



**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, June 2026

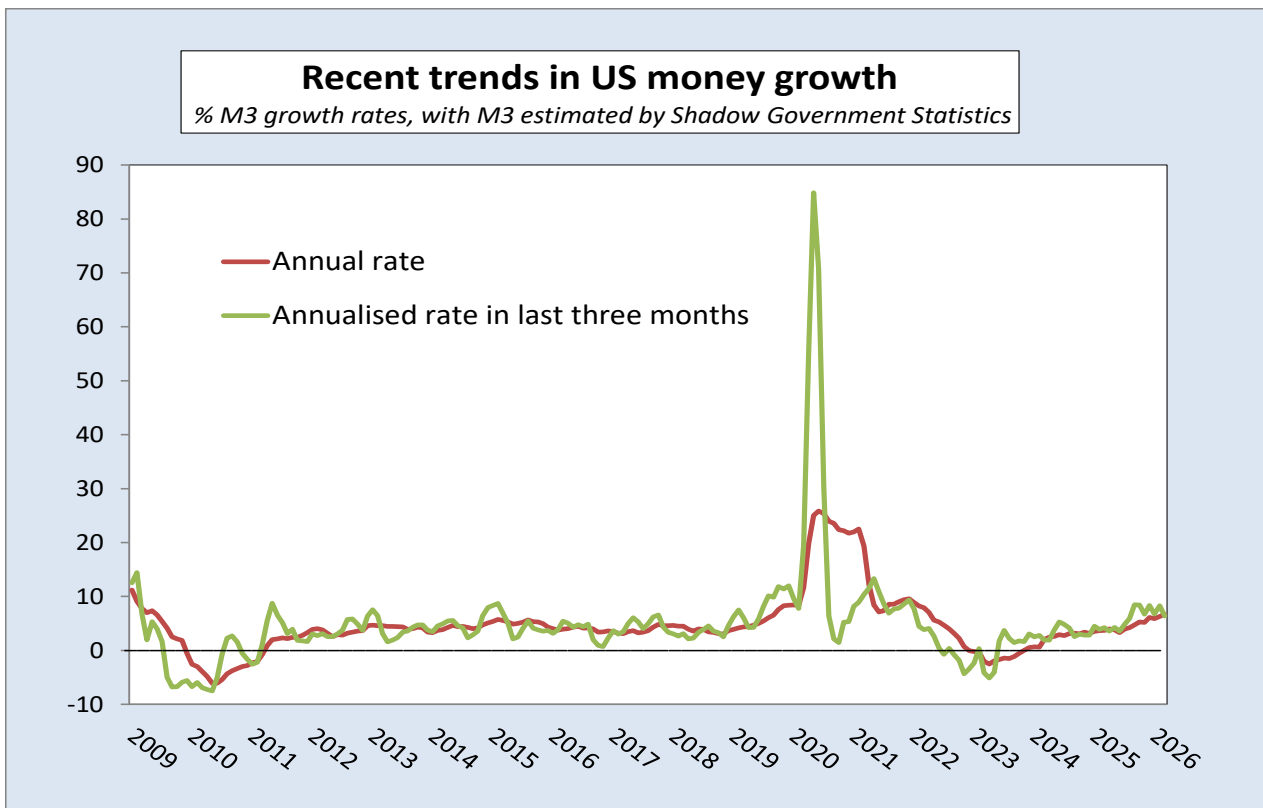
In the USA commercial banks' deposits have grown strongly in recent months, with the annualised rate of increase in the three months to 10 June being a disturbingly high 10.2%. In qualification, 2025's boom in money market mutual funds stopped in the first quarter of 2026, even though the Trump administration continues to run an enormous budget deficit. Money growth has slowed in China since March. By contrast, the Indian banking system continues to grow at annual rates in the mid-teens % on the back of booming credit and vigorous supply-side dynamism. 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 hostilities*. These hostilities – which now seem to be over – plainly did affect energy prices, and then – for example – petrochemical and fertiliser prices. But the wider effects have been minor and manageable. Money growth in the UK has picked up as demand for new bank credit strengthens. It has also risen in Japan, but remains moderate – or even slow. In the Eurozone, the quantity of money declined during April. *(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	8.2	7.1	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	7.6	8.5	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	5.7	3.2	Money growth weak, despite well-capitalised banks. Inflation close to target, but affected by Iran war. Steady output growth at low trend rate.
Japan	3.7	4.0	2.2	1.9	Money growth still low. But new bank credit to private sector quite strong. Inflation close to target. Worries about fiscal expansionism and weak yen.
India	7.6	3.4	13.8	12.1	New bank credit to private sector very strong, amid economic boom. Inflation rising, while rupee slides on foreign exchanges. Policy too loose.
UK	2.2	3.2	4.0	4.5	M4x growth moderate, consistent with on-target inflation. Strong credit growth. 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	7.2	n.a
Three months to March 2026 at annualised rate	8.0	n.a.

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

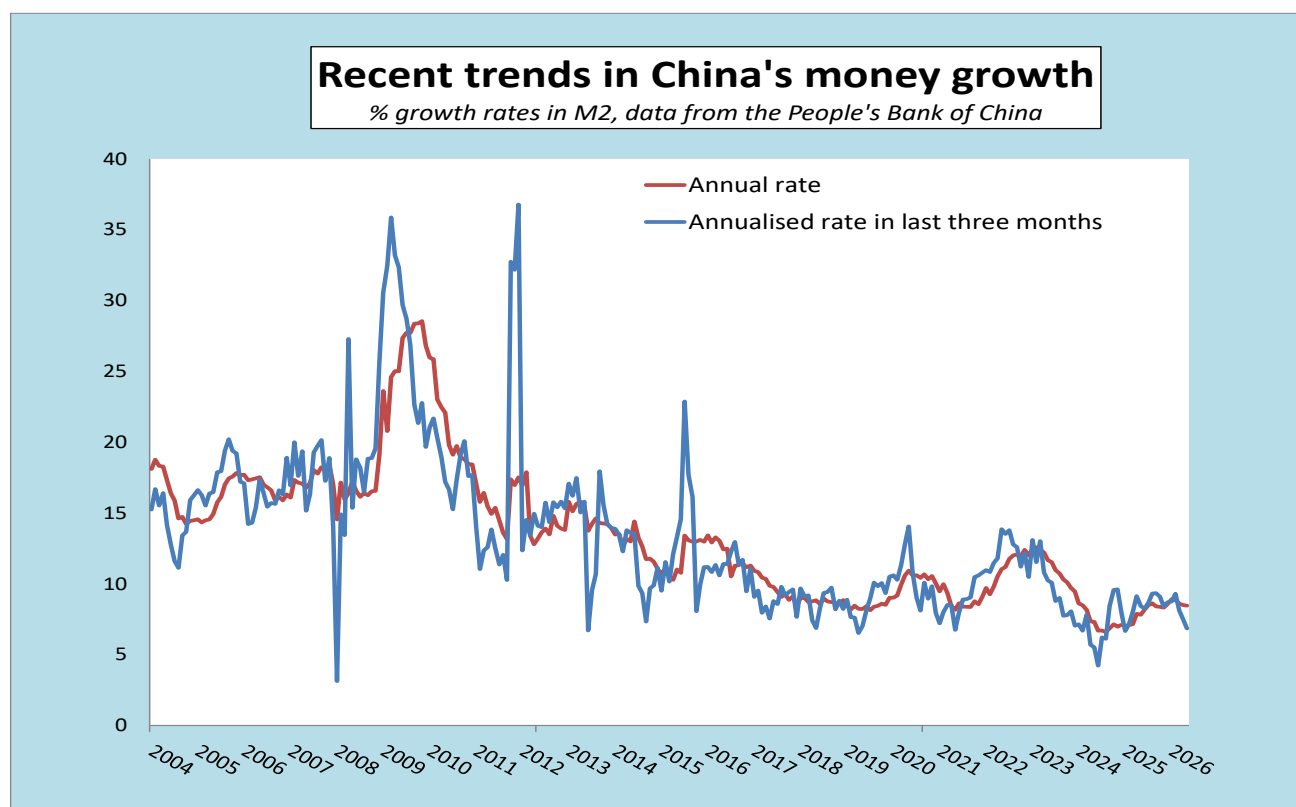


The US budget deficit has fallen relative to GDP, but remains enormous and is being financed to a significant extent from the monetary sector. In 2026 the borrowing has been largely from the banks as such rather than money market mutual funds. (This is in contrast to 2025, when MMMFs took on almost \$b. 950 of Treasury bills, roughly half of the deficit.) In the 23 weeks from the end of 2025 to 10th June bank deposits – which are most of broad money – rose by 4.0%, with an implied annualised rate of increase of just above 9%. Commentary elsewhere in our research has emphasized that this is not compatible with on-target 2% inflation over the medium term. Bank credit to the private sector is also growing strongly, as US banks and their regulators assert their autonomy from the capital restrictions imposed by the Bank for International Settlements in Basel. The buoyancy of bank credit and broad money signal above-trend growth in the second half of 2026, in contrast to rather mediocre increases (at annualised rates) in real GDP of 0.5% and 1.6% in the final quarter of 2025 and the first quarter of 2026. Recent inflation news has been disappointing, although the Iran situation has been a special adverse influence on energy prices. *(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 May 2026	8.5	n/a
Three months to May 2026 at annualised rate	6.9	n/a

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

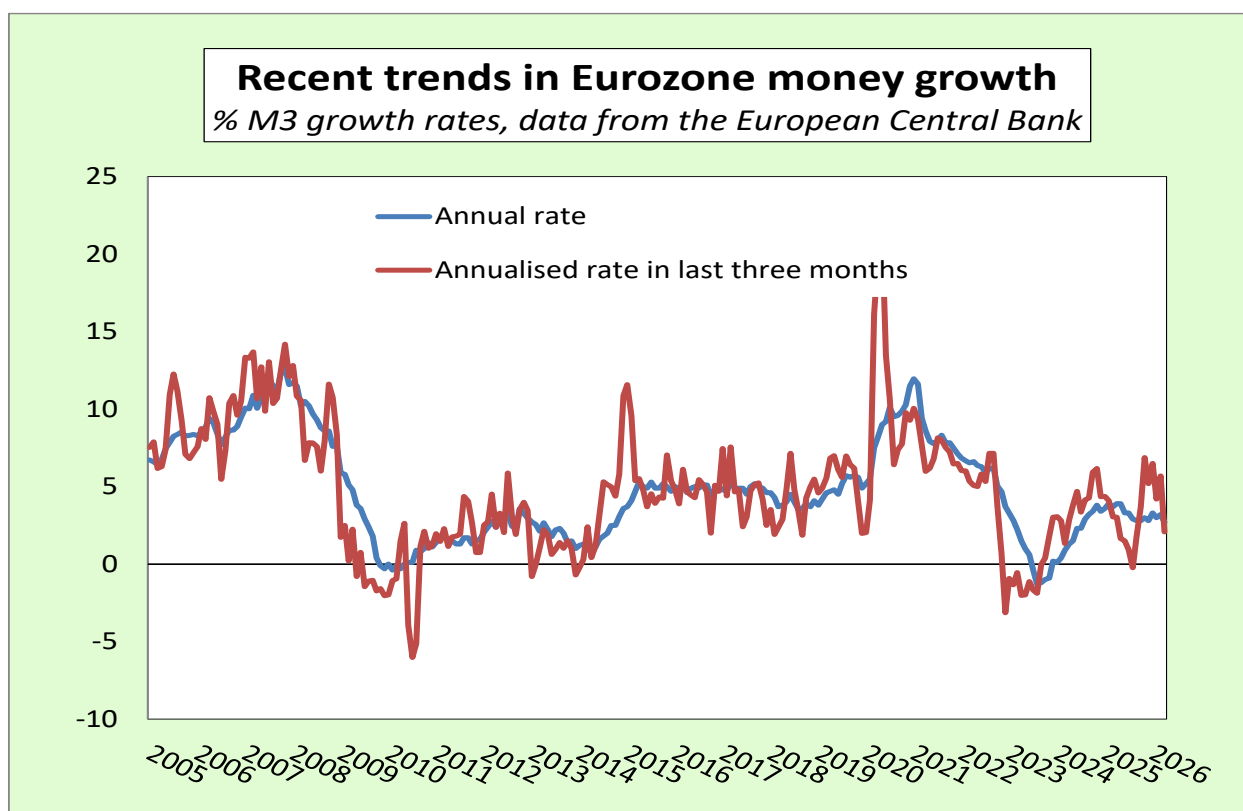


The upturn in Chinese broad money growth which began in late 2025 seems to have fizzled out. In May the seasonally adjusted annualised quarterly growth rate fell to a 16-month low of 6.9% while the annual rate was unchanged from April's reading of 8.5%. Monetary policy has not changed for over a year now, suggesting that the authorities do not seem worried that the rate of credit expansion has been on a steady downward trend for over three years. "Aggregate financing", a Chinese term for bank credit expansion to domestic entities, was 11% lower in May 2026 than a year earlier. Chinese exports continue to perform well, helping real GDP to rise by 1.3% (i.e., at an annualised rate of 5.3%) in Q1 2026. The trend rate of output growth remains much higher than in the economies in North America or Europe. The housing market continues to see falling prices and remains an ongoing concern, not least because of its effect on collateral for bank loans. An increase in factory gate prices of 3.9% in the year to May, thanks to the Iran war, suggests that China's recent run of benign inflation figures may soon come to an end. Of more concern is China's fiscal situation. According to definitions favoured by Fitch Ratings, the overall budget deficit was 8.8% of GDP in 2025, after 6.5% in 2024, although the figure in 2026 is expected to be lower, at about 7½% of GDP. (Note by John Petley)

Eurozone

	% annual/annualised growth rate:	
	M3	Nominal GDP
1996 – 2025	5.1	3.5
Ten years to 2025	4.6	4.1
Year to April 2026	2.7	n/a
Three months to April 2026 at annualised rate	2.1	n/a

Sources: European Central Bank for M3 and Eurostat for GDP

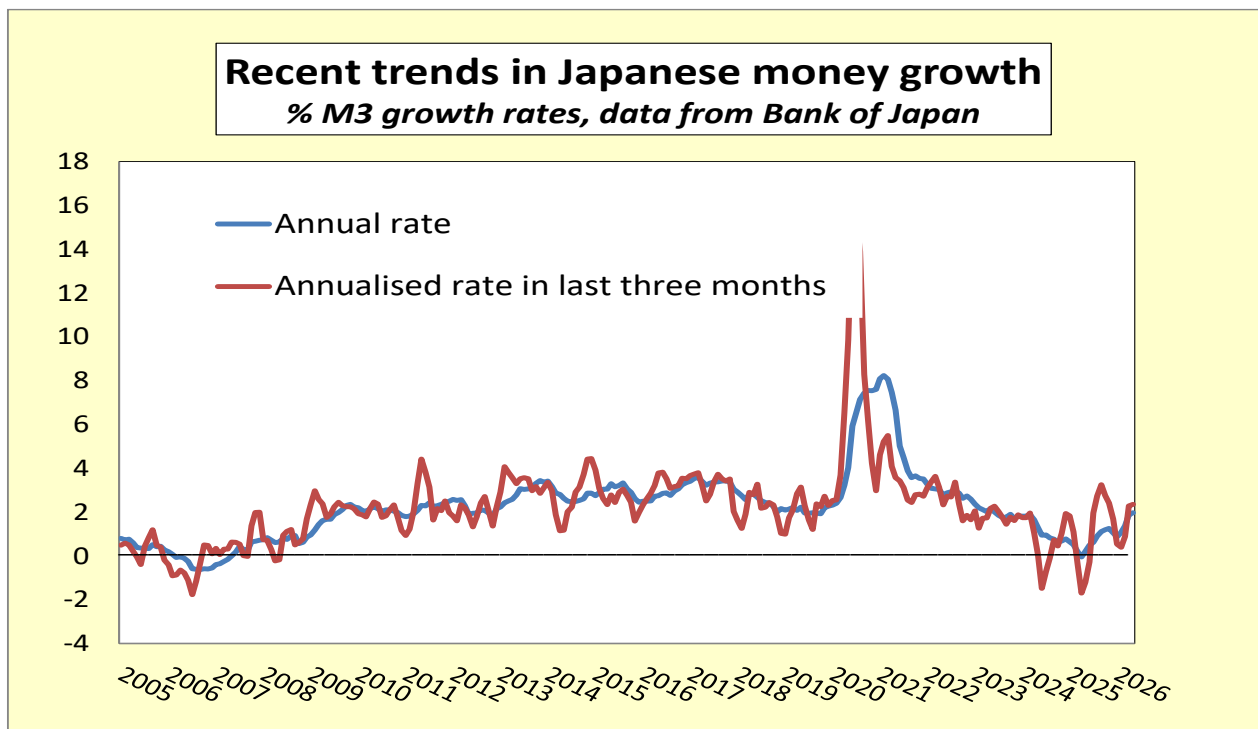


The quantity of money, broadly defined, fell by €17b. in April, causing the annualised quarterly growth rate of Eurozone M3 to fall from 5.7% in March to 2.1%. The annual growth rate also fell from 3.2% to 2.7%. As in February, April's feeble growth rate can be explained – at least in part - by significant sales of government securities by the ECB. Demand for domestic credit has increased since the start of 2025, when mortgage lending was rising by only 1.4% in the previous year, 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 six months. Demand for new credit from businesses appears to be on an upward trend. In the year to April the stock of lending to non-financial corporations was up by 3.4%, the highest figure so far this year. Inflation now back above 3% due to the spike in energy prices triggered by the conflict in Iran. But this is plainly temporary. On 11th June the European Central Bank raised its three policy rates by 25 basis points, for the first time in three years. Given that changes in the quantity of money are the prime determinant of inflation over the medium term, inflation is likely to drop back to around 2% once the conflict is over. Eurozone GDP grew by 0.3% in Q1 2026, the weakest number since 2023. The money numbers remain sufficiently positive to suggest that demand and output will continue to increase, albeit at a similar 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 May 2026	2.0	n/a
Three months to May 2026 at annualised rate	2.4	n/a

Sources: Bank of Japan for M3 and IMF for GDP

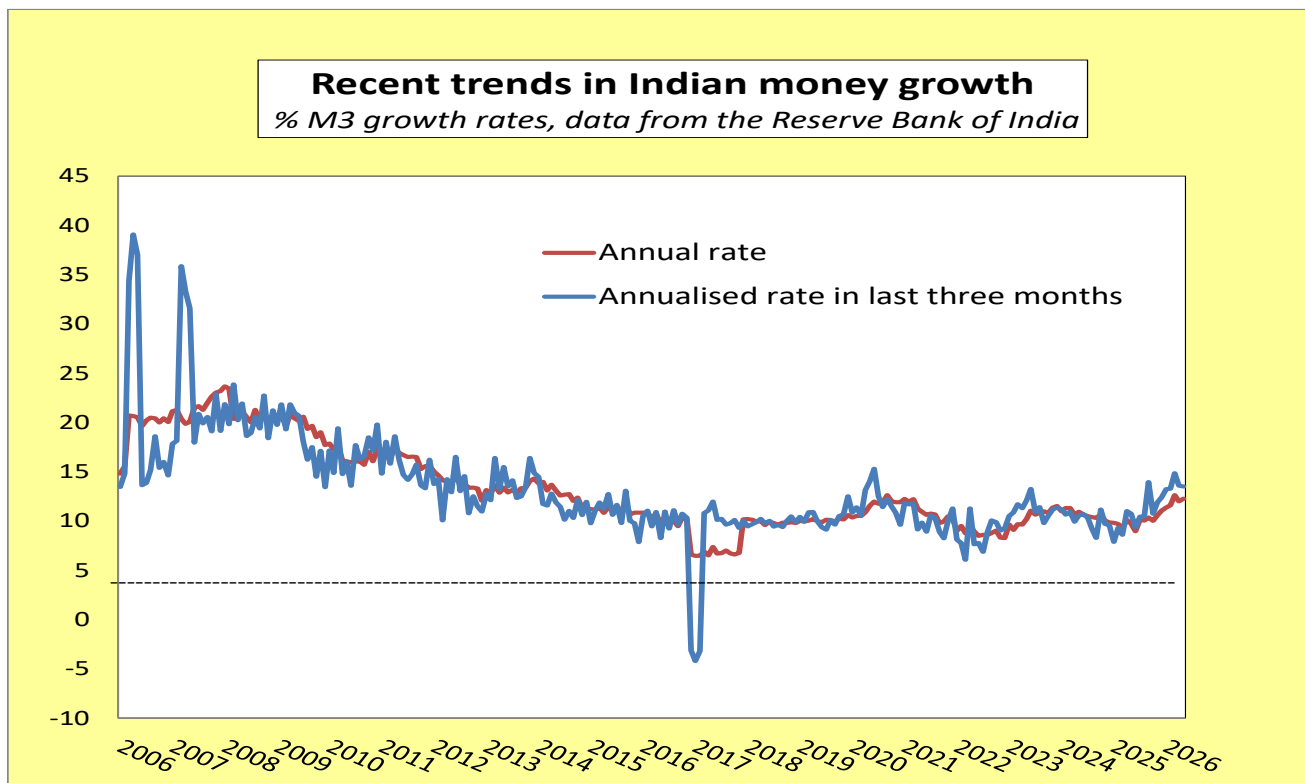


It is a measure of the sluggishness of recent Japanese broad money growth that May's annual reading of 2.0% was the highest in three years. The annualised quarterly growth rate rose to 2.4%, the highest figure so far this year. The weakness of recent M3 growth has resulted in Japanese inflation not only falling below the Bank of Japan's 2% target in January 2026, but remaining below this figure despite *both* the increase in energy costs resulting from the Iran conflict *and* the weakness of the yen. In April and early May almost 12 trillion yen (over \$70b.) were spent by the BOJ in foreign exchange intervention to shore up the Japanese currency. The Bank of Japan raised the cost of borrowing to 1% on 16th June. This still represents a very accommodative monetary policy, but the present interest rate is in fact the highest since September 1995. So far, the upward trend in borrowing costs have not dampened the appetite of Japanese businesses for new credit. The stock of new bank loans increased by 5.7% year-on-year in May, the fastest rate of growth in five years. The BoJ has stated that it intends to tighten monetary policy further. If its actions choke off the current strong demand for new credit and so check broad money growth, inflation will ultimately remain low to moderate. In Q1 Japan's economy expanded by 0.5% (i.e., at an annualised rate of 1.8%). While government bond yields have declined recently, concerns still remain about Prime Minister Sanae Takaichi's fiscal stimulus. Her attempt to boost Japan's economy has resulted in bond issuance on a scale that is exacerbating 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 May 2026	12.3	n/a
Three months to May 2026 at annualised rate	13.5	n/a

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

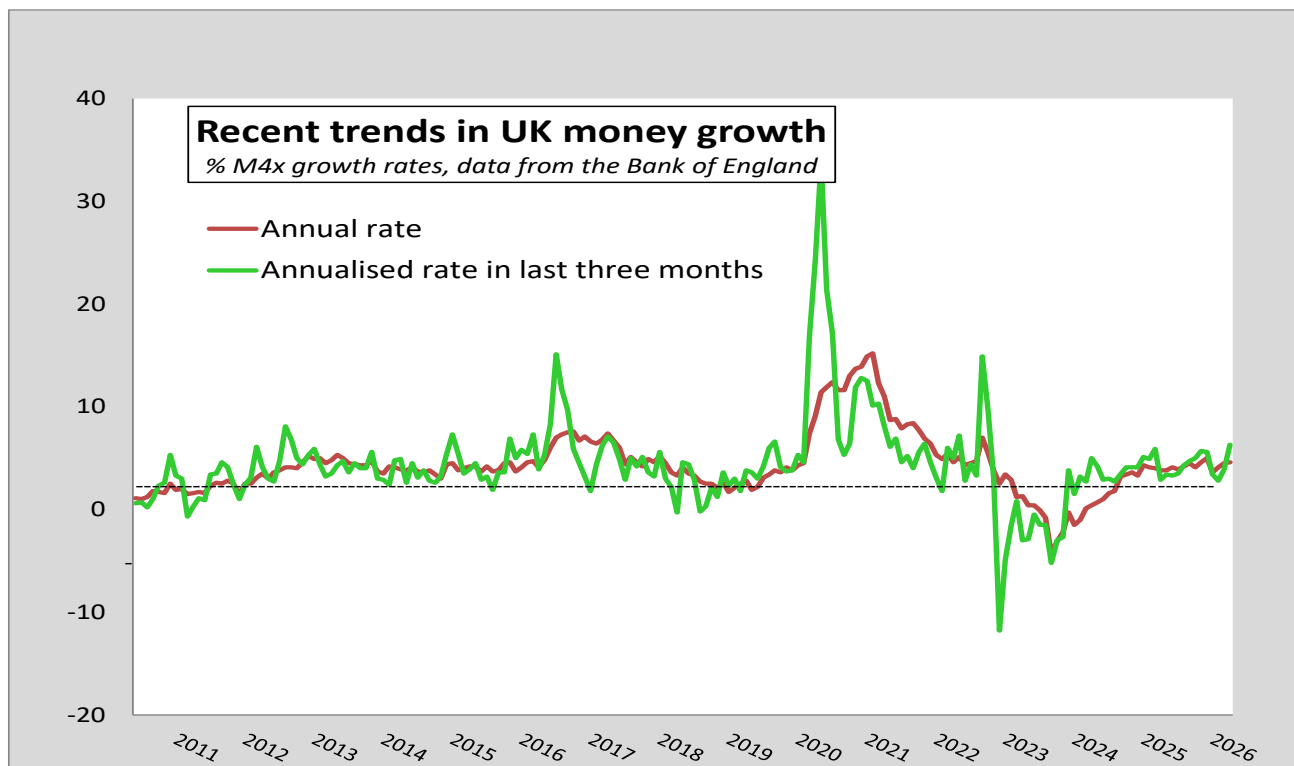


The pace of growth of Indian M3 has slowed slightly since March, but remains strong and much in line with the numbers seen in 2023 and 2024. The annualised quarterly growth rate was little changed at 13.5% while the annual growth rate picked up slightly, from 12% in April to 12.3%. The significant recent increase in broad money growth continues to be driven by strong demand for new bank credit. At the end of May the stock of bank credit to the private sector was over 17% higher than a year earlier, with the pace of growth still seemingly upwards. The Reserve Bank of India (the central bank) eased monetary policy in late 2025 and India's businesses have taken advantage of lower borrowing costs. The buoyancy of bank credit reflects, above all, the dynamism of the economy and the wide range of high-return investments available. In addition, the performance of India's banks has improved, with far fewer non-performing loans on their books. Inflation has picked up since the start of the year, rising to 3.9% in the year to May. This is still comfortably within the RBI's tolerance limits, but probably too high for the RBI to consider further rate cuts. With credit growth at recent rates, monetary policy ought to be tightened. Indeed, the strength of recent broad money growth must ultimately lead to excess demand and rising inflation. The rupee, which reached a record low against the US\$ in early May, has since strengthened slightly, but still remains weak. (Note by 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 April 2026	4.6	n/a
Three months to April 2026 at annualised rate	6.3	n/a

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



UK broad money grew at an annualised rate of 6.3% in the three months to April 2026, the highest figure since September 2022. The annual rate rose to 4.6%, the highest reading so far this year. April saw broad money increase by only £4.7b., but the figures for both February and March were much higher. In spite of much gloom about the state of the UK economy, the growth of bank credit to the private sector has been robust over the last year or so. March and April saw an increase in demand for new credit from the business sector, including notably the SME sector, which borrowed a respectable £1b. during April. The housing market has also shown some buoyancy. The number of new mortgage approvals rose to its highest level in over a year while new mortgage lending stood at £4.4b. These positive developments resulted in UK GDP growing by 0.6% in Q1 2026, the fastest growth rate since Q1 2025. The annual inflation rate dropped from 3.3% in March to 2.8% in April, at which level it remained in May. This is still above target, suggesting that no further cuts to the cost of borrowing can be expected in the near future. Indeed, at the most recent meeting of the Bank of England's Monetary Policy Committee on June 18th, two members voted to increase the Bank Rate by 0.25%. Sentiment among households and business, which have also faced higher taxes in April, remains negative. The change in the premiership, from Starmer to Burnham, is not expected to make much difference. (Note by John Petley.)