



UAE Monthly Monetary Survey December 2020



Monetary Developments (*)

M₁ increased by 2.7%, from 584.5 billion at the end of November 2020 to AED 600.0 billion at the end of December 2020. This increase was the result of a 3.6% rise in Monetary Deposits (84.2% of **M₁**), overshadowing a 2.0% reduction in Currency in Circulation outside Banks (15.8% of **M₁**).

At the end of December 2020, **M₂** increased by 2.0%, rising from AED 1,450.2 billion at the end of November 2020 to AED 1,478.5 billion. **M₂** mainly rose due to an increased **M₁** and an AED 12.8 billion or 1.5% increase in Quasi- Monetary Deposits (59.4% of **M₂**).

M₃ also increased by 0.1%, from AED 1,768.0 billion at the end of November 2020 to AED 1769.3 billion at the end of December 2020. **M₃** mainly grew because of increased **M₁** and **M₂**, superseding a reduction of AED 27.0 billion or 8.5% in Government Deposits at commercial banks and at the Central Bank (16.4% of **M₃**).

In summary, during December 2020, the Monetary Aggregates **M₁**, **M₂** and **M₃** increased by 2.7%, 2.0% and 0.1%, 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 2020, the Monetary Base expanded by 6.2%. The Monetary Base grew owing to increases in Banks' Required Reserves (20.9% of the Monetary Base) by 5.1% and in Banks & OFC's Excess Reserves (22.9% of the Monetary Base) by 57.1%, overriding the reductions in Currency Issued (25.9% of the Monetary Base) by 3.1% and in Certificates of Deposits purchased by Banks (30.3% of the Monetary Base) by 8%.

From the end of November 2020 to the end of December 2020, the multipliers of **M₁**, **M₂** and **M₃** decreased from 1.45 to 1.40, from 3.60 to 3.46 and from 4.39 to 4.14, respectively.

The reductions in the multipliers of **M₁**, **M₂** and **M₃** is reflective of a slower increase in their corresponding Monetary Aggregates compared to the faster 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 2020)
 (End of period, billions of Dirhams)

	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Nov-20	December ¹ 2020		MoM		Contribution to Aggregate Growth ²
							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	584.5	600.0		15.5	2.7%	
Currency in Circulation Outside Banks	76.6	78.2	86.2	92.6	96.7	96.6	94.7	15.8%	-1.9	-2.0%	-0.3%
Monetary Deposits**	435.3	436.8	456.5	464.8	471.3	487.9	505.3	84.2%	17.4	3.6%	3.0%
Money Supply M₂*	1361.3	1413.1	1454.9	1458.0	1468.7	1450.2	1478.5		28.3	2.0%	
Currency in Circulation Outside Banks	76.6	78.2	86.2	92.6	96.7	96.6	94.7	6.4%	-1.9	-2.0%	-0.1%
Monetary Deposits**	435.3	436.8	456.5	464.8	471.3	487.9	505.3	34.2%	17.4	3.6%	1.2%
Quasi-Monetary Deposits***	849.4	898.1	912.2	900.6	900.7	865.7	878.5	59.4%	12.8	1.5%	0.9%
Money Supply M₃*	1679.9	1717.4	1714.1	1752.3	1805.7	1768.0	1769.3		1.3	0.1%	
Currency in Circulation Outside Banks	76.6	78.2	86.2	92.6	96.7	96.6	94.7	5.4%	-1.9	-2.0%	-0.1%
Monetary Deposits**	435.3	436.8	456.5	464.8	471.3	487.9	505.3	28.6%	17.4	3.6%	1.0%
Quasi-Monetary Deposits***	849.4	898.1	912.2	900.6	900.7	865.7	878.5	49.6%	12.8	1.5%	0.7%
Government Deposits	318.6	304.3	259.2	294.3	337.0	317.8	290.8	16.4%	-27.0	-8.5%	-1.4%

⁽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.

^(*) 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

^(**) **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	Dec	Mar	Jun	Sep	Nov	Dec ¹	Change in December 2020	
	2019	2019	2020	2020	2020	2020	2020	In billions of Dirhams	% Change
Monetary Base	392.8	409.5	415.2	408.2	416.7	402.3	427.4	25.1	6.2%
Currency Issued*	90.8	93.7	105.2	106.1	111.3	114.3	110.7	-3.6	-3.1%
Banks' Required Reserves**	126.2	129.7	132.6	73.3	75.1	85.1	89.4	4.3	5.1%
Banks & OFCs' Excess Reserves	22.0	25.9	32.8	50.3	79.0	62.4	98.0	35.6	57.1%
Certificates of Deposit purchased by Banks	153.8	160.2	144.6	178.5	151.3	140.5	129.3	-11.2	-8.0%
Money Supply (M ₁)	511.9	515.0	542.7	557.4	568.0	584.5	600.0	15.5	2.7%
Money Multiplier of M₁ (M₁/Monetary Base)	1.30	1.26	1.31	1.37	1.36	1.45	1.40		
Money Supply (M ₂)	1361.3	1413.1	1454.9	1458.0	1468.7	1450.2	1478.5	28.3	2.0%
Money Multiplier of M₂ (M₂/Monetary Base)	3.47	3.45	3.50	3.57	3.52	3.60	3.46		
Money Supply (M ₃)	1679.9	1717.4	1714.1	1752.3	1805.7	1768.0	1769.3	1.3	0.1%
Money Multiplier of M₃ (M₃/Monetary Base)	4.28	4.19	4.13	4.29	4.33	4.39	4.14		

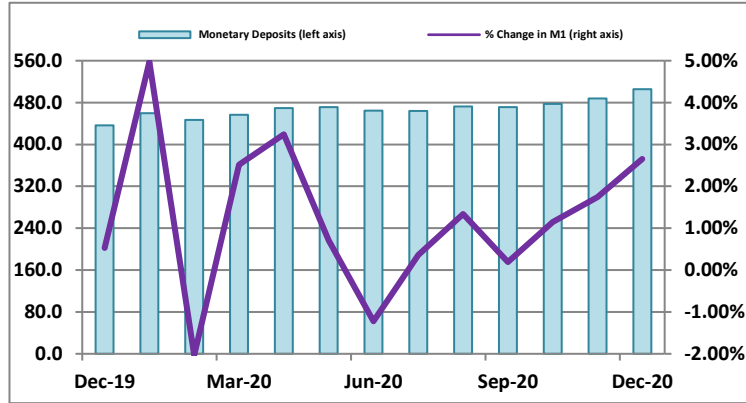
⁽¹⁾ Figures are provisional and subject to revision

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

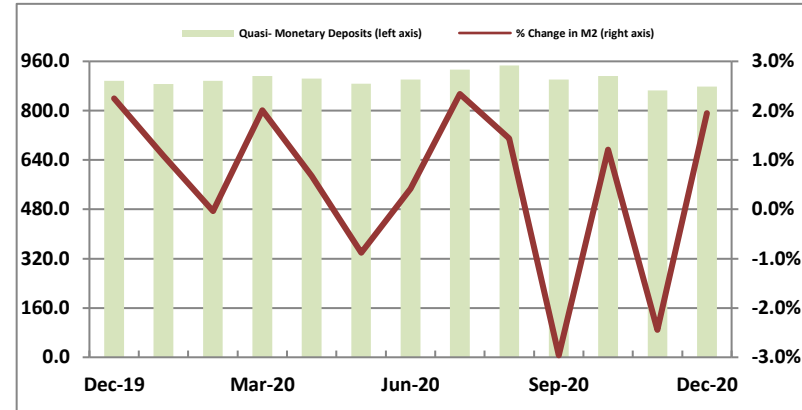
** The amount of Reserve Requirements declined due to the reduction in the rate of required reserves from 14% to 7% on Demand Deposits per the Targeted Economic Support Scheme (TESS) offered to Banks by the CBUAE in April 2020. Banks' liquidity increased as a result of the reduction in the required reserves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



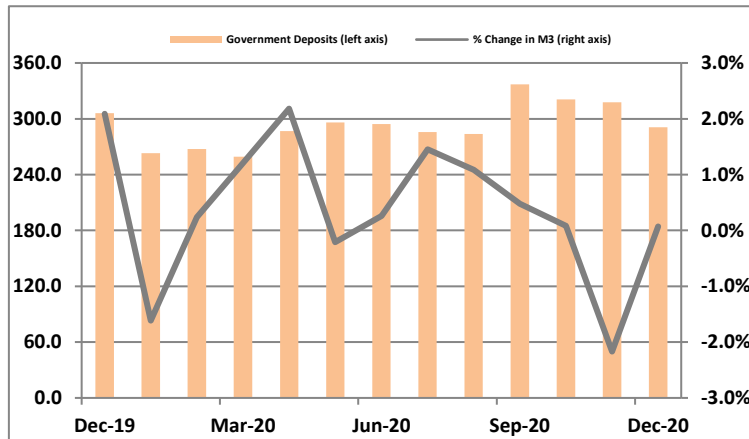
Money Supply M₁ increased by 2.7%, due to a 3.6% rise in Monetary Deposits.
(bn AED, % month-on-month)



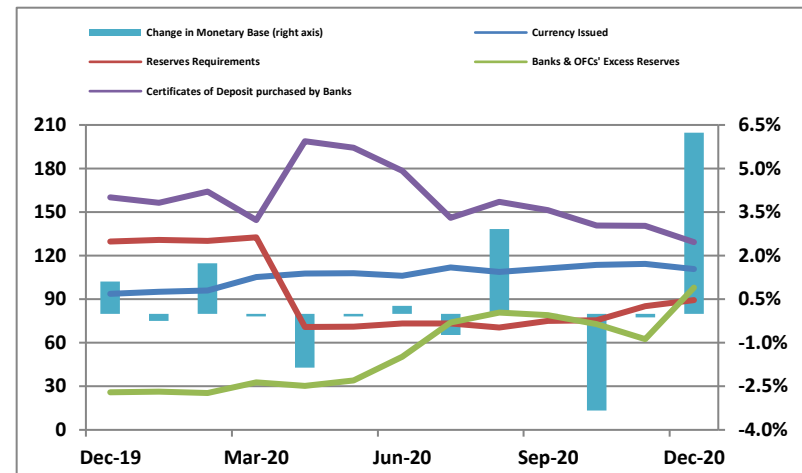
Money Supply M₂ increased by 2% due to a 1.5% rise in Quasi-Monetary Deposits.
(bn AED, % month-on-month)



Money Supply M₃ rose by 0.1%, owing to increased M₁ & M₂, overriding a 8.5% fall in Government Deposits.
(bn AED, % month-on-month)



Monetary Base expanded by 6.2% during December 2020.
(bn AED, % month-on-month)



Source: CBUAE