

## 1. INTERVENTIONS IN THE MONEY MARKET

### 1.1. Open market operations

DATE	Liquidity withdrawal		
	One-week REPO	One-month REPO	Three-month REPO
05.01.2006	1,106.00		
12.01.2006	4,009.00		
19.01.2006	1,959.00		
26.01.2006	4,760.00		
02.02.2006	5,070.00		
09.02.2006	1,580.00	850.00	1,000.00
16.02.2006	5,602.00		
23.02.2006	3,152.00		1,040.00
02.03.2006	4,308.00		1,100.00
09.03.2006	510.00	100.00	300.00
16.03.2006	4,713.00		
23.03.2006	4,712.00		
30.03.2006	5,629.00		

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

During the first quarter of 2006, the banking system was characterised by excess liquidity. The growth of deposits at higher paces than lending in ALL, and the high liquidity position at the government's account were the main factors that brought about growth of excess liquidity in the banking system. The government's liquidity passed to commercial banks through reducing the Treasury bill issuing in the primary market and through reverse repurchase agreements between the Ministry of Finance and the banking system.

Given the forecasts on the continuation of the excess liquidity position, based also on government's forecast for the surplus position of the budget during the first part of the year, as well as for

facilitating the pressures this excess exercised on market interests, the Bank of Albania reduced its investment in treasury bills of 6-month maturity at the amount of ALL 1.50 billion in treasury bill auctions of the second week of March.

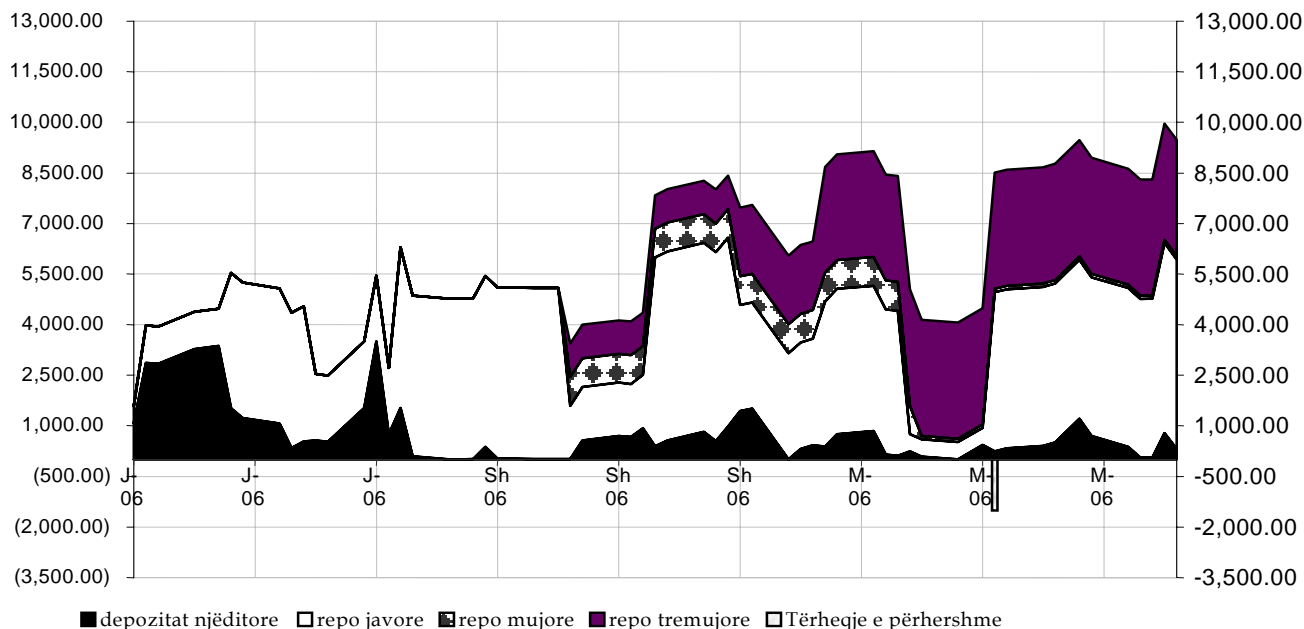
To manage the liquidity and the interest level, along with the main open market operations, (repurchase agreement of one week maturity), and the permanent withdrawal of liquidity through the primary market, the Bank of Albania used also the fine-tuning operations, *repurchase agreements of one-month and three-month maturity*. The liquidity withdrawn through repurchase agreements of three-month maturity was ALL 3.44 billion, and of one-month maturity was ALL 0.95 billion. On a weekly basis, the Bank of Albania withdrew on average ALL 3.6 billion through repurchase agreements of one-week maturity.

### 1.2 Use of standing facilities

Based on interventions with open market instruments for investing free liquidities, the banks used also the overnight deposit, whose average daily level was ALL 736 million compared to ALL 1,035 million in the previous quarter. Under the conditions of excess liquidity and meeting of interbank market needs, the overnight credit instrument was not employed during the first quarter of 2006.

The following chart displays in a summarised way the Bank of Albania interventions in the money market during the first quarter of 2006.

## Interventions in the money market and foreign exchange market



**Chart 1:** Bank of Albania interventions in the money market over the first quarter of 2006

## 2. INTERVENTIONS IN THE DOMESTIC FOREIGN EXCHANGE MARKET

### 2.1 Operations with commercial banks

During the first quarter, the Bank of Albania intervened in the domestic foreign exchange market, purchasing foreign currency from commercial banks in view of attaining the objective of the Net International Reserve. The effect of net result from the Bank of Albania interventions was the increase of the foreign reserve by Eur 2.42 million and USD 3.90 million with an average rate of 122.80 lek/euro and 101.82 lek/usd.

### 2.2 Other operations

The foreign currency sale and purchase operations with the Ministry of Finance continued to be carried out even during this period. The foreign currency sales are determined by the obligation of the Albanian government to settle the foreign debt instalments, where the payments effected during the first quarter are estimated at ALL 1,396.63 million (70.56 per cent of this amount represents the sale of the American dollar).

The volume of purchases with the Ministry of Finance is estimated at ALL 141.00 million and relates to the use of funds granted to the Albanian government for its projects. The foreign currency purchases by the foreign institutions amounted to ALL 14.19 million (International Development Agency, IDA) and ALL 3.50 million (International Bank for Reconstruction and Development, IBRD).