



UAE Monthly Monetary Survey May 2020



Monetary Developments (*)

M₁ increased by 0.7%, from 560.3 billion at the end of April 2020 to AED 564.3 billion at the end of May 2020. This increase was the result of a 2.4% and 0.4% increases in Currency in Circulation outside Banks (16.5% of **M₁**) and Monetary Deposits (83.5% of **M₁**), respectively.

At the end of May 2020, **M₂** decreased by 0.9%, falling from AED 1464.8 billion at the end of April 2020 to AED 1451.9 billion. **M₂** mainly decreased due to an AED 16.9 billion or 1.9% reduction in Quasi- Monetary Deposits (61.1% of **M₂**), overshadowing the increase in **M₁**.

Consequently, **M₃** also fell by 0.2%, from AED 1751.5 billion at the end of April 2020 to AED 1747.8 billion at the end of May 2020. **M₃** mainly decreased because of a diminished **M₂**, overshadowing an AED 9.2 billion or 3.2% rise in Government Deposits at commercial banks and at the Central Bank (16.9% of **M₃**).

In summary, during May 2020, the Monetary Aggregate **M₁** increased by 0.7%. Whereas, Monetary Aggregates **M₂** and **M₃** decreased by 0.9% and 0.2%, 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 2020, the Monetary Base contracted by 0.1%. The Monetary Base shrank owing to a reduction in Certificates of Deposits purchased by Banks (47.7% of the Monetary Base) by 2.3%, overshadowing the increases in Currency Issued (26.5% of the Monetary Base) by 0.1%, in Banks' Required Reserves (17.4% of the Monetary Base) by 0.3% and in Banks & OFC's Excess Reserves (8.4% of the Monetary Base) by 12.6%.

From the end of April 2020 to the end of May 2020, the multiplier of **M₁** increased from 1.37 to 1.39. Whereas, the multipliers of **M₂** and **M₃** decreased from 3.59 to 3.57 and from 4.30 to 4.29, respectively.

The increase in the multiplier of **M₁** indicates an increase in the Monetary Aggregate **M₁**, compared to the contraction of the Monetary Base. The reductions in the multipliers of **M₂** and **M₃** demonstrate larger fall in the Monetary Aggregates **M₂** and **M₃**, compared to the slower 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 (May 2020)
 (End of period, billions of Dirhams)

	Mar-19	Jun-19	Sep-19	Dec-19	Apr-20	May 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	515.0	560.3	564.3		4.0	0.7%	
Currency in Circulation Outside Banks	73.9	77.3	76.6	78.2	90.9	93.1	16.5%	2.2	2.4%	0.4%
Monetary Deposits**	438.1	430.6	435.3	436.8	469.4	471.2	83.5%	1.8	0.4%	0.3%
Money Supply M₂*	1328.6	1351.0	1361.3	1413.1	1464.8	1451.9		-12.9	-0.9%	
Currency in Circulation Outside Banks	73.9	77.3	76.6	78.2	90.9	93.1	6.4%	2.2	2.4%	0.2%
Monetary Deposits**	438.1	430.6	435.3	436.8	469.4	471.2	32.5%	1.8	0.4%	0.1%
Quasi-Monetary Deposits***	816.6	843.1	849.4	898.1	904.5	887.6	61.1%	-16.9	-1.9%	-1.1%
Money Supply M₃*	1631.7	1645.4	1679.9	1717.4	1751.5	1747.8		-3.7	-0.2%	
Currency in Circulation Outside Banks	73.9	77.3	76.6	78.2	90.9	93.1	5.3%	2.2	2.4%	0.1%
Monetary Deposits**	438.1	430.6	435.3	436.8	469.4	471.2	27.0%	1.8	0.4%	0.1%
Quasi-Monetary Deposits***	816.6	843.1	849.4	898.1	904.5	887.6	50.8%	-16.9	-1.9%	-0.9%
Government Deposits	303.1	294.4	318.6	304.3	286.7	295.9	16.9%	9.2	3.2%	0.5%

⁽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	Apr	May ¹	Change in May 2020	
	2019	2019	2019	2019	2020	2020	In billions of Dirhams	% Change
Monetary Base	372.9	397.1	392.8	409.5	407.5	407.1	-0.4	-0.1%
Currency Issued*	88.3	91.3	90.8	93.7	107.7	107.8	0.1	0.1%
Banks' Required Reserves**	123.1	124.8	126.2	129.7	70.8	71.0	0.2	0.3%
Banks & OFCs' Excess Reserves	22.3	25.2	22.0	25.9	30.2	34.0	3.8	12.6%
Certificates of Deposit purchased by Banks	139.2	155.8	153.8	160.2	198.8	194.3	-4.5	-2.3%
Money Supply (M ₁)	512.0	507.9	511.9	515.0	560.3	564.3	4.0	0.7%
Money Multiplier of M₁ (M₁/Monetary Base)	1.37	1.28	1.30	1.26	1.37	1.39		
Money Supply (M ₂)	1328.6	1351.0	1361.3	1413.1	1464.8	1451.9	-12.9	-0.9%
Money Multiplier of M₂ (M₂/Monetary Base)	3.56	3.40	3.47	3.45	3.59	3.57		
Money Supply (M ₃)	1631.7	1645.4	1679.9	1717.4	1751.5	1747.8	-3.7	-0.2%
Money Multiplier of M₃ (M₃/Monetary Base)	4.38	4.14	4.28	4.19	4.30	4.29		

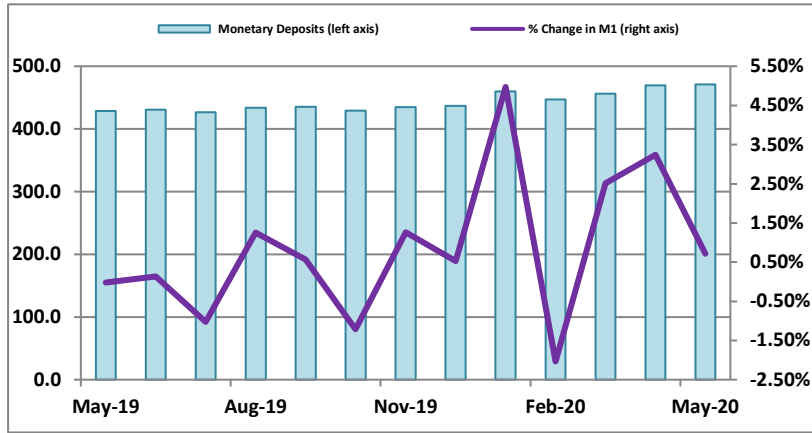
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* Currency Issued = Currency in circulation outside Banks + Cash at Banks

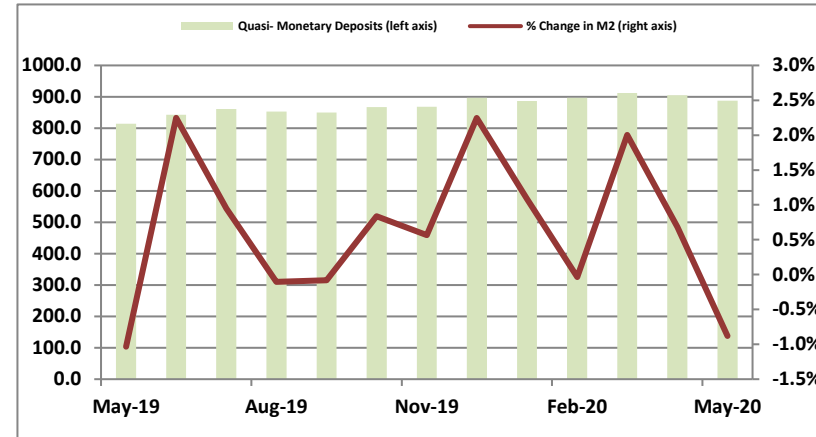
** The amount of Reserve Requirements declined due to the reduction in the rate of required reserves from 14% to 7% on Demand Deposits per the Targeted Economic Support Scheme (TESS) offered to Banks by the CBUAE in April 2020. Banks' liquidity increased as a result of the reduction in the required reserves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



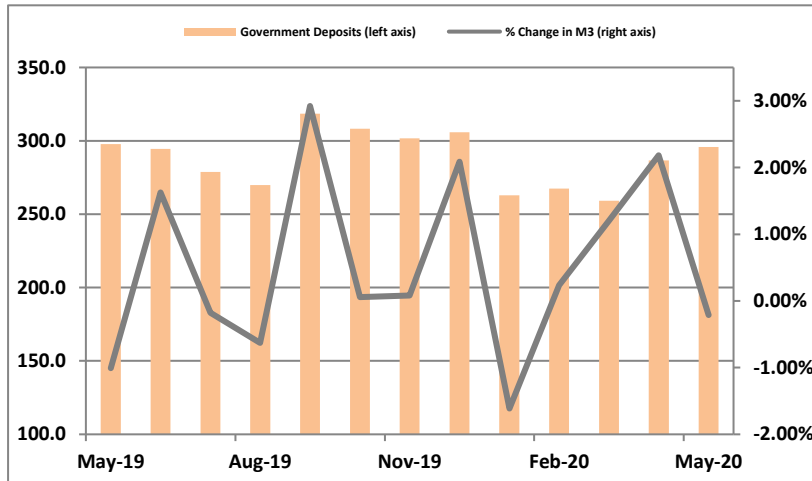
Money Supply M₁ increased by 0.7%, due to 2.4% and 0.4% increases in Currency in Circulation Outside Banks & Monetary Deposits, respectively.
(bn AED, % month-on-month)



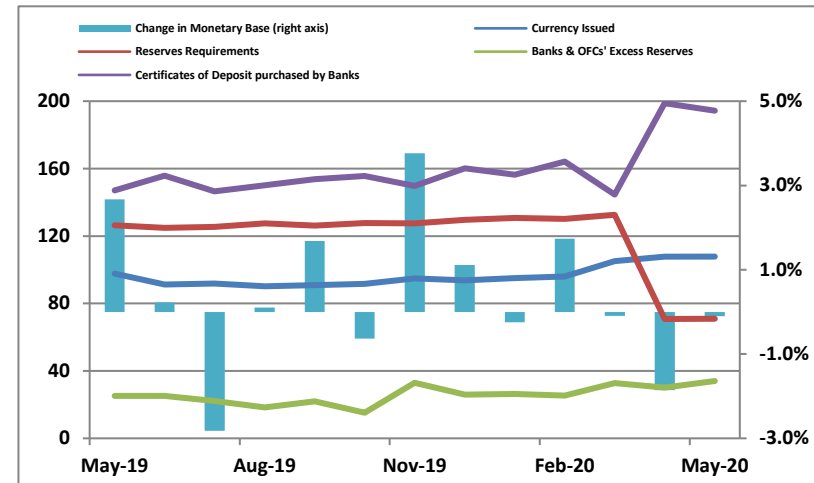
Money Supply M₂ decreased by 0.9% due to 1.9% reduction in Quasi-Monetary Deposits.
(bn AED, % month-on-month)



Money Supply M₃ fell by 0.2% owing to reduced M₂, overshadowing a 3.2% increase in Government Deposits.
(bn AED, % month-on-month)



Monetary Base contracted by 0.1% during May 2020.
(bn AED, % month-on-month)



Source: CBUAE