

**Bank of Albania interventions in the money market and foreign exchange market over 2018 q4**

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OVER 2018 Q4**

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### 1. BANK OF ALBANIA INTERVENTIONS IN THE MONEY MARKET OVER 2018 Q4

#### 1.1. Open market operations

**Table 1:** Temporary open market operations (in ALL billion<sup>1</sup>)

DATA	R/REPO overnight	R/REPO 1-week	R/REPO >1-week <3-month	REPO overnight
4-Oct-18		19.3		
11- Oct -18		23.0		
16- Oct -18			2.38	
18- Oct -18		23.8		
22- Oct -18	8.45			
23- Oct -18	7.79			
24- Oct -18			3.67	
25- Oct -18		22.6		
1-Nov-18		19.39		
8- Nov-18		11.45		
15- Nov-18		15.9		
22- Nov-18		17.84		
23- Nov-18	6.18			
26- Nov-18			4.86	
3-Dec-18		24.49		
6- Dec -18		20.16		
13- Dec -18		16.21		
20- Dec -18		23.85		
21- Dec -18	6.88			
24- Dec -18			5.77	
27- Dec -18		18.0		

Source: Bank of Albania.

The decrease of liquidity on the government's account, mainly due to the decrease of securities' issues at around ALL 10.30 billion, was the main factor affecting liquidity shortfall. Liquidity increase through Bank of Albania operations in the foreign exchange market, with a cumulative impact of ALL 6.2 billion for the quarter, is offset by the impact from the increase of currency in

<sup>1</sup> Figures are in liquidity value.

In 2018 Q4, the Bank of Albania intervened in the money market through open market operations to inject liquidity. For the management of liquidity shortage in the banking system, and the size of the portfolio of Bank of Albania's securities, transactions in the secondary market of securities were also carried out.

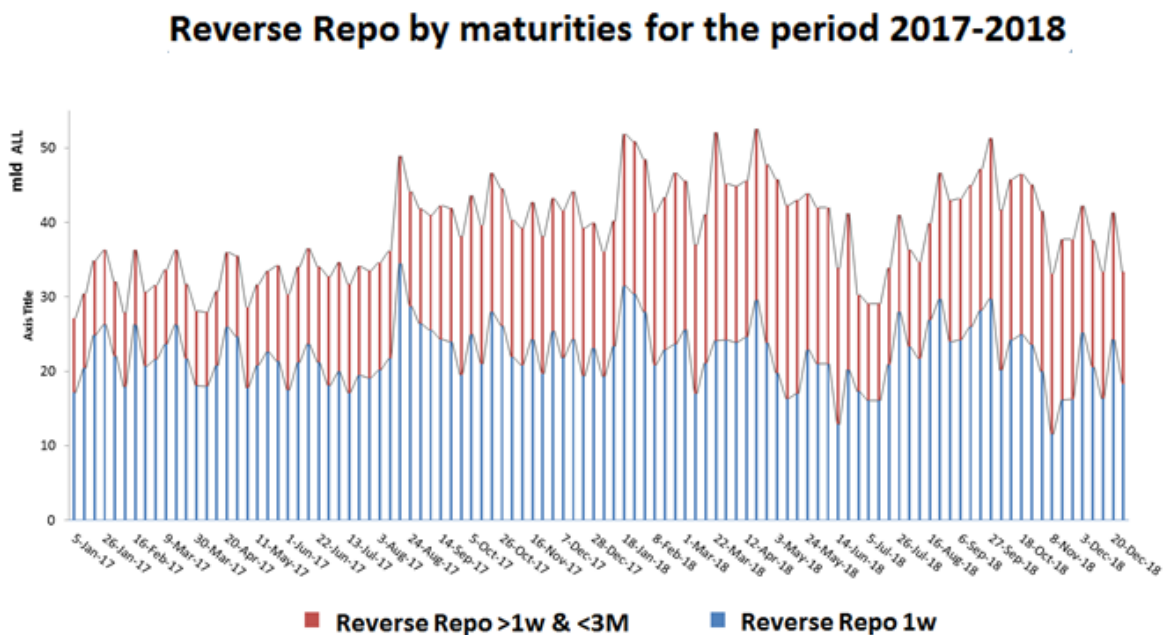
Average daily injections during the fourth quarter amounted to ALL 37.77 billion, against ALL 37.24 billion in the third quarter. The injected amount had a downwards trend, registering around ALL 32 billion at the end of the period, from its high level at ALL 46 billion at the beginning of October.

**Bank of Albania interventions in the money market and foreign exchange market over 2018 q4** circulation by ALL 6.4 billion in the last weeks of December. The portfolio of the Bank of Albania remained unchanged during the period, without affecting the permanent liquidity of the banking system.

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 19.70 billion in liquidity, or 52% of total injections, against 60% and 50% in the previous quarters. Reflecting the downwards trend of the need for temporary injections, the Bank of Albania has decreased injections with up to 3-months maturity from ALL 15.70 billion at the beginning of October, to ALL 14.30 billion at end-2018.

The one-day liquidity withdrawal fine-tuning operation was not employed during this quarter. The one-day liquidity-providing operations were employed in 4 cases, against 5 cases in the previous quarter. The average increased at ALL 7.3 billion.

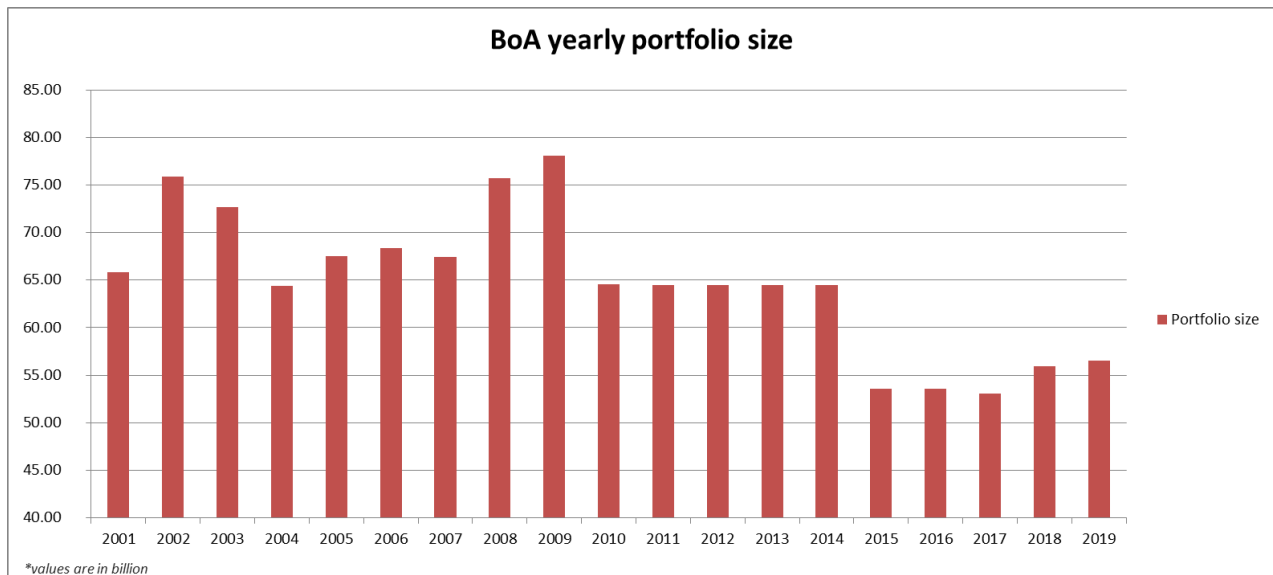
**Chart 1 Bank of Albania interventions in the money market in 2017-2018 (nominal value)**



Source: Bank of Albania.

### **1.2 Operations to manage the banking system liquidity through Bank of Albania’s portfolio**

During 2018 Q4, the portfolio of the Bank of Albania remained unchanged at ALL 55.90 billion, increasing ALL 2.8 billion during the first nine months of the year. The Bank of Albania continued to decrease its share of 6-month T-Bills during the period and purchased, gradually and mainly through auctions, the same amount in 1-year T-Bills. The Chart shows the impact of the portfolio’s value on the permanent liquidity of the banking system, in the last four years, has been minimal.



### **1.3. Use of standing facilities**

Commercial banks used deposits at BoA consistently over the period, averaging ALL 5.8 billion, versus ALL 5.06 billion in the previous quarter. The minimum amount of the deposit was ALL 3.6 billion, while the maximum amount was ALL 6.3 billion.

## **2. BANK OF ALBANIA INTERVENTIONS IN THE DOMESTIC FOREIGN EXCHANGE MARKET DURING 2018 Q4**

## Bank of Albania interventions in the money market and foreign exchange market over 2018 q4

### 2.1 Transactions with commercial banks

During 2018 Q4, the Bank of Albania did not make purchases in the foreign exchange market *with the objective of preventing the appreciation of the exchange rate*. Meanwhile, EUR 45.70 million were purchased through auctions, pursuant to the Monetary Policy Implementation and Advisory Committee's decision dated 15.12.2017, intervention *with the objective to increase the international reserve*, as published below:

Calendar of interventions - Year 2018		
	Date	Amount Round I (in EUR mln)
1	22/02/2018	3-6 mln
2	23/03/2018	3-6 mln
3	20/04/2018	3-6 mln
4	17/05/2018	3-6 mln
5	22/06/2018	3-6 mln
6	26/07/2018	3-6 mln
7	24/08/2018	3-6 mln
8	16/10/2018	3-6 mln
9	15/11/2018	3-6 mln
10	14/12/2018	3-6 mln

In the three auctions organised during the period, the Bank of Albania employed the option of purchasing in the second round<sup>2</sup>, as set out in the respective regulation.

### 2.2 Operations with other institutions

The amount of *SWAP* agreements with the Ministry of Finance and Economy further decreased in 2018 Q4 at ALL 4.5 billion, against ALL 10.30 billion and ALL 18.60 billion at the end of the previous quarters, respectively.

Common purchases of foreign currency by international institutions were: USD 156.40 thousand and EUR 36.14 thousand by IBRD.

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<sup>2</sup> Detailed results of all auctions organised by the Bank of Albania may be found at: [https://www.bankofalbania.org/Tregjet/Operacionet\\_e\\_Bankes\\_se\\_Shqiperise/Nderhyrjet\\_ne\\_tregun\\_valutor/](https://www.bankofalbania.org/Tregjet/Operacionet_e_Bankes_se_Shqiperise/Nderhyrjet_ne_tregun_valutor/)