Central Bank Balance Sheets: Misconceptions and Realities

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## Figure 1: Federal Reserve System Balance Sheet
January 2004 and February 2019

<table>
<thead>
<tr>
<th></th>
<th>Assets (Billions of Dollars)</th>
<th>Liabilities and Capital (Billions of Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasury Bills</td>
<td>245.3</td>
<td>0.0</td>
</tr>
<tr>
<td>Other Treasury Securities</td>
<td>421.8</td>
<td>2,182.1</td>
</tr>
<tr>
<td>Mortgage-Backed Securities</td>
<td>0.0</td>
<td>1,607.6</td>
</tr>
<tr>
<td>Other Assets</td>
<td>88.2</td>
<td>184.9</td>
</tr>
<tr>
<td></td>
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</tr>
<tr>
<td>Total</td>
<td>755.3</td>
<td>3,974.6</td>
</tr>
</tbody>
</table>

Source: Federal Reserve Board, Haver Analytics
Figure 2: Federal Reserve System Liabilities and Capital Composition
January 2004 and February 2019

Source: Federal Reserve Board, Haver Analytics
Figure 3: Federal Reserve System Liabilities Composition
September 2017 and February 2019

Source: Federal Reserve Board, Haver Analytics
Note: The monthly FRS assets figures pictured above are the averages of the weekly figures for each month. Monthly figures for excess reserves are prorated averages of biweekly figures.

Source: Federal Reserve Board, Haver Analytics
Figure 5: Central Bank Assets Relative to GDP
2004:Q1 - 2018:Q4

Note: The Bank of England publishes its balance sheet with a five-quarter lag.

Source: Bank of Japan, Cabinet Office of Japan; European Central Bank, Eurostat; Bank of England, Office for National Statistics; Federal Reserve Board, BEA; Haver Analytics
January 30, 2019 Statement Regarding Monetary Policy Implementation and Balance Sheet Normalization

▶ “The Committee intends to continue to implement monetary policy in a regime in which an ample supply of reserves ensures that control over the level of the federal funds rate and other short-term interest rates is exercised primarily through the setting of the Federal Reserve's administered rates, and in which active management of the supply of reserves is not required.”

▶ Implications

▶ Floor system, rates controlled by administered rates
▶ Not active management, abundant reserves to avoid regular intervention to add or reduce reserves to offset reserve shocks
Figure 6: Federal Reserve System Liabilities
January 2004 - February 2019

Source: Federal Reserve Board, Haver Analytics
Figure 7: Change in Federal Reserve System Assets
November 2014 - February 2019

Source: Federal Reserve Board, Haver Analytics
Figure 8: Ten-Year Treasury Term Premium and Excess Reserves
January 2004 - February 2019

Source: Federal Reserve Bank of New York, Adrian, Crump and Moench (ACM) Treasury Term Premia Estimates; Federal Reserve Board; Haver Analytics
Note: Pictured above is the average duration of the Federal Reserve System Open Market Account (SOMA) domestic securities holdings. Figures are as of month-end. Calculations are par-weighted.

Source: Federal Reserve Bank of New York
Figure 10: Treasury Bills as a Share of Securities Held Outright by the Federal Reserve System
January 2004 - February 2019

Source: Federal Reserve Board, Haver Analytics