



Federal Reserve Balance Sheet Developments

May 2024



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 sustainably achieving maximum employment and price stability depends on a stable financial system and 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 its 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 \$500 billion, from about \$8.0 trillion on September 27, 2023, to about \$7.5 trillion as of March 27, 2024 (table 1).

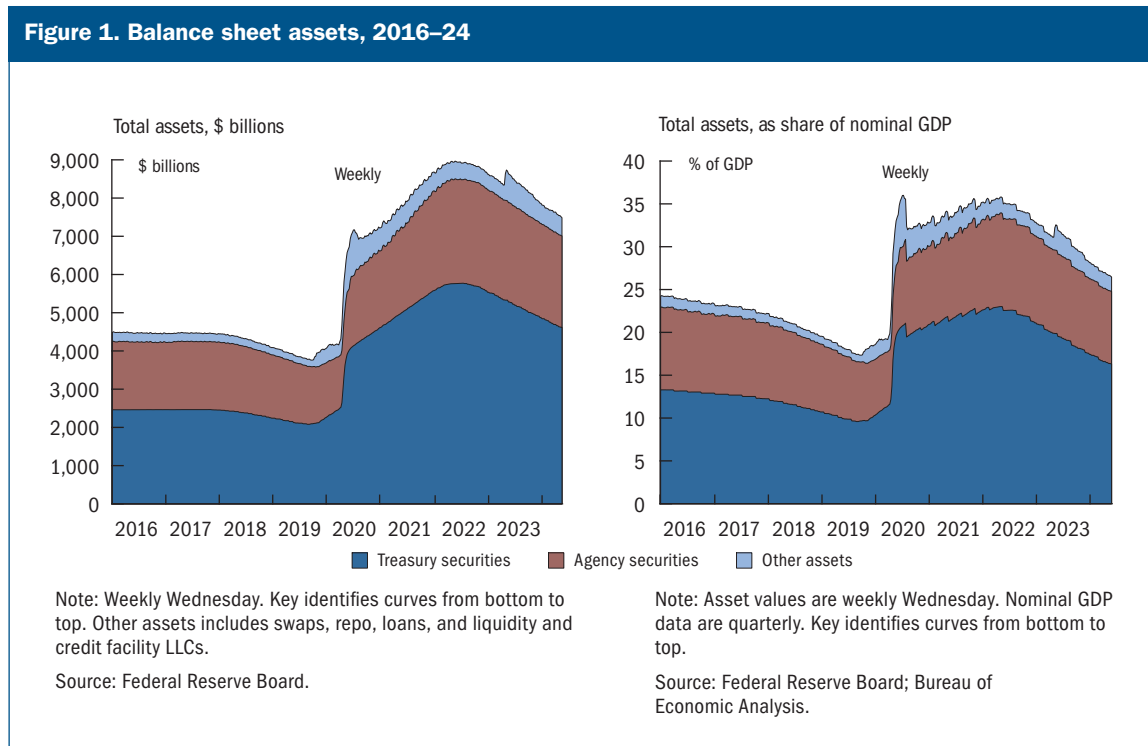
Table 1. Assets, liabilities, and capital of the Federal Reserve System			
(\$ billions)			
Item	March 27, 2024	September 27, 2023	Change from September 27, 2023
Total assets	7,485	8,002	-517
Securities held outright	7,009	7,440	-431
U.S. Treasury securities	4,618	4,958	-340
Federal agency debt securities	2	2	0
Agency mortgage-backed securities	2,388	2,480	-92
Repurchase agreements	0	0	0
Foreign official	0	0	0
Other	0	0	0
Loans	142	198	-56
Discount window	6	3	3
Bank Term Funding Program	133	108	25
Paycheck Protection Program Liquidity Facility	3	5	-2
Other credit extensions	0	82	-82
Net portfolio holdings of Main Street Facilities LLC	15	19	-4
Net portfolio holdings of Municipal Liquidity Facility LLC	0	6	-6
Net portfolio holdings of Term Asset-Backed Securities Loan Facility II LLC	0	1	-1
Central bank liquidity swaps	0	0	0
Other assets	319	337	-18
Total liabilities	7,442	7,959	-517
Federal Reserve notes	2,293	2,273	20
Deposits held by depository institutions other than term deposits	3,472	3,169	303
Reverse repurchase agreements	873	1,755	-882
Foreign official and international accounts	354	312	42
Others	518	1,443	-925
U.S. Treasury, General Account	772	672	100
Treasury contributions to credit facilities	7	13	-6
Other liabilities	24	77	-53
Total capital	43	43	0
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, 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 In addition, loans made by the Federal Reserve decreased on net.

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 substantially, while reserve balances increased on net.

Changes in Federal Reserve Assets

As shown in figure 1, total assets on the Federal Reserve’s balance sheet declined \$517 billion over the past two quarters to stand at \$7.5 trillion, or 26 percent of nominal gross domestic product (GDP), as of March 27, 2024. Securities held outright fell \$431 billion, mostly reflecting

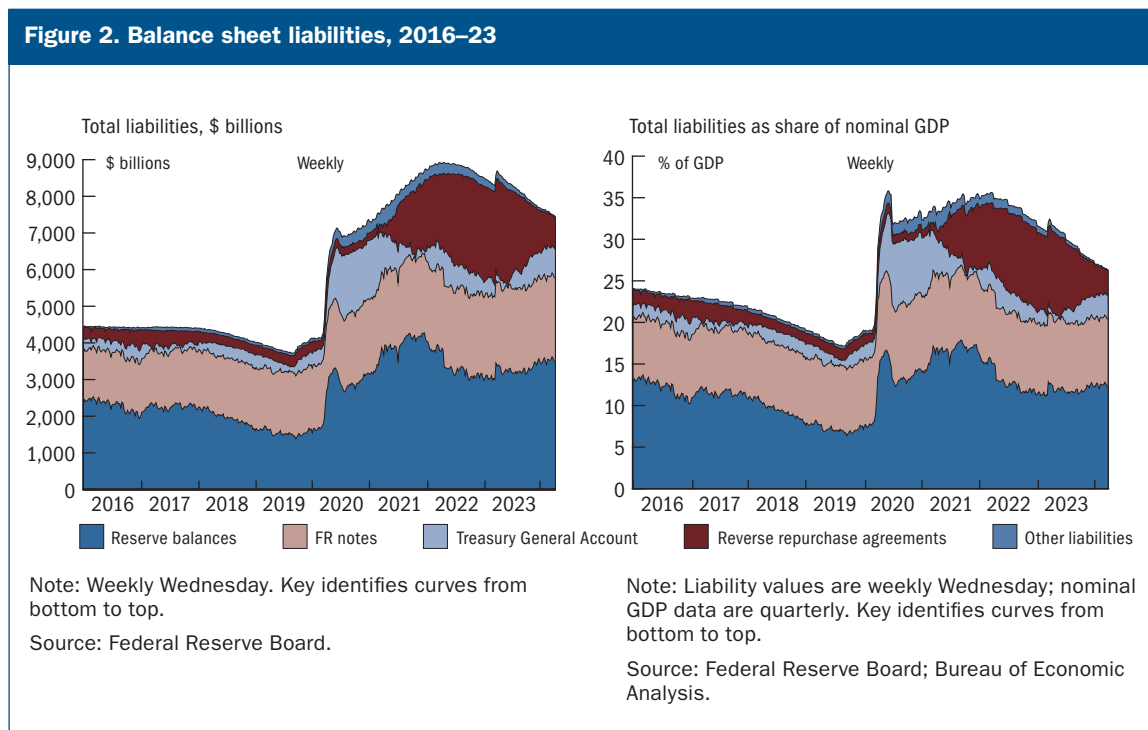


² See Board of Governors of the Federal Reserve System, “Plans for Reducing the Size of the Federal Reserve’s Balance Sheet,” news release, May 4, 2022, <https://www.federalreserve.gov/newsevents/pressreleases/monetary20220504b.htm>.

runoff of Treasury securities and to a lesser extent agency mortgage-backed securities (MBS). Loans also declined on net, as \$82 billion in other credit extensions—loans extended to depository institutions that were subsequently placed into Federal Deposit Insurance Corporation (FDIC) receivership—were fully repaid.³ Bank Term Funding Program (BTFP) loans rose \$25 billion.⁴ The BTFP ceased making new loans as scheduled on March 11, 2024, and remaining BTFP loans will mature by March 11, 2025.⁵

Changes in Federal Reserve Liabilities

As shown in [figure 2](#), the Federal Reserve’s liabilities decreased \$517 billion since September 2023 to a total of \$7.4 trillion as of March 27, 2024. Take-up at the ON RRP facility fell



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>.

⁵ See Board of Governors of the Federal Reserve System, “Federal Reserve Board Announces the Bank Term Funding Program (BTFP) Will Cease Making New Loans as Scheduled on March 11,” news release, January 24, 2024, <https://www.federalreserve.gov/newsevents/pressreleases/monetary20240124a.htm>.

\$925 billion, reflecting greater availability of higher-yielding alternative money market instruments such as Treasury bills and repurchase agreements (repos), while balances in the Treasury General Account rose \$100 billion. Reserve balances increased \$303 billion on net.

Consolidated net income across the Federal Reserve System remained negative on net since September 2023, mainly driven by interest expenses.⁶ As of March 27, 2024, the Federal Reserve System reported a consolidated deferred asset of \$159 billion in connection with accumulated negative net income.⁷ 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.

Box 1. Federal Open Market Committee to Slow the Pace of Balance Sheet Runoff

On May 1, 2024, the FOMC announced that the Committee would slow the pace of decline of its securities holdings, consistent with its Plans for Reducing the Size of the Federal Reserve's Balance Sheet.¹ Those plans indicated that in order to ensure a smooth transition from abundant to ample reserve balances, the Committee would slow and then stop the decline in the size of the balance sheet when reserve balances were somewhat above the level it judged to be consistent with ample reserves.

Since the beginning of balance sheet runoff in June 2022, the Federal Reserve's total securities holdings have declined roughly \$1.5 trillion as of March 2024. Consistent with its Plans, given this sizable decline in the balance sheet, and the prospect of a more rapid decline in reserve balances as future declines in ON RRP take-up become more limited, the Committee decided to slow the pace of runoff at this time.

Beginning on June 1, 2024, the Committee will reduce the monthly redemption cap on Treasury securities from \$60 billion to \$25 billion, maintain the monthly redemption cap on agency debt and agency MBS at \$35 billion, and reinvest principal payments in excess of these caps into Treasury securities to roughly match the maturity composition of Treasury securities outstanding.

Slower runoff will give the Committee more time to assess market conditions as the balance sheet continues to shrink. It will also allow banks, and short-term funding markets more generally, additional time to adjust to the lower level of reserves, thus reducing the probability that money markets experience undue stress that could require an early end to runoff. The decision to slow the pace of runoff does not mean that the balance sheet will ultimately shrink by less than it would otherwise. Rather, a slower pace of runoff will facilitate ongoing declines in securities holdings consistent with reaching ample reserves.

¹ 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>.

⁶ Negative net income appears in the H.4.1 statistical release 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 Reserve Banks reflects the consolidated net income of the Federal Reserve; see <https://www.federalreserve.gov/releases/h41/>.

⁷ Weekly remittances to the Treasury were made for the week of March 27, 2024, as net income at one Federal Reserve District was positive.