



UAE Monthly Monetary Survey January 2020



Monetary Developments (*)

M₁ increased by 5%, from AED 514.8 billion at the end of December 2019 to AED 540.4 billion at the end of January 2020. This increase was the outcome of a 3.3% increase in Currency in Circulation outside Banks (15% of **M₁**) and a 5.3% increase in Monetary Deposits (85% of **M₁**).

At the end of January 2020, **M₂** increased by 1.1%, rising from AED 1411.5 billion at the end of December 2019 to AED 1426.8 billion. **M₂** mainly increased due to an increased **M₁**, dominating an AED 10.3 billion or 1.1% reduction in Quasi- Monetary Deposits (62.1% of **M₂**).

M₃ fell by 1.6%, from AED 1717.4 billion at the end of December 2019 to AED 1689.7 billion at the end of January 2020. **M₃** mainly decreased because of an AED 43 billion or 14.1% reduction in Government Deposits at commercial banks and at the Central Bank (15.5% of **M₃**), overriding the increases in **M₁** and **M₂**.

In summary, during January 2020, the Monetary Aggregates **M₁** and **M₂** increased by 5% and 1.1%, respectively. While, Monetary Aggregate **M₃** decreased by 1.6%.

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 January 2020, the Monetary Base contracted by 0.2%. The Monetary Base shrank owing to a decrease in Certificates of Deposits purchased by Banks (38.3% of the Monetary Base) by 2.4%, superseding the increases in Currency Issued (23.3 % of the Monetary Base) by 1.5 %, Banks' Required Reserves (32% of the Monetary Base), by 0.8% and Banks & OFC's Excess Reserves (6.4% of the Monetary Base) by 1.5%.

From the end of December 2019 to the end of January 2020, the multipliers of **M₁** and **M₂** increased from 1.26 to 1.32 and from 3.45 to 3.49, respectively. Whereas, the multiplier of **M₃** decreased from 4.19 to 4.14.

The increases in the multipliers of **M₁** and **M₂** demonstrate the growth in the Monetary Aggregates **M₁** and **M₂**, compared to the tightening of the Monetary Base. The reduction in the multiplier of **M₃** signals a larger decrease in the Monetary Aggregate **M₃** compared to a milder contraction 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 (January 2020)
 (End of period, billions of Dirhams)

| | Dec-18 | Mar-19 | Jun-19 | Sep-19 | Dec-19 ¹ | Jan ¹ 2020 | | MoM | | Contribution to Aggregate Growth ² |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------------|------------------------|--------------------------|------------------------|--------------|-----------------------------------------------|
| | | | | | | In billions of Dirhams | Shares of the Aggregates | In Billions of Dirhams | % Change | |
| Money Supply M₁* | 485.7 | 512.0 | 507.9 | 511.9 | 514.8 | 540.4 | | 25.6 | 5.0% | |
| Currency in Circulation Outside Banks | 70.5 | 73.9 | 77.3 | 76.6 | 78.2 | 80.8 | 15.0% | 2.6 | 3.3% | 0.5% |
| Monetary Deposits** | 415.2 | 438.1 | 430.6 | 435.3 | 436.6 | 459.6 | 85.0% | 23.0 | 5.3% | 4.5% |
| Money Supply M₂* | 1308.5 | 1328.6 | 1351.0 | 1361.3 | 1411.5 | 1426.8 | | 15.3 | 1.1% | |
| Currency in Circulation Outside Banks | 70.5 | 73.9 | 77.3 | 76.6 | 78.2 | 80.8 | 5.7% | 2.6 | 3.3% | 0.2% |
| Monetary Deposits** | 415.2 | 438.1 | 430.6 | 435.3 | 436.6 | 459.6 | 32.2% | 23.0 | 5.3% | 1.7% |
| Quasi-Monetary Deposits*** | 822.8 | 816.6 | 843.1 | 849.4 | 896.7 | 886.4 | 62.1% | -10.3 | -1.1% | -0.7% |
| Money Supply M₃* | 1602.4 | 1631.7 | 1645.4 | 1679.9 | 1717.4 | 1689.7 | | -27.7 | -1.6% | |
| Currency in Circulation Outside Banks | 70.5 | 73.9 | 77.3 | 76.6 | 78.2 | 80.8 | 4.8% | 2.6 | 3.3% | 0.2% |
| Monetary Deposits** | 415.2 | 438.1 | 430.6 | 435.3 | 436.6 | 459.6 | 27.2% | 23.0 | 5.3% | 1.4% |
| Quasi-Monetary Deposits*** | 822.8 | 816.6 | 843.1 | 849.4 | 896.7 | 886.4 | 52.5% | -10.3 | -1.1% | -0.6% |
| Government Deposits | 293.9 | 303.1 | 294.4 | 318.6 | 305.9 | 262.9 | 15.5% | -43.0 | -14.1% | -2.2% |

⁽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 | Mar | Jun | Sep | Dec ¹ | Jan ¹ | Change in January 2020 | |
|------------------------------------------------------------------------|--------------|--------------|--------------|--------------|------------------|------------------|------------------------|--------------|
| | 2018 | 2019 | 2019 | 2019 | 2019 | 2020 | In billions of Dirhams | % Change |
| Monetary Base | 379.7 | 372.9 | 397.1 | 392.8 | 409.5 | 408.5 | -1.0 | -0.2% |
| Currency Issued* | 85.8 | 88.3 | 91.3 | 90.8 | 93.7 | 95.1 | 1.4 | 1.5% |
| Banks' Required Reserves | 120.6 | 123.1 | 124.8 | 126.2 | 129.7 | 130.8 | 1.1 | 0.8% |
| Banks & OFCs' Excess Reserves | 35.1 | 22.3 | 25.2 | 22.0 | 25.9 | 26.3 | 0.4 | 1.5% |
| Certificates of Deposit purchased by Banks | 138.2 | 139.2 | 155.8 | 153.8 | 160.2 | 156.3 | -3.9 | -2.4% |
| Money Supply (M ₁) | 485.7 | 512.0 | 507.9 | 511.9 | 514.8 | 540.4 | 25.6 | 5.0% |
| Money Multiplier of M₁ (M₁/Monetary Base) | 1.28 | 1.37 | 1.28 | 1.30 | 1.26 | 1.32 | | |
| Money Supply (M ₂) | 1308.5 | 1328.6 | 1351.0 | 1361.3 | 1411.5 | 1426.8 | 15.3 | 1.1% |
| Money Multiplier of M₂ (M₂/Monetary Base) | 3.45 | 3.56 | 3.40 | 3.47 | 3.45 | 3.49 | | |
| Money Supply (M ₃) | 1602.4 | 1631.7 | 1645.4 | 1679.9 | 1717.4 | 1689.7 | -27.7 | -1.6% |
| Money Multiplier of M₃ (M₃/Monetary Base) | 4.22 | 4.38 | 4.14 | 4.28 | 4.19 | 4.14 | | |

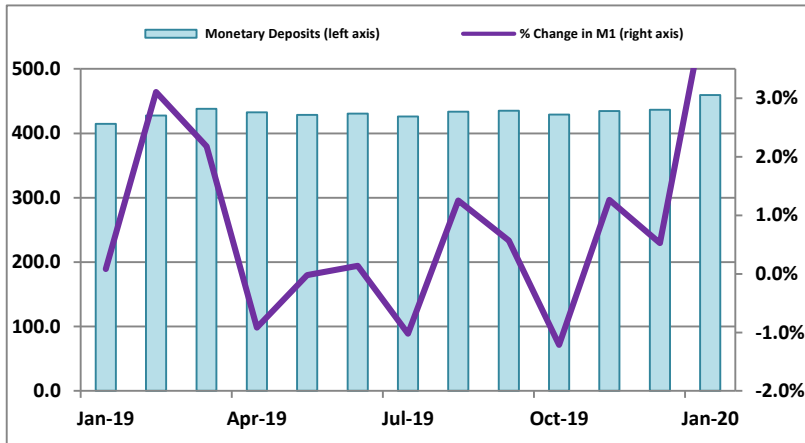
⁽¹⁾ Figures are provisional and subject to revision

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



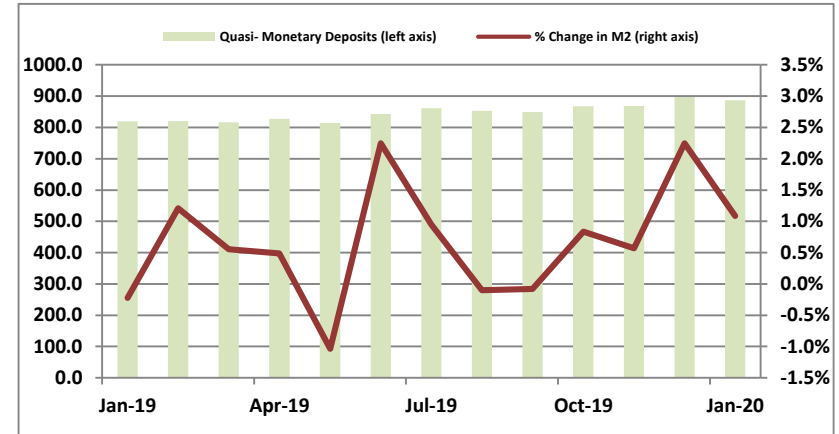
Money Supply M₁ increased by 5%, due to 3.3% & 5.3% increases in Currency in Circulation Outside Banks & Monetary Deposits, respectively.

(bn AED, % month-on-month)



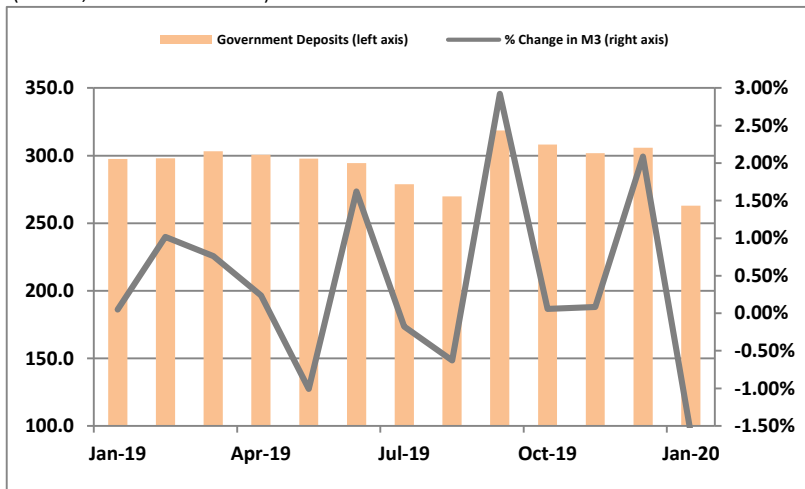
Money Supply M₂ increased by 1.1% due to an increased M₁, overshadowing a 1.1% fall in Quasi-Monetary Deposits.

(bn AED, % month-on-month)



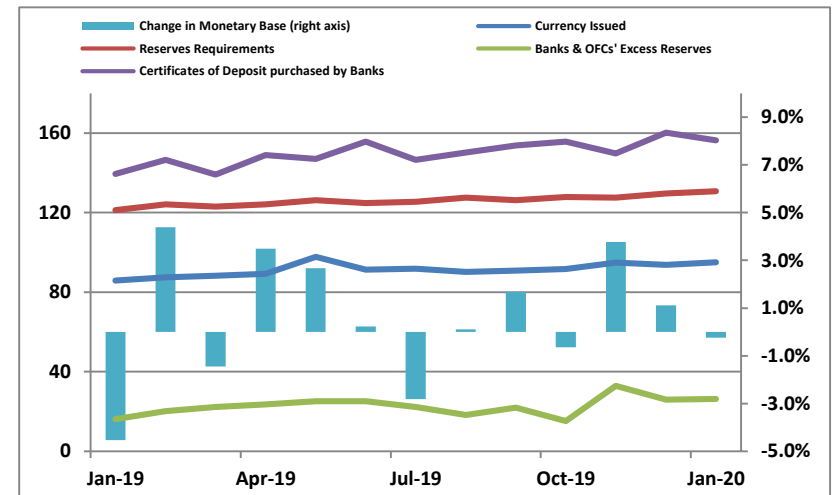
Money Supply M₃ fell by 1.6% owing to a 14.1% fall in Government Deposits, overriding the increases in M₁ & M₂.

(bn AED, % month-on-month)



Monetary Base contracted by 1% during January 2020.

(bn AED, % month-on-month)



Source: RSD - CBUAE