



# UAE Monthly Monetary Survey October 2019

## Monetary Developments (\*)

**M<sub>1</sub>** decreased by 1.2%, from AED 511.9 billion at the end of September 2019 to AED 505.7 billion at the end of October 2019. This fall was the result of a 1.4% reduction in Monetary Deposits (84.9% of **M<sub>1</sub>**). Whereas, Currency in Circulation outside Banks (15.1% of **M<sub>1</sub>**) remained constant.

At the end of October 2019, **M<sub>2</sub>** increased by 0.8%, rising from AED 1361.3 billion at the end of September 2019 to AED 1372.7 billion. **M<sub>2</sub>** mainly increased due to an AED 17.6 billion or 2.1% increase in Quasi- Monetary Deposits (63.2% of **M<sub>2</sub>**), dominating the reduction in **M<sub>1</sub>**.

**M<sub>3</sub>** rose by 0.1%, from AED 1679.9 billion at the end of September 2019 to AED 1680.9 billion at the end of October 2019. **M<sub>3</sub>** mainly increased because of the increase in **M<sub>2</sub>**, overriding an AED 10.4 billion or 3.3% fall in Government Deposits at commercial banks and the Central Bank (18.3% of **M<sub>3</sub>**).

In summary, during October 2019, the Monetary Aggregate **M<sub>1</sub>** decreased by 1.2%. While, Monetary Aggregates **M<sub>2</sub>** and **M<sub>3</sub>** increased by 0.8% 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 2019, the Monetary Base contracted by 0.6%. The Monetary Base decreased owing to a reduction in Banks & OFC's Excess Reserves (3.9% of the Monetary Base) by 30.9%. Overriding the increases in; Currency Issued (23.5% of the Monetary Base) by 0.9%, Banks' Required Reserves (32.7% of the Monetary Base), by 1.3% and Certificates of Deposits purchased by Banks (39.9% of the Monetary Base) by 1.2%.

From the end of September 2019 to the end of October 2019, the multiplier of **M<sub>1</sub>** remained constant at 1.30. While the multipliers of **M<sub>2</sub>** and **M<sub>3</sub>** increased from 3.47 to 3.52 and from 4.28 to 4.31, respectively.

The constant multiplier of **M<sub>1</sub>** represents comparable movements in the Monetary Aggregate **M<sub>1</sub>** and the Monetary Base. The increases in the multipliers of **M<sub>2</sub>** and **M<sub>3</sub>** demonstrates growth in the Monetary Aggregates **M<sub>2</sub>** and **M<sub>3</sub>**, compared to the contraction of the Monetary Base.

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(\*) Monetary aggregates are defined in a footnote to Table 1

**Table1. UAE Monthly Monetary Survey With Contribution to Aggregate Money Supply (October 2019)**  
(End of period, billions of Dirhams)

	Dec-17	Dec-18	Mar-19	Jun-19	Sep-19	Oct <sup>1</sup> 2019		MoM		Contribution to Aggregate Growth <sup>2</sup>
						In billions of Dirhams	Shares of the Aggregates	In Billions of Dirhams	% Change	
<b>Money Supply M<sub>1</sub>*</b>	<b>492.4</b>	<b>485.7</b>	<b>512.0</b>	<b>507.9</b>	<b>511.9</b>	<b>505.7</b>		<b>-6.2</b>	<b>-1.2%</b>	
Currency in Circulation Outside Banks	67.7	70.5	73.9	77.3	76.6	76.6	15.1%	0.0	0.0%	0.0%
Monetary Deposits**	424.7	415.2	438.1	430.6	435.3	429.1	84.9%	-6.2	-1.4%	-1.2%
<b>Money Supply M<sub>2</sub>*</b>	<b>1276.2</b>	<b>1308.5</b>	<b>1328.6</b>	<b>1351.0</b>	<b>1361.3</b>	<b>1372.7</b>		<b>11.4</b>	<b>0.8%</b>	
Currency in Circulation Outside Banks	67.7	70.5	73.9	77.3	76.6	76.6	5.6%	0.0	0.0%	0.0%
Monetary Deposits**	424.7	415.2	438.1	430.6	435.3	429.1	31.2%	-6.2	-1.4%	-0.4%
Quasi-Monetary Deposits***	783.8	822.8	816.6	843.1	849.4	867.0	63.2%	17.6	2.1%	1.3%
<b>Money Supply M<sub>3</sub>*</b>	<b>1487.1</b>	<b>1602.4</b>	<b>1631.7</b>	<b>1645.4</b>	<b>1679.9</b>	<b>1680.9</b>		<b>1.0</b>	<b>0.1%</b>	
Currency in Circulation Outside Banks	67.7	70.5	73.9	77.3	76.6	76.6	4.6%	0.0	0.0%	0.0%
Monetary Deposits**	424.7	415.2	438.1	430.6	435.3	429.1	25.5%	-6.2	-1.4%	-0.4%
Quasi-Monetary Deposits***	783.8	822.8	816.6	843.1	849.4	867.0	51.6%	17.6	2.1%	1.1%
Government Deposits	210.9	293.9	303.1	294.4	318.6	308.2	18.3%	-10.4	-3.3%	-0.6%

<sup>(1)</sup> Figures are provisional and subject to revision

<sup>(2)</sup> 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

<sup>(\*)</sup> M<sub>1</sub> = Currency in Circulation Outside Banks (Currency Issued - Cash at banks) + Monetary Deposits

M<sub>2</sub> = M<sub>1</sub> + Quasi-Monetary Deposits

M<sub>3</sub> = M<sub>2</sub> + Government Deposits

<sup>(\*\*)</sup> **Monetary Deposits:** All short term deposits on which bank customer can withdraw without prior notice

<sup>(\*\*\*)</sup> **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)

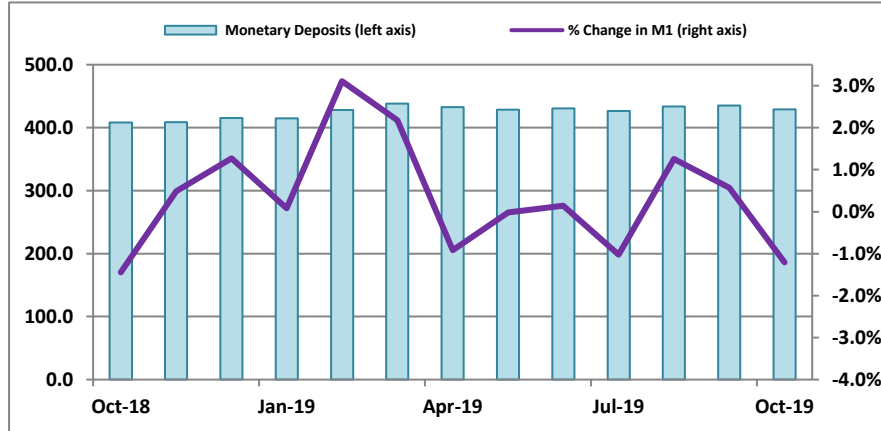
	Dec	Dec	Mar	Jun	Sep	Oct <sup>1</sup>	Change in October 2019	
	2017	2018	2019	2019	2019	2019	In billions of Dirhams	% Change
<b>Monetary Base</b>	<b>377.4</b>	<b>379.7</b>	<b>372.9</b>	<b>397.1</b>	<b>392.8</b>	<b>390.3</b>	<b>-2.5</b>	<b>-0.6%</b>
Currency Issued*	85.4	85.8	88.3	91.3	90.8	91.6	0.8	0.9%
Banks' Required Reserves	121.4	120.6	123.1	124.8	126.2	127.8	1.6	1.3%
Banks & OFCs' Excess Reserves	35.5	35.1	22.3	25.2	22.0	15.2	-6.8	-30.9%
Certificates of Deposit purchased by Banks	135.1	138.2	139.2	155.8	153.8	155.7	1.9	1.2%
Money Supply (M <sub>1</sub> )	492.4	485.7	512.0	507.9	511.9	505.7	-6.2	-1.2%
<b>Money Multiplier of M<sub>1</sub> (M<sub>1</sub>/Monetary Base)</b>	<b>1.30</b>	<b>1.28</b>	<b>1.37</b>	<b>1.28</b>	<b>1.30</b>	<b>1.30</b>		
Money Supply (M <sub>2</sub> )	1276.2	1308.5	1328.6	1351.0	1361.3	1372.7	11.4	0.8%
<b>Money Multiplier of M<sub>2</sub> (M<sub>2</sub>/Monetary Base)</b>	<b>3.38</b>	<b>3.45</b>	<b>3.56</b>	<b>3.40</b>	<b>3.47</b>	<b>3.52</b>		
Money Supply (M <sub>3</sub> )	1487.1	1602.4	1631.7	1645.4	1679.9	1680.9	1.0	0.1%
<b>Money Multiplier of M<sub>3</sub> (M<sub>3</sub>/Monetary Base)</b>	<b>3.94</b>	<b>4.22</b>	<b>4.38</b>	<b>4.14</b>	<b>4.28</b>	<b>4.31</b>		

<sup>(1)</sup> Figures are provisional and subject to revision

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

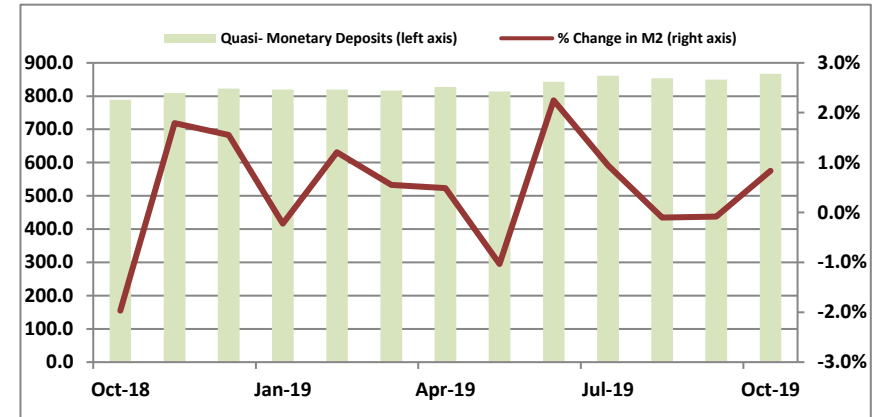
**Money Supply M<sub>1</sub> decreased by 1.2%, due to 1.4% reduction in Monetary Deposits.**

(bn AED, % month-on-month)



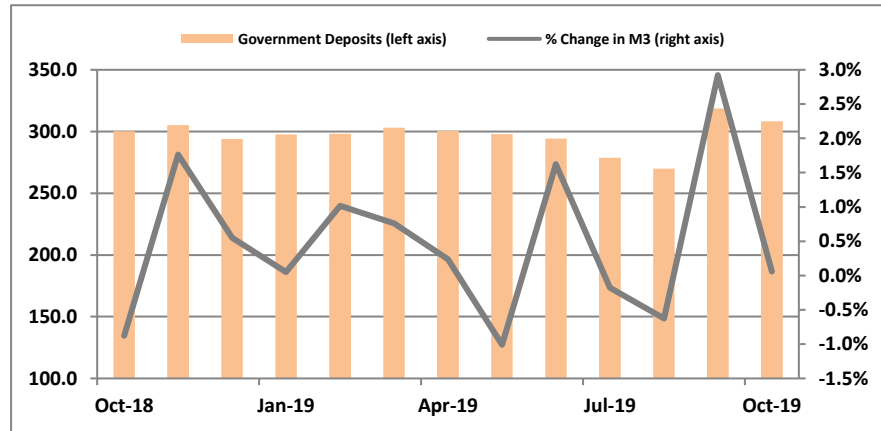
**Money Supply M<sub>2</sub> increased by 0.8% due to a 2.1% rise in Quasi-Monetary Deposits.**

(bn AED, % month-on-month)



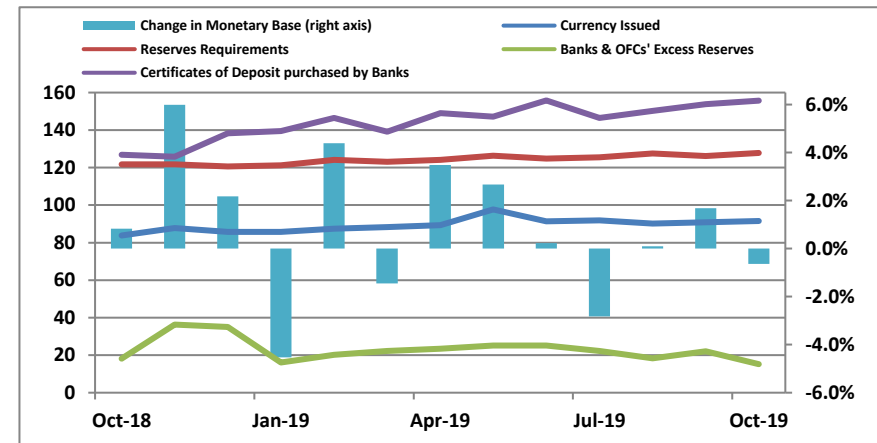
**Money Supply M<sub>3</sub> rose by 0.1% owing to an increased M<sub>2</sub>, overriding the 3.3% fall in Government Deposits.**

(bn AED, % month-on-month)



**The Monetary Base contracted by 0.6% during October 2019.**

(bn AED, % month-on-month)



Source: RSD - CBUAE