

**BANK OF ALBANIA INTERVENTIONS IN THE MONEY MARKET AND FOREIGN  
EXCHANGE MARKET  
OVER 2024 Q1**

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**1. BANK OF ALBANIA INTERVENTIONS IN THE MONEY MARKET OVER 2024 Q1**

**1.1. Open market operations and factors affecting liquidity shortage in the banking system**

Table 1 Temporary open market operations  
(\*in ALL billion<sup>1</sup>.) Source: Bank of Albania

<b>DATE</b>	<b>R/REPO overnight</b>	<b>R/REPO 1-week</b>	<b>R/REPO &gt;1-week &lt;3-month</b>	<b>REPO Overnight</b>	<b>Total injected liquidity</b>
<b>4-Jan-24</b>		<b>16.84</b>			<b>31.90</b>
<b>11-Jan-24</b>		<b>8.41</b>			<b>23.47</b>
<b>18-Jan-24</b>		<b>3.88</b>			<b>18.94</b>
<b>25-Jan-24</b>		<b>13.29</b>			<b>20.25</b>
<b>01-Feb-24</b>		<b>7.84</b>			<b>14.80</b>
<b>08-Feb-24</b>		<b>9.09</b>			<b>16.05</b>
<b>15-Feb-24</b>		<b>12.59</b>			<b>19.55</b>
<b>22-Feb-24</b>		<b>22.11</b>			<b>29.07</b>
<b>29-Feb-24</b>		<b>18.24</b>			<b>20.90</b>
<b>07-Mar-24</b>		<b>14.80</b>			<b>17.46</b>
<b>15-Mar-24</b>		<b>19.72</b>			<b>22.38</b>
<b>21-Mar-24</b>		<b>26.76</b>			<b>29.42</b>
<b>28-Mar-24</b>		<b>31.50</b>			<b>31.50</b>

In 2024 Q1, the Bank of Albania intervened in the money market through the open market operations to inject liquidity.

Average daily injections through liquidity injecting operations with maturity 1-13 weeks fell at ALL 22.70 billion on average, against ALL 47.70 billion and ALL 54.20 billion, respectively in the previous quarters. As usual, the accumulation of liquidity in the MoF account over the year and the concentration of expenses in the December-January period are the main factors contributing to the

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<sup>1</sup>The figures are expressed in liquidity value.

volatility of liquidity shortages in the banking system. Liquidity shortage gradually decreased from ALL 65.60 billion at the beginning of September, to ALL 41.10 billion at the beginning of 2024, and ALL 10.80 billion at the end of January. The rapid decline in liquidity shortage led to weekly injections falling to ALL 3.90 billion in the third week of January, while long-term injections remained at ALL 15.10 billion. Deposits of commercial banks at the Bank of Albania held as illiquid assets, have reached at nearly ALL 24 billion, practically indicating that the banking system is shifting to excess liquidity.

Following the increase of SWAP agreements by ALL 25 billion in the first days of the year and the expenditure of liquidity, the liquidity in the government's accounts began to fall to minimum levels, starting to increase only at the end of the period by around ALL 26.60 billion. Over the same period, foreign exchange market interventions increased the level of liquidity by ALL 4.60 billion. Currency in circulation recorded a decrease of ALL 2.70 billion, while portfolio's transactions increased the level of liquidity by ALL 0.50 billion, having a total effect on the decrease of the shortage by ALL 7.8 billion.

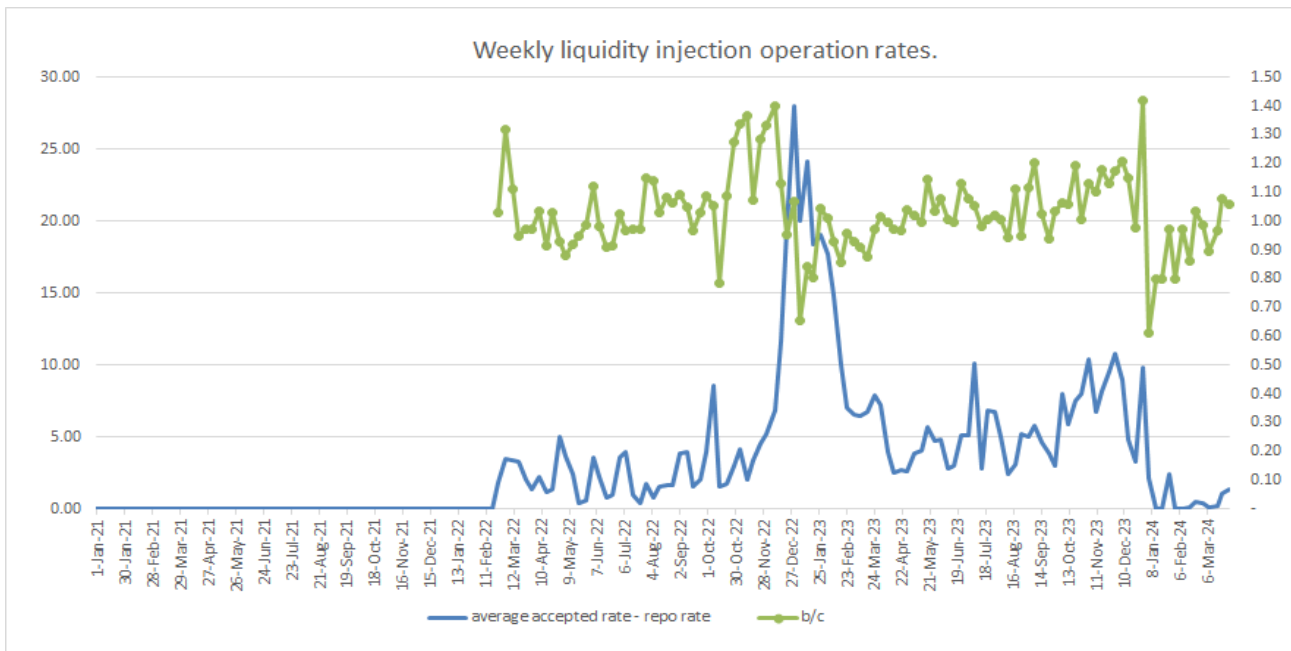
**Under conditions of increased bank liquidity, operational efforts focused on encouraging banks to trade excess liquidity, while it became possible for trading to increase to the highest levels in recent years. As in previous periods, the gradual decline in liquidity of banks themselves (supply) has resulted in a reduction in trade in the interbank market.** Despite the excess illiquid assets, the trade rate in the interbank market has suffered a minimal deviation from the policy rate, where more frequent communication with banks has played a decisive role.

The concentration of the shortage in one bank and the maintenance of the maximum participation limit 80% drove the coverage ratio of the weekly injection auctions was less than 1 for almost the entire reference period, while the average accepted rate has dropped below the policy rate for a few weeks. At the end of the quarter, as shortages increased, the coverage ratio increased close 1 and the average rate increased by 2 percentage points above the policy rate.

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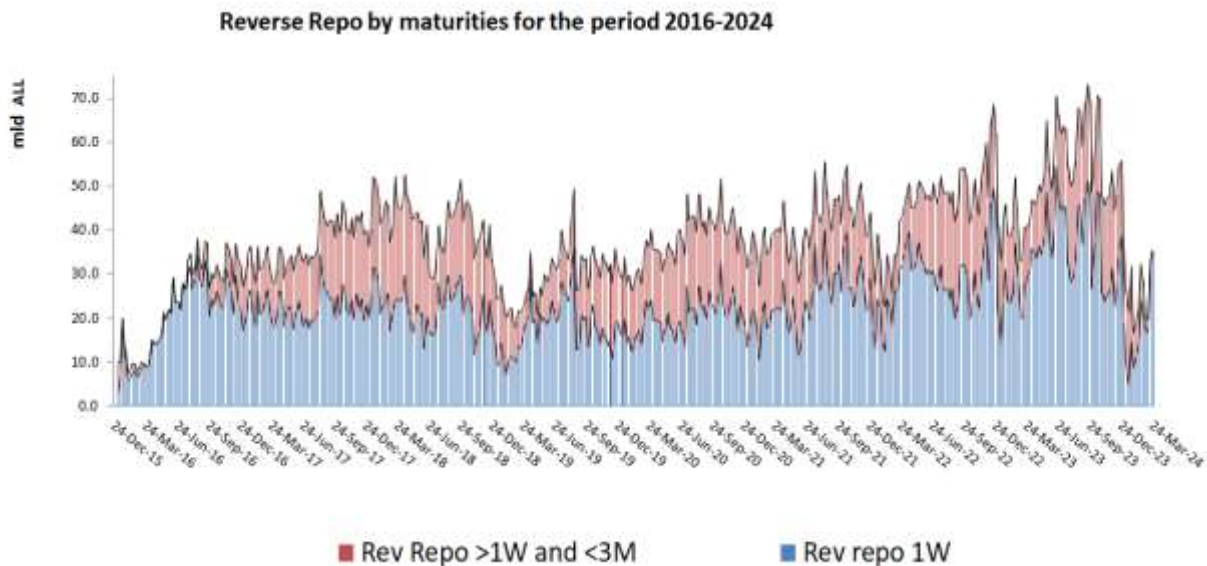
**Chart 1: Bank of Albania interventions in the money market during 2021-2024 (nominal value)**

Source: Bank of Albania.



**Chart 2: Reverse repurchase agreement according to maturities in the period 2016-2024**

Source: Bank of Albania.



**1.2 Use of standing facilities by the banking system**

The use of overnight deposit facility increased during the period under review, by ALL 18.90 billion on average, against ALL 4.70 billion and ALL 0.50 billion, respectively in the previous periods. The number of banks that used the deposit increased due to the increase in liquidity in many banks in the system.

The loan was used in 13 cases, against 14 and 11 cases respectively recorded in the previous quarters.

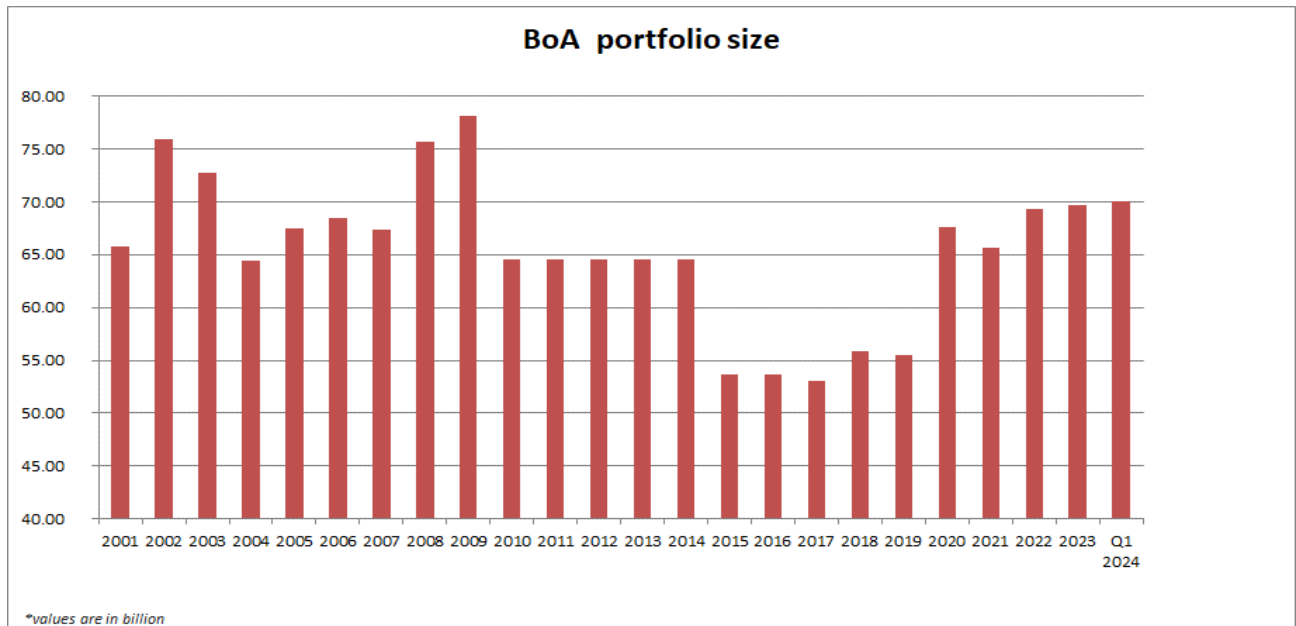
**1.3 Operations to manage the banking system liquidity through the Bank of Albania's portfolio**

During the first quarter of 2024, the Bank of Albania has continued tending to increase the portfolio through auctions for the purchase of securities. Banks' participation, as throughout 2023, has been quite low, driving the portfolio to increase by only ALL 2.45 billion in 9 auctions, while ALL 2 billion of securities have matured due to the decrease of participation in primary auctions.

The value of the T-bills' portfolio of the Bank of Albania is ALL 70.00 billion, close to the maximum observed levels. In relative terms against the public debt issued in the national currency, the portfolio size remained below the 10% level compared to the 25% this value recorded in the early 2000s.

**Chart 3: The Bank of Albania's portfolio (billion ALL)**

**Source: Bank of Albania.**



**1.4 Use of fine-tuning operations**

No fine tuning operations were carried during the period.

**2. BANK OF ALBANIA INTERVENTIONS IN THE DOMESTIC FOREIGN EXCHANGE MARKET OVER 2024 Q1**

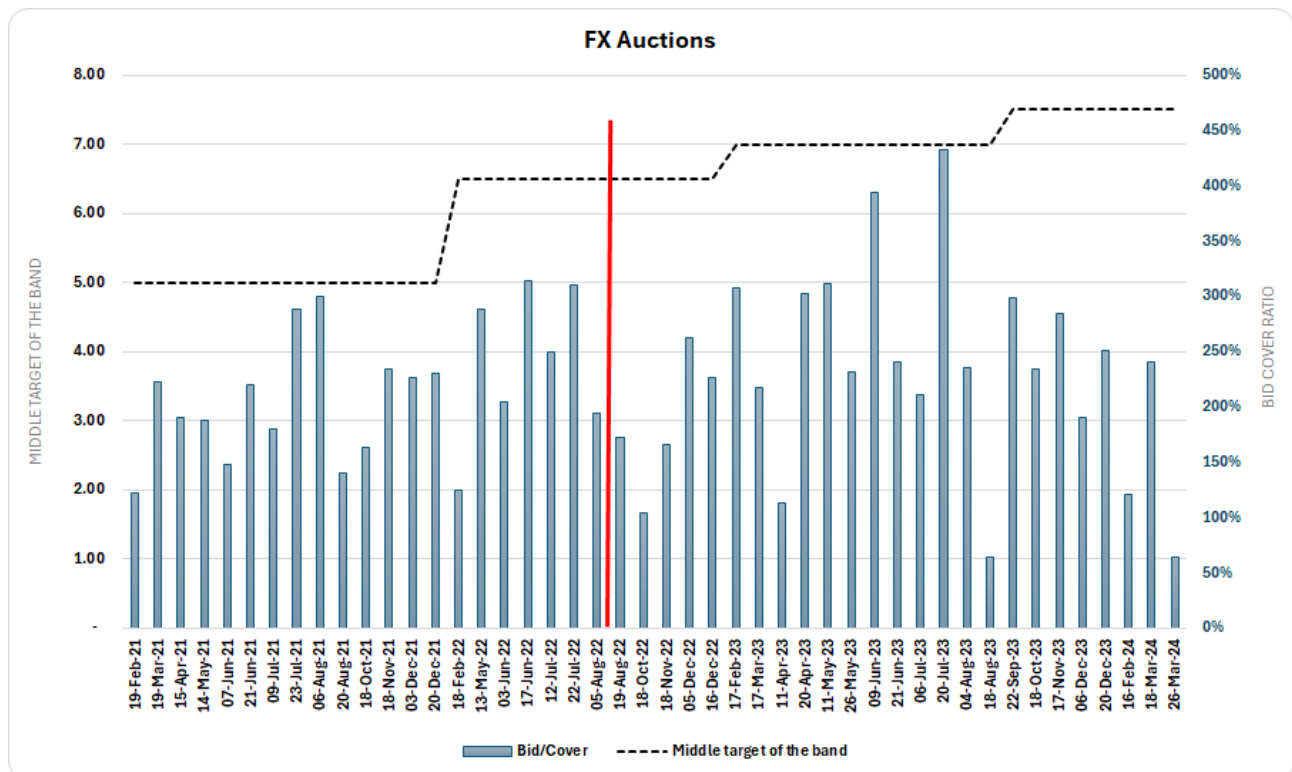
**2.1 Transactions with commercial banks**

In 2024 Q1, as announced on December 2023, with the aim of increasing the foreign exchange reserve, the Bank of Albania held three auctions for the purchase of foreign currency, one of them with the SPOT option.

In the auctions that have taken place, EUR 32.60 million were purchased. In the last auction held in March, a quite low participation was recorded. EUR 5.8 million were purchased in this auction, while the amount purchased in the other two auctions remains around the average for 2023.

**Chart 4: Foreign Currency Auctions**

**Source: Bank of Albania**



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<b>Calendar of interventions - 2024</b>			
	<b>Date</b>	<b>Amount in the first round ( in euro)</b>	
1	16/02/2024	5-10 mln	1 mo FW
2	15/03/2024	5-10 mln	
3	26/03/2024	5-10 mln	1 mo FW
4	19/04/2024	5-10 mln	
5	30/04/2024	5-10 mln	1 mo FW
6	17/05/2024	5-10 mln	
7	24/05/2024	5-10 mln	1 mo FW
8	06/06/2024	5-10 mln	
9	13/06/2024	5-10 mln	1 mo FW
10	21/06/2024	5-10 mln	
11	12/07/2024	5-10 mln	
12	19/07/2024	5-10 mln	
13	26/07/2024	5-10 mln	
14	09/08/2024	5-10 mln	
15	16/08/2024	5-10 mln	1 mo FW
16	17/09/2024	5-10 mln	1 mo FW
17	18/10/2024	5-10 mln	1 mo FW
18	20/11/2024	5-10 mln	1 mo FW
19	05/12/2024	5-10 mln	
20	20/12/2024	5-10 mln	1 mo FW

*\* When the auction falls on a public holiday, it will be organized on the next working day.*

**During 2024, with the objective to increase the international reserve, the Bank of Albania, intends to buy EUR 250-330 million through auctions.**

**2.2 Operations with other institutions**

In 2024 Q1, MoF increased the amount of SWAP agreements by ALL 25 billion, while selling EUR 60 million to the Bank of Albania for the exchange rate ALL 102.60. This sale was carried out in order to finance the increased expenses for the account of 2023. Considering the increase in liquidity in government accounts at the end of the quarter and in the following ones, the Ministry of Finance is expected to mature all the SWAP agreements with the Bank of Albania in the second quarter.

Among other actions, it is worth highlighting the purchase of EUR 2.2 million from the Ministry of Finance in the framework of the IPA program funds.