



## UAE Monthly Monetary Survey January 2015

### Previous Monetary Surveys

- |                  |                  |
|------------------|------------------|
| - December 2013  | - January 2014   |
| - November 2013  | - February 2014  |
| - October 2013   | - March 2014     |
| - September 2013 | - April 2014     |
| - August 2013    | - May 2014       |
| - July 2013      | - June 2014      |
| - June 2013      | - July 2014      |
| - May 2013       | - August 2014    |
| - April 2013     | - September 2014 |
| - March 2013     | - October 2014   |
|                  | - November 2014  |
|                  | - December 2014  |

### Related Publications

- UAE Monetary Developments Report, 4<sup>th</sup> Quarter 2014 (English & Arabic)
- UAE Central Bank Quarterly Statistical Bulletin, September 2014
- Governor's Speech on Strengthening Financial Sector Supervision and Current Regulatory Priorities (MENA Region) - 2013, Abu Dhabi, November 2013
- Governor's Speech at the Global Financial Markets Forum 2013 – Abu Dhabi, February 2013

## Monetary Developments <sup>(\*)</sup>

Money supply  $M_0$  decreased by 6.6% during January 2015, falling from AED 74.5 billion at the end of December 2014 to AED 69.6 billion at the end of January 2015. This shrinking was due to 16.1% decrease in Cash at Banks (18.7% of  $M_0$ ) and 4.1% decrease in Currency in Circulation (81.3% of  $M_0$ ).

On the other hand,  $M_1$  increased by 1.7%, rising from AED 436.1 billion at the end of December 2014 to AED 443.3 billion at the end of January 2015. This increase was a result of a 2.5% increase in Monetary Deposits (87.2% of  $M_1$ ) overshadowing the 4.1% decrease in Currency in Circulation (12.8% of  $M_1$ ).

$M_2$  increased by 1.1%; climbing from AED 1,141.1 billion at the end of December 2014, to AED 1,153.1 billion at the end of January 2015. This increase was brought about by a raised  $M_1$  combined with a 0.7% rise in Quasi-Monetary Deposits (61.6% of  $M_2$ ).

Following the same trend,  $M_3$  also increased by 0.1%, ascending from AED 1,332.0 billion at the end of December 2014 to AED 1,333.0 billion at the end of January 2015. This increase was brought about by the combined increase in  $M_1$  and  $M_2$ , diminishing the effect of a 5.8% decrease in Government Deposits (13.5% of  $M_3$ ).

In summary, during the first month of 2015, the monetary aggregates  $M_1$ ,  $M_2$  and  $M_3$  increased by 1.7%, 1.1% and 0.1%, respectively. However,  $M_0$  fell by 6.6%.

### 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 in Circulation, Total Banks' Reserves at the Central Bank and Certificates of Deposits held by Banks (see Table 2).

During the month of January 2015, the Monetary Base decreased by 5% owing to decreases in Currency in Circulation (20.4% of total Monetary Base) by 4.1%, Banks' Excess Reserves (8.1% of the Monetary Base) by 24.4% and Certificates of Deposits held by Banks (33.5% of total Monetary Base) by 6.4%. The reduction in these three components of the Monetary Base overshadowed the 1.4% increase in Banks' Required Reserves (38% of total Monetary Base) resulting in an overall descent of the Monetary Base.

As a result, the multipliers of  $M_1$ ,  $M_2$ , and  $M_3$  increased from 1.49 to 1.60, from 3.90 to 4.15 and from 4.55 to 4.80 from the end of December 2014 to the end of January 2015 respectively. The increase in the rates of the money multipliers was mainly due to a decrease in the monetary base, compared to the corresponding growth in monetary aggregates.

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(\*) The monetary aggregates are defined in a footnote to Table 1.

**Table 1. UAE Monthly Monetary Survey (January 2015)**

**(End of period, billions of Dirhams)**

|   | December<br>2013 | October<br>2014 | November<br>2014 | December***<br>2014 | January<br>2015 | Change in January         |              |
|---|------------------|-----------------|------------------|---------------------|-----------------|---------------------------|--------------|
|   |                  |                 |                  |                     |                 | In billions of<br>Dirhams | % Change     |
| <b>Money Supply M<sub>0</sub></b>               | <b>63.9</b>      | <b>70.0</b>     | <b>73.5</b>      | <b>74.5</b>         | <b>69.6</b>     | <b>-4.9</b>               | <b>-6.6%</b> |
| <i>of which:</i> Currency in Circulation        | 50.4             | 57.0            | 60.6             | 59.0                | 56.6            | -2.4                      | -4.1%        |
| Cash at Banks                                   | 13.5             | 13.0            | 12.9             | 15.5                | 13.0            | -2.5                      | -16.1%       |
| <b>Money Supply M<sub>1</sub></b>               | <b>379.6</b>     | <b>435.0</b>    | <b>441.9</b>     | <b>436.1</b>        | <b>443.3</b>    | <b>7.2</b>                | <b>1.7%</b>  |
| <i>of which:</i> Monetary Deposits(*)           | 329.1            | 378.0           | 381.3            | 377.1               | 386.7           | 9.6                       | 2.5%         |
| <b>Money Supply M<sub>2</sub></b>               | <b>1,056.8</b>   | <b>1,125.6</b>  | <b>1,140.1</b>   | <b>1,141.1</b>      | <b>1,153.1</b>  | <b>12.0</b>               | <b>1.1%</b>  |
| <i>of which:</i> Quasi-Monetary<br>Deposits(**) | 677.2            | 690.6           | 698.2            | 705.0               | 709.9           | 4.9                       | 0.7%         |
| <b>Money Supply M<sub>3</sub></b>               | <b>1,219.9</b>   | <b>1,348.2</b>  | <b>1,357.8</b>   | <b>1,332.0</b>      | <b>1,333.0</b>  | <b>1.0</b>                | <b>0.1%</b>  |
| <i>of which:</i> Government Deposits            | 163.1            | 222.6           | 217.7            | 190.9               | 179.9           | -11.0                     | -5.8%        |

**N.B. Data January 2015 are estimates subject to revision**

M<sub>0</sub> = Currency in Circulation + Cash at Banks

M<sub>1</sub> = Currency in Circulation + Monetary Deposits

M<sub>2</sub> = M<sub>1</sub> + Quasi-Monetary Deposits

M<sub>3</sub> = M<sub>2</sub> + 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 + Commercial Prepayments in Dirham + Resident Deposits in foreign currencies

(\*\*\*) **Revised Figures**

**Table 2. Contribution to Aggregate Money Supply**

|                                   | December 2013  | October 2014   | November 2014  | December 2014* | January 2015           |                         | MoM                    |              | Contribution to Aggregate Growth <sup>1</sup> | Year to Date           |              |
|-----------------------------------|----------------|----------------|----------------|----------------|------------------------|-------------------------|------------------------|--------------|---|------------------------|--------------|
|                                   |                |                |                |                | In billions of Dirhams | Shares of the Aggregate | In Billions of Dirhams | % Change     |   | In Billions of Dirhams | % Change     |
| <b>Money Supply M<sub>0</sub></b> | <b>63.9</b>    | <b>70.0</b>    | <b>73.5</b>    | <b>74.5</b>    | <b>69.6</b>            |                         | <b>-4.9</b>            | <b>-6.6%</b> |   | <b>-4.9</b>            | <b>-6.6%</b> |
| Currency in Circulation           | 50.4           | 57.0           | 60.6           | 59.0           | 56.6                   | 81.3%                   | -2.4                   | -4.1%        | -3.31%  | -2.4                   | -4.1%        |
| Cash at Banks                     | 13.5           | 13.0           | 12.9           | 15.5           | 13.0                   | 18.7%                   | -2.5                   | -16.1%       | -3.01%  | -2.5                   | -16.1%       |
| <b>Money Supply M<sub>1</sub></b> | <b>379.6</b>   | <b>435.0</b>   | <b>441.9</b>   | <b>436.1</b>   | <b>443.3</b>           |                         | <b>7.2</b>             | <b>1.7%</b>  |   | <b>7.2</b>             | <b>1.7%</b>  |
| Currency in Circulation           | 50.4           | 57.0           | 60.6           | 59.0           | 56.6                   | 12.8%                   | -2.4                   | -4.1%        | -0.52%  | -2.4                   | -4.1%        |
| Monetary Deposits                 | 329.1          | 378.0          | 381.3          | 377.1          | 386.7                  | 87.2%                   | 9.6                    | 2.5%         | 2.22%   | 9.6                    | 2.5%         |
| <b>Money Supply M<sub>2</sub></b> | <b>1,056.8</b> | <b>1,125.6</b> | <b>1,140.1</b> | <b>1,141.1</b> | <b>1,153.1</b>         |                         | <b>12.0</b>            | <b>1.1%</b>  |   | <b>12.0</b>            | <b>1.1%</b>  |
| Currency in Circulation           | 50.4           | 57.0           | 60.6           | 59.0           | 56.6                   | 4.9%                    | -2.4                   | -4.1%        | -0.20%  | -2.4                   | -4.1%        |
| Monetary Deposits                 | 329.1          | 378.0          | 381.3          | 377.1          | 386.7                  | 33.5%                   | 9.6                    | 2.5%         | 0.85%   | 9.6                    | 2.5%         |
| Quasi-Monetary Deposits           | 677.2          | 690.6          | 698.2          | 705.0          | 709.9                  | 61.6%                   | 4.9                    | 0.7%         | 0.43%   | 4.9                    | 0.7%         |
| <b>Money Supply M<sub>3</sub></b> | <b>1,219.9</b> | <b>1,348.2</b> | <b>1,357.8</b> | <b>1,332.0</b> | <b>1,333.0</b>         |                         | <b>1.0</b>             | <b>0.1%</b>  |   | <b>1.0</b>             | <b>0.1%</b>  |
| Currency in Circulation           | 50.4           | 57.0           | 60.6           | 59.0           | 56.6                   | 4.2%                    | -2.4                   | -4.1%        | -0.17%  | -2.4                   | -4.1%        |
| Monetary Deposits                 | 329.1          | 378.0          | 381.3          | 377.1          | 386.7                  | 29.0%                   | 9.6                    | 2.5%         | 0.74%   | 9.6                    | 2.5%         |
| Quasi-Monetary Deposits           | 677.2          | 690.6          | 698.2          | 705.0          | 709.9                  | 53.3%                   | 4.9                    | 0.7%         | 0.37%   | 4.9                    | 0.7%         |
| Government Deposits               | 163.1          | 222.6          | 217.7          | 190.9          | 179.9                  | 13.5%                   | -11.0                  | -5.8%        | -0.78%  | -11.0                  | -5.8%        |

1. 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  
 (\*) Revised Figures

**Table 3. Money Multiplier in the UAE**  
(End of period, billions of Dirhams)

|  | December     | October      | November     | December*    | January      | Change in January 2015 |              |
|--|--------------|--------------|--------------|--------------|--------------|------------------------|--------------|
|  | 2013         | 2014         | 2014         | 2014         | 2015         | In billions of Dirhams | % Change     |
| <b>Monetary Base</b>   | <b>264.7</b> | <b>286.9</b> | <b>288.5</b> | <b>292.5</b> | <b>277.9</b> | <b>-14.6</b>           | <b>-5.0%</b> |
| Currency in Circulation  | 50.4         | 57.0         | 60.6         | 59.0         | 56.6         | -2.4                   | -4.1%        |
| Banks' Required Reserves   | 87.8         | 104.6        | 102.0        | 104.1        | 105.6        | 1.5                    | 1.4%         |
| Banks' Excess Reserves   | 18.6         | 14.6         | 17.0         | 29.9         | 22.6         | -7.3                   | -24.4%       |
| Certificates of Deposit purchased by Banks<br>(Net of Lending)         | 107.9        | 110.7        | 108.9        | 99.5         | 93.1         | -6.4                   | -6.4%        |
| Money Supply (M <sub>1</sub> )   | 379.6        | 435.0        | 441.9        | 436.1        | 443.3        | 7.2                    | 1.7%         |
| <b>Money Multiplier of M<sub>1</sub> (M<sub>1</sub>/Monetary Base)</b> | <b>1.43</b>  | <b>1.52</b>  | <b>1.53</b>  | <b>1.49</b>  | <b>1.60</b>  |                        |              |
| Money Supply (M <sub>2</sub> )   | 1,056.8      | 1,125.6      | 1,140.1      | 1,141.1      | 1,153.1      | 12.0                   | 1.1%         |
| <b>Money Multiplier of M<sub>2</sub> (M<sub>2</sub>/Monetary Base)</b> | <b>3.99</b>  | <b>3.92</b>  | <b>3.95</b>  | <b>3.90</b>  | <b>4.15</b>  |                        |              |
| Money Supply (M <sub>3</sub> )   | 1,219.9      | 1,348.2      | 1,357.8      | 1,332.0      | 1,333.0      | 1.0                    | 0.1%         |
| <b>Money Multiplier of M<sub>3</sub> (M<sub>3</sub>/Monetary Base)</b> | <b>4.61</b>  | <b>4.70</b>  | <b>4.71</b>  | <b>4.55</b>  | <b>4.80</b>  |                        |              |

**N.B. Data for January 2015 are estimates subject to revision**  
(\* Revised Figures)