



UAE Monthly Monetary Survey April 2020

Monetary Developments (*)

M₁ increased by 3.2%, from 542.7 billion at the end of March 2020 to AED 560.3 billion at the end of April 2020. This increase was the result of a 5.5% and 2.8% increases in Currency in Circulation outside Banks (16.2% of **M₁**) and Monetary Deposits (83.8% of **M₁**), respectively.

At the end of April 2020, **M₂** also increased by 0.7%, rising from AED 1454.9 billion at the end of March 2020 to AED 1464.8 billion. **M₂** mainly increased due to an increased **M₁**, overshadowing an AED 7.7 billion or 0.8% reduction in Quasi- Monetary Deposits (61.7% of **M₂**).

Consequently, **M₃** also rose by 2.2%, from AED 1714.1 billion at the end of March 2020 to AED 1751.5 billion at the end of April 2020. **M₃** mainly increased because of increased **M₁** and **M₂**, and an AED 27.5 billion or 10.6% rise in Government Deposits at commercial banks and at the Central Bank (16.4% of **M₃**).

In summary, during April 2020, the Monetary Aggregates **M₁**, **M₂** and **M₃** increased by 3.2%, 0.7% and 2.2%, 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 April 2020, the Monetary Base contracted by 1.9%. The Monetary Base shrank owing to a reduction in Banks' Required Reserves (17.4% of the Monetary Base) by 46.6% and in Banks & OFC's Excess Reserves (7.4% of the Monetary Base) by 7.9%, overriding the increase in Currency Issued (26.4% of the Monetary Base) by 2.4% and in Certificates of Deposits purchased by Banks (48.8% of the Monetary Base) by 37.5%. During April 2020, 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. Banks' liquidity increased as a result of the reduction in the required reserves ratio.

From the end of March 2020 to the end of April 2020, the multipliers of **M₁**, **M₂** and **M₃** increased from 1.31 to 1.37, from 3.50 to 3.59 and from 4.13 to 4.30, respectively.

The increases in the multipliers of **M₁**, **M₂** and **M₃** demonstrate the increases 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 (April 2020)
(End of period, billions of Dirhams)

	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Apr ¹ 2020		MoM		Contribution to Aggregate Growth ²
						In billions of Dirhams	Shares of the Aggregates	In Billions of Dirhams	% Change	
Money Supply M₁*	512.0	507.9	511.9	515.0	542.7	560.3		17.6	3.2%	
Currency in Circulation Outside Banks	73.9	77.3	76.6	78.2	86.2	90.9	16.2%	4.7	5.5%	0.9%
Monetary Deposits**	438.1	430.6	435.3	436.8	456.5	469.4	83.8%	12.9	2.8%	2.4%
Money Supply M₂*	1328.6	1351.0	1361.3	1413.1	1454.9	1464.8		9.9	0.7%	
Currency in Circulation Outside Banks	73.9	77.3	76.6	78.2	86.2	90.9	6.2%	4.7	5.5%	0.3%
Monetary Deposits**	438.1	430.6	435.3	436.8	456.5	469.4	32.0%	12.9	2.8%	0.9%
Quasi-Monetary Deposits***	816.6	843.1	849.4	898.1	912.2	904.5	61.7%	-7.7	-0.8%	-0.5%
Money Supply M₃*	1631.7	1645.4	1679.9	1717.4	1714.1	1751.5		37.4	2.2%	
Currency in Circulation Outside Banks	73.9	77.3	76.6	78.2	86.2	90.9	5.2%	4.7	5.5%	0.3%
Monetary Deposits**	438.1	430.6	435.3	436.8	456.5	469.4	26.8%	12.9	2.8%	0.8%
Quasi-Monetary Deposits***	816.6	843.1	849.4	898.1	912.2	904.5	51.6%	-7.7	-0.8%	-0.4%
Government Deposits	303.1	294.4	318.6	304.3	259.2	286.7	16.4%	27.5	10.6%	1.7%

⁽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)

	Mar	Jun	Sep	Dec	Mar	Apr ¹	Change in April 2020	
	2019	2019	2019	2019	2020	2020	In billions of Dirhams	% Change
	Monetary Base	372.9	397.1	392.8	409.5	415.2	407.5	-7.7
Currency Issued*	88.3	91.3	90.8	93.7	105.2	107.7	2.5	2.4%
Banks' Required Reserves**	123.1	124.8	126.2	129.7	132.6	70.8	-61.8	-46.6%
Banks & OFCs' Excess Reserves	22.3	25.2	22.0	25.9	32.8	30.2	-2.6	-7.9%
Certificates of Deposit purchased by Banks	139.2	155.8	153.8	160.2	144.6	198.8	54.2	37.5%
Money Supply (M ₁)	512.0	507.9	511.9	515.0	542.7	560.3	17.6	3.2%
Money Multiplier of M₁ (M₁/Monetary Base)	1.37	1.28	1.30	1.26	1.31	1.37		
Money Supply (M ₂)	1328.6	1351.0	1361.3	1413.1	1454.9	1464.8	9.9	0.7%
Money Multiplier of M₂ (M₂/Monetary Base)	3.56	3.40	3.47	3.45	3.50	3.59		
Money Supply (M ₃)	1631.7	1645.4	1679.9	1717.4	1714.1	1751.5	37.4	2.2%
Money Multiplier of M₃ (M₃/Monetary Base)	4.38	4.14	4.28	4.19	4.13	4.30		

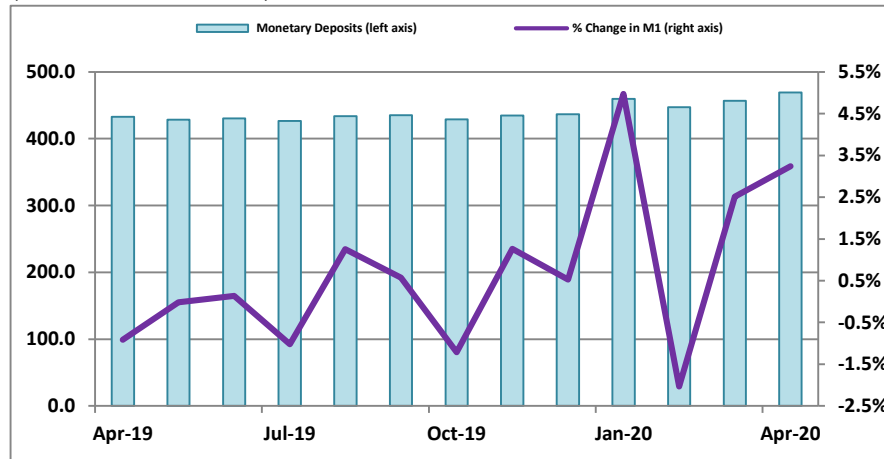
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* Currency Issued = Currency in circulation outside Banks + Cash at Banks

** 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.

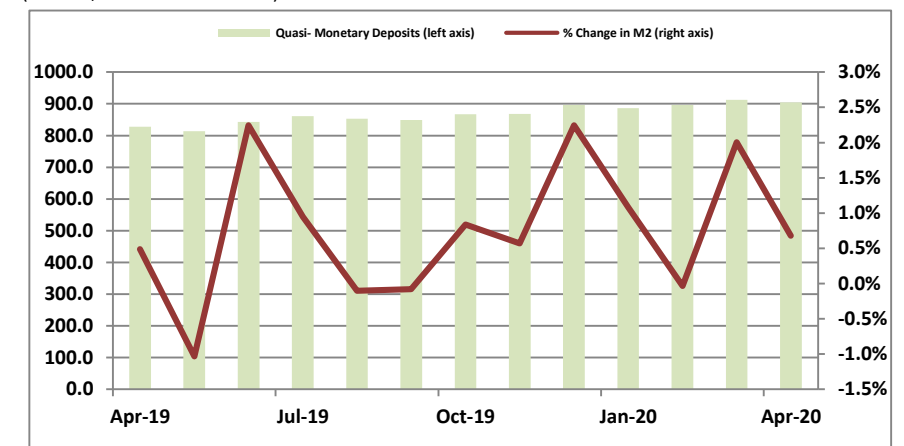
Money Supply M₁ increased by 3.2%, due to 5.5% and 2.8% increases in Currency in Circulation Outside Banks & Monetary Deposits, respectively.

(bn AED, % month-on-month)



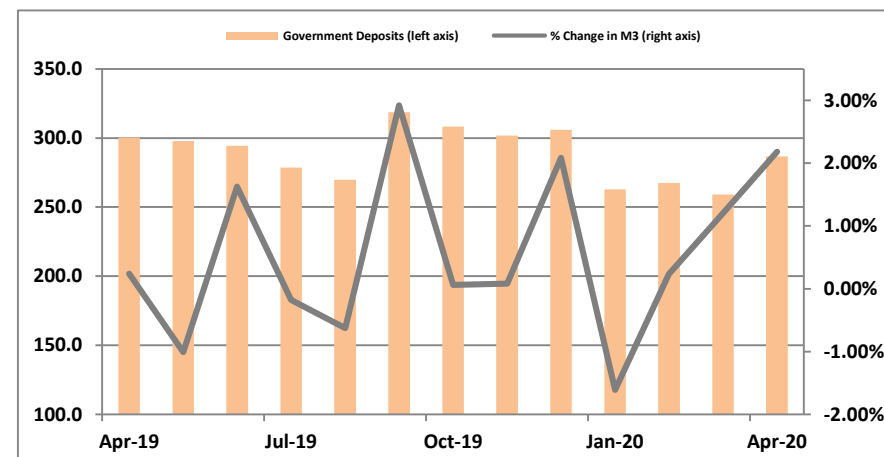
Money Supply M₂ increased by 0.7% due to an increased M₁, overshadowing a 0.8% reduction in Quasi-Monetary Deposits.

(bn AED, % month-on-month)



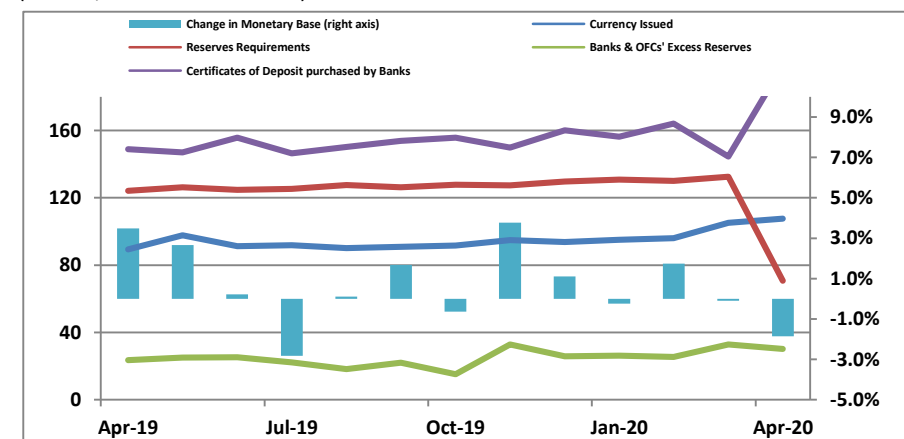
Money Supply M₃ rose by 2.2% owing to increased M₁ & M₂, and 10.6% increase in Government Deposits.

(bn AED, % month-on-month)



Monetary Base contracted by 1.9% during April 2020.

(bn AED, % month-on-month)



Source: CBUAE