

# Canada Wide Savings, Loan & Trust Company

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**Money Supply In Canada**

Money supply is the total amount of money in circulation in a country. It is the sum of all the money held by the public and the banks. Money supply is an important indicator of the health of an economy. A growing money supply indicates that the economy is expanding, while a shrinking money supply indicates that the economy is contracting.

## How Money Supply Is Divided In Canada

M1 - Cash in circulation, cheques, and other demand deposits  
M2 - M1 plus savings deposits, time deposits, and other deposits  
M3 - M2 plus money market funds, mutual funds, and other investments

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## Weaknesses of Money Supply In Canada

- Relatively narrow and inflexible in short term  
- Limited interest rate flexibility  
- Limited scope of funds provided to banks  
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## Money Supply (Millions)

2008 - M1 - \$428,589  
- M2 - \$539,557  
- M3 - \$1,258,587

2010 - M1 - \$428,589  
- M2 - \$539,557  
- M3 - \$1,258,587

2011 - M1 - \$428,589  
- M2 - \$539,557  
- M3 - \$1,258,587



## Narrow Measure of Canada's Money Supply

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## Strengths of Canada's Money Supply

- Timely available and more visible in money market  
- Often more detailed by investors creating opportunities for those who know how to utilize it  
- There is currently a lot of research looking at money supply and its effect




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**Strengths Of Canada's Money Supply**

- Timely consistent monitor, reviewed weekly w/ operating history
- Often misunderstood by investors, creating opportunities for those who know how to utilize it
- There is currently a lot of research between money supply and GDP as well as inflation



**Weaknesses of Money Supply In Canada**

- Heavy reliance on the markets in a global time
- Limited products are available in weekly trading w/ quarterly flow of funds, provides broader view
- Lack of economic consensus on how to compare money supply like a to inflationary outlook future



**Money Supply In Canada**

Money supply is the total amount of money in circulation in a country. It is a key indicator of the health of an economy. In Canada, the money supply is divided into three categories: M1, M2, and M3. M1 is the most liquid form of money, M2 is the next most liquid, and M3 is the least liquid. The Bank of Canada monitors the money supply and adjusts the interest rate to maintain price stability and full employment.



**How Money Supply Is Divided In Canada**

M1 Gross - Currency outside banks + bank deposits + bank on general interest-bearing deposits + interbank deposits plus currency in circulation

M2 Gross - Plus bank time deposits, term deposits and savings + currency in circulation + money market funds + money market mutual funds + money market securities



**Money Supply (Millions)**

2008 - M1 - \$428,509	2010 - M1 - \$522,928
- M2 - \$825,504	- M2 - \$1,009,857
- M3 - \$1,258,250	- M3 - 1,388,967
2009 - M1 - \$425,710	2011 - M1 - \$602,791
- M2 - \$978,935	- M2 - \$1,062,102
- M3 - \$1,300,881	- M3 - 1,471,689
2012 - M1 - \$645,050	2013 - M1 - \$712,300
- M2 - \$1,192,300	- M2 - 1,280,139
- M3 - 1,280,139	




**Narrow Measures of Canada's Money Supply**

M1 Gross - Currency outside banks plus all chequeable deposits held at all interest-bearing trust and mortgage loan companies, credit unions and caisse populaires plus currency adjustments

M2 Gross - Total non-convertible deposits held at chartered banks, trust and mortgage companies, credit unions and caisse populaires, less interbank deposits plus currency adjustments

**Money Supply In Brief**

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**How Money Supply Is Divided In Canada**

M1 Gross - The aggregate total of currency in circulation plus all demand deposits, including chequable deposits, held at all interest-bearing trust and mortgage loan companies, credit unions and caisse populaires, less interbank deposits plus currency adjustments

M2 Gross - Plus deposits held at all interest-bearing trust and mortgage loan companies, credit unions and caisse populaires, less interbank deposits plus currency adjustments



## *Money Supply In Brief*

Money Supply is the amount of money floating around the economy available for spending. In other words, it is all the money available in an economy that can be used to purchase goods/services, and all the other money that is secured in accounts, but is also in circulation.



# *Money Supply & Canada*

There are different "numerical aggregates" that demonstrate each grouping of money based upon the liquidity of that group.

To begin, we are going to take a look at the Broad Measures of money supply and then we will continue into the more Narrow measures of Money Supply in Canada.



# *How Money Supply Is Divided In Canada*

M2 Gross - Currency outside banks + bank deposits, bank non-personal demand/notice deposits, less interbank deposits, plus community adjustments

M3 Gross - Plus bank non-personal term deposits and foreign-currency deposits of residents, less interbank deposits, plus continuity adjustments.



## *How Money Supply Is Divided In Canada*

M2+ Gross - Plus deposits at trust and mortgage loan companies and at government saving institutions, deposit and shares at credit unions and caisse populaires, life insurance company individual annuities, money market mutual funds, plus continuity adjustments and other adjustments.

M2++ Gross - Plus Canada savings bonds and other retail debt instruments, plus non-money market mutual funds.

## *Narrow Measures of Canada's Money Supply*

M1+ Gross - Currency outside banks plus all chequable deposits held at chartered banks, trust and mortgage loan companies, credit union and caisse populaires plus continuity adjustments

M1++ Gross - Plus all non-chequable deposits held at chartered banks, trust and mortgage companies, credit unions and caisse populaires, less interbank deposits plus continuity adjustments

## *Strengths Of Canada's Money Supply*

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- Often misunderstood by investors, creating opportunities for those who know how to utilize it.
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