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INTERNATIONAL
MONETARY RESEARCH**

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

Money growth update, April 2026

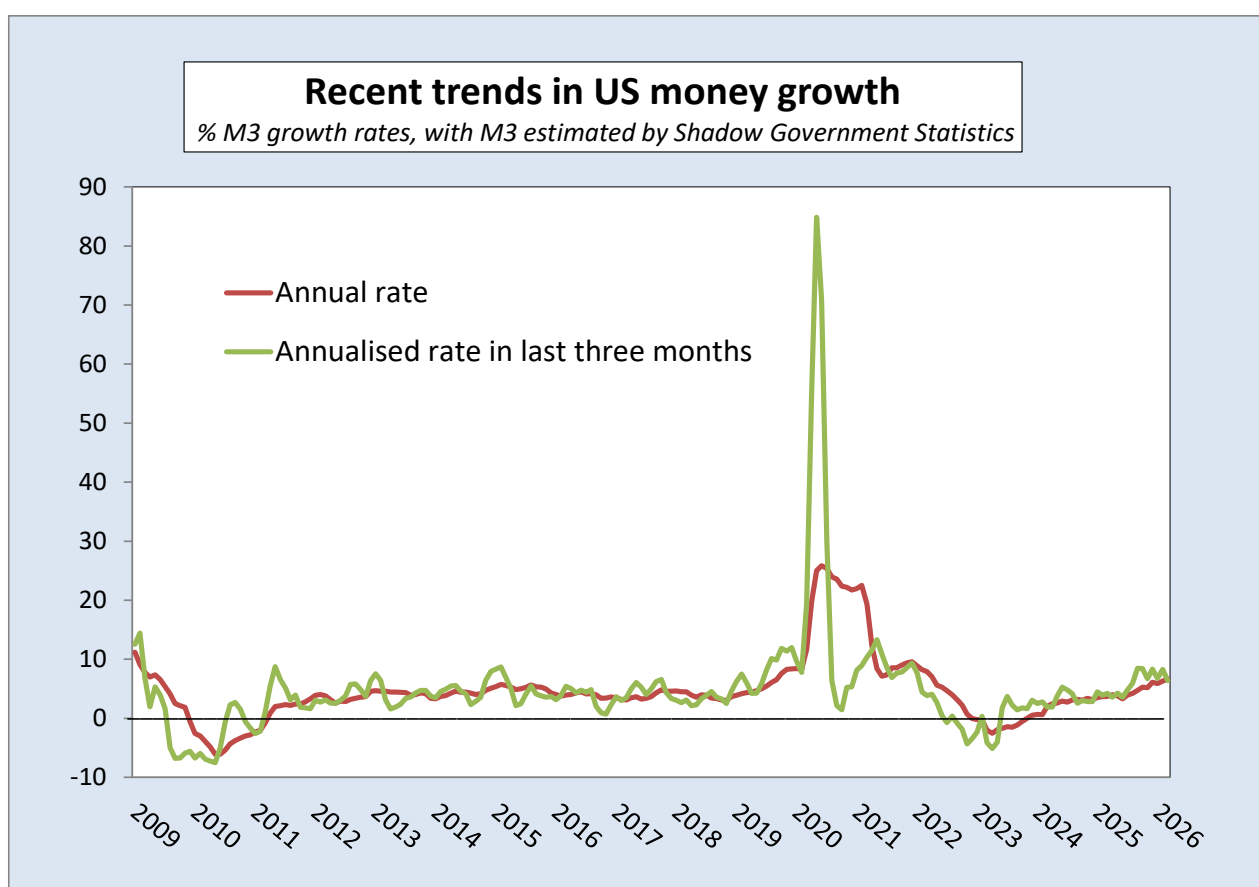
In the USA commercial banks' deposits have grown strongly in recent months, with the annualised rate of increase in the three months to March being a disturbingly high 9.5%. In qualification, 2025's boom in money market mutual funds stopped in the first quarter of 2026, even though the Trump administration continues to run an enormous budget deficit. Money growth has increased in China since mid-2025, while the Indian banking system is growing at annual rates in the mid-teens % on the back of booming credit and vigorous trend growth. With these three economies accounting for over 40% of world output (and indeed about 50% on world output measured after adjustment for purchasing power parity), *the world economy was heading for above-trend growth in 2026 before the shock of the Iran war*. The Iran war will reduce output growth and raise the price level in 2026, but the prospect has to be that – in the medium run - international pressure will open the Strait of Hormuz and the war's economic effects will be minor. Money growth is moderate – or even slow – in the Eurozone, Japan and the UK. (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	6.4	6.7	Bank credit to private sector gaining momentum, while huge Federal deficit risks monetization. Money growth too high for 2% inflation.
China	18.7	16.9	8.0	8.6	Money growth rising since mid-2025. Inflation just above zero. Property market struggling, but China's industrial strength remains impressive.
Eurozone	11.2	14.8	4.2	3.0	Money growth weaker in recent months. Inflation close to target, but affected by Iran war. Steady output growth at low trend rate.
Japan	3.7	4.0	1.0	1.4	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	15.5	12.9	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	2.5	3.9	M4x growth moderate, consistent with on-target inflation. Progress on inflation hit by energy price effects of Iran war.

USA

	% annual/annualised growth rate:	
	M3	Nominal GDP
1960 – 2025	7.4	6.5
Ten years to 2025	6.2	5.0
Year to March 2026	6.7	n.a
Three months to March 2026 at annualised rate	6.4	n.a.

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

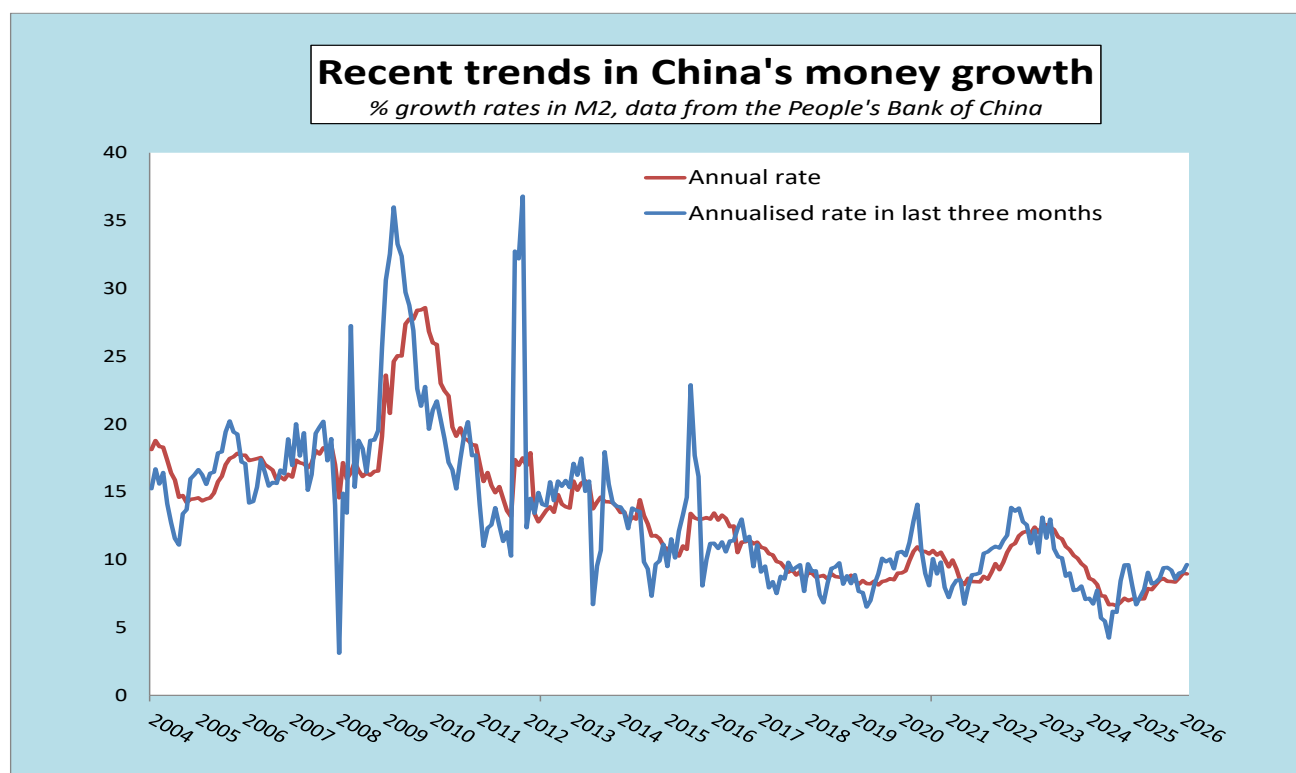


Deposits at US commercial banks were \$18,555.4b. in December 2025 and \$18,945.5b. in March 2026, according to the Federal Reserve’s H8 press release. The implied annualised rate of increase is 8.7%. As these deposits are the dominant element in broad money, the message is that money growth in the USA is at present incompatible with the Fed’s 2% inflation target. A number no higher than 5% - or at most 6% - is needed to ensure that inflation stays in line, over the medium term, with the 2% goal. In qualification, the other major element in broad money – namely money market mutual funds – have stagnated so far in 2026. (MMMF assets were \$7,733.3b. at 30th December and little changed at \$7,818.8b. at 8th April, according to a release from the Investment Company Institute.) For much of 2025 MMMFs were growing at annualised rates in the 15% - 25% area, since this was where the US Treasury finances most of the Federal deficit. Strong money growth at present is consistent with, for example, the buoyant stock market, and it argues for above-trend growth and inflation closer to 4% - 5% than to 2%. Note that the Fed pays little attention to these figures. (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 March 2026	8.6	n/a
Three months to March 2026 at annualised rate	8.0	n/a

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

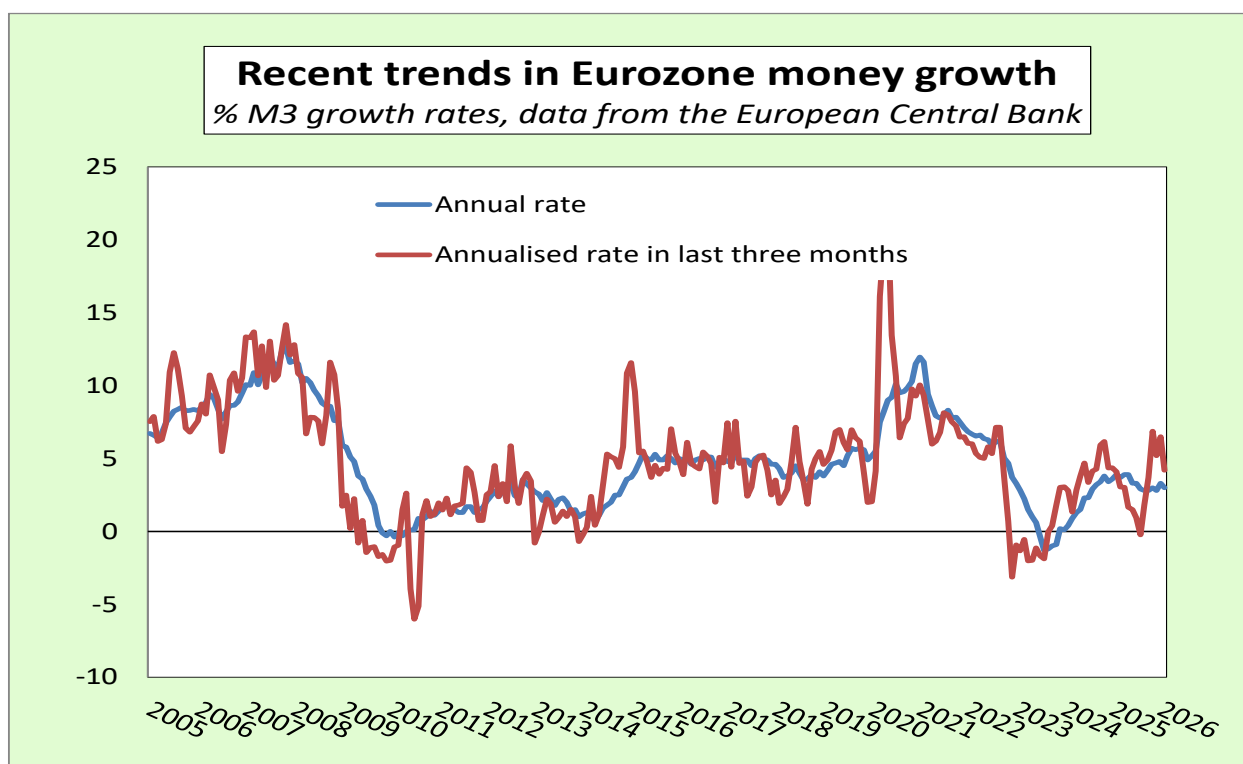


The second half of 2025 saw an upturn in Chinese broad money growth. This has continued into early 2026, although the pace of expansion is still well below figures typical in the last 40 years. The seasonally adjusted annualised quarterly growth rate rose stood at 8.0% in March. The unadjusted figures was considerably higher, but this reflected a recurrent seasonal pattern, for banks to concentrate new credit extension to companies in the first quarter. (As everywhere, new loans on the assets side of Chinese banks' balance sheets result in extra deposits on the liabilities side, and the deposits are money.) The month of March was in fact weaker in terms of credit growth than January and February, with the start of the year boosted by banks' purchases of government bonds. Although not widely reported in Western media, China is running a large budget deficit. According to definitions favoured by Fitch Ratings, the overall budget deficit was 8.8% of GDP in 2025, after 6.5% in 2024. The figure in 2026 is expected to be lower, at about 7½% of GDP. The Chinese economy presents a mixed picture, but it continues to expand at a higher trend rate than the economies of North America and Europe. Real GDP rose by a respectable 1.3% in Q1 2026, with an increase on a year earlier of 5.0%. The trade surplus reached an all-time record high in February of almost \$214b., a year-on-year increase of almost 40%. March's surplus was much lower, with the value of imports boosted as Chinese businesses sought to pre-empt potential supply chain disruptions due to the Iran war. (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 February 2026	3.0	n/a
Three months to February 2026 at annualised rate	4.2	n/a

Sources: European Central Bank for M3 and Eurostat for GDP

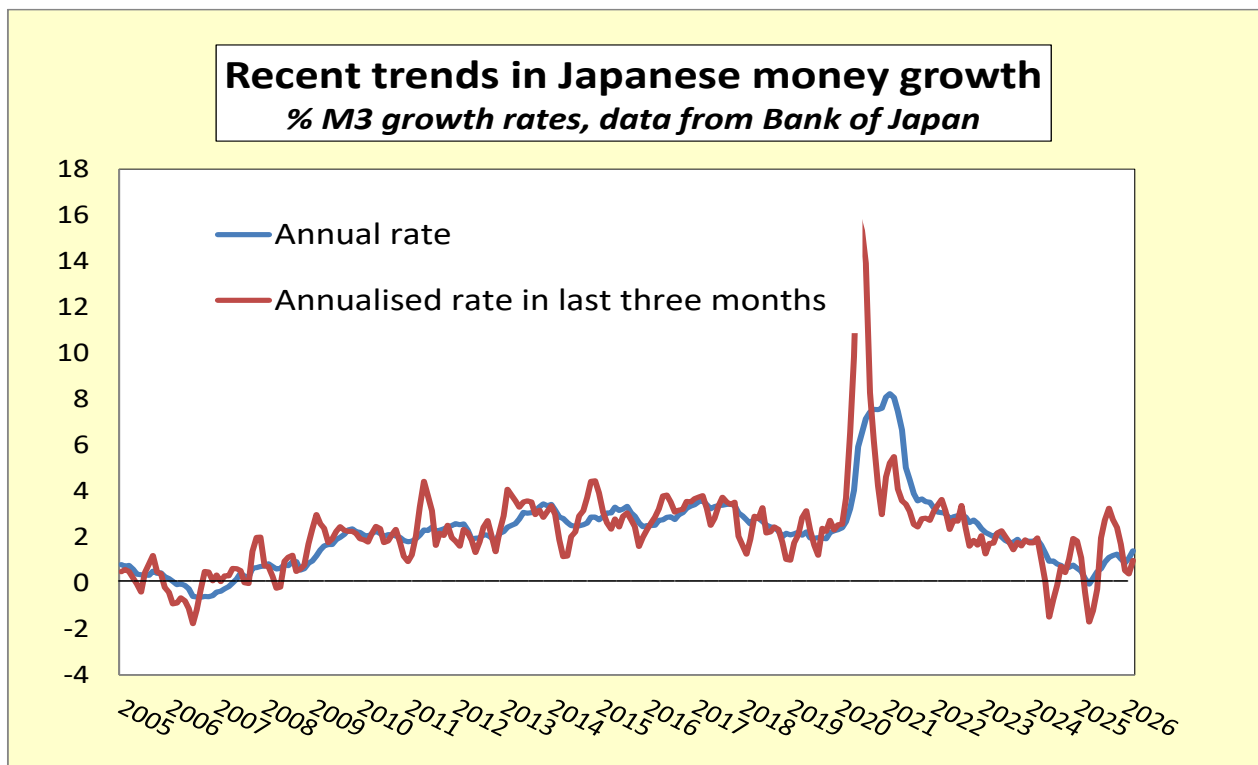


Weak money growth in February caused the annualised quarterly growth rate of Eurozone M3 to fall back from 6.5% in January to 4.2%. Significant sales of government securities by the ECB were one reason for the mere €25b. M3 rise (i.e., a bit more than 0.1%) in the month of February. The annual growth rate also declined from 3.3% to 3.0%. Demand for domestic credit has increased since the start of 2025, when mortgage lending had risen by only 1.4% in the previous year, while the comparable figure for bank credit to businesses was 2.2%. The figures since the start of 2026 have been hovering at around 3% or just under, but have been fairly static at these levels for at least five months. After almost a year when the inflation rate seemed to have settled down close to the ECB's 2% target, March's reading was 2.6%, the highest figure since July 2024. The increase was mainly due to the rise in energy costs due to the Iran conflict. Once the disruption to oil and gas supplies is over, and its effect on energy prices has been reversed, inflation is likely to drop back to around 2%. The cost of borrowing has remained unchanged since 5th June 2025. Until recently, it looked as if the ECB would not be making any further adjustments to interest rates for some time. The Iran war will create a negative shock for Eurozone GDP growth, as well as increasing inflation. On balance, the ECB still remains likely to keep the cost of borrowing at the current level. The money numbers remain sufficiently positive to suggest that demand and output will continue to increase, albeit at a moderate level, during 2026. (Note by John Petley.)

Japan

	% annual/annualised growth rate:	
	M3	Nominal GDP
1981- 2025	3.7	1.9
Ten years to 2025	2.7	1.7
Year to March 2026	1.4	n/a
Three months to March 2026 at annualised rate	1.0	n/a

Sources: Bank of Japan for M3 and IMF for GDP

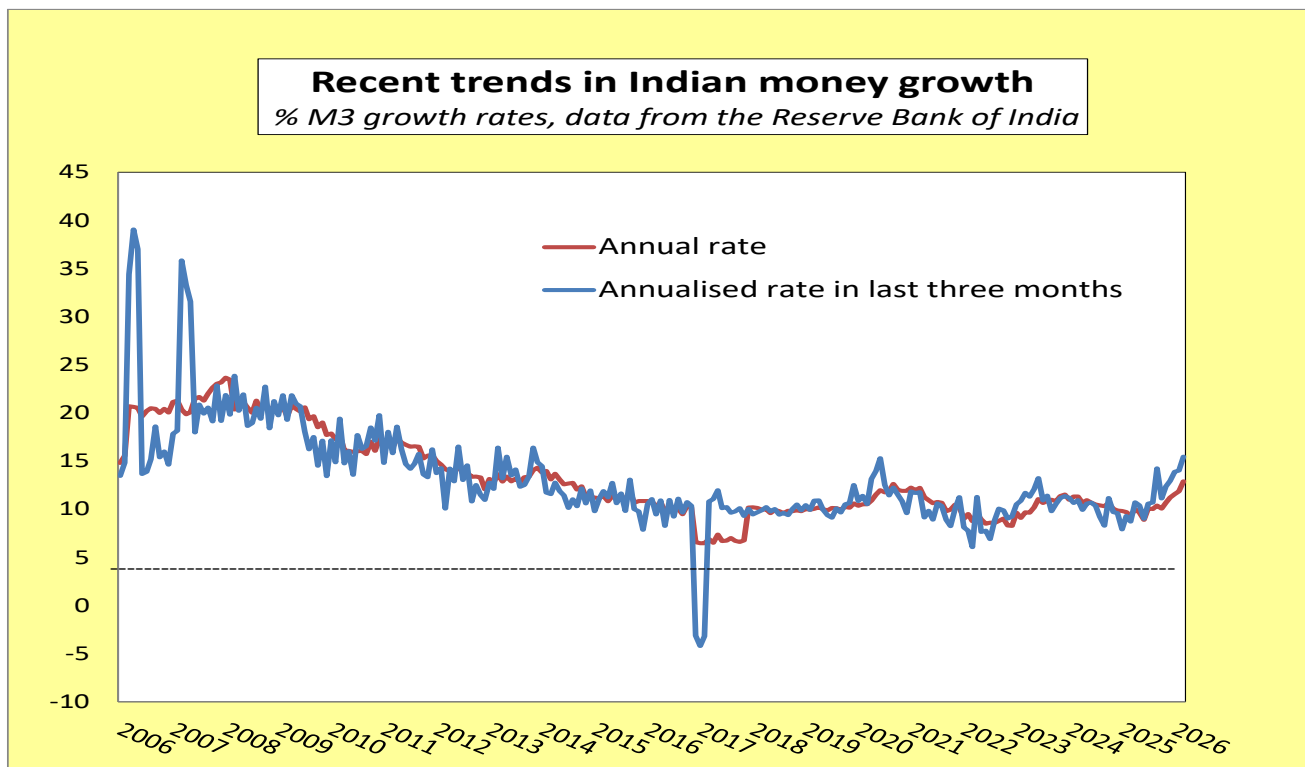


2026 has seen a continuation of very weak Japanese broad money growth. M3 grew at an annualised rate of only 1.0% in the three months to March. (The annual rate of increase was also meagre, at only 1.4%.) A notable feature of recent months is that this long period of sluggish broad money growth has in the end constrained inflation, despite the adverse effects on costs from the weakness of the yen in recent years. Consumer prices rose by a mere 1.3% in the year to March, the lowest figure in almost four years. Indeed, the monthly inflation figure has been negative since the start of 2026. The feeble rate of broad money growth is occurring in the context of a strong demand for new bank credit by Japanese companies. March's annual growth rate in the stock of bank lending rose to 4.8%, the highest in almost four years. The Bank of Japan has indicated its preparedness further to raise the cost of borrowing, although these plans may be put on hold while the Iran conflict lasts, given Japan's dependence on imported energy and the weakness of the yen. This may cause inflation briefly to spike, but a resumption of below-target inflation may follow. Japan's biggest potential problem is currently the steep rise in government bond yields. Prime Minister Sanae Takaichi has embarked on a substantial fiscal stimulus in an attempt to boost Japan's economy. The scale of bond issuance has exacerbated long-standing concerns about Japan's long-run fiscal solvency. (Note by John Petley)

India

	% annual/annualised growth rate:	
	M3	Nominal GDP
1981- 2025	15.0	12.9
Ten years to 2025	9.9	10.3
Year to February 2026	12.9	n/a
Three months to February 2026 at annualised rate	15.5	n/a

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

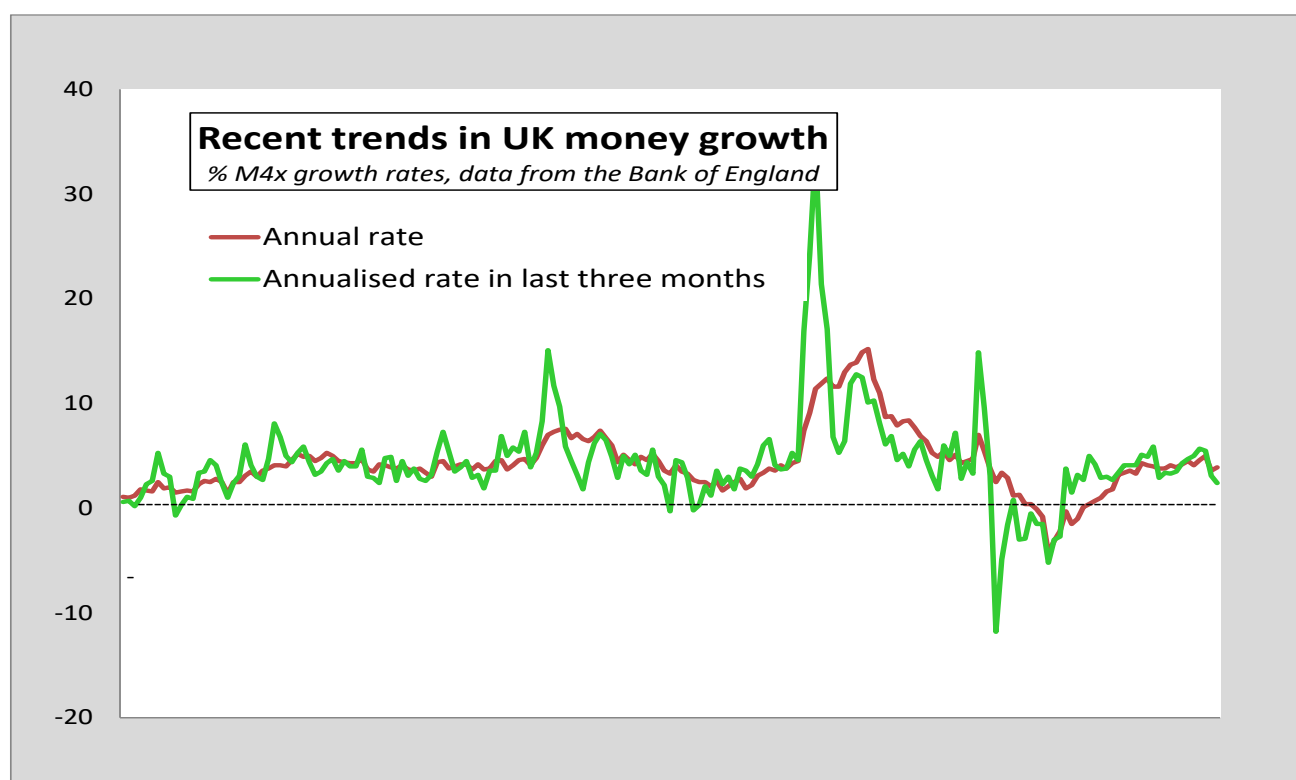


In 2025 the pace of growth of Indian M3 was lower than in 2024. In 2026, however, growth rates have returned to levels more in line with the numbers seen in 2023 and 2024. Indeed, both March's annualised quarterly growth rate of 15.5% and the annual growth rate of 12.9% were the highest respective readings since the 2020 coronavirus pandemic. This significant increase in broad money growth has been driven by strong demand for new bank credit. At the start of April the stock of bank credit to the private sector was over 16% higher than a year earlier. The Reserve Bank of India (the central bank) eased monetary policy in late 2025, reducing banks' reserve ratio requirements by 1% in four ¼% instalments between August and November, while also cutting the cost of borrowing fractionally. The buoyancy of bank credit reflects, above all, the dynamism of the economy and the wide range of high-return investments available. In late 2025 inflation fell to its lowest level in over a decade, which might be thought to give the RBI scope to cut the cost of borrowing. Although inflation has picked up, rising to 3.4% in the year to March, this is still comfortably within the RBI's tolerance limits. But credit and money growth at recent rates, far above the trend increase in supply potential, must ultimately lead to excess demand and rising inflation. The rupee's weakness on the foreign exchanges confirms this diagnosis. (Note by Tim Congdon and John Petley.)

UK

	% annual/annualised growth rate:	
	M4x/M4 before 1997	Nominal GDP
1981 – 2025	5.6	5.8
Ten years to 2025	4.9	4.8
Year to January 2026	3.9	n/a
Three months to January 2026 at annualised rate	2.4	n/a

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



UK broad money grew at an annualised rate of 2.4% in the three months to February 2026, the lowest figure in over two years. (The annual growth rate rose from 3.6% to 3.9%.) In February the number of new mortgage approvals increased for the first time since September, with the monthly figure being more than 5% up on the average of the previous three month. Meanwhile demand for new credit from large companies remains robust. The number of new car sales in March reached a post-pandemic high of 380,627. These positive developments are occurring even though both consumer and business sentiment have declined since the start of the year, and while the annual inflation rate (up from 3.0% in February to 3.3% in March) remains well above target. With the recent surge in the oil price likely to have a short-term upward effect on prices, the Bank of England’s Monetary Policy Committee voted unanimously against cutting the cost of borrowing at its meeting on 19th March. Indeed, Governor Andrew Bailey hinted that the Bank Rate may be raised if above-target inflation persists. The obstinacy of high inflation coincides with signs of weak growth in demand and output. UK GDP expanded by a mere 1.3% in 2025. With the effects of higher fuel prices likely to keep the inflation well above 3% in the short term and April due to see tax rises, sentiment among households and business is unlikely to improve. In summary, macroeconomic prospects for the UK are uninspiring. (Note by John Petley.)