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***Monthly e-mail from Tim Congdon and John Petley – 21st October, 2019***

# *Global money round-up in autumn 2019*

**High growth of real broad money is associated with rising asset prices and healthy balance sheets, and tends to precede above-growth trend in demand and output. In the five months to September US M3 (as measured by Shadow Government Statistics) increased at an annualised rate of 9.2%, in the context of sub-2% inflation. Real money growth was therefore unusually high, the highest in fact since 2007. In the Eurozone also recent money growth has been robust. In the six months to August the annualised rate of growth of M3 was 7.3%, with inflation at about 1%. Since the USA and the Eurozone together account for 40% of world output (in current prices and at current exchange rates), these developments argue against a recession in 2020. They suggest that, on the contrary, the world economy should start 2020 in good form. Admittedly, money growth may slow from here.** (Money growth has also picked up in the last couple of months in Japan and the UK, but from low levels, and they of course matter less than the USA and the Eurozone.)

In China and India banks continue to expand their balance sheets at not much less than double-digit annualised rates. But in both these two big developing countries regulatory officialdom is disciplining the financial system, with attacks on shadow banks in China and on non-performing loans in India. (Moreover, India seems to suffer at present from a supply-side *malaise* [due perhaps to the over-active BJP government], with the car industry undergoing a sharp reverse.) **Overall a sensible central assessment is that during 2020 the world economy will see roughly trend growth, with inflation staying at very low levels. If money growth remains close to recent highs in the USA and the Eurozone, a more positive forecast would be justified.**

## Money trends in autumn 2019 in the main countries/jurisdictions

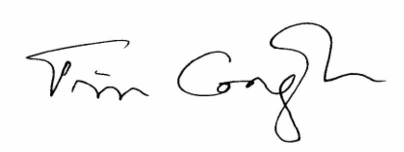
What are the latest money growth trends in the main countries? And what is the message for global economic activity over the next year or so, and for inflation/deflation thereafter? The table below summarizes key numbers. The pattern is much as in recent months. The latest data show buoyant money growth in the USA and the Eurozone, implying a positive overall message from the developed world for demand and output in the next few quarters. An interesting tension has therefore arisen between a money-based forecast which is optimistic for 2020 and constant recession-mongering from leading commentators and think tanks. 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 rates not far from double digits. But India at least seems beset by new supply-side inefficiencies, and it is again necessary to mention potential negative effects on the world economy from, first, failed or failing states such as Venezuela, Zimbabwe and Congo - Kinshasa (and even failing states still not that far from normality, like South Africa), and, secondly, a serious Middle East military flare-up because of strains between Iran and its neighbours.

| 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 | **9.7** | **6.6** | Strong money growth, partly due to bank financing of large budget deficit. |
| China | 18.7 | 16.1 | **8.5** | **8.3** | Money growth steady & inflation under control, PBOC concerned to maintain steady growth. |
| Eurozone | 10.6 | 16.4 | **7.5** | **5.7** | Money growth high, partly because of external inflows. |
| Japan | 4.2 | 5.9 | **2.5** | **2.0** | Credit and money growth down from the 3% figure seen for much of last decade, and very low. |
| India | 7.7 | 3.3 | **9.5** | **10.1** | Credit growth slowing a bit, with re-elected BJP pursuing inefficient economic policies. |
| UK | 2.2 | 3.4 | **5.9** | **3.3** | Money growth may be recovering to moderate rate. |
| | | | | | |

Despite the various geopolitical worries at present, and instability risks in the Middle East, Africa and Latin America, money growth trends in the big countries argue strongly against another global recession in 2020. Of course, a major talking point next year will be the possibility of a new US President after the November elections. At present the Democrat front-runner is Elizabeth Warren who has a reputation of being left of centre rather than centrist in outlook. She also has protectionist inclinations that, if anything, are more extreme than Donald Trump's. Although her statements are guarded, she is also said to be intrigued by the ideas of "Modern Monetary Theory".

The essence of MMT is that the government should feel free both to run a deficit and to finance it from the banking system. Its advocates even claim that, since banks can create new money “out of thin air”, an economy can enjoy a fiscal “free lunch” of unlimited size. Needless to say, this is fantasy. If the US Federal government financed all of its spending by loans from the banking system, the quantity of money, broadly-defined, would rise by at least $4,000b. from this one set of transactions. That would be equivalent to an extra 20% on the quantity of money in one year. Inflation would certainly rise into the teens and, once other borrowers decided to take advantage of rising prices and also started to take out new loans, a run-away inflationary process might be initiated.

Such authorities as Larry Summers have condemned MMT as even risking hyperinflation. In his view, evidence from emerging economies shows that, “beyond a certain point”, excessive money growth results in rising prices, soaring interest rates, a collapsing exchange rate and so on. This is all reasonable and fully justified by history, but it is inconsistent with the notion (also peddled by Summers) that – because short-term interest rates are close to zero – “central banks have run out ammo”. The truth is that central banks can at any time expand the quantity of money by borrowing from commercial banks and using the loan proceeds to purchase something/anything from the non-bank private sector. This power is unlimited. Equilibrium national income and wealth ought to rise – more or less proportionately – with the quantity of money. The ability of central banks to ease policy suggests that in 2020 the world economy will again enjoy roughly trend growth of demand and output, in the context of negligible or low inflation.



21st October, 2019

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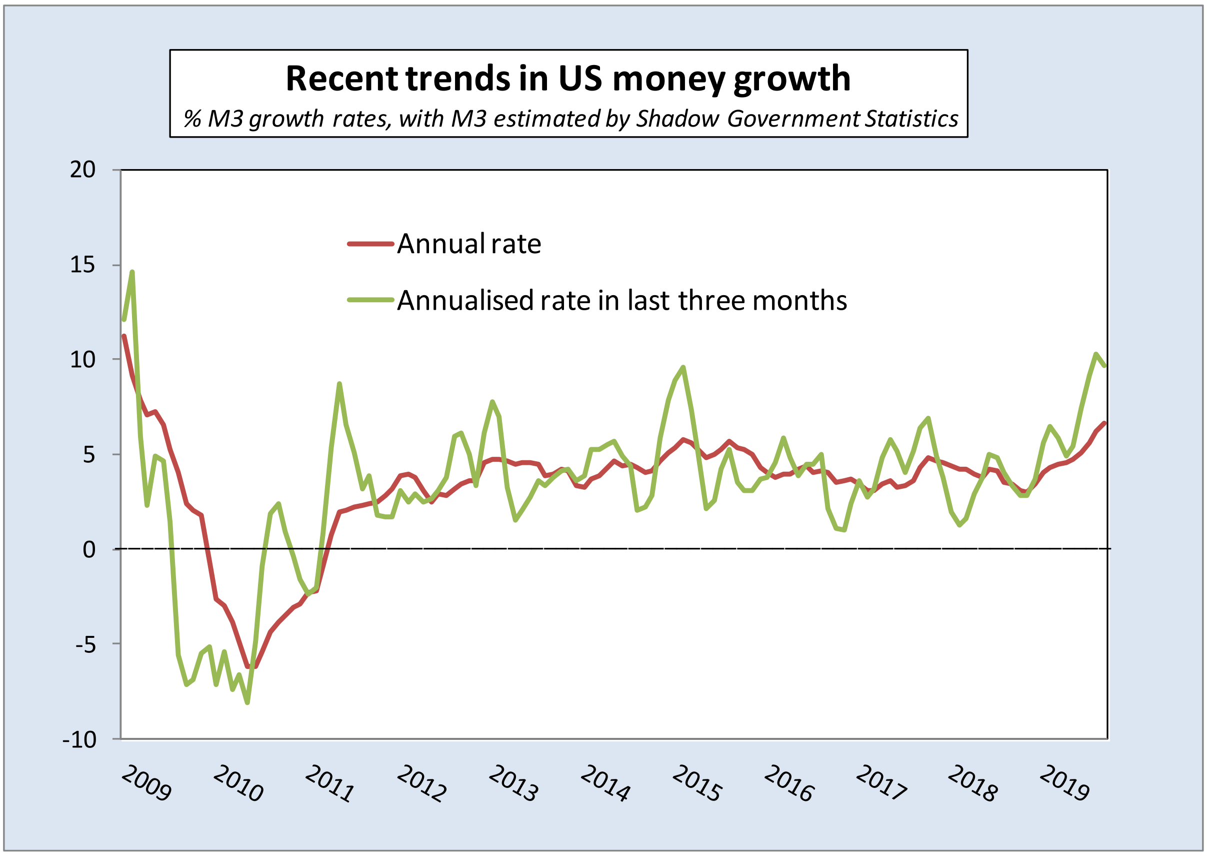
# USA

| | % annual/annualised growth rate: | |
|---|---|---|
| | M3 | Nominal GDP |
| 1960 – 2018 | **7.4** | **6.5** |
| Eight years to 2018 | **4.0** | **4.0** |
| Year to September 2019 | **6.6** | **n.a** |
| Three months to September 2019 at annualised rate | **9.7** | **n.a.** |

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



## M3 growth still very strong

***Summary:*** **In the three months to September 2019 US M3 broad money grew at an annualised rate of 9.7%, down from August's 10.2% (which was the highest reading since February 2009). But September's number is very much in line with the robust growth of recent months. (September saw the M3 quantity of money grow by $155b., or nearly 0.8%.) Such consistently strong money growth has not been recorded since before the Great Recession. (Our M3 data come from Shadow Government Statistics.)**

These notes have consistently argued that broad money growth above 5% in a low inflation environment tends to foreshadow above-trend demand growth. While money growth is not the only variable to which policy-makers should pay attention, it ought to be at or not the top of their watch lists. So the rapid money growth of summer 2019 sends a signal that monetary policy needs to be tightened to avoid a future rise in inflation. But at September's meeting of the Federal Open Market Committee concerns were raised that the likelihood of a recession in the USA had "increased notably."

Following two cuts to the Fed funds rate in July and September, Jerome Powell, the Fed chairman announced on 8th October that asset purchases were to be resumed, although he insisted that the purpose was to ease strains in the money market and – in his words – "in no sense is this QE". Powell's recent permissiveness contrast with his remarks on 31st July, following the first rate cut. He said then that the rate cut was to be a "one-and-done" cut rather than the first of a series.

The almost 10% annualised growth rate of M3 broad money in summer 2019 is partly explicable by a large increase in banks' holdings of Treasuries. Given that the Federal deficit is running at about $1,000b. a year, the ability to tap the banks for finance must be comforting for the government. But credit to the private sector is also quite strong, with US banks having a healthy appetite for risk. "Loans and leases in bank credit" (which corresponds to bank lending to the private sector in the UK) grew by 5.4% in the year to August. The repealing of part of the Dodd-Frank Act, which President Trump had strongly supported, has played its part, easing the restrictions on lending by small- and medium-sized banks. On unchanged policies, it seems reasonable to expect further moderate to high growth of US broad money. In fact, members of the FOMC are by no means united in support of monetary loosening. Non-monetary data offer a mixed picture of the American economy, with far from decisive support for the Fed's recent easing moves. The unemployment rate fell to 3.5% in September, the lowest in almost 50 years, while annual wage growth has remained consistently above 5% since February. Consumer spending is buoyant, with retail sales up 4.1% year-on-year in August.

*John Petley and Tim Congdon*
*18th October, 2019*

| | *% annual growth rate:* | |
|---|---|---|
| | M3 | Nominal GDP |
| 1960 – 2017 | **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** |
| Seven years to 2017 | **4.1** | **3.8** |

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## China

| | *% annual/annualised growth rate:* | |
|---|---|---|
| | M2 | Nominal GDP |
| 1991- 2018 | **19.2** | **15.1** |
| 2010 - 2018 | **13.6** | **11.2** |
| Year to September 2019 | **8.3** | **n/a** |
| Three months to September 2019 at annualised rate | **8.5** | **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 August 2019 China's seasonally adjusted M2 grew by 2.1% or at an annual rate of 8.5%. This was the highest reading since May. Although slightly lower than 2018's average of 8.7%, August's figure is still in line with recent data. The annual growth rate was unchanged at 8.3%. As the graph above shows, Chinese broad money growth continues to be remarkably stable. The annual growth rate has remained within the 8% - 9% band for over a year now.**

In the year to August the stock of lending by China's banks grew by 12.4%, the lowest figure since March 2017. September saw a slight improvement, with loan growth rising to 12.5%. The authorities seem to have been concerned that the banks were not lending enough. Base rates were reduced in September, albeit by a mere 0.06%. More significant was a reduction of 0.5% in the cash reserve ratio for Chinese banks. This is the third such reduction this year, with the ratio having dropped from 14.5% to 13% for large banks since the start of 2019, while the ratio for smaller banks is down to 11%. In May, the government took over the troubled Baoshang Bank, based in Inner Mongolia. This was the first such takeover of a bank in 20 years. At the start of October, however, another regional lender, the Bank of Jinzhou (based in the city of that name) also faced question-marks about its solvency. As the Chinese authorities have long been concerned about the level of debt in the economy, two banking collapses in the space of just a few months must have been unwelcome. Last year a new series of measures were launched to rein in unregulated lending, the so-called "shadow banking " sector. But now the main area of concern has shifted to the regional banks, which have expanded rapidly in the last decade. As with the Baoshang Bank, the government intends to recapitalise rather than liquidate the Bank of Jinzhou, but these events may result in larger banks exercising greater caution in extending loans to other regional banks. A recent housing boom, which threatened to become another headache for the authorities, seems to be petering out. House prices were rising at an annual rate of 10.7% in May, but three months later this figure had fallen to 8.8%.

China's exports have recorded a year-on-year decline in both the last two months. The Trump administration has suspended a raft of tariffs which it planned to introduce on 15th October, but the two sides are still a long way from resolving all the issues. Global demand has been softening in recent months, but Chinese consumer confidence remains high and retail sales were up by 7.5% year-on-year in August. The outbreak of African swine fever is still affecting the economy. Consumer price inflation rose from 2.8% to 3.0% in the year to September, but the annual increase of food prices rose from 10.0% to 11.2%  In spite of these headwinds, the Chinese authorities will do everything they can to prevent a recession. Money growth is most likely to continue at similar levels, although restraint over shadow and regional banks is negative for credit expansion.

*John Petley*
*16th October, 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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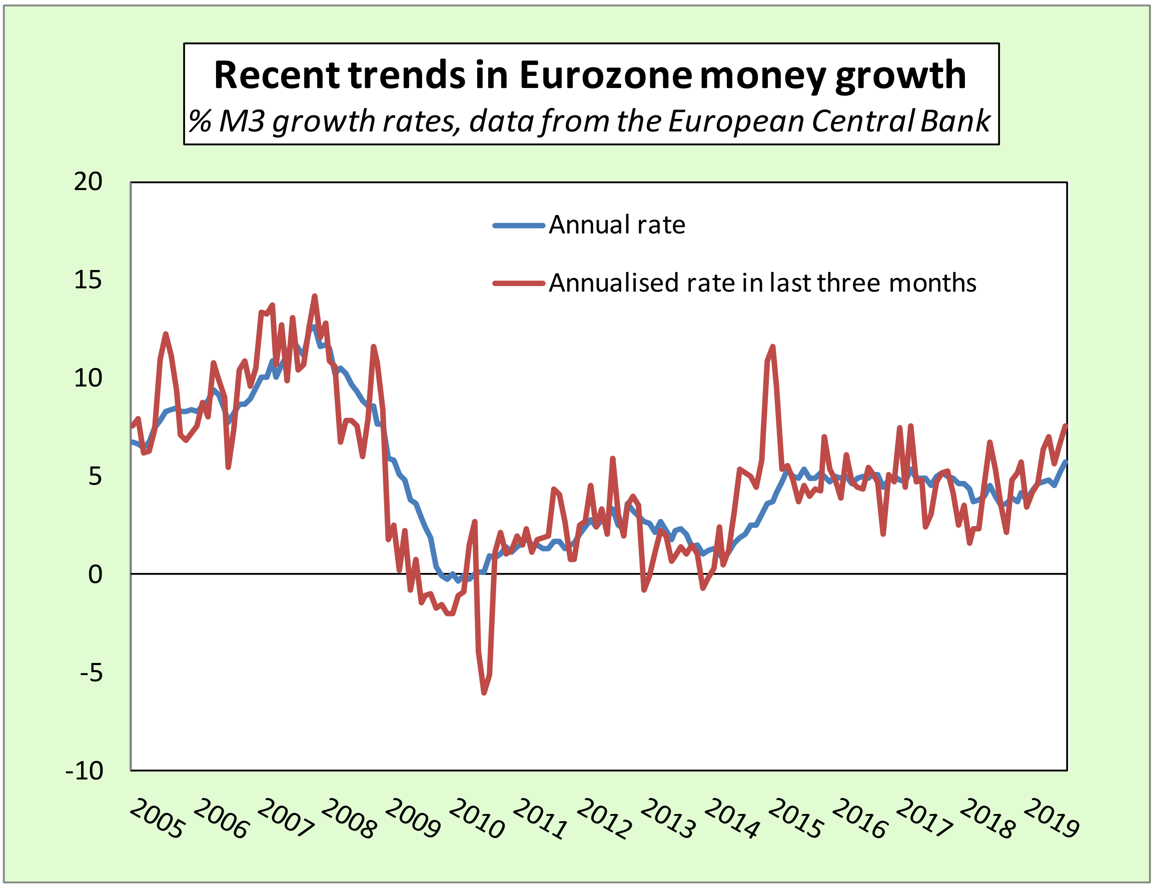
# Eurozone/Euroland

| | *% annual/annualised growth rate:* | |
|---|---|---|
| | M3 | Nominal GDP |
| 1996 – 2018 | **5.2** | **3.1** |
| Eight years to 2018 | **3.7** | **2.5** |
| Year to August 2019 | **5.7** | **n/a** |
| Three months to August 2019 at annualised rate | **7.5** | **n/a** |

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



## Money growth increases further

***Summary***: **In the three months to August 2019 annualised broad money (M3) growth in the Eurozone rose to 7.5%. This is the highest quarterly number since March 2017. Broad money grew by €82b. in July and this was followed by growth of €102b. in August. M3 last grew by over €100b. in only one month in March 2017, more than over two years ago. Annual M3 growth rose from 4.5% to 5.2%. Germany is no longer the driving force behind money growth in the Eurozone. German M3 rose by less than €10b, in July and €35b. in August.**

The cessation of asset purchases by the European Central Bank end at the end of 2018 has not adversely affected money growth, as we had expected in our late-2018 commentary. August's monthly M3 rise was over two-and-a-half times the 2018 average. Given this background, the 12th September European Central Bank announcement of resumed asset purchases might be viewed as surprising. However, the asset purchases are to be of only €20b. a month. When allowance is made for leakages (purchases of foreign-held bonds, for example) the annual addition to M3 growth may be only 1% - 1½%. (The simultaneous cut in the ECB's deposit interest rate to a record low of -0.5% will have an even more marginal impact.) It must be pointed out that the strong money growth is not entirely due to lending by the banks across the 19-nation bloc. The Eurozone has been drawing in money balances from abroad, thanks at least in part to its current account surplus on its external payments.

Banks have expanded their loan portfolios, both to households and businesses. Mortgage lending has been growing at roughly 3.5% year-on-year since the end of 2018. The stock of loans to businesses grew by 3.5% in the year to August, which is an improvement on the growth rate at the start of the year, which stood below 3%. September saw the launch of a new series of targeted long-term refinancing operations (TLTRO-III) by the ECB with a negative interest rate which, all being well, should be attractive to banks and encourage them to take on new credit business. Initial reports are that the take-up has been modest. Bank credit to the private sector is increasing only slowly, despite the much-reported solvency strains in, for example, the Italian and Greek banking systems.

On 4th October, six senior figures from the Bundesbank and other north European central banks signed a memorandum strongly critical of the ECB's recent monetary loosening. This follows on from a statement from Klaas Knot, president of the Dutch central bank, de Nederlansche Bank, which described the move as disproportionate. Knot pointed out, in particular, that the Eurozone economy is running at close to full capacity. The unemployment rate of 7.4% is the lowest figure since the Great Recession, although youth unemployment remains high in some Mediterranean countries. Wages are increasing at an annual rate of 2.7%, while retail sales were up 2.1% year-on-year in August. Low inflation does worry the ECB. Prices across the Eurozone rose by only 0.9% in the year to September and fell in Cyprus, Portugal and Greece. Cyprus, now into its fourth month of deflation, is seeing the decline in prices steepening. Germany's manufacturers have seen a significant slowdown in orders and with the economy contracting in the second quarter of the year, there are fears of a recession.

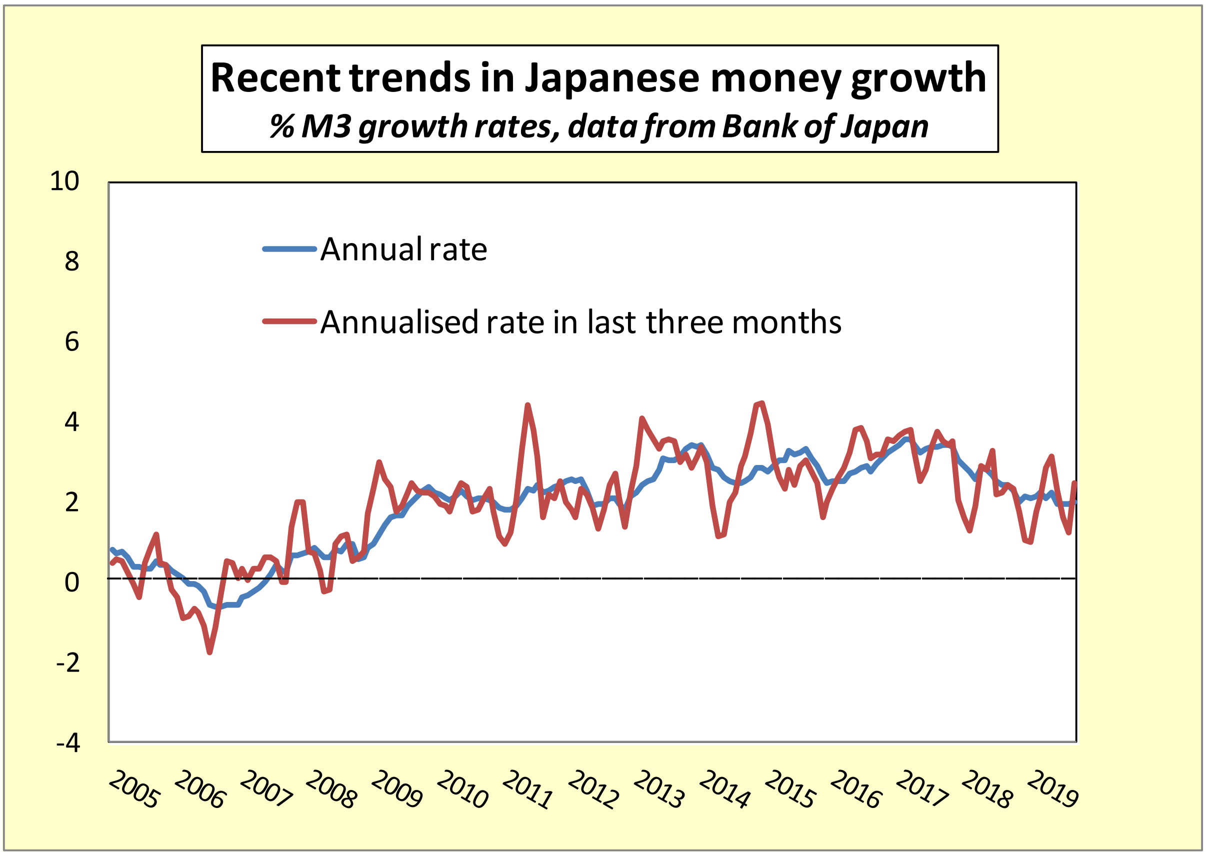
*John Petley*
*8th October, 2019*

| | *% annual growth rate:* | |
|---|---|---|
| | M3 | Nominal GDP |
| 1996 – 2017 | **5.2** | **3.1** |
| 1996 – 2000 | **4.6** | **4.1** |
| 2001 – 2010 | **6.8** | **3.1** |
| Seven years to 2017 | **3.6** | **2.4** |

# Japan

| | % annual/annualised growth rate: | |
|---|---|---|
| | M3 | Nominal GDP |
| 1981- 2018 | **4.0** | **1.9** |
| Eight years to 2018 | **2.8** | **0.6** |
| Year to September 2019 | **2.0** | **n/a** |
| Three months to September 2019 at annualised rate | **2.5** | **n/a** |

*Sources:* Bank of Japan for M3 and IMF for GDP



## Broad money growth improves a little

***Summary:*** **In the three months to September 2019 Japanese M3 broad money grew at an annualised rate of 2.5%, the best figures since the 3.1% recorded in May. Monthly broad money growth has progressively improved since June, when the seasonally adjusted quantity of money, broadly defined, actually fell, but even September's figure remains below those for April and May. It is far too early to be confident that this month's figures presage a return to a consistently higher level of broad money growth. Hopes have been raised on several occasions in the past only for the increase to fizzle out after a few months. The annual M3 growth rate, after touching a six-year low of 1.9% in July, was unchanged at 2.0%.**

The Bank of Japan launched its programme of "quantitative and qualitative easing" six and a half years ago in an attempt to boost not the quantity of M3 money, but inflation. With prices rising by only 0.3% in the year to August, it has failed in its objective, despite supplementing the "QQE" programme with other measures, including negative interest rates and yield curve control. For well over a couple of years, these notes have recorded statements from the BOJ's monetary Policy Committee insisting that the economy was slowly picking up momentum and expressing confidence that the inflation target would be met sooner rather than later. This optimism appeared to have little basis in fact, with the statistics pointing to an economy which has only been expanding modestly. The MPC will be meeting again at the end of this month, with the minutes of the previous meeting have hinted that further stimulatory measures may be considered. Inflation is likely to pick up this month due to a 2% increase in Japan's sales tax, which was raised to 10% on 1st October. The move has already been postponed twice, but was felt necessary to try to reduce the country's huge public-debt-to-GDP ratio. Anecdotal evidence suggests that supermarket sales fell by over 10% year-on-year in the first week after the introduction of the sales tax hike. Consumer confidence is at an eight-year low. An uptick in retail sales and consumer spending in August and September could be the result of Japanese consumers completing big-ticket purchases ahead of the tax rise, just as they did in 2014. Two-thirds of Japanese companies fear that the tax hike could result in a recession.

The figures from Japan's banks do not offer much encouragement. The stock of loans increased by only 2.0% in the year to September, the lowest figure in over a year. Unemployment remains at a 27-year low of 2.2%, but wage increases are falling. The housing market offers little cheer either, while exports were down 8.2% year-on-year in August, the ninth consecutive month of decline. Fortunately for Japan's exporters, the yen has weakened against the US dollar in the past month, although trade tensions elsewhere, notably between the US and China, are dampening global demand. With any further monetary easing measures being unlikely to target broad money, their effect is likely to be limited and of little effect. The most probable outlook for the rest of 2019 is therefore a continuation of the current modest level of growth, with little likelihood of much change in 2020.

*John Petley*
*15th October, 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** |
| Seven years to 2017 | **2.9** | **1.3** |

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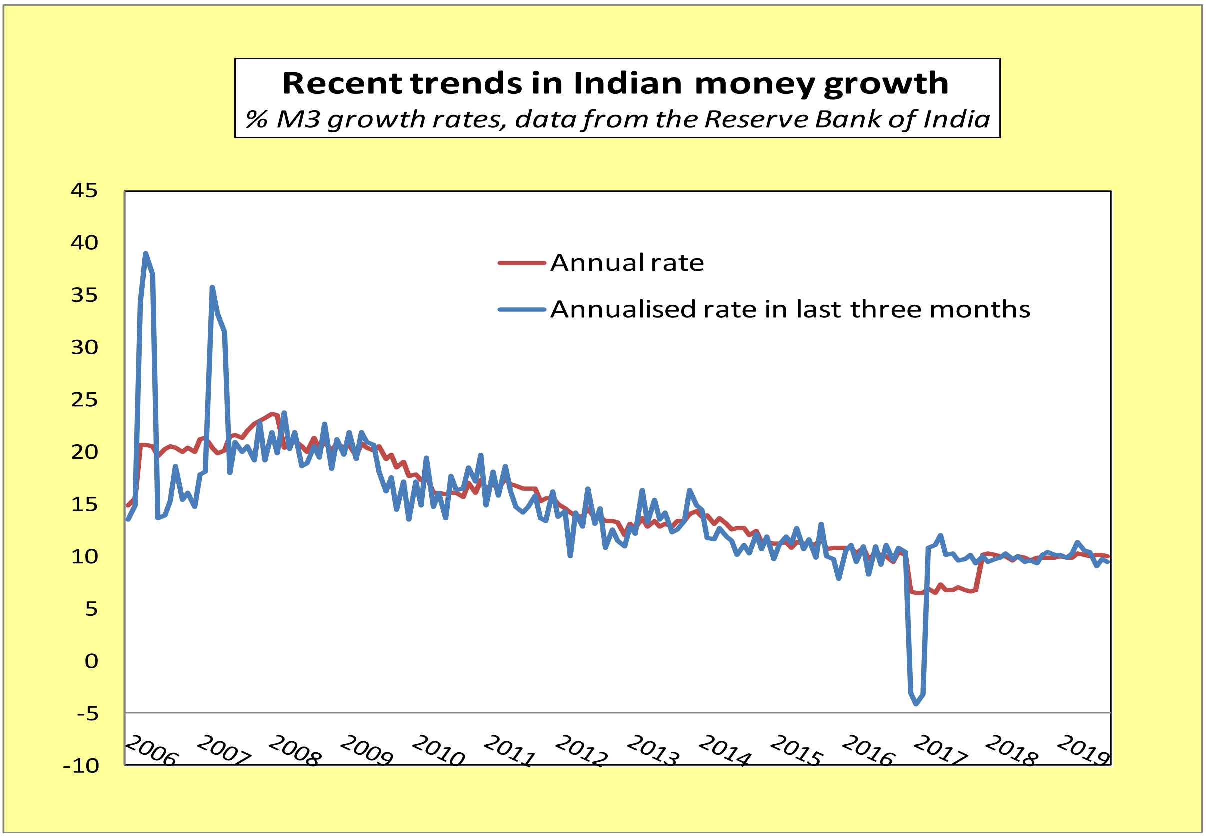
# India

| | *% annual/annualised growth rate:* | |
|---|---|---|
| | M3 | Nominal GDP |
| 1981- 2018 | **14.8** | **12.4** |
| Eight years to 2018 | **11.2** | **6.9** |
| Year to September 2019 | **10.1** | **n/a** |
| Three months to September 2019 at annualised rate | **9.5** | **n/a** |

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



## Satisfactory broad money growth, but the economy is troubled

***Summary:*** **In the three months to September 2019 India's seasonally adjusted M3 grew by 2.4% or at an annualised rate of 9.5%, little changed from August's figure of 9.7%, but slightly lower than the figures for March to June, which were all comfortably above 10%. The annual M3 growth rate was unchanged at 10.1%. Broad money growth at this level is consistent with macro stability. M3 growth in India has been remarkably steady in the last two years. Trouble in the car industry has, however, led to talk of a wider industrial slowdown.**

The Reserve Bank of India, India's central bank, is keen to maintain stable growth and has cut base rates on no fewer than five occasions so far this year. The combined effect has been to reduce the cost of borrowing from 6.5% to 5.15%, the lowest figure in nine years. The authorities are trying to counteract a slowdown in lending by India's banks. At the start of 2019 annual loan growth stood at over 14%. By August this had fallen to 12% and September saw a further drop, with the stock of lending by India's banks growing at only slightly over 10%, the lowest figure since the end of 2017. (In late 2017 the banking system was still recovering from the de-monetisation exercise of November 2016. The de-monetisation consisted, specifically, in the mass withdrawal of 500 and 1,000 rupee banknotes from circulation which caused annual loan growth to fall as low as 4.1%.) India's GDP grew at an annual rate of a mere 5.0% in the second quarter of 2019, the weakest number since the first quarter of 2013. Consumer price inflation has remained fairly constant at around 3.2% for the last three months. With the inflation target being 4%, the authorities therefore have scope for further monetary loosening. Given the frequency of rate cuts this year, another cannot be ruled out, especially as above-average rainfall in the 2019 monsoon is likely to have a beneficial effect on food prices.

The RBI is without doubt determined to avoid a more pronounced slowdown. On top of the rate cut, the RBI announced in July that it will extend a credit guarantee to banks which lend to the non-bank financial sector, yet another move to encourage bank lending. In September the government cut corporation tax by 8% in a further attempt to boost growth. The authorities can however only do so much and one factor outside their control is the speed at which banks pass on the rate cuts to their customers. The RBI's attack on non-performing loans may be another negative influence on the cyclical conjuncture, since the writing-off of loans leads to an immediate reduction in banks' capital and hence in the ability to lend. India's banking system cause endless headaches. On 24th September, the RBI placed restrictions on withdrawals on the Punjab & Maharashtra Cooperative Bank after it was discovered that two-thirds of the bank's entire loan portfolio related to a single property developer who has been declared bankrupt. The chairman and managing director have both been arrested. This scandal follows concerns about the financial health of India's shadow banking sector, unregulated lenders which were responsible for a third of all new credit between 2015 and 2018.

The rupee has stabilised against the US dollar after a period of renewed weakness in August and September. India's exporters, however, have failed to benefit from the more favourable exchange rate, with exports down 6.1% in the year to August. Sales of jewellery and gems have slumped recently.

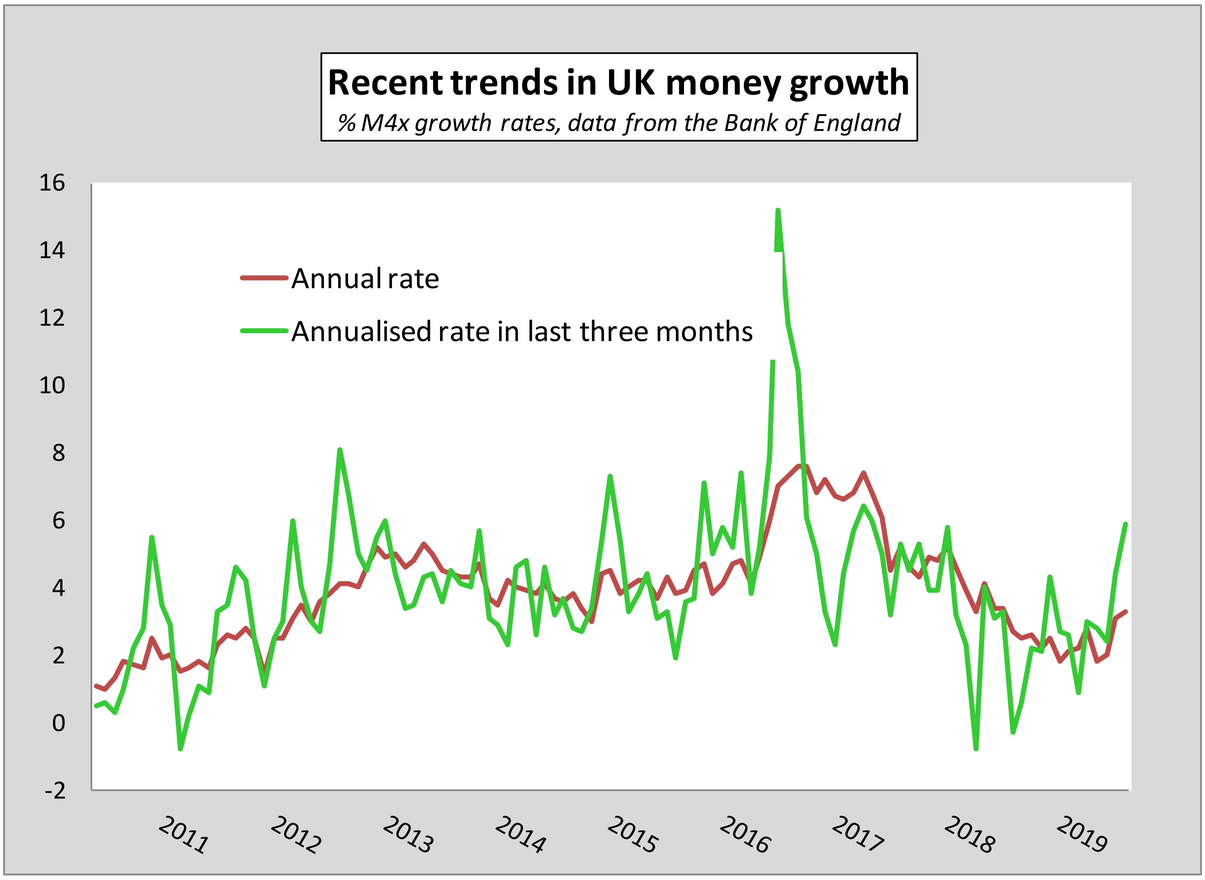
*John Petley*
*11th October, 2019*

| | *% annual growth rate:* | |
|---|---|---|
| | M3 | Nominal GDP |
| 1991 - 2000 | **17.2** | **14.0** |
| 2001 - 2010 | **17.3** | **14.9** |
| Seven years to 2017 | **11.3** | **11.6** |

## 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 August 2019 | **3.3** | **n/a** |
| Three months to August 2019 at annualised rate | **5.9** | **n/a** |

*Sources:* Bank of England and Office for National Statistics



## Broad money growth improvement continues

***Summary*: In the three months to August 2019 UK M4x grew at an annualised rate of 5.9%, a further improvement on the 4.4% recorded in July. In both these months broad money has increased by over £10b., the first instance of two consecutive months of broad money growth above this level since September 2017. The annual growth rate of the M4x measure of broad money rose from 3.1% to 3.3%. Both these readings are the highest seen so far this year. Indeed, the annualised quarterly growth is the highest since April 2017.**

The UK economy contracted by 0.2% in the second quarter of the year, but is expected to record growth in Q3. Very weak money growth in late 2018 and the opening months of 2019 held back asset prices (notably house prices), and was one reason for the economy's sluggishness. But the media and London-based economic think-tanks almost unanimously blamed Brexit uncertainty. The positive money figures in the last two months may be part of a more encouraging economic and political environment, but this remains to be seen. Newspapers have reported a sharp weakening in bank credit. According to *The Guardian* (18th October), "Banks expect to cut their lending to businesses in the run-up to Christmas at a rate not seen since the financial crash a decade ago. A survey of the banking sector by the Bank of England showed that banks plan to reduce their lending in response to rising defaults and a fall in demand."

This would matter if the Bank of England's survey were reliable, although bank lending to companies is a small part of banks' assets. It would matter – above all – because, when new loans are extended by banks, extra liabilities are created in the form of deposits and these deposits are money. Equilibrium national income is, in turn, a function of the quantity of money. The most important single type of lending is to households for the purchase of residential dwellings, which in practice is predominantly of existing dwellings. The value of mortgage approvals in the three months to August 2019 was over 5% up on the same period in 2018, and even further ahead of the sort of numbers being reported in early 2019. On that basis bank credit growth should in the next few months be running at similar rates to those seen in the last few months. Although there is no alternative to checking the data month by month, the potential resolution of Brexit uncertainties might unfreeze some investment and stock-building plans, and might therefore stimulate new bank lending to companies. Sterling unused credit facilities were £363.9b. in August, down from £379.9b. in March, but it must be emphasized that 2019 has recorded much higher figures for unused credit facilities than 2018 and 2017.

The retail sector also remains reasonably firm, with the value of sales up by 2.7% in the year to August. With wage growth growing by 3.8% in the year to August and unemployment still below 4% (in spite of an increase of 22,000 during the month), the figures suggest that the UK economy saw modest growth. Consumer price inflation remained unchanged at 1.7% in the year to September, offering some scope for monetary loosening in the event of any downturn.

*John Petley and Tim Congdon*
*18th October, 2019*

| | *% annual growth rate:* | |
|---|---|---|
| | M4/M4x | Nominal GDP |
| 1964- 2017 | **9.8** | **8.2** |
| 1991 – 2000 | **6.7** | **5.3** |
| 2001 – 2010 | **7.1** | **4.1** |
| Seven years to 2017 | **3.8** | **3.6** |