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Monthly e-mail from Tim Congdon and John Petley – 20th December, 2019

Global money round-up in winter 2019/20

In November M3 in the United States of America jumped by another 1.0%. In the last three months M3 rose at an annualised rate of 12.5% and in the year to November it was up by 8.5%. (We use the M3 estimates prepared by the advisory firm, Shadow Government Statistics.) These rates of money growth are a clear departure from the pattern (of annual money growth between 3% and 5%) which prevailed for eight years until spring 2019. If the Institute's emphasis on the relationships between broad money and nominal GDP, and between real broad money and real aggregate demand, proves correct, early 2020 should see above-trend growth demand growth in the world's largest economy. Given that the American economy is operating with low unemployment, above-trend demand growth implies capacity strains later in the year and risks of higher inflation in 2021. (The explanation for the upturn in US money growth is that to a significant extent the Federal deficit of $1,000b. is being financed from the banks, i.e., it is being monetised.)

Elsewhere the message is closer to 'steady as she goes'. The Eurozone also has enjoyed rather strong money growth in recent months, but this feature has not been as marked as in the USA. In China and India money growth in 2019 has been steady at high rates appropriate in these economies with strong underlying trend growth in output. (But India suffers from serious ethnic and religious tensions at present, which may have economic consequences.) Japan's money growth is stable at a very low rate, while the UK has a money growth recovery in conjunction with a clarification of the Brexit process. The overall conclusion is that during 2020 the world economy will see at least trend growth of demand and output, after a lacklustre 2019.

Money trends in autumn 2019 in the main countries/jurisdictions

What are the latest money growth trends in the main countries? And what is the message for global economic activity over the next year or so, and for inflation/deflation thereafter? The table below summarizes key numbers. The pattern is much as in recent months, although the American money growth acceleration is now pronounced and persistent enough to deserve highlighting. Buoyant money growth is normally associated with asset price gains and balance-sheet strength, and hence with above-trend growth in demand. With the US stock market up by about a quarter in the last year and house prices also moving ahead, the argument is strengthened. However, leading indicator indices are still not signalling above-trend growth in the USA or elsewhere. The Eurozone has also enjoyed rather strong money growth in 2019, partly because the banking system is in advanced state of convalescence from the loan losses and lack of capital of the years that followed the Great Recession. Overall, the conclusion must be positive for developed-world demand and output in the next few quarters. Trends in the developing nations are varied, but in the two big ones – China and India – banking systems' assets and their broad money liabilities continue to expand at double-digit annual rates or annual rates not far from double digits.

Name of country/ jurisdiction	Share of world output		Growth rate of broad money		Comment
	In purchasing-power parity terms, %	In current prices and exchange rates, %	In last three months at annualised rate, %	In last twelve months, %	
USA	15.1	23.3	**12.5**	**8.5**	Strong money growth, partly due to monetary financing of large budget deficit.
China	18.7	16.1	**8.3**	**8.2**	Money growth steady & inflation under control, PBOC concerned to maintain steady growth.
Eurozone	10.6	16.4	**6.2**	**5.6**	Money growth high-ish, partly because of external inflows.
Japan	4.2	5.9	**2.9**	**2.3**	Credit and money growth down from the 3% figure seen for much of last decade, and very low.
India	7.7	3.3	**10.1**	**10.0**	Credit and money growth steady at high rates, amid social tension
UK	2.2	3.4	**4.2**	**3.6**	Money growth may be recovering to moderate rate.

Despite the multiplicity of instability risks at present, money growth trends in the big countries argue strongly against another global recession in 2020. Measured in terms of current prices and exchange rates, the USA continues to have the world's largest economy. Money growth has been strong since April, at least partly because the enormous US budget deficit (of about $1,000b.) has been financed to a significant extent from the banking system. Despite much talk of recession in mid-2019 from leading commentators (Paul Krugman, Larry Summers and Nouriel Roubini all fit the pattern), business and consumer confidence levels are satisfactory, the stock market has had a major bull run, and consumer spending has kept on growing. 2020, which is of course a presidential election year, seems likely to start well on the domestic economic front, whatever the divergence over trade policy between the USA and China. Indeed, President Trump's administration may want to quieten the rhetoric on the international trade front, now that he has been impeached by Congress.

The Eurozone also has enjoyed rather high broad money growth in the last six months, although September saw an increase of only 0.1%. Christine Lagarde, the new ECB president, faces the challenge of reconciling different viewpoints on the Governing Council on the best way to conduct monetary policy. A heartening development is that bank credit to the private sector does now seem to be expanding steadily (at annual rates of 3% - 4%) of its own accord, without depending on artificial stimulus from the ECB or other official agencies. (As banks expand their loan portfolios, they create new bank deposits, which are money.) As noted in the monthly video that accompanies this note, Greece has seen an astonishing change in its public debt management and been rewarded by a dramatic fall in debt servicing costs. The Greek debt miracle will give the Eurozone's managers greater confidence in the durability of the monetary union, whatever the intellectual squabbles in the Governing Council. In the developed world Japan and the UK are much less important than the USA and the Eurozone, but in these two countries also the latest data indicate a slight upturn in money growth, if from low levels.

The political and social news from India has become perplexing. The recently re-elected BJP government has stirred up tensions by military intervention in Jammu and Kashmir, and its revocation of Indian citizenship from Muslims in Assam and elsewhere. One well-placed commentator, Jayati Ghosh, chairperson of New Delhi's Centre for Economic Studies and Planning, has written of India's 'rapid descent into xenophobia, violence and irrationality'. Output growth has fallen from 7% a year for most of the 21st century to 4½% in 2019. The IMF in its latest *World Economic Outlook* expects 7% growth to resume in 2020 and to be delivered year after year thereafter. That may prove optimistic.

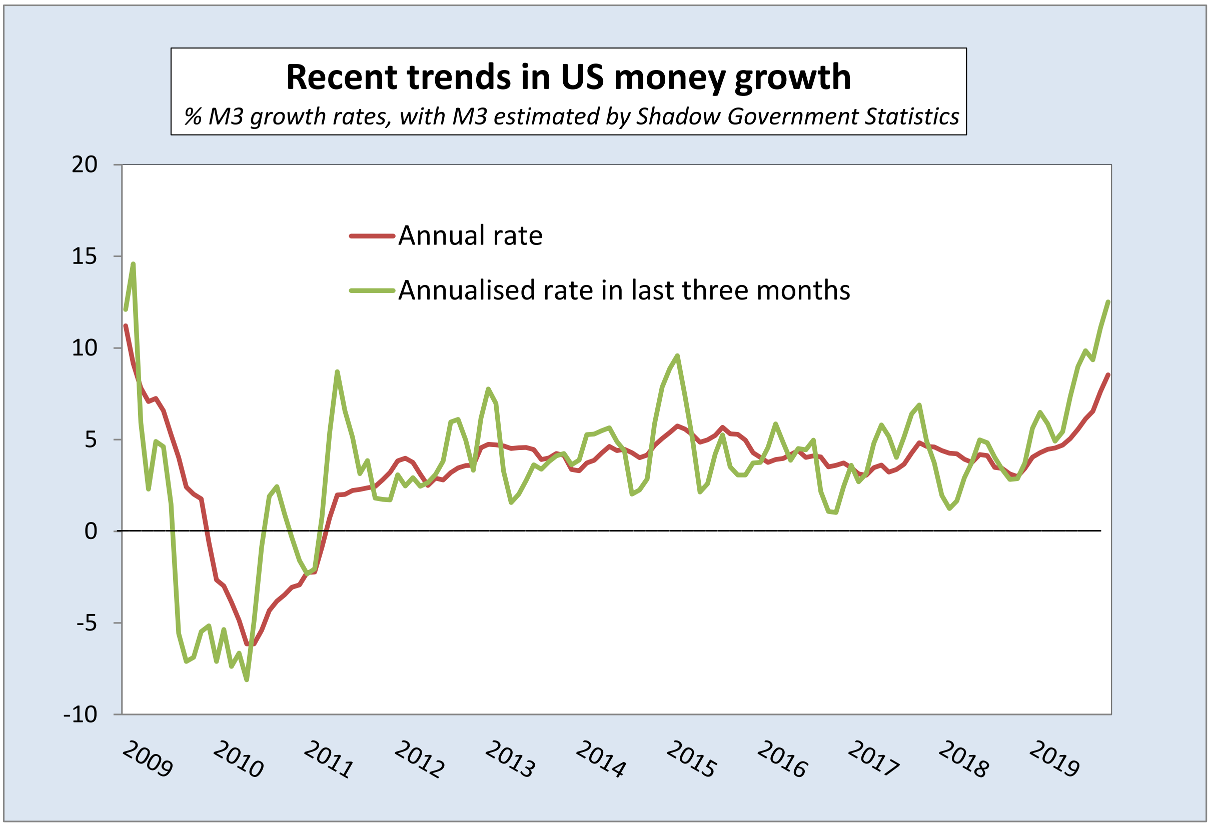
Money growth might weaken in the main countries in early 2020, but – at any rate for the time being – the monetary dials point to a very satisfactory opening few months of the year. Demand and output ought to grow at trend (or even above-trend) rates for the world economy as a whole, while inflation remains subdued.

20th December, 2019

USA

	% annual/annualised growth rate:	
	M3	Nominal GDP
1960 – 2018	**7.4**	**6.5**
Eight years to 2018	**4.0**	**4.0**
Year to November 2019	**8.5**	**n.a**
Three months to November 2019 at annualised rate	**12.5**	**n.a.**

Sources: Shadow Government Statistics research service for M3 after 2006 and US Bureau of Economic Analysis for GDP



M3 growth accelerates further

Summary: **In the three months to November 2019 US M3 broad money grew at an annualised rate of 12.5%. This was the fastest rate since February 2009, when the size of the US banking system (and hence of its deposit liabilities) was being artificially increased by re-intermediation as the shadow banking system disintegrated. The combined growth in October and November together was $439b, or more than 2.1%, which would imply an annualised growth rate of no less than 13.3%. (Our M3 data come from Shadow Government Statistics.)**

At December's meeting of the Federal Open Markets Committee, the decision to end reductions in Fed funds rates was taken unanimously, with newspaper reports suggesting that no members expect to cut rates again in 2020. Today's Federal Reserve takes little notice of broad money figures and the pronounced money growth acceleration of late 2019 would have had no bearing on the FOMC's deliberations. Almost certainly the Fed is indifferent to the surge in broad money growth evident in recent months. If it is accepted (in line with the Institute's analytical approach) that the growth of nominal GDP is related to that of the quantity of money, this indifference may have two important eventual results. First, the Fed will be surprised by the strength of the US economy in early 2020, and, second, it will also be surprised by the subsequent inflation damage. Because of the lags between changes in money and the price level, this damage is unlikely before 2021 and should not be severe.

Much depends on whether the high money growth persists into 2020. US banks grew their loan assets at a satisfactory pace in 2019, with 'loans and leases in bank credit' (the dominant single category of assets) up by 4.8%. However, the burst of rapid money growth from April reflected not extra lending as such, but a big jump in banks' holdings of securities. Holdings of all securities (i.e., Treasury securities and securities issued by the rest of the US economy) went up by 11.2% in the year to November, with the stand-out feature being a 15.6% increase in Treasuries themselves. This 15.6% increase equated to $386.3b. in terms of value, which compares with a US Federal deficit of about $1,000b. at present. The obvious interpretation is that the current upturn in US money growth is due to a partial monetisation of the budget deficit.

As noted above, the Fed does not watch money aggregates at all and carries out no organized analysis of the reasons for fluctuations in money growth. Will the monetisation of the budget deficit persist in 2020? The Federal deficit for fiscal year 2020 – in the twelve months to 30th September 2020 – is projected at $1,100b., up from $984b. in fiscal 2019. Some reduction in the degree of deficit monetisation would still be consistent with broad money growth in 2020 in, say, the 5% - 7% vicinity. If so, money growth in 2019 and 2020 would be at notably higher rates than in the previous decade.

Tim Congdon
19th December, 2019

	% annual growth rate:	
	M3	Nominal GDP
1960 – 2018	**7.4**	**6.5**
1960 – 1970	**7.7**	**6.8**
1971 – 1980	**11.4**	**10.3**
1981 – 1990	**7.7**	**7.7**
1991 - 2000	**5.6**	**5.6**
2001 - 2010	**7.1**	**3.9**
Eight years to 2018	**4.0**	**4.0**

China

	% annual/annualised growth rate:	
	M2	Nominal GDP
1991- 2018	**19.2**	**15.1**
2010 - 2018	**13.6**	**11.2**
Year to November 2019	**8.2**	**n/a**
Three months to November 2019 at annualised rate	**8.3**	**n/a**

Sources: People's Bank of China for M2 and International Monetary Research Ltd. estimates

Steady broad money growth continues

***Summary*: In the three months to November 2019 China's seasonally adjusted M2 grew by 2.1% or at an annualised rate of 8.3%. Although this is a decline on October's reading of 8.7% and slightly below the 2018 average, which was also 8.7%, Chinese broad money growth has shown remarkable stability in recent years. The annual growth rate in particular, which fell slightly from 8.3% to 8.2%, has remained within the 8% - 9% band for 16 months now,**

The Chinese authorities have recently been easing monetary policy, concerned that banks were not lending enough. Three small cuts in base rates have been announced since August, along with a reduction in banks' cash reserve ratio requirements. On 1st December data were published showing that Chinese GDP grew by only 6.9% in the third quarter of 2019, the weakest growth rate since 1992. Yi Gang, the governor of the People's Bank of China (the country's central bank), insisted that there would be no measures such as 'quantitative easing' or negative interest rates in China. He did not rule out further reductions to the cost of borrowing to ensure credit growth is maintained. At present options on monetary loosening are constrained by annual consumer price inflation of 4.5%, above the government's 4% target. An outbreak of African swine fever is proving hard to contain, causing food prices and retail inflation to shoot up. The cost of food has risen by 19.1% in the year to November. By contrast, prices at the factory gate have been falling for the past six months.

China's banks are not growing their portfolios as rapidly as they were in the early part of year. The stock of loans was growing at 13.7% in the year to March. This figure had fallen to 12.4% by August and it has remained at a comparable rate subsequently. The authorities have been concerned about the overall health of China's banking system for some time, with falling prices of some real estate eroding the value of loan collateral. At first, unregulated lenders in the so-called "shadow banking sector" were the focus of attention. Shadow banks have been the main source of credit for smaller businesses. Unregulated lending has continued to grow despite attempts to rein in their activities. In recent months the authorities have switched their attention to the regional banks A report by the PBoC at the end of November deemed 586 banks and financing firms (some 13% of all registered financial institutions) to be risky The majority of these are regional banks which, according to many in the official bureaucracy, have been an important cause of allegedly excessive levels of debt. Three regional banks are now under direct government control following concerns about their solvency. The larger banks are consequently likely to exercise more caution, both in lending to smaller banks and in their own credit extension to non-banks.

China's exports have recorded a year-on-year decline for four consecutive months now. The export of raw materials has seen a particularly sharp decline. The first phase of a deal with the USA appears to have been agreed on 17th December, which may improve the situation for China's exporters. Although global demand has been softening in recent months, Chinese consumer confidence remains high. Consumer credit reached record levels in October, while retail sales were up by 7.2% year-on-year. Meanwhile, unemployment stands at a record low. In summary, the money numbers give no reason to suggest that the Chinese economy faces any serious headwinds going into 2020.

John Petley
11th December, 2019

	% annual growth rate:	
	M2	Nominal GDP
1991 - 2000	**24.5**	**18.4**
2001 - 2010	**18.5**	**15.2**
Seven years to 2017	**12.8**	**10.3**

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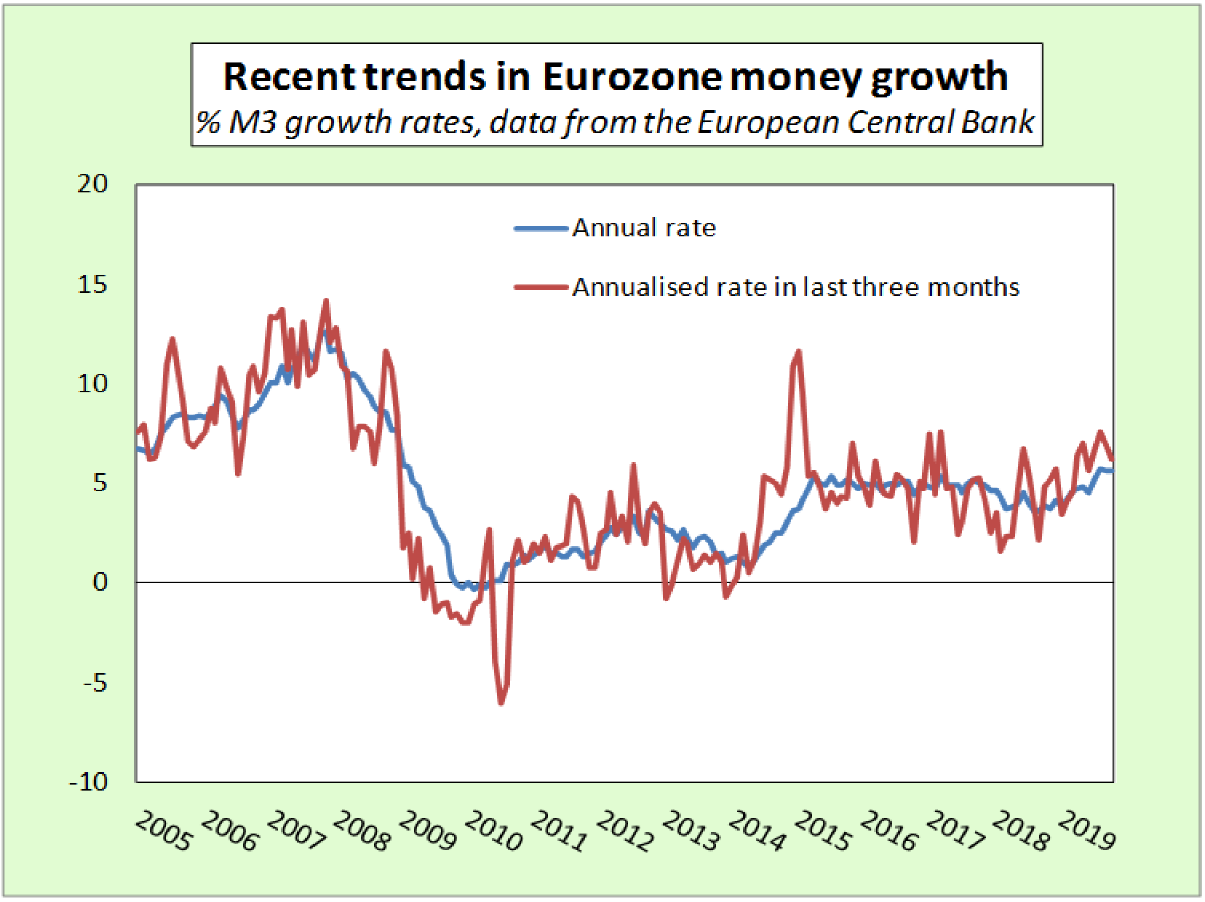
Eurozone/Euroland

	% annual/annualised growth rate:	
	M3	Nominal GDP
1996 – 2018	**5.2**	**3.1**
Eight years to 2018	**3.7**	**2.5**
Year to October 2019	**5.6**	**n/a**
Three months to October 2019 at annualised rate	**6.2**	**n/a**

Sources: European Central Bank and International Monetary Research Ltd. estimates



Money growth slows, but remains satisfactory

***Summary*: In the three months to October annualised broad money (M3) growth in the Eurozone stood at 6.2%, down on September's figure of 6.9%. This was the second consecutive month of decline in money growth on this metric, following August's buoyant reading of 7.5%. Annual M3 growth was unchanged at 5.6%. In October itself, the quantity of money grew by €64b., significantly higher than September's reading of €35b., the lowest so far this year.**

Christine Lagarde, the new president of the European Central Bank, is taking over from Mario Draghi with the Eurozone economy in considerably better shape than it was at the start of Draghi's tenure of office in 2011. The programme of asset purchases known as "quantitative easing", effective from late 2014, is to a significant extent responsible for the improvement. The beneficial effect of asset purchases on the growth of M3 money can be seen in the graph above. With broad money growth stronger than in the three years to end-2014, it was to be expected that nominal GDP growth in the Eurozone would also increase and that, at least for a few quarters, higher nominal GDP would be associated with better real growth. (The IMF has estimated that the average rate of increase in Eurozone real GDP in the five years 2015 – 19 has been 1.9%.)

The QE programme was also brought in to tackle deflation, and it has by and large achieved this objective, although the annual inflation rate remains below the official target of 2% or just below. Consumer prices rose by only 1.0% in the year to November, the highest figure for three months. Meanwhile some individual member states, notably Greece and Cyprus, have recently found themselves battling deflation once again. Nonetheless, with asset prices strengthening and the incidence of non-performing loans in the Eurozone's banks declining, the picture is broadly encouraging across the 19-nation bloc.

The first meeting of the Eurozone's governing council under its new president on 12th December did not see any changes to interest rates or the volume of asset purchases. Lagarde has signalled, however, that she will initiate a "wide-ranging review of ECB monetary policy". The so-called "Nordic bloc" (Germany, the Netherlands, Finland) have not been happy with Draghi's pragmatism. They strongly criticised his decision to resume QE in September, albeit at a more modest rate that before. The new president will doubtless face similar pressure from the same quarters, even though Germany, until recently Europe's economic driving force, only narrowly escaped recession in the second and third quarters of 2019. German money growth has been weaker than the Eurozone average since mid-2018. In September the ECB launched a new series of targeted long-term refinancing operations (TLTRO-III) with a negative interest rate, an attempt to encourage banks to lend more to the private sector. The take-up has so far been modest. Eurozone bank lending has in fact been disappointingly low for much of the period since the Great Recession, but the resulting absence of deposit growth has been offset by positive effects on the quantity of money from external transactions. Not least the Eurozone's surplus on the current account is drawing in money balances from abroad.

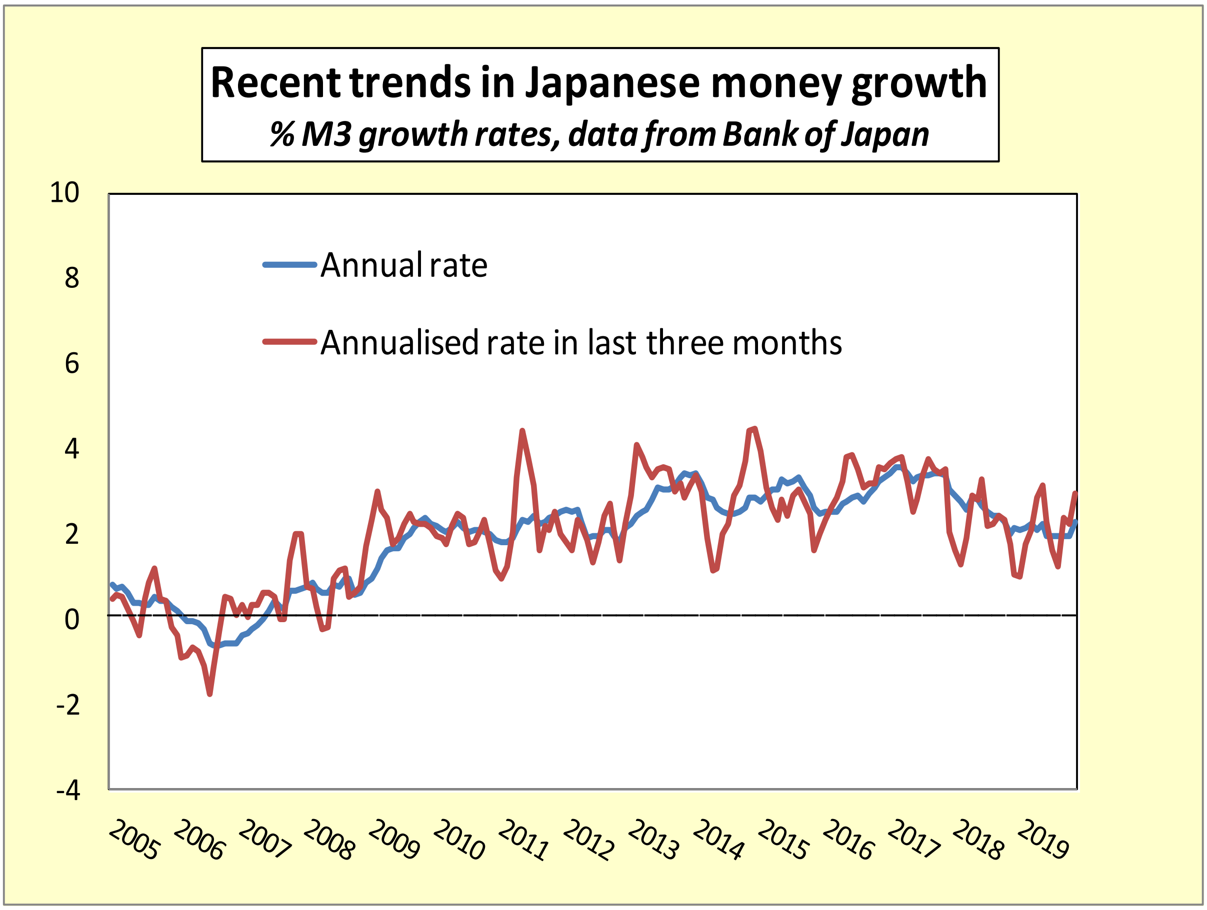
John Petley
18th December, 2019

	% annual growth rate:	
	M3	Nominal GDP
1996 – 2018	**5.2**	**3.1**
1996 – 2000	**4.6**	**4.1**
2001 – 2010	**6.8**	**3.1**
Eight years to 2018	**3.7**	**2.5**

Japan

	% annual/annualised growth rate:	
	M3	Nominal GDP
1981- 2018	**4.0**	**1.9**
Eight years to 2018	**2.8**	**0.6**
Year to November 2019	**2.3**	**n/a**
Three months to November 2019 at annualised rate	**2.9**	**n/a**

Sources: Bank of Japan for M3 and IMF for GDP



Broad money growth picks up imperceptibly

Summary: **In the three months to November 2019 Japanese M3 broad money grew at an annualised rate of 2.9%, the most positive number since the 3.1% recorded in May. Money growth has edged up since June, when the seasonally adjusted quantity of money, broadly defined, actually fell. In November itself, M3 money grew at its fastest rate since April 2018 and the figure was over twice the average monthly figure for 2018. But money growth in 2019 has been lower than typical in the 2015 – 2017 period.**

The slight improvement in broad money growth in recent months has not been driven by bank lending. The stock of bank loans to the private sector grew by only 2.1% in the year to November, a trivial increase on October's figure of 2.0%, but still lower than the 2.3% or more recorded in each of the first six months of the year. The explanation is instead to be sought in the Bank of Japan's stimulatory measures, so-called 'quantitative and qualitative easing', negative interest rates and 'yield curve control'. These measures have caused banks' cash reserves to rise, if not very much. Thus, in April 2019 domestically licensed banks had cash assets of 249.3 trillion yen, but in October the figure had climbed to 257.5 trillion yen. (One trillion yet is roughly equal to $9b.)

The BOJ stimulatory measures were introduced from 2013 onwards, in an attempt to raise inflation to an annual rate of 2%. But today, over six years later, progress on this front has been unimpressive. Consumer prices rose by a mere 0.2% in the year to October, even though this was the first month after the increase in Japan's sales tax from 8% to 10%. A 3% increase in 2014 immediately pushed the inflation rate up to over 3%, but October 2019's increase did not move the inflation rate at all. October's retail sales figures were disappointing, showing a year-on-year fall of 7.1% following on from a 9.2% increase in September. The jump in September was most likely due to consumers rushing to complete the purchase of big ticket items ahead of the sales tax hike.

The economy continues to grow modestly. The authorities have significantly revised the figures for GDP growth in the third quarter of 2019, from a preliminary estimate 0.1% to 0.4%. This still represents a slowing from the 0.5% of Q2. Stimulating the economy may be more difficult in a country with an ageing and declining population. As elderly people have fewer remaining years in which to repay debt, they may borrow and spend less than the young. The problem affects the housing market, where housing starts have been in decline for six of the last seven months. The stock of mortgages may be in secular decline relative to both bank balance-sheet totals and national output.

The BOJ's Monetary Policy Committee made no new announcement of additional monetary easing at its October meeting, although it did commit itself to 'policy adjustments as appropriate'. December's MPC meeting have also made little difference, but recent hints from Governor Kuroda suggest that he may now be pinning his faith on fiscal policy as the means of reviving the economy.

John Petley
10th December, 2019

	% annual growth rate:	
	M3	Nominal GDP
1981 – 1990	**9.2**	**4.6**
1991 - 2000	**2.5**	**1.1**
2001 - 2010	**1.1**	**0.8**
Eight years to 2018	**2.8**	**0.6**

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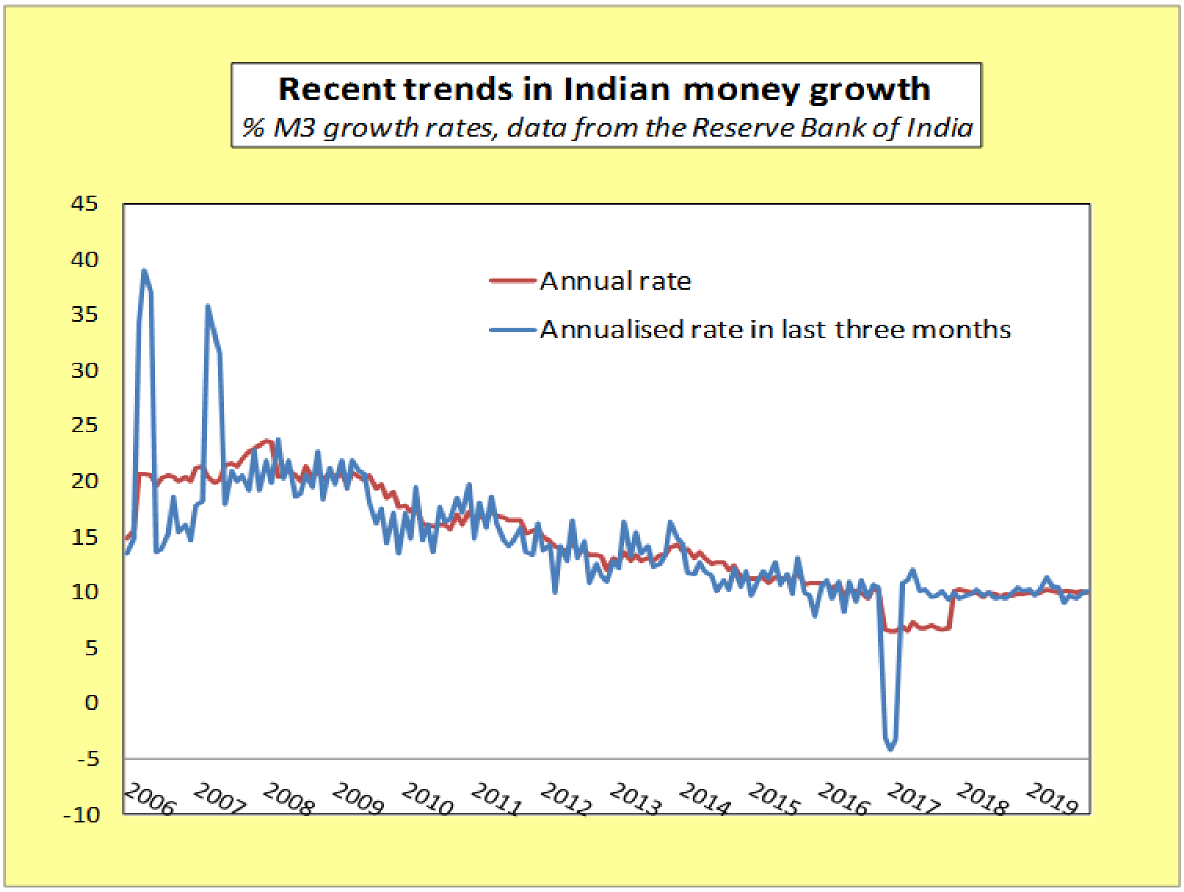
India

	% annual/annualised growth rate:	
	M3	Nominal GDP
1981- 2018	**14.8**	**12.4**
Eight years to 2018	**11.3**	**11.8**
Year to November 2019	**10.0**	**n/a**
Three months to November 2019 at annualised rate	**10.1**	**n/a**

Sources: Reserve Bank of India for M3 and IMF for GDP



Sustained double-digit annual rate of broad money growth continues

Summary: **In the three months to November 2019 India's seasonally adjusted M3 grew by 2.5% or at an annualised rate of 10.1%. This is the highest reading since June. The annual M3 growth rate declined slightly from 10.1% to 10.0%. Broad money growth at this level is consistent with macro stability, but concern has to be expressed about the increased factional tensions in Indian society and their impact on economic efficiency.**

Its monetary policy committee is the main decision-taking body in the Reserve Bank of India, India's central bank. At its December meeting it decided to maintain base rates at 5.15%, the lowest figure in nine years. Five cuts to base rates have been made so far this year, a reduction of 1.35% in total. In the third quarter of 2019 India's GDP grew at an annual rate of only 4.5%, the weakest reading since Q1 2013. India's car industry, the fourth largest in the world, has suffered a severe contraction since the start of the year, with only 170,000 vehicles produced in October compared with more than 250,000 in January, a decline of almost one third. Overall manufacturing production was 2.1% down on the figures for the previous year, while the mining industry recorded an 8% fall in activity. India's exporters saw a more modest decline, only 1.1%, over the same period, with a substantial rise in exports of electronic goods. The rupee has been stable against the dollar for much of 2019 and its movements have no obvious signal for the economy in the near term. In 2019 very heavy monsoon rains adversely affected the harvest and caused food prices to spike. Annual consumer price inflation hit a three-year high of 5.5% in November, well above the medium-term inflation target of 4%.

Given the weakness in the industrial sector, the bias in monetary policy is towards ease. The RBI would probably be happy to see stronger lending to the private sector by India's banks. But the rate of lending growth is decelerating, perhaps as banks' managements respond to constant hectoring from the RBI about their non-performing loans and inadequate capital resources. The RBI has taken a hard line on loan restructuring which has reduced the total value of non-performing loans. Unfortunately, loan write-offs result in an immediate reduction in banks' capital and hence in the ability to lend. The problems with duff assets continue. Last month this note mentioned concerns about the health of Yes Bank, which under-reported its bad loans by $457 million. Now an audit by the RBI of the country's largest lender, the State Bank of India, has revealed a substantial under-reporting of bad loans there too, totalling almost $1b. Moreover, India has a large budget deficit and the authorities must finance it to a significant extent from the banking system. In the year to 25th October bank credit to government rose 13.0% to 4,852,157 crore rupees. (A crore equals 10 million. At the current exchange rate, a crore of rupees is worth about $140,000 and five million crore rupees is equivalent to roughly $700b.)

The re-elected BJP government has stirred up tensions by military intervention in Jammu and Kashmir, and its revocation of Indian citizenship from Muslims in Assam and elsewhere. One well-placed commentator, Jayati Ghosh, chairperson of New Delhi's Centre for Economic Studies and Planning, has written of India's 'rapid descent into xenophobia, violence and irrationality'.

Tim Congdon
19th December, 2019

	% annual growth rate:	
	M3	Nominal GDP
1981 - 1990	**17.1**	**15.5**
1991 - 2000	**17.4**	**14.0**
2001 - 2010	**17.3**	**14.8**
Eight years to 2018	**11.3**	**11.8**

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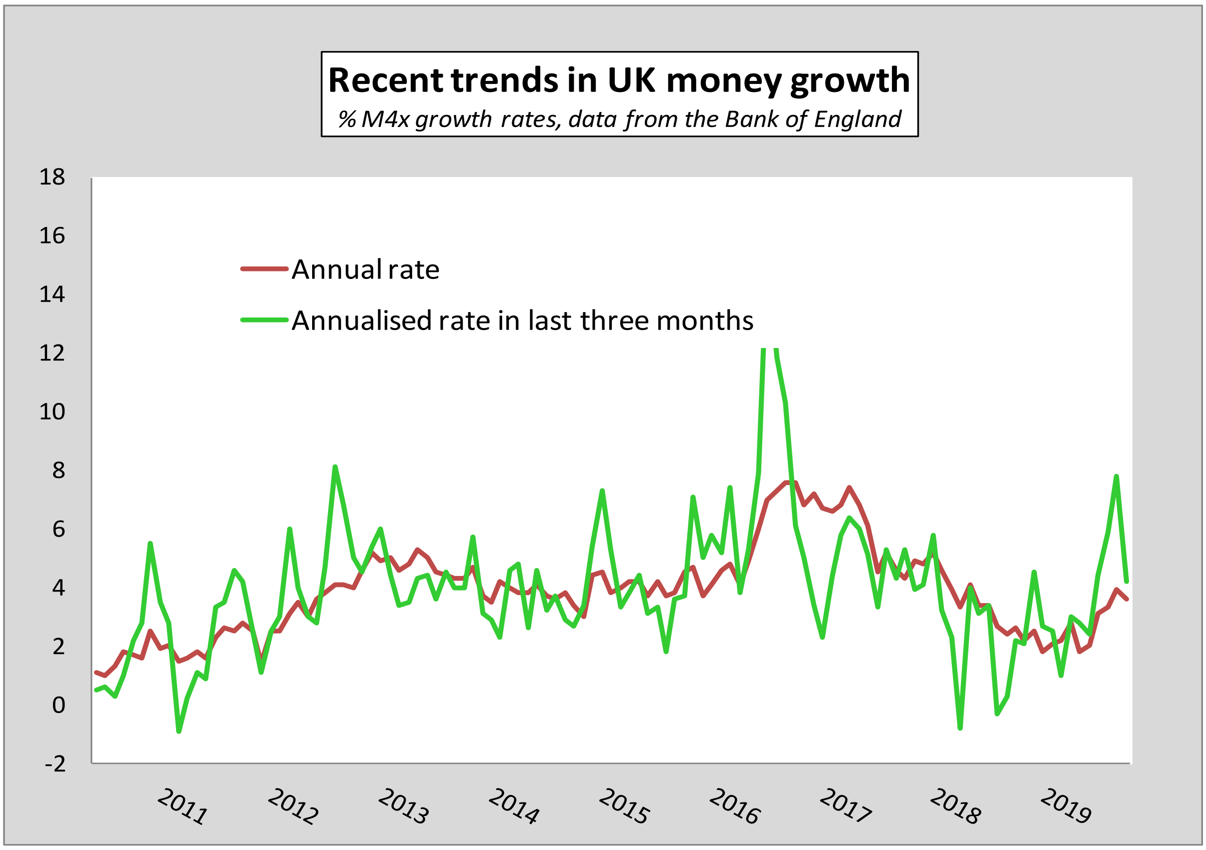
UK

	% annual/annualised growth rate:	
	M4x/M4 before 1997	Nominal GDP
1964 – 2017	**9.8**	**8.2**
Eight years to 2018	**4.1**	**3.7**
Year to October 2019	**3.6**	**n/a**
Three months to October 2019 at annualised rate	**4.2**	**n/a**

Sources: Bank of England and Office for National Statistics



Broad money growth slows, but remains adequate

***Summary*: In the three months to October 2019 UK M4x grew at an annualised rate of 4.2%. After growing at an annualised rate of 7.8% in the three months to September, which was the highest reading since September 2016, weak broad money growth was recorded in October. But the weak October number does not necessarily herald a period of slower M4x growth. The annual growth rate fell from 3.9% in September to 3.6%, and these figures are about right for the delivery of the 2% inflation target over the medium term.**

The UK economy has been through a mixed year, with GDP contracting by 0.2% in the second quarter of 2019 and then growing by 0.3% in the third. The relatively strong money growth in the summer helped balance sheets in this period and would have been an influence in saving the UK economy from outright recession (i.e., two consecutive quarters of falling output). Weak money growth in late 2018 and the start of 2019 was part of the background to the economy's sluggishness.

The future growth of broad money will depend to a large extent on the growth of banks' loan assets, since every new loan creates a new deposit. In the year to October the stock of lending to the genuine non-bank private sector (i.e., so-called 'M4x lending') rose by 3.7%; in the three months to October it increased at a slightly more positive annualised rate of 5.2%. A fair surmise is that in2020 banks will continue to grow their risk assets at annual rate in the 3% - 5% area, and that broad money growth will be similar. Mortgage approvals are steady, while growth in lending to the small-and-medium-sized-enterprise sector remains low, with the annual rate of increase a mere 1.0% in October. The picture for larger firms is more positive.

The figures for consumer spending are encouraging, with a new record level of retail spending reached in the third quarter of 2019 and retail sales up by 3.1% in the year to October. Consumer confidence, however, remains in negative territory. December's election has ended some, if not all, of the uncertainties over Brexit. The UK will now leave the EU on 31st January 2020, whatever the state of negotiations between the UK and the EU. (One of Prime Minister Boris Johnson's first actions since his election victory was to amend the Withdrawal Agreement to rule out any extension of the transition period beyond 31st December.) The shape of future trading arrangements between the UK and the EU has yet to be decided, but at least the parliamentary deadlock has been ended. Brexit uncertainties have been blamed repeatedly for business uncertainty and economic slowdown in the last three years, although the economy has consistently performed better than the doomsters have predicted. A cut in base rates looks unlikely at the December meeting of the Bank of England's Monetary Policy Committee. At the last meeting on 5th November, two members voted for a 0.25% cut. They may well have been influenced by a survey of the banking sector which indicated that banks plan to reduce their lending in response to rising defaults and a fall in demand. Looking to the start of 2020, however, the money numbers do not argue that any further economic slowdown is imminent.

John Petley
17th December, 2019

	% annual growth rate:	
,	M4/M4x	Nominal GDP
1964- 2017	**9.8**	**8.2**
1991 – 2000	**6.4**	**5.0**
2001 – 2010	**6.5**	**3.9**
Eight years to 2018	**4.1**	**3.7**