



# UAE Monthly Monetary Survey July 2020



### Monetary Developments (\*)

**M<sub>1</sub>** increased by 0.4%, from 557.4 billion at the end of June 2020 to AED 559.4 billion at the end of July 2020. This increase was the result of a 3% rise in Currency in Circulation outside Banks (17.1% of **M<sub>1</sub>**), superseding a 0.2% reduction in Monetary Deposits (82.9% of **M<sub>1</sub>**).

At the end of July 2020, **M<sub>2</sub>** increased by 2.3%, rising from AED 1,458 billion at the end of June 2020 to AED 1,492.1 billion. **M<sub>2</sub>** mainly rose due to increased **M<sub>1</sub>** and AED 32.1 billion or 3.6% increase in Quasi- Monetary Deposits (62.5% of **M<sub>2</sub>**).

Consequently, **M<sub>3</sub>** also rose by 1.5%, from AED 1,752.3 billion at the end of June 2020 to AED 1,777.8 billion at the end of July 2020. **M<sub>3</sub>** mainly grew because of an increased **M<sub>2</sub>**, overshadowing an AED 8.6 billion or 2.9% fall in Government Deposits at commercial banks and at the Central Bank (16.1% of **M<sub>3</sub>**).

In summary, during July 2020, the Monetary Aggregates **M<sub>1</sub>**, **M<sub>2</sub>** and **M<sub>3</sub>** increased by 0.4%, 2.3% and 1.5%, 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 July 2020, the Monetary Base contracted by 0.7%. The Monetary Base shrank owing to reduction in Certificates of Deposits purchased by Banks (36.1% of the Monetary Base) by 18.2%, overriding increases in Currency Issued (27.6% of the Monetary Base) by 5.4% and in Banks & OFC's Excess Reserves (18.3% of the Monetary Base) by 47.1%. Banks' Required Reserves (18.1% of the Monetary Base) remained unchanged during July 2020.

From the end of June 2020 to the end of July 2020, the multiplier of **M<sub>1</sub>** increased from 1.37 to 1.38, the multiplier of **M<sub>2</sub>** increased from 3.57 to 3.68 and the multiplier of **M<sub>3</sub>** increased from 4.29 to 4.39.

The increases in the multipliers of **M<sub>1</sub>**, **M<sub>2</sub>** and **M<sub>3</sub>** indicate faster rise in the Monetary Aggregates **M<sub>1</sub>**, **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 (July 2020)**  
 (End of period, billions of Dirhams)

	Mar-19	Jun-19	Sep-19	Dec-19	Jun-20	July <sup>1</sup> 2020		MoM		Contribution to Aggregate Growth <sup>3</sup>
						In billions of Dirhams	Shares of the Aggregates	In Billions of Dirhams	% Change	
<b>Money Supply M<sub>1</sub>*</b>	<b>512.0</b>	<b>507.9</b>	<b>511.9</b>	<b>515.0</b>	<b>557.4</b>	<b>559.4</b>		<b>2.0</b>	<b>0.4%</b>	
Currency in Circulation Outside Banks	73.9	77.3	76.6	78.2	92.6	95.4	17.1%	2.8	3.0%	0.5%
Monetary Deposits**	438.1	430.6	435.3	436.8	464.8	464.0	82.9%	-0.8	-0.2%	-0.1%
<b>Money Supply M<sub>2</sub>*</b>	<b>1328.6</b>	<b>1351.0</b>	<b>1361.3</b>	<b>1413.1</b>	<b>1458.0</b>	<b>1492.1</b>		<b>34.1</b>	<b>2.3%</b>	
Currency in Circulation Outside Banks	73.9	77.3	76.6	78.2	92.6	95.4	6.4%	2.8	3.0%	0.2%
Monetary Deposits**	438.1	430.6	435.3	436.8	464.8	464.0	31.1%	-0.8	-0.2%	-0.1%
Quasi-Monetary Deposits***	816.6	843.1	849.4	898.1	900.6	932.7	62.5%	32.1	3.6%	2.2%
<b>Money Supply M<sub>3</sub>*</b>	<b>1631.7</b>	<b>1645.4</b>	<b>1679.9</b>	<b>1717.4</b>	<b>1752.3</b>	<b>1777.8</b>		<b>25.5</b>	<b>1.5%</b>	
Currency in Circulation Outside Banks	73.9	77.3	76.6	78.2	92.6	95.4	5.4%	2.8	3.0%	0.2%
Monetary Deposits**	438.1	430.6	435.3	436.8	464.8	464.0	26.1%	-0.8	-0.2%	-0.04%
Quasi-Monetary Deposits***	816.6	843.1	849.4	898.1	900.6	932.7	52.5%	32.1	3.6%	1.9%
Government Deposits	303.1	294.4	318.6	304.3	294.3	285.7	16.1%	-8.6	-2.9%	-0.5%

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

<sup>(3)</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>  $M_1$  = Currency in Circulation Outside Banks (Currency Issued - Cash at banks) + Monetary Deposits

$M_2$  =  $M_1$  + Quasi-Monetary Deposits

$M_3$  =  $M_2$  + 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)

	Mar	Jun	Sep	Dec	Jun	Jul <sup>1</sup>	Change in July 2020	
	2019	2019	2019	2019	2020	2020	In billions of Dirhams	% Change
<b>Monetary Base</b>	<b>372.9</b>	<b>397.1</b>	<b>392.8</b>	<b>409.5</b>	<b>408.2</b>	<b>405.2</b>	<b>-3.0</b>	<b>-0.7%</b>
Currency Issued*	88.3	91.3	90.8	93.7	106.1	111.8	5.7	5.4%
Banks' Required Reserves**	123.1	124.8	126.2	129.7	73.3	73.3	0.0	0.0%
Banks & OFCs' Excess Reserves	22.3	25.2	22.0	25.9	50.3	74.0	23.7	47.1%
Certificates of Deposit purchased by Banks	139.2	155.8	153.8	160.2	178.5	146.1	-32.4	-18.2%
Money Supply (M <sub>1</sub> )	512.0	507.9	511.9	515.0	557.4	559.4	2.0	0.4%
<b>Money Multiplier of M<sub>1</sub> (M<sub>1</sub>/Monetary Base)</b>	<b>1.37</b>	<b>1.28</b>	<b>1.30</b>	<b>1.26</b>	<b>1.37</b>	<b>1.38</b>		
Money Supply (M <sub>2</sub> )	1328.6	1351.0	1361.3	1413.1	1458.0	1492.1	34.1	2.3%
<b>Money Multiplier of M<sub>2</sub> (M<sub>2</sub>/Monetary Base)</b>	<b>3.56</b>	<b>3.40</b>	<b>3.47</b>	<b>3.45</b>	<b>3.57</b>	<b>3.68</b>		
Money Supply (M <sub>3</sub> )	1631.7	1645.4	1679.9	1717.4	1752.3	1777.8	25.5	1.5%
<b>Money Multiplier of M<sub>3</sub> (M<sub>3</sub>/Monetary Base)</b>	<b>4.38</b>	<b>4.14</b>	<b>4.28</b>	<b>4.19</b>	<b>4.29</b>	<b>4.39</b>		

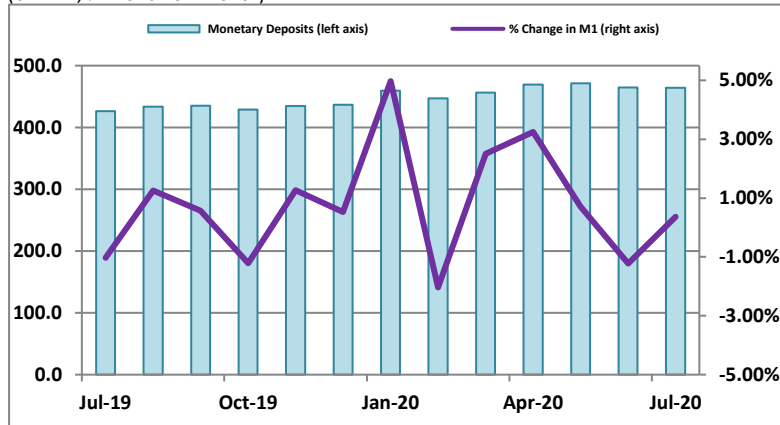
<sup>(1)</sup> Figures are provisional and subject to revision

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

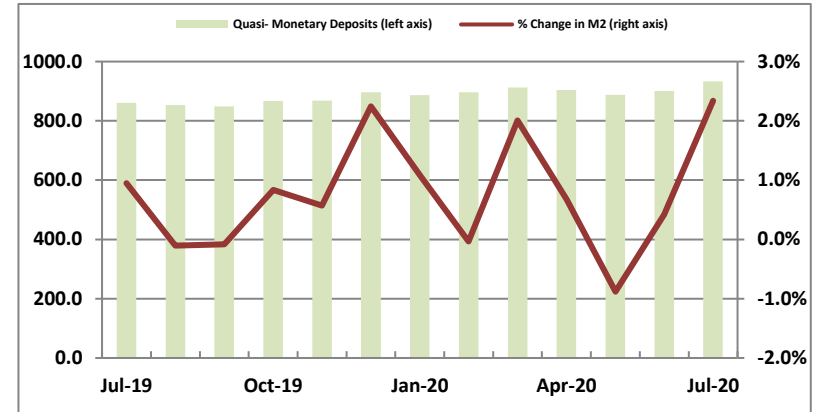
\*\* The amount of Reserve Requirements declined due to the reduction in the rate of required reserves from 14% to 7% on Demand Deposits per the Targeted Economic Support Scheme (TESS) offered to Banks by the CBUAE in April 2020. Banks' liquidity increased as a result of the reduction in the required reserves ratio.



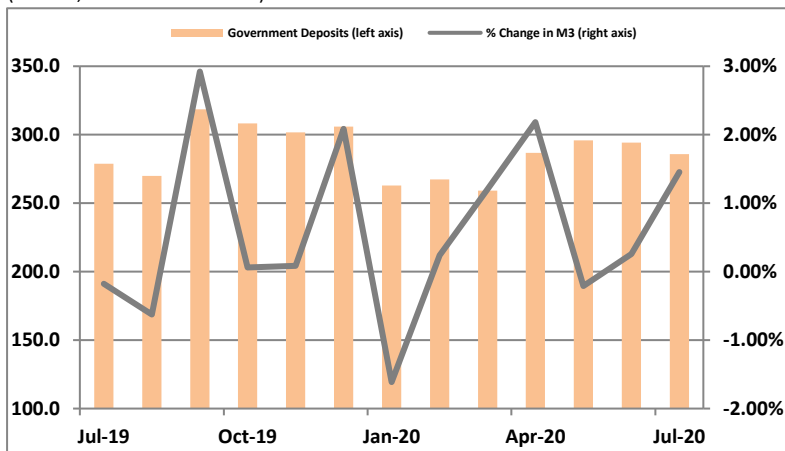
**Money Supply M<sub>1</sub> increased by 0.4%, due to 3% increase in Currency in Circulation Outside Banks, overriding 0.2% reduction in Monetary Deposits.**  
(bn AED, % month-on-month)



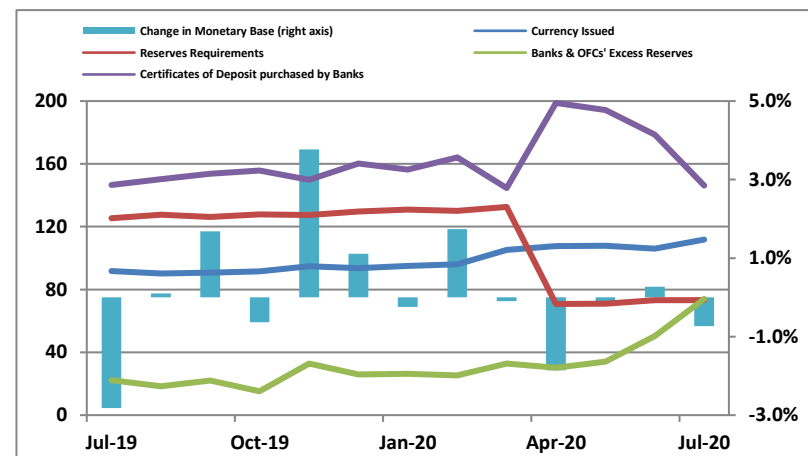
**Money Supply M<sub>2</sub> increased by 2.3% due to an increased M<sub>1</sub> and 3.6% rise in Quasi-Monetary Deposits.**  
(bn AED, % month-on-month)



**Money Supply M<sub>3</sub> rose by 1.5% owing to an increased M<sub>2</sub>, overshadowing a 2.9% reduction in Government Deposits.**  
(bn AED, % month-on-month)



**Monetary Base contracted by 0.7% during July 2020.**  
(bn AED, % month-on-month)



Source: CBUAE