



UAE Monthly Monetary Survey June 2020



Monetary Developments (*)

M₁ decreased by 1.2%, from 564.3 billion at the end of May 2020 to AED 557.4 billion at the end of June 2020. This reduction was the result of a 0.5% and 1.4% decreases in Currency in Circulation outside Banks (16.6% of **M₁**) and Monetary Deposits (83.4% of **M₁**), respectively.

At the end of June 2020, **M₂** increased by 0.4%, rising from AED 1451.9 billion at the end of May 2020 to AED 1458 billion. **M₂** mainly rose due to an AED 13 billion or 1.5% increase in Quasi- Monetary Deposits (61.8% of **M₂**), overshadowing the reduction in **M₁**.

Subsequently, **M₃** also rose by 0.3%, from AED 1747.8 billion at the end of May 2020 to AED 1752.3 billion at the end of June 2020. **M₃** mainly grew because of an increased **M₂**, overshadowing an AED 1.6 billion or 0.5% fall in Government Deposits at commercial banks and at the Central Bank (16.8% of **M₃**).

In summary, during June 2020, the Monetary Aggregate **M₁** decreased by 1.2%. Whereas, Monetary Aggregates **M₂** and **M₃** increased by 0.4% and 0.3%, 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 June 2020, the Monetary Base expanded by 0.3%. The Monetary Base grew owing to increases in Banks' Required Reserves (18% of the Monetary Base) by 3.2% and in Banks & OFC's Excess Reserves (12.3% of the Monetary Base) by 47.9%, overshadowing the reductions in Currency Issued (26% of the Monetary Base) by 1.6% and Certificates of Deposits purchased by Banks (43.7% of the Monetary Base) by 8.1%.

From the end of May 2020 to the end of June 2020, the multiplier of **M₁** decreased from 1.39 to 1.37. Whereas, the multipliers of **M₂** and **M₃** remained constant at 3.57 and 4.29, respectively.

The decrease in the multiplier of **M₁** indicates a reduction in the Monetary Aggregate **M₁**, compared to the expansion of the Monetary Base. The constant multipliers of **M₂** and **M₃** demonstrate the increases in the Monetary Aggregates **M₂** and **M₃**, proportional to the 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 (June 2020)
 (End of period, billions of Dirhams)

| | Mar-19 | Jun-19 | Sep-19 | Dec-19 | May-20 | June ¹ 2020 | | MoM | | Contribution to Aggregate Growth ³ |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|------------------------|--------------------------|------------------------|--------------|---|
| | | | | | | In billions of Dirhams | Shares of the Aggregates | In Billions of Dirhams | % Change | |
| Money Supply M₁* | 512.0 | 507.9 | 511.9 | 515.0 | 564.3 | 557.4 | | -6.9 | -1.2% | |
| Currency in Circulation Outside Banks | 73.9 | 77.3 | 76.6 | 78.2 | 93.1 | 92.6 | 16.6% | -0.5 | -0.5% | -0.1% |
| Monetary Deposits** | 438.1 | 430.6 | 435.3 | 436.8 | 471.2 | 464.8 | 83.4% | -6.4 | -1.4% | -1.1% |
| Money Supply M₂* | 1328.6 | 1351.0 | 1361.3 | 1413.1 | 1451.9 | 1458.0 | | 6.1 | 0.4% | |
| Currency in Circulation Outside Banks | 73.9 | 77.3 | 76.6 | 78.2 | 93.1 | 92.6 | 6.4% | -0.5 | -0.5% | -0.03% |
| Monetary Deposits** | 438.1 | 430.6 | 435.3 | 436.8 | 471.2 | 464.8 | 31.9% | -6.4 | -1.4% | -0.4% |
| Quasi-Monetary Deposits*** | 816.6 | 843.1 | 849.4 | 898.1 | 887.6 | 900.6 | 61.8% | 13.0 | 1.5% | 0.9% |
| Money Supply M₃* | 1631.7 | 1645.4 | 1679.9 | 1717.4 | 1747.8 | 1752.3 | | 4.5 | 0.3% | |
| Currency in Circulation Outside Banks | 73.9 | 77.3 | 76.6 | 78.2 | 93.1 | 92.6 | 5.3% | -0.5 | -0.5% | -0.03% |
| Monetary Deposits** | 438.1 | 430.6 | 435.3 | 436.8 | 471.2 | 464.8 | 26.5% | -6.4 | -1.4% | -0.4% |
| Quasi-Monetary Deposits*** | 816.6 | 843.1 | 849.4 | 898.1 | 887.6 | 900.6 | 51.4% | 13.0 | 1.5% | 0.8% |
| Government Deposits | 303.1 | 294.4 | 318.6 | 304.3 | 295.9 | 294.3 | 16.8% | -1.6 | -0.5% | -0.1% |

⁽¹⁾Figures are provisional and subject to revision

⁽³⁾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 | May | Jun ¹ | Change in June 2020 | |
|--|--------------|--------------|--------------|--------------|--------------|------------------|------------------------|-------------|
| | 2019 | 2019 | 2019 | 2019 | 2020 | 2020 | In billions of Dirhams | % Change |
| Monetary Base | 372.9 | 397.1 | 392.8 | 409.5 | 407.1 | 408.2 | 1.1 | 0.3% |
| Currency Issued* | 88.3 | 91.3 | 90.8 | 93.7 | 107.8 | 106.1 | -1.7 | -1.6% |
| Banks' Required Reserves** | 123.1 | 124.8 | 126.2 | 129.7 | 71.0 | 73.3 | 2.3 | 3.2% |
| Banks & OFCs' Excess Reserves | 22.3 | 25.2 | 22.0 | 25.9 | 34.0 | 50.3 | 16.3 | 47.9% |
| Certificates of Deposit purchased by Banks | 139.2 | 155.8 | 153.8 | 160.2 | 194.3 | 178.5 | -15.8 | -8.1% |
| Money Supply (M ₁) | 512.0 | 507.9 | 511.9 | 515.0 | 564.3 | 557.4 | -6.9 | -1.2% |
| Money Multiplier of M₁ (M₁/Monetary Base) | 1.37 | 1.28 | 1.30 | 1.26 | 1.39 | 1.37 | | |
| Money Supply (M ₂) | 1328.6 | 1351.0 | 1361.3 | 1413.1 | 1451.9 | 1458.0 | 6.1 | 0.4% |
| Money Multiplier of M₂ (M₂/Monetary Base) | 3.56 | 3.40 | 3.47 | 3.45 | 3.57 | 3.57 | | |
| Money Supply (M ₃) | 1631.7 | 1645.4 | 1679.9 | 1717.4 | 1747.8 | 1752.3 | 4.5 | 0.3% |
| Money Multiplier of M₃ (M₃/Monetary Base) | 4.38 | 4.14 | 4.28 | 4.19 | 4.29 | 4.29 | | |

(1) Figures are provisional and subject to revision

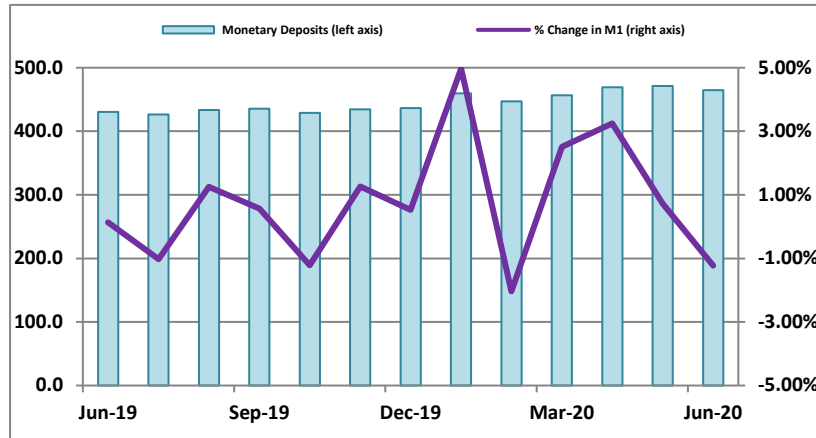
* Currency Issued = Currency in circulation outside Banks + Cash at Banks

** The amount of Reserve Requirements declined due to the reduction in the rate of required reserves from 14% to 7% on Demand Deposits per the Targeted Economic Support Scheme (TESS) offered to Banks by the CBUAE in April 2020. Banks' liquidity increased as a result of the reduction in the required reserves ratio.



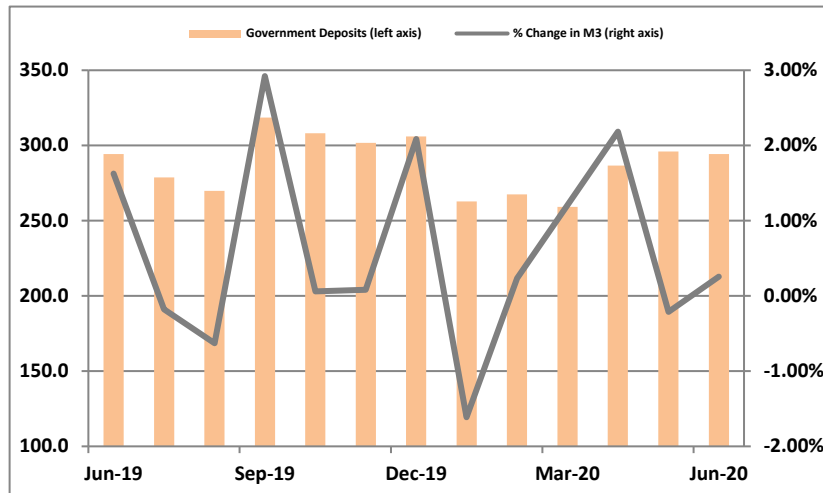
Money Supply M₁ decreased by 1.2%, due to 0.5% and 1.4% reduction in Currency in Circulation Outside Banks & Monetary Deposits, respectively.

(bn AED, % month-on-month)



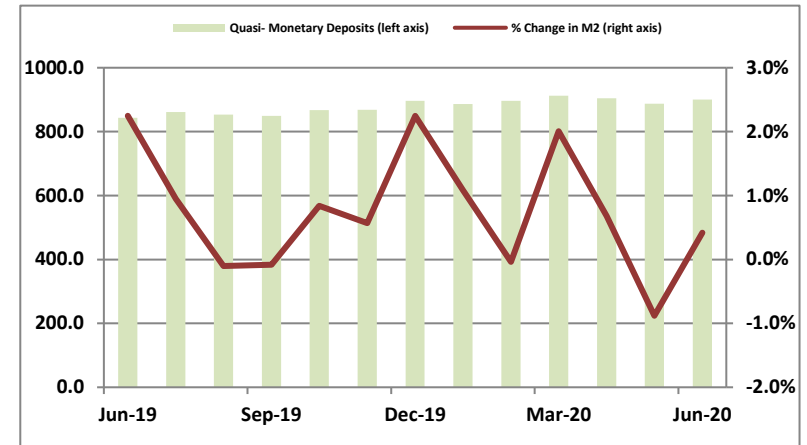
Money Supply M₃ rose by 0.3% owing to an increased M₂, overshadowing a 0.5% reduction in Government Deposits.

(bn AED, % month-on-month)



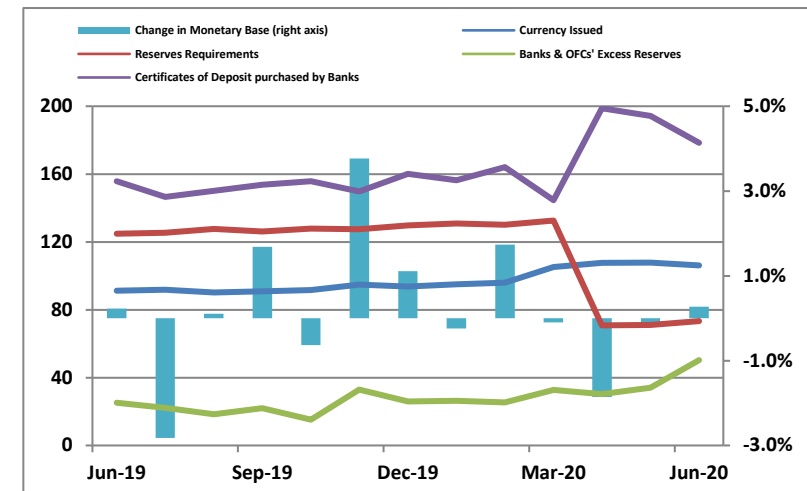
Money Supply M₂ increased by 0.4% due to 1.5% rise in Quasi-Monetary Deposits.

(bn AED, % month-on-month)



Monetary Base expanded by 0.3% during June 2020.

(bn AED, % month-on-month)



Source: CBUAE