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VOLUME AND DISTRIBUTION OF EXCESS RESERVES

Excess reserves now amount to about \$2,100,000,000, and are not likely to exceed \$2,200,000,000 within the next few weeks. The following table shows the distribution of reserves by classes of banks and the effect of an increase of 33 1/3 percent in reserve requirements upon excess reserves for each class of bank.

DISTRIBUTION OF MEMBER BANK RESERVES
January 20, 1937
(Amounts in millions of dollars)

	Reserves	Required	Excess	33 1/3 per- cent in- crease in requirements	Remaining excess	Percent of required
Central reserve city banks:						
New York.....	2,703	1,911	792	637	155	6.1
Chicago.....	599	424	175	141	34	6.0
Reserve city banks...	*2,155	*1,522	*633	507	128	6.3
Country banks.....	*1,298	*768	*530	256	273	26.6
All member banks.....	*3,453	*4,625	*2,130	1,541	590	9.6

* Estimated figures.

Distribution by individual banks

The survey, recently completed by the Division of Bank Operations, of the reserve position of individual member banks on January 13 indicates that there was a substantial number of banks, 2,400 out of 6,400, which did not

have reserves sufficient to meet an increase of 33 1/3 percent in requirements. The amount by which the reserves of these 2,400 banks fell short of the requisite volume was \$376,000,000. All but 197 of these, however, could meet the increase by drawing upon not more than half of their balances with correspondents. These 197 banks would still have lacked \$123,000,000 of having sufficient reserves. The following table shows the number of banks of each class that would have had insufficient reserves to meet the increase.

Classes of banks	Number of banks		
	Total	With insufficient reserves	With shortage after using 1/2 of bankers' balances
Central reserve city banks			
New York City	37	17	12
Chicago	13	8	1
Reserve city banks	334	173	16
Country banks	5,983	2,237	169
Total	6,367	2,435	197

The following table summarizes the amount of the shortage by classes of banks, with and without using their excess bankers' balances.

Classes of banks	Additional reserves required to meet 33 1/3% increase in requirements		
	Total	Obtainable from bankers' balances	Required after use of 1/2 of bankers' balances
(In millions of dollars)			
Central reserve city banks			
New York City	118	18	100
Chicago	29	20	9
Reserve city banks	159	148	11
Country banks	70	68	2
Total	376	253	123

Of the 197 banks that would have been short after using half of their bankers' balances 168 were country banks, as compared with 130 that would have been deficient on the basis of a similar inquiry in November, but the amount of the deficiency for country banks would have been very small, only \$2,350,000 in both November and January. All but 16 reserve city banks would have been able to supply their needs from excess bankers' balances, and the shortage at these would have been \$11,000,000, a somewhat smaller amount than in November. Most of the deficiency would have been in New York City, where 17 banks would have been short by \$118,000,000, compared with a shortage of \$122,000,000 at 22 banks in November. For these banks no allowance can be made for the use of balances due from banks since New York City banks hold

only small working balances with other banks and these have not been increased in recent years. New York City banks would lose additional reserves through withdrawals from them of balances held for country banks and reserve city banks.

In case of a further increase in requirements, member banks outside of New York City would need to raise about \$260,000,000 of additional reserve funds, as compared with a shortage of about \$125,000,000 at the time of the increase last summer. Most of this amount would probably be obtained, as before, by withdrawals from bankers' balances. Less than half of these balances are held with New York City banks, and some of the withdrawals will be absorbed by reserve city banks with adequate excess reserves, but a substantial portion of the withdrawals from reserve city banks will be met in turn by withdrawals from New York. As a consequence a large part of the additional reserve funds obtained from bankers' balances will in the end come from New York. These withdrawals may be as much as \$200,000,000. Outside of New York City, borrowings should be negligible and sales of assets unimportant in amount.

New York City banks would be subjected not only to an increase of one-third in their present reserve requirements but also to a further loss of perhaps \$200,000,000 of reserves through the withdrawal of bankers' balances. Probably half of the withdrawals would come from the 20 New York City banks which, after the increase in requirements, would still have excess reserves of more than \$200,000,000. Excess reserves of New York City banks would probably not be entirely absorbed. Individual New York City banks that would

be short of reserves could adjust their position temporarily by purchasing Federal funds from banks that still had an excess or more permanently by the sale of assets to such banks. In view of the public discussion of the possibility of an increase in requirements, it is likely that many of the banks that would have been deficient in January will by February have taken steps to build up their reserves. These adjustments would probably have some effect on money rates.