



**1. ON THE BANK OF ALBANIA INTERVENTIONS IN THE MONEY MARKET AND FOREIGN EXCHANGE MARKET DURING THE THIRD QUARTER OF 2005**

1.1. Open market operations

DATE	Liquidity withdrawal		Liquidity injection	
	Overnight REPO	One-week REPO	Reverse REPO	Outright transactions
07.07.2005		2,335.00		
14.07.2005		1,860.00		
21.07.2005			400.00	
28.07.2005			500.00	
29.07.2005	3,383.00			
04.08.2005		1,660.00		
11.08.2005			80.00	
18.08.2005			3,820.00	
25.08.2005				
01.09.2005			2,000.00	
08.09.2005			6,375.00	
15.09.2005			5,220.00	
22.09.2005			1,000.00	2,000.00
28.09.2005				1,500.00
29.09.2005			1,000.00	

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

The banking system was characterized by an excess liquidity in the first month of the third quarter of 2005. However such an excess experienced decline, resulting in the lack of liquidity in the banking system in the second half of the third quarter, mainly

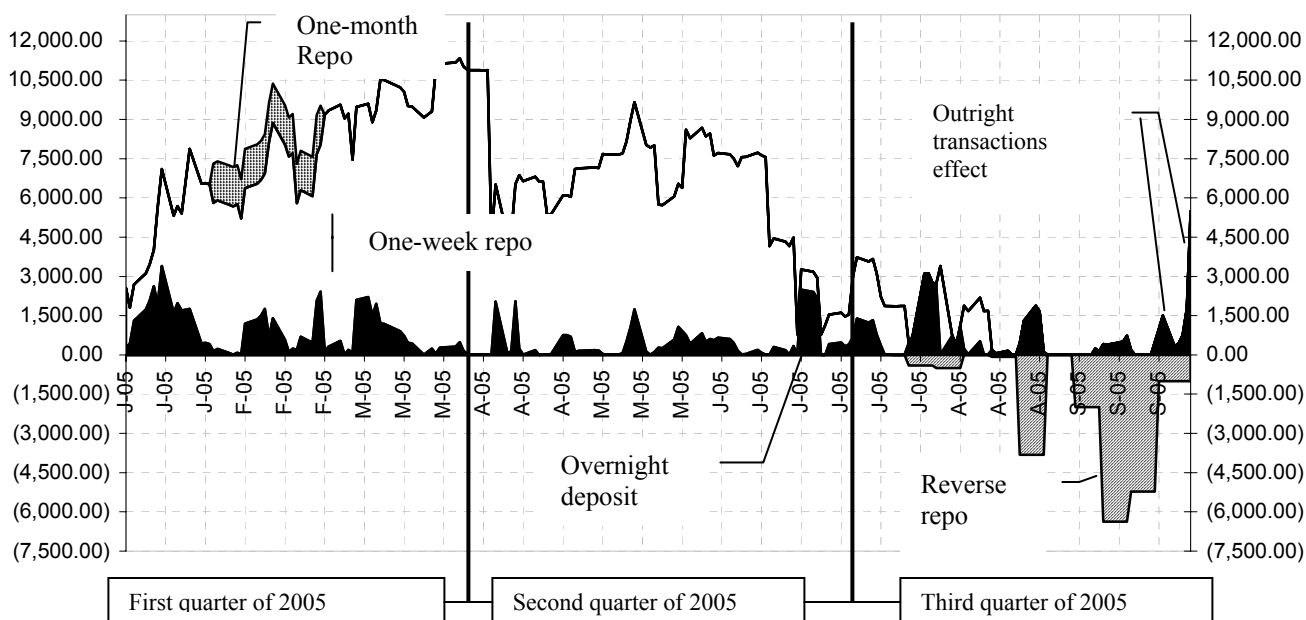
due to the growth of money outside banks. With a view to enhancing banks' confidence, the Bank of Albania started injecting liquidity into the system in the second half of July, regardless of the positive values of liquidity in the system. Such an injection was interrupted for one week, in order to correct the level of net domestic assets indicator. Restarting in the second week of August, the injection of liquidity through one-week reverse repurchase agreements resulted in about ALL 2.4 billions per week.

With a view to enhancing competition in the primary market, the Bank of Albania injected liquidity constantly through the purchase of treasury bills from the commercial banks' portfolio. The treasury bills purchases totalled ALL 3.50 billion.

## 1.2 Use of facility instruments

In order to support the interventions with the open market instruments, banks used the overnight deposit for investing free liquidities. Its average daily level was ALL 669 million compared to ALL 464 million in the previous quarter. Under the pressure of increasing the free liquidity situation during the last days of the period of maintaining the required reserve, banks increased their demand for receiving overnight credit by the Bank of Albania. Its average daily level during the third quarter of 2005 amounted to ALL 43 million.

**Graph 1:** Bank of Albania interventions in the money market during January 2005 – September 2005



## **2. INTERVENTIONS IN THE DOMESTIC FOREIGN EXCHANGE MARKET**

### **2.1 Operations with commercial banks**

In contrast to the first half of the year, the Bank of Albania was significantly active in the domestic foreign exchange market during the third quarter. The interventions aimed at attaining the minimum objective of the net foreign reserve envisaged in the monetary programme. The net result effect from the Bank of Albania interventions was the increase of the foreign reserve by EUR 11.57 million and USD 9.45 million with an average rate of 123.56 lek/euro and 101.05 lek/usd.

### **2.2 Other operations with the Ministry of Finance and other financial partners**

The foreign currency purchase and sale operations with the Ministry of Finance continued to be carried out even during this period. The foreign currency sales are determined by the liability of the Albanian government to settle the external debt instalments, wherein the settled payments during the third quarter accounted for USD 5.94 million and EUR 2.31 million. The volume of purchases with the Ministry of Finance amounted to USD 10.42 million and EUR 18.43 million and it relates to the use of funds granted to the Albanian government by international financial bodies. The foreign currency purchases by the foreign institutions were estimated at USD 0.18 million (International Development Agency and International Bank for Reconstruction and Development).

---

