



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

UAE Monthly Monetary Survey - September 2014 -

Previous Monetary Surveys

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Related Publications

- UAE Central Bank Monthly Statistical Bulletin, June 2014
- UAE Monetary Developments Report, 1st 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 ^(*)

Money supply M_0 increased by 6.3% during the month of September 2014. Currency in circulation (80.9% of total) contributed to this increase by 4.8%, while cash at banks (19.1% of total) contributed by 1.5%.

M_1 decreased by 0.1%, due to a negative contribution of monetary deposits (86.7% of total) by 0.8%, while currency in circulation (13.3% of total) contributed with an increase of 0.7%.

M_2 increased by 0.5% during the month of September 2014, to which currency in circulation (5.0% of total) contributed by 0.3% and quasi-monetary deposits (62.1% of total) contributed by 0.5%, while monetary deposits (32.9% of total) had a negative contribution of 0.3%.

M_3 decreased during the month of September 2014 by 0.4%, due to a negative contribution of monetary deposits (27.8% of total) by 0.3% and of government deposits (15.5% of total) by 0.8%. However, quasi-monetary deposits (52.4% of total) and currency in circulation (4.3% of total) contributed with an increase of 0.4% and 0.2%, 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 an aggregate of currency in circulation, total banks' reserves at the Central Bank and certificates of deposits held by banks (see Table 2).

The monetary base increased by 2.7% during the month of September 2014, to which currency in circulation (19.5% percent of total) contributed by 1.1%, banks' required reserves (35.2% of total) by 0.6%, banks' excess reserves (5.2% of total) by 0.2%, and certificates of deposits purchased by banks (40.1% of total) contributed by 0.8%.

The multiplier of M_1 decreased from 1.51 at the end of August 2014 to 1.46 at the end of September, while the multiplier of M_2 decreased from 3.95 to

3.86 and the multiplier of M_3 decreased from 4.71 to 4.57 . The decrease in the money multipliers was mainly due to a faster increase in the monetary base compared to the corresponding monetary aggregates, reflecting a stronger demand by the public to hold currency in circulation which increased by AED 3.2 billion, a stronger demand by banks to hold certificates of deposit, which increased by AED 2.2 billion, and an increase in banks' reserves at the Central Bank by AED 2.4 billion.

(*) The monetary aggregates are defined in footnote of Table 1

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

	December 2013	August 2014	September 2014	Change in September		Change during the first nine months of 2014	
				In billions of Dirhams	%	In billions of Dirhams	%
Money Supply M₀	63.9	66.6	70.8	4.2	6.3	6.9	10.8
<i>of which:</i> Currency in Circulation	50.4	54.1	57.3	3.2	5.9	6.9	13.7
Cash at Banks	13.5	12.5	13.5	1.0	8.0	0.0	0.0
Money Supply M₁	379.6	431.4	431.1	-0.3	-0.1	51.5	13.6
<i>of which:</i> Monetary Deposits(*)	329.1	377.3	373.8	-3.5	-0.9	44.7	13.6
Money Supply M₂	1,056.8	1,130.7	1,136.1	5.4	0.5	79.3	7.5
<i>of which:</i> Quasi-Monetary Deposits(**)	677.2	699.3	705.0	5.7	0.8	27.8	4.1
Money Supply M₃	1,219.9	1,349.6	1,344.2	-5.4	-0.4	124.3	10.2
<i>of which:</i> Government Deposits	163.1	218.9	208.1	-10.8	-4.9	45.0	27.6

N.B. Data 2014 are estimates subject to revision

M₀ = Currency in Circulation + Cash at Banks

M₁ = Currency in Circulation + Monetary Deposits

M₂ = M₁ + Quasi-Monetary Deposits

M₃ = M₂ + 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**

Table 2. Contribution to Aggregate Money Supply

	December 2013	August 2014	September 2014		MoM			Year to Date	
			In billions of Dirhams	Shares of the Aggregate	In Billions of Dirhams	In %	Contribution to Aggregate Growth	In Billions of Dirhams	% Change
Money Supply M0	63.9	66.6	70.8	100.0%	4.2	6.3%		6.9	10.8%
Currency in Circulation	50.4	54.1	57.3	80.9%	3.2	5.9%	4.80%	6.9	13.7%
Currency At Banks	13.5	12.5	13.5	19.1%	1.0	8.0%	1.50%	0.0	0.0%
Money Supply M1	379.6	431.4	431.1	100.0%	-0.3	-0.1%		51.5	13.6%
Currency in Circulation	50.4	54.1	57.3	13.3%	3.2	5.9%	0.74%	6.9	13.7%
Monetary Deposits	329.1	377.3	373.8	86.7%	-3.5	-0.9%	-0.81%	44.7	13.6%
Money Supply M2	1056.8	1130.7	1136.1	100.0%	5.4	0.5%		79.3	7.5%
Currency in Circulation	50.4	54.1	57.3	5.0%	3.2	5.9%	0.28%	6.9	13.7%
Monetary Deposits	329.1	377.3	373.8	32.9%	-3.5	-0.9%	-0.31%	44.7	13.6%
Quasi Monetary Deposits	677.2	699.3	705.0	62.1%	5.7	0.8%	0.50%	27.8	4.1%
Money Supply M3	1219.9	1349.6	1344.2	100.0%	-5.4	-0.4%		124.3	10.2%
Currency in Circulation	50.4	54.1	57.3	4.3%	3.2	5.9%	0.24%	6.9	13.7%
Monetary Deposits	329.1	377.3	373.8	27.8%	-3.5	-0.9%	-0.26%	44.7	13.6%
Quasi Monetary Deposits	677.2	699.3	705.0	52.4%	5.7	0.8%	0.42%	27.8	4.1%
Government Deposits	163.1	218.9	208.1	15.5%	-10.8	-4.9%	-0.80%	45.0	27.6%

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

	December 2013	August 2014	September 2014	Change in September 2014	
				In billions of Dirhams	% Change
Monetary Base	264.7	286.6	294.4	7.8	2.7
– Currency in Circulation	50.4	54.1	57.3	3.2	5.9
– Banks' Required Reserves	87.8	102.0	103.7	1.7	1.7
– Banks' Excess Reserves	18.6	14.5	15.2	0.7	4.8
– Certificates of Deposit purchased by Banks (Net of Lending)	107.9	116.0	118.2	2.2	1.9
Money Supply (M ₁)	379.6	431.4	431.1	-0.3	-0.1
Money Multiplier of M₁ (M₁/Monetary Base)	1.43	1.51	1.46	-	-
Money Supply (M ₂)	1,056.8	1,130.7	1,136.1	5.4	0.5
Money Multiplier of M₂ (M₂/Monetary Base)	3.99	3.95	3.86	-	-
Money Supply (M ₃)	1,219.9	1,349.6	1,344.2	-5.4	-0.4
Money Multiplier of M₃ (M₃/Monetary Base)	4.61	4.71	4.57	-	-

N.B. Data for 2014 are estimates subject to revision