Growth in the sweep-adjusted monetary base (total currency in circulation plus total reserves including depository institutions' vault cash) has been fairly constant over the past couple of years. In 2003, however, it recorded an annual growth rate of 6.2%, slower than the 7.9% average for 1998–2002. The decline in base growth results primarily from a decrease of 2.2 percentage points (pp) in currency growth, which more than offset total reserves’ increase of 12.4 pp. Total reserves fell 2.9% from 1998 to 2002 before rising 9.5% in 2003.

M1 (currency in the hands of the public plus demand and other checkable deposits) is a slightly broader monetary aggregate. Like monetary base, sweep-adjusted M1 growth has been fairly stable over the past couple of years, but it is roughly 1.3 pp above its 1998–2002 average. Much of the acceleration resulted from a sharp increase in the sum of demand deposits and other checkable deposits, which comprise nearly half of M1. After falling 2.1% in 1998–2002, its growth rate rose 7.5% in 2003, primarily because the opportunity cost of M1 (market interest rate minus interest rate on M1 accounts) fell over the same period.

An even broader monetary aggregate, M2, grew 5.2% in 2003, 2.3 pp less than its 1998–2002 average. Although M2 grew overall in 2003, it has fallen almost 1.9% (3.8% annualized) since August. This resulted from sharp declines in retail money market mutual funds (21.6 pp) and small time deposits (8.4 pp) from their averages. These declines were more than offset by higher M1 growth and a slight uptick in savings deposits.