



UAE Monthly Monetary Survey November 2020



Monetary Developments (*)

M₁ increased by 1.7%, from 574.5 billion at the end of October 2020 to AED 584.5 billion at the end of November 2020. This increase was the result of a 2.2% rise in Monetary Deposits (83.5% of **M₁**), overshadowing a 0.7% reduction in Currency in Circulation outside Banks (16.5% of **M₁**).

At the end of November 2020, **M₂** decreased by 2.4%, declining from AED 1,486.5 billion at the end of October 2020 to AED 1,450.2 billion. **M₂** mainly fell due to an AED 46.3 billion or 5.1% decrease in Quasi- Monetary Deposits (59.7% of **M₂**), superseding the increase in **M₁**.

M₃ also reduced by 2.2%, from AED 1,807.2 billion at the end of October 2020 to AED 1,768 billion at the end of November 2020. **M₃** mainly shrank because of a decreased **M₂** combined with a reduction of AED 2.9 billion or 0.9% in Government Deposits at commercial banks and at the Central Bank (18 % of **M₃**).

In summary, during November 2020, the Monetary Aggregate **M₁** increased by 1.7% and Monetary Aggregates **M₂** and **M₃** decreased by 2.4% 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 November 2020, the Monetary Base contracted by 0.1%. The Monetary Base shrank owing to reductions in Banks & OFC's Excess Reserves (15.5% of the Monetary Base) by 14.3% and in Certificates of Deposits purchased by Banks (34.9% of the Monetary Base) by 0.2% overriding the increases in Currency Issued (28.4% of the Monetary Base) by 0.6% and in Banks' Required Reserves (21.2% of the Monetary Base) by 12.6%.

From the end of October 2020 to the end of November 2020, the multiplier of **M₁** increased from 1.43 to 1.45 and the multipliers of **M₂** and **M₃** decreased from 3.69 to 3.60 and from 4.49 to 4.39, respectively.

The rise in the multiplier of **M₁** is reflective of a faster increase in its corresponding Monetary Aggregate compared to the contraction of the Monetary Base. Whereas, the reductions in the multipliers of **M₂** and **M₃** is reflective of the larger reductions in their corresponding Monetary Aggregates compared to the smaller 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 (November 2020)
 (End of period, billions of Dirhams)

	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Oct-20	November ¹ 2020		MoM		Contribution to Aggregate Growth ³
							In billions of Dirhams	Shares of the Aggregates	In Billions of Dirhams	% Change	
Money Supply M₁*	511.9	515.0	542.7	557.4	568.0	574.5	584.5		10.0	1.7%	
Currency in Circulation Outside Banks	76.6	78.2	86.2	92.6	96.7	97.3	96.6	16.5%	-0.7	-0.7%	-0.1%
Monetary Deposits**	435.3	436.8	456.5	464.8	471.3	477.2	487.9	83.5%	10.7	2.2%	1.9%
Money Supply M₂*	1361.3	1413.1	1454.9	1458.0	1468.7	1486.5	1450.2		-36.3	-2.4%	
Currency in Circulation Outside Banks	76.6	78.2	86.2	92.6	96.7	97.3	96.6	6.7%	-0.7	-0.7%	0.05%
Monetary Deposits**	435.3	436.8	456.5	464.8	471.3	477.2	487.9	33.6%	10.7	2.2%	0.8%
Quasi-Monetary Deposits***	849.4	898.1	912.2	900.6	900.7	912.0	865.7	59.7%	-46.3	-5.1%	-3.0%
Money Supply M₃*	1679.9	1717.4	1714.1	1752.3	1805.7	1807.2	1768.0		-39.2	-2.2%	
Currency in Circulation Outside Banks	76.6	78.2	86.2	92.6	96.7	97.3	96.6	5.4%	-0.7	-0.7%	0.04%
Monetary Deposits**	435.3	436.8	456.5	464.8	471.3	477.2	487.9	27.6%	10.7	2.2%	0.6%
Quasi-Monetary Deposits***	849.4	898.1	912.2	900.6	900.7	912.0	865.7	49.0%	-46.3	-5.1%	-2.5%
Government Deposits	318.6	304.3	259.2	294.3	337.0	320.7	317.8	18.0%	-2.9	-0.9%	-0.2%

⁽¹⁾ 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)

	Sep 2019	Dec 2019	Mar 2020	Jun 2020	Sep 2020	Oct 2020	Nov ¹ 2020	Change in November 2020	
								In billions of Dirhams	% Change
Monetary Base	392.8	409.5	415.2	408.2	416.7	402.8	402.3	-0.5	-0.1%
Currency Issued*	90.8	93.7	105.2	106.1	111.3	113.6	114.3	0.7	0.6%
Banks' Required Reserves**	126.2	129.7	132.6	73.3	75.1	75.6	85.1	9.5	12.6%
Banks & OFCs' Excess Reserves	22.0	25.9	32.8	50.3	79.0	72.8	62.4	-10.4	-14.3%
Certificates of Deposit purchased by Banks	153.8	160.2	144.6	178.5	151.3	140.8	140.5	-0.3	-0.2%
Money Supply (M ₁)	511.9	515.0	542.7	557.4	568.0	574.5	584.5	10.0	1.7%
Money Multiplier of M₁ (M₁/Monetary Base)	1.30	1.26	1.31	1.37	1.36	1.43	1.45		
Money Supply (M ₂)	1361.3	1413.1	1454.9	1458.0	1468.7	1486.5	1450.2	-36.3	-2.4%
Money Multiplier of M₂ (M₂/Monetary Base)	3.47	3.45	3.50	3.57	3.52	3.69	3.60		
Money Supply (M ₃)	1679.9	1717.4	1714.1	1752.3	1805.7	1807.2	1768.0	-39.2	-2.2%
Money Multiplier of M₃ (M₃/Monetary Base)	4.28	4.19	4.13	4.29	4.33	4.49	4.39		

⁽¹⁾ Figures are provisional and subject to revision

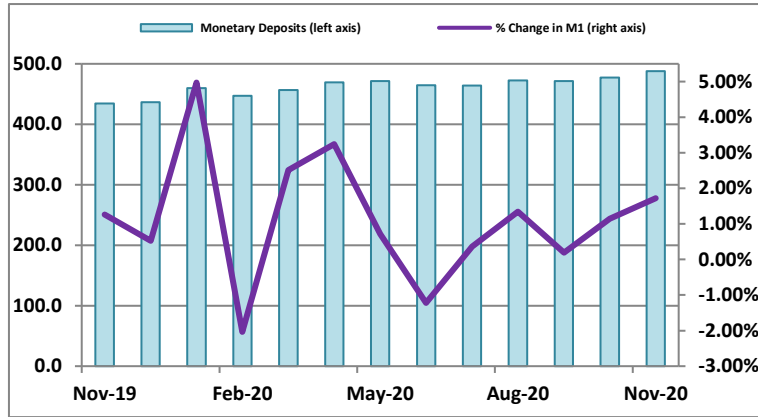
* Currency Issued = Currency in circulation outside Banks + Cash at Banks

** 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.



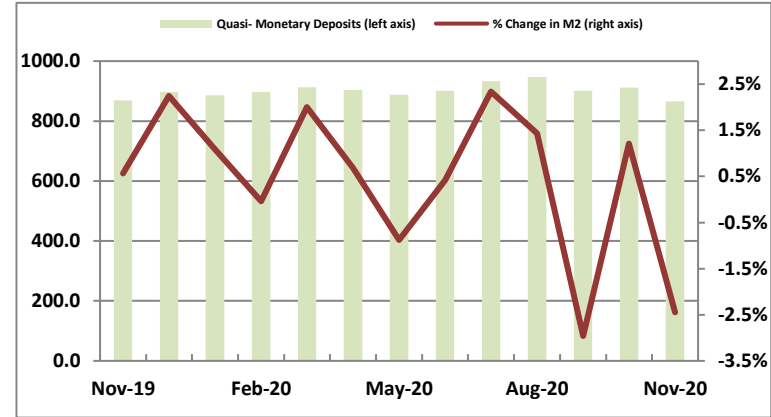
Money Supply M₁ increased by 1.7%, due to a 2.2% rise in Monetary Deposits.

(bn AED, % month-on-month)



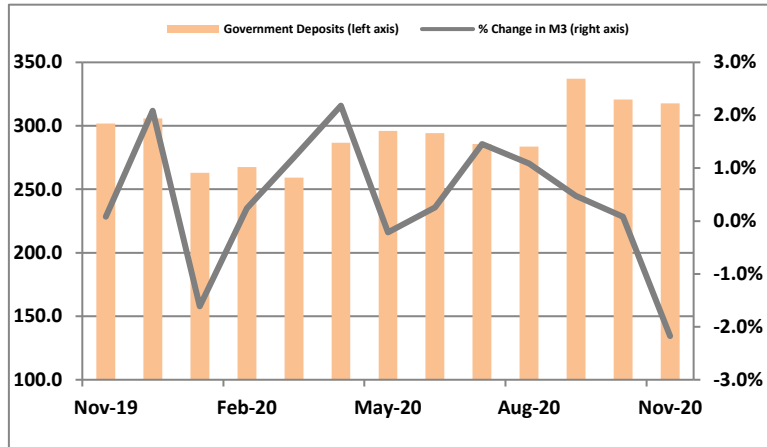
Money Supply M₂ decreased by 2.4% due to a 5.1% reduction in Quasi-Monetary Deposits.

(bn AED, % month-on-month)



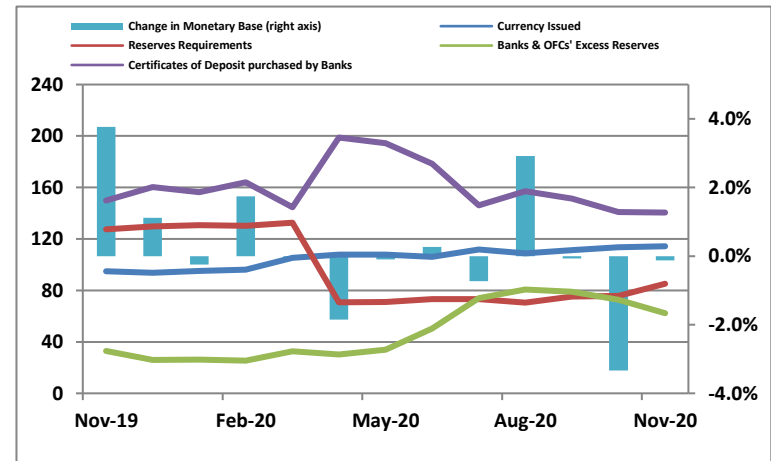
Money Supply M₃ fell by 2.2%, owing to a decreased M₂ and a 0.9% fall in Government Deposits.

(bn AED, % month-on-month)



Monetary Base contracted by 0.1% during November 2020.

(bn AED, % month-on-month)



Source: CBUAE