



مصرف الإمارات العربية المتحدة المركزي
Central Bank Of The United Arab Emirates

UAE Monthly Monetary Survey **- November 2010 -**

Previous Monetary Surveys

- October 2010
- September 2010
- August 2010
- July 2010
- June 2010
- May 2010
- April 2010
- March 2010
- February 2010
- January 2010

Related Publications

- Governor's Speech: First Annual World Islamic Banking Conference - Singapore, 14 June 2010
- Governor's Speech on "The Regulatory Partnerships for Sustained Growth in MENASA AREA" - Dubai, 24 May 2010
- UAE Central Bank Monthly Statistical Bulletin, September 2010
- UAE Monetary Developments Report, 3rd Quarter 2010 (Arabic)

Monetary developments

After double-digit increases in the previous years, monetary aggregates in the UAE slowed down markedly in 2009. A trend that continued so far up to November 2010. Money Supply M1 remained constant during the month of November, while it increased by 3.5% for the first 11 months of this year, i.e., at an annualized rate of 3.9%, due mainly to an increase in monetary deposits. As regards the more relevant aggregate of Broad Money M2, it decreased by 1.6% during the month of November, leading to an increase by 5.9% during the first 11 months of this year, i.e., at an annualized rate of 6.5%. This is consistent with IMF estimates of GDP growth, at current prices, by 7.0% for 2010 as a whole. Similarly, Broader Money Supply M3 decreased by 1.2% during the month of November, despite an increase in government deposits by 0.5%. For the first 11 months of this year, M3 has witnessed a slower increase than M2, by 4.1%, due to a decrease in government deposits by 2.3%, during the same period.

The Money Multiplier

The money multiplier indicates by how much Money Supply (M2) will increase following an increase by 1 billion Dirhams in the monetary base (currency in circulation + banks' reserves at the Central Bank + Certificates of Deposits).

This multiplier was equal to 4.1 at end November 2010 in the UAE. This is roughly the level observed in developed countries. Its variation in the UAE during the recent years seems to be heavily influenced by the variation in Certificates of Deposits purchased by banks.

Table 1. UAE Monthly Monetary Survey (November 2010)
(End of period, in billions of Dirhams)

	December 2009	October 2010	November 2010	Change in Nov. 2010		Change during the first 11 months of 2010		Annualized in %
				In billions of Dirhams	In %	In billions of Dirhams	In %	
-Currency in Circulation	37.2	38.2	38.1	-0.1	-0.3	0.9	2.4	2.6
-Monetary Deposits(*)	186.3	193.2	193.3	0.1	0.1	7.0	3.8	4.1
Money Supply (M1)	223.5	231.4	231.4	0.0	0.0	7.9	3.5	3.9
-Quasi Monetary Deposits(**)	517.1	566.0	553.2	-12.8	-2.3	36.1	7.0	7.6
Broad Money (M2)	740.6	797.4	784.6	-12.8	-1.6	44.0	5.9	6.5
-Government Deposits	207.2	201.3	202.4	1.1	0.5	-4.8	-2.3	-2.5
Broader Money supply (M3)	947.8	998.7	987.0	-11.7	-1.2	39.2	4.1	4.5

(*) **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**

**Table 2. Money Multiplier in the UAE
(November 2010)**

	In billions of Dirhams
Monetary Base	189.8
- Currency in Circulation	38.1
- Reserve Requirements	52.4
- Banks Current Accounts at CBUAE (Net)	8.2
- Certificates of Deposits (Net of Lending)	91.1
Money Supply (M1)	231.4
Money Multiplier of M1 (M1/Monetary Base)	1.2
Broad Money Supply (M2)	784.6
Money Multiplier of M2 (M2/Monetary Base)	4.1