



UAE Monthly Monetary Survey October 2020



Monetary Developments (*)

M₁ increased by 1.1%, from 568 billion at the end of September 2020 to AED 574.5 billion at the end of October 2020. This increase was the result of a 0.6% rise in Currency in Circulation outside Banks (16.9% of **M₁**) and a 1.3% increase in Monetary Deposits (83.1% of **M₁**).

At the end of October 2020, **M₂** increased by 1.2%, climbing from AED 1,468.7 billion at the end of September 2020 to AED 1,486.5 billion. **M₂** mainly rose due to an elevated **M₁** and an AED 11.3 billion or 1.3% increase in Quasi- Monetary Deposits (61.4% of **M₂**).

M₃ rose by 0.1%, from AED 1,805.7 billion at the end of September 2020 to AED 1,807.2 billion at the end of October 2020. **M₃** mainly grew because of increased **M₁** and **M₂**, overshadowing a reduction of AED 16.3 billion or 4.8% in Government Deposits at commercial banks and at the Central Bank (17.7% of **M₃**).

In summary, during October 2020, the Monetary Aggregates **M₁**, **M₂** and **M₃** increased by 1.1%, 1.2% and 0.1%, 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 October 2020, the Monetary Base contracted by 3.3%. The Monetary Base shrank owing to reductions in Banks & OFC's Excess Reserves (18.1% of the Monetary Base) by 7.8% and in Certificates of Deposits purchased by Banks (34.9% of the Monetary Base) by 6.9%, overriding the increases in Currency Issued (28.2% of the Monetary Base) by 2.1% and in Banks' Required Reserves (18.8% of the Monetary Base) by 0.7%.

From the end of September 2020 to the end of October 2020, the multipliers of **M₁**, **M₂** and **M₃** increased from 1.36 to 1.43, from 3.52 to 3.69 and from 4.33 to 4.49, respectively.

The rise in the multipliers of **M₁**, **M₂** and **M₃** is reflective of the faster increases in their corresponding Monetary Aggregates compared to the larger 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 (October 2020)
 (End of period, billions of Dirhams)

	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	October ¹ 2020		MoM		Contribution to Aggregate Growth ³
						In billions of Dirhams	Shares of the Aggregates	In Billions of Dirhams	% Change	
Money Supply M₁*	511.9	515.0	542.7	557.4	568.0	574.5		6.5	1.1%	
Currency in Circulation Outside Banks	76.6	78.2	86.2	92.6	96.7	97.3	16.9%	0.6	0.6%	0.1%
Monetary Deposits**	435.3	436.8	456.5	464.8	471.3	477.2	83.1%	5.9	1.3%	1.0%
Money Supply M₂*	1361.3	1413.1	1454.9	1458.0	1468.7	1486.5		17.8	1.2%	
Currency in Circulation Outside Banks	76.6	78.2	86.2	92.6	96.7	97.3	6.5%	0.6	0.6%	0.04%
Monetary Deposits**	435.3	436.8	456.5	464.8	471.3	477.2	32.1%	5.9	1.3%	0.4%
Quasi-Monetary Deposits***	849.4	898.1	912.2	900.6	900.7	912.0	61.4%	11.3	1.3%	0.8%
Money Supply M₃*	1679.9	1717.4	1714.1	1752.3	1805.7	1807.2		1.5	0.1%	
Currency in Circulation Outside Banks	76.6	78.2	86.2	92.6	96.7	97.3	5.4%	0.6	0.6%	0.03%
Monetary Deposits**	435.3	436.8	456.5	464.8	471.3	477.2	26.4%	5.9	1.3%	0.33%
Quasi-Monetary Deposits***	849.4	898.1	912.2	900.6	900.7	912.0	50.5%	11.3	1.3%	0.6%
Government Deposits	318.6	304.3	259.2	294.3	337.0	320.7	17.7%	-16.3	-4.8%	-0.9%

⁽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.

^(*) M_1 = Currency in Circulation Outside Banks (Currency Issued - Cash at banks) + Monetary Deposits

M_2 = M_1 + Quasi-Monetary Deposits

M_3 = M_2 + 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)

	Sep	Dec	Mar	Jun	Sep	Oct ¹	Change in October 2020	
	2019	2019	2020	2020	2020	2020	In billions of Dirhams	% Change
Monetary Base	392.8	409.5	415.2	408.2	416.7	402.8	-13.9	-3.3%
Currency Issued*	90.8	93.7	105.2	106.1	111.3	113.6	2.3	2.1%
Banks' Required Reserves**	126.2	129.7	132.6	73.3	75.1	75.6	0.5	0.7%
Banks & OFCs' Excess Reserves	22.0	25.9	32.8	50.3	79.0	72.8	-6.2	-7.8%
Certificates of Deposit purchased by Banks	153.8	160.2	144.6	178.5	151.3	140.8	-10.5	-6.9%
Money Supply (M ₁)	511.9	515.0	542.7	557.4	568.0	574.5	6.5	1.1%
Money Multiplier of M₁ (M₁/Monetary Base)	1.30	1.26	1.31	1.37	1.36	1.43		
Money Supply (M ₂)	1361.3	1413.1	1454.9	1458.0	1468.7	1486.5	17.8	1.2%
Money Multiplier of M₂ (M₂/Monetary Base)	3.47	3.45	3.50	3.57	3.52	3.69		
Money Supply (M ₃)	1679.9	1717.4	1714.1	1752.3	1805.7	1807.2	1.5	0.1%
Money Multiplier of M₃ (M₃/Monetary Base)	4.28	4.19	4.13	4.29	4.33	4.49		

⁽¹⁾ Figures are provisional and subject to revision

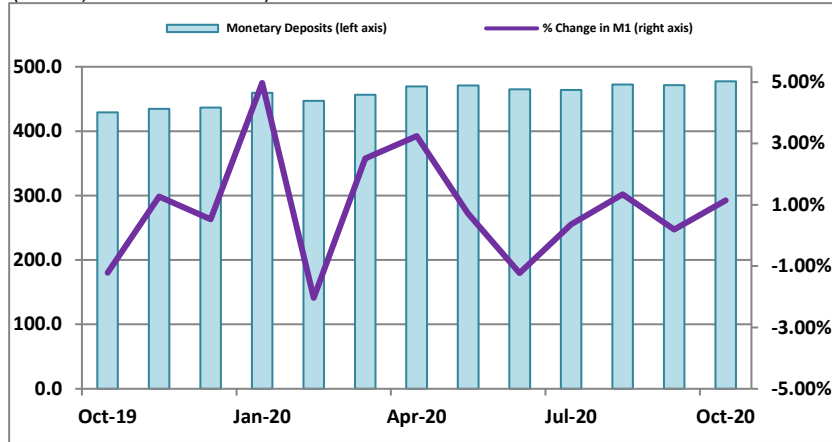
* Currency Issued = Currency in circulation outside Banks + Cash at Banks

** 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.



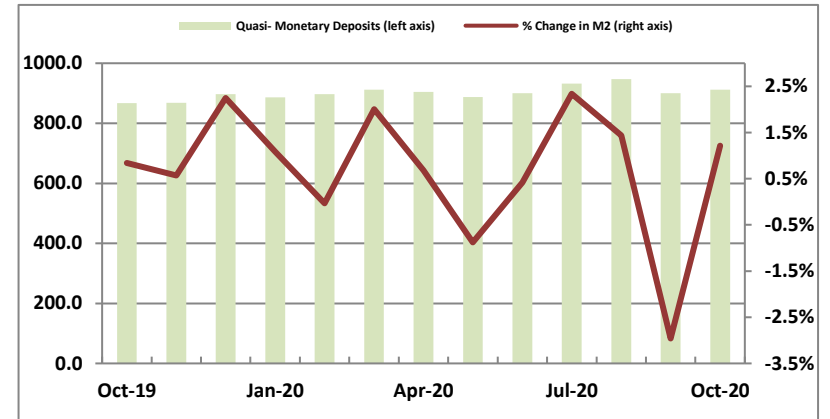
Money Supply M₁ increased by 1.1%, due to a 0.6% increase in Currency in Circulation Outside Banks and 1.3% rise in Monetary Deposits.

(bn AED, % month-on-month)



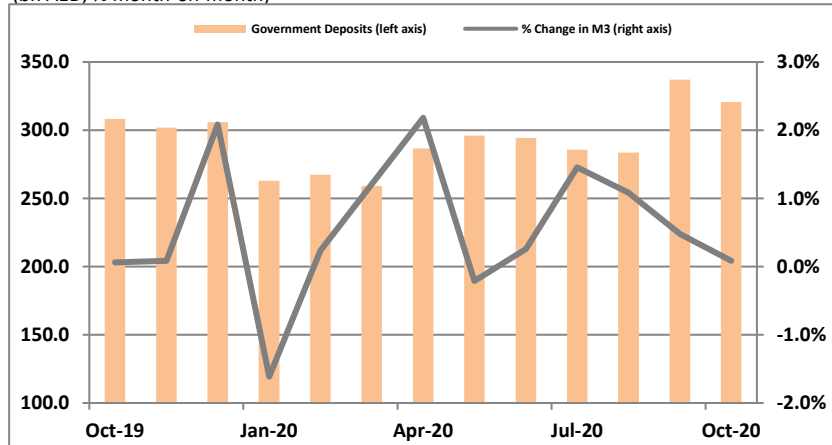
Money Supply M₂ increased by 1.2% due to raised M₁ and a 1.3% increase in Quasi-Monetary Deposits.

(bn AED, % month-on-month)



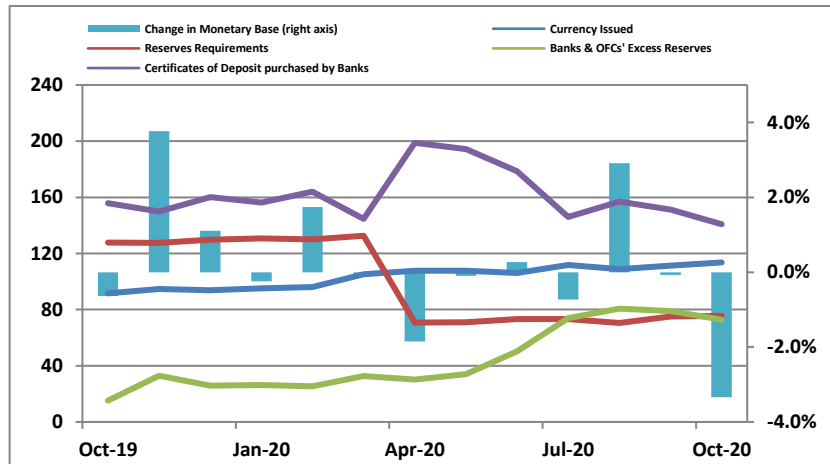
Money Supply M₃ rose by 0.1%, owing to increased M₁ & M₂, overshadowing an 4.8% fall in Government Deposits.

(bn AED, % month-on-month)



Monetary Base contracted by 3.3% during October 2020.

(bn AED, % month-on-month)



Source: CBUAE