



Press Office
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1. INTERVENTIONS IN THE MONEY MARKET

1.1. Open market operations

DATE	Liquidity withdrawal		
	One-week REPO	One-month REPO	Three-month REPO
06.04.2006	3,908.00		
13.04.2006	4,735.00		1,500.00
20.04.2006	1,985.00		850.00
27.04.2006	757.00		
04.05.2006	1,680.00		
11.05.2006	6,100.00		
18.05.2006	2,530.00		700.00
25.05.2006	2,205.00		
01.06.2006	3,630.00		
08.06.2006	6,140.00	2,000.00	
15.06.2006	4,745.00		
22.06.2006	490.00		
29.06.2006	2,371.00		

Table 1 Open market operations volume (in millions of ALL)

The high liquidity position in the banking system, which characterized the second quarter of 2006, was mainly instigated by the Government's unused liquidity, transferred to the banking system through the decrease of T-bills issuing in the primary market and through reverse repurchase agreements between the Ministry of Finance and the banking system.

Given the forecasts on the ongoing excess liquidity position and based on the Government's projection for the budget situation over the first semester of 2006, the Bank of Albania, apart from the main market instrument (*repurchase agreements of one-week maturity*), also employed the fine-

tuning instruments (*repurchase agreements of one-month and three-month maturity*), as in the first quarter, in order to mitigate the pressure this excess of liquidity was exerting on markets' interests. The liquidity withdrawn through repurchase agreements of three-month maturity was ALL 3.05 billion, while those of one-month maturity totalled ALL 2 billion. On weekly basis, the Bank of Albania withdrew an average of ALL 3.2 billion through repurchase agreements of one-week maturity.

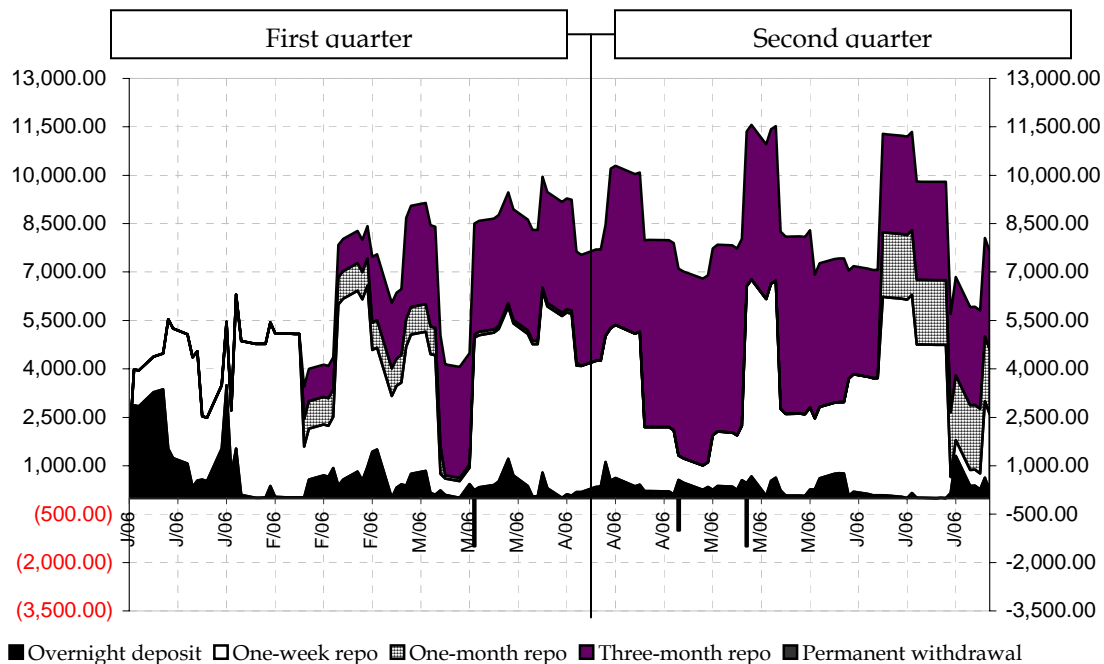
In order to sterilize the injected liquidity through the purchase of foreign currency in the foreign currency market, besides temporary instruments of liquidity management, the Bank of Albania withdrew the liquidity permanently, dropping its investment in the T-bill primary market. The withdrawal of liquidity in this way was executed in the last week of April (ALL 1 billion) and in the second week of May (ALL 1.5 billion).

1.2 Use of standing facilities

On the basis of interventions with open market operations, banks also used overnight deposit for the investment of free liquidities. Its average daily level amounted to ALL 307 million, from ALL 736 million the previous quarter. Under the conditions of excess liquidity and the meeting of interbank market needs, overnight loan was slightly employed over the second quarter of 2006.

The following chart summarizes the Bank of Albania's interventions in the money market over the first semester of 2006.

Chart 1 Bank of Albania interventions in the money market over the first semester of 2006



2. INTERVENTIONS IN THE DOMESTIC FOREIGN CURRENCY MARKET

2.1 Operations with commercial banks

The Bank of Albania continued to be present in the domestic foreign currency market over the second quarter of 2006, by purchasing foreign currency from commercial banks, in order to meet the Net International Reserve objective. The Bank of Albania's interventions continued to be oriented towards the purchase of foreign currency from commercial banks. As a result of the interventions in the domestic foreign currency market, the Bank of Albania sold a total of ALL 2,850.21 million over the second quarter.

2.2 Other operations

Foreign currency sale and purchase operations with the Ministry of Finance continued over this period. Foreign currency sales are determined by the obligation of the Albanian Government to settle the external debt instalments, where the payments effected over the second quarter are estimated at ALL 1,909.77 million.

The volume of purchases with the Ministry of Finance is estimated at ALL 3,816.54 million and it is mainly related to the funds granted to the Albanian Government for the privatization of Italian-Albanian Bank. Foreign currency purchases by foreign institutions amounted to ALL 37.30 million (International Development Agency, IDA and International Bank for Reconstruction and Development, IBRD).