The Money Supply
Measuring M1 & M2

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Federal Reserve Bank of San Francisco
Economic Education
Money Supply – Did You Know?

**Used**
- By households and businesses
- To make payments and to be held as short-term investments

**Components**
- **M1** = coin and currency in circulation, plus checking accounts
- **M2** = M1 plus short-term liquid assets

**Context**
- The Fed uses M1 and M2 as a standardized way of defining money in the economy

As a share of the total values shown above, M1 dropped from 26% in 1980 to 20% in 2010.¹

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¹ See PowerPoint file for technical note.
Money Supply – Components

M2
- Savings Deposits
- Time Deposits
- Certain CDs
- Money Market Deposit Accounts
- Money Market Mutual Funds
- Includes M1

M1
- Coin
- Currency
- Demand Deposits
- Travelers Checks

March 2020
($trillions, seasonally adjusted)

Source: Federal Reserve Board

M1
- $4.27

M2
- $11.84

M2-M1
- $11.84

Source: Federal Reserve Board
M2 in Detail

March 2020 ($billions, seasonally adjusted)

- Savings Deposits, $10,200
- Small-Denomination Time Deposits, $572
- Retail Money Market Funds, $1,064
- Currency and Coins, $1,745
- Demand Deposits, $1,825
- Other Checkable Deposits, $699

Source: Federal Reserve Board 5/7/20 data release
Note: Components may not add to totals due to rounding
Trends — M1 and M2

Jan. 1980 to Mar. 2020 ($trillions, seasonally adjusted)

Source: Federal Reserve Board 5/7/20 data release

www.frbsf.org/education/teacher-resources/datapost
What Do You Think?

1. How much cash (coin + currency) do you currently have in your pocket, wallet, or purse? Is this cash part of M1 or M2?
2. Do you have a checking account? Is the balance in your checking account part of M1?
3. Do you have a savings account? Is your savings account balance part of M1?
4. How would you describe the trends of M1 and M2 since 1980? (See slide 5)