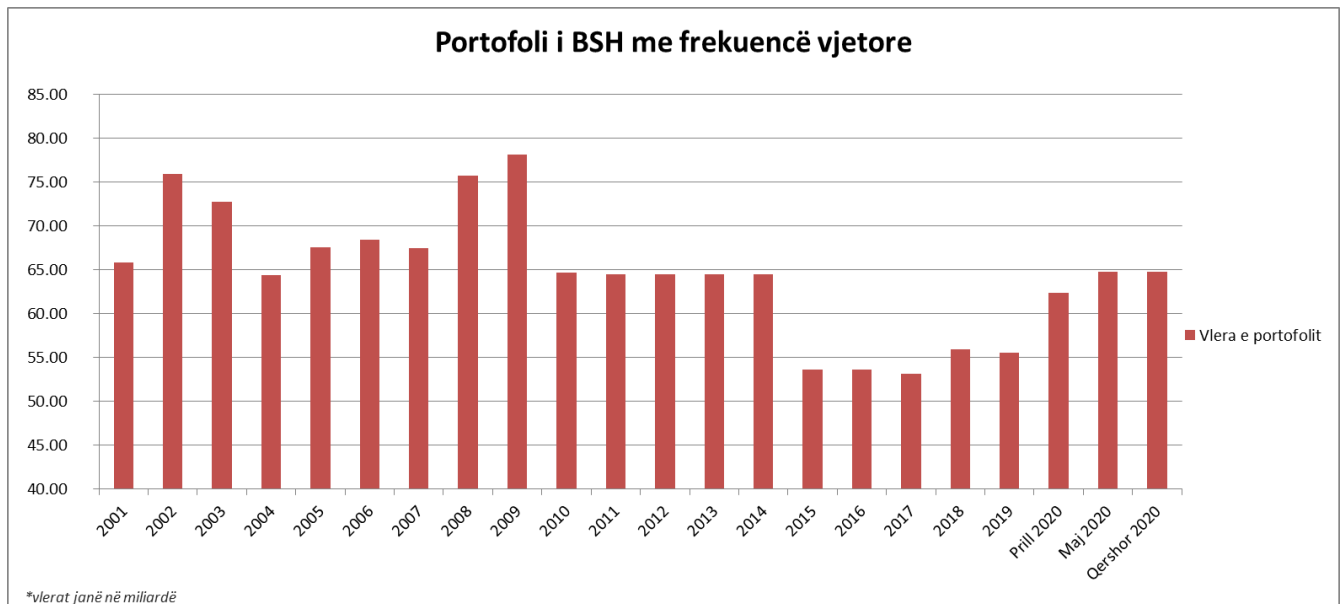
1.2 Use of standing facilities by the banking system

The banking system has continuously used the deposit at the Bank of Albania averaging ALL 6.73 billion, versus the average of ALL 6.76 billion and ALL 6.20 billion, in the previous quarters. The overnight loan facility was not used in any case versus 1 case and 3 cases in the previous quarters.

1.3 Operations to manage the Bank of Albania's portfolio

During 2020 Q2, the portfolio of the Bank of Albania increased by ALL 6.90 billion after the increase by ALL 2.40 billion in the previous quarter. The Bank of Albania aimed to increase its portfolio during the quarter due to projections for increasing banks' need for liquidity at high levels. BoA's participation in auctions was at record levels until mid-May, but after that the banks' interest was downward.

The following chart shows that after a 5-year period with low volatility, during 2020 H1, the increase of the Government Securities Portfolio was ALL 9.3 billion, close to the levels of the period 2010-2014.



1.4 Use of standing instruments

Neither withdrawal operations nor overnight liquidity injections were performed during the period.

2. BANK OF ALBANIA INTERVENTIONS IN THE DOMESTIC FOREIGN EXCHANGE MARKET DURING 2020 Q2.

2.1 Transactions with commercial banks

During 2020 Q2, no auctions were held for the foreign currency purchase, pursuant to the Monetary Policy Implementation and Advisory Committee's decision dated: 31 March 2020, published below:

Kalendari i ndërhyrjeve në treg

Kalendari i ndërhyrjeve - Viti 2020			
	Data	Shuma Raundi I (në euro)	Anulluar
1	21/02/2020	4-6 mln	
2	20/03/2020	4-6 mln	
3	15/04/2020	4-6 mln	**
4	07/05/2020	4-6 mln	**
5	21/05/2020	4-6 mln	**
6	05/06/2020	4-6 mln	**
7	19/06/2020	4-6 mln	**
8	03/07/2020	4-6 mln	**
9	17/07/2020	4-6 mln	**
10	03/08/2020	4-6 mln	**
11	21/08/2020	4-6 mln	**
12	25/09/2020	4-6 mln	**
13	22/10/2020	4-6 mln	**
14	06/11/2020	4-6 mln	**
15	20/11/2020	4-6 mln	**
16	04/12/2020	4-6 mln	**
17	18/12/2020	4-6 mln	**

* Në rastet kur ankandi bie në ditë pushimi, ankandi do të organizohet në ditën pasardhëse të punës.

** Anulluar

Information on the interventions of the Bank of Albania in the foreign exchange market, updated with the cancelled auctions can be found at:

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

2.2 Operations with other institutions

During 2020 Q1 there were no SWAP agreements with the Ministry of Finance and Economy, but in the second quarter, the MFE used once again the SWAP operations, gradually increasing the amount used at the end of June at ALL 24 billion.

In 2020 Q2, the Bank of Albania purchased EUR 49 million from the EBRD.

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Common purchases of foreign currency by international institutions were USD 480,136.86, and EUR 4,346,005.00 from the IBRD, whilst there were purchased EUR 1,656,604.70 from the European Union Programme IPA, and EUR 3,842,600.00 were sold to the ADIA.