

CONFIDENTIAL (F.R.)

December 11, 1964.

TO: Federal Open Market Committee SUBJECT: Member bank reserves--
FROM: The Staff past and prospective

Marginal reserve measures (Table A-1)

In the weeks ending December 2 and December 9, weekly average free reserves were \$13 million and \$171 million, respectively. The latest published estimates of free reserves in these two weeks have been revised upward substantially, to allow for the correction of an erroneous report for country banks in the San Francisco Federal Reserve District.

In the latest two weeks, excess reserves and member bank borrowings averaged roughly \$80 million below the levels prevailing since August. Borrowings averaged \$375 million in the week ending December 2, with reserve city banks outside New York City and Chicago borrowing heavily over the weekend prior to the Federal Open Market Committee meeting on December 1. Thereafter daily borrowings have run below \$150 million on every day except Wednesday December 9, when they rose briefly to \$243 million.

Aggregate reserves and related measures (Tables A-2, B-2, and charts)

Revised estimates indicate seasonally adjusted money supply increased \$500 million in November, or at an annual rate of 3.8 per cent; the rate for the year-to-date has been 4.2 per cent. The November growth occurred mainly in the first half of the month, with a decline in private demand deposits occurring after mid-month coincident with a substantially greater-than-seasonal expansion of U. S. Government deposits.

Seasonally adjusted member bank credit, as measured by average total deposits, increased at an annual rate of 12.1 per cent in November, the greatest monthly expansion thus far this year. This sharp increase reflected continued rapid expansion in time deposits, as well as some growth in U. S. Government demand balances, and brings the annual rate of growth in credit to 7.7 per cent for the year to date.

Total reserves and nonborrowed reserves increased moderately in November, after declining in October.

Sources and uses of reserves in recent weeks (Tables in Section B)

In the two weeks ending December 9, about \$90 million of reserves were supplied net, as drains from market factors were more than offset by increases in Federal Reserve credit. During these two weeks, the System supplied about \$1.3 billion of reserves through purchases of U. S. Treasury bills and other U. S. Government securities, which considerably outweighed

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small drains from maturities of repurchase agreements against U. S. Government securities and banker's acceptances. At the same time, reserves were absorbed by the float decline, currency outflow and operations of the U. S. Treasury, along with increases in required reserves.

Factors affecting reserves in coming weeks (Tables B-1, B-2, B-3)

The banking system has now passed its seasonal peak in reserve needs. In the current week, market factors are expected to supply about \$300 million in reserves, largely due to a normal rise in float and a large increase in member bank vault cash, plus the monthly interest payment to the Treasury by the Federal Reserve System. Only part of the reserves thus supplied will be absorbed by increases in required reserves.

During the two weeks ending December 30, projections indicate market factors will supply over \$700 million of reserves, with a large mid-December rise in float more than offsetting a small reserve drain from currency outflow. The bulk of this market supply of reserves is expected in the week ending December 23; and maturities of repurchase agreements already effected may absorb nearly \$300 million of reserves.

In January, about \$900 million of reserves should be freed by factors outside the System. Reserves made available by the post-holiday return flow of currency and by lower required reserves will be only partially offset by a seasonal decline in float.

Table A-1

MARGINAL RESERVE MEASURES

(Dollar amounts in millions, based on period averages of daily figures)

Period	Excess reserves	Member bank borrowings	Free reserves		
			As revised to date	As first published each week	As expected at conclusion of each week's open market operations
<u>Policy periods</u>					
6/13/62 - 12/19/62	509	103	406		
12/19/62 - 5/22/63	481	179	302		
5/22/63 - 7/31/63	437	276	161		
7/31/63 - 8/19/64	407	292	115		
8/19/64 - 12/9/64	406	338	68		
<u>Monthly (reserve weeks ending in):</u>					
1964--January	502	325	177		
February	385	275	110		
March	423	313	110		
April	341	201	140		
May	358	258	100		
June	358	278	80		
July	382	256	126		
August	422	311	111		
September	425	341	84		
October	393	305	88		
November p	414	413	1		
<u>Weekly</u>					
1964--Sept. 16	371	225	146	78	58
23	481	409	72	75	107
30	388	278	110	27	69
Oct. 7	433	370	63	56	48
14	410	239	171	186	171
21	416	380	36	21	55
28	311	230	81	66	65
Nov. 4	444	476	-32	5	71
11	367	427	-60	38	41
18	589	590	-1	20	72
25	257	159	98	101	109
Dec. 2 p	387	375	12	10	105
9 p	*293	122	*171	93	168

p - Preliminary.

* - Data arrived too late for inclusion in published figures.

Table A-2

AGGREGATE RESERVES AND RESERVE RELATED MEASURES

Retrospective Changes, Seasonally Adjusted
(In per cent, annual rates based on monthly averages of daily figures)

Period	Total reserves	Nonborrowed reserves	Required reserves by type of deposit			Reserve related measures	
			Time	Demand		Total member bank deposits (credit) 1/	Money supply
				Private + U. S. Gov't.	Private		
<u>Policy period</u>							
6/62 - 12/62	+ 2.7	+ 0.8	+15.8	+ 1.0	+ 1.6	+ 7.1	+ 1.9
12/62 - 5/63	+ 3.7	+ 4.6	+14.7	+ 2.0	+ 1.6	+ 7.5	+ 3.3
5/63 - 7/63	+ 4.9	+ 1.6	+11.1	+ 5.6	+ 3.8	+ 8.0	+ 5.6
7/63 - 8/64	+ 3.4	+ 3.3	+13.8	+ 1.8	+ 2.8	+ 7.1	+ 3.8
8/64 - 11/64	+ 5.5	+ 4.2	+14.8	+ 4.7	+ 4.2	+ 9.5	+ 4.8
<u>Monthly</u>							
1963--August	- 7.3	- 9.3	+18.7	-11.1	+ 0.4	+ 2.1	+ 1.6
September	+ 7.7	+ 6.0	+14.7	+ 5.9	+ 2.8	+ 9.8	+ 3.2
October	- 6.1	- 5.5	+15.2	- 8.2	+ 3.8	+ 2.2	+ 5.5
November	+ 4.3	+ 4.1	+18.0	+ 6.2	+ 9.5	+11.6	+ 9.5
December	+14.8	+19.6	+11.8	+ 8.6	- 3.0	+10.1	- 2.3
1964--January	+ 0.6	+ 1.1	+19.5	+ 1.6	+ 2.1	+ 9.7	+ 4.7
February	+ 1.2	+ 0.3	+16.0	+ 0.7	+ 1.2	+ 7.7	--
March	+11.2	+11.5	+ 0.3	+ 9.9	+ 1.0	+ 5.5	+ 3.1
April	+ 1.1	+ 2.7	+ 8.2	+ 3.5	+ 3.0	+ 5.7	+ 2.3
May	- 4.4	- 3.3	+11.6	- 8.8	- 6.5	+ 0.7	--
June	+16.4	+15.8	+10.9	+ 8.9	+ 4.8	+ 9.8	+ 8.5
July	- 1.1	- 0.8	+ 8.9	+ 5.2	+10.4	+ 7.0	+ 8.5
August	+ 5.1	- 0.2	+14.0	+ 1.6	+ 5.9	+ 7.5	+ 3.8
September	+15.0	+13.1	+12.7	+ 9.8	+ 7.9	+11.1	+ 6.1
October	- 3.6	- 2.2	+15.2	- 4.3	+ 5.1	+ 4.9	+ 4.6
November p	+ 4.9	+ 1.6	+15.9	+ 8.8	- 0.4	+12.1	+ 3.8

1/ Includes all deposits subject to reserve requirements. Movements in this aggregate correspond closely with movements in total member bank credit.

p - Preliminary.

Chart 1

MEMBER BANK RESERVES

SEASONALLY ADJUSTED MONTHLY AVERAGES OF DAILY FIGURES

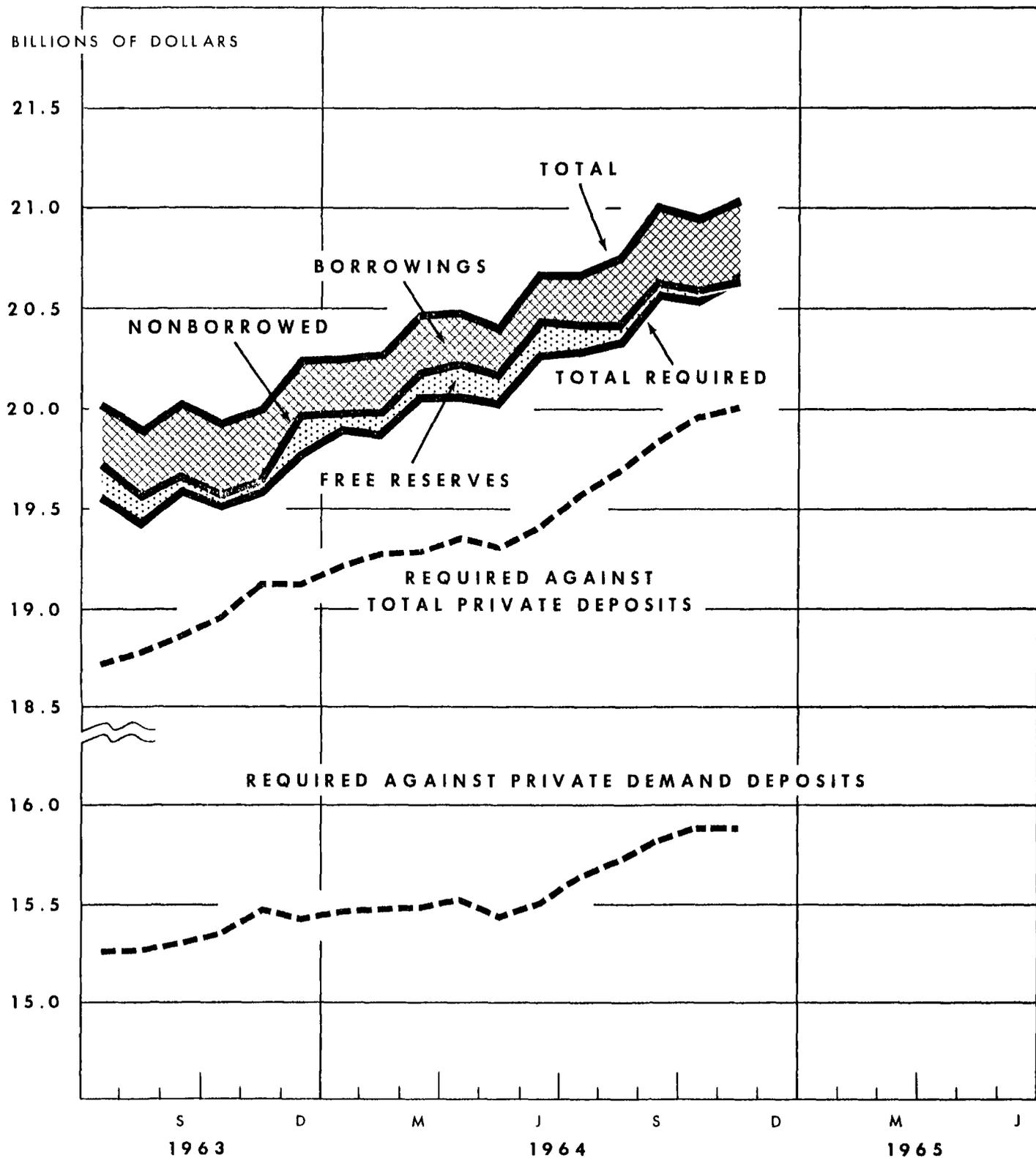


Chart 2

MEMBER BANK DEPOSITS SUPPORTED BY REQUIRED RESERVES

SEASONALLY ADJUSTED MONTHLY AVERAGES OF DAILY FIGURES

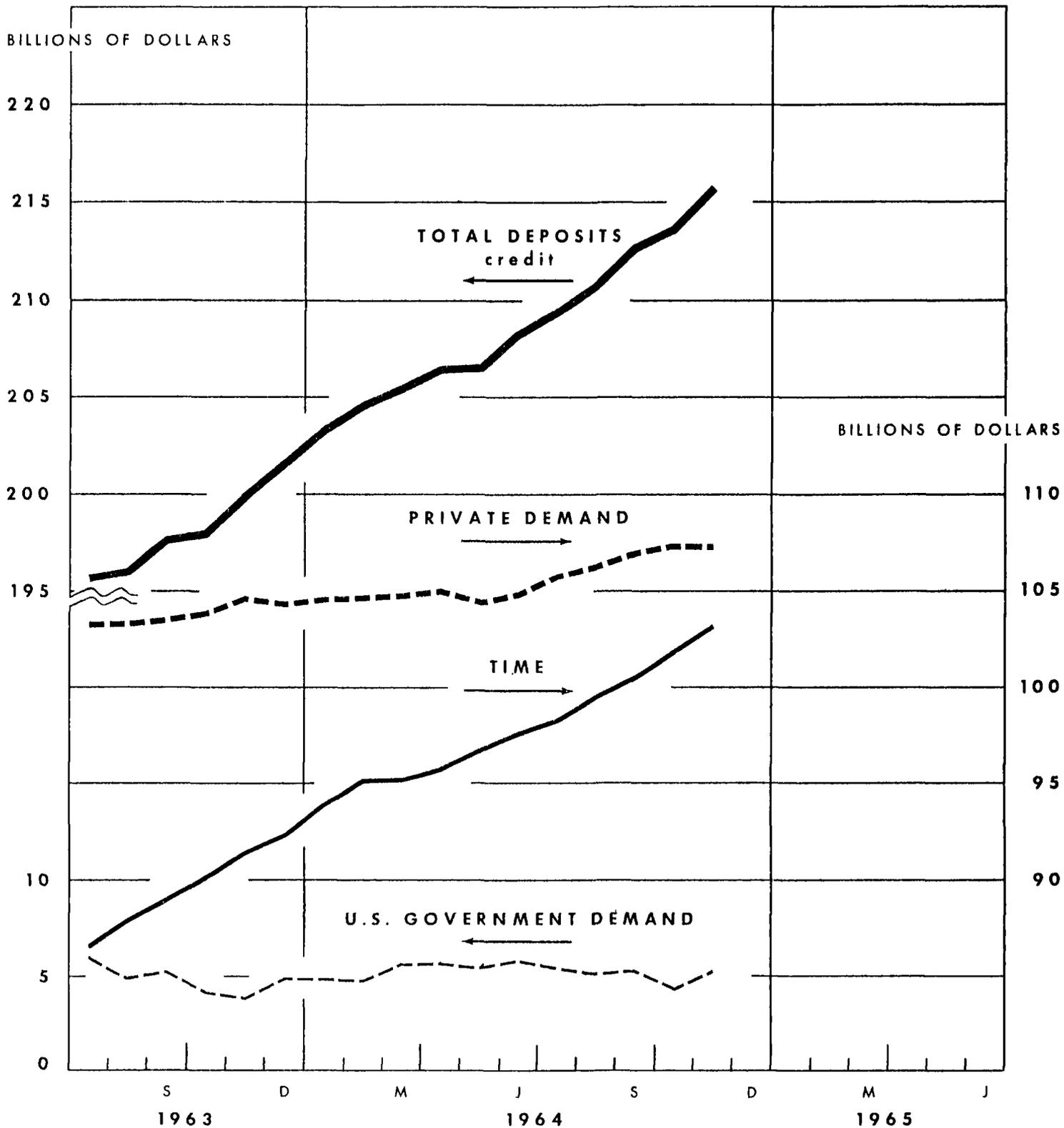


Chart 3

MONEY SUPPLY BY COMPONENTS

SEASONALLY ADJUSTED MONTHLY AVERAGES OF DAILY FIGURES

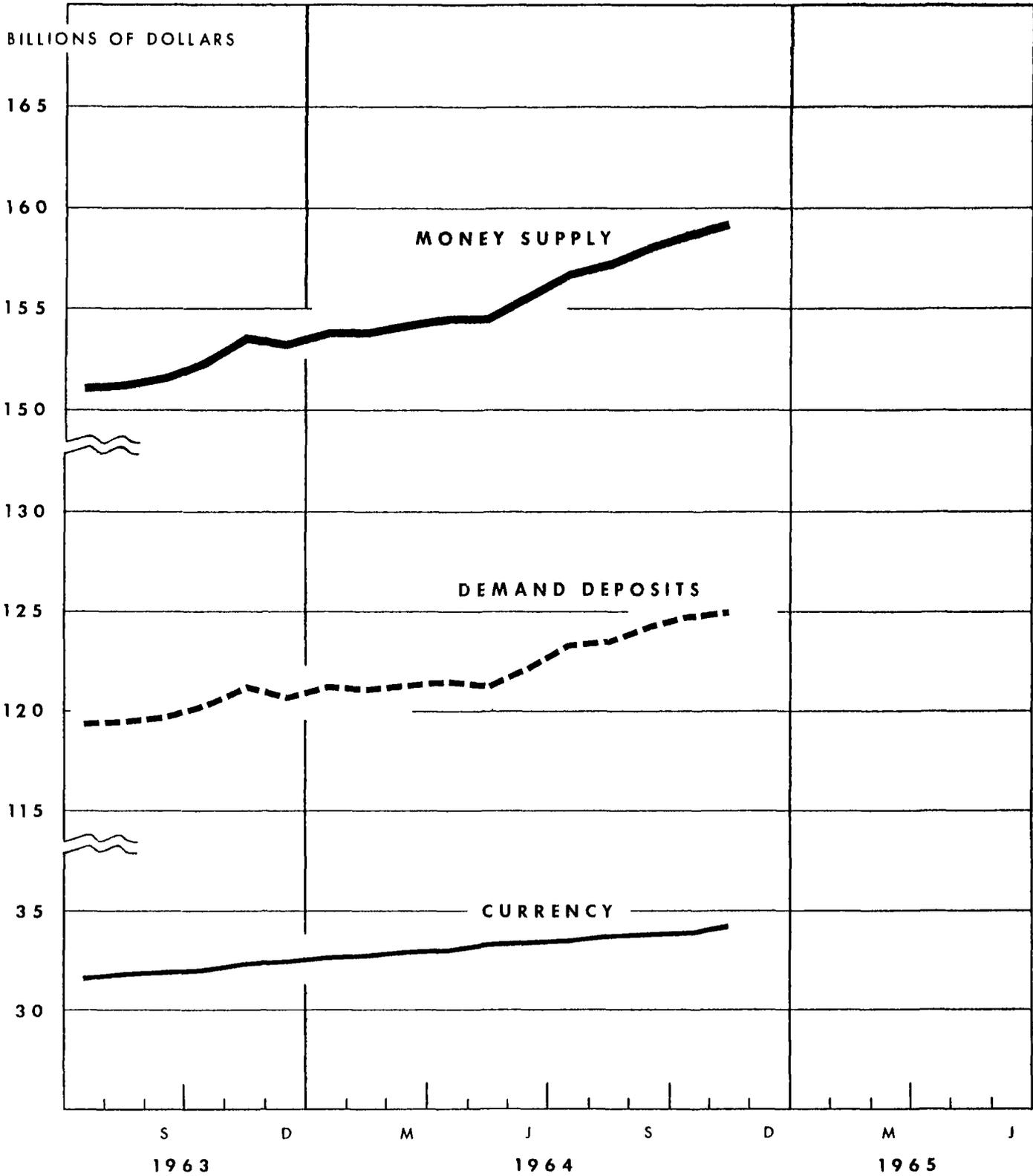


Table B-1

MAJOR SOURCES AND USES OF RESERVES

Retrospective and Prospective
(Dollar amounts in millions, based on weekly averages of daily figures)

Period	Factors affecting supply of reserves				= Change in total reserves	= Bank use of reserves	
	Federal Reserve credit (excl. float) 1/	Gold stock	Currency outside banks	Technical factors net 2/		Required reserves 3/	Excess reserves
<u>ACTUAL</u> (Sign indicates effect on reserves)							
<u>Year:</u>							
1962 (12/27/61-12/26/62)	+1,735	-911	-1,027	+187	- 21	- 25	+ 4
1963 (12/26/62-12/25/63)	+3,125	-426	-1,950	- 76	+676	+763	- 87
<u>Year-to-date:</u>							
(12/26/62-12/11/63)	+3,122	-396	-1,905	-1,155	-331	+ 40	-371
(12/25/63-12/9/64)	+3,512	-165	-1,766	-1,435	+147	+526	-161
<u>Weekly:</u>							
1964--Oct. 21	-671	+ 1	+117	+557	+ 5	- 1	+ 6
28	-123	- 1	+225	-315	-214	-109	-105
Nov. 4	+1,068	-	-203	-429	+437	+304	+133
11	+215	+ 1	-519	+106	-197	-120	- 77
18	+ 78	- 1	+ 12	+208	+298	+ 76	+222
25	-317	- 32	- 16	+112	-255	+ 77	-322
Dec. 2 p	+858	- 43	-146	-354	+316	+186	+130
9 p	+421	-	-324	-325	-227	-135	- 94
<u>PROJECTED 4/</u>							
Dec. 16	-240	-	+ 90	+220	+ 70	+ 70	-
23	-345	-	-125	+665	+395	+395	-
30	+ 75	-	+ 50	- 30	+ 95	+ 95	-
1965--Jan. 6	- 25	-	+330	-220	+ 85	+ 85	-
13	-325	-	+265	-320	-380	-380	-
20	-475	-	+290	+200	+ 15	+ 15	-
27	- 65	-	+285	-420	-200	-200	-
Feb. 3	+295	-	- 10	-350	- 65	- 65	-
10	+205	-	-345	-215	-355	-355	-
17	-445	-	+135	+145	-165	-165	-
24	-345	-	+ 80	+225	- 40	- 40	-

1/ For retrospective details, see Table B-4.

2/ For factors included, see Table B-3.

3/ For required reserves by type of deposits, see Table B-2.

4/ See reverse side for explanation of projections.

p - Preliminary.

Explanation of Projections in Table B-1

1. Changes in Federal Reserve credit indicate reserves needed to offset projected changes in required reserves and in factors affecting the supply of reserves.
2. Projected changes in currency outside banks reflect seasonal movements plus an allowance for growth of about \$20 million per week.
3. Projected effects of Treasury operations, included in "technical factors", reflect scheduled and assumed calls in current two weeks and there after, maintenance of Treasury balances with Federal Reserve at \$900 million.
4. Projected changes in required reserves reflect estimated seasonal movements in private deposits, except as noted in Table B-2, and projected movements in U. S. Government demand deposits. Government deposit projections are based on anticipated Treasury receipts and expenditures and the following assumed financing operations: \$100 million addition to weekly bill auction on January 7 and each week thereafter: through the end of the projection period; January 15, \$1.5 billion; February 15, - \$300 million.

Table B-2

CHANGES IN REQUIRED RESERVE COMPONENTS

Retrospective and Prospective Seasonal and Nonseasonal Changes
(Dollar amounts in millions, based on weekly averages of daily figures)

Period	Total required reserves	Supporting U. S. Gov't. demand deposits	Supporting private deposits				
			Total	Seasonal changes		Other than seasonal changes	
				Demand	Time	Demand	Time
<u>ACTUAL</u>							
<u>Year:</u>							
1962 (12/27/61-12/26/62)	- 25 ^{1/}	+ 43	- 68 ^{1/}	+ 45	- 5	+ 61	-169 ^{1/}
1963 (12/26/62-12/25/63)	+763	+ 8	+755	+ 45	--	+239	+471
<u>Year-to-date:</u>							
(12/26/62 - 12/11/63)	+ 40	-357	+397	-304	--	+233	+468
(12/25/63 - 12/9/64)	+328	-142	+470	-309	+ 7	+334	+438
<u>Weekly:</u>							
1964--Oct. 21	- 1	-137	+136	+140	- 6	- 9	+ 11
28	-109	- 62	- 47	- 19	--	- 41	+ 13
Nov. 4	+304	+140	+164	+ 32	--	+128	+ 4
11	-120	- 87	- 33	+ 34	- 8	- 73	+ 14
18	+ 76	+110	- 34	+ 30	- 20	- 64	+ 20
25	+ 77	+196	-119	- 62	--	- 59	+ 2
Dec. 2 p	+186	+ 33	+153	+ 30	+ 6	+120	- 3
9 p	-133	-219	+ 86	+171	- 6	- 90	+ 11
<u>PROJECTED</u>							
Dec. 16	+ 70	-240	+310	+310	--	--	--
23	+395	+385	+ 10	+ 15	- 5	--	--
30	+ 95	+125	- 30	- 35	+ 5	--	--
1965--Jan. 6	+ 85	- 80	+165	+145	+ 20	--	--
13	-380	-295	- 85	- 65	- 20	--	--
20	+ 15	+ 10	+ 5	--	+ 5	--	--
27	-200	+ 15	-215	-220	+ 5	--	--
Feb. 3	- 65	+ 55	-120	-125	+ 5	--	--
10	-355	-135	-220	-215	- 5	--	--
17	-165	- 10	-155	-155	--	--	--
24	- 40	+155	-195	-200	+ 5	--	--

^{1/} Reduction in percentage reserve requirements applicable to time deposits released \$780 million of reserves at the end of October 1962.

Table B-3

TECHNICAL FACTORS AFFECTING RESERVES

Retrospective and Prospective Changes
(Dollar amounts in millions, based on weekly averages of daily figures)

Period	Technical factors (net)	Treasury operations	Float	Foreign deposits and gold loans	Other nonmember deposits and F. R. accounts
<u>ACTUAL</u>					
(Sign indicates effect on reserves)					
<u>Year:</u>					
1962 (12/27/61-12/26/62)	+187	-148	+316	- 4	+ 23
1963 (12/26/62-12/25/63)	- 76	-216	+149	+ 88	- 97
<u>Year-to-date:</u>					
(12/26/62-12/11/63)	-1,155	-162	-943	+ 99	-149
(12/25/63-12/9/64)	-1,435	-332	-1,041	- 63	+ 1
<u>Weekly:</u>					
1964--Oct. 21	+557	-169	+673	+ 3	+ 50
28	-315	+199	-553	- 6	+ 45
Nov. 4	-429	+115	-301	+ 15	-198
11	+106	+ 97	+ 77	- 18	- 50
18	+208	- 46	+251	+ 10	- 7
25	+112	+ 19	+174	- 18	- 63
Dec. 2	-354	-347	-276	- 77	+346
9	-325	-118	+ 90	+ 38	-335
<u>PROJECTED</u>					
Dec. 16	+220	-130	+195	+ 45	+110
23	+865	+ 95	+730	-	+ 40
30	- 30	-	- 30	-	-
1965--Jan. 6	-220	-	-220	-	-
13	-320	-	-320	-	-
20	+200	-	+200	-	-
27	-420	-	-420	-	-
Feb. 3	-350	-	-350	-	-
10	-215	-	-230	-	+ 15
17	+145	-	+150	-	- 5
24	+225	-	+330	-	-105

Table B-4

SOURCES OF FEDERAL RESERVE CREDIT

Retrospective Changes
(Dollar amounts in millions, based on weekly averages of daily figures)

Period	Total Federal Reserve credit (excl. float)	U. S. Government securities				Repurchase agreements	Bankers' acceptances	Member bank borrowings
		Total holdings	Outright					
			Bills	Other				
Year:								
1962 (12/27/61-12/26/62)	+1,735 ^{1/}	+1,617	-863	+2,507	- 27	+ 27	+ 91	
1963 (12/26/62-12/25/63)	+3,125	+3,076	+1,659	+1,404	+ 13	+ 39	+ 10	
Year-to-date:								
(12/26/62-12/11/64)	+3,122	+3,339	+1,866	+1,404	+ 69	- 25	-192	
(12/25/63-12/9/64)	+3,512	+3,749	+2,761	+1,022	- 34	- 42	-195	
Weekly:								
1964--Sept. 16	-476	-214	- 53	+ 81	-242	- 9	-253	
23	-324	-493	-358	-	-135	- 15	+184	
30	+187	+282	+199	+ 54	+ 29	+ 36	-131	
Oct. 7	+687	+573	+350	+ 42	+181	+ 22	+ 92	
14	-229	- 96	- 73	+ 56	- 79	- 2	-131	
21	-671	-754	-623	-	-131	- 58	+141	
28	-123	+ 2	+ 2	-	-	+ 25	-150	
Nov. 4	+1,068	+800	+731	-	+ 69	+ 22	+246	
11	+215	+275	+ 29	-	+246	- 11	- 49	
18	+ 78	- 73	+ 27	-	-100	- 12	+163	
25	-317	+ 79	+169	-	- 90	+ 35	-431	
Dec. 2	+858	+675	+792	+ 8	-125	- 33	+216	
9	+421	+668	+569	+ 99	-	+ 6	-253	

^{1/} Reduction in percentage reserve requirements applicable to time deposits released \$780 million of reserves at the end of October 1962.

Chart Reference Table C-1

TOTAL, NONBORROWED AND REQUIRED RESERVES

Seasonally Adjusted

(Dollar amounts in millions, based on monthly averages of daily figures)

Period	Total reserves	Nonborrowed reserves	Required reserves		
			Total	Against private deposits	
				Total	Demand
1963--January	19,620	19,504	19,212	18,383	15,131
February	19,700	19,547	19,224	18,436	15,134
March	19,752	19,575	19,284	18,481	15,152
April	19,770	19,608	19,292	18,536	15,170
May	19,858	19,667	19,359	18,563	15,165
June	19,848	19,630	19,452	18,602	15,173
July	20,020	19,718	19,557	18,721	15,260
August	19,898	19,565	19,431	18,780	15,265
September	20,025	19,663	19,592	18,859	15,301
October	19,923	19,573	19,518	18,952	15,349
November	19,994	19,640	19,587	19,127	15,470
December	20,240	19,960	19,775	19,124	15,431
1964--January	20,250	19,979	19,890	19,211	15,458
February	20,270	19,984	19,872	19,277	15,474
March	20,459	20,176	20,057	19,291	15,487
April	20,478	20,222	20,058	19,356	15,526
May	20,403	20,166	20,026	19,309	15,442
June	20,682	20,431	20,271	19,406	15,504
July	20,663	20,418	20,286	19,569	15,638
August	20,751	20,414	20,334	19,692	15,715
September	21,011	20,637	20,568	19,838	15,819
October	20,948	20,599	20,538	19,956	15,886
November p	21,034	20,627	20,640	20,005	15,881

p - Preliminary.

Chart Reference Table C-2

DEPOSITS SUPPORTED BY REQUIRED RESERVES

Seasonally Adjusted

(Dollar amounts in millions, based on monthly averages of daily figures)

Period	Total member bank deposits (credit) 1/	Time deposits	U. S. Gov't. demand deposits	Private demand deposits 2/
1963--January	189,232	81,309	5,622	102,301
February	190,642	82,552	5,765	102,325
March	191,230	83,222	5,557	102,451
April	192,360	84,148	5,641	102,571
May	193,085	84,961	5,588	102,536
June	193,957	85,732	5,633	102,592
July	195,654	86,528	5,950	103,176
August	196,002	87,881	4,911	103,210
September	197,608	88,961	5,190	103,457
October	197,974	90,069	4,124	103,781
November	199,890	91,428	3,869	104,593
December	201,570	92,333	4,907	104,330
1964--January	203,201	93,813	4,867	104,521
February	204,511	95,064	4,824	104,623
March	205,444	95,102	5,630	104,712
April	206,412	95,748	5,689	104,975
May	206,529	96,678	5,441	104,410
June	208,208	97,546	5,839	104,823
July	209,421	98,264	5,419	105,738
August	210,724	99,425	5,045	106,254
September	212,675	100,469	5,245	106,961
October	213,539	101,747	4,392	107,400
November p	215,708	103,091	5,243	107,374

p - Preliminary.

1/ Includes all deposits subject to reserve requirements--i.e., the total of time, private demand, and U. S. Government demand deposits. Movements in this aggregate correspond closely with movements in total member bank credit.

2/ Private demand deposits include demand deposits of individuals, partnerships and corporations and net interbank balances.

Chart Reference Table C-3

MONEY SUPPLY BY COMPONENTS

Seasonally Adjusted
(Dollar amounts in billions, based
on monthly averages of daily figures)

Period	Money Supply	Demand deposits 1/	Currency 2/
1963--January	148.0	117.4	30.7
February	148.4	117.6	30.9
March	148.9	117.8	31.1
April	149.2	118.1	31.2
May	149.6	118.3	31.3
June	150.2	118.6	31.5
July	151.0	119.4	31.6
August	151.2	119.5	31.8
September	151.6	119.7	31.9
October	152.3	120.3	32.0
November	153.5	121.2	32.3
December	153.2	120.7	32.4
1964--January	153.8	121.2	32.6
February	153.8	121.1	32.7
March	154.2	121.3	32.9
April	154.5	121.5	33.0
May	154.5	121.3	33.3
June	155.6	122.1	33.4
July	156.7	123.3	33.5
August	157.2	123.5	33.7
September	158.0	124.2	33.8
October	158.6	124.7	33.9
November p	159.1	124.9	34.2

p - Preliminary.

- 1/ Includes (1) demand deposits at all commercial banks, other than those due to domestic commercial banks and the U. S. Government, less cash items in process of collection and Federal Reserve float; and (2) foreign demand balances at Federal Reserve Banks.
- 2/ Includes currency outside the Treasury, the Federal Reserve, and the vaults of all commercial banks.