



**INSTITUTE OF  
INTERNATIONAL  
MONETARY RESEARCH**

Analysis and insight into trends in money and banking,  
and their impact on the world's leading economies

## Money growth update, June 2025

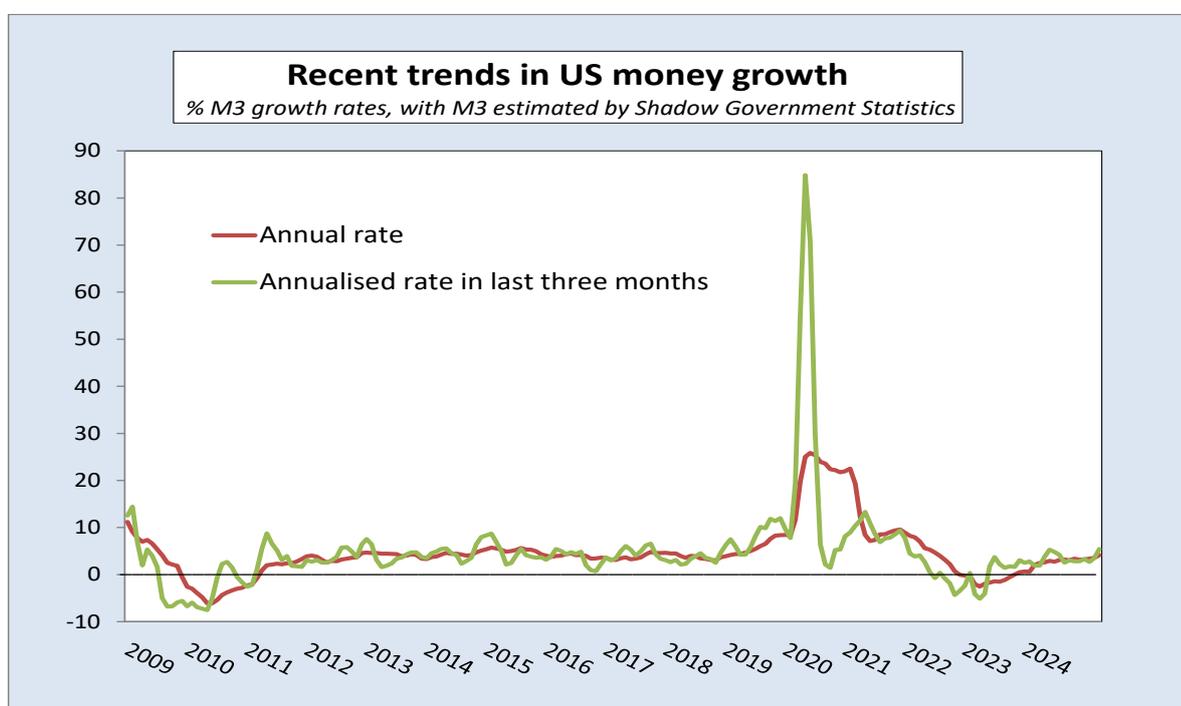
US money growth has turned upwards in recent months. This argues against persisting fragility in aggregate demand, despite Trump-related uncertainties. Another message is that hopes of further large and early cuts in dollar interest rates will be disappointed. By contrast, money growth rates in the Eurozone, Japan and the UK remain weak, and are consistent with at best trend growth of demand and output. (Indeed, Japan's M3 was lower in May than three months earlier, although it rose in May itself.) Money growth in China is still close to the lowest figures for over a generation, with the ailing property sector undermining banking system capital. However, India has managed in the last two years to reconcile buoyancy in bank credit and broad money with good news on inflation, reflecting impressive underlying economic dynamism. Business conditions remain challenging in many countries, but forecasts of recession are overdrawn and misplaced. *(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	5	4	Money growth up in latest months, as Trump eases bank capital rules. Some monetization of Federal deficit.
China	18.7	16.9	7.3	7.6	Money growth remains low in spite of central bank and government stimulus measures. Inflation negative again.
Eurozone	11.2	14.8	3.5	3.9	Money growth low, but satisfactory. Inflation down to target. Credit growth weak, but picking up slowly.
Japan	3.7	4.0	-1.2	0.2	Money growth negative yet vulnerable to increases in interest rates. Inflation remains above target.
India	7.6	3.4	9.5	9.6	Demand for new bank credit still reasonably robust. Inflation has fallen and borrowing costs reduced.
UK	2.2	3.2	3	3.5	M4x growth slowed in April. Housing market faltering, while inflation again above target.

# USA

	% annual/annualised growth rate:	
	M3	Nominal GDP
1961 – 2024	<b>7.4</b>	<b>6.5</b>
Ten years to 2024	<b>5.8</b>	<b>5.3</b>
Year to December 2024	<b>3.1</b>	<b>n.a</b>
Three months to May 2025 at annualised rate	<b>4</b>	<b>n.a.</b>

Sources: Shadow Government Statistics research service for M3 after 2006 (IIMR estimate for May 2025) and US Bureau of Economic Analysis for GDP

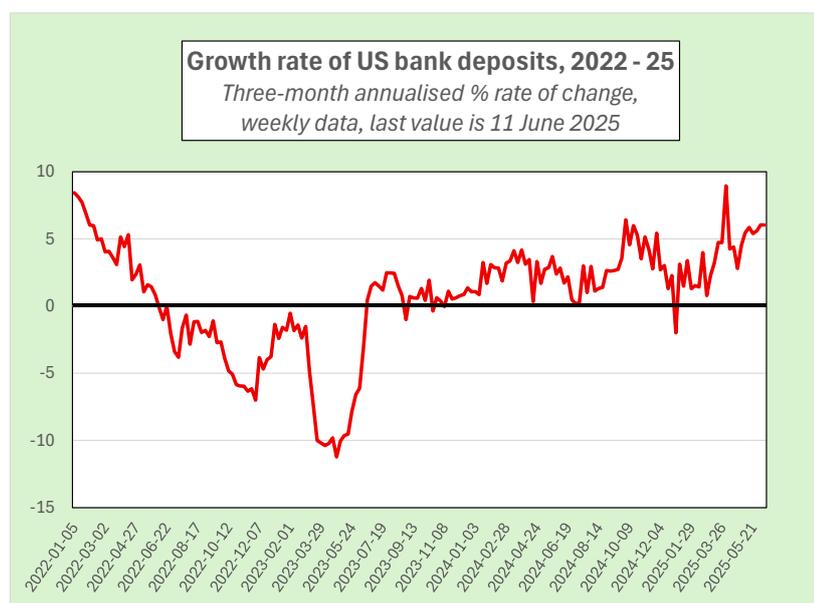


Broad money growth has increased in recent months, although not dramatically. In the three months to 11<sup>th</sup> June deposits at US commercial banks rose at an annualised rate of 6.0%, whereas in the preceding three months – to 12<sup>th</sup> March – they went up by 3.2%. Possible explanations are discussed on the following page. In qualification, money market mutual funds have stagnated in recent months. (By contrast, in 2024 they boomed, as they acquired very short-dated Treasury paper issued to finance the Federal deficit.) A measure of broad money which included MMMFs would show a more moderate growth rate in recent months, at 4% - 5% annualised. The point to emphasize here is that the upturn in money growth has occurred – relative to 2022 and early 2023 (when broad money barely changed at all) – despite interest rates being much higher now than in 2020 and 2021, and even than in late 2022. (Fed funds rate averaged 4.1% in the final quarter of 2022, compared with a value of 4.33% at the time of writing.) The implications are discussed in the opening commentary to this monthly e-mail. (*Note by Tim Congdon.*)

## Special analysis of the US monetary situation

Our usual source for US broad money data is the consultancy, Shadow Government Statistics. However, SGS has not updated its M3 estimates since January this year. The ultimate source of the relevant information is mainly the Federal Reserve, although we also monitor the weekly press releases on money market mutual funds from the Investment Company Institute. (In my view, money market mutual funds are so easily substitutable into bank deposits that they are closer to “money” than to “quasi-money”, and broad money estimates which largely exclude them – such as M2 – can be misleading. The common practice of regarding retail MMMFs as “money” and institutional MMMFs as not is also a serious mistake. Institutional MMMFs are the principal kind of liquid assets held by large US savings institutions, while these institutions are in turn the largest single holders of US equities. The determination of equities prices is basic to the macroeconomic outlook.)

I prefer to look at the *all* deposits total in the weekly H8 press release from the Fed rather than the M2 number now published by the Fed every month. *Large* time deposits are basic to decisions taken by companies and major non-bank financial institutions, with huge macroeconomic importance. To ignore such deposits – as the selection of M2 as the key money aggregate implies – is a mistake. (M2 does not contain deposits where the holding has a value above \$100,000. Obviously, inflation will cause this dividing line to become ever sillier over time.) Anyhow below is a chart of the growth rate of US bank deposits since the start of 2022. Readers may wonder why the start of 2022 has been chosen. The answer is that it saw a sharp slowdown in money growth compared with the previous two years. Indeed, according to Shadow Government Statistics, US M3 was virtually unchanged from March 2022 (\$27,911b.) to March 2024 (\$27,910b.). A monetarist interpretation is that this period of money stagnation – so utterly different from the money explosion of spring and summer 2020, and high growth of 2021 – was the vital causal influence on the moderation in inflation seen in 2023 and 2024. (I said in May 2022 that a message of the money slowdown – by then very evident in the data – was that inflation would decelerate and might be close to the 2% target by the date of the next Presidential election in November 2024. The annual rate of consumer price inflation – which had been 9.1% in June 2022 - was in fact 2.7% in November 2024.)



What, then, is the message of the above chart? Deposits *fell* in late 2022 and early 2023, before returning to positive growth in spring 2023. For much of late 2023 and 2024 the growth of deposits was hesitant and slow. However, it has plainly accelerated since summer 2024. The explanations are two-fold, that US banks have been buying more short-dated Treasury securities as these are issued to finance the Federal deficit running at about \$2,000b., and – more conjecturally – that the easing of capital rules with Trump as President has tempted US banks to grow risk assets (i.e., loans to the private sector) more quickly. The point to emphasize is that the upturn in the growth rates of US banks’ balance sheets has occurred during the period of higher interest rates. The higher Fed funds rate has proved a blunt instrument in checking money growth. (Fed funds rate averaged 5.1% in 2024, compared with 0.01% in 2021 and 1.68% in 2022.)

# China

	% annual/annualised growth rate:	
	M2	Nominal GDP
1991- 2024	<b>17.4</b>	<b>13.6</b>
Ten years to 2024	<b>9.8</b>	<b>7.5</b>
Year to May 2025	<b>7.6</b>	<b>n/a</b>
Three months to May 2025 at annualised rate	<b>7.3</b>	<b>n/a</b>

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

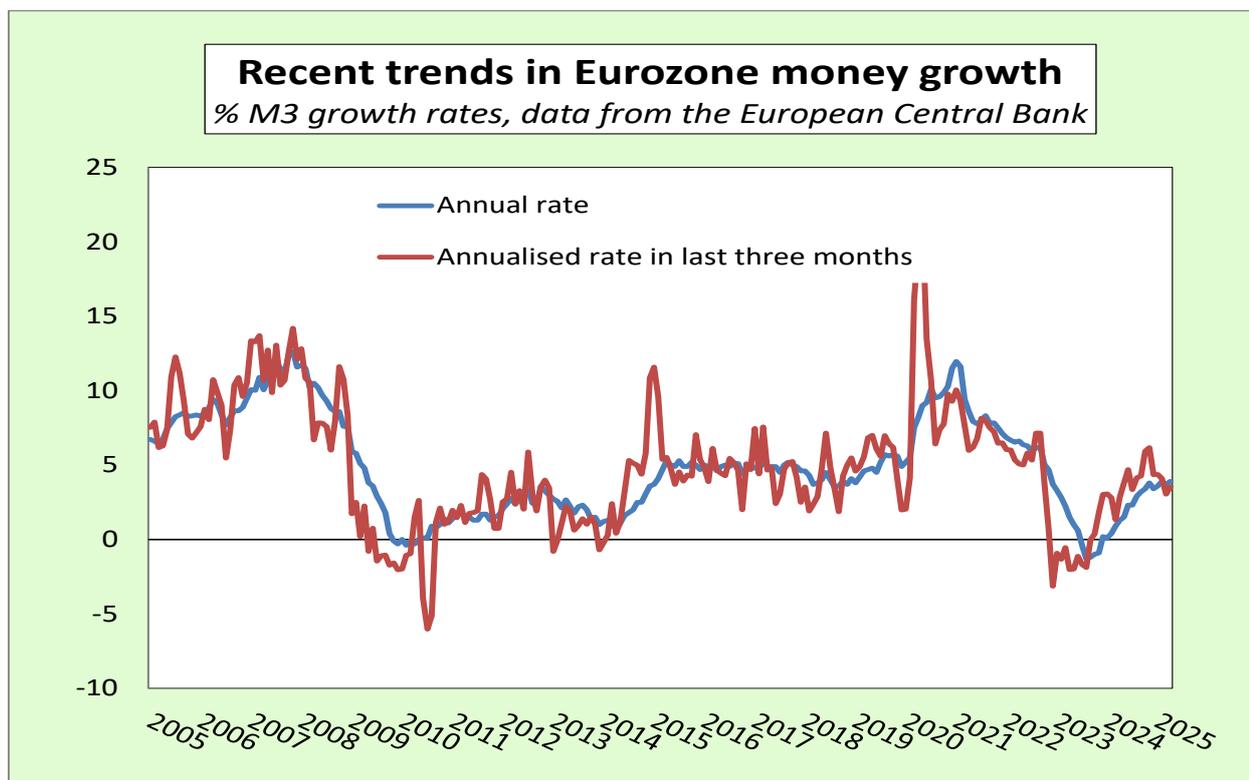


After picking up slightly in the first four months of 2025, Chinese broad money growth fell back in May. The annualised quarterly M3 growth rate fell from a five-month high of 8.3% in April to 7.3%, while the annual growth rate declined 7.8% to 7.6%. The growth rate of new bank credit continues to decline to all-time lows, with May's reading of 7.1% being the weakest since at least 1998. In May the People's Bank of China (the central bank) cut the reserve requirement ratio for large banks by 0.5%, reducing it to a record low of 7.0%. It also reduced both the one-year and five-year prime loan rates by 0.1% to 3.0% and 3.5% respectively - again the lowest on record - in an attempt to revive demand. House prices continue to decline, with prices falling by 3.5% in the year to April, but this is the slowest rate of decline in 13 months. The annual inflation rate turned negative in February and has remained below zero since. Export growth has weakened. Consumer sentiment remains weak, although retail sales volumes have kept on growing. The money numbers suggest that below target inflation will persist in China, while the economy battles against the headwind of a weak property sector. (Note by John Petley.)

# Eurozone

	% annual/annualised growth rate:	
	M3	Nominal GDP
1996 – 2024	<b>5.1</b>	<b>2.9</b>
Ten years to 2024	<b>4.8</b>	<b>2.5</b>
Year to April 2025	<b>3.9</b>	<b>n/a</b>
Three months to April 2025 at annualised rate	<b>3.5</b>	<b>n/a</b>

Sources: European Central Bank for M3 and Eurostat for GDP

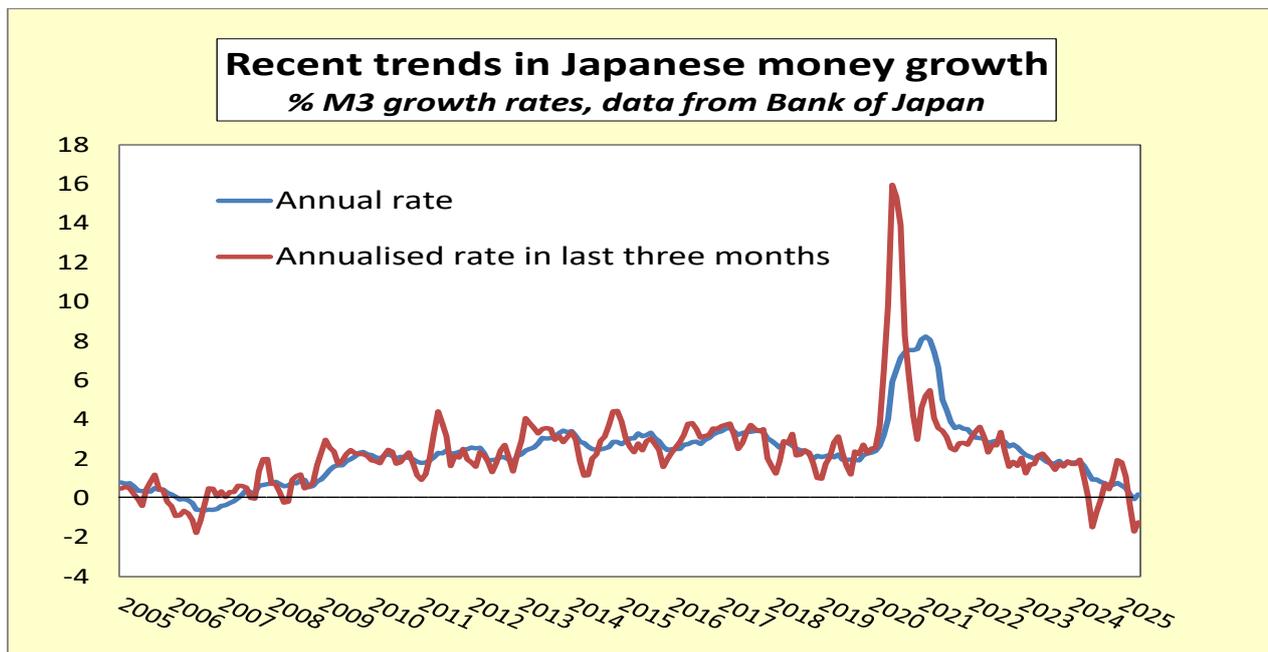


The Eurozone's annualised quarterly M3 growth rate rose from 3.0% in March to 3.5% while the annual growth rate rose from 3.7% to 3.9%, equal to February's reading which was the highest in over two years. The ECB made an eighth reduction to the cost of borrowing on 5<sup>th</sup> June, with the main refinancing operations rate now down to 2.15% and the deposit rate to 2.0%. ECB President Christine Lagarde hinted after the June meeting that further cuts were unlikely in the near future. Thanks to weak broad money growth in 2023 and early 2024, inflation is falling steadily. Four months of slowing price rises resulted in the annual inflation rate dropping below the ECB's 2% target in May. Meanwhile, the Eurozone economy grew by 0.6% in Q1 2025, the strongest rate of growth in 2½ years. This growth has to some extent been fuelled by a substantial trade surplus, particularly in March as businesses front-loaded purchases ahead of the threatened imposition of tariffs by the USA. The demand for new bank credit continues to pick up, but remains feeble. The annual growth rate of the mortgage stock is still below 2%. The money numbers point to a continuation of modest growth, with inflation levels around or possibly just below the ECB's 2% target. (Note by John Petley.)

# Japan

	% annual/annualised growth rate:	
	M3	Nominal GDP
1981- 2024	<b>3.8</b>	<b>1.9</b>
Ten years to 2024	<b>2.9</b>	<b>1.7</b>
Year to May 2025	<b>0.2</b>	<b>n/a</b>
Three months to May 2025 at annualised rate	<b>-1.2</b>	<b>n/a</b>

Sources: Bank of Japan for M3 and IMF for GDP

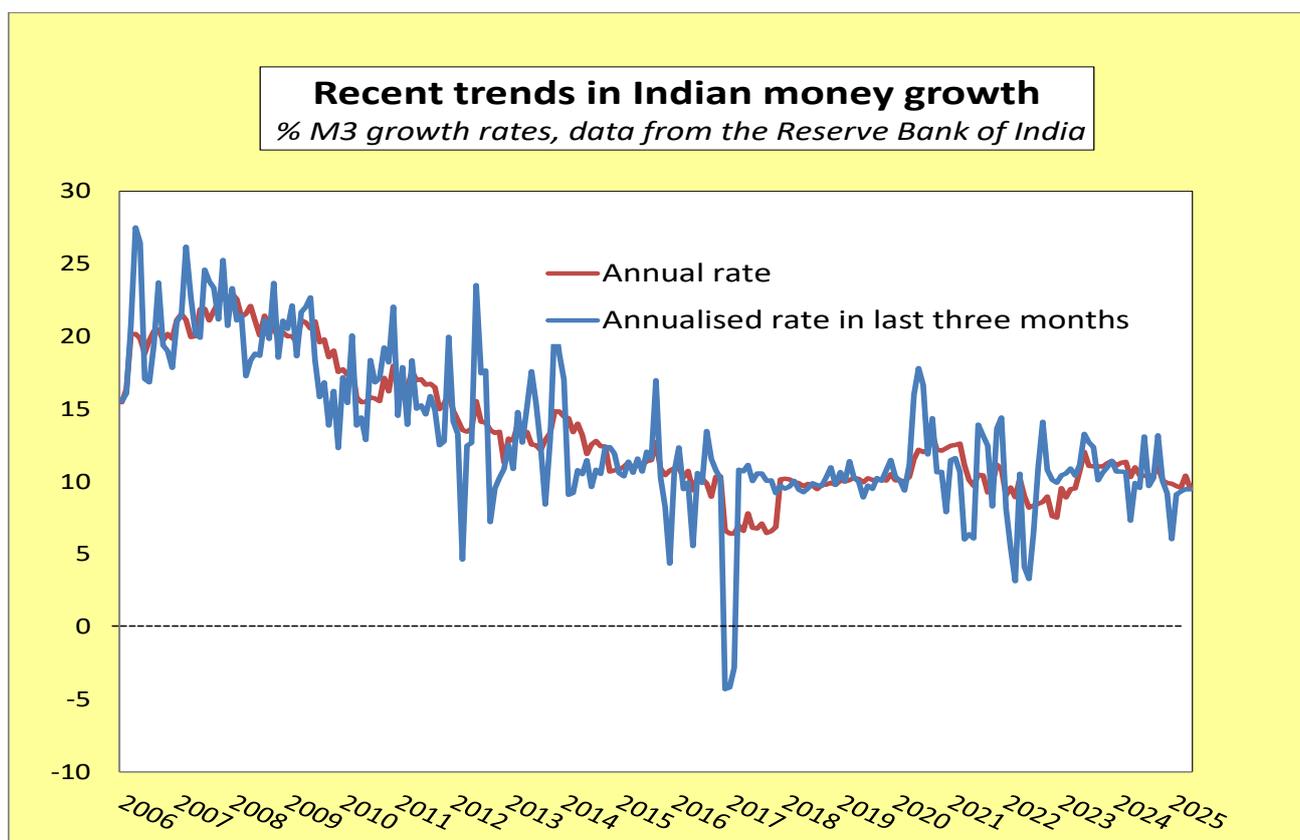


After declining by 4.6 trillion yen in April, the quantity of money broadly defined increased by a meagre 1.4 trillion in May. (A trillion yen is roughly \$7b. Japan's M3 total is just over 1,600 trillion yen.) Japanese broad money growth remains very weak by the standards of the last decade, with the annual growth rate standing at a very modest 0.2% while the annualised quarterly change has now been negative for three consecutive months. Japan's national output barely increased in the first quarter of 2025, a pattern consistent with money's stagnation. Consumer prices rose by 3.6% in the year to April, unchanged on March's reading and well above the Bank of Japan's 2% target. The inflation is the sequel to marked yen weakness in the four years to mid-2024, when the currency's value against the US dollar dropped by about a third. The Bank of Japan raised the cost of borrowing to 0.5% on 24<sup>th</sup> January. Deputy governor Shinichi Uchida hinted in a speech on 13<sup>th</sup> May that further increases were likely due to upward pressure on prices and wage demands. Since the start of 2025 Japan's currency has strengthened, rising by nearly 10% since its low of almost 160 yen to the US dollar on 1<sup>st</sup> July 2024. Inflation should decline before the end of the year. The ultimate determinant of inflation is the rate of money growth relative to the trend rate of increase in national output. Given the similarities between broad money growth in the early 2000s and the present rates, inflation could easily fall well below the BoJ's 2% target over the medium term. (Note by John Petley.)

# India

	% annual/annualised growth rate:	
	M3	Nominal GDP
1981- 2024	<b>15.2</b>	<b>13.1</b>
Ten years to 2024	<b>9.7</b>	<b>10.4</b>
Year to May 2025	<b>9.6</b>	<b>n/a</b>
Three months to May 2025 at annualised rate	<b>9.5</b>	<b>n/a</b>

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

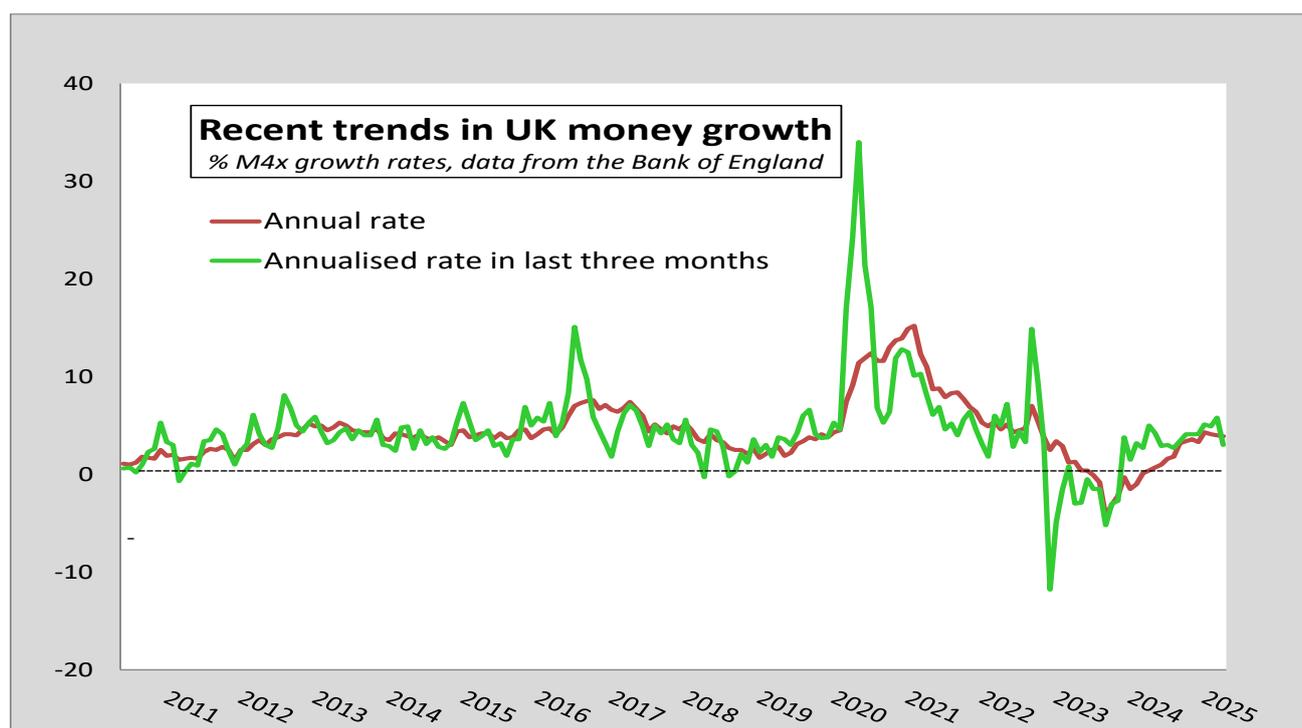


Indian M3 grew by 9.5% in the three months to May 2025, unchanged on April's reading. The annual rate, which rose to a six-month high of 10.4% in April, declined to 9.6%. These readings are much in line with those of the last three years. Since India fully opened up after the coronavirus pandemic, broad money's annual growth has been reasonably stable at about 10%. Nevertheless, last year's strong demand for new bank credit, which was growing as rapidly as 1½% per month at the start of 2024, has subsequently moderated. (May's annual growth rate of 9.8% is the lowest in over three years.) The Reserve Bank of India, the central bank, has taken advantage of favourable inflation figures to loosen monetary policy. In May it cut the cash reserve ratio for the country's banks from 4% to 3%. It then reduced the cost of borrowing by 0.5% on 6<sup>th</sup> June, the third rate cut so far this year. The rupee has weakened against the US dollar since February, but there has been no intervention to shore it up. Indeed, India's currency reserves have increased, giving a further boost to broad money growth. (John Petley.)

# UK

	% annual/annualised growth rate:	
	M4x/M4 before 1997	Nominal GDP
1981 – 2024	<b>7.8</b>	<b>5.3</b>
Ten years to 2024	<b>4.9</b>	<b>2.2</b>
Year to April 2025	<b>3.9</b>	<b>n/a</b>
Three months to April 2025 at annualised rate	<b>3.0</b>	<b>n/a</b>

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



UK M4x grew at an annualised rate of 3.0% in the three months to April 2025, a sharp decline on March's reading of 5.8%. This is due to the substantial £25b. rise in broad money growth in January dropping out of the calculation. March's strong demand for new bank credit from both households and businesses was not sustained into April and the number of new mortgage approvals has dropped by more than 10% from October's peak. Disappointingly above-target inflation, tax rises and trade uncertainties all weighed heavily on consumer and business sentiment in April. The announcement of the UK-US trade deal may have lifted the mood for some companies, but the Bank of England's Monetary Policy Committee voted by a 6-3 majority not to cut the cost of borrowing at its meeting on 19<sup>th</sup> June, citing "global uncertainty" along with high inflation. (The increase in consumer prices was 3.5% in the year to March, the highest number since January 2024.) 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. (John Petley.)