



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

## UAE Monthly Monetary Survey October 2014

### 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     |                  |

### Related Publications

- UAE Central Bank Quarterly Statistical Bulletin, September 2014
- UAE Monetary Developments Report, 3<sup>rd</sup> Quarter 2014 (Arabic)
- 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 1.1% during the month of October 2014 contracting from AED 70.8 billion at the end of September 2014 to AED 70.0 billion at the end of October of the same year. This comprises Currency in Circulation (81.4% of  $M_0$ ) and Cash at Banks (18.6% of  $M_0$ ) which decreased by 0.5% and 3.7%, respectively.

$M_1$  increased by 0.9%, from AED 431.1 billion at the end of September to AED 435.0 billion at the end of October 2014. This expansion was brought about by an increase in Monetary Deposits (86.9% of  $M_1$ ) by 1.1%, dominating the 0.5% decrease in Currency in Circulation (13.1% of  $M_1$ ).

In contrast,  $M_2$  decreased by 0.9%, falling from AED 1,136.1 billion to AED 1,125.6 billion, as a result of a decrease in Quasi-Monetary Deposits (61.4% of  $M_2$ ) by 2.0% and Currency in Circulation (5.1% of  $M_2$ ) by 0.5%. However, an increase in Monetary Deposits (33.6% of  $M_2$ ) by 1.1% slightly contained the overall reduction of  $M_2$ .

During the month of October 2014,  $M_3$  increased by 0.3%, i.e., from AED 1,344.2 billion to AED 1,348.3 billion due to an increase in government deposits (16.5% of total) by 7.0% and in Monetary Deposits (28.0% of  $M_3$ ) by 1.1%. The increase happened in spite of a reduction in Currency in Circulation (4.2% of  $M_3$ ) by 0.5% and in Quasi Monetary Deposits (51.2% of  $M_3$ ) by 2.0%.

Overall, during the first ten months of 2014, monetary aggregates  $M_0$ ,  $M_1$ ,  $M_2$  and  $M_3$  increased by 9.5%, 14.6%, 6.5% and 10.5%, 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 in circulation, total banks' reserves at the Central Bank and certificates of deposits held by banks (see Table 2).

The monetary base decreased by 2.5% during the month of October 2014, on account of a decrease in each of components such as; Currency in Circulation (19.9% percent of total) by 0.5%, Banks' Excess Reserves (5.1% of total) by 3.9% and Certificates of Deposits Purchased by Banks (38.6% of total) by 6.3%. However, Banks' Required Reserves (36.5% of total) increased by 0.9%.

The multiplier of  $M_1$  increased from 1.46 at the end of September to 1.52 at the end of October 2014, the multiplier of  $M_2$  increased from 3.86 to 3.92 and the multiplier of  $M_3$  increased from 4.57 to 4.70. The increase in the money multipliers was mainly due to a reduction in the monetary base by AED 7.5 billion, dominating the corresponding changes in monetary aggregates. The reduction in the monetary base is attributed to a reduction in each of banks' holdings of certificates of deposit by AED 7.5 billion, banks' excess reserves by AED 0.6 billion and currency in circulation by AED 0.3 billion.

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

**Table 1. UAE Monthly Monetary Survey (October 2014)**  
**(End of period, billions of Dirhams)**

	December 2013	September 2014	October 2014	Change in October		Change during the first ten months of 2014	
				In billions of Dirhams	%	In billions of Dirhams	%
<b>Money Supply M<sub>0</sub></b>	<b>63.9</b>	<b>70.8</b>	<b>70.0</b>	<b>-0.8</b>	<b>-1.1</b>	<b>6.1</b>	<b>9.5</b>
<i>of which:</i> Currency in Circulation	50.4	57.3	57.0	-0.3	-0.5	6.6	13.1
Cash at Banks	13.5	13.5	13.0	-0.5	-3.7	-0.5	-3.7
<b>Money Supply M<sub>1</sub></b>	<b>379.6</b>	<b>431.1</b>	<b>435.0</b>	<b>3.9</b>	<b>0.9</b>	<b>55.4</b>	<b>14.6</b>
<i>of which:</i> Monetary Deposits(*)	329.1	373.8	378.0	4.2	1.1	48.9	14.9
<b>Money Supply M<sub>2</sub></b>	<b>1,056.8</b>	<b>1,136.1</b>	<b>1,125.6</b>	<b>-10.5</b>	<b>-0.9</b>	<b>68.8</b>	<b>6.5</b>
<i>of which:</i> Quasi-Monetary Deposits(**)	677.2	705.0	690.6	-14.4	-2.0	13.4	2.0
<b>Money Supply M<sub>3</sub></b>	<b>1,219.9</b>	<b>1,344.2</b>	<b>1,348.3</b>	<b>4.1</b>	<b>0.3</b>	<b>128.4</b>	<b>10.5</b>
<i>of which:</i> Government Deposits	163.1	208.1	222.6	14.5	7.0	59.5	36.5

**N.B. Data 2014 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 customers 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. Contribution to Aggregate Money Supply**

	December 2013	September 2014	October 2014		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>70.8</b>	<b>70.0</b>	100.0%	<b>-0.8</b>	<b>-1.1%</b>		<b>6.1</b>	<b>9.5%</b>
Currency in Circulation	50.4	57.3	57.0	81.4%	-0.3	-0.5%	-0.43%	6.6	13.1%
Cash at Banks	13.5	13.5	13.0	18.6%	-0.5	-3.7%	-0.69%	-0.5	-3.7%
<b>Money Supply M<sub>1</sub></b>	<b>379.6</b>	<b>431.1</b>	<b>435.0</b>	100.0%	<b>3.9</b>	<b>0.9%</b>		<b>55.4</b>	<b>14.6%</b>
Currency in Circulation	50.4	57.3	57.0	13.1%	-0.3	-0.5%	-0.07%	6.6	13.1%
Monetary Deposits	329.1	373.8	378.0	86.9%	4.2	1.1%	0.98%	48.9	14.9%
<b>Money Supply M<sub>2</sub></b>	<b>1,056.8</b>	<b>1,136.1</b>	<b>1,125.6</b>	100.0%	<b>-10.5</b>	<b>-0.9%</b>		<b>68.8</b>	<b>6.5%</b>
Currency in Circulation	50.4	57.3	57.0	5.1%	-0.3	-0.5%	-0.03%	6.6	13.1%
Monetary Deposits	329.1	373.8	378.0	33.6%	4.2	1.1%	0.38%	48.9	14.9%
Quasi-Monetary Deposits	677.2	705.0	690.6	61.4%	-14.4	-2.0%	-1.25%	13.4	2.0%
<b>Money Supply M<sub>3</sub></b>	<b>1,219.9</b>	<b>1,344.2</b>	<b>1,348.3</b>	100.0%	<b>4.1</b>	<b>0.3%</b>		<b>128.4</b>	<b>10.5%</b>
Currency in Circulation	50.4	57.3	57.0	4.2%	-0.3	-0.5%	-0.02%	6.6	13.1%
Monetary Deposits	329.1	373.8	378.0	28.0%	4.2	1.1%	0.31%	48.9	14.9%
Quasi-Monetary Deposits	677.2	705.0	690.6	51.2%	-14.4	-2.0%	-1.07%	13.4	2.0%
Government Deposits	163.1	208.1	222.6	16.5%	14.5	7.0%	1.08%	59.5	36.5%

1. Contribution to aggregate growth = Shares of the sub-aggregate times percent change in each sub-aggregate, such that the sum of the contribution of sub-aggregates equals percent change in the corresponding aggregate

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

	December 2013	September 2014	October 2014	Change in October 2014	
				In billions of Dirhams	% Change
<b>Monetary Base</b>	<b>264.7</b>	<b>294.4</b>	<b>286.9</b>	<b>-7.5</b>	<b>-2.5</b>
– Currency in Circulation	50.4	57.3	57.0	-0.3	-0.5
– Banks' Required Reserves	87.8	103.7	104.6	0.9	0.9
– Banks' Excess Reserves	18.6	15.2	14.6	-0.6	-3.9
– Certificates of Deposit purchased by Banks (Net of Lending)	107.9	118.2	110.7	-7.5	-6.3
Money Supply (M <sub>1</sub> )	379.6	431.1	435.0	3.9	0.9
<b>Money Multiplier of M<sub>1</sub> (M<sub>1</sub>/Monetary Base)</b>	<b>1.43</b>	<b>1.46</b>	<b>1.52</b>	-	-
Money Supply (M <sub>2</sub> )	1,056.8	1,136.1	1,125.6	-10.5	-0.9
<b>Money Multiplier of M<sub>2</sub> (M<sub>2</sub>/Monetary Base)</b>	<b>3.99</b>	<b>3.86</b>	<b>3.92</b>	-	-
Money Supply (M <sub>3</sub> )	1,219.9	1,344.2	1,348.3	4.1	0.3
<b>Money Multiplier of M<sub>3</sub> (M<sub>3</sub>/Monetary Base)</b>	<b>4.61</b>	<b>4.57</b>	<b>4.70</b>	-	-

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