



Press Office
8 January 2006

1. INTERVENTIONS IN THE MONEY MARKET

1.1. Open market operations

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

DATE	Liquidity withdrawal	Liquidity injection
	One-week REPO	T-bill outright purchase
06.07.2006	3,375.00	
13.07.2006	4,005.00	
20.07.2006	2,795.00	
27.07.2006	3,130.00	
03.08.2006	2,895.00	
10.08.2006	3,721.00	
17.08.2006	1,425.00	
24.08.2006	3,290.00	
28.08.2006		1,000.00
31.08.2006	4,570.00	
07.09.2006	5,003.00	
14.09.2006	2,840.00	
21.09.2006	2,785.00	
27.09.2006		500.00
28.09.2006	2,745.00	

Over the third quarter of 2006, the banking system continued to be characterized by excess liquidity, which has been decreasing compared to the first semester of the same year. The seasonal cash outflows over summer were the main reason for the dropping of excess liquidity. Unlike the first semester, the Government grew its demand for domestic financing through the issue of securities and withdrew part of the liquidity invested in the banking system through reverse repurchase agreements. The liquidity required for the maturity of reverse repurchase agreements with the Government was provided by the banking system through the maturity of primary market T-bills,

which prevented the augmentation of Government domestic financing.

Under the conditions of excess liquidity, the Bank of Albania withdrew liquidity through the main market instrument (*repurchase agreement of one-week maturity*). On weekly basis, the Bank of Albania withdrew an average of ALL 3.3 billion through repurchase agreements of one-week maturity.

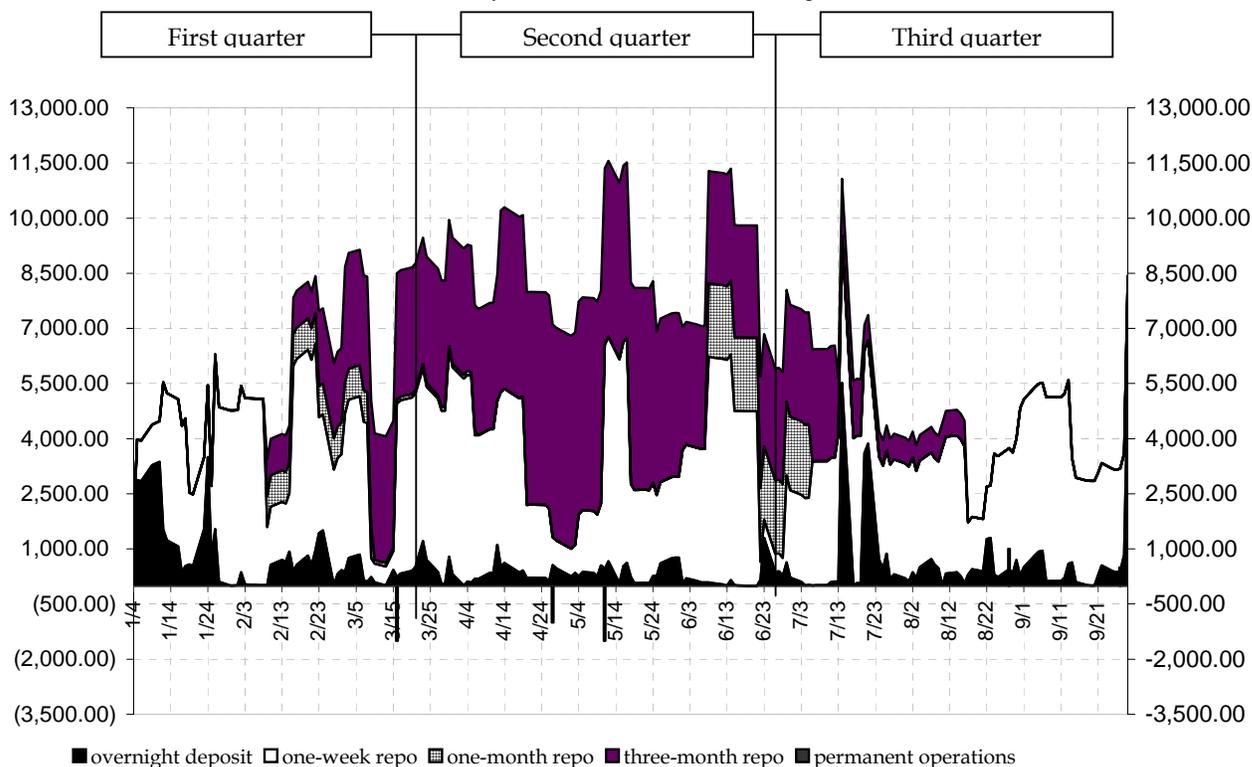
Forecasting the growth of Government demand for domestic financing and in order to stimulate the meeting of this demand through the banking system, the Bank of Albania began to inject liquidity through permanent operations, T-bill outright purchase. The liquidity injected through these operations totalled ALL 1.5 billion. These operations are reverse-side with the permanent operations executed over the first semester of 2006 under the absence of Government demand for liquidity.

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 616 million, from ALL 307 million the previous quarter. Under the conditions of excess liquidity and the meeting of interbank market needs, overnight loan was slightly employed over the third quarter of 2006.

The following chart summarizes the Bank of Albania's interventions in the money market over the first nine-month period of 2006.

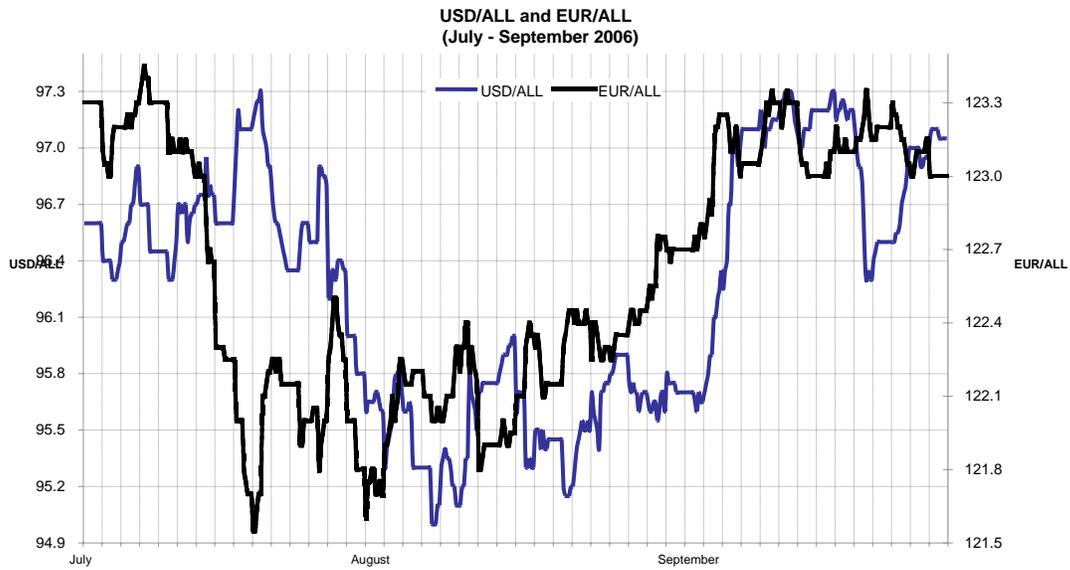
Chart 1 Bank of Albania interventions in the money market over the first nine-month period of 2006



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 third quarter of 2006, by purchasing foreign currency in order to gradually 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. The Bank of Albania purchases were concentrated over July and August, which corresponds to the worker's remittances inflows. Over the third quarter, the Bank of Albania purchased from commercial banks a total of USD 9.61 million, with an average exchange rate of ALL 95.68, and EUR 28.70 million, with an average exchange rate of ALL 122.30.



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 third quarter are estimated at ALL 953.27 million.

The volume of purchases with the Ministry of Finance is estimated at ALL 1,857.70 million. Foreign currency purchases by foreign institutions amounted to ALL 63.01 million (International Development Agency, IDA and International Bank for Reconstruction and Development, IBRD).