


 Press Office
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On the interventions in the money market and foreign exchange market over the fourth quarter of 2006

1. INTERVENTIONS IN THE MONEY MARKET

1.1. Open market operations

DATE	Liquidity withdrawal		Liquidity injection			
	One-week REPO	Overnight REPO	One-week R/REPO	One-month R/REPO	Three-month R/REPO	T-bill outright purchase
02.10.2006						915.95
05.10.2006	2,625.00					
12.10.2006	1,910.00					
20.10.2006	500.00				1,000.00	
26.10.2006	1,500.00					
02.11.2006			0.00		2,000.00	
06.11.2006					1,000.00	
09.11.2006			0.00			
15.11.2006						800.00
16.11.2006			0.00			
23.11.2006			250.00			
30.11.2006			1,200.00			
07.12.2006			0.00		1,500.00	
14.12.2006			0.00	1,000.00	1,000.00	
21.12.2006			0.00			
28.12.2006			1,350.00			
29.12.2006		4,199				

Table 1 Volume of open market operations (in millions of ALL)

The excess liquidity, which characterized the first nine-month period of 2006, decreased over the last quarter of the same year. In order to maintain the interest rates level, the Bank of Albania continued its weekly interventions for the withdrawal of excess liquidity. However, anticipating the absence of liquidity in the following months, it continued to inject liquidity through temporary (3-month reverse repos) and permanent instruments (T-bill outright purchase), as by the end of the third quarter the same year. The deepening of liquidity absence brought about the change of the Bank of Albania's intervention in November through the main instrument. Apart from injecting liquidity through longer-term temporary instruments, it began to inject liquidity on weekly basis.

To sum up, over the last quarter of the year, it was injected a total of about ALL 7.50 billion through *temporary instruments of longer maturity term than one week* and about ALL 1.7 billion, through the

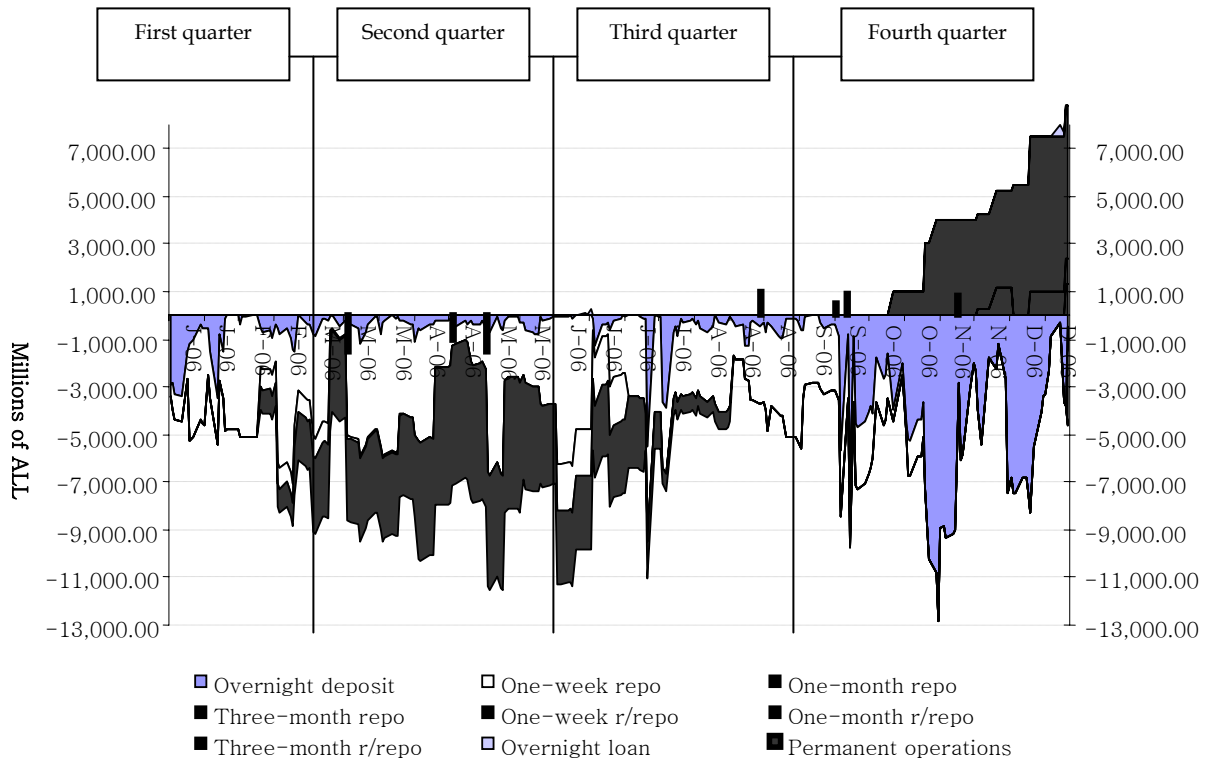
permanent instrument – *T-bill outright purchase*. Meanwhile, the *main instrument* was used to withdraw an average of about ALL 1.6 billion of liquidity over October and about ALL 0.93 billion to inject liquidity in three cases of its use over the last two months of the year.

1.2 Use of standing facilities

Over the last quarter, banks employed overnight deposit to invest free liquidities. Its daily level averaged ALL 4,803 million. Under the conditions of meeting the interbank market needs, overnight loan was slightly used over the fourth quarter of 2006, totalling about ALL 0.7 billion in two cases of being employed.

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

Chart 1: Bank of Albania's interventions in the money market over 2006



2. INTERVENTIONS IN THE DOMESTIC FOREIGN EXCHANGE MARKET

2.1 Operations with commercial banks

The Bank of Albania's interventions in the domestic foreign exchange market continued over the last quarter of 2006, aiming to meet the Net International Reserve objective and to avoid potential disorders in the domestic foreign exchange market. The Bank of Albania's interventions continued to be oriented towards the purchase of foreign currency

from commercial banks, mostly concentrated in December, a period characterized by a high supply of foreign currency.

Over the last quarter of 2006, the Bank of Albania purchased a total of USD 10.55 million, with an average exchange rate of ALL 93.50, and EUR 34.92 million, with an average exchange rate of ALL 123.45. The total purchases of the Bank of Albania throughout 2006 were about USD 138 million, compared to about USD 126 million over 2005.

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 fourth quarter are estimated to amount to ALL 2,144.58 million.

The volume of purchases with the Ministry of Finance totalled ALL 274.03 million in the last quarter, while foreign currency purchases from foreign institutions amounted to ALL 127.55 million (International Development Agency (IDA) and International Bank for Reconstruction and Development (IBRD)). The following table summarizes the operations over the period.

Financial institution	Foreign currency purchase (in millions of ALL)	Foreign currency sale (in millions of ALL)
Commercial banks	5,297.37	-
Ministry of Finance	274.03	2,144.58
Other (IDA, IBRD)	127.55	-