



UAE Monthly Monetary Survey September 2020



Monetary Developments (*)

M₁ increased by 0.2%, from 566.9 billion at the end of August 2020 to AED 568 billion at the end of September 2020. This increase was the result of a 2.2% rise in Currency in Circulation outside Banks (17% of **M₁**), superseding a 0.2% fall in Monetary Deposits (83% of **M₁**).

At the end of September 2020, **M₂** decreased by 3%, falling from AED 1,513.5 billion at the end of August 2020 to AED 1,468.7 billion. **M₂** mainly fell due to an AED 45.9 billion or 4.8% reduction in Quasi- Monetary Deposits (61.3% of **M₂**), overshadowing the increase in **M₁**.

M₃ rose by 0.5%, from AED 1,797.1 billion at the end of August 2020 to AED 1,805.7 billion at the end of September 2020. **M₃** mainly grew because of an AED 53.4 billion or 18.8% rise in Government Deposits at commercial banks and at the Central Bank (18.7% of **M₃**), overriding the fall in **M₂**.

In summary, during September 2020, the Monetary Aggregates **M₁** and **M₃** increased by 0.2% and 0.5%, respectively, and **M₂** decreased by 3%.

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 2020, the Monetary Base contracted by 0.1%. The Monetary Base shrank owing to decreases in Banks & OFC's Excess Reserves (19% of the Monetary Base) by 2.1% and in Certificates of Deposits purchased by Banks (36.3% of the Monetary Base) by 3.6%, overriding the increases in Currency Issued (26.7% of the Monetary Base) by 2.3% and in Banks' Required Reserves (18% of the Monetary Base) by 6.5%.

From the end of August 2020 to the end of September 2020, the multiplier of **M₁** remained constant at 1.36, the multiplier of **M₂** decreased from 3.63 to 3.52 and the multiplier of **M₃** increased from 4.31 to 4.33.

The constant multiplier of **M₁** is reflective of the negligible increase in the Monetary Aggregate **M₁**, compared to the slight decrease in the Monetary Base. The reduction in the multiplier of **M₂** is demonstrating the higher reduction in the Monetary Aggregate **M₂**, compared to the lower reduction of the Monetary Base. The increase in the multiplier of **M₃** is indicative of the higher increase in the Monetary Aggregate **M₃**, compared to the slight decrease 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 2020)

(End of period, billions of Dirhams)

	Mar-19	Jun-19	Sep-19	Dec-19	Aug-20	September 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	566.9	568.0		1.1	0.2%	
Currency in Circulation Outside Banks	73.9	77.3	76.6	78.2	94.6	96.7	17.0%	2.1	2.2%	0.4%
Monetary Deposits**	438.1	430.6	435.3	436.8	472.3	471.3	83.0%	-1.0	-0.2%	-0.2%
Money Supply M₂*	1328.6	1351.0	1361.3	1413.1	1513.5	1468.7		-44.8	-3.0%	
Currency in Circulation Outside Banks	73.9	77.3	76.6	78.2	94.6	96.7	6.6%	2.1	2.2%	0.1%
Monetary Deposits**	438.1	430.6	435.3	436.8	472.3	471.3	32.1%	-1.0	-0.2%	-0.1%
Quasi-Monetary Deposits***	816.6	843.1	849.4	898.1	946.6	900.7	61.3%	-45.9	-4.8%	-3.0%
Money Supply M₃*	1631.7	1645.4	1679.9	1717.4	1797.1	1805.7		8.6	0.5%	
Currency in Circulation Outside Banks	73.9	77.3	76.6	78.2	94.6	96.7	5.4%	2.1	2.2%	0.1%
Monetary Deposits**	438.1	430.6	435.3	436.8	472.3	471.3	26.1%	-1.0	-0.2%	-0.06%
Quasi-Monetary Deposits***	816.6	843.1	849.4	898.1	946.6	900.7	49.9%	-45.9	-4.8%	-2.4%
Government Deposits	303.1	294.4	318.6	304.3	283.6	337.0	18.7%	53.4	18.8%	3.5%

⁽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	Aug	Sep ¹	Change in September 2020	
	2019	2019	2019	2019	2020	2020	In billions of Dirhams	% Change
Monetary Base	372.9	397.1	392.8	409.5	417.0	416.7	-0.3	-0.1%
Currency Issued*	88.3	91.3	90.8	93.7	108.8	111.3	2.5	2.3%
Banks' Required Reserves**	123.1	124.8	126.2	129.7	70.5	75.1	4.6	6.5%
Banks & OFCs' Excess Reserves	22.3	25.2	22.0	25.9	80.7	79.0	-1.7	-2.1%
Certificates of Deposit purchased by Banks	139.2	155.8	153.8	160.2	157.0	151.3	-5.7	-3.6%
Money Supply (M ₁)	512.0	507.9	511.9	515.0	566.9	568.0	1.1	0.2%
Money Multiplier of M₁ (M₁/Monetary Base)	1.37	1.28	1.30	1.26	1.36	1.36		
Money Supply (M ₂)	1328.6	1351.0	1361.3	1413.1	1513.5	1468.7	-44.8	-3.0%
Money Multiplier of M₂ (M₂/Monetary Base)	3.56	3.40	3.47	3.45	3.63	3.52		
Money Supply (M ₃)	1631.7	1645.4	1679.9	1717.4	1797.1	1805.7	8.6	0.5%
Money Multiplier of M₃ (M₃/Monetary Base)	4.38	4.14	4.28	4.19	4.31	4.33		

(1) Figures are provisional and subject to revision

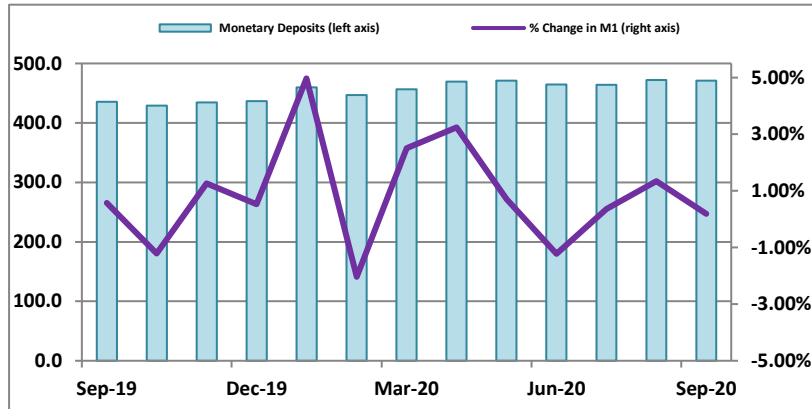
* Currency Issued = Currency in circulation outside Banks + Cash at Banks

** 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.



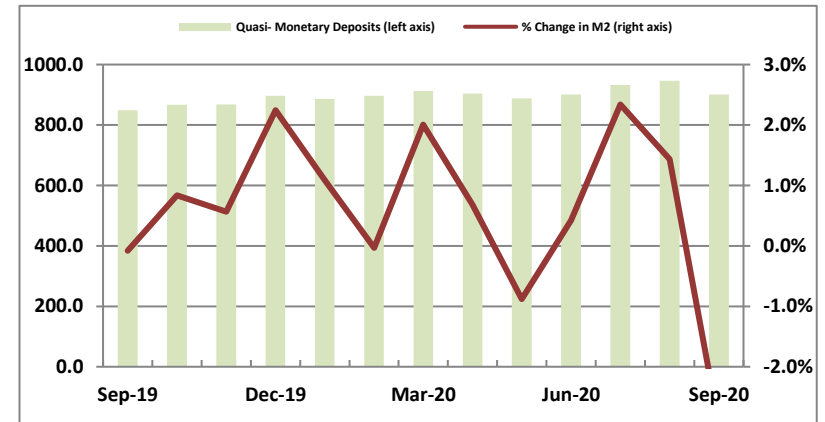
Money Supply M₁ increased by 0.2%, due to a 2.2% increase in Currency in Circulation Outside Banks, overriding a 0.2% reduction in Monetary Deposits.

(bn AED, % month-on-month)



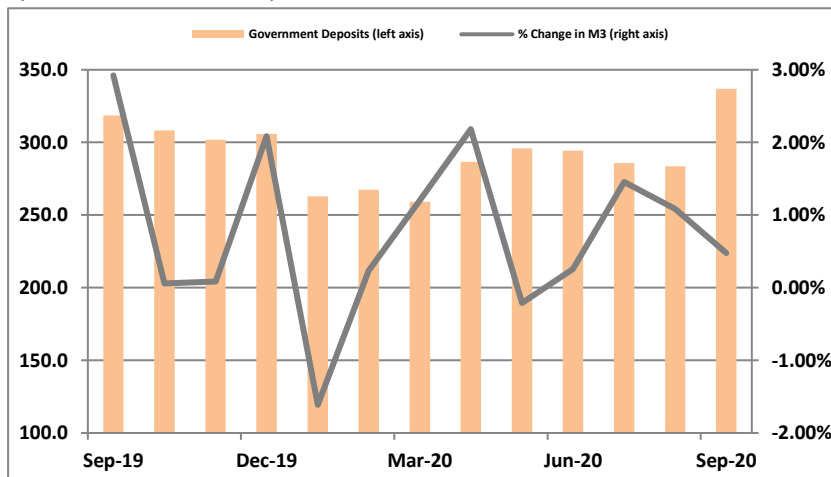
Money Supply M₂ decreased by 3% due to a 4.8% fall in Quasi-Monetary Deposits.

(bn AED, % month-on-month)



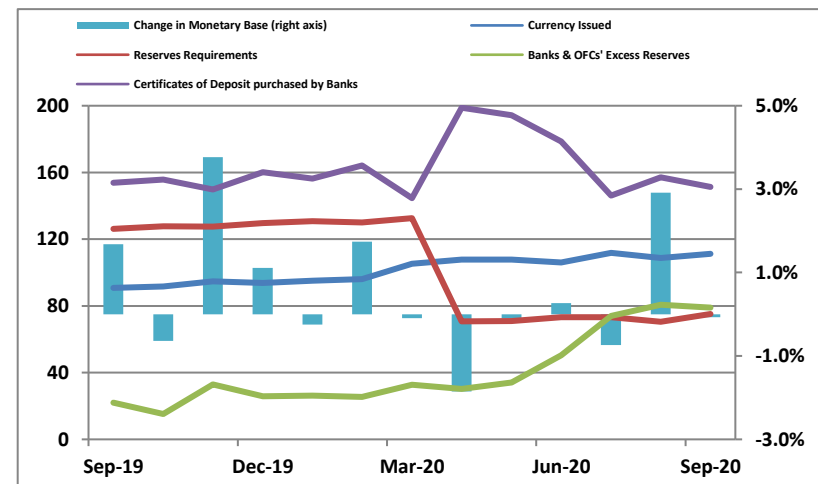
Money Supply M₃ rose by 0.5%, owing to an 18.8% rise in Government Deposits, overshadowing the reduction in M₂.

(bn AED, % month-on-month)



Monetary Base contracted by 0.1% during September 2020.

(bn AED, % month-on-month)



Source: CBUAE