



UAE Monthly Monetary Survey December 2019

Monetary Developments (*)

M₁ increased by 0.5%, from AED 512.1 billion at the end of November 2019 to AED 514.8 billion at the end of December 2019. This increase was the result of a 0.9% increase in Currency in Circulation outside Banks (15.2% of **M₁**) and a 0.5% increase in Monetary Deposits (84.8% of **M₁**).

At the end of December 2019, **M₂** increased by 2.2%, rising from AED 1380.5 billion at the end of November 2019 to AED 1411.5 billion. **M₂** mainly increased due to an increased **M₁** and an AED 28.3 billion or 3.3% increase in Quasi- Monetary Deposits (63.6% of **M₂**).

M₃ also rose by 2.1%, from AED 1682.3 billion at the end of November 2019 to AED 1717.4 billion at the end of December 2019. **M₃** mainly increased because of the increase in **M₁** and **M₂**, and an AED 4.1 billion or 1.4% increase in Government Deposits at commercial banks and at the Central Bank (17.8% of **M₃**).

In summary, during December 2019, the Monetary Aggregates **M₁**, **M₂** and **M₃** increased by 0.5%, 2.2% and 2.1%, 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 December 2019, the Monetary Base expanded by 1.1%. The Monetary Base grew owing to increases in Banks' Required Reserves (31.7% of the Monetary Base), by 1.7% and in Certificates of Deposits purchased by Banks (39.1% of the Monetary Base) by 6.9%, overriding the fall in Currency Issued (22.9% of the Monetary Base) by 1.2 % and Banks & OFC's Excess Reserves (6.3% of the Monetary Base) by 21.3% .

From the end of November 2019 to the end of December 2019, the multiplier of **M₁** remained constant at 1.26. Whereas, the multipliers of **M₂** and **M₃** increased from 3.41 to 3.45 and from 4.15 to 4.19, respectively.

The constant multiplier of **M₁** signals the comparable growth in the Monetary Aggregate **M₁** and the Monetary Base. On the other hand, the increase in the multipliers of **M₂** and **M₃** demonstrates faster growth in the Monetary Aggregates **M₂** and **M₃**, compared to the slower expansion 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 (December 2019)
(End of period, billions of Dirhams)

	Dec-18	Mar-19	Jun-19	Sep-19	Nov-19	Dec ¹ 2019		MoM		Contribution to Aggregate Growth ²
						In billions of Dirhams	Shares of the Aggregates	In Billions of Dirhams	% Change	
Money Supply M₁*	485.7	512.0	507.9	511.9	512.1	514.8		2.7	0.5%	
Currency in Circulation Outside Banks	70.5	73.9	77.3	76.6	77.5	78.2	15.2%	0.7	0.9%	0.1%
Monetary Deposits**	415.2	438.1	430.6	435.3	434.6	436.6	84.8%	2.0	0.5%	0.4%
Money Supply M₂*	1308.5	1328.6	1351.0	1361.3	1380.5	1411.5		31.0	2.2%	
Currency in Circulation Outside Banks	70.5	73.9	77.3	76.6	77.5	78.2	5.5%	0.7	0.9%	0.05%
Monetary Deposits**	415.2	438.1	430.6	435.3	434.6	436.6	30.9%	2.0	0.5%	0.1%
Quasi-Monetary Deposits***	822.8	816.6	843.1	849.4	868.4	896.7	63.6%	28.3	3.3%	2.1%
Money Supply M₃*	1602.4	1631.7	1645.4	1679.9	1682.3	1717.4		35.1	2.1%	
Currency in Circulation Outside Banks	70.5	73.9	77.3	76.6	77.5	78.2	4.6%	0.7	0.9%	0.04%
Monetary Deposits**	415.2	438.1	430.6	435.3	434.6	436.6	25.4%	2.0	0.5%	0.1%
Quasi-Monetary Deposits***	822.8	816.6	843.1	849.4	868.4	896.7	52.2%	28.3	3.3%	1.7%
Government Deposits	293.9	303.1	294.4	318.6	301.8	305.9	17.8%	4.1	1.4%	0.2%

⁽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)

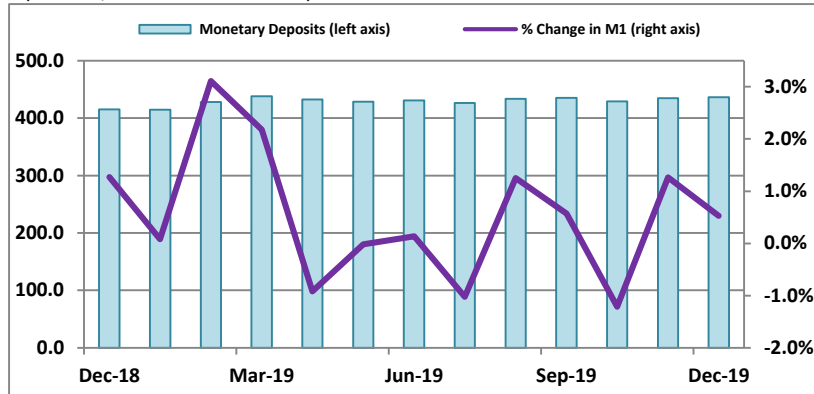
	Dec	Mar	Jun	Sep	Nov	Dec ¹	Change in December 2019	
	2018	2019	2019	2019	2019	2019	In billions of Dirhams	% Change
Monetary Base	379.7	372.9	397.1	392.8	405.0	409.5	4.5	1.1%
Currency Issued*	85.8	88.3	91.3	90.8	94.8	93.7	-1.1	-1.2%
Banks' Required Reserves	120.6	123.1	124.8	126.2	127.5	129.7	2.2	1.7%
Banks & OFCs' Excess Reserves	35.1	22.3	25.2	22.0	32.9	25.9	-7.0	-21.3%
Certificates of Deposit purchased by Banks	138.2	139.2	155.8	153.8	149.8	160.2	10.4	6.9%
Money Supply (M ₁)	485.7	512.0	507.9	511.9	512.1	514.8	2.7	0.5%
Money Multiplier of M₁ (M₁/Monetary Base)	1.28	1.37	1.28	1.30	1.26	1.26		
Money Supply (M ₂)	1308.5	1328.6	1351.0	1361.3	1380.5	1411.5	31.0	2.2%
Money Multiplier of M₂ (M₂/Monetary Base)	3.45	3.56	3.40	3.47	3.41	3.45		
Money Supply (M ₃)	1602.4	1631.7	1645.4	1679.9	1682.3	1717.4	35.1	2.1%
Money Multiplier of M₃ (M₃/Monetary Base)	4.22	4.38	4.14	4.28	4.15	4.19		

⁽¹⁾ Figures are provisional and subject to revision

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

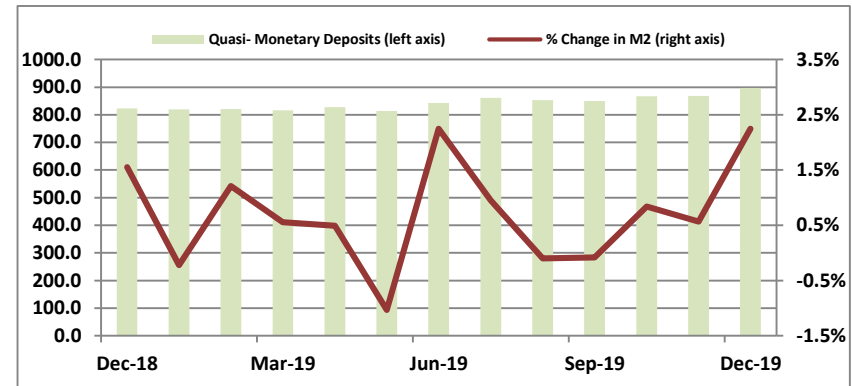
Money Supply M₁ increased by 0.5%, due to 0.9% & 0.5% increases in Currency in Circulation Outside Banks & Monetary Deposits, respectively.

(bn AED, % month-on-month)



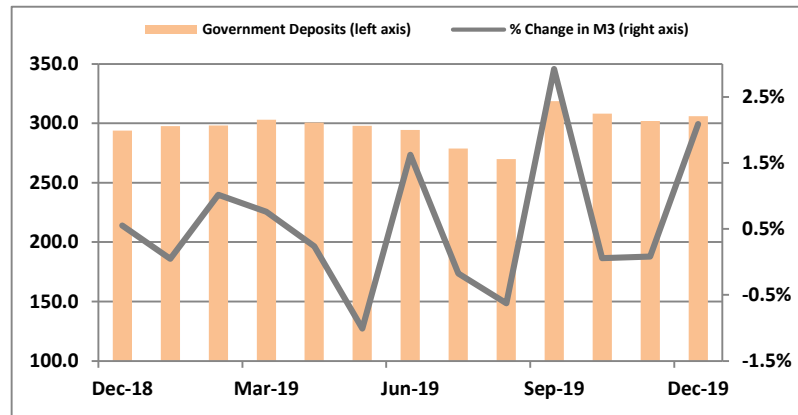
Money Supply M₂ increased by 2.2% due to an increased M₁ and a 3.3% rise in Quasi-Monetary Deposits.

(bn AED, % month-on-month)



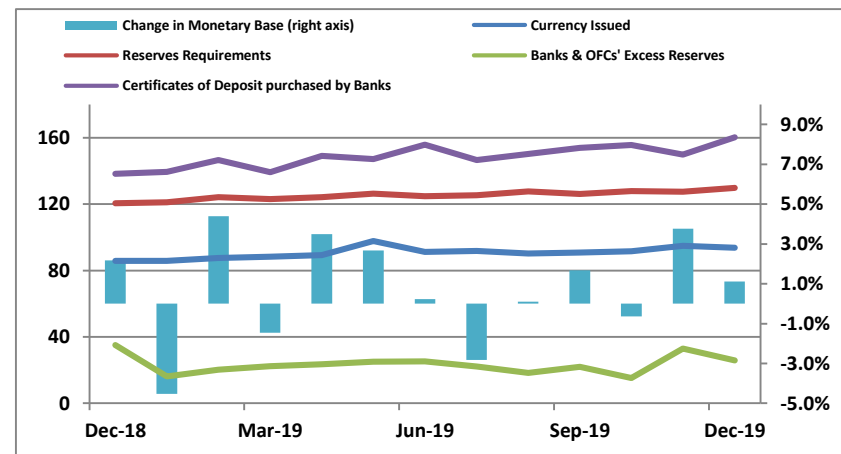
Money Supply M₃ rose by 2.1% owing to an increased M₁ & M₂, and a 1.4% rise in Government Deposits.

(bn AED, % month-on-month)



The Monetary Base expanded by 1.1% during December 2019.

(bn AED, % month-on-month)





Source: RSD - CBUAE