



Press Office  
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**INTERVENTIONS IN THE MONEY MARKET**

1.1. Open market operations

DATE	Liquidity injection	Liquidity withdrawal
	One-week R/REPO	One-week REPO
06.10.2005	---	
13.10.2005	---	
20.10.2005		2,510.00
27.10.2005		1,220.00
04.11.2005		408.00
10.11.2005		2,670.00
17.11.2005		3,050.00
24.11.2005		3,350.00
01.12.2005		3,800.00
08.12.2005		1,720.00
15.12.2005		---
22.12.2005		1,720.00
29.12.2005		505.00

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

In contrast to the previous quarter, the banking system was characterized by an excess liquidity during the last quarter of 2005. The constant liquidity injection into the banking system by the Bank of Albania at the end of the previous quarter and the increase of individuals' investment in instruments in domestic currency (mainly in treasury bills), encouraged by the increase of difference between the interest rates, were the main factors which brought the increase of liquidity in the banking system. Another factor which contributed to the increase of liquidity in the system was the intervention by the Bank of Albania in the currency market during this quarter.

Despite the excess liquidity, pursuant to its monetary policy, the Bank of Albania continued its interventions at the beginning of the quarter with *one-week reverse repurchase agreements*, until the third week of October. Upon the stabilization of the liquidity situation in the banking system and the interest rates in economy, the Bank of Albania changed the direction of interventions, by withdrawing the excess liquidity through *one-week repurchase agreements*. In average weekly values, the liquidity withdrawn through such interventions was in the level of ALL 1.9 billion.

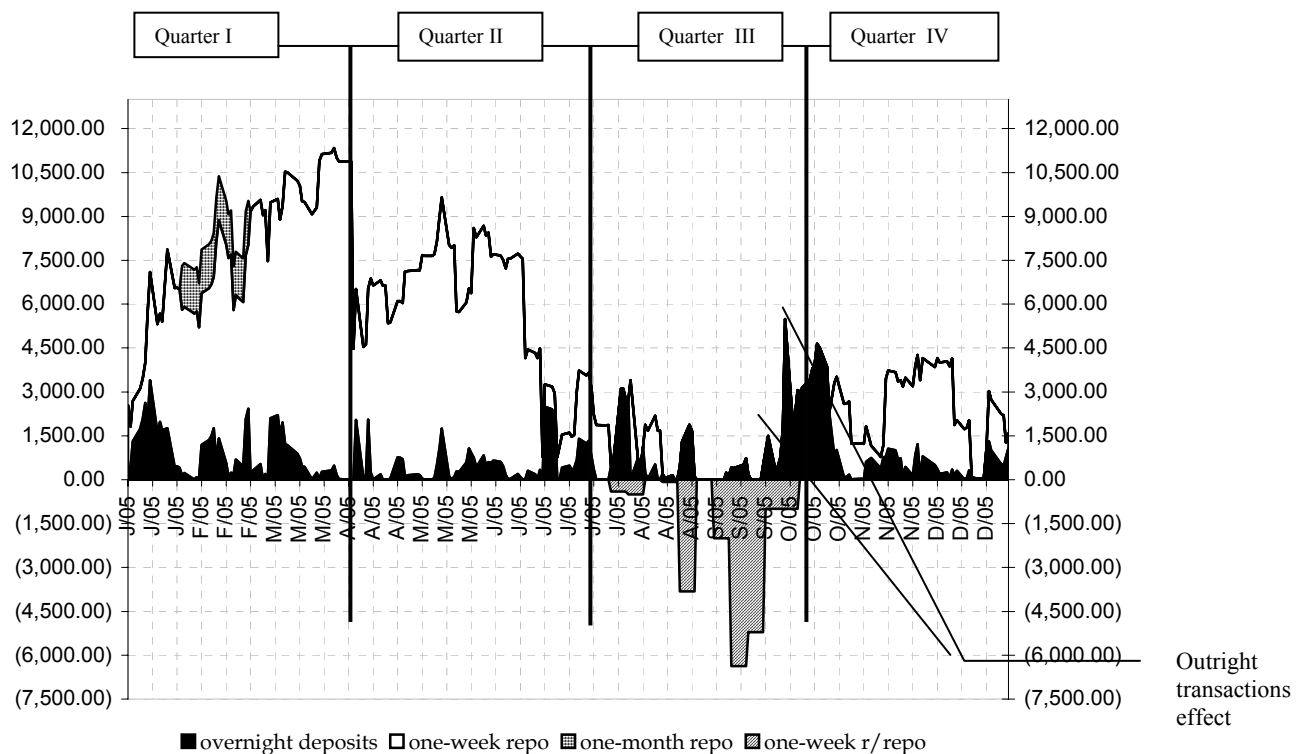
## 1.2 Use of standing instruments

In order to support the interventions with open market instruments, banks used the overnight deposit for investing free liquidities. Its average daily level was ALL 1,035 million compared to ALL 669 million in the previous quarter. The higher use of such a facility concentrated at the beginning of the quarter, when the reverse repurchase agreement was the Bank of Albania intervention instrument.

Under the conditions of excess liquidity and the good functioning of the interbank market, the overnight credit instrument was almost not used during the last quarter of 2005.

The following graphic presents the summarized interventions of the Bank of Albania in the money market during 2005.

**Graph 1:** Interventions of the Bank of Albania in the money market during 2005



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

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

Like in the previous quarter, the Bank of Albania continued to be active in the domestic foreign exchange market even during the last quarter of 2005. The interventions aimed at attaining the minimum objective of the Net Foreign Reserve, envisaged in the monetary programme. Such interventions were mainly focused on the foreign currency purchase and they were carried out throughout the reporting period. The net result effect from the Bank of Albania interventions was the increase of the foreign reserve by EUR 53.68 million and USD 38.07 million with an average rate of 122.81 lek/euro and 103.09 lek/usd.

### **2.2 Other operations**

The foreign currency sale operations with the Ministry of Finance continued to be carried out even during this period with a view to settling the external debt on behalf of the Albanian government, along with the foreign currency purchases which relate to the use of funds granted to the Albanian government by international financial bodies. The volume of foreign currency sale with the Ministry of Finance estimated at ALL 1,867.93 million (about 70 per cent of this value represents the sale of the American dollar), while the foreign currency purchases estimated at ALL 539.99 million. The foreign currency purchases by the foreign institutions amounted to ALL 50.09 million (International Development Agency and International Bank for Reconstruction and Development).

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