



**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, September 2025

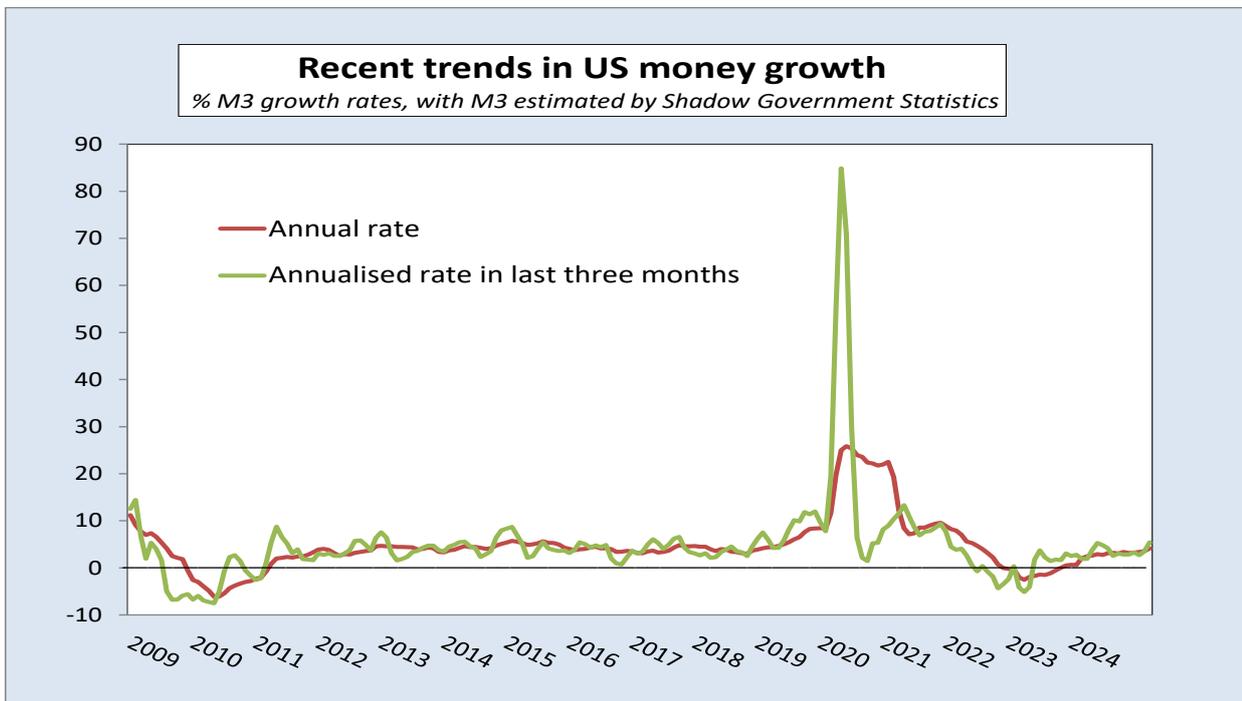
US money growth has turned upwards in recent months. This argues against persisting fragility in US aggregate demand, despite Trump-related uncertainties, but employment growth has clearly slowed. The Fed has indicated more cuts in its funds rate, after a recent small 25 basis point downward move. By 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. Money growth in China is still close to the lowest figures for over a generation. The ailing property sector and rising household debt have undermined banking system capital, but 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 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	8.9	8.5	Money growth remains low in spite of central bank and government stimulus measures. Inflation negative again.
Eurozone	11.2	14.8	1	3.4	Money growth low but satisfactory. Inflation down to target. Credit growth weak, but picking up slowly .
Japan	3.7	4.0	2.7	0.9	Money growth increasing modestly but still very weak and vulnerable to increases in interest rates. Inflation remains above target.
India	7.6	3.4	10	10	Demand for new bank credit still reasonably robust. Inflation has fallen and borrowing costs reduced.
UK	2.2	3.2	3.4	3.9	M4x growth remains rather modest. 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>4</b>	<b>n.a</b>
Three months to July 2025 at annualised rate	<b>5</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

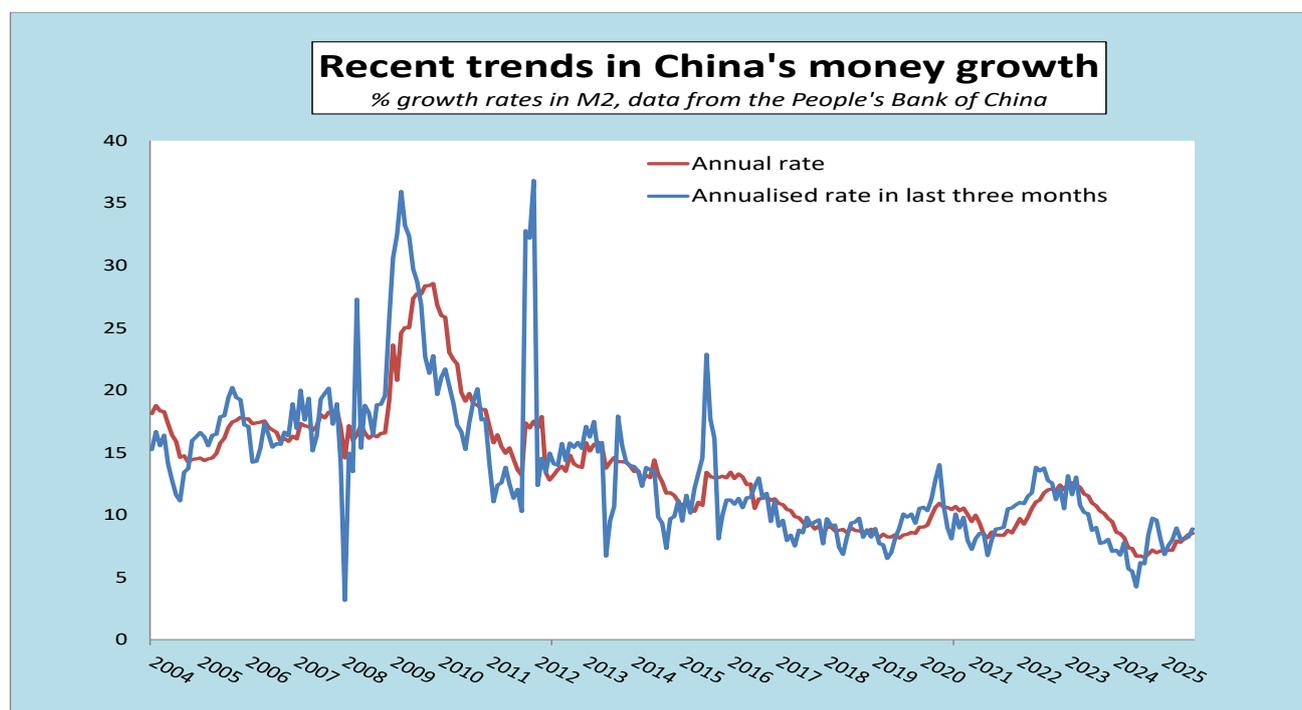


Our preference in tracking US money is to look at the M3 number prepared by Shadow Government Statistics, using data from the Federal Reserve, since 2006. However, SGS has produced no numbers for 2025, and we are therefore obliged to use releases from the Fed. The weekly *H8* press release shows that bank deposits at US commercial banks were \$18,359.4b. in August, up by over 1.0% on May's figure of \$18,174.2b. three months earlier. The implied annualised rate of increase in the three months was 4.1%, a more or less ideal number if the Fed wants to deliver 2% inflation. In that respect our recent conjecture – that US money growth might be rising into the high single digits at an annual rate – does not fit the latest facts. However, the US government continues to face the challenge of financing its enormous budget deficit outside the banking system. In August the Federal deficit was \$344.8b., an enormous number, and a proportion of it was financed by the money market mutual funds. MMMFs' total assets on 3<sup>rd</sup> September were \$7,259.1b., up from \$7,152.5b. on 6<sup>th</sup> August. The implied annualised rate of growth in MMMFs' assets was 19.4%. Arguably, the Fed's apparent determination to lower interest rates carries undue inflationary risks. (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 August 2025	<b>8.5</b>	<b>n/a</b>
Three months to July 2025 at annualised rate	<b>8.9</b>	<b>n/a</b>

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

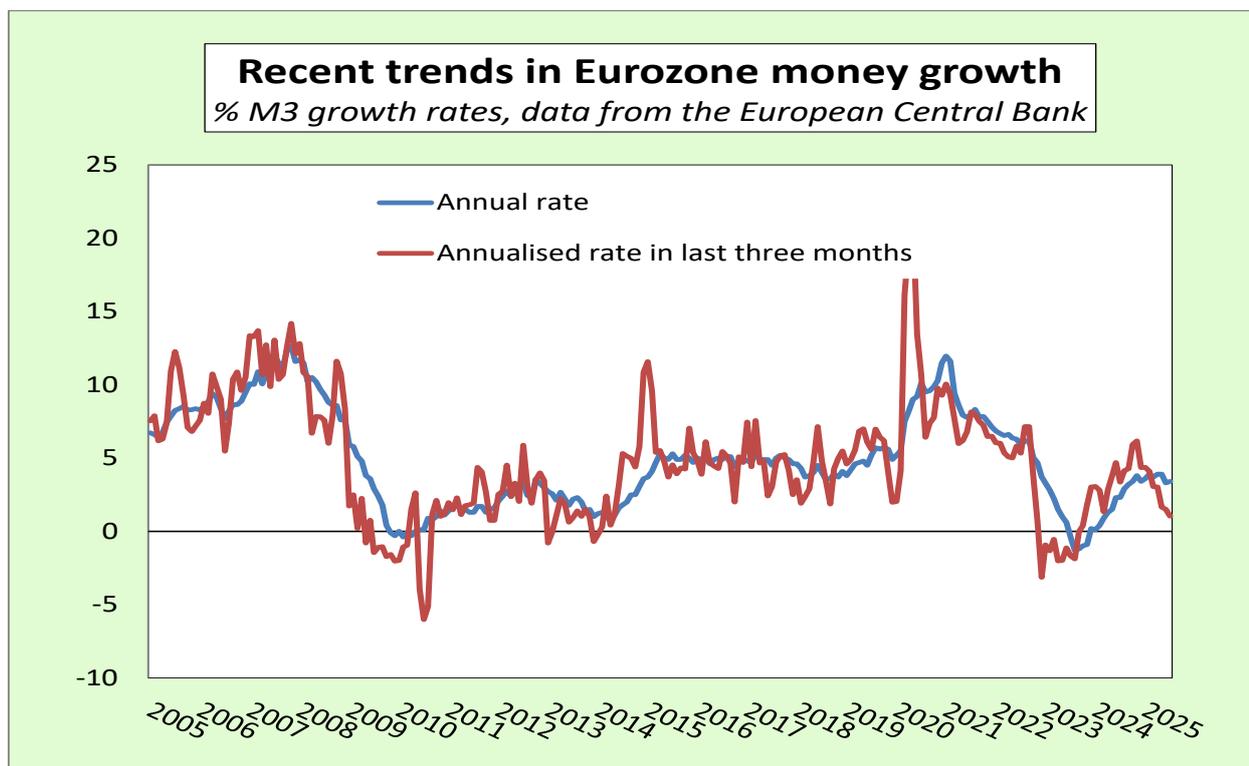


Chinese broad money growth has picked up slightly in the last two months, but still remains low by recent standards. In the three months to August seasonally adjusted Chinese M2 expanded at an annualised rate of 8.9%, while the annual growth rate ticked up to a 19-month high of 8.5%. The rate of increase of new bank credit is sluggish. Such credit was up by 6.8% in the year to August, the slowest number since at least 1998. The People's Bank of China (the central bank) has taken no further stimulatory action since May. It then reduced the reserve requirement ratio for large banks by 0.5%, and cut both the one-year and five-year prime loan rates by 0.1%. On the other hand, the government appears to be engaged in a substantial fiscal stimulus, with bond issuance for 2025 at a much higher level than in previous years. The stimulus has been particularly aimed at boosting domestic consumption. Its effect has thus far been limited. Consumer confidence remains weak. Manufacturing figures for August were also disappointing, apart from electric car sales. Inflation turned negative again in August, while house prices continue to decline. They went down by 2.5% in the year to August, although this was the smallest rate of fall in over two years. In summary, the money numbers suggest that the current only moderate growth in the Chinese economy will continue. (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 July 2025	<b>3.4</b>	<b>n/a</b>
Three months to July 2025 at annualised rate	<b>1.0</b>	<b>n/a</b>

Sources: European Central Bank for M3 and Eurostat for GDP

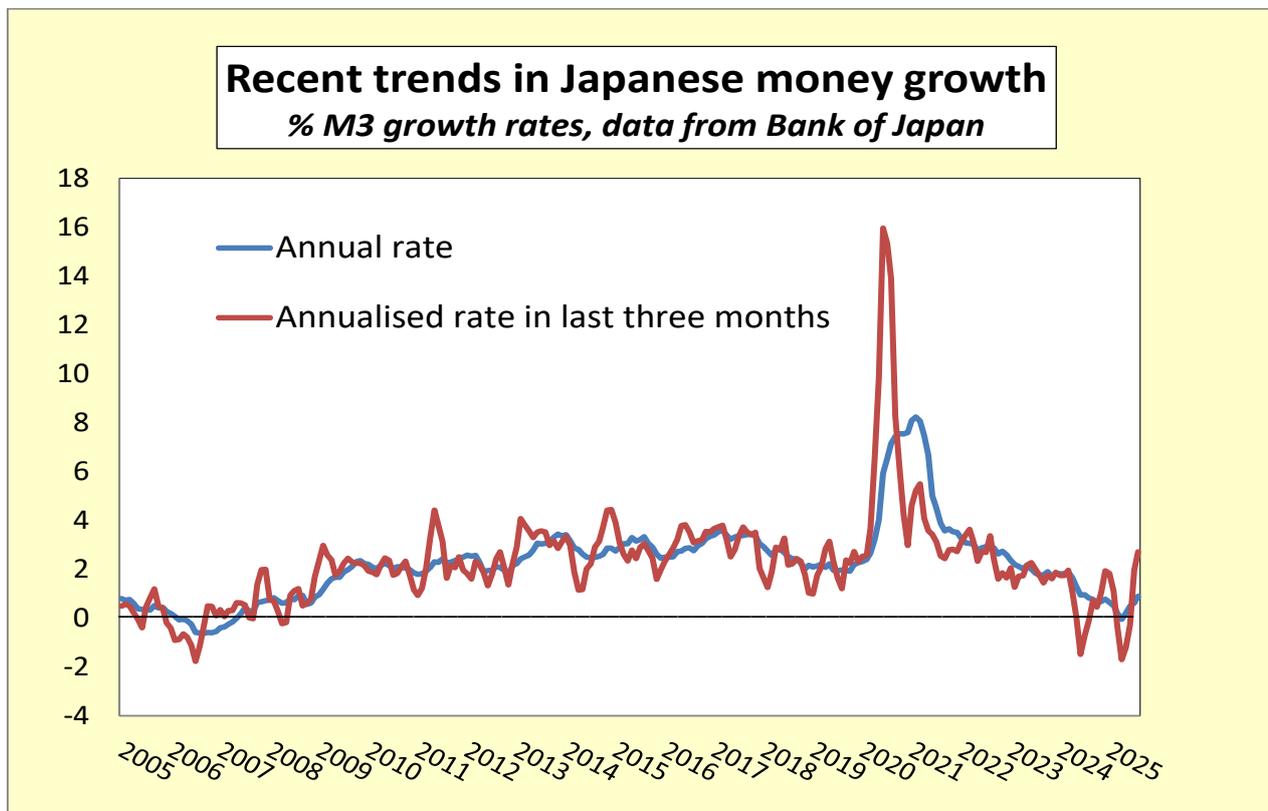


The Eurozone's annualised quarterly M3 growth rate continued its steady decline, falling from 1.5% in June to 1.0% in July. This was the weakest figure since October 2023. (By contrast, November 2024's reading was 6.2%) The annual growth rate picked up from 3.3% to 3.4%. July itself saw Eurozone broad money expand by a mere €9.2b., following a contraction in June. Demand for new bank credit from both households and businesses has picked up, although it remains feeble by historical standards. The contrast between the feeble M3 growth and the resilience of bank lending is to be explained by other counterparts to banks' balance sheet expansion. The Eurozone's foreign exchange reserves has fallen a bit since the start of 2025, while the European Central Bank continues to run off the assets acquired during the Covid pandemic. In 2025 Q2 Eurozone GDP expanded by a modest 0.1%, sharply down on the 0.6% growth of Q1. The money numbers point to a continuation of weak demand and growth, with inflation subdued. Currently the main concern in the 20-nation bloc is France, where public finances are on an unsustainable trajectory, but any attempts at reform may be frustrated by bitter political divisions and mass protests. (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 August 2025	<b>0.9</b>	<b>n/a</b>
Three months to August 2025 at annualised rate	<b>2.7</b>	<b>n/a</b>

Sources: Bank of Japan for M3 and IMF for GDP

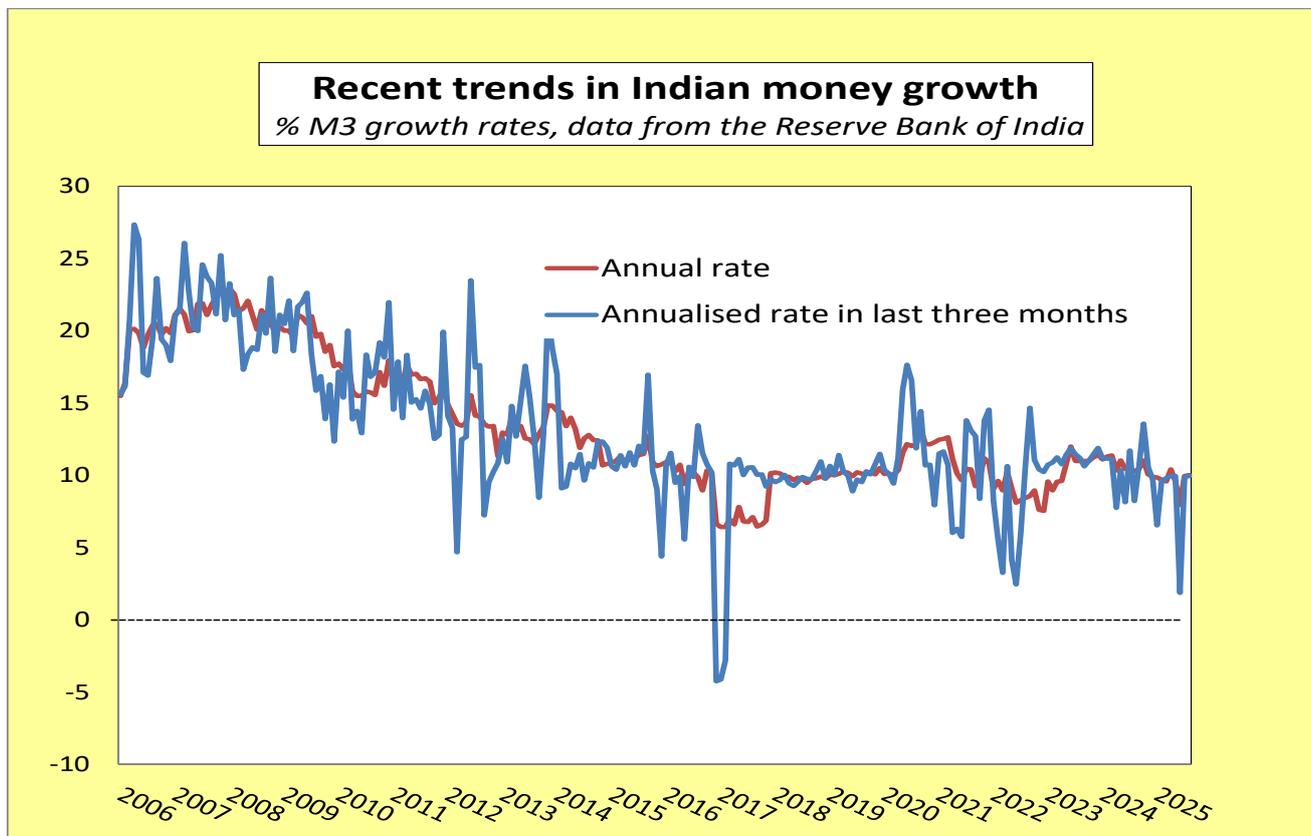


Four consecutive months of positive broad money growth have lifted the annualised quarterly growth rate of Japanese M3 from negative territory to 2.7%. The annual growth rate also rose to a 13-month high of 0.9%. Driving this increase has been a significant uptick in the growth of new bank credit, which rose to a four-year high of 3.6% in the year to August. This uptick has occurred even though the Bank of Japan, concerned about high inflation, has kept the cost of borrowing unchanged since January while indicating its ongoing intention to raise interest rates further as part of its proposed “normalisation” of monetary policy. Prices rose by 3.1% in the year to July, still above the BoJ’s 2% target. A more stable yen and very low broad money growth in 2024 and early 2025 strongly suggest that inflation is likely to drop significantly before the end of the year. However, the weakness of M3 growth in the last two years suggests that Japanese GDP is unlikely significantly to better the 0.3% real output expansion seen in Q2 of 2025. The recent increase in broad money growth, if sustained, at least suggests that the country should escape 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 August 2025	<b>10.0</b>	<b>n/a</b>
Three months to August 2025 at annualised rate	<b>10.0</b>	<b>n/a</b>

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

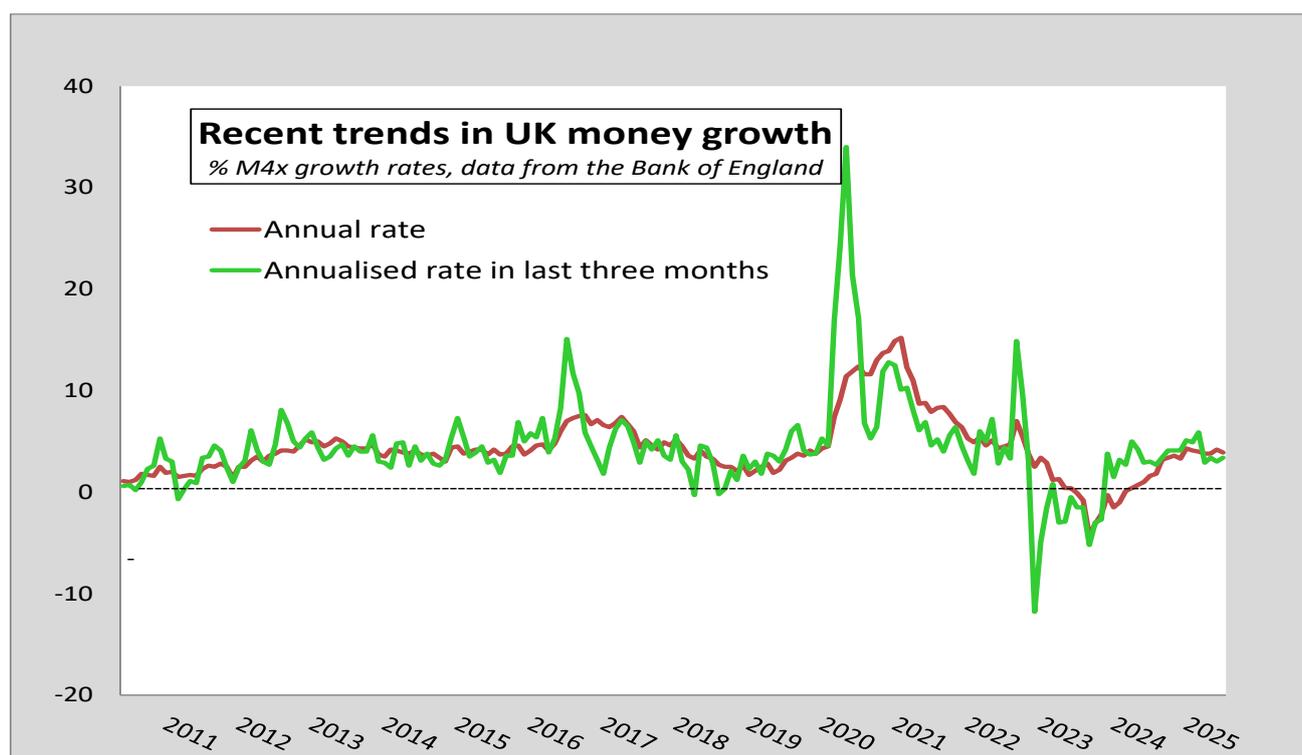


Indian M3 picked up in August, with both the annual and the three-month annualised growth rates standing at 10%. Apart from a brief downward blip in June, M3 growth has been fairly stable for much of 2025 but at a lower level than the numbers for 2023-4, which were typically 11% or more. These figures are a reflection of changes in demand for new bank credit, which has firmed slightly since dropping to a three-year low of 9.0% in the first half of June. Even so, late August's growth rate of 10% nonetheless still stands in contrast to the start of 2024, when it was growing as rapidly by as much as 1½% per month. (Note that Indian economic data are often reported on a bi-monthly basis.) The Reserve Bank of India (the central bank) has kept the cost of borrowing unchanged since reducing it by 0.5% on 6<sup>th</sup> June. With retail sales buoyant and inflation subdued, there seems little reason for further monetary loosening. The rupee has weakened against the US dollar since July, but thus far, there has been no intervention on the currency markets. Indeed, 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	<b>7.8</b>	<b>5.3</b>
Ten years to 2024	<b>4.9</b>	<b>2.2</b>
Year to July 2025	<b>3.9</b>	<b>n/a</b>
Three months to July 2025 at annualised rate	<b>3.4</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 3.4% in the three months to July 2025, a continuation of the rather weak pattern of the recent past. The annual growth rate declined from 4.2% to 3.9%. 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 and remained at this level in August. Tax rises continue to weigh on consumer sentiment, with retail sales recording very modest levels of growth. But the housing market has been resilient, with both the number and value of new mortgage approvals remaining buoyant after a drop in April. Lending to businesses also picked up in July after declining in June. The Bank of England's Monetary Policy Committee voted by 7-2 to maintain the Bank Rate unchanged at 4% at its September meeting. The inflation figures were a particular concern for the MPC, outweighing their worries about rising unemployment and a stagnant economy. The MPC voted to continue the run-off of assets purchased in the early 2020s, but at a lower rate (£70b. in the next 12 months as opposed to £100b. in 2024-25). Monetary policy looks set to remain fairly tight for the time being, although less than it has been. M3 growth will probably remain weak. (John Petley.)