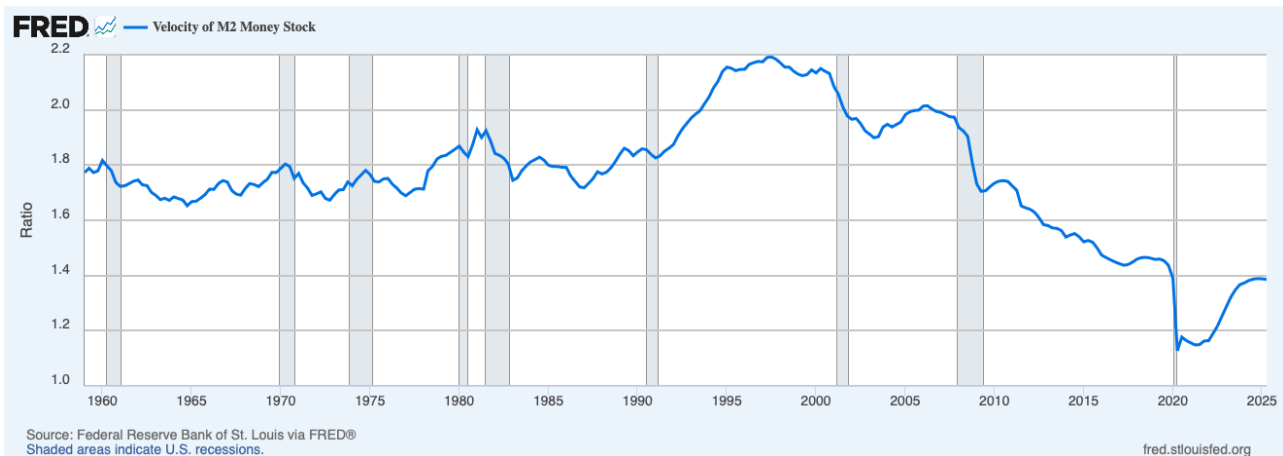




Velocity of the M2 money supply - the chart shows how many times a single M2 dollar 'circulates' in generating GDP over a given period.

The velocity of the U.S. dollar is at a historic low.¹ This means that vast amounts of money exist, but they are not circulating in everyday consumption. Instead, they sit in investments and accounts – and this inevitably has consequences for inflation. One would think that today money should move faster than ever: we pay with cards and mobile apps daily, online shopping is open 24/7, and subscriptions and streaming services charge automatically. In the 1960s, however, shopping trips were less frequent, cash dominated daily life, and payments were handled by checks or money orders. Yet back then, the dollar's velocity was higher than it is today. Why? The answer lies in the size of the money supply and how it is distributed.

The money supply (M2) has ballooned.² In the 1960s, M2 was smaller relative to GDP, and the same amount of money covered a much larger share of transactions. Now M2 is many times larger, as central banks and commercial banks have for decades pushed new money into the system through credit expansion, QE programs, and COVID stimulus.³

Not all of this new money flows into consumption. Much of it sits in bank reserves, institutional portfolios, and on corporate balance sheets. As a result, nominal GDP does not grow in step with the money supply, and velocity declines. In the 1960s, household savings were mostly on bank accounts, from which money flowed into loans and consumption. Today, savings are held in funds, stocks, and government securities – stored in assets rather than

circulating. When money accumulates with institutions and the wealthy, it circulates less. Give a billionaire another billion, and it will be invested. Give 100,000 households €10,000 each, and most of it will be spent.

Central bank money creation (QE) has made this pattern even clearer. When a central bank buys securities, the new money is created for institutions – banks, funds, and large corporations – not for household checking accounts. This money remains in investments and balance sheets, rather than flowing into daily consumption. Current monetary policy therefore favors institutional ownership and the wealthy: their wealth retains value in assets, while ordinary households suffer as prices rise without a corresponding increase in income.

The movement of money can be imagined as water behind a dam. As long as the dam holds, the flow into the real economy is slow and prices remain relatively stable. But if the dam breaks – as real returns evaporate, inflation expectations shift, or governments begin to channel money directly to households – the water floods the markets and prices rise rapidly.

Households also have a role: when inflation runs hot, they may begin to hoard goods, further accelerating price increases. The same applies to companies: if they see raw material prices rising, they may build up inventories to get ahead of future cost increases. These behaviors may be temporary, but over the long term we know that prices rise – as can be seen in the historical price development of almost any product, commodity, or service.

Institutional funds remain invested as long as returns and confidence hold. They move only when those pillars break. Money can be drained away gently through taxes, inflation, and regulation – or violently through shocks such as crises or market collapses. Yet bond markets already show that money is moving: for example, in recent years central banks have been allocating more into gold, money that previously could have flowed into U.S. Treasuries.⁴ This shift is reshaping the financial world.

Water is already seeping through. If the velocity of money returns even partly to its long-term average, the inflationary impact will be powerful. Eventually, this moment will come.

–Marko Viinikka
Founder, CEO
Voima Gold Oy

¹ Take a look at the chart above.

² M2 is a broad measure of the money supply. It includes: (1) physical currency (notes and coins), (2) demand deposits accessible immediately, (3) savings deposits, (4) short-term time deposits (under one year), and (5) money market deposit accounts that can be quickly converted into cash. M2 does not include stocks, bonds, real estate, or derivatives. You can find the chart here: <https://fred.stlouisfed.org/series/WM2NS>."

³ QE stands for quantitative easing. It's a fancy term for the central bank creating new money out of thin air and using it to buy government bonds or other securities. It's like a rich uncle showing up at the market with a wallet full of freshly printed bills, saying: 'Don't worry, I'll buy these – you don't have to.' More money enters circulation, debt stays cheap, and everyone can breathe easier for a while. But in the end, the bill is paid by whoever holds that currency – the consumer, whose purchasing power erodes. Central banks always have a reason to 'print' money – whether to stimulate the economy, manage debt costs, resolve crises, or finance political goals such as defense spending and green investments

⁴ <https://www.investing.com/analysis/foreign-central-banks-gold-tops-us-treasuries-for-first-time-since-1996-200666205>

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Gold performance table

Currency	1W	1M	3M	1Y	3Y	5Y	
EUROPE							
 EUR	5.02%	4.41%	3.59%	35.67%	77.23%	87.02%	
 GBP	5.33%	4.05%	6.50%	39.38%	78.07%	81.77%	
 CHF	5.35%	4.81%	3.59%	35.71%	70.98%	62.30%	
 DKK	5.01%	4.43%	3.66%	35.71%	77.93%	87.62%	
 NOK	5.06%	3.50%	5.65%	34.96%	110.05%	108.14%	
 SEK	4.50%	2.97%	4.15%	31.12%	81.79%	98.80%	
 CZK	4.58%	3.75%	2.31%	32.32%	76.39%	72.68%	
 HUF	4.05%	2.83%	1.09%	35.70%	72.97%	104.33%	

 PLN	4.75%	3.79%	2.72%	34.79%	59.39%	78.24%	
NORTH AMERICA							
 USD	4.75%	5.32%	5.73%	42.59%	107.96%	84.00%	
 CAD	5.22%	5.50%	6.67%	45.88%	118.65%	94.68%	
 MXN	5.68%	4.65%	3.79%	34.16%	95.11%	60.06%	
MIDDLE EAST							
 ILS	5.88%	2.69%	1.75%	29.68%	105.15%	83.69%	
 TRY	5.10%	6.62%	10.96%	72.59%	370.02%	918.11%	
ASIA							
 CNY	4.90%	4.64%	5.12%	43.16%	114.13%	91.96%	
 INR	5.40%	5.69%	8.62%	49.61%	129.63%	121.21%	
 JPY	5.84%	5.95%	8.71%	47.18%	119.43%	156.96%	
 HKD	4.81%	4.63%	5.08%	42.67%	106.61%	85.11%	
 KRW	4.75%	5.32%	8.67%	48.37%	110.71%	115.22%	
 MYR	4.95%	5.27%	5.60%	38.39%	95.58%	87.36%	
 SGD	5.25%	5.38%	5.92%	40.96%	91.02%	73.81%	
 THB	4.69%	4.92%	4.78%	35.34%	83.58%	89.28%	
 IDR	4.75%	5.32%	5.73%	51.04%	128.75%	104.53%	
 PHP	4.99%	4.30%	8.27%	44.24%	108.43%	116.36%	
AFRICA							
 ZAR	5.72%	3.96%	5.87%	41.91%	115.47%	96.93%	
SOUTH AMERICA							
 BRL	5.74%	4.14%	3.43%	38.02%	120.37%	89.46%	
OCEANIA							

 AUD	4.96%	4.47%	5.23%	47.11%	116.81%	105.50%	
 NZD	5.10%	6.03%	8.79%	50.90%	116.42%	111.13%	

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