

Wm. Eccles

CONFIDENTIAL

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## OUTLOOK FOR BANK RESERVES AND TREASURY FINANCING

Estimates of the changes in the Treasury cash position and bank reserves through the fiscal year 1949 are attached.

Table 1 shows the estimated changes in supply of reserve funds available to banks, excluding reserves obtained by bank sales to the Federal Reserve. No change in reserves resulting from Treasury operations is shown for the period after September as a whole, on the assumption that war loan calls will be sufficient only to neutralize the effect of Treasury operations on bank reserves. If this were the case, the war loan balance at the end of December would be 1.6 billion dollars and at the end of June would be 2.1 billion dollars.

Tables 2 and 3 show the details of estimated Treasury cash transactions, deposits, and related items based on the same assumptions.

Table 4 shows the schedule of maturities through the fiscal year 1949 by issue and holdings by type of investor.

Table 1

ESTIMATED CHANGES IN SUPPLY OF  
BANK RESERVE FUNDS, JULY 1948 - JUNE 1949

(In billions of dollars)

	1948					1949	
	July- Sept.	Oct. - Dec.			Jan. -	Apr. -	
		Total	Oct.	Nov.	Dec.	Mar.	June
1. Increase in reserve funds from gold, currency, and miscellaneous technical factors	.3	.3	.1	.1	.1	1.0	.1
2. Reserves put into the market by Federal Reserve net purchases of Government securities from <u>nonbank holders</u>	1.0	.9	.4	.3	.2	.2	.7
3. Changes in reserves from Treasury fiscal and debt management operations <u>1/</u>	- .8	--	.2	-.2	--	--	--
4. Total increase in reserve balances from above factors	.5	1.2	.7	.2	.3	1.2	.8
5. Increase in member bank required reserves as a result of deposit changes reflecting above factors	.1	.2	.1	--	.1	.2	.2
6. Increase in required reserves from Board action	2.0	--	--	--	--	--	--
7. Net volume of reserves available to banks for additional credit expansion	-1.6	1.0	.6	.2	.2	1.0	.6
8. War loan balances at end of period <u>1/</u>	2.7		2.0	1.6	1.6	4.5	2.1

1/ Assumes war loan calls sufficient only to keep the effect of Treasury operations on bank reserves neutral after September.

ESTIMATED TREASURY CASH TRANSACTIONS AND BALANCES  
FISCAL YEARS ENDING JUNE 30, 1948 AND 1949  
(In billions of dollars)

(Figures for 1948-49 differ from the President's budget estimates as of August 15 by allowances for higher estimated income tax receipts of 1.3 billion dollars and for expected additional agricultural price support expenditures of 700 million and smaller cashing of International securities by 300 million)

Item	July- Dec. 1947*	Jan.- June 1948*	1948						1949		Summary	
			July*	Aug.*	Sept.*	Oct.	Nov.	Dec.	Jan.- Mar.	Apr.- June	1947- 1948*	1948- 1949
<u>Cash operating budget</u>												
Income	20.5	27.2	2.4	3.2	4.7	2.4	3.1	4.3	14.2	11.1	47.7	45.4
Outgo	19.2	19.5	2.8	3.0	3.3	2.9	3.2	4.0	11.1	12.8	38.7	43.1
Net cash surplus or deficit (-)	1.3	7.6	- .4	+ .2	+1.4	- .5	- .1	+ .3	+3.1	-1.7	+9.0	+2.3
<u>Cash debt transactions</u>												
Nonmarketable <u>1/</u>	+1.4	- .4	+1.3	--	+ .1	--	- .1	- .2	+ .5	- .2	+1.0	+1.3
Marketable <u>2/</u>												
Federal Reserve Banks	-1.0	-4.0	- .5	- .4	- .2	--	--	--	--	--	-5.0	-1.1
Other	-1.9	-1.4	- .3	--	- .6	- .4	--	- .1	- .7	- .4	-3.3	-2.5
Net cash borrowing or repayment (-)	-1.5	-5.8	+ .5	- .5	- .7	- .4	- .1	- .3	- .2	- .6	-7.3	-2.3
<u>Change in Treasury cash balances <u>3/</u></u>												
Federal Reserve Banks	+ .1	+1.1	- .2	+ .2	- .3	- .2	+ .2	--	--	--	+1.2	- .3
War loan	--	+ .8	+ .3	- .3	+1.0	- .7	- .4	--	+2.9	-2.4	+ .8	+ .3
Total change	+ .2	+1.9	+ .1	- .2	+ .7	- .9	- .2	--	+2.9	-2.4	+2.0	--
<u>Treasury cash balance (end of period)</u>												
Federal Reserve Banks	.9	1.9	1.8	1.9	1.7	1.5	1.7	1.7	1.7	1.7	1.9	1.7
War loan	1.0	1.8	2.1	1.7	2.7	2.0	1.6	1.6	4.5	2.1	1.8	2.1
Total outstanding <u>4/</u>	2.9	4.8	4.9	4.7	5.4	4.5	4.3	4.3	7.2	4.8	4.8	4.8
<u>Effect on bank reserves <u>5/</u></u>	-1.1	-5.1	- .3	- .6	--	+ .2	- .2	--	--	--	-6.2	- .8

\*Actual

p Preliminary

1/ Including Treasury purchases of marketable securities.2/ Change in amount outstanding.3/ Net cash surplus or deficit plus net cash borrowing or repayment of borrowing will not necessarily add to change in Treasury cash balance due primarily to timing adjustments between changes in General Fund balance and the cash balance.4/ Including gold in the general fund balance.5/ Decrease in Treasury balance with Federal Reserve minus retirement of debt held by Federal Reserve.

## ESTIMATED TREASURY DEPOSITS AND RELATED ITEMS, SEPTEMBER 1948-JUNE 1949

(In millions of dollars)

Period	Treasury deposits with F. R. Banks						War loan deposits				Total Treasury deposits <sup>1/</sup> (end of period)
	Amount (end of period)	Calls	Change		In- come taxes	Other	Amount (end of period)	In- come taxes	New securi- ties	Calls	
			Bills	Other market- able issues							
Statement week ended:											
1948: Oct. 6*	1,596	+ 790	--	-343	+ 260	- 771	2,198	+ 82	+579	- 790	3,794
13*	1,551	+ 303	--	- 7	+ 150	- 491	2,048	+ 86	+ 68	- 303	3,599
20*	1,530	+ 305	--	- 15	+ 248	- 559	1,971	+139	+ 90	- 305	3,501
27	1,495	+ 245	--	- 13	+ 160	- 427	1,939	+ 45	+168	- 245	3,434
Nov. 3	1,545	+ 350	--	--	+ 150	- 450	1,895	+ 95	+205	- 350	3,440
10	1,675	+ 310	--	--	+ 220	- 400	1,830	+125	+120	- 310	3,505
17	1,675	+ 315	--	--	+ 260	- 575	1,960	+325	+120	- 315	3,635
24	1,675	+ 470	--	--	+ 195	- 665	1,755	+125	+140	- 470	3,430
Dec. 1	1,530	+ 500	--	--	+ 55	- 700	1,505	+ 85	+165	- 500	3,035
8	1,475	+ 500	--	--	+ 95	- 650	1,170	+ 75	+ 90	- 500	2,645
15	1,210	+ 440	--	- 60	+ 355	-1000	1,065	+250	+ 85	- 440	2,275
22	1,675	--	--	- 10	+1,225	- 750	1,405	+240	+100	--	3,080
29	1,670	--	--	--	+ 445	- 450	1,560	+ 50	+105	--	3,230
Month:											
1948:											
September*	1,664	+ 583	-203	-606	+2,758	-2,787	2,703	+588	+960	- 583	4,367
October	1,500	+1,770	--	-378	+ 830	-2,385	1,975	+380	+660	-1,770	3,475
November	1,675	+1,675	--	--	+ 790	-2,290	1,600	+700	+600	-1,675	3,275
December	1,675	+1,180	--	- 70	+2,240	-3,356	1,600	+650	+530	-1,180	3,275
1949: January	1,675	+ 655	--	-500	+2,415	-2,570	2,100	+375	+780	- 655	3,775
February	1,295	+ 150	--	-100	+1,920	-2,350	3,380	+780	+650	- 150	4,675
March	1,675	--	--	-100	+3,910	-3,430	4,500	+690	+430	--	6,175
April	1,675	+2,410	--	-100	+1,220	-3,530	2,900	+380	+430	-2,410	4,575
May	1,675	+1,855	--	--	+ 875	-2,730	2,200	+725	+430	-1,855	3,875
June	1,675	+1,180	--	-300	+3,105	-3,985	2,100	+650	+430	-1,180	3,775

\* Actual

<sup>1/</sup> Total Treasury deposits at Federal Reserve Banks and war loan deposits; total does not include free gold, which amounts to a little more than 1 billion dollars, and other small items in the General Fund balance.

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Table 4

SCHEDULE OF TREASURY CERTIFICATES, NOTES AND BONDS  
DUE OR CALLABLE BY JUNE 30, 1949  
BY ISSUE AND HOLDINGS BY TYPE OF INVESTOR

(In millions of dollars)

Issue	Amount outstanding Sept. 30, 1948	Held by		
		Commercial banks <u>1/</u>	Federal Reserve Banks Oct. 20, 1948	Other
1948 - Dec. 15, 2% bond <u>2/</u>	571	424	--	147
1949 - Jan. 1, 1 1/8% certificate	2,592	1,161	104	1,327
Jan. 1, 1 1/8% note	3,535	1,011	261	2,263
Feb. 1, 1 1/8% certificate	2,189	865	88	1,236
Mar. 1, 1 1/8% certificate	3,553	1,418	782	1,353
Apr. 1, 1 1/8% certificate	1,055	379	84	592
June 1, 1 1/8% certificate	4,301	1,679	879	1,743
June 15, 2% bond	1,014	604	102	308

- 1/ Represents commercial banks covered in the Treasury survey of ownership of Government securities for August 31, 1948, adjusted for changes in holdings at Federal Reserve Banks between Aug. 31 and October 20, 1948.
- 2/ December 15, 2% bonds called for redemption; unannounced as to whether will be exchanged or redeemed for cash.

GOVERNMENT FINANCE SECTION, BOARD OF GOVERNORS