



**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, August 2025

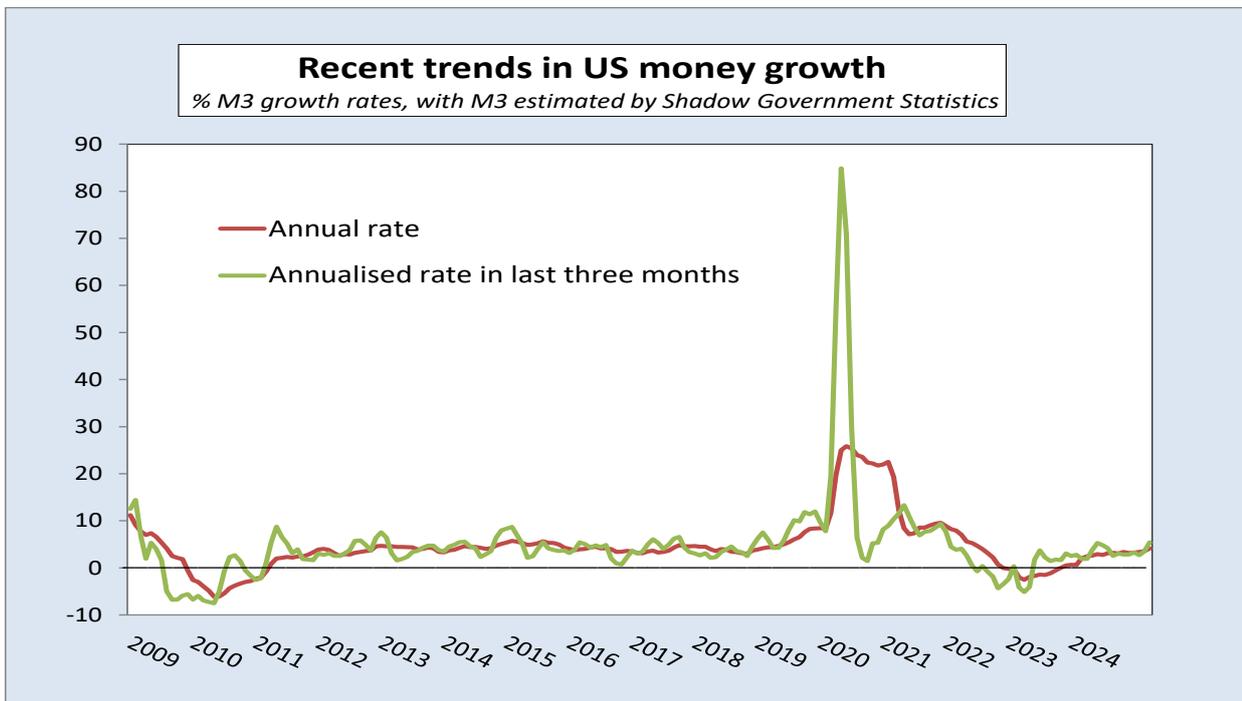
US money growth has turned upwards in recent months. This argues against persisting fragility in US aggregate demand, despite Trump-related uncertainties, but employment growth has clearly slowed. Further large and early cuts in dollar interest rates are unlikely, despite a small downward move now expected in September. 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. Money growth in China is still close to the lowest figures for over a generation, with the ailing property sector and rising household debt undermining banking system capital. In India, which for the last two years has combined buoyancy in bank credit and broad money with modest inflation, the rate of broad money growth has slowed but still remains reasonably healthy. 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	8.1	8.4	Money growth remains low in spite of central bank and government stimulus measures. Inflation negative again.
Eurozone	11.2	14.8	3.3	1.5	Money growth low but satisfactory. Inflation down to target. Credit growth weak, but picking up slowly .
Japan	3.7	4.0	2.1	0.6	Money growth increasing modestly but still very weak and vulnerable to increases in interest rates. Inflation remains above target.
India	7.6	3.4	9.4	9.5	Demand for new bank credit still reasonably robust. Inflation has fallen and borrowing costs reduced.
UK	2.2	3.2	3	4.1	M4x growth remains rather modest. Housing market faltering, while inflation again 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 July 2025	4	n.a
Three months to July 2025 at annualised rate	5	n.a.

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

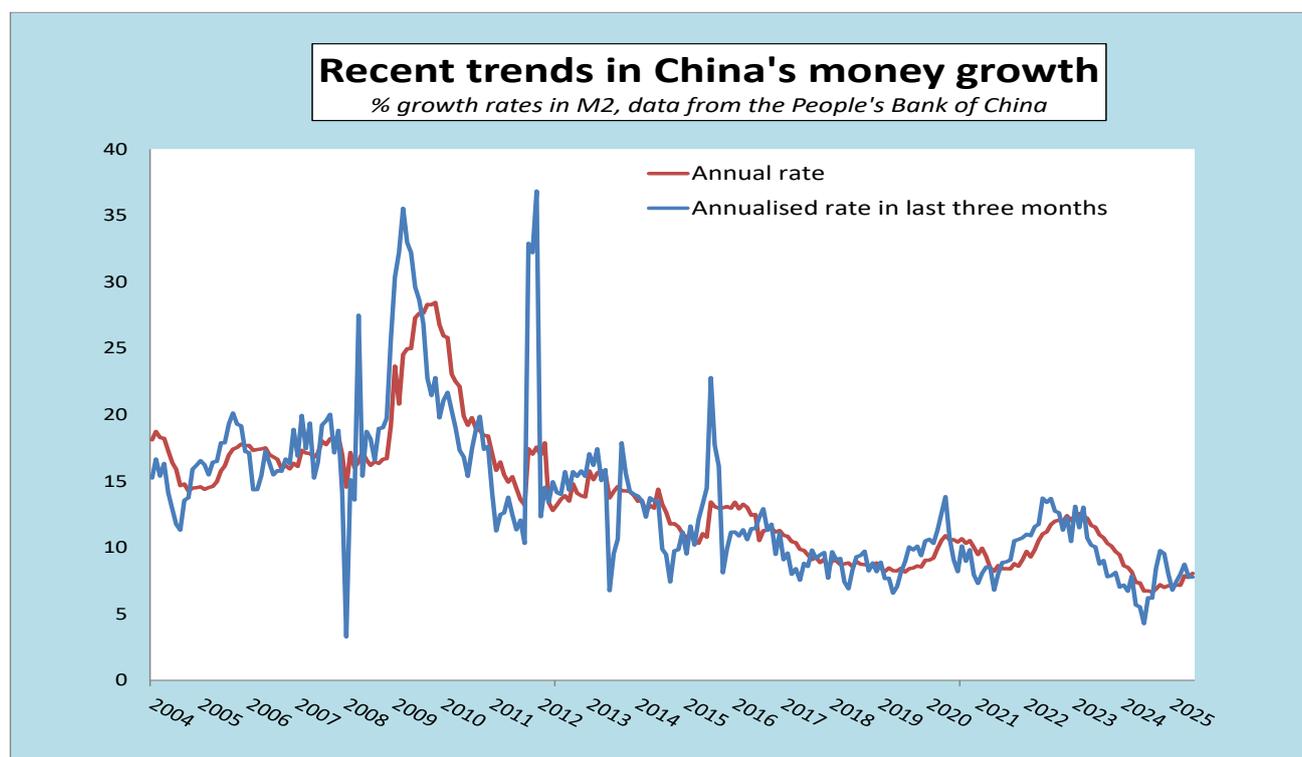


Our commentary has called attention to a possible recent upturn in the growth rates of bank credit and broad money in the USA. In July bank credit – essentially, US commercial banks’ claims on both the US public and private sectors – went up by above 0.5%, or at an annualized rate of 6.7%. This compared with a 7.6% figure, on an annualized basis, in the second quarter. By contrast, in 2024 bank credit had typically increased at an annualized rate of about 4%. The other major component of US banks’ assets is cash, where a key influence is whether the Federal Reserve is buying (“quantitative easing”) or selling (“quantitative tightening”) securities from or to non-banks. In 2025 banks’ cash assets have been growing slightly, whereas in 2023 and 2024 they were falling sharply because the Fed was selling large amounts of the securities it bought in the early 2020s. Our assessment – that broad money growth has risen relative to 2023 and 2024 – seems reasonable, although the change has not been dramatic. The main importance of this conclusion is to argue against a recession in late 2025 and early 2026, despite the undoubted uncertainties created by President Trump’s tariff policies. However, gains in employment have been disappointing in recent months and suggest that – in 2025 anyway – the American economy has been suffering from a mild setback in aggregate demand. Amid much political hubbub, the Federal Reserve has resisted pressure from Trump to cut Fed funds rate. (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 July 2025	8.4	n/a
Three months to July 2025 at annualised rate	8.1	n/a

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

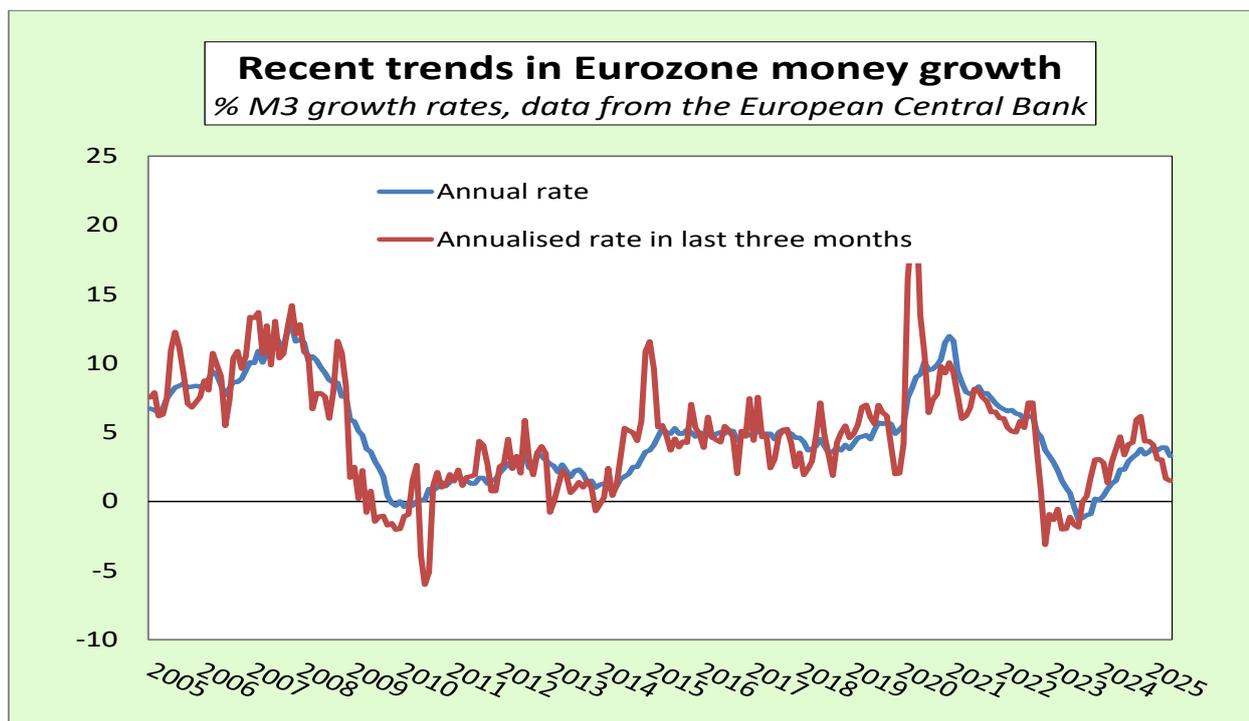


In the three months to July seasonally adjusted Chinese M2 expanded at an annualised rate of 8.1%, up a tad from June's reading of 7.8%. The annual growth rate picked up to a 17-month high of 8.3%. The rate of increase of new bank credit remains weak, with June's reading of 6.9% being the slowest rate of growth since at least 1998. An argument might be made that the M2 growth rate would be lower were it not for the increase in foreign currency reserves generated by China's substantial trade surplus in the early months of 2025. The nation's companies may have sought to front-load sales before US tariffs came into effect. However, this idea is not confirmed by the data. (China's *current account* surplus in 2024 was modest at under \$83b., despite the enormous *trade* surplus of almost \$1,000b. Reserve accumulation in the first half of 2025 was small.) Since cutting the reserve requirement ratio for large banks by 0.5% and reducing both the one-year and five-year prime loan rates by 0.1% in May, the People's Bank of China (the central bank) has taken no further stimulatory action. House prices nonetheless continue to decline. They went down by 3.2% in the year to June, although this was the slowest rate of fall in 16 months. Further stimulatory measures look likely, especially as consumer sentiment remains weak. (Note by Tim Congdon and 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 June 2025	3.3	n/a
Three months to June 2025 at annualised rate	1.5	n/a

Sources: European Central Bank for M3 and Eurostat for GDP

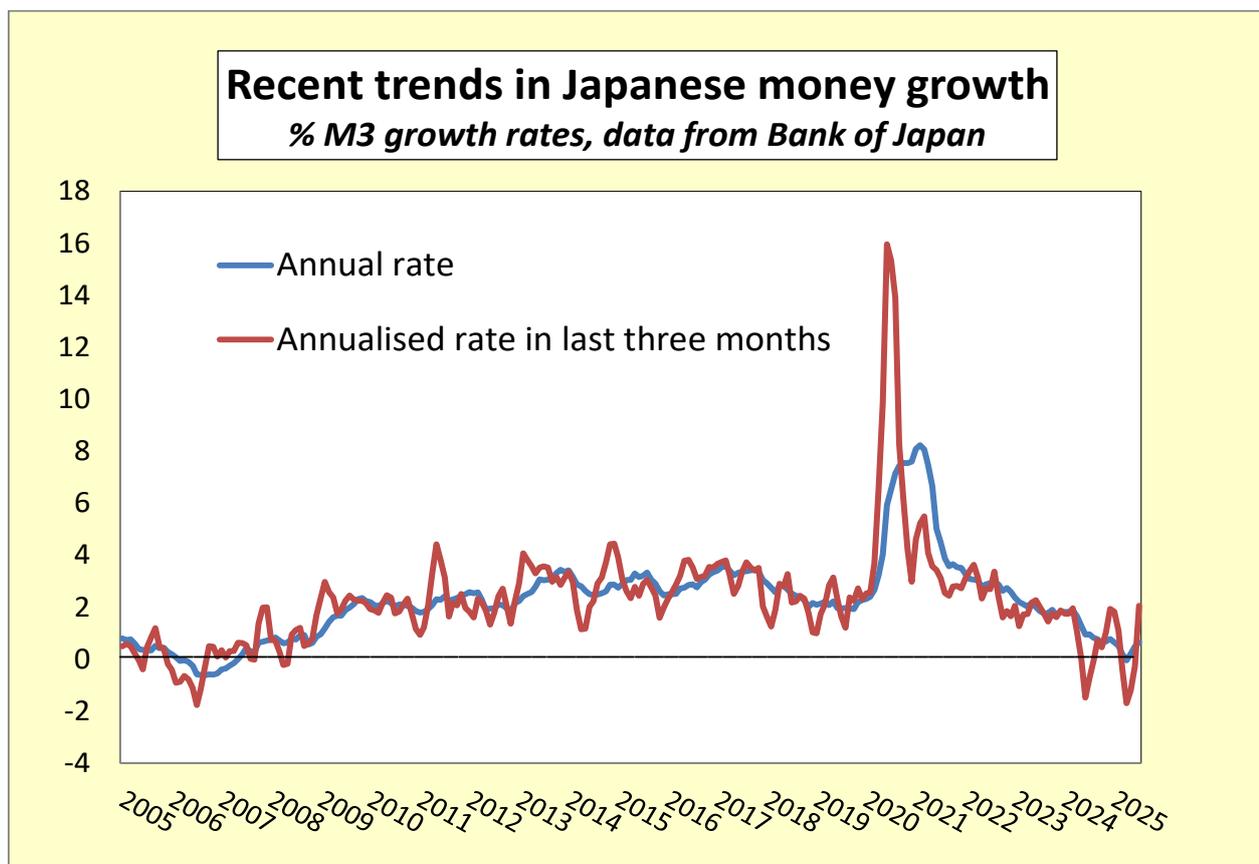


The Eurozone's annualised quarterly M3 growth rate dropped back from 1.7% in May to 1.5% in June, the weakest reading since October 2023. The annual growth rate also weakened, falling from 3.9% to 3.3%. In June itself M3 fell slightly. In 2025 Q2 Eurozone GDP expanded by a modest 0.1%, a decline on the 0.6% growth of Q1. This relative slowdown in growth is unsurprising as the Eurozone racked up a substantial trade surplus in February and March, as businesses front-loaded production (and input purchases) ahead of the threatened imposition of tariffs by the USA. The European Central Bank kept the cost of borrowing unchanged at its most recent meeting in July, following eight reductions in 12 months. The annual inflation rate has now dropped back to the ECB's 2% target. The market consensus is further monetary easing is unlikely in the near future. Demand for new bank credit from both households and businesses picked up slightly in June but remains feeble by historical standards. The ECB continues to run off assets purchased during the pandemic, with the monthly figure for both June and July being approximately €15b. The money numbers point to a continuation of modest demand and growth, with inflation subdued. (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 July 2025	0.6	n/a
Three months to July 2025 at annualised rate	2.1	n/a

Sources: Bank of Japan for M3 and IMF for GDP

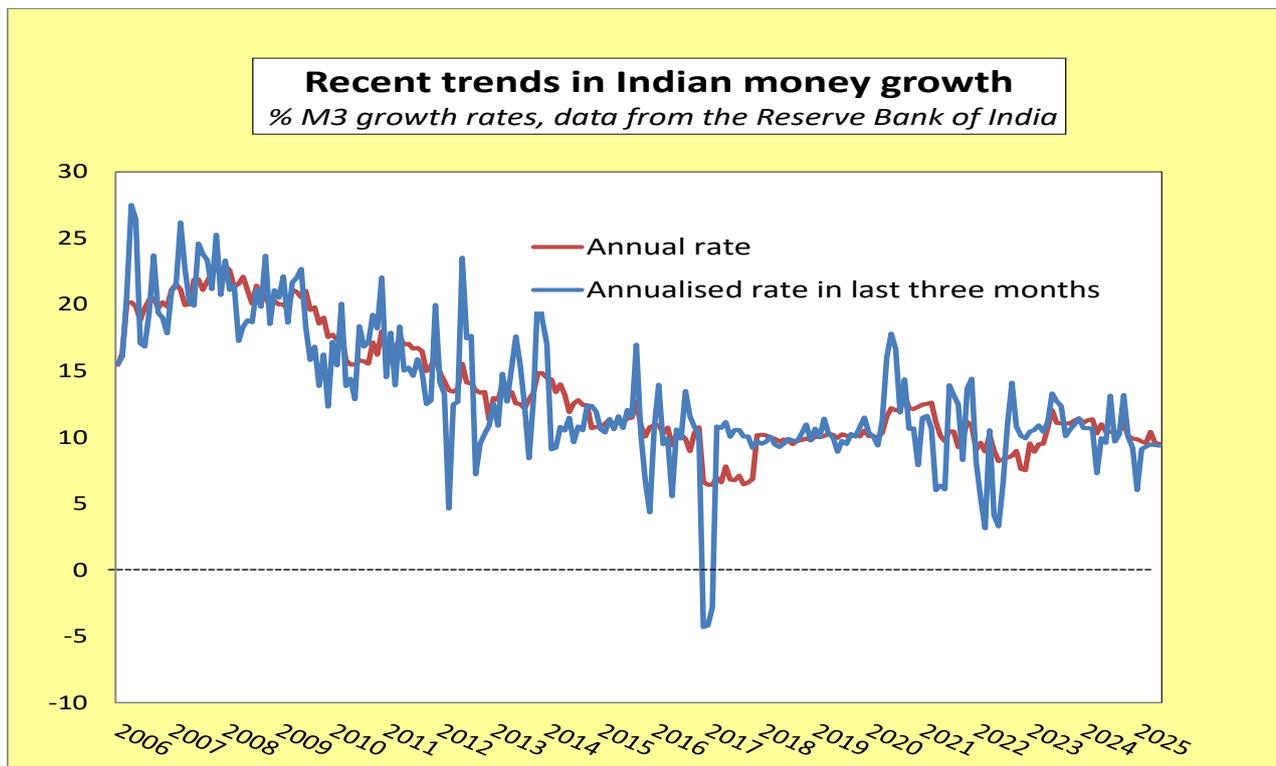


Three consecutive months of positive broad money growth have lifted the annualised quarterly growth rate of Japanese M3 into positive territory for the first time since March, while the annual growth rate rose to a five-month high of 0.6%. July saw the annual growth rate of new bank credit rise to a 12-month high of 3.2%. This uptick has occurred even though the Bank of Japan, concerned about high inflation, has kept the cost of borrowing unchanged since January. The BOJ has indicated a continuing intention to raise interest rates as part of its proposed “normalisation” of monetary policy. Consumer prices rose by 3.3% in the year to June, continuing the gradual decline from January’s reading of 4.0%, but still well above the Bank of Japan’s 2% target. This high inflation is likely to decline before the end of the year thanks to the stabilisation of the yen, which lost over one third of its value against the US dollar between December 2020 and June 2024, but has subsequently strengthened, albeit modestly. Given the weakness of M3 growth in the last two years, Japanese GDP is unlikely significantly to better the 0.3% real output expansion seen in Q2 of 2025. (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 July 2025	9.5	n/a
Three months to July 2025 at annualised rate	9.4	n/a

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

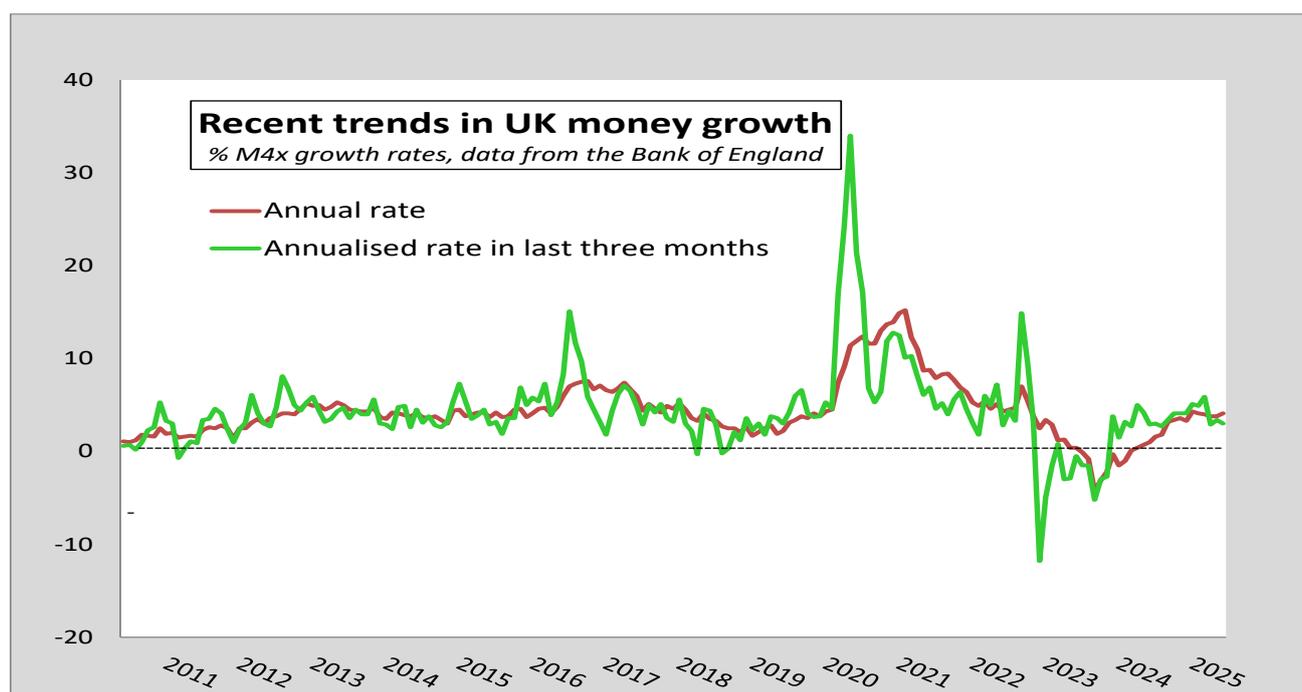


As the chart above shows, in 2025 the annual rate of increase in Indian M3 has been down by 1% -3% on typical 2023 and 2024 values. The three-month annual growth rate stood at 9.4% in July and the annual rate at 9.5%, both readings being unchanged on June's figures. July itself did see a notable uptick in Indian broad money growth, with demand for new bank credit firming slightly. (It had dropped to a three-year low of 9.0% in the first half of June. Note that Indian economic data are often reported on a bi-monthly basis). Late July's growth rate of 10% still stands in contrast to the start of 2024, when it was growing as rapidly by as much as 1½% per month. The Reserve Bank of India (the central bank) cut the cost of borrowing by 0.5% on 6th June while reducing banks' cash reserve ratios by a full 1%, taking them down to 3%. Retail sales picked up in June, aided no doubt by lower borrowing costs, a reduction in income tax and declining inflation, which stood at a mere 1.6% in the year to July, the lowest reading since 2019. The rupee weakened against the US dollar in July, but India's foreign currency reserves have been increasing steadily since the start of the year. (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 June 2025	4.1	n/a
Three months to June 2025 at annualised rate	3.0	n/a

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 June 2025, a continuation of the rather weak pattern in the recent past. The annual growth rate picked up from 3.8% to 4.1%. Above-target inflation is a persisting worry, as the annual increase in consumer prices rose to an 18-month high of 3.8% in July. Tax rises and Trump-related uncertainties about the UK's external trade continue to weigh on consumer and business sentiment. But the housing market has been resilient, with both the number and value of new mortgage approvals picking up after a drop in April. Lending to businesses, however, remains sluggish, with larger businesses in particular showing a declining appetite for risk. The Bank of England narrowly voted by 5-4 to reduce the cost of borrowing at its August meeting. Concerns about rising unemployment and a stagnant economy appear to have weighed more heavily on the MPC than its inflation mandate, but further reductions in the cost of borrowing appear unlikely in the near future, given the current inflation numbers. The BOE has now reduced its balance sheet by over £300b. as it continues to sell or run off assets purchased in the early 2020s. (John Petley.)