



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

United Arab Emirates
Monetary, Banking & Financial Markets Developments

2020 – 1st Quarter Report
May 2020

Introduction

As part of its commitment to promote economic and financial stability and growth in the UAE, the Central Bank of the UAE actively fosters a stable and efficient financial system by providing effective central banking services. The *United Arab Emirates Monetary, Banking and Financial Markets Developments Report* is one of the many avenues through which the Central Bank seeks to keep its stakeholders informed.

This report discusses the monetary and banking activities as well as developments in the UAE financial markets during the first quarter of 2020. The report also reviews ratios of annual change over the period from March 2019 to March 2020.

Monetary Developments

Money Supply **M₁**, which comprises Currency in Circulation outside Banks (Currency Issued - Cash at banks) plus Monetary Deposits, increased by 5.4% (q-o-q) during the first quarter of 2020.

On an annual basis, there was a 6% (y-o-y) climb in the monetary aggregate **M₁**, reaching AED 542.7 billion.

Money Supply **M₂** (**M₁** plus Quasi Monetary Deposits (Resident Time and Savings Deposits in Dirham, plus Resident Deposits in Foreign Currencies)), also increased by 3% (q-o-q) during the first quarter of 2020.

On an annual basis, there was a 9.5% (y-o-y) increase in Money Supply **M₂**, reaching AED 1454.9 billion.

Money Supply **M₃** (**M₂** plus government deposits at banks and at the Central Bank) fell by 0.2% (q-o-q) during the first quarter of 2020.

On an annual basis, there was a 5% (y-o-y) growth in Money Supply **M₃**, reaching AED 1714.1 billion.

Typically, the money supply **M₂** is considered the best indicator for the availability of liquidity in the economy, as it comprises currency in circulation outside banks, in addition to various deposits of all the resident sectors in dirham denomination, except for the deposits of the government sector in the UAE. Statistical data show that at the end of the first quarter of 2020, there was an increase in **M₂**. The rise in **M₂** during the first quarter of 2020 was mainly due to the quarterly increase in non-government resident deposits by 2.5% expanding to 1368.7 billion.

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[UNITED ARAB EMIRATES MONETARY, BANKING & FINANCIAL MARKETS DEVELOPMENTS]

Table 1 - Monetary Developments in the UAE

(In Billions Dirhams - End of Period)

	2018		2019								2020		
	Fourth Quarter		First Quarter		Second Quarter		Third Quarter		Fourth Quarter *		First Quarter **		
	Amount	Quarterly Change (%)	Amount	Quarterly Change (%)	Amount	Quarterly Change (%)	Amount	Quarterly Change (%)	Amount	Quarterly Change (%)	Amount	Change (%)	
												Quarterly	Annual
Money Supply (M₁)	485.7	0.3%	512.0	5.4%	507.9	-0.8%	511.9	0.8%	515.0	0.6%	542.7	5.4%	6.0%
Money Supply (M₂)	1308.5	1.3%	1328.6	1.5%	1351.0	1.7%	1361.3	0.8%	1413.1	3.8%	1454.9	3.0%	9.5%
Money Supply (M₃)	1602.4	1.4%	1631.7	1.8%	1645.4	0.8%	1679.9	2.1%	1717.4	2.2%	1714.1	-0.2%	5.0%

Source-** Data received from banks operating in the UAEM₁** = Currency in Circulation Outside Banks (Currency Issued - Cash at banks) + Monetary Deposits**M₂** = M₁ + Quasi-Monetary Deposits**M₃** = M₂ + Government Deposits

* Revised to account for year-end amendments

** Estimates, subject to revision

Banking Sector Development

1- Banks Operating in the UAE

The number of locally incorporated banks remained constant at 21 banks at the end of the first quarter of 2020. The branches of these locally incorporated banks decreased to 640 at the end of March 2020. The number of electronic service units of these banks increased to 34 units at the end of the first quarter of 2020. The number of Cash Offices remained unchanged at 31 offices at the end of March 2020.

The number of GCC banks remains steady during the first quarter of 2020 at 6 banks, with 4 branches. The number of other foreign banks also remains unchanged at 21 banks in the first quarter of 2020. However, their branches decreased to 74 branches at the end of March 2020. The number of electronic service units of these banks remained unchanged at 22 units at the end of the first quarter of 2020. The number of cash offices remains invariable at one cash office during the first quarter of 2020.

The technological and structural advancements in the UAE financial sector has resulted in increased accessibility of mobile banking applications, online banking and ease in the use of automated teller machines (ATM) for the past several years. These advancements are paying off to enhance smooth operations of the banking system.

At the end of the first quarter of 2020, the number of financial institutions licensed by the Central Bank, i.e., Wholesale Banks, Representative Offices, Finance Companies, Moneychangers and Offices for Intermediating in Currency Trading & Money Market Operations reached 11, 87, 23, 102 and 11, respectively.

The total number of ATM of banks operating in the UAE reached 4,937 by the end of March 2020.

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Table-2 Banks, Other Financial Institutions & ATM										
2017 - 2020										
	2017	2018				2019				2020
	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar *
Locally Incorporated Banks										
Main Branches	22	22	22	22	22	22	22	21	21	21
Additional Branches	771	761	755	751	743	733	713	664	656	640
Electronic Banking Service Units	36	32	32	32	33	33	34	33	33	34
Cash Offices	51	48	48	36	34	34	33	31	31	31
GCC Banks										
Main Branches	6	6	6	6	6	6	6	6	6	6
Additional Branches	4	4	4	4	4	4	4	4	4	4
Foreign Banks										
Main Branches	21	21	21	21	21	21	21	21	21	21
Additional Branches	78	77	77	77	76	75	75	75	75	74
Electronic Banking Service Units	25	21	21	21	21	21	21	21	22	22
Cash Offices	1	1	1	1	1	1	1	1	1	1
Wholesale Banks	12	12	12	12	11	11	11	11	11	11
Representative Offices	103	102	99	99	99	97	98	87	87	87
Finance Companies	27	27	26	26	26	24	23	23	23	23
Moneychangers	132	130	128	128	123	123	123	123	104	102
Offices for Intermediating in Currency Trading & Money Market Operations	11	11	11	11	11	9	9	9	11	11
ATM	5,302	5,274	5,261	5,293	5,303	5,279	5,229	5,187	5,076	4,937

Source: Banking Supervision Department and UAESWITCH

*Estimates, subject to revision

2- Bank Assets and Loans

At the end of the first quarter of 2020 total assets of banks operating in the UAE increased by 1.5% (q-o-q), reaching AED 3128 billion. During the period between March 2019 and March 2020, the total assets of banks operating in the UAE increased by 8.1% (y-o-y).

Gross credit also increased by 0.5% (q-o-q) at the end of March 2020, reaching 1768.2 billion. On an annual basis, gross credit increased by 5.6%.

3- Customer Deposits

At the end of the first quarter of 2020, total deposits of resident and non-resident customers with banks operating in the UAE fell by 1% (q-o-q), reaching AED 1851.9 billion. Resident deposits decreased by 0.8% (q-o-q), reaching AED 1635.1 billion at the end of the first quarter of 2020. Non-resident deposits also fell by 2.1% (q-o-q), reaching AED 216.8 billion by the end of March 2020.

On an annual basis, Resident deposits increased by 6.2% and Non-resident deposits increased by 4.1%.

4- Capital and Reserves

Aggregate Capital and Reserves of banks operating in the UAE decreased by 5.9% (q-o-q), reaching AED 369.9 billion at the end of the first quarter of 2020. During the first quarter of 2020, Total Capital Adequacy Ratio stood at 16.9%, remaining well above the 13% Capital Adequacy Ratio, including the 2.5% Capital Conservation Buffer requirement and the 8.5% Tier1 Ratio, prescribed by the Central Bank regulations in compliance with the Basel III guidelines.

Capital adequacy ratios measure the amount of a bank's capital expressed as a percentage of its risk weighted exposures. A high capital adequacy ratio provides protection to depositors and promotes the stability and efficiency of the financial system of an economy. Effective December 2017, banks in the UAE follow Basel III principles for calculating the Capital Adequacy Ratios in line with the Guidelines issued by the Central Bank.

Table- 3: Banking Indicators

(End of Month, Figures in billions of Dirhams unless otherwise indicated)

	2019								2020		% Annual Change
	Mar	Quarterly Change (%)	Jun	Quarterly Change (%)	Sep	Quarterly Change (%)	Dec *	Quarterly Change (%)	Mar **	Quarterly Change (%)	
Total Assets	2894.9	0.9%	2958.6	2.2%	3022.7	2.2%	3082.9	2.0%	3128.0	1.5%	8.1%
Banks' Investments in Central Bank CDs	139.2	0.7%	155.8	11.9%	153.8	-1.3%	160.2	4.2%	144.6	-9.7%	3.9%
Shariah Compliant Certificates of Deposits	34.9	-3.9%	32.6	-6.6%	36.1	10.7%	37.5	3.9%	33.1	-11.7%	-5.2%
Gross Credit ⁽¹⁾	1675.1	1.1%	1692.7	1.1%	1720.8	1.7%	1758.6	2.2%	1768.2	0.5%	5.6%
Personal Loans to Residents	333.5	-1.2%	332.2	-0.4%	333.6	0.4%	332.4	-0.4%	330.2	-0.7%	-1.0%
Total Deposits ⁽²⁾	1748.1	-0.4%	1774.3	1.5%	1802.0	1.6%	1870.2	3.8%	1851.9	-1.0%	5.9%
Capital & Reserves ⁽³⁾	350.2	-1.4%	364.8	4.2%	377.3	3.4%	392.9	4.1%	369.9	-5.9%	5.6%
Capital Adequacy Ratio ⁽⁴⁾	17.9%	2.3%	17.9%	0.0%	17.7%	-1.1%	17.7%	0.0%	16.9%	-4.5%	-5.6%
Tier-1 Ratio	16.6%	2.5%	16.7%	0.6%	16.5%	-1.2%	16.5%	0.0%	15.8%	-4.2%	-4.8%
Common Equity Tier 1(CET 1) Capital Ratio	14.6%	2.1%	14.9%	2.1%	14.7%	-1.3%	14.7%	0.0%	13.9%	-5.4%	-4.8%

⁽¹⁾ Includes credit to residents and non-residents: loans to non-banking financial institutions, Trade Bills Discounted and Loans and Advances to the Government and Public Sector, Private sector (corporates and individuals) in local and foreign currencies.

⁽²⁾ Net of inter-bank deposits and bank drafts, including commercial prepayments.

⁽³⁾ Excluding subordinated borrowings/deposits, but including current year profit.

⁽⁴⁾ Total Capital Ratio , Tier 1 Ratio and CET 1 Ratio for the period starting from Dec 2017 are calculated according to the Basel III Guidelines issued by CBUAE vide Circular 52/2017 .Whereas CAR for period prior to Dec 2017 are according to Basel II Guidelines.

* Revised to account for year-end amendments

** Estimates, subject to revision

5- Foreign Assets of the Central Bank

At the end of the first quarter of 2020, the Central Bank's foreign assets decreased by 1% (q-o-q), reaching AED 390.7 billion. This reduction was mainly ascribed to quarterly decreases in Current Account Balances & Deposits with banks abroad by 1.4% (a quarterly reduction of AED 5.1 billion) and in Other Foreign Assets by 12.3% (a quarterly reduction of AED 2.4 billion), overshadowing an increase in Foreign Securities by 37.4% (a quarterly increase of AED 3.5 billion).

From March 2019 to March 2020, Central Bank Foreign Assets increased by 3.6% (y-o-y).

6- Abu Dhabi and Dubai Financial Markets Values

Abu Dhabi's quarterly average Financial Market Index fell by 9.3% during the first quarter of 2020. The quarterly average Market Capitalization of companies listed at the Abu Dhabi Securities Exchange (ADX) decreased by AED 31.1 billion reaching AED 497.5 billion at the end of the first quarter of 2020. The Quarterly Trading Value increased by 2% during the first quarter of 2020 reaching AED 10.1 billion.

On an annual basis, the Abu Dhabi Financial Market Index rose by 2.3%.

Dubai's quarterly average Financial Market Index showed a decrease by 12.7% during the first quarter of 2020. The quarterly average Market Capitalization of companies listed on the Dubai Financial Market (DFM) decreased by AED 32.4 billion reaching AED 338.9 billion at the end of the first quarter of 2020. Quarterly Trading Value rose by 5% during the first quarter of 2020 reaching AED 14.2 billion.

On an annual basis, the Dubai Financial Market Index increased by 4.4%.

Table 4: Abu Dhabi Securities Exchange (ADX) Indicators

	2017				2018				2019				2020
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar
Number of listed Companies	67	67	67	69	69	68	70	70	70	70	70	70	69
General Share Price Index**	4514.8	4458.4	4477.3	4318.4	4595.1	4611.5	4927.2	4862.3	5085.8	5080.5	5180.3	5071.4	4597.4
<i>Quarterly Variation (%)</i>	3.0%	-1.2%	0.4%	-3.5%	6.4%	0.4%	6.8%	-1.3%	4.6%	-0.1%	2.0%	-2.1%	-9.3%
<i>Annual Variation Y-o-Y (%)***</i>	0.2%	1.5%	2.0%	1.0%	0.1%	0.8%	3.5%	6.9%	9.2%	10.9%	9.5%	7.5%	2.3%
Market Capitalization (Billion AED)**	467.4	460.7	459.2	460.9	503.1	492.4	515.0	512.3	520.0	527.9	538.6	528.6	497.5
Quarterly Traded Values (Billion AED)	17.4	10.9	9.9	9.9	9.0	8.6	8.2	13.7	10.9	12.7	11.2	9.9	10.1

Source: Abu Dhabi Securities Exchange (ADX)

Table 5: Dubai Financial Markets (DFM) Indicators

	2017				2018				2019				2020
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar
Number of listed Companies*	62	62	62	65	67	67	67	67	67	67	67	66	66
General Share Price Index**	3584.5	3382.1	3611.6	3475.4	3249.0	2950.4	2877.0	2661.0	2612.7	2682.0	2819.4	2730.2	2383.9
<i>Quarterly Variation (%)</i>	5.2%	-5.6%	6.8%	-3.8%	-6.5%	-9.2%	-2.5%	-7.5%	-1.8%	2.7%	5.1%	-3.2%	-12.7%
<i>Annual Variation Y-o-Y (%)***</i>	-3.6%	1.5%	4.8%	4.4%	-1.0%	-4.2%	-10.3%	-16.5%	-19.1%	-18.5%	-14.2%	-7.6%	4.4%
Market Capitalization (Billion AED)**	387.0	356.9	377.3	386.2	393.7	379.4	375.0	354.6	347.4	355.2	368.2	371.3	338.9
Quarterly Traded Values (Billion AED)	48.2	21.6	16.7	28.2	20.4	15.8	11.0	11.8	11.3	12.8	13.9	13.5	14.2

**includes foreign companies*

Source: Dubai Financial Markets (DFM)

******The Quarterly Share Price Index and the Quarterly Market Capitalization are measured as the quarterly average of monthly observations.

*******The annual variation of the Share Price Indices are measured as the yearly averages of monthly observations.