



UAE Monthly Monetary Survey April 2019

Monetary Developments (*)

M₁ decreased by 0.9%, from AED 512 billion at the end of March 2019 to AED 507.3 billion at the end of April 2019. This fall was attributed to a 1.3% reduction in Monetary Deposits (85.3% of **M₁**), overriding the 1.1% rise in Currency in Circulation outside Banks (14.7% of **M₁**).

At the end of April 2019, **M₂** increased by 0.5%, climbing from AED 1328.6 billion at the end of March 2019 to AED 1335.1 billion. **M₂** mainly increased due to an AED 11.2 billion or 1.4% increase in Quasi- Monetary Deposits (62% of **M₂**), superseding the reduction in **M₁**.

M₃ also increased by 0.2%, from AED 1631.7 billion at the end of March 2019 to AED 1635.6 billion at the end of April 2019. **M₃** mainly increased because of increased **M₂**, dominating an AED 2.6 billion or 0.9% reduction in Government Deposits at commercial banks and the Central Bank (18.4% of **M₃**).

In brief, during April 2019, Monetary Aggregate **M₁** decreased by 0.9%. Whereas, Monetary Aggregates **M₂** and **M₃** increased by 0.5% and 0.2%, respectively.

The Money Multiplier

The money multiplier indicates by how much the money supply and the underlying components will grow following an increase of 1 billion Dirhams in the Monetary Base, defined as the sum of Currency issued (Currency in circulation outside banks and cash at banks), Total Banks' Reserves at the Central Bank and Certificates of Deposits held by Banks (see Table 2).

During the month of April 2019, the Monetary Base expanded by 3.5%. The Monetary Base swelled primarily owing to increases in; Currency Issued (23.1% of the Monetary Base) by 1.1%, Banks' Required Reserves (32.2% of the Monetary Base) by 0.8%, Banks & OFC's Excess Reserves (6.1% of the Monetary Base) by 5.4% and Certificates of Deposits purchased by Banks (38.6% of the Monetary Base) by 7%.

From the end of March 2019 to the end of April 2019, the multipliers of **M₁**, **M₂** and **M₃** decreased from 1.37 to 1.31, from 3.56 to 3.46 and from 4.38 to 4.24, respectively.

The reductions in the multipliers of **M₁**, **M₂** and **M₃** demonstrate the reduction in **M₁**, and sluggish growth in **M₂** and **M₃**, in contrast to a larger expansion of the Monetary Base.

(*) Monetary aggregates are defined in a footnote to Table 1

Table1. UAE Monthly Monetary Survey With Contribution to Aggregate Money Supply (April 2019)
(End of period, billions of Dirhams)

	Dec-17	Dec-18	Mar-19	Apr ¹ 2019		MoM		Contribution to Aggregate Growth ²
				In billions of Dirhams	Shares of the Aggregates	In Billions of Dirhams	% Change	
Money Supply M₁*	492.4	485.7	512.0	507.3		-4.7	-0.9%	
Currency in Circulation Outside Banks	67.7	70.5	73.9	74.7	14.7%	0.8	1.1%	0.2%
Monetary Deposits**	424.7	415.2	438.1	432.6	85.3%	-5.5	-1.3%	-1.1%
Money Supply M₂*	1276.2	1308.5	1328.6	1335.1		6.5	0.5%	
Currency in Circulation Outside Banks	67.7	70.5	73.9	74.7	5.6%	0.8	1.1%	0.06%
Monetary Deposits**	424.7	415.2	438.1	432.6	32.4%	-5.5	-1.3%	-0.4%
Quasi-Monetary Deposits***	783.8	822.8	816.6	827.8	62.0%	11.2	1.4%	0.9%
Money Supply M₃*	1487.1	1602.4	1631.7	1635.6		3.9	0.2%	
Currency in Circulation Outside Banks	67.7	70.5	73.9	74.7	4.6%	0.8	1.1%	0.05%
Monetary Deposits**	424.7	415.2	438.1	432.6	26.4%	-5.5	-1.3%	-0.3%
Quasi-Monetary Deposits***	783.8	822.8	816.6	827.8	50.6%	11.2	1.4%	0.7%
Government Deposits	210.9	293.9	303.1	300.5	18.4%	-2.6	-0.9%	-0.2%

⁽¹⁾ Figures are provisional and subject to revision

⁽²⁾ Contribution to aggregate growth = Shares of the sub-aggregate times percent change in each sub-aggregate, such that contribution of sub-aggregates equals percent change in the aggregate

^(*) M₁ = Currency in Circulation Outside Banks (Currency Issued - Cash at banks) + Monetary Deposits

M₂ = M₁ + Quasi-Monetary Deposits

M₃ = M₂ + Government Deposits

^(**) Monetary Deposits: All short term deposits on which bank customer can withdraw without prior notice

^(***) Quasi-Monetary Deposits: Resident Time and Savings Deposits in Dirham + Resident Deposits in Foreign Currencies

Table 2. Money Multiplier in the UAE

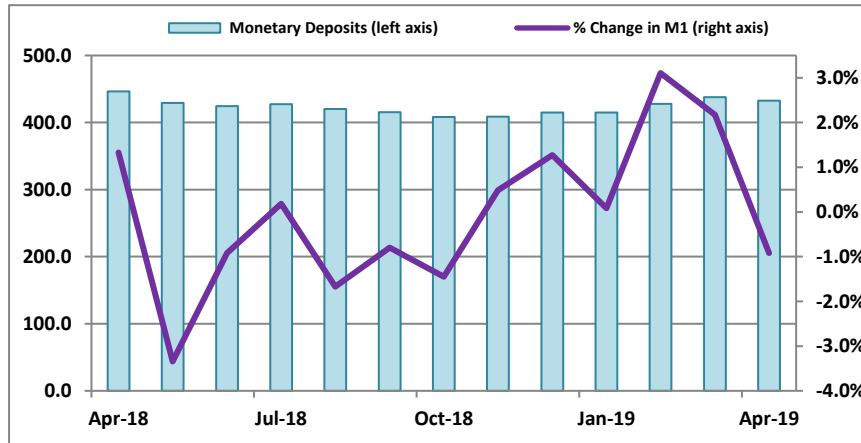
(End of period, billions of Dirhams)

	Dec	Dec	Mar	Apr ¹	Change in April 2019	
	2017	2018	2019	2019	In billions of Dirhams	% Change
Monetary Base	377.4	379.7	372.9	385.9	13.0	3.5%
Currency Issued*	85.4	85.8	88.3	89.3	1.0	1.1%
Banks' Required Reserves	121.4	120.6	123.1	124.1	1.0	0.8%
Banks & OFCs' Excess Reserves	35.5	35.1	22.3	23.5	1.2	5.4%
Certificates of Deposit purchased by Banks	135.1	138.2	139.2	149.0	9.8	7.0%
Money Supply (M ₁)	492.4	485.7	512.0	507.3	-4.7	-0.9%
Money Multiplier of M₁ (M₁/Monetary Base)	1.30	1.28	1.37	1.31		
Money Supply (M ₂)	1276.2	1308.5	1328.6	1335.1	6.5	0.5%
Money Multiplier of M₂ (M₂/Monetary Base)	3.38	3.45	3.56	3.46		
Money Supply (M ₃)	1487.1	1602.4	1631.7	1635.6	3.9	0.2%
Money Multiplier of M₃ (M₃/Monetary Base)	3.94	4.22	4.38	4.24		

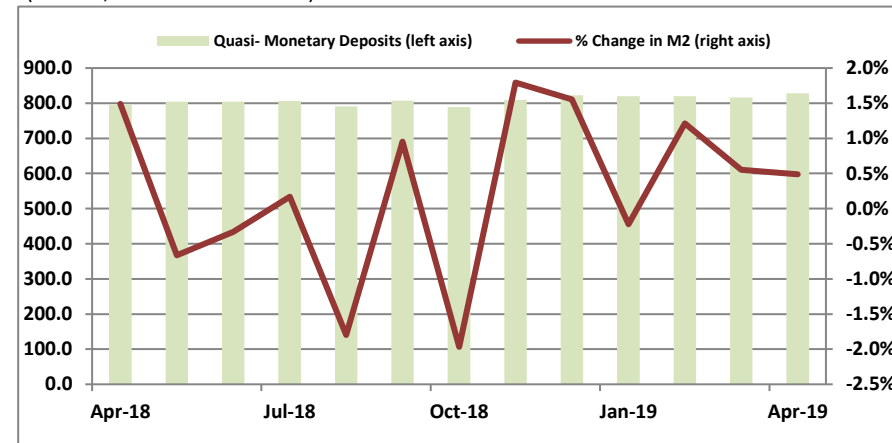
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* Currency Issued = Currency in circulation outside Banks + Cash at Banks

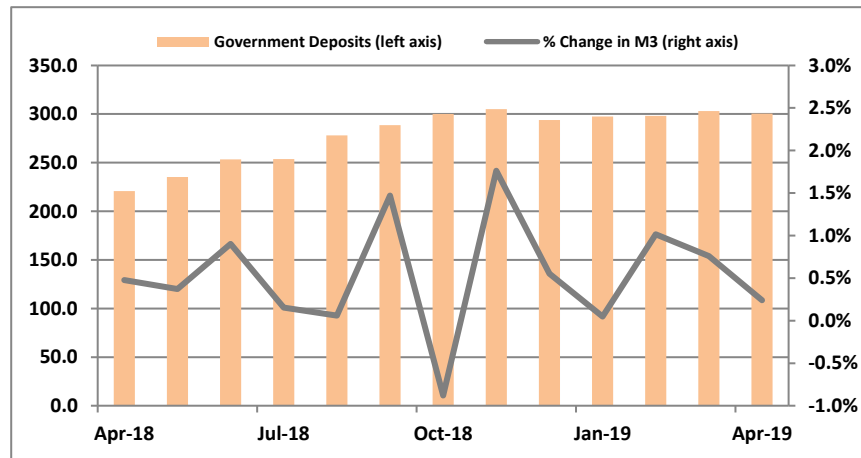
Money Supply M₁ decreased by 0.9%, due to a 1.3% fall in Monetary Deposits.
(bn AED, % month-on-month)



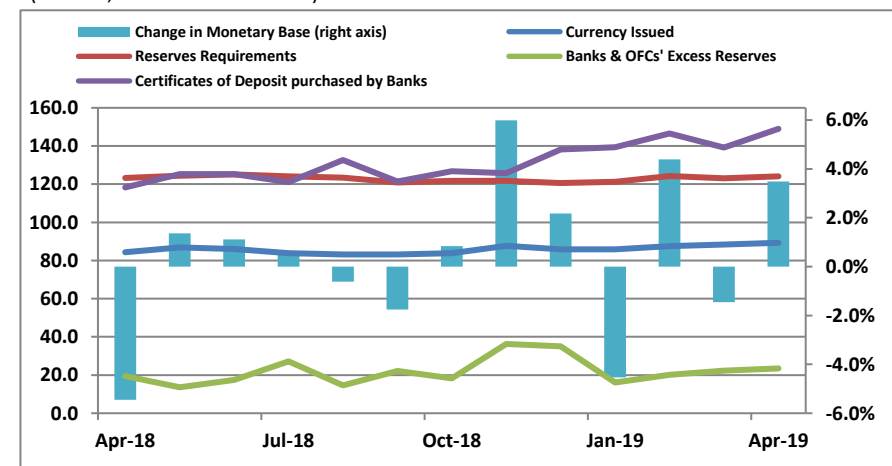
Money Supply M₂ increased by 0.5% due to a 1.4% increase in Quasi-Monetary Deposits.
(bn AED, % month-on-month)



Money Supply M₃ increased by 0.2% due to an increased M₂, overshadowing a 0.9% reduction in Government Deposits.
(bn AED, % month-on-month)



Monetary Base expanded by 3.5% during April 2019.
(bn AED, % month-on-month)



Source: RSD - CBUAE