



مصرف الإمارات العربية المتحدة المركزي
CENTRAL BANK OF THE U.A.E.

UAE Monthly Monetary Survey March 2020

Monetary Developments (*)

M₁ increased by 2.5%, from 529.4 billion at the end of February 2020 to AED 542.7 billion at the end of March 2020. This increase was the result of a 4.5% and 2.1% increases in Currency in Circulation outside Banks (15.9% of **M₁**) and Monetary Deposits (84.1% of **M₁**), respectively.

At the end of March 2020, **M₂** also increased by 2%, rising from AED 1426.3 billion at the end of February 2020 to AED 1454.9 billion. **M₂** mainly increased due to an increased **M₁** and augmented by an AED 15.3 billion or 1.7% increase in Quasi- Monetary Deposits (62.7% of **M₂**).

Consequently, **M₃** also rose by 1.2%, from AED 1693.7 billion at the end of February 2020 to AED 1714.1 billion at the end of March 2020. **M₃** mainly increased because of increased **M₁** and **M₂**, overshadowing an AED 8.2 billion or 3.1% fall in Government Deposits at commercial banks and at the Central Bank (15.1% of **M₃**).

In summary, during March 2020, the Monetary Aggregates **M₁**, **M₂** and **M₃** increased by 2.5%, 2% and 1.2%, 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 2020, the Monetary Base contracted by 0.1%. The Monetary Base shrank owing to a reduction in Certificates of Deposits purchased by Banks (34.8% of the Monetary Base) by 11.9%, overriding the increases in; in Currency Issued (25.3 % of the Monetary Base) by 9.6%, in Banks' Required Reserves (31.9% of the Monetary Base) by 1.9% and in Banks & OFC's Excess Reserves (7.9% of the Monetary Base) by 29.1%.

From the end of February 2020 to the end of March 2020, the multipliers of **M₁**, **M₂** and **M₃** increased from 1.27 to 1.31, from 3.43 to 3.50 and from 4.08 to 4.13, respectively.

The increases in the multipliers of **M₁**, **M₂** and **M₃** demonstrate the rises in the Monetary Aggregates **M₁**, **M₂** and **M₃**, compared to the 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 2020)

(End of period, billions of Dirhams)

| | Mar-19 | Jun-19 | Sep-19 | Dec-19 ¹ | Feb-20 | Mar ² 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 | 529.4 | 542.7 | | 13.3 | 2.5% | |
| Currency in Circulation Outside Banks | 73.9 | 77.3 | 76.6 | 78.2 | 82.5 | 86.2 | 15.9% | 3.7 | 4.5% | 0.7% |
| Monetary Deposits** | 438.1 | 430.6 | 435.3 | 436.8 | 446.9 | 456.5 | 84.1% | 9.6 | 2.1% | 1.8% |
| Money Supply M₂* | 1328.6 | 1351.0 | 1361.3 | 1413.1 | 1426.3 | 1454.9 | | 28.6 | 2.0% | |
| Currency in Circulation Outside Banks | 73.9 | 77.3 | 76.6 | 78.2 | 82.5 | 86.2 | 5.9% | 3.7 | 4.5% | 0.3% |
| Monetary Deposits** | 438.1 | 430.6 | 435.3 | 436.8 | 446.9 | 456.5 | 31.4% | 9.6 | 2.1% | 0.7% |
| Quasi-Monetary Deposits*** | 816.6 | 843.1 | 849.4 | 898.1 | 896.9 | 912.2 | 62.7% | 15.3 | 1.7% | 1.1% |
| Money Supply M₃* | 1631.7 | 1645.4 | 1679.9 | 1717.4 | 1693.7 | 1714.1 | | 20.4 | 1.2% | |
| Currency in Circulation Outside Banks | 73.9 | 77.3 | 76.6 | 78.2 | 82.5 | 86.2 | 5.0% | 3.7 | 4.5% | 0.2% |
| Monetary Deposits** | 438.1 | 430.6 | 435.3 | 436.8 | 446.9 | 456.5 | 26.6% | 9.6 | 2.1% | 0.6% |
| Quasi-Monetary Deposits*** | 816.6 | 843.1 | 849.4 | 898.1 | 896.9 | 912.2 | 53.2% | 15.3 | 1.7% | 0.9% |
| Government Deposits | 303.1 | 294.4 | 318.6 | 304.3 | 267.4 | 259.2 | 15.1% | -8.2 | -3.1% | -0.5% |

⁽¹⁾ Revised to account for end of year adjustments

⁽²⁾ 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)

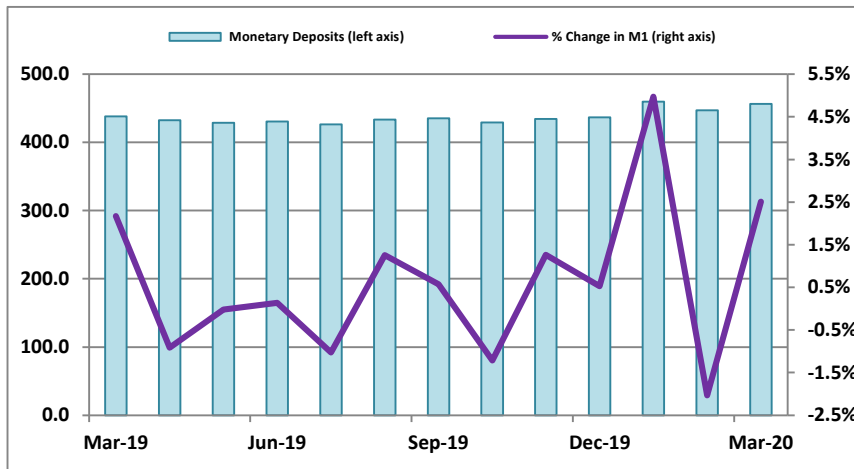
| | Mar | Jun | Sep | Dec ¹ | Feb | Mar ² | Change in March 2020 | |
|--|--------------|--------------|--------------|------------------|--------------|------------------|------------------------|--------------|
| | 2019 | 2019 | 2019 | 2019 | 2020 | 2020 | In billions of Dirhams | % Change |
| Monetary Base | 372.9 | 397.1 | 392.8 | 409.5 | 415.6 | 415.2 | -0.4 | -0.1% |
| Currency Issued* | 88.3 | 91.3 | 90.8 | 93.7 | 96.0 | 105.2 | 9.2 | 9.6% |
| Banks' Required Reserves | 123.1 | 124.8 | 126.2 | 129.7 | 130.1 | 132.6 | 2.5 | 1.9% |
| Banks & OFCs' Excess Reserves | 22.3 | 25.2 | 22.0 | 25.9 | 25.4 | 32.8 | 7.4 | 29.1% |
| Certificates of Deposit purchased by Banks | 139.2 | 155.8 | 153.8 | 160.2 | 164.1 | 144.6 | -19.5 | -11.9% |
| Money Supply (M ₁) | 512.0 | 507.9 | 511.9 | 515.0 | 529.4 | 542.7 | 13.3 | 2.5% |
| Money Multiplier of M₁ (M₁/Monetary Base) | 1.37 | 1.28 | 1.30 | 1.26 | 1.27 | 1.31 | | |
| Money Supply (M ₂) | 1328.6 | 1351.0 | 1361.3 | 1413.1 | 1426.3 | 1454.9 | 28.6 | 2.0% |
| Money Multiplier of M₂ (M₂/Monetary Base) | 3.56 | 3.40 | 3.47 | 3.45 | 3.43 | 3.50 | | |
| Money Supply (M ₃) | 1631.7 | 1645.4 | 1679.9 | 1717.4 | 1693.7 | 1714.1 | 20.4 | 1.2% |
| Money Multiplier of M₃ (M₃/Monetary Base) | 4.38 | 4.14 | 4.28 | 4.19 | 4.08 | 4.13 | | |

⁽¹⁾ Revised to account for end of year adjustments

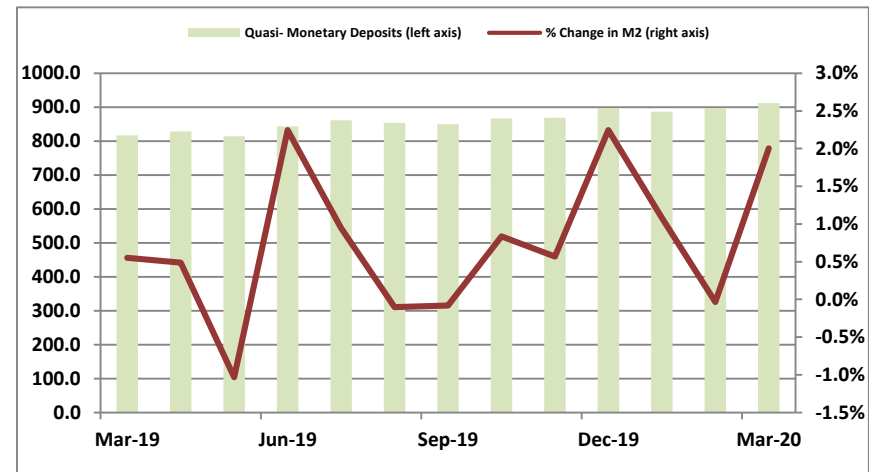
⁽²⁾ Figures are provisional and subject to revision

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

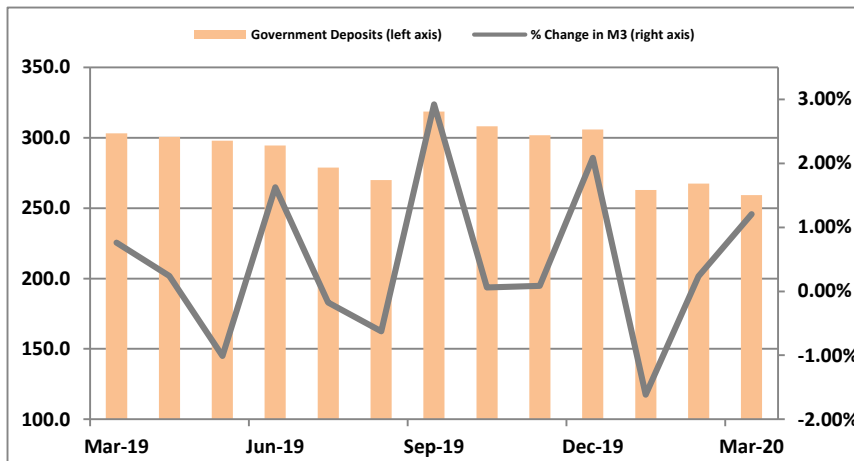
Money Supply M_1 increased by 2.5%, due to 4.5% and 2.1% increases in Currency in Circulation Outside Banks & Monetary Deposits, respectively.
(bn AED, % month-on-month)



Money Supply M_2 increased by 2% due to an increased M_1 and a 1.7% rise in Quasi-Monetary Deposits.
(bn AED, % month-on-month)



Money Supply M_3 rose by 1.2% owing to increased M_1 & M_2 , overshadowing a 3.1% reduction in Government Deposits.
(bn AED, % month-on-month)



Monetary Base contracted by 0.1% during March 2020.
(bn AED, % month-on-month)

