



**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, February 2026

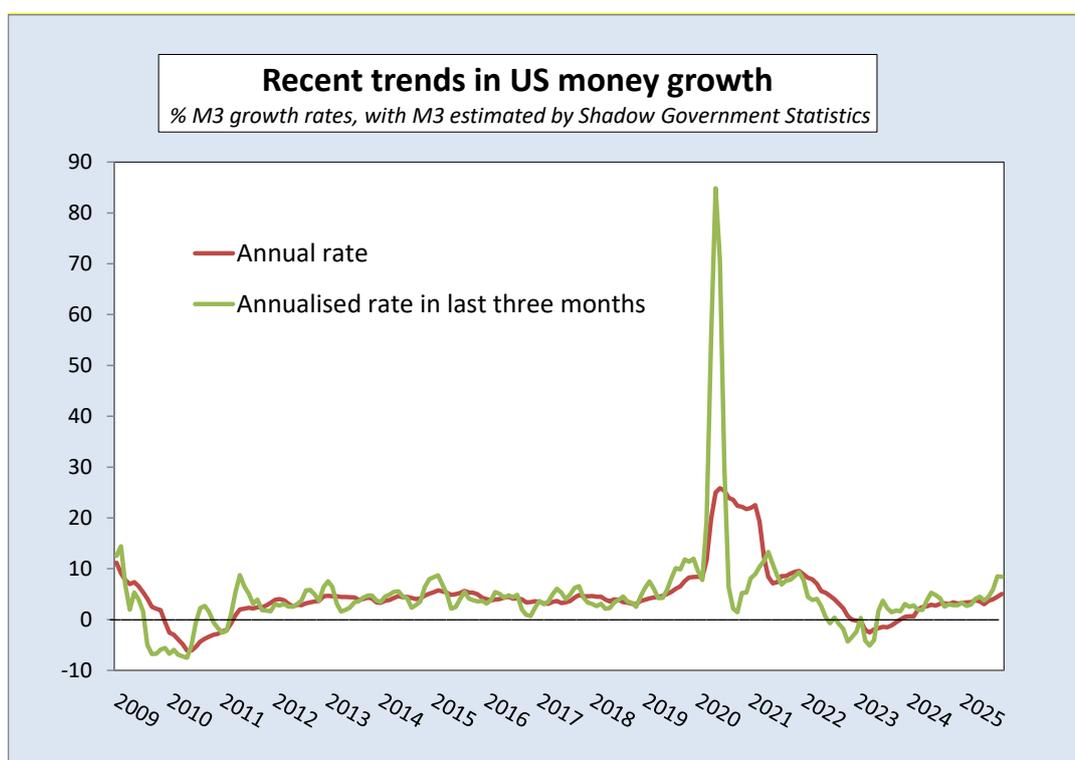
Money growth has strengthened in the Eurozone and the UK in recent months, although the rate of increase is only moderate at about 5% a year. In the USA bank credit to the private sector seems to be gaining pace. Commercial banks have ample capital from good profit retentions and enjoy a benign regulatory environment. A boom in money market mutual funds is still under way, as they provide the Trump administration with an easy means to finance its enormous budget deficit. The “true” annualised rate of US broad money growth is now in the 6% - 9% vicinity, too high for the sustained delivery of on-target 2% inflation. Meanwhile money growth in the two big developing countries, China and India, has also increased recently and remains much higher than in the traditional advanced Western countries, and is fairly stable at the high rates. Policy-making in Japan is in some turmoil, as the new prime minister Takaichi Sanae wants to boost public spending despite a surge in bond yields. Overall, the message from the latest monetary trends in the leading countries is positive for global demand and output growth in 2026, and above-trend growth of demand and output looks increasingly likely. President Trump’s behaviour continues to bewilder, but other countries press ahead with free trade agreements and indicate a preference for a rule-based international order. 2026 should see slightly above-trend growth (of about 3½ % - 4%) in world output. (*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, %	
USA	15.6	26.1	8	6 1/2	Bank credit to private sector gaining momentum, while huge Federal deficit being financed from money market funds. Money growth too high.
China	18.7	16.9	9.0	9.0	Money growth has picked up slightly. Inflation just above zero. Property market still struggling, but China's industrial strength remains impressive.
Eurozone	11.2	14.8	5.8	2.8	Money growth weakened in December, but has moved up to annualized growth rates of 5% in recent months. Inflation close to target.
Japan	3.7	4.0	1.0	1.0	Money growth has weakened further, but new bank credit to private sector quite strong. Inflation close to target. Worries about fiscal expansionism.
India	7.6	3.4	13.5	11.4	New bank credit to private sector very strong. Inflation low for time being, while banks' reserve ratios reduced and borrowing costs cut.
UK	2.2	3.2	5.4	5.0	M4x growth quite high. Inflation declining and expected to be back to target in April. Concerns about further tax rises affecting sentiment.

USA

	% annual/annualised growth rate:	
	M3	Nominal GDP
1961 – 2024	7.4	6.5
Ten years to 2024	5.8	5.3
Year to November 2025	6 ½	n.a
Three months to November 2025 at annualised rate	8	n.a.

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

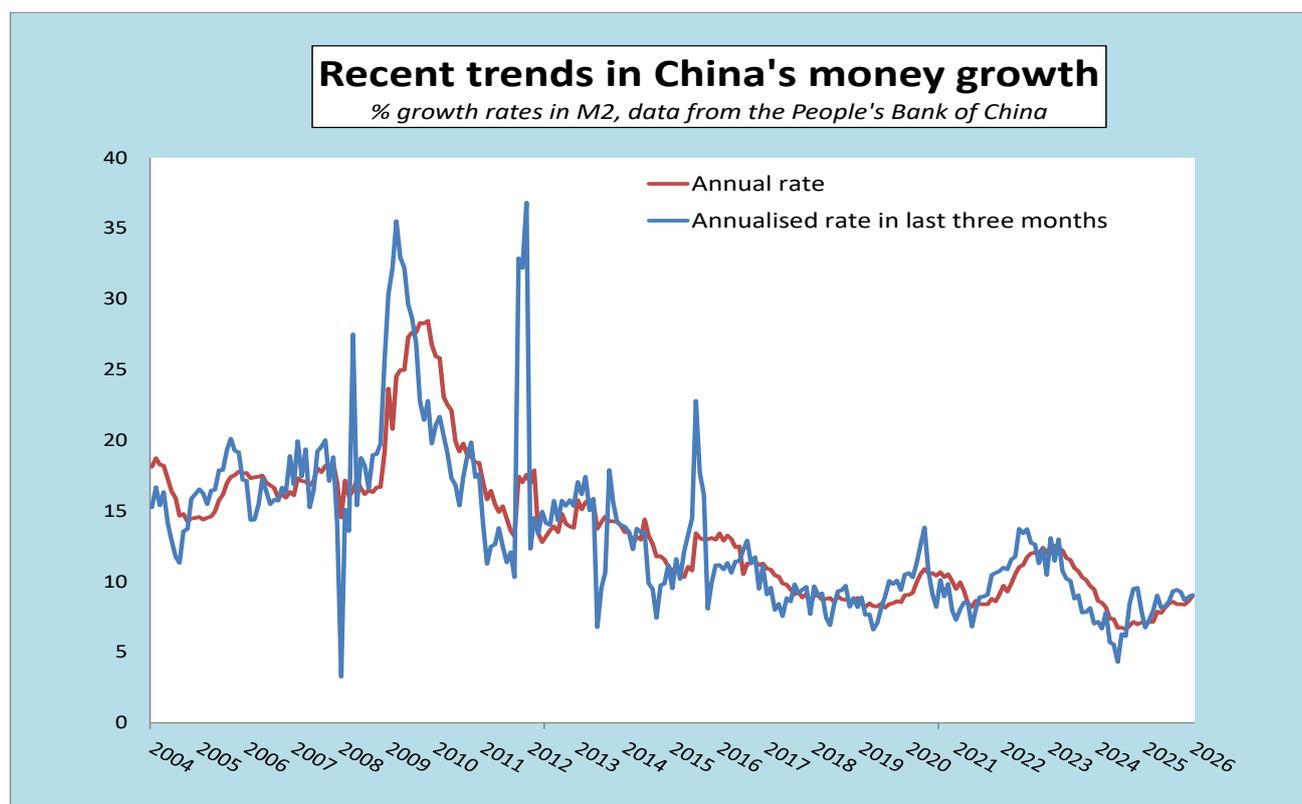


Despite being unpredictable in many respects, a consistent theme from the Trump administration has been its support for deregulation, including deregulation of banking. In practice this has meant an easing of capital rules on banks' risk-taking and, by extension, it implies faster growth of bank credit to the private sector. The data are starting to show the results. In the three months to 11th February "loans and leases in bank credit" – a category which corresponds roughly to bank lending to the private sector – rose by 2.3%, with the implied annualised rate of increase being 9.5%. (By contrast, in summer 2024 – when banks were still nursing the losses to their bond portfolios from the Fed's interest rate increases in 2022 – "loans and leases" were barely growing at all.) Bank deposits – which are the main component of broad money – have not been increasing so quickly. All the same, with the expansion of money mutual funds being used by the US authorities to finance the enormous budget deficit, the underlying trend rate of broad money growth in late 2025 and early 2026 seems to lie in the 6% - 8% area. That is too high to be compatible on a sustained basis with 2% inflation. Readers need to understand that the Federal Reserve pays little attention to money growth trends, but instead bases inflation forecasts mostly on the state of the labour market. (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 January 2026	9.0	n/a
Three months to January 2025 at annualised rate	9.0	n/a

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

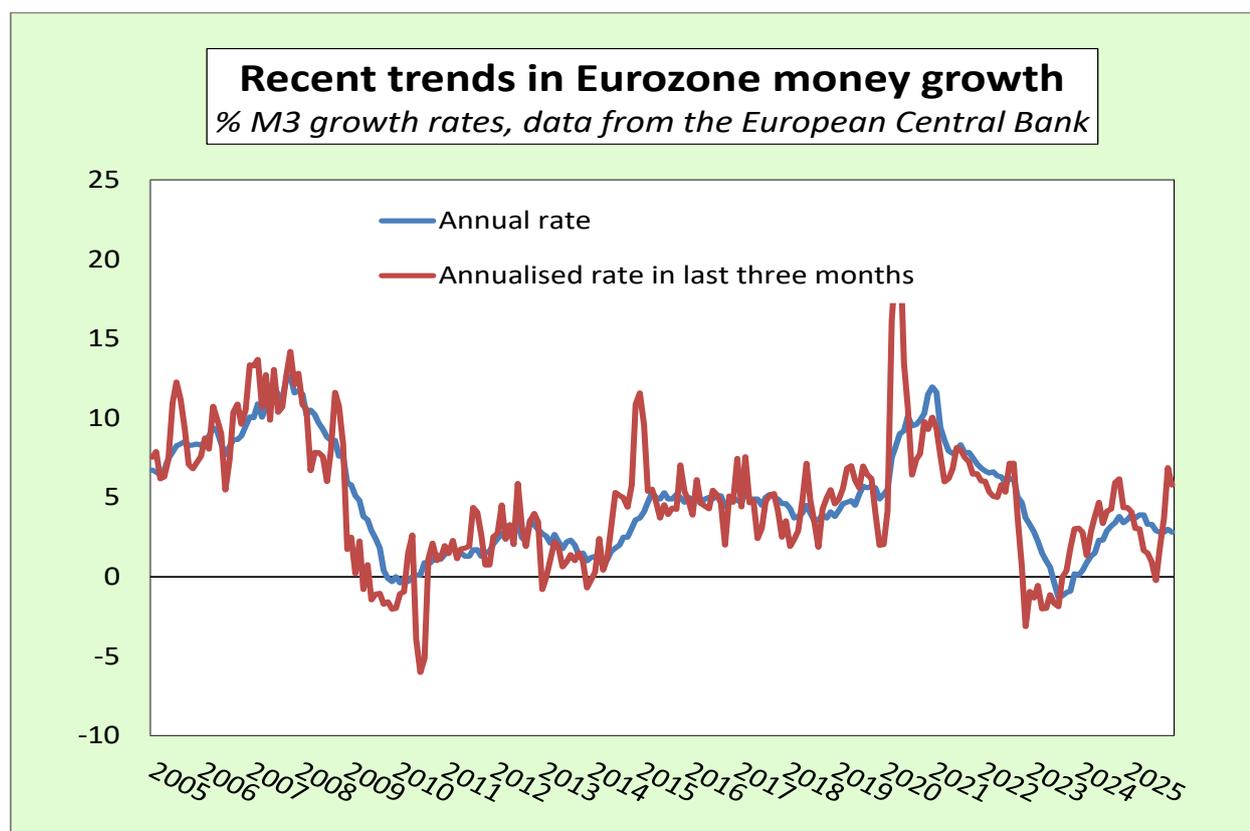


The second half of 2025 saw a modest upturn in Chinese broad money growth which has continued into the start of 2026. Both the annual growth rate and the annualised quarterly growth rate rose to 9%. The annual growth number was the highest in over two years. The increasing foreign currency reserves generated by China's huge trade surplus are a small part of the reason for the rise in broad money growth. Far more important has been domestic credit expansion, which rose in the year to January 2026 from – in the dollar equivalent of local currency – from \$50,500b. to \$54,300b. (Notice that both these numbers are *higher* than the equivalent figures for the USA, even though the yuan is probably undervalued.) Retail sales declined in both the final two months of 2025. The weakness in consumer spending reflects the still beleaguered housing market. Investment in property fell by 17.2% in 2025, while house prices fell by 3% in the year to January. This is the 31th consecutive month of decline, but – perhaps significantly – the third month in which the rate of decline has accelerated. Thanks to China's strong export growth, GDP growth was nonetheless able to hit the authorities' 5% target in 2025. Consumer inflation remains subdued, falling from 0.8% in December (the highest since February 2023) to 0.2% in January. For all the alleged weaknesses in China's economy, its real output continues to grow faster than that of major economies in the developed world. (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 December 2025	2.8	n/a
Three months to December 2025 at annualised rate	5.8	n/a

Sources: European Central Bank for M3 and Eurostat for GDP

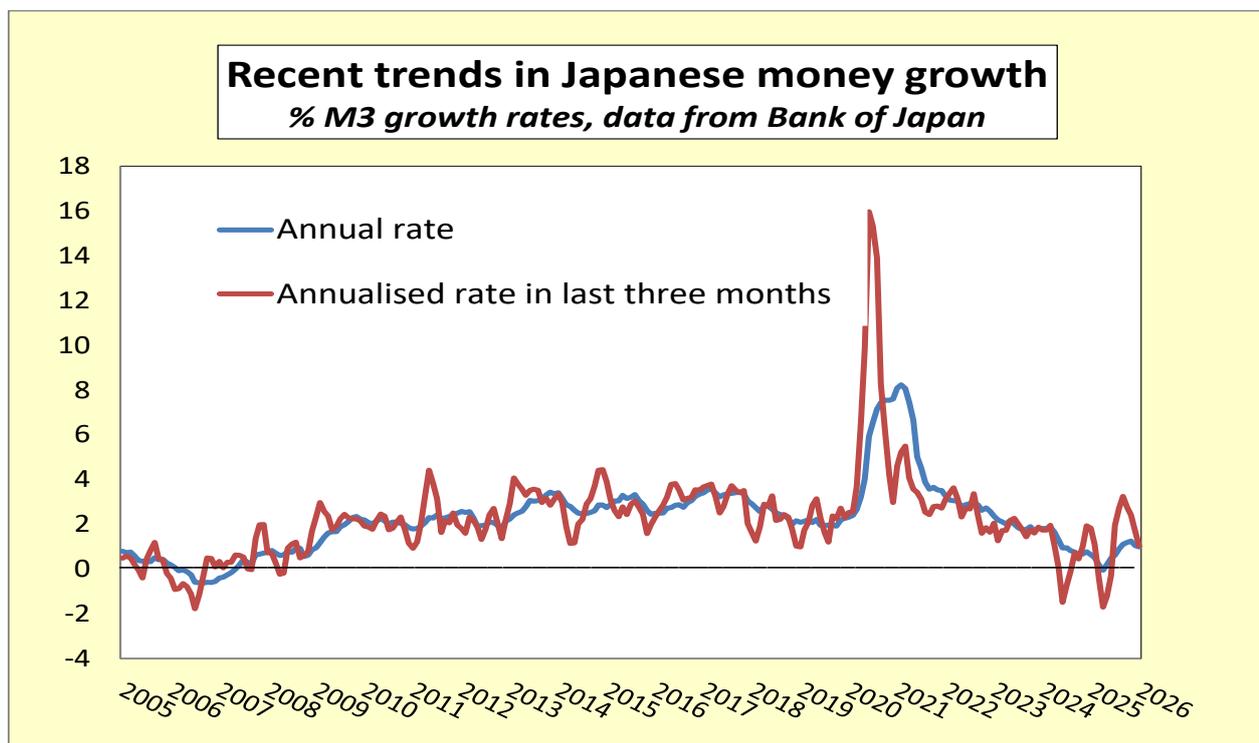


After three relatively strong months of M3 growth, December's figures were somewhat weaker. The Eurozone's annualised quarterly M3 growth rate fell from November's 6.9% to 5.8%. The annual growth rate also fell back from 3.0% to 2.8%. The year nonetheless ended with the increase in new bank credit from both households and businesses gaining some momentum. In February 2025 mortgage lending was growing at an annual rate of only 1.4% while the figure for new bank credit to businesses stood at 2.2%. In December, the corresponding figures were both 3.0%. The ECB has kept the cost of borrowing unchanged since 5th June. Inflation has settled down for now, with January's annual increase in the consumer prices down to 1.7%. Further rate cuts are widely regarded as unlikely for the time being. European banks' share prices had a buoyant 2025, advancing by a remarkable 65%, implying that they are now in good shape to pursue growth. The feeble broad money growth for much of 2024 and 2025 is consistent with inflation remaining subdued in 2026. If inflation stays down and annual broad money growth ran at 4% - 6%, this would be positive for asset prices and aggregate demand. Headline growth in GDP of 1.5% was recorded in the Eurozone in 2025. (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 January 2026	1.0	n/a
Three months to January 2026 at annualised rate	1.0	n/a

Sources: Bank of Japan for M3 and IMF for GDP

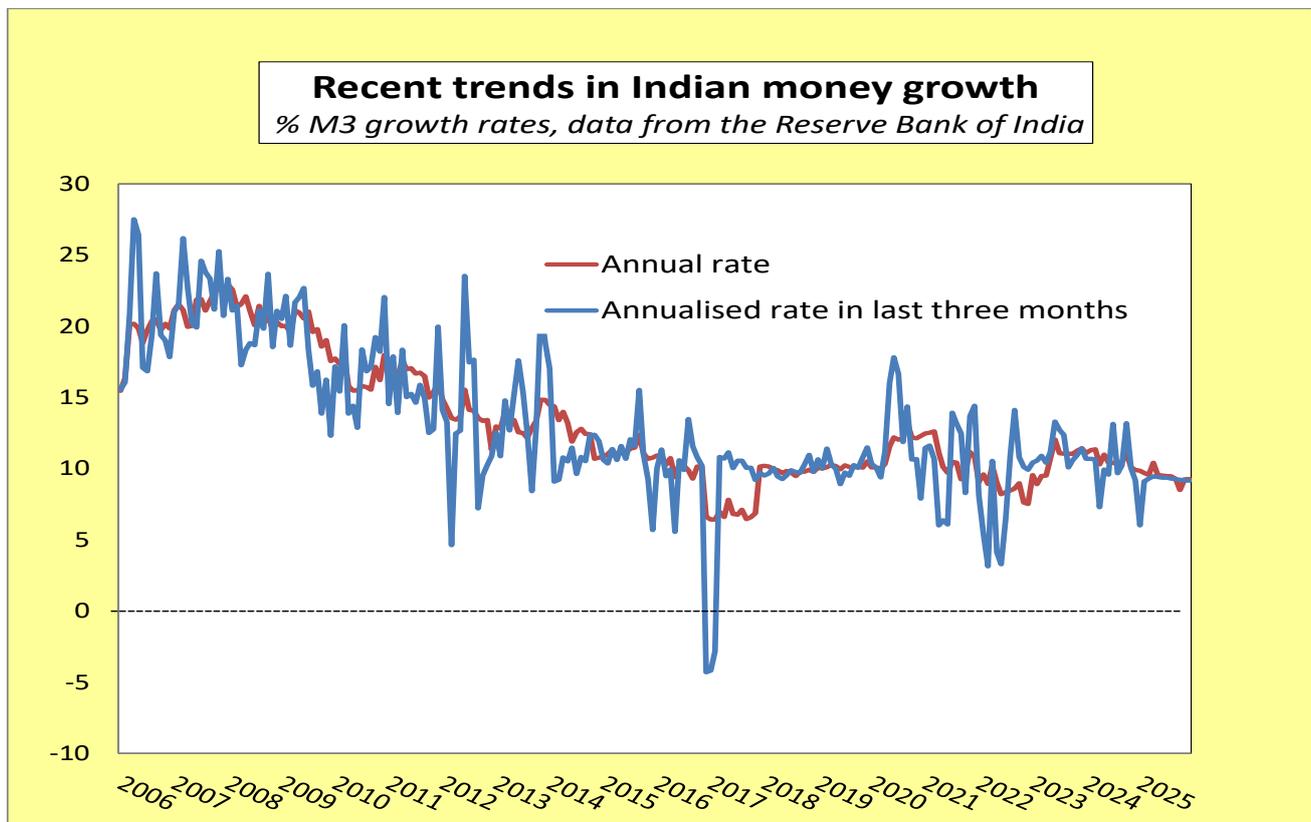


Japanese broad money growth appeared to be picking up during Q3 2025, but it has since fallen back to anaemic levels again. Indeed, 2026 began with a slight contraction in M3. This caused both the annualised quarterly and annual M3 growth rates to decline to a meagre 1.0%. The renewed weakness in broad money growth is surprising for two reasons. First, Japan's foreign currency reserves have been rising. They went up from \$1,320b. in August 2025 to \$1,390b. in January 2026. Normally this would be a positive influence on money growth. Secondly, the increase in new bank credit to the private sector reached a four-and-a-half year high of 4.5% in January. Reductions in the Bank of Japan's holdings of government securities may explain the semi-stagnation of broad money. Inflation has finally fallen below the Bank of Japan's 2% target, with January's 1.5% reading being the lowest in almost four years. Japan is therefore one of few economies now tightening monetary policy. The BoJ increased the cost of borrowing at its meeting in December. At 0.75% this is at its highest rate in 30 years, while recent comments from BoJ officials suggest that further rate hikes are likely this year. For a while, the BoJ has been expressing a desire to return the Japanese economy to so-called "normal", with inflation at around 2% and higher interest rates. Prime Minister Sanae Takaichi's enthusiasm for fiscal stimuli as a means of reviving Japan's stagnant economy has resulted in a steep rise in government bond yields. Long-standing concerns about Japan's long-run fiscal solvency have been exacerbated. (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 January 2026	11.4	n/a
Three months to January 2026 at annualised rate	13.5	n/a

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

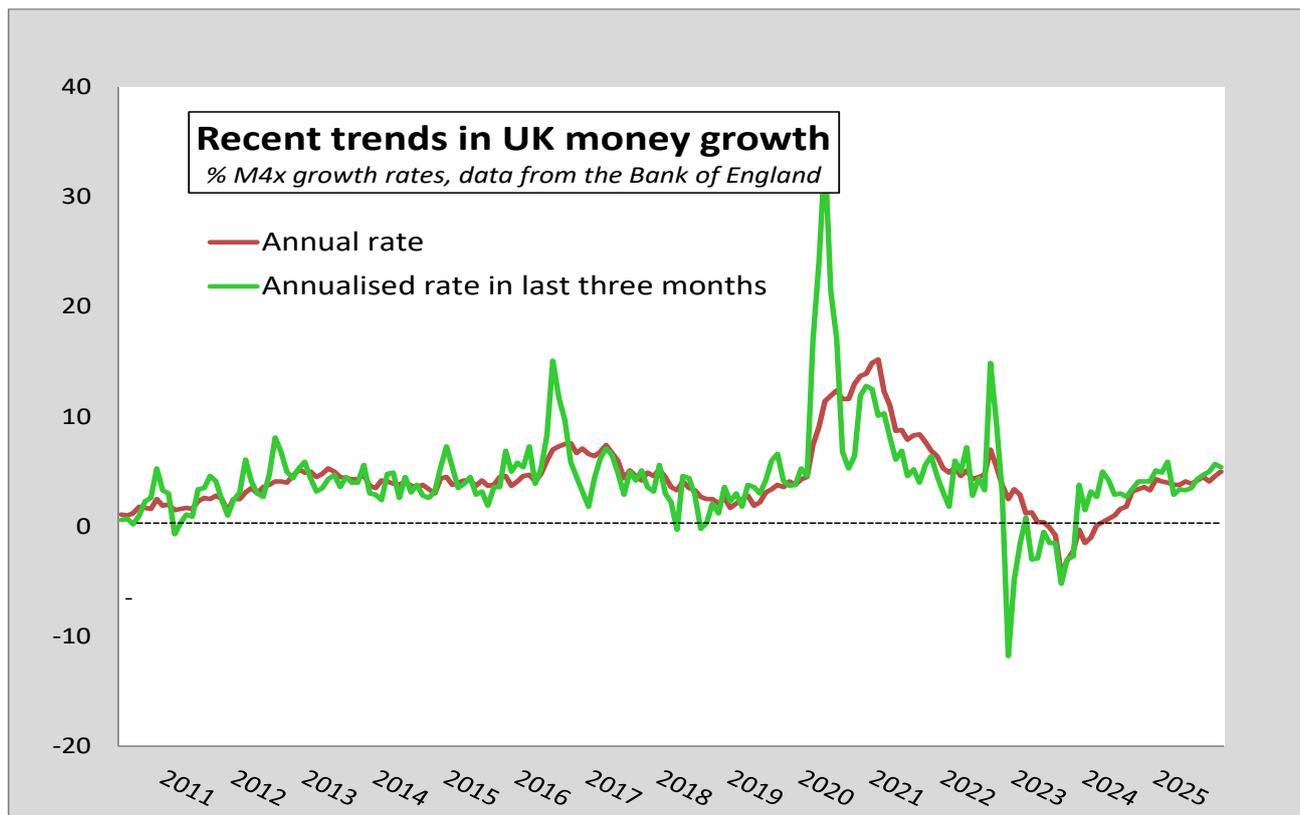


In 2025, the pace of growth of Indian M3 was lower than in 2024. 2026 has begun with growth rates more in line with the 2023-4 numbers. The annual growth rate rose to 11.4% while the annualised quarterly growth rate reached 13.5%. Both these figures were much above those in December's. With inflation at a relatively low level, the Reserve Bank of India (the central bank) has been easing monetary policy, reducing banks' reserve ratio requirements by 1% in four 0.25% instalments between August and November and cutting the cost of borrowing by 0.25%. Although inflation picked up to 2.8% in the year to January, this is still comfortably within the RBI's tolerance limits. Perhaps in response to the monetary easing, growth in new bank credit has picked up, rising to 14.6% in the second half of January 2026. The rupee has continued to decline against the US dollar, although India's foreign currency reserves have in fact increased recently. The acceleration in broad money growth, if it persists, suggests that inflation is unlikely to remain low indefinitely. On the other hand, M3 at these levels suggest that India's economy will continue to enjoy strong output growth. Final figures for 2025 have not been released, but gross domestic product rose by over 8% in real terms in the third quarter 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 December 2025	5.0	n/a
Three months to December 2025 at annualised rate	5.4	n/a

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



UK M4x grew at an annualised rate of 5.4% in the three months to December 2025. While down on November's reading of 5.7%, this continues the series of relatively strong readings which began in the second half of 2024. Meanwhile the annual rate of growth reached 5.0%, the highest figure in over three years. Late 2025 saw a decline in demand for new bank credit from households, with mortgage approvals down from local peaks in summer 2025. But in December the value of mortgage approvals was still 6.2% up on a year earlier. Inflation remains well above target, but January's number of 3.0% was the lowest for 10 months. The Bank of England's Monetary Policy Committee voted by a 5-4 margin to keep the Bank rate at 3.75% at its meeting on 4th February. Voting has been close for the last few meetings, a reflection of difficulties in interpreting current macroeconomic trends. The persistent above-target inflation has occurred in the context of weak growth in demand and real output. But most analysts expect a return to 2% on-target inflation in April, when the 2025 April increase (of no less than 1.2% in the one month by itself) is replaced by a much lower one-month gain. The money numbers are satisfactory, but towards the upper end of the ideal range for steady growth and 2% inflation. (Note by Tim Congdon and John Petley.)