



UAE Monthly Monetary Survey March 2019

Monetary Developments (*)

M₁ increased by 2.2%, from AED 501.1 billion at the end of February 2019 to AED 512 billion at the end of March 2019. This rise was brought about by a 0.8% increase in Currency in Circulation outside Banks (14.4% of **M₁**) and a 2.4% increase in Monetary Deposits (85.6% of **M₁**).

At the end of March 2019, **M₂** increased by 0.6%, climbing from AED 1321.3 billion at the end of February 2019 to AED 1328.6 billion. **M₂** mainly increased due to an elevated **M₁**, superseding an AED 3.6 billion or 0.4% reduction in Quasi- Monetary Deposits (61.5% of **M₂**).

M₃ also increased by 0.8%, from AED 1619.4 billion at the end of February 2019 to AED 1631.7 billion at the end of March 2019. **M₃** mainly increased because of increased **M₁** and **M₂** and an AED 5 billion or 1.7% increase in Government Deposits (18.6% of **M₃**).

In brief, during March 2019, Monetary Aggregates **M₁**, **M₂** and **M₃** increased by 2.2%, 0.6% and 0.8%, 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 March 2019, the Monetary Base contracted by 1.5%. The Monetary Base shrank primarily due to reductions in; Banks' Required Reserves (33% of the Monetary Base) by 0.9% and Certificates of Deposits purchased by Banks (37.3% of the Monetary Base) by 5%, curtailing the increases in; Currency Issued (23.7% of the Monetary Base) by 0.9% and Banks & OFC's Excess Reserves (6% of the Monetary Base) by 10.4%.

From the end of February 2019 to the end of March 2019, the multipliers of **M₁**, **M₂** and **M₃** increased from 1.32 to 1.37, from 3.49 to 3.56 and from 4.28 to 4.38, respectively.

The increase in the multipliers of **M₁**, **M₂** and **M₃** exhibits the growth in their respective Monetary Aggregates in contrast to a 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 (March 2019)
 (End of period, billions of Dirhams)

	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18	Feb-19	Mar ¹ 2019		MoM		Contribution to Aggregate Growth ²
							In billions of Dirhams	Shares of the Aggregates	In Billions of Dirhams	% Change	
Money Supply M₁*	436.1	456.9	474.1	492.4	485.7	501.1	512.0		10.9	2.2%	
Currency in Circulation Outside Banks	59.0	58.4	62.3	67.7	70.5	73.3	73.9	14.4%	0.6	0.8%	0.1%
Monetary Deposits**	377.1	398.5	411.8	424.7	415.2	427.8	438.1	85.6%	10.3	2.4%	2.1%
Money Supply M₂*	1125.4	1186.8	1225.5	1276.2	1308.5	1321.3	1328.6		7.3	0.6%	
Currency in Circulation Outside Banks	59.0	58.4	62.3	67.7	70.5	73.3	73.9	5.6%	0.6	0.8%	0.05%
Monetary Deposits**	377.1	398.5	411.8	424.7	415.2	427.8	438.1	33.0%	10.3	2.4%	0.8%
Quasi-Monetary Deposits***	689.3	729.9	751.4	783.8	822.8	820.2	816.6	61.5%	-3.6	-0.4%	-0.3%
Money Supply M₃*	1314.5	1342.8	1411.4	1487.1	1602.4	1619.4	1631.7		12.3	0.8%	
Currency in Circulation Outside Banks	59.0	58.4	62.3	67.7	70.5	73.3	73.9	4.5%	0.6	0.8%	0.0%
Monetary Deposits**	377.1	398.5	411.8	424.7	415.2	427.8	438.1	26.8%	10.3	2.4%	0.6%
Quasi-Monetary Deposits***	689.3	729.9	751.4	783.8	822.8	820.2	816.6	50.0%	-3.6	-0.4%	-0.2%
Government Deposits	189.1	156.0	185.9	210.9	293.9	298.1	303.1	18.6%	5.0	1.7%	0.3%

⁽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)

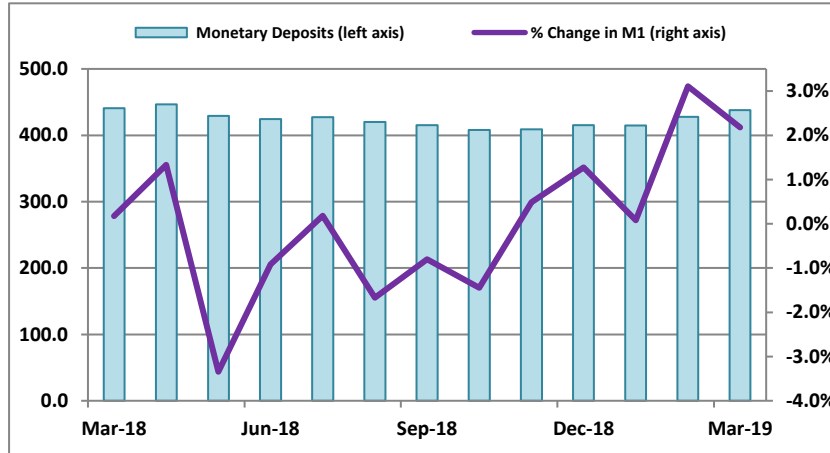
	Dec	Dec	Dec	Dec	Dec	Feb	Mar ¹	Change in March 2019	
	2014	2015	2016	2017	2018	2019	2019	In billions of Dirhams	% Change
Monetary Base	309.2	365.2	338.1	377.4	379.7	378.4	372.9	-5.5	-1.5%
Currency Issued*	74.5	73.5	77.6	85.4	85.8	87.5	88.3	0.8	0.9%
Banks' Required Reserves	104.1	111.9	116.9	121.4	120.6	124.2	123.1	-1.1	-0.9%
Banks & OFCs' Excess Reserves	31.1	40	35.4	35.5	35.1	20.2	22.3	2.1	10.4%
Certificates of Deposit purchased by Banks	99.5	139.8	108.2	135.1	138.2	146.5	139.2	-7.3	-5.0%
Money Supply (M ₁)	436.1	456.9	474.1	492.4	485.7	501.1	512.0	10.9	2.2%
Money Multiplier of M₁ (M₁/Monetary Base)	1.41	1.25	1.40	1.30	1.28	1.32	1.37		
Money Supply (M ₂)	1125.4	1186.8	1225.5	1276.2	1308.5	1321.3	1328.6	7.3	0.6%
Money Multiplier of M₂ (M₂/Monetary Base)	3.64	3.25	3.62	3.38	3.45	3.49	3.56		
Money Supply (M ₃)	1314.5	1342.8	1411.4	1487.1	1602.4	1619.4	1631.7	12.3	0.8%
Money Multiplier of M₃ (M₃/Monetary Base)	4.25	3.68	4.17	3.94	4.22	4.28	4.38		

⁽¹⁾ Figures are provisional and subject to revision

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

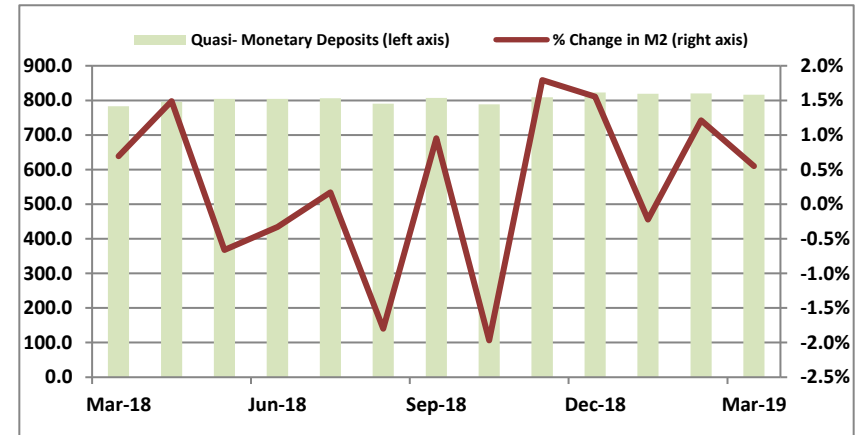
Money Supply M₁ increased by 2.2%, due to a 2.4% rise in Monetary Deposits.

(bn AED, % month-on-month)



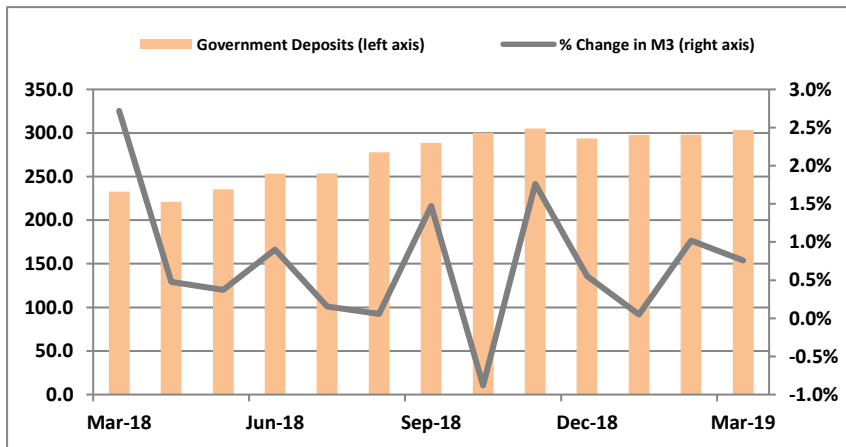
Money Supply M₂ increased by 0.6% due to an increased M₁, overriding a 0.4% reduction in Quasi-Monetary Deposits.

(bn AED, % month-on-month)



Money Supply M₃ increased by 0.8% due to increased M₁ & M₂, augmented by a 1.7% increase in Government Deposits.

(bn AED, % month-on-month)



The Monetary Base contracted by 1.5% during March 2019.

(bn AED, % month-on-month)

