Federal Reserve Balance Sheet Developments

November 2023

Federal Reserve Balance Sheet Actions and Activities

The Federal Reserve prepares this balance sheet report to help further its commitment to transparency about actions taken in connection with two of its key functions—conducting monetary policy to meet its congressional mandate of maximum employment and price stability as well as promoting financial stability. The report contains a snapshot of Federal Reserve actions and activity in managing its balance sheet, including

- an overview of the Federal Reserve's balance sheet trends;
- a review of changes in key Federal Reserve assets; and
- a review of changes in key Federal Reserve liabilities.

The Role of the Balance Sheet in Meeting the Federal Reserve's Monetary Policy Mandate

The Federal Reserve conducts monetary policy in accordance with its mandate from Congress: to promote maximum employment and stable prices in the U.S. economy. Because smooth financial market functioning facilitates the transmission of monetary policy, the Federal Reserve monitors financial stability risks and takes appropriate actions to help ensure that financial institutions and financial markets can efficiently support the flow of credit to households, communities, and businesses. Many of the actions that the Federal Reserve takes for monetary policy and financial stability purposes are reflected on the balance sheet.

The Federal Reserve considers transparency about the goals, conduct, and stance of monetary policy to be fundamental to the effectiveness of monetary policy. Transparency about monetary policy also helps promote the accountability of the Federal Reserve to Congress and the public. As a result, and in accordance with the Federal Reserve Act, the Federal Reserve publishes each week the H.4.1 statistical release, "Factors Affecting Reserve Balances of Depository Institutions and Condition Statement of Federal Reserve Banks."[1]

[1] See the Federal Reserve's website at https://www.federalreserve.gov/releases/h41/.

General Balance Sheet Trends

Since the previous report, the size of the Federal Reserve's balance sheet decreased roughly $700 billion, from about $8.7 trillion on March 29, 2023, to about $8.0 trillion as of September 27, 2023 (table 1).

Table 1. Assets, liabilities, and capital of the Federal Reserve System
($ billions)

Item	March 29, 2023	September 27, 2023	Change from March 29, 2023
Total assets	**8,706**	**8,002**	**−704**
Securities held outright	7,926	7,440	−486
U.S. Treasury securities	5,329	4,958	−371
Federal agency debt securities	2	2	0
Agency mortgage-backed securities	2,594	2,480	−114
Repurchase agreements	55	0	−55
Foreign official	55	0	−55
Other	0	0	0
Loans	343	198	−145
Discount window	88	3	−85
Bank Term Funding Program	64	108	44
Paycheck Protection Program Liquidity Facility	10	5	−5
Other credit extensions	180	82	−98
Net portfolio holdings of Main Street Facilities LLC	22	19	−3
Net portfolio holdings of Municipal Liquidity Facility LLC	6	6	0
Net portfolio holdings of Term Asset-Backed Securities Loan Facility II LLC	2	1	−1
Central bank liquidity swaps	1	0	−1
Other assets	352	337	−15
Total liabilities	**8,664**	**7,959**	**−705**
Federal Reserve notes	2,273	2,273	0
Deposits held by depository institutions other than term deposits	3,402	3,169	−233
Reverse repurchase agreements	2,633	1,755	−878
Foreign official and international accounts	368	312	−56
Others	2,265	1,443	−822
U.S. Treasury, General Account	163	672	509
Treasury contributions to credit facilities	15	13	−2
Other liabilities	178	77	−101
Total capital	**42**	**43**	**1**

Note: Components may not sum to totals because of rounding.
Source: Federal Reserve Board.

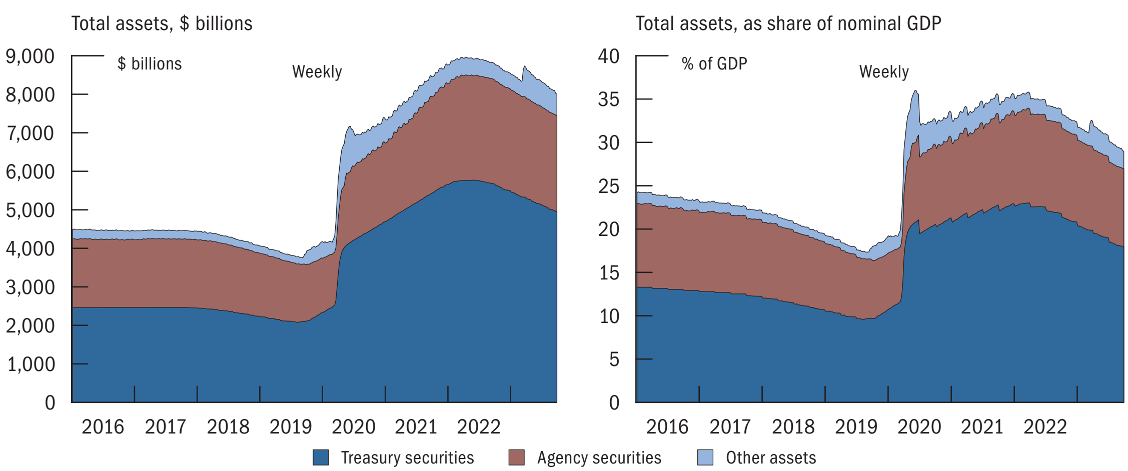
On the asset side of the Federal Reserve's balance sheet, loans made by the Federal Reserve fell from the elevated level that followed banking-sector stresses in March 2023. In addition, securities held outright continued to decline, consistent with the Federal Open Market Committee's (FOMC's) "Plans for Reducing the Size of the Federal Reserve's Balance Sheet" announced at its May 2022 policy meeting.[2]

On the liability side of the Federal Reserve's balance sheet, take-up at the Federal Reserve's overnight reverse repurchase agreement (ON RRP) facility decreased considerably, while balances in the Treasury General Account (TGA) rebounded following a noticeable decline earlier in the year. Reserve balances fell on net.

Changes in Federal Reserve Assets

As shown in figure 1, total assets on the Federal Reserve's balance sheet declined $704 billion over the past two quarters, to stand at $8.0 trillion or 29 percent of nominal gross domestic

Figure 1. Balance sheet assets, 2016–23



Note: Weekly Wednesday. Key identifies curves from bottom to top. Other assets includes swaps, repo, loans, and liquidity and credit facility LLCs.

Source: Federal Reserve Board.

Note: Asset values are weekly Wednesday; nominal GDP data are quarterly. Key identifies curves from bottom to top.

Source: Federal Reserve Board; Bureau of Economic Analysis.

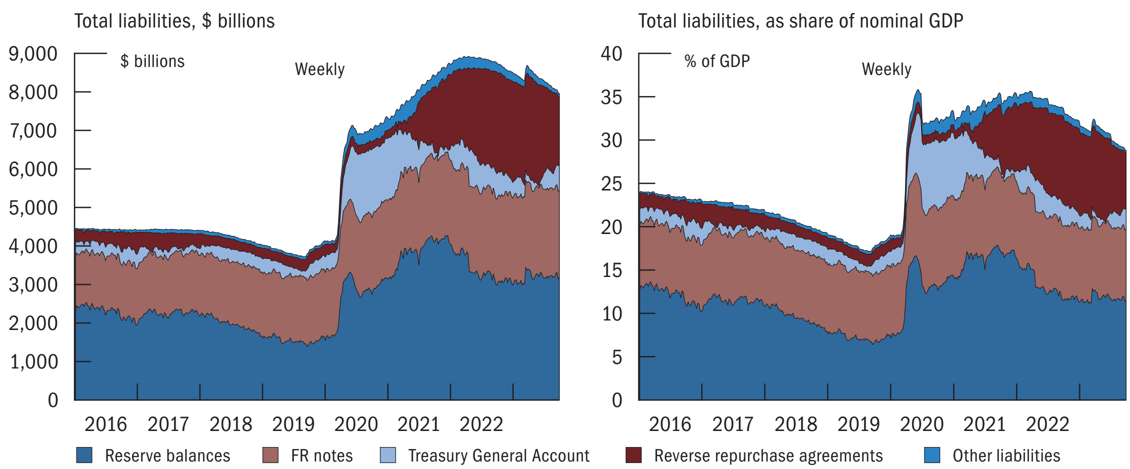
[2] See Board of Governors of the Federal Reserve System, "Plans for Reducing the Size of the Federal Reserve's Balance Sheet," news release, May 4, 2022, https://www.federalreserve.gov/newsevents/pressreleases/monetary20220504b.htm.

product (GDP) as of September 27, 2023. Securities held outright declined $486 billion, mostly reflecting runoff of Treasury securities and to a lesser extent agency mortgage-backed securities (MBS). Loans also declined, as discount window lending fell $85 billion from the elevated level that followed banking-sector stresses in March 2023, and other credit extensions—loans that were extended to depository institutions that were subsequently placed into Federal Deposit Insurance Corporation (FDIC) receivership—decreased $98 billion.[3] Bank Term Funding Program (BTFP) loans rose $44 billion, with almost all of this increase occurring by the end of June 2023.[4]

Changes in Federal Reserve Liabilities

As shown in figure 2, the Federal Reserve's liabilities decreased $705 billion since March 2023 to a total of $8.0 trillion as of September 27, 2023. Take-up at the ON RRP facility fell $822 billion,

Figure 2. Balance sheet liabilities, 2016–23



Note: Weekly Wednesday. Key identifies curves from bottom to top.

Source: Federal Reserve Board.

Note: Liability values are weekly Wednesday; nominal GDP data are quarterly. Key identifies curves from bottom to top.

Source: Federal Reserve Board; Bureau of Economic Analysis.

[3] For more information on other credit extensions, see "Additional Information on Other Credit Extensions," https://www.federalreserve.gov/monetarypolicy/additional-information-on-other-credit-extensions.htm.

[4] The BTFP was established under section 13(3) of the Federal Reserve Act on March 12, 2023, to support American businesses and households by making additional funding available to eligible depository institutions to help assure banks have the ability to meet the needs of all their depositors. See Board of Governors of the Federal Reserve System, "Federal Reserve Board Announces It Will Make Available Additional Funding to Eligible Depository Institutions to Help Assure Banks Have the Ability to Meet the Needs of All Their Depositors," news release, March 12, 2023, https://www.federalreserve.gov/newsevents/pressreleases/monetary20230312a.htm.

reflecting greater availability of higher-yielding alternative money market instruments such as Treasury bills and repurchase agreements (repos), while the TGA rose $509 billion, almost exactly reversing a decline over the preceding two quarters. Reserve balances decreased $233 billion on net.

Consolidated net income across the Federal Reserve System has remained negative on net since March 2023, mainly driven by higher liability costs (i.e., interest expenses) as administered rates moved higher.[5] As of September 27, 2023, the Federal Reserve System reported a consolidated deferred asset of $105 billion in connection with accumulated negative net income. Negative net income, and the corresponding creation of a deferred asset, do not affect the Federal Reserve's ability to conduct monetary policy or meet its financial obligations.

[5] Negative net income appears in the weekly H.4.1 reporting in table 6 as a negative entry in "Earnings remittances due to the U.S. Treasury" for each individual Federal Reserve Bank. The sum of these entries across Districts reflects the consolidated net income of the Federal Reserve; see the Federal Reserve's website at https://www.federalreserve.gov/releases/h41/.