



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

## UAE Monthly Monetary Survey February 2015

### Previous Monetary Surveys

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| <ul style="list-style-type: none"><li>- January 2014</li><li>- February 2014</li><li>- March 2014</li><li>- April 2014</li><li>- May 2014</li><li>- June 2014</li><li>- July 2014</li><li>- August 2014</li><li>- September 2014</li><li>- October 2014</li><li>- November 2014</li><li>- December 2014</li></ul> | <ul style="list-style-type: none"><li>- January 2015</li></ul> |
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### Related Publications

- UAE Monetary Developments Report, 4<sup>th</sup> Quarter 2014 (English & Arabic)
- UAE Central Bank Quarterly Statistical Bulletin, December 2014

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

$M_1$  increased by 1.4%, rising from AED 456.3 billion at the end of January to AED 462.7 billion at the end of February 2015. This increase was a result of a 1.9% increase in Monetary Deposits (85.2% of  $M_1$ ) overshadowing the 7.7% and 0.2% decreases in Cash at Banks (2.6% of  $M_1$ ) and Currency Held by the public (12.2% of  $M_1$ ), respectively.

Subsequently,  $M_2$  increased by 0.9%; climbing from AED 1,166.1 billion at the end of January, to AED 1,176.1 billion at the end of February 2015. This increase was brought about by an increased  $M_1$  combined with a 0.5% rise in Quasi-Monetary Deposits (60.7% of  $M_2$ ).

Following the same trend,  $M_3$  also increased by 1.1%, ascending from AED 1,346 billion at the end of January to AED 1,361.3 billion at the end of February 2015. This increase was brought about by increases in  $M_1$  and  $M_2$ , along with a 2.9% increase in Government Deposits (13.6% of  $M_3$ ).

In summary, during February 2015, the monetary aggregates  $M_1$ ,  $M_2$  and  $M_3$  increased by 1.4%, 0.9% and 1.1%, 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 issued (held by the public and cash at banks), Total Banks' Reserves at the Central Bank and Certificates of Deposits held by Banks (see Table 2).

During the month of February 2015, the Monetary Base decreased by 0.2% owing to decreases in Currency Issued (23.6% of total Monetary Base) by 1.5% and Banks' Excess Reserves (6% of the Monetary Base) by 23.4%. The reduction in these two components of the Monetary Base overshadowed the 1.9% increase in Banks' Required Reserves (37.1% of the Monetary Base) and 4% increase in Certificates of Deposits held by Banks (33.3% of the Monetary Base), resulting in an overall contraction of the Monetary Base.

In consistency, the multipliers of  $M_1$ ,  $M_2$ , and  $M_3$  increased from 1.57 to 1.59, from 4.01 to 4.05 and from 4.63 to 4.69 from the end of January 2015 to the end of February 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 (February 2015)**  
**(End of period, billions of Dirhams)**

	December 2013	December 2014	January 2015	February 2015	Change in February	
					In billions of Dirhams	% Change
<b>Money Supply M<sub>1</sub>(*)</b>	<b>393.1</b>	<b>451.6</b>	<b>456.3</b>	<b>462.7</b>	<b>6.4</b>	<b>1.4%</b>
<i>of which:</i> Currency Held by the Public	50.4	59.0	56.6	56.5	-0.1	-0.2%
Cash at Banks	13.5	15.5	13.0	12.0	-1.0	-7.7%
Monetary Deposits(**)	329.2	377.1	386.7	394.2	7.5	1.9%
<b>Money Supply M<sub>2</sub></b>	<b>1,070.3</b>	<b>1,156.6</b>	<b>1,166.1</b>	<b>1,176.1</b>	<b>10.0</b>	<b>0.9%</b>
<i>of which:</i> Quasi-Monetary Deposits(***)	677.2	705.0	709.8	713.4	3.6	0.5%
<b>Money Supply M<sub>3</sub></b>	<b>1,233.4</b>	<b>1,347.5</b>	<b>1,346.0</b>	<b>1,361.3</b>	<b>15.3</b>	<b>1.1%</b>
<i>of which:</i> Government Deposits	163.1	190.9	179.9	185.2	5.3	2.9%

(\*)  $M_1 = \text{Currency Held by the Public} + \text{Cash at Banks} + \text{Monetary Deposits}$

$M_2 = M_1 + \text{Quasi-Monetary Deposits}$

$M_3 = M_2 + \text{Government Deposits}$

(\*\*) **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	December 2014	January 2015	February 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>1</sub></b>	<b>393.1</b>	<b>451.6</b>	<b>456.3</b>	<b>462.7</b>		<b>6.4</b>	<b>1.4%</b>		<b>11.1</b>	<b>2.5%</b>
Currency Held by the Public	50.4	59.0	56.6	56.5	12.2%	-0.1	-0.2%	0.0%	-2.5	-4.2%
Cash at Banks	13.5	15.5	13.0	12.0	2.6%	-1.0	-7.7%	-0.2%	-3.5	-22.6%
Monetary Deposits	329.2	377.1	386.7	394.2	85.2%	7.5	1.9%	1.7%	17.1	4.5%
<b>Money Supply M<sub>2</sub></b>	<b>1,070.3</b>	<b>1,156.6</b>	<b>1,166.1</b>	<b>1,176.1</b>		<b>10.0</b>	<b>0.9%</b>		<b>19.5</b>	<b>1.7%</b>
Currency Held by the Public	50.4	59.0	56.6	56.5	4.8%	-0.1	-0.2%	0.0%	-2.5	-4.2%
Cash at Banks	13.5	15.5	13.0	12.0	1.0%	-1.0	-7.7%	-0.1%	-3.5	-22.6%
Monetary Deposits	329.2	377.1	386.7	394.2	33.5%	7.5	1.9%	0.7%	17.1	4.5%
Quasi-Monetary Deposits	677.2	705.0	709.8	713.4	60.7%	3.6	0.5%	0.3%	8.4	1.2%
<b>Money Supply M<sub>3</sub></b>	<b>1,233.4</b>	<b>1,347.5</b>	<b>1,346.0</b>	<b>1,361.3</b>		<b>15.3</b>	<b>1.1%</b>		<b>13.8</b>	<b>1.0%</b>
Currency Held by the Public	50.4	59.0	56.6	56.5	4.2%	-0.1	-0.2%	0.0%	-2.5	-4.2%
Cash at Banks	13.5	15.5	13.0	12.0	0.9%	-1.0	-7.7%	-0.1%	-3.5	-22.6%
Monetary Deposits	329.2	377.1	386.7	394.2	29.0%	7.5	1.9%	0.6%	17.1	4.5%
Quasi-Monetary Deposits	677.2	705.0	709.8	713.4	52.4%	3.6	0.5%	0.3%	8.4	1.2%
Government Deposits	163.1	190.9	179.9	185.2	13.6%	5.3	2.9%	0.4%	-5.7	-3.0%

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

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

	December	December	January	February	Change in February 2015	
	2013	2014	2015	2015	In billions of Dirhams	% Change
<b>Monetary Base</b>	<b>278.2</b>	<b>308.0</b>	<b>290.8</b>	<b>290.2</b>	<b>-0.6</b>	<b>-0.2%</b>
Currency Issued*	63.9	74.5	69.6	68.5	-1.0	-1.5%
Banks' Required Reserves	87.8	104.1	105.6	107.6	2.0	1.9%
Banks' Excess Reserves	18.6	29.9	22.6	17.3	-5.3	-23.4%
Certificates of Deposit purchased by Banks (Net of Lending)	107.9	99.5	93.1	96.8	3.7	4.0%
Money Supply (M <sub>1</sub> )	393.1	451.6	456.3	462.7	6.4	1.4%
<b>Money Multiplier of M<sub>1</sub> (M<sub>1</sub>/Monetary Base)</b>	<b>1.41</b>	<b>1.47</b>	<b>1.57</b>	<b>1.59</b>	<b>0.0</b>	<b>1.6%</b>
Money Supply (M <sub>2</sub> )	1,070.3	1,156.6	1,166.1	1,176.1	10.0	0.9%
<b>Money Multiplier of M<sub>2</sub> (M<sub>2</sub>/Monetary Base)</b>	<b>3.85</b>	<b>3.76</b>	<b>4.01</b>	<b>4.05</b>	<b>0.0</b>	<b>1.1%</b>
Money Supply (M <sub>3</sub> )	1,233.4	1,347.5	1,346.0	1,361.3	15.3	1.1%
<b>Money Multiplier of M<sub>3</sub> (M<sub>3</sub>/Monetary Base)</b>	<b>4.43</b>	<b>4.38</b>	<b>4.63</b>	<b>4.69</b>	<b>0.1</b>	<b>1.3%</b>

\* Currency Issued = Currency Held by the Public + Cash at Banks