



CENTER FOR FINANCIAL STABILITY

Dialog • Insight • Solutions

HIGHLIGHTS

EMBARGOED UNTIL RELEASE AT 9:00 A.M. EST, JULY 18, 2012

CFS NEW MONEY SUPPLY DATA; WEAK ECONOMY AND FLIGHT TO SAFE HAVEN ASSETS

DATA FOR JUNE 2012

Today, the Center for Financial Stability (CFS) releases the most current and broadest measure of the money supply available for the US. CFS proprietary money supply data provide a crucial barometer to measure Fed actions, the economy, and financial system in real time.

The most recent data for June 2012 illustrate that the US economy is extremely weak. CFS Divisia M4 (DM4) growth registered 2.3% on a year-over-year basis in June 2012 - well below the 6% to 6.5% typically associated with trend growth (see Figure 1). According to CFS President Lawrence Goodman, "CFS monetary data foreshadow a subpar expansion in coming months."

"A flight to insured deposits highlights that investors and the public are flocking to safe haven assets," Goodman added. Commercial banks' savings deposits and demand deposits were the largest contributors to monetary growth in June. Similarly, the monetary base contracted for the first time since December 2010, highlighting recent pressures on risky assets as well as policy (see Figure 1).

CFS Divisia monetary measures were developed under the direction of Professor William A. Barnett - one of the world's leading experts on monetary and financial aggregation theory. CFS money supply data are essential, especially since the Federal Reserve ceased production of M3 in 2006. Similarly, Divisia measures are superior, as they accurately weight various classifications of money from cash to leverage in the shadow banking system.

Figure 1. Major CFS Monetary Aggregates and Monetary Base, % year-over-year

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Mar-12</u>	<u>Apr-12</u>	<u>May-12</u>	<u>Jun-12</u>
CFS DM4	7.3%	8.4%	-4.9%	-0.7%	0.9%	2.5%	1.5%	0.7%	2.3%
CFS DM4-	7.2%	2.6%	-5.0%	-0.6%	2.8%	3.0%	1.8%	0.5%	2.1%
CFS DM3	8.1%	3.0%	-2.3%	0.1%	3.6%	4.1%	3.4%	1.9%	3.6%
Monetary Base	1.5%	100.7%	22.0%	-0.4%	29.9%	10.9%	5.8%	1.9%	-1.1%

Source: Center for Financial Stability and Federal Reserve Board (for monetary base).

"Leading up to the financial crisis, private economic agents, including Wall Street participants, did not have adequate data to make well informed decisions and as a result took excessive risks without recognition of the potential consequences," according to Barnett, CFS Director of Advances in Monetary and Financial Measurement.

Barnett adds that "CFS produces information we hope will be helpful in the future for market participants and public officials to assess risk more accurately." CFS provides the data on-line free of



CENTER FOR FINANCIAL STABILITY

Dialog • Insight • Solutions

charge to promote and encourage deeper scrutiny of money and banking statistics.

To obtain a copy of the June money supply numbers go to:

www.CenterforFinancialStability.org/amfm/Divisia_June12.pdf

More information can be found at the CFS website:

www.CenterforFinancialStability.org