



UAE Monthly Monetary Survey February 2020



Monetary Developments (*)

M₁ decreased by 2%, from AED 540.4 billion at the end of January 2020 to AED 529.4 billion at the end of February 2020. This reduction was the result of a 2.8% decrease in Monetary Deposits (84.4% of **M₁**), overshadowing a 2.1% increase in Currency in Circulation outside Banks (15.6% of **M₁**).

At the end of February 2020, **M₂** also decreased by 0.04%, falling from AED 1426.8 billion at the end of January 2020 to AED 1426.3 billion. **M₂** mainly declined due to a reduced **M₁**, dominating an AED 10.5 billion or 1.2% increase in Quasi- Monetary Deposits (62.9% of **M₂**).

M₃ rose by 0.2%, from AED 1689.7 billion at the end of January 2020 to AED 1693.7 billion at the end of February 2020. **M₃** mainly increased because of an AED 4.5 billion or 1.7% rise in Government Deposits at commercial banks and at the Central Bank (15.8% of **M₃**), overriding the reductions in **M₁** and **M₂**.

In summary, during February 2020, the Monetary Aggregates **M₁** and **M₂** fell by 2% and 0.04%, respectively. While, Monetary Aggregate **M₃** increased by 0.2%.

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 February 2020, the Monetary Base expanded by 1.7%. The Monetary Base grew owing to increases in Currency Issued (23.1 % of the Monetary Base) by 0.9% and Certificates of Deposits purchased by Banks (39.5% of the Monetary Base) by 5%, superseding the reductions in Banks' Required Reserves (31.3% of the Monetary Base) by 0.5% and Banks & OFC's Excess Reserves (6.1% of the Monetary Base) by 3.4%.

From the end of January 2020 to the end of February 2020, the multipliers of **M₁**, **M₂** and **M₃** decreased from 1.32 to 1.27, from 3.49 to 3.43 and from 4.14 to 4.08, respectively.

The reductions in the multipliers of **M₁** and **M₂** demonstrate the reductions in the Monetary Aggregates **M₁** and **M₂**, compared to the expansion of the Monetary Base. The reduction in the multiplier of **M₃** signals a smaller increase in the Monetary Aggregate **M₃** compared to a faster 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 (February 2020)
 (End of period, billions of Dirhams)

	Mar-19	Jun-19	Sep-19	Dec-19 ¹	Jan-20	Feb ¹ 2020		MoM		Contribution to Aggregate Growth ²
						In billions of Dirhams	Shares of the Aggregates	In Billions of Dirhams	% Change	
Money Supply M₁*	512.0	507.9	511.9	514.8	540.4	529.4		-11.0	-2.0%	
Currency in Circulation Outside Banks	73.9	77.3	76.6	78.2	80.8	82.5	15.6%	1.7	2.1%	0.3%
Monetary Deposits**	438.1	430.6	435.3	436.6	459.6	446.9	84.4%	-12.7	-2.8%	-2.3%
Money Supply M₂*	1328.6	1351.0	1361.3	1411.5	1426.8	1426.3		-0.5	-0.04%	
Currency in Circulation Outside Banks	73.9	77.3	76.6	78.2	80.8	82.5	5.8%	1.7	2.1%	0.1%
Monetary Deposits**	438.1	430.6	435.3	436.6	459.6	446.9	31.3%	-12.7	-2.8%	-0.9%
Quasi-Monetary Deposits***	816.6	843.1	849.4	896.7	886.4	896.9	62.9%	10.5	1.2%	0.7%
Money Supply M₃*	1631.7	1645.4	1679.9	1717.4	1689.7	1693.7		4.0	0.2%	
Currency in Circulation Outside Banks	73.9	77.3	76.6	78.2	80.8	82.5	4.9%	1.7	2.1%	0.1%
Monetary Deposits**	438.1	430.6	435.3	436.6	459.6	446.9	26.4%	-12.7	-2.8%	-0.7%
Quasi-Monetary Deposits***	816.6	843.1	849.4	896.7	886.4	896.9	53.0%	10.5	1.2%	0.6%
Government Deposits	303.1	294.4	318.6	305.9	262.9	267.4	15.8%	4.5	1.7%	0.3%

⁽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)

	Mar	Jun	Sep	Dec ¹	Jan	Feb ¹	Change in February 2020	
	2019	2019	2019	2019	2020	2020	In billions of Dirhams	% Change
Monetary Base	372.9	397.1	392.8	409.5	408.5	415.6	7.1	1.7%
Currency Issued*	88.3	91.3	90.8	93.7	95.1	96.0	0.9	0.9%
Banks' Required Reserves	123.1	124.8	126.2	129.7	130.8	130.1	-0.7	-0.5%
Banks & OFCs' Excess Reserves	22.3	25.2	22.0	25.9	26.3	25.4	-0.9	-3.4%
Certificates of Deposit purchased by Banks	139.2	155.8	153.8	160.2	156.3	164.1	7.8	5.0%
Money Supply (M ₁)	512.0	507.9	511.9	514.8	540.4	529.4	-11.0	-2.0%
Money Multiplier of M₁ (M₁/Monetary Base)	1.37	1.28	1.30	1.26	1.32	1.27		
Money Supply (M ₂)	1328.6	1351.0	1361.3	1411.5	1426.8	1426.3	-0.5	-0.04%
Money Multiplier of M₂ (M₂/Monetary Base)	3.56	3.40	3.47	3.45	3.49	3.43		
Money Supply (M ₃)	1631.7	1645.4	1679.9	1717.4	1689.7	1693.7	4.0	0.2%
Money Multiplier of M₃ (M₃/Monetary Base)	4.38	4.14	4.28	4.19	4.14	4.08		

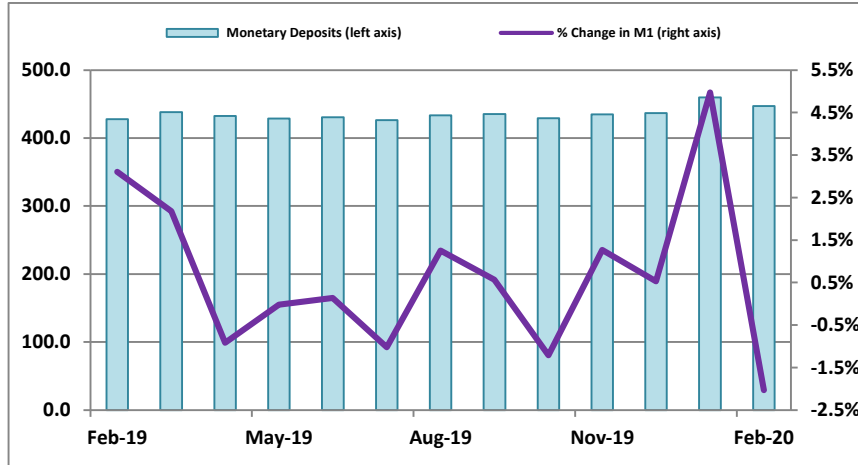
⁽¹⁾ Figures are provisional and subject to revision

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



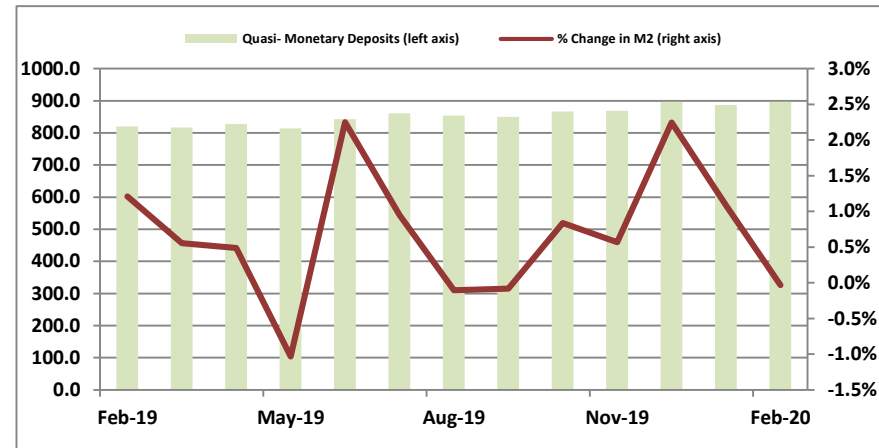
Money Supply M₁ decreased by 2%, due to 2.8% reduction in Monetary Deposits.

(bn AED, % month-on-month)



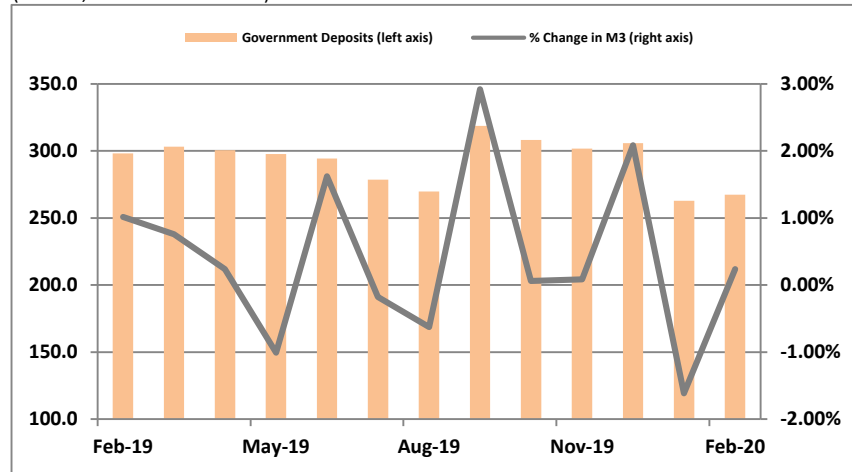
Money Supply M₂ decreased by 0.04% due to a decreased M₁, overshadowing a 1.2% rise in Quasi-Monetary Deposits.

(bn AED, % month-on-month)



Money Supply M₃ rose by 0.2% owing to 1.7% increase in Government Deposits, overriding the reductions in M₁ & M₂.

(bn AED, % month-on-month)



Monetary Base expanded by 1.7% during February 2020.

(bn AED, % month-on-month)

