



**INSTITUTE OF
INTERNATIONAL
MONETARY RESEARCH**

Analysis and insight into trends in money and banking,
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Money growth update, May 2025

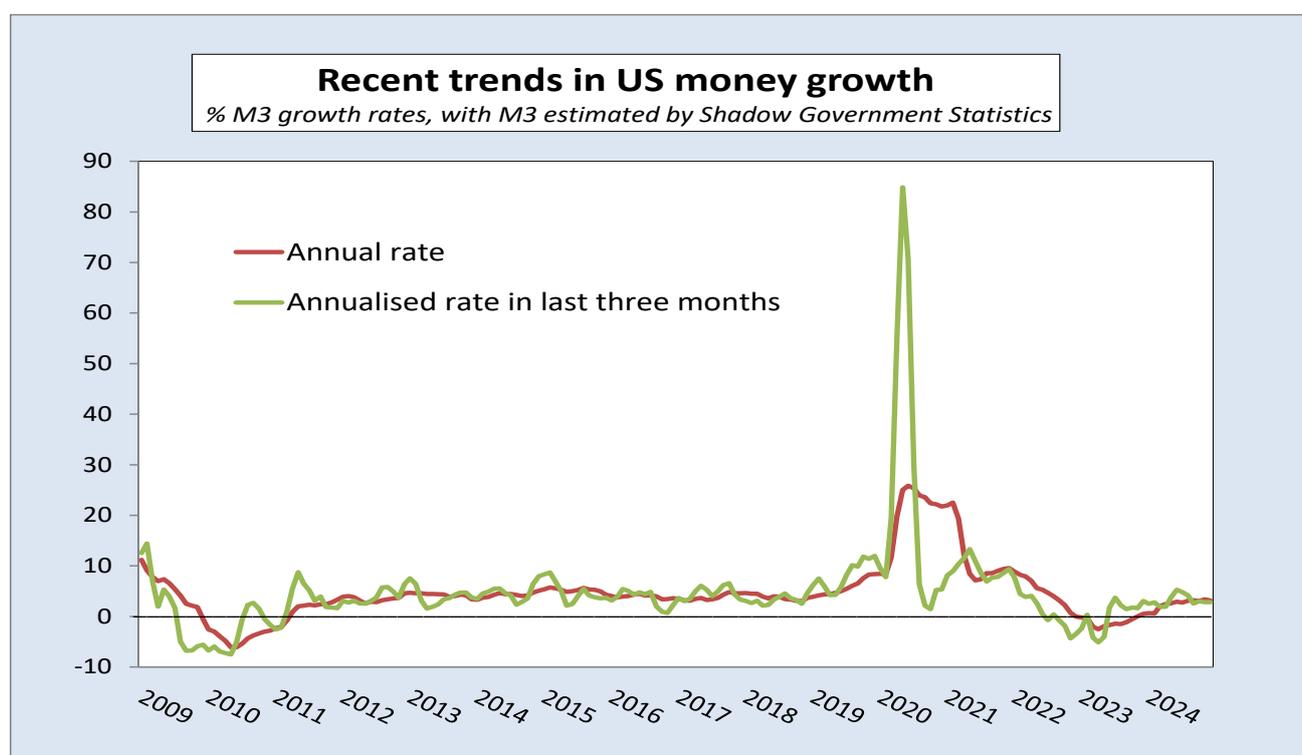
US bank credit growth – and so broad money – picked up in the first quarter of 2025, although not dramatically. In the UK broad money growth has returning to levels typical of the years preceding the coronavirus pandemic and growth in new bank credit has also revived. Broad money growth slowed in the Eurozone in the year to March, while bank credit to the private sector is sluggish, although nudging upwards. Central banks’ asset run-offs continue, while above-target inflation in the UK may result in a pause in Bank Rate cuts. Japan, where broad money growth has turned negative, has a central bank still planning to tighten monetary policy. Japan’s above-target inflation has proved stubborn, but contracting money will curb it in due course. In China monetary easing is doing little to stimulate demand for new bank credit, with the government also turning to so-called “fiscal measures” (with much aid for bankrupt local authority organizations) in an attempt to boost the economy. Indian M3 growth has slowed a little since the start of the year. Money numbers in the world’s largest economies suggest that macroeconomic conditions will be challenging in early 2025, with aggregate demand growth likely to be at trend or below. The recovery in bank credit may lead to a more positive cyclical assessment and needs to be watched. *(Tim Congdon)*

Name of country/ jurisdiction	Share of world output in 2023		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 12 months, %	
USA	15.6	26.1	About 4	About 3.5	Credit to private sector reviving, helped by Trump-related easing of regulations. Money growth moderate.
China	18.7	16.9	8.6	7.8	Money growth remains low by past 40- year standards, despite official stimulus measures. Inflation negative.
Eurozone	11.2	14.8	2.9	3.6	Money growth declined in March after rising to pre-pandemic levels. Credit growth weak, but picking up slowly.
Japan	3.7	4.0	-0.4	0.2	Money growth negative yet vulnerable to increases in interest rates. Inflation remains above target.
India	7.6	3.4	8.7	9.6	Demand for new bank credit still robust. Inflation has fallen, while borrowing costs are reduced.
UK	2.2	3.2	4.2	3.9	M4x growth up to pre-pandemic levels. Housing market robust, but inflation above target.

USA

	% annual/annualised growth rate:	
	M3	Nominal GDP
1961 – 2024	7.4	6.5
Ten years to 2024	5.8	5.3
Year to December 2024	3.1	n.a
Three months to December 2024 at annualised rate	2.8	n.a.

Sources: Shadow Government Statistics research service for M3 after 2006 (IIMR estimate from May 2024) and US Bureau of Economic Analysis for GDP



Deposits at US commercial banks increased from \$17,917b. in January to \$18,099b. in April, with the implied annualised rate of increase in these three months of 4.0%, according to the Federal Reserve’s weekly H8 release. Meanwhile “loans and leases in bank credit” – roughly equivalent to bank lending to the private sector – climbed in the same period from \$12,615b. to \$12,816b., giving an annualised rate of increase in the three months of 6.5%. (Deposits are about 60% of broad money, with their expansion dependent largely on banks’ ability to grow their loan portfolios.) These figures are far from suggesting an imminent boom in the US economy, but they are consistent with trend or above-trend growth. President Trump’s erratic policy-making has created uncertainty, with many anecdotal comments that companies will reduce capital spending in response or so cause a recession. A safer view might be continued growth, but at a beneath-trend rate. (Our M3 figure usually comes from the consultancy Shadow Government Securities, to whom we make full acknowledgement, but SGS has not updated its figures for a couple of months. *(Note by Tim Congdon.)*)

China

	% annual/annualised growth rate:	
	M2	Nominal GDP
1991- 2024	17.4	13.6
Ten years to 2024	9.8	7.5
Year to April 2025	7.8	n/a
Three months to April 2025 at annualised rate	8.6	n/a

Sources: People's Bank of China for M2 and IMF for GDP

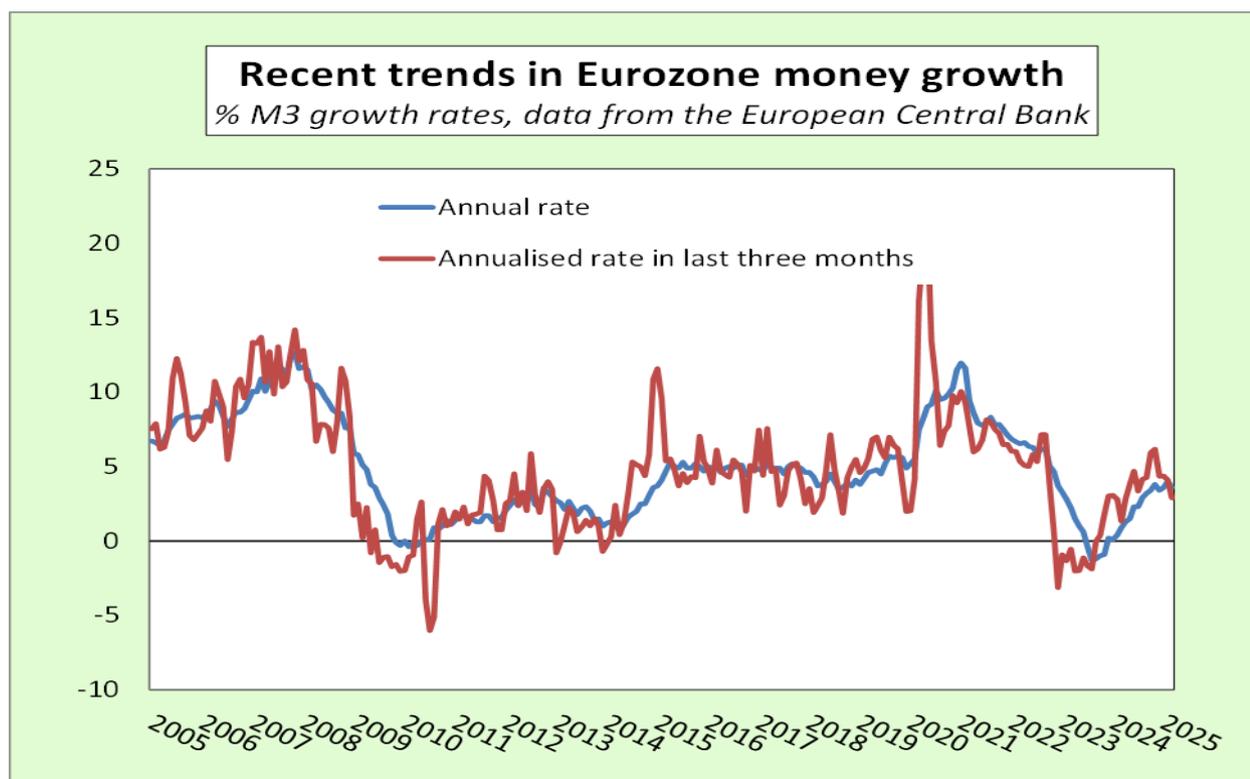


Chinese broad money growth has picked up slightly since the start of the year, but remains weak by the standards of the past 40 years. The annualised quarterly M3 growth rate rose to a five-month high of 8.6% in April, while the annual growth rate nudged up from 7.2% in March to 7.8%. The authorities have been applying fiscal measures to boost domestic demand, rather ineffectively. April saw the rate of growth of new bank loans decline to 7.2%, the lowest figure since readings began in 1998. In May the People's Bank of China (the central bank) reduced both the one-year and five-year prime loan rates by 0.1% to record lows of 3.0% and 3.5% respectively. The housing market continues to struggle. House prices fell by 4.0% in the year to April, but this is the slowest rate of decline in 11 months. The annual inflation rate turned negative in February and has remained below zero since. Consumer sentiment remains weak by historical standards although retail sales volumes continue to expand. (Note by John Petley.)

Eurozone

	% annual/annualised growth rate:	
	M3	Nominal GDP
1996 – 2024	5.1	2.9
Ten years to 2024	4.8	2.5
Year to March 2025	3.6	n/a
Three months to March 2025 at annualised rate	2.9	n/a

Sources: European Central Bank for M3 and Eurostat for GDP

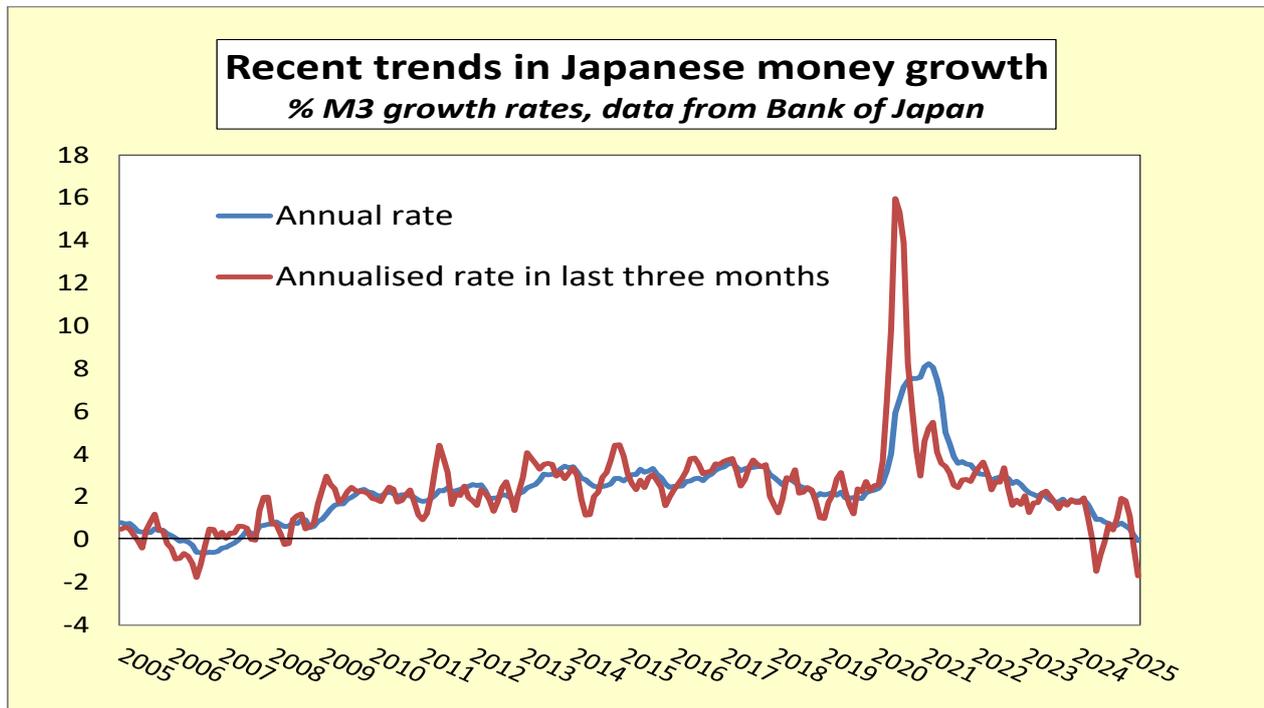


A slowdown in broad money growth saw the Eurozone’s annualised quarterly M3 growth rate decline from February’s reading of 4.1% to 2.9%. (The annual growth rate fell from 3.9% to 3.6%.) These figures are still consistent with the Eurozone enjoying modest growth in demand and output in 2025. The ECB made a seventh reduction to the cost of borrowing on 17th April. However, a recent speech by board member Isabel Schnabel sounded a note of caution about further cuts, warning that inflation may start to rise again. (The most recent figures, covering the year to April, saw consumer prices increase by 2.2%, unchanged on March’s reading. In France, the annual inflation rate is already below target, having dropped to 0.8% in February and remained at this level since.) But the weak broad money growth of 2023 and 2024 suggests that inflation is unlikely to spike in the short to medium term. A slow upturn in new bank credit continues, with both companies and households showing an increased appetite for new loans. In the year to March growth in mortgage lending was a mere 1.7%, while loans to business increased by just 2.3%. (Note by John Petley.)

Japan

	% annual/annualised growth rate:	
	M3	Nominal GDP
1981- 2024	3.8	1.9
Ten years to 2024	2.9	1.7
Year to April 2025	0.0	n/a
Three months to April 2025 at annualised rate	-1.7	n/a

Sources: Bank of Japan for M3 and IMF for GDP

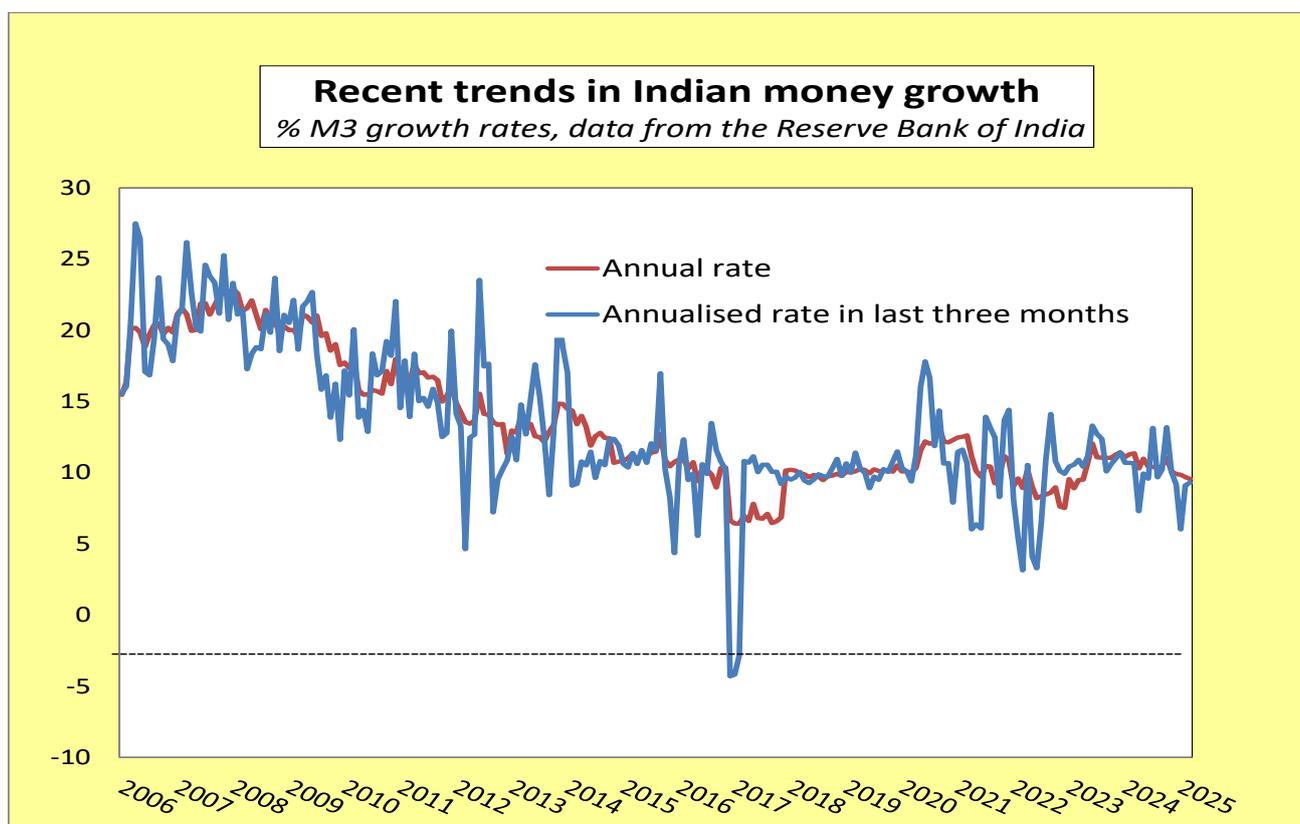


After a modest rebound at the end of 2024, the first few months of 2025 have seen Japanese M3 growth decline once more. The quantity of money, broadly defined, fell by 4.6 trillion yen in April, the sharpest monthly decline in over 20 years. The annualised quarterly rate of change was a fall, of 1.7%, while the annual growth rate fell to fractionally below zero, the lowest reading since April 2007. Japan's national output in real terms grew by only 0.1% in 2024. The recent weak money data argue that 2025 will not see much improvement. The Bank of Japan raised its policy rate to 0.5% on 24th January to combat inflation. No further increases have been announced, partly due to global economic uncertainties. But deputy governor Shinichi Uchida hinted in a speech on 13th May that further increases were likely, due to persisting inflation worries. After hitting a 40-year high of 4.0% in January (thanks in no small measure to a poor rice harvest in 2024), inflation has fallen back to 3.6%, still well above the BoJ's 2% target. Given the recent weak broad money growth, an eventual return to target inflation is plausible. Growth in demand for new bank credit dipped in April. The weak yen was responsible for some of the high inflation in 2024, but since the start of 2025 the Japanese currency has strengthened. It has risen by nearly 10% since its all-time low of almost 160 yen to the US dollar on 1st July 2024. (Note by John Petley.)

India

	% annual/annualised growth rate:	
	M3	Nominal GDP
1981- 2024	15.2	13.1
Ten years to 2024	9.7	10.4
Year to April 2025	10.2	n/a
Three months to April 2025 at annualised rate	9.5	n/a

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

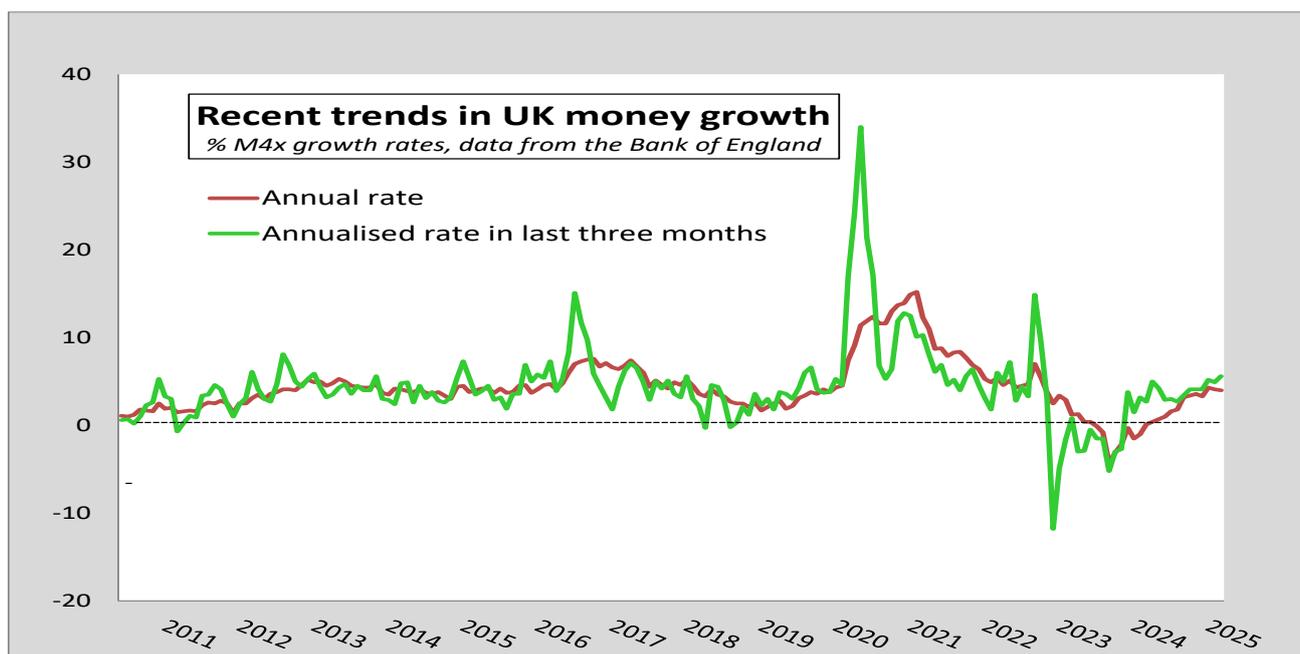


Indian M3 grew by 9.5% in the three months to April 2025, the highest number in five months. The annual rate, which had been declining since the start of the year, rose to a six-month high of 10.4%. The strong demand for new bank credit, which was growing at the rate of 1½% per month in the first half of 2024, has subsequently moderated. April's annual growth rate of 10.3% is the lowest in over three years. The Reserve Bank of India (the central bank) reduced the cost of borrowing by 0.25% on 9th April, the second rate cut so far this year. It is currently in a favourable position for further monetary loosening if needed, as inflation fell to a 5½-year low of 3.2% in April, comfortably below the RBI's 4% target. The rupee has strengthened modestly against the US dollar since February and India's currency reserves have increased, giving a further boost to broad money growth. In summary, the money numbers point to a continuation of the relatively stable and solid growth which India has enjoyed since the end of the coronavirus pandemic, even though the annual GDP growth rate of 6.1% in Q4 2024 fell short of the 6.8% projected by the RBI. (John Petley.)

UK

	% annual/annualised growth rate:	
	M4x/M4 before 1997	Nominal GDP
1981 – 2024	7.8	5.3
Ten years to 2024	4.9	2.2
Year to March 2025	4.0	n/a
Three months to March 2025 at annualised rate	5.6	n/a

Sources: Bank of England for M4X and Office for National Statistics for GDP



UK M4x grew at an annualised rate of 5.6% in the three months to March, the highest figure since October 2022. The annual growth rate declined slightly, from 4.1% in February to 4.0%. While the sharp £25b. rise in broad money growth in January was triggered by substantial borrowing of money by the financial sector, subsequent months – notably March - have seen strong demand for new credit from both households and businesses. The housing sector remains reasonably buoyant, with house prices up by 6.4% nationally in the year to March, according to the Office for National Statistics. The value of mortgage approvals in March was £23.8b., up on £22.3b. in March 2024. The resilience of mortgage demand is interesting and perhaps surprising, given the negative consumer sentiment and business confidence at present. The Bank of England’s Monetary Policy Committee voted by a narrow majority to make a further 0.25% cut in the cost of borrowing on 8th May, the fourth such reduction in less than a year. The publication of April’s inflation figures on 21st May, which saw the consumer price index rise from 2.6% to 3.5%, suggests that further cuts in the Bank Rate are unlikely in the near future. Indeed, given that the BoE is continuing to reduce its balance sheet by selling or running off assets purchased in 2020-22, monetary policy looks set to remain restrictive. GDP growth in the rest of 2025 is unlikely to better the 0.7% growth rate seen in Q1 2025. (*John Petley.*)