



UAE Monthly Monetary Survey May 2019

Monetary Developments (*)

M₁ decreased by 0.02%, from AED 507.3 billion at the end of April 2019 to AED 507.2 billion at the end of May 2019. This fall was attributed to a 0.9% reduction in Monetary Deposits (84.5% of **M₁**), overriding the 5.2% rise in Currency in Circulation outside Banks (15.5% of **M₁**).

At the end of May 2019, **M₂** declined by 1%, tumbling from AED 1335.1 billion at the end of April 2019 to AED 1321.3 billion. **M₂** mainly fell due to a reduced **M₁** and an AED 13.7 billion or 1.7% drop in Quasi- Monetary Deposits (61.6% of **M₂**).

M₃ also dropped by 1%, from AED 1635.6 billion at the end of April 2019 to AED 1619.1 billion at the end of May 2019. **M₃** mainly decreased because of reduced **M₁** and **M₂** and an AED 2.7 billion or 0.9% reduction in Government Deposits at commercial banks and the Central Bank (18.4% of **M₃**).

Concisely, during May 2019, Monetary Aggregates **M₁** decreased by 0.02% and **M₂** and **M₃** by 1%, 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 May 2019, the Monetary Base expanded by 2.7%. The Monetary Base amplified primarily owing to upturns in; Currency Issued (24.7% of the Monetary Base) by 9.4%, Banks' Required Reserves (31.9% of the Monetary Base) by 1.8% and Banks & OFC's Excess Reserves (6.3% of the Monetary Base) by 6.8%, overriding the diminution in Certificates of Deposits purchased by Banks (37.1% of the Monetary Base) by 1.3%.

From the end of April 2019 to the end of May 2019, the multipliers of **M₁**, **M₂** and **M₃** decreased from 1.31 to 1.28, from 3.46 to 3.33 and from 4.24 to 4.09, respectively.

The reductions in the multipliers of **M₁**, **M₂** and **M₃** demonstrate reductions in the Monetary Aggregates **M₁**, **M₂** and **M₃**, in contrast to an 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 (May 2019)
(End of period, billions of Dirhams)

	Dec-17	Dec-18	Mar-19	Apr-19	May 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	507.2		-0.1	-0.02%	
Currency in Circulation Outside Banks	67.7	70.5	73.9	74.7	78.6	15.5%	3.9	5.2%	0.8%
Monetary Deposits**	424.7	415.2	438.1	432.6	428.6	84.5%	-4.0	-0.9%	-0.8%
Money Supply M₂*	1276.2	1308.5	1328.6	1335.1	1321.3		-13.8	-1.0%	
Currency in Circulation Outside Banks	67.7	70.5	73.9	74.7	78.6	5.9%	3.9	5.2%	0.31%
Monetary Deposits**	424.7	415.2	438.1	432.6	428.6	32.4%	-4.0	-0.9%	-0.3%
Quasi-Monetary Deposits***	783.8	822.8	816.6	827.8	814.1	61.6%	-13.7	-1.7%	-1.0%
Money Supply M₃*	1487.1	1602.4	1631.7	1635.6	1619.1		-16.5	-1.0%	
Currency in Circulation Outside Banks	67.7	70.5	73.9	74.7	78.6	4.9%	3.9	5.2%	0.3%
Monetary Deposits**	424.7	415.2	438.1	432.6	428.6	26.5%	-4.0	-0.9%	-0.2%
Quasi-Monetary Deposits***	783.8	822.8	816.6	827.8	814.1	50.3%	-13.7	-1.7%	-0.8%
Government Deposits	210.9	293.9	303.1	300.5	297.8	18.4%	-2.7	-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)

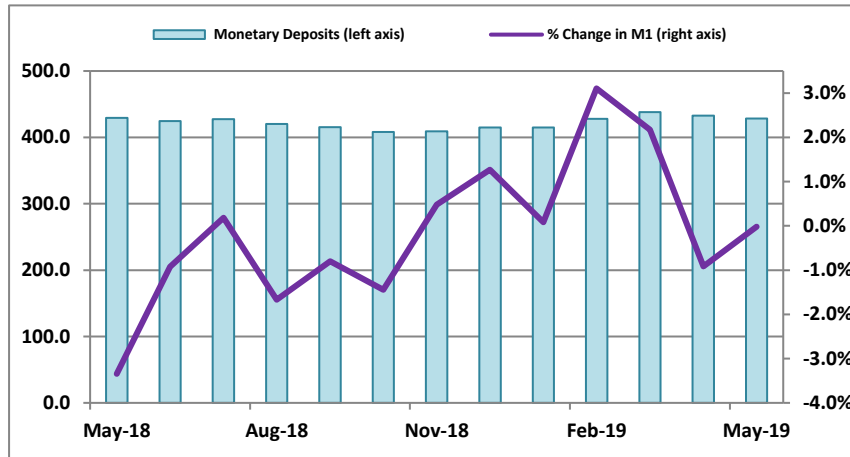
	Dec	Dec	Mar	Apr	May ¹	Change in May 2019	
	2017	2018	2019	2019	2019	In billions of Dirhams	% Change
Monetary Base	377.4	379.7	372.9	385.9	396.2	10.3	2.7%
Currency Issued*	85.4	85.8	88.3	89.3	97.7	8.4	9.4%
Banks' Required Reserves	121.4	120.6	123.1	124.1	126.3	2.2	1.8%
Banks & OFCs' Excess Reserves	35.5	35.1	22.3	23.5	25.1	1.6	6.8%
Certificates of Deposit purchased by Banks	135.1	138.2	139.2	149.0	147.1	-1.9	-1.3%
Money Supply (M ₁)	492.4	485.7	512.0	507.3	507.2	-0.1	-0.02%
Money Multiplier of M₁ (M₁/Monetary Base)	1.30	1.28	1.37	1.31	1.28		
Money Supply (M ₂)	1276.2	1308.5	1328.6	1335.1	1321.3	-13.8	-1.0%
Money Multiplier of M₂ (M₂/Monetary Base)	3.38	3.45	3.56	3.46	3.33		
Money Supply (M ₃)	1487.1	1602.4	1631.7	1635.6	1619.1	-16.5	-1.0%
Money Multiplier of M₃ (M₃/Monetary Base)	3.94	4.22	4.38	4.24	4.09		

⁽¹⁾ Figures are provisional and subject to revision

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

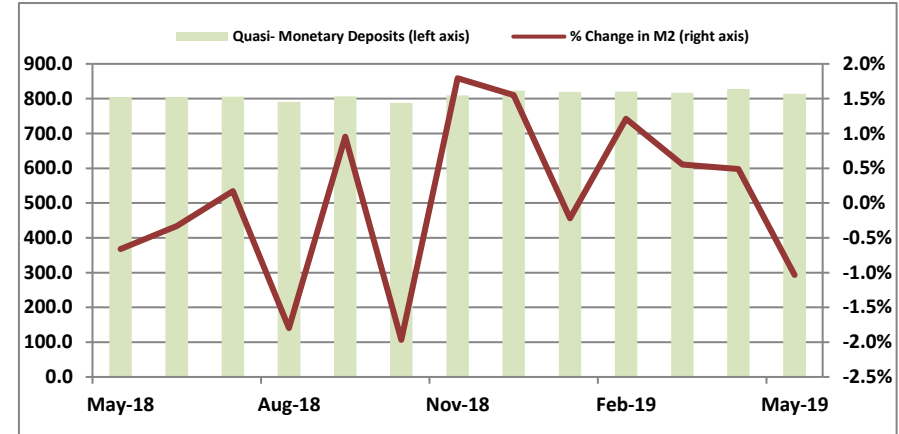
Money Supply M₁ decreased by 0.02%, due to a 0.9% fall in Monetary Deposits.

(bn AED, % month-on-month)



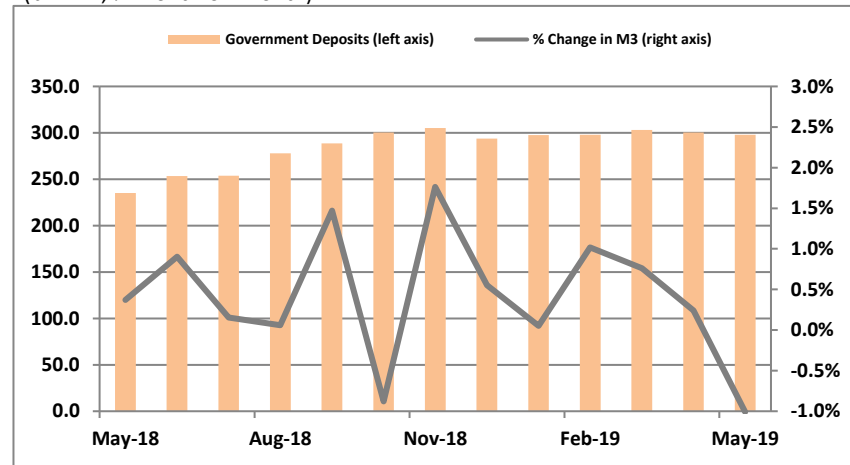
Money Supply M₂ fell by 1% due to a decreased M₁ and a 1.7% reduction in Quasi-Monetary Deposits.

(bn AED, % month-on-month)



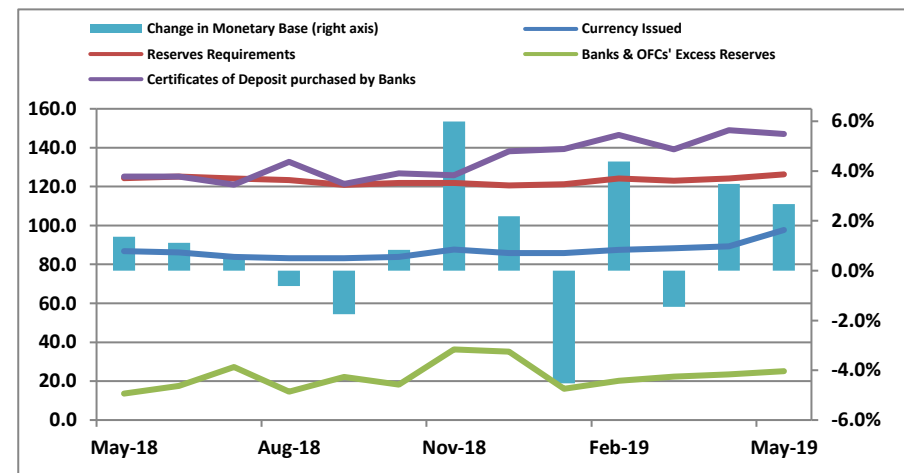
Money Supply M₃ contracted by 1% due to decreased M₁ & M₂, and a 0.9% reduction in Government Deposits.

(bn AED, % month-on-month)



Monetary Base expanded by 2.7% during May 2019.

(bn AED, % month-on-month)



Source: RSD - CBUAE