



UAE Monthly Monetary Survey September 2019

Monetary Developments (*)

M₁ increased by 0.6%, from AED 509 billion at the end of August 2019 to AED 511.9 billion at the end of September 2019. This rise was the result of a 1.6% increase in Currency in Circulation outside Banks (15% of **M₁**) and a 0.4% increase in Monetary Deposits (85% of **M₁**).

At the end of September 2019, **M₂** decreased by 0.1%, falling from AED 1362.4 billion at the end of August 2019 to AED 1361.3 billion. **M₂** largely decreased due to an AED 4 billion or 0.5% reduction in Quasi- Monetary Deposits (62.4% of **M₂**), dominating the increase in **M₁**.

M₃ rose by 2.9%, from AED 1632.2 billion at the end of August 2019 to AED 1679.9 billion at the end of September 2019. **M₃** mainly increased because of an AED 48.8 billion or 18.1% rise in Government Deposits at commercial banks and the Central Bank (19% of **M₃**), overshadowing the reduction in **M₂**.

In summary, during September 2019, Monetary Aggregate **M₂** decreased by 0.1%. While, Monetary Aggregates **M₁** and **M₃** increased by 0.6% and 2.9%, 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 September 2019, the Monetary Base expanded by 1.7%. The Monetary Base grew mainly owing to increases in; Currency Issued (23.1% of the Monetary Base) by 0.7%, Banks & OFC's Excess Reserves (5.6% of the Monetary Base) by 20.2% and Certificates of Deposits purchased by Banks (39.2% of the Monetary Base) by 2.4%, dominating the reduction in Banks' Required Reserves (32.1% of the Monetary Base), by 1.1%.

From the end of August 2019 to the end of September 2019, the multipliers of **M₁** and **M₂** decreased from 1.32 to 1.30 and from 3.53 to 3.47, respectively. While the multiplier of **M₃** increased from 4.23 to 4.28.

The decrease in the multiplier of **M₁** represents a minor growth in the Monetary Aggregate **M₁**, compared to the faster expansion of the Monetary Base. The reduction in the multiplier of **M₂** demonstrates a reduction in the Monetary Aggregate **M₂**, in comparison to the rise of the Monetary Base. The increase in the multiplier of **M₃** represents a faster growth in the Monetary Aggregate **M₃**, compared to the growth 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 (September 2019)

(End of period, billions of Dirhams)

	Dec-17	Dec-18	Mar-19	Jun-19	Aug-19	Sep 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	507.9	509.0	511.9		2.9	0.6%	
Currency in Circulation Outside Banks	67.7	70.5	73.9	77.3	75.4	76.6	15.0%	1.2	1.6%	0.2%
Monetary Deposits**	424.7	415.2	438.1	430.6	433.6	435.3	85.0%	1.7	0.4%	0.3%
Money Supply M₂*	1276.2	1308.5	1328.6	1351.0	1362.4	1361.3		-1.1	-0.1%	
Currency in Circulation Outside Banks	67.7	70.5	73.9	77.3	75.4	76.6	5.6%	1.2	1.6%	0.09%
Monetary Deposits**	424.7	415.2	438.1	430.6	433.6	435.3	32.0%	1.7	0.4%	0.1%
Quasi-Monetary Deposits***	783.8	822.8	816.6	843.1	853.4	849.4	62.4%	-4.0	-0.5%	-0.3%
Money Supply M₃*	1487.1	1602.4	1631.7	1645.4	1632.2	1679.9		47.7	2.9%	
Currency in Circulation Outside Banks	67.7	70.5	73.9	77.3	75.4	76.6	4.6%	1.2	1.6%	0.1%
Monetary Deposits**	424.7	415.2	438.1	430.6	433.6	435.3	25.9%	1.7	0.4%	0.1%
Quasi-Monetary Deposits***	783.8	822.8	816.6	843.1	853.4	849.4	50.6%	-4.0	-0.5%	-0.2%
Government Deposits	210.9	293.9	303.1	294.4	269.8	318.6	19.0%	48.8	18.1%	3.4%

⁽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)

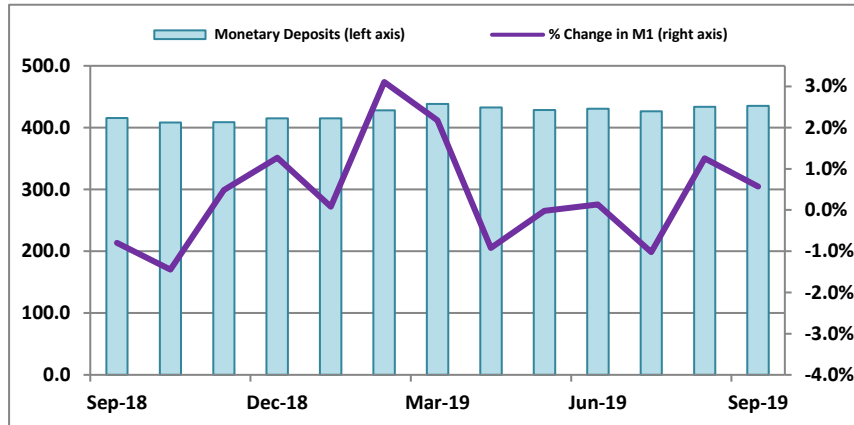
	Dec	Dec	Mar	Jun	Aug	Sep ¹	Change in September 2019	
	2017	2018	2019	2019	2019	2019	In billions of Dirhams	% Change
Monetary Base	377.4	379.7	372.9	397.1	386.3	392.8	6.5	1.7%
Currency Issued*	85.4	85.8	88.3	91.3	90.2	90.8	0.6	0.7%
Banks' Required Reserves	121.4	120.6	123.1	124.8	127.6	126.2	-1.4	-1.1%
Banks & OFCs' Excess Reserves	35.5	35.1	22.3	25.2	18.3	22.0	3.7	20.2%
Certificates of Deposit purchased by Banks	135.1	138.2	139.2	155.8	150.2	153.8	3.6	2.4%
Money Supply (M ₁)	492.4	485.7	512.0	507.9	509.0	511.9	2.9	0.6%
Money Multiplier of M₁ (M₁/Monetary Base)	1.30	1.28	1.37	1.28	1.32	1.30		
Money Supply (M ₂)	1276.2	1308.5	1328.6	1351.0	1362.4	1361.3	-1.1	-0.1%
Money Multiplier of M₂ (M₂/Monetary Base)	3.38	3.45	3.56	3.40	3.53	3.47		
Money Supply (M ₃)	1487.1	1602.4	1631.7	1645.4	1632.2	1679.9	47.7	2.9%
Money Multiplier of M₃ (M₃/Monetary Base)	3.94	4.22	4.38	4.14	4.23	4.28		

⁽¹⁾ Figures are provisional and subject to revision

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

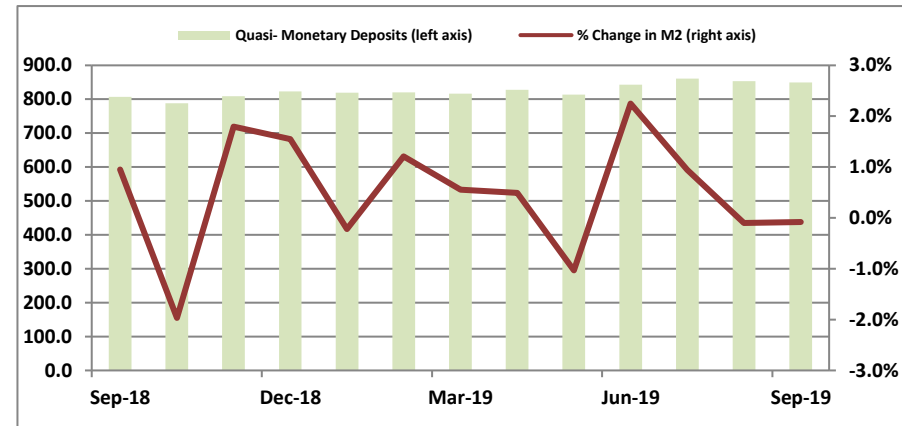
Money Supply M₁ increased by 0.6%, due to 1.6% and 0.4% increases in Currency in Circulation Outside Banks and Monetary Deposits, respectively.

(bn AED, % month-on-month)



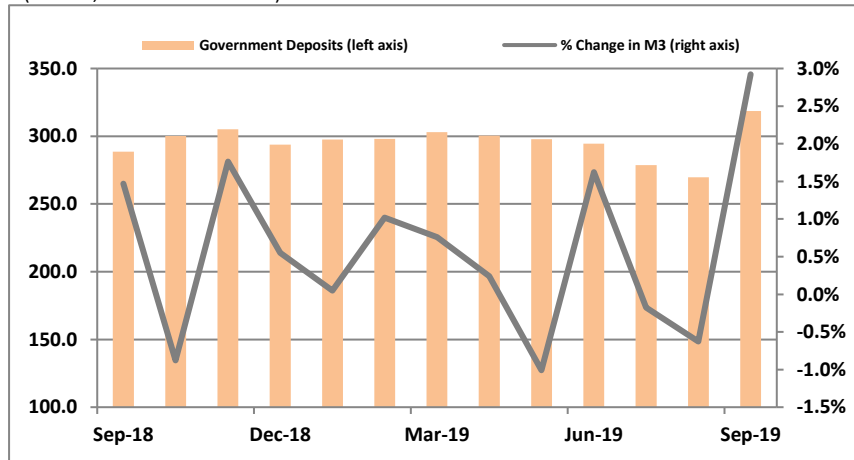
Money Supply M₂ decreased by 0.1% due to a 0.5% fall in Quasi-Monetary Deposits.

(bn AED, % month-on-month)



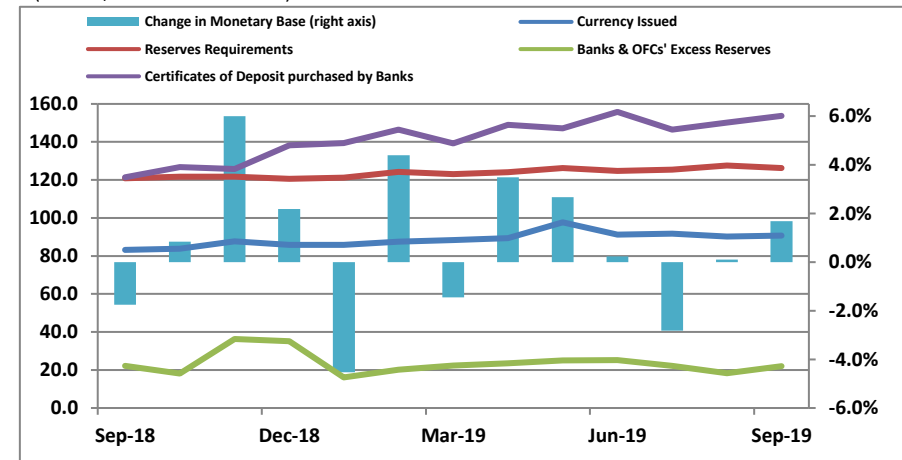
Money Supply M₃ rose by 2.9% owing to a 18.1% increase in Government Deposits.

(bn AED, % month-on-month)



Monetary Base expanded by 1.7% during September 2019.

(bn AED, % month-on-month)



Source: RSD - CBUAE