



**INSTITUTE OF  
INTERNATIONAL  
MONETARY RESEARCH**

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

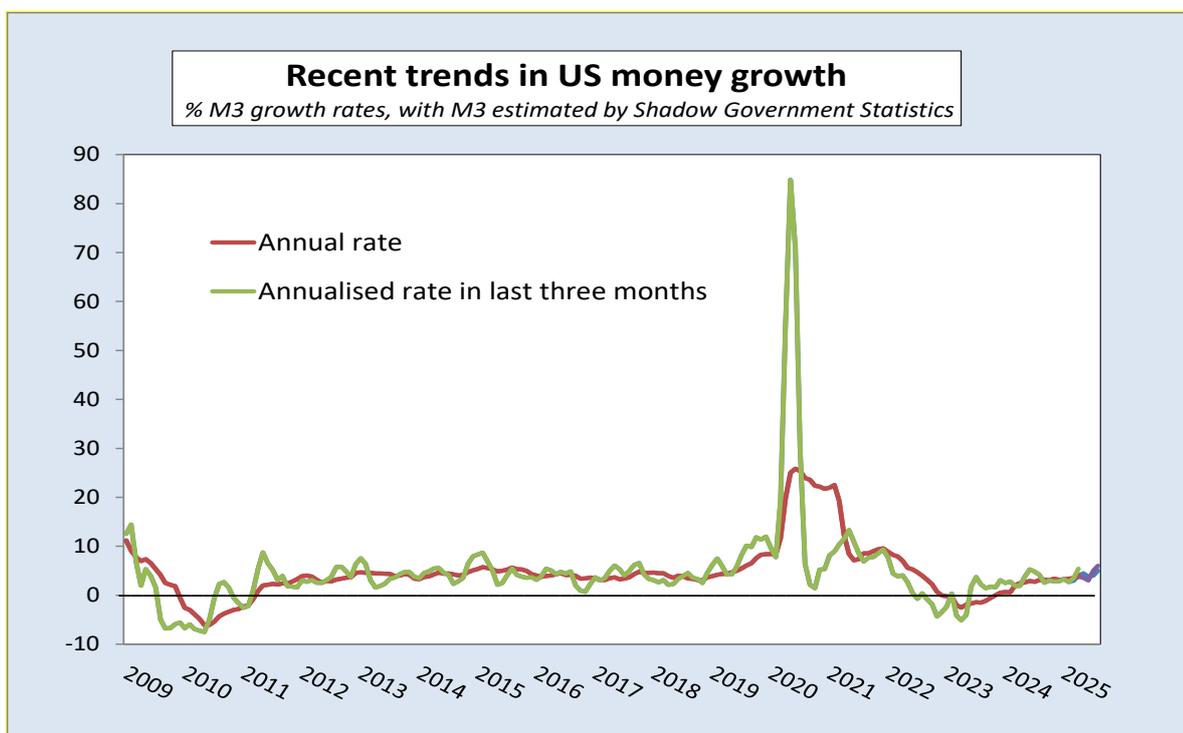
US money growth has turned upwards in recent months. This argues against persisting fragility in US aggregate demand, despite Trump-related uncertainties, but employment growth has clearly slowed. The Fed has indicated more cuts in its funds rate, after a recent small 25 basis point downward move. By 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. The growth of new bank credit in China has fallen to the lowest figures for over a generation, with persisting worries about the ailing property sector. But money growth has kicked up a little in the most recent months. China's manufacturing industries remain hugely competitive by global standards. 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 picked up after a recent slowing. 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 current prices and exchange rates, %	In last three months at annualised rate, %	In last 12 months, %	
	In purchasing power parity terms, %				
USA	15.6	26.1	6 1/2	5	Strain in financing budget deficit evidenced in rapid recent growth of MMMFs (see text), with annual money growth rising to above 5%.
China	18.7	16.9	8.8	8.3	Money growth has picked up, but remains low in spite of central bank and government stimulus measures. Inflation still negative.
Eurozone	11.2	14.8	-0.2	2.9	Money growth turned negative in three months to August. Inflation close to target. Credit growth weak, but picking up slowly .
Japan	3.7	4.0	3.2	1.1	Money growth increasing modestly, but still fairly weak and vulnerable to increases in interest rates. Inflation still above target but falling.
India	7.6	3.4	19.5	11	Demand for new bank credit strong and picking up. Inflation has fallen and banks' cash reserve ratios are being reduced.
UK	2.2	3.2	4.1	4.2	M4x growth remains modest. Inflation again above target. Concerns about further tax rises affecting consumer and business sentiment.

# 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 August 2025	<b>5</b>	<b>n.a</b>
Three months to August 2025 at annualised rate	<b>6 1/2</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



July and August are usually big months for Federal finances. In 2025 the combined deficit in the two months was \$636b., compared with an eventual total for the year to September of \$1,775b. A challenge for the US Treasury and the Federal Reserve is to finance the deficit in safe hands and, as far as possible, out of the banking system. (Monetary financing of the deficit creates new money balances and risks inflation.) As explained in this month's introduction, the American authorities are having trouble in this area of public policy. Anyhow between 30<sup>th</sup> July and 22<sup>nd</sup> October (a mere 12-week period) the assets of money market mutual funds, which consist exclusively of very short-dated Treasury securities, climbed from \$7,076.3b. to \$7,397.7b. or by 4.5%. (The implied annualised rate of increase is over 20%.) On the face of it, the budget deficit is being financed too much at the short end by quasi-banks. Inflation is above the target of 2% or so which the Fed has set itself. While the current budget deficit numbers and monetary trends persist, inflation will remain above target. However, the Federal Reserve has reduced interest rates and is expected to continue doing so, as the latest news on jobs has been disappointing. (Note by Tim Congdon.)

# 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 September 2025	<b>8.3</b>	<b>n/a</b>
Three months to September 2025 at annualised rate	<b>8.8</b>	<b>n/a</b>

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

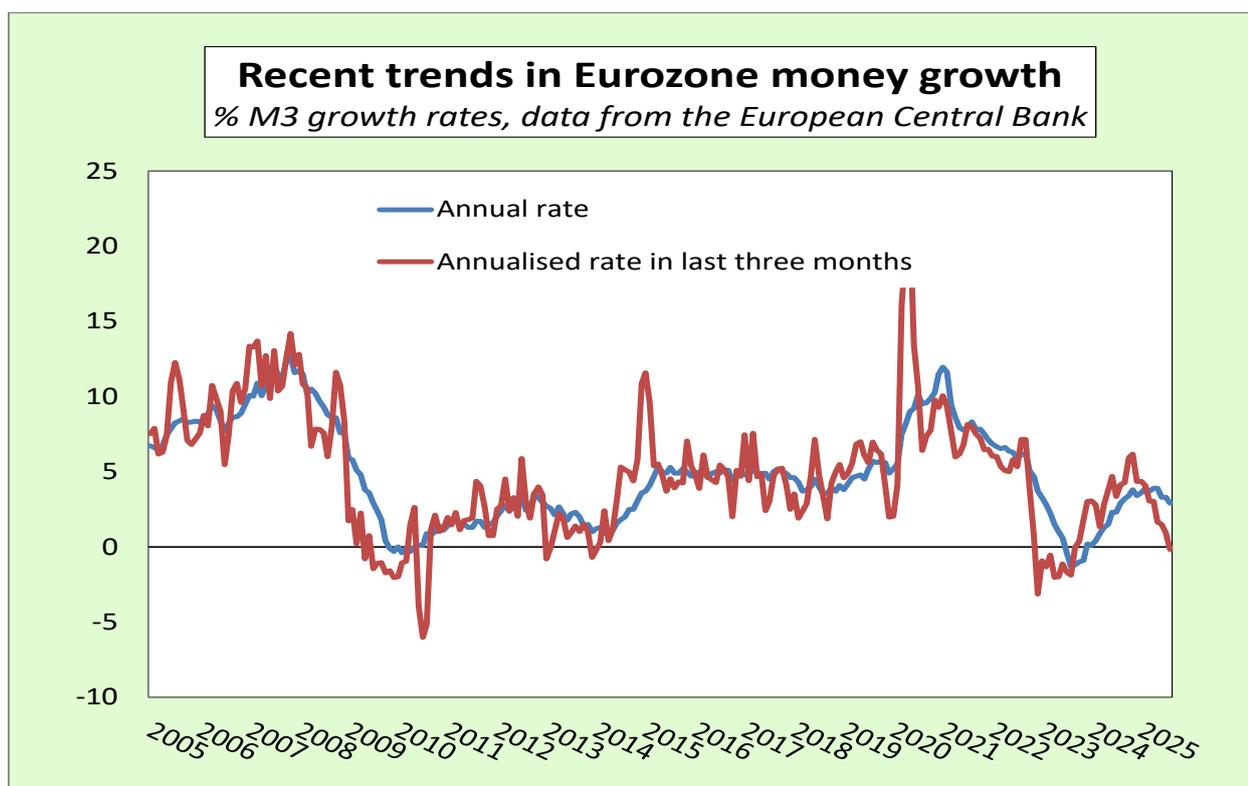


Chinese broad money growth has picked up in the last two months, but is low by long-run standards. In the three months to September seasonally adjusted Chinese M2 expanded at an annualised rate of 8.8%, little changed from August's reading. The rate of increase of new bank credit remains sluggish. In the year to September the stock of loans was up by only 6.6%. However, an interesting feature of China's economic scene is that money growth has for a few years been above the officially stated increase in nominal GDP. At present an annual money growth rate of almost 9% is associated with reports of factory-gate deflation and roughly 5% growth in real output. Consumer prices have fallen for six of the last eight months, with the annual rate of change being a fall of 0.3% in September. But in September itself consumer prices went up, if by only 0.1%. Monetary policy has been stable in 2025, with the government apparently hoping that fiscal stimulus may halt deflationary pressures. According to the International Monetary Fund, the general government deficit will be 8.6% in 2025, up from 7.3% in 2024. Exporters are of course anxious about the erratic tariff decisions taken by US President Donald Trump, but the current account surplus in the second quarter of 2025 (at \$135b.) was higher than in the Q2 2024. (Note by Tim Congdon and 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 August 2025	<b>2.9</b>	<b>n/a</b>
Three months to August 2025 at annualised rate	<b>-0.2</b>	<b>n/a</b>

Sources: European Central Bank for M3 and Eurostat for GDP

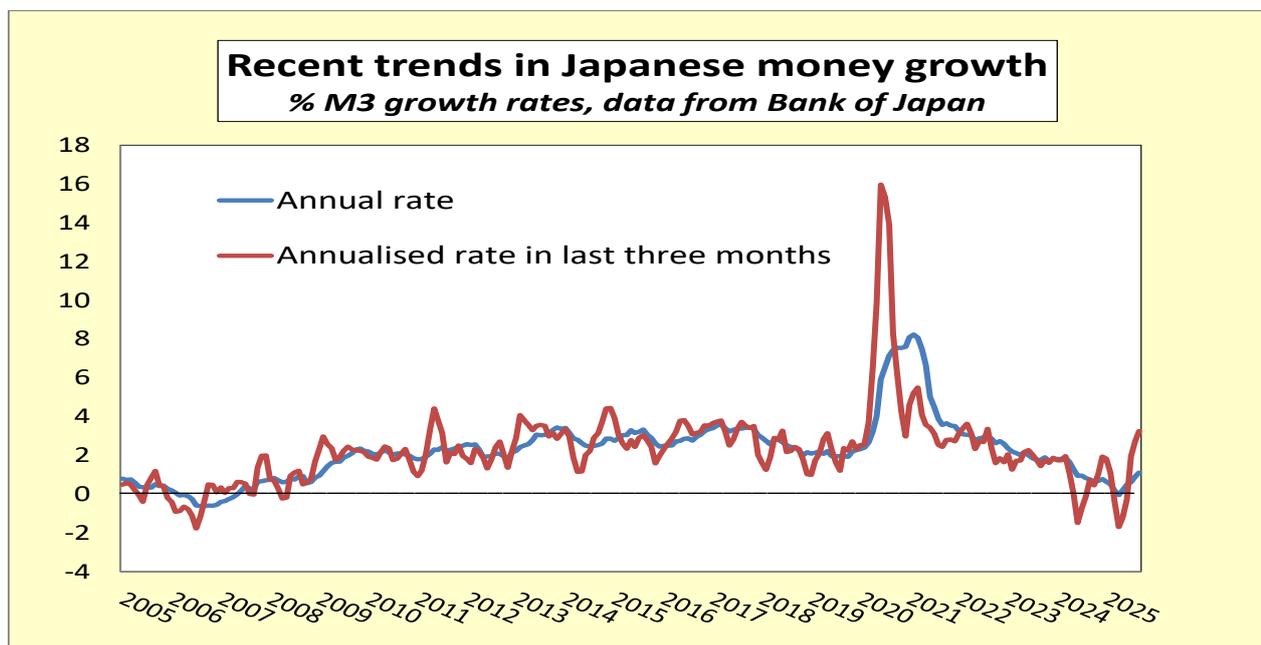


The Eurozone's annualised quarterly M3 growth rate turned negative in August, falling from 1.0% in July to -0.2%. This was the weakest figure since August 2023. (By contrast, November 2024's reading was 6.2%.) The annual growth rate declined from 3.3% to 2.9%. The weakness of recent money growth is to be explained by two influences. First, the European Central Bank continues to run down the stock of assets acquired in the late 2020s and during the Covid period. In the three months to August the banking system's claims on general government fell by €20b. Secondly, lending to the private sector was sluggish in August and September. The banking system's claims on the private sector did rise in the two months, but by less than 0.3%, i.e., with an annualised rate of increase of only 1.6%. As Europe's banks are reportedly well-capitalised at present, the recent feebleness in bank lending may be temporary. The money numbers suggest that at best weak demand and output growth will continue. They also suggest that while inflation once again rose slightly above the ECB's 2% target in September, it is soon likely to drop back. The unsustainable trajectory of public debt in France remains a cause for concern for ECB decision-makers. (Note by Tim Congdon and 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 September 2025	<b>1.1</b>	<b>n/a</b>
Three months to September 2025 at annualised rate	<b>3.2</b>	<b>n/a</b>

Sources: Bank of Japan for M3 and IMF for GDP

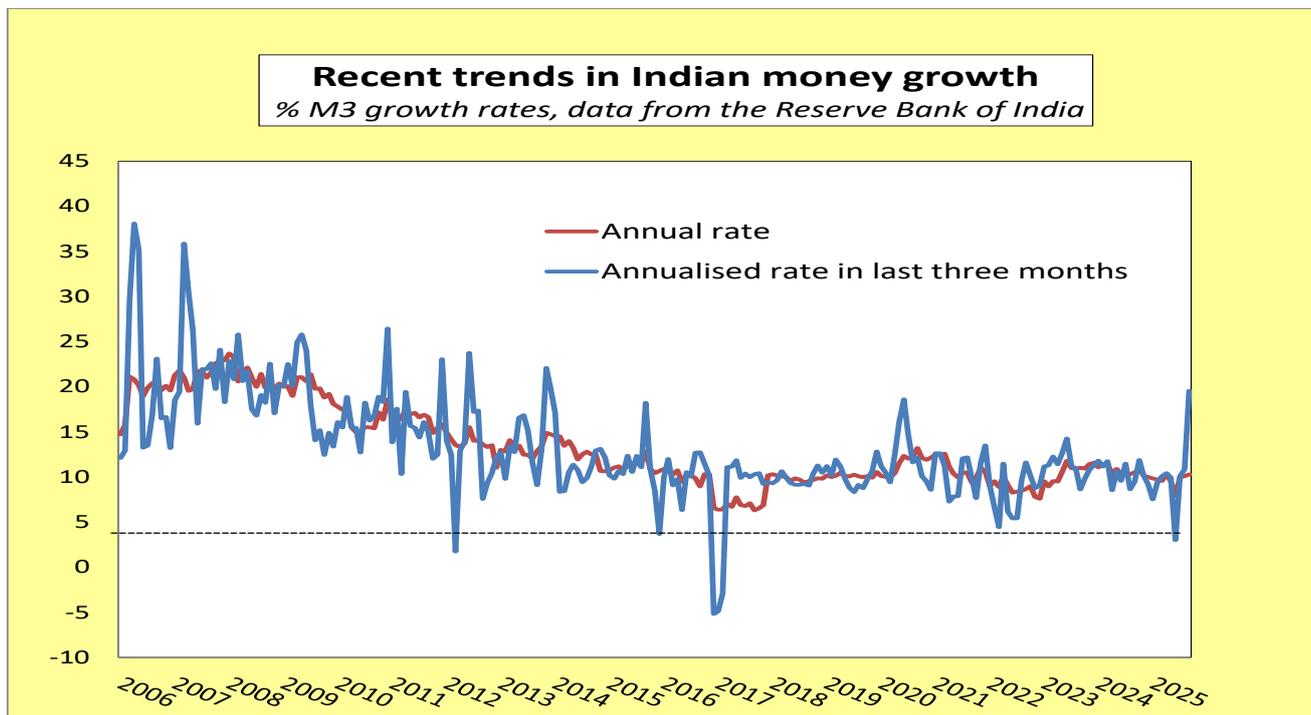


Three consecutive months of relatively strong broad money growth have lifted the annualised quarterly growth rate of Japanese M3 to 3.1%, the highest reading in over three years. The annual growth rate also rose to a 16-month high of 1.1%. The recent period of extremely low broad money growth may be over. The growth in new bank credit, which rose to a four-year high of 3.8% in the year to September, has been a contributory factor. Also important has been an end to the foreign currency intervention by the Bank of Japan which, in 2023 and 2024, served to bolster the yen's rate against the dollar. (Indeed, Japan's foreign exchange reserves have risen in 2025, but the revaluation of gold has been a key factor.) Inflation, which stood at 4.0% in the year to January 2025, has now fallen back to 2.7%. Given the lag between changes in broad money growth and its effect on prices – often as long as two or three years – the weakness of Japanese broad money growth since early 2024 is likely to see inflation fall further. The Bank of Japan, which does not take much notice of money numbers, is keen to “normalise” monetary policy. Board member Naoki Tamura recently told business leaders that interests rates should be increased from their current level of 0.5% to 1%. However, Japan's new prime minister, Sanae Takaichi, favours a loose monetary policy and has criticized the BoJ's rate hikes. The recent upturn in money growth at least argues against a recession. (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 September 2025	<b>11.0</b>	<b>n/a</b>
Three months to September 2025 at annualised rate	<b>19.5</b>	<b>n/a</b>

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

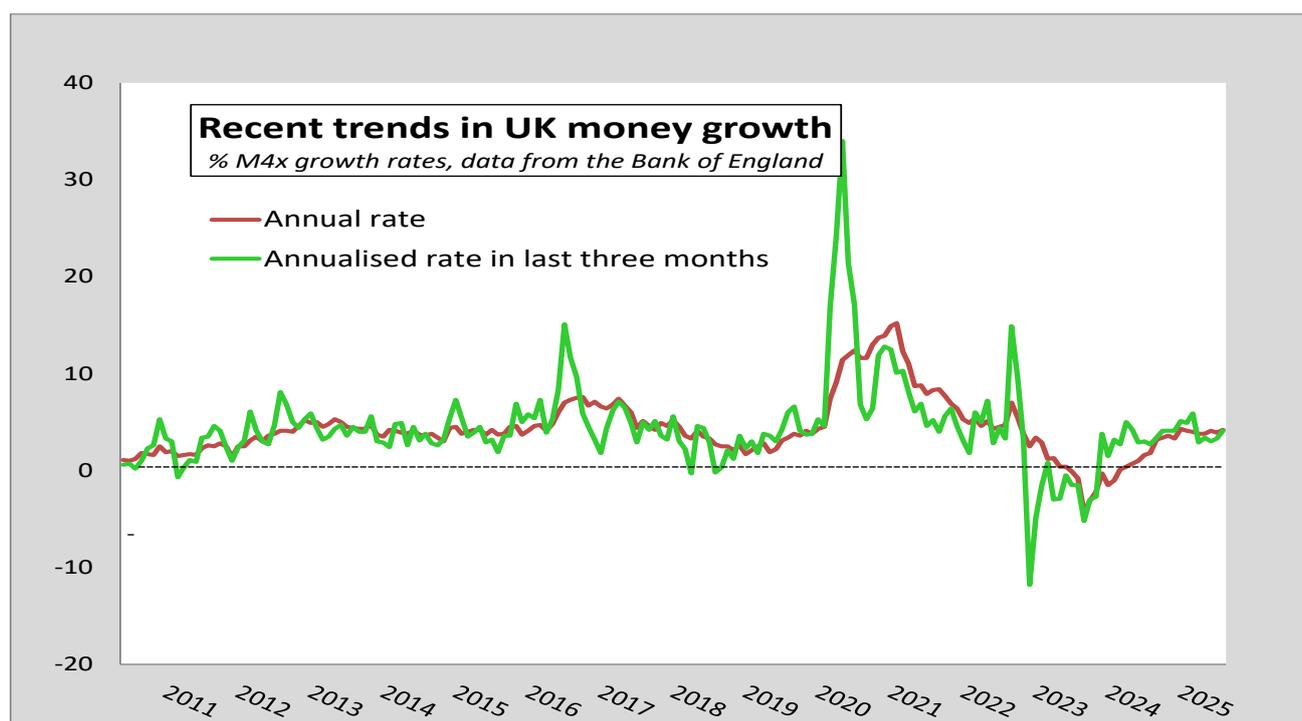


Indian M3 continues to increase at a solid rate. The annual growth rate picked up from 10.1% in August to 10.3% in September, while the annualised quarterly growth rate shot up from 10.8% to 19.5%. This may turn out to be a temporary blip as broad money recorded a one-off decline in June, the starting month for this calculation. Essentially, M3 growth remains stable, more in less in line with the pattern of 2023 and 2024 when the annual rate of growth was in double digits, but only just so. The Reserve Bank of India (the central bank) has kept the cost of borrowing unchanged since June, but has begun to implement a progressive reduction in banks' reserve ratio requirements, which will see the figure reduced from 4% to 3%. The first 0.25% reduction took place in September. The RBI has plenty of scope to ease monetary policy. Prices rose by only 1.5% in the year to September, the lowest reading in over eight years. This figure lies below the RBI's inflation target, which is set at 4% with a 2% margin in either direction. India has recently accessed its foreign currency reserves to shore up the rupee which hit a record low against the US dollar in early October. On the other hand, demand for new bank credit has picked up again after slowing in recent months, suggesting that broad money growth should remain robust. (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 August 2025	<b>4.2</b>	<b>n/a</b>
Three months to August 2025 at annualised rate	<b>4.1</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 4.2% in the three months to August 2025, the highest reading since March. The annual growth rate also picked up, from 3.9% to 4.1%. These growth rates should in theory be roughly compatible with 2% inflation and trend growth. UK real GDP grew by a mediocre 0.3% in the second quarter of 2025, but this was after a strong Q1 gain of 0.7%. Consumer inflation rose to an 18-month high of 3.8% in July, and remained at this level throughout August and September. This pattern of weak output growth and above-target inflation may continue, but recent falls in energy prices will be helpful. Retail sales are recording modest levels of growth, with the prospect of tax rises weighing on consumer sentiment. The housing market has seen moderate house prices advances, typically in the low single digits, for houses valued at less than the national average. But the prices of more expensive houses have been flat and the London market continues to suffer falls. Surprisingly, mortgage approvals have been resilient, and through June, July and August the value totals were typically 15% or so above the 2024 equivalents. On 17<sup>th</sup> October, Huw Pill, the BoE's Chief Economist, gave a speech in London which hinted that further cuts in the Bank Rate were unlikely until inflation had declined closer to the 2% target. (John Petley.)