



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

UAE Monthly Monetary Survey - August 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 decreased by 7.6% during the month of August 2014 as currency in circulation (81.2% of total) contributed with a reduction of 2.9%, while currency at banks (18.8% of total) contributed with a reduction of 4.7%. M_1 decreased by 0.5%, during the same period, which is mainly due to the contribution of currency in circulation (12.5% of total), while monetary deposits (87.5% of total) remained unchanged.

M_2 increased by 0.1% during the month of August 2014, to which currency in circulation (4.8% of total) contributed with a decrease of 0.2% while quasi-monetary deposits (61.8% of total) contributed with an increase of 0.3%.

M_3 increased during the month of August 2014 by 0.9% to which currency in circulation (4.0% of total) contributed with a decrease of 0.2%, while the quasi-monetary deposits (51.8% of total) contributed with an increase of 0.3%, and government deposits (16.2% of total) contributed with an increase of 0.8%.

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 aggregate of currency in circulation, total banks' reserves at the Central Bank and certificates of deposit held by banks (see Table 2).

The monetary base decreased by 0.1% during the month of August 2014 to which currency in circulation (18.9% percent of total) contributed with a decrease of 0.7% and banks' excess reserves (5.0% of total) contributed with a decrease of 2.0%. Meanwhile, banks' required reserves (35.6% of total) contributed with an increase of 0.4% and certificates of deposits purchased by banks (40.5% of total) contributed with an increase of 2.4%.

M_1 decreased by AED 2.2 billion, during the month of August 2014, while the monetary base increased by AED 0.4 billion. The corresponding multiplier of M_1 decreased from 1.52 at the end of July 2014 to 1.51 at the end of August, reflecting a slower demand to hold currency in circulation during the month and an increase in the velocity of M_1 . In contrast, the multiplier of M_3 increased from 4.68 to 4.71, reflecting a stronger demand to hold government deposits and a reduction in the velocity of M_3 . In contrast, the multiplier of M_2 remained unchanged at 3.95, due to the fact that the increase in M_2 was in line with the increase in the monetary base during the same month, reflecting no change in the demand for quasi-monetary deposits and the velocity of M_2 .

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

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

	December 2013	July 2014	August 2014	Change in August		Change during the first eight months of 2014	
				In billions of Dirhams	%	In billions of Dirhams	%
Money Supply M₀	63.9	72.1	66.6	-5.5	-7.6	2.7	4.2
<i>of which:</i> Currency in Circulation	50.4	56.2	54.1	-2.1	-3.7	3.7	7.3
Cash at Banks	13.5	15.9	12.5	-3.4	-21.4	-1.0	-7.4
Money Supply M₁	379.6	433.6	431.4	-2.2	-0.5	51.8	13.6
<i>of which:</i> Monetary Deposits(*)	329.1	377.5	377.3	-0.2	-0.1	48.2	14.6
Money Supply M₂	1,056.8	1,129.4	1,130.7	1.3	0.1	73.9	7.0
<i>of which:</i> Quasi-Monetary Deposits(**)	677.2	695.7	699.3	3.6	0.5	22.1	3.3
Money Supply M₃	1,219.9	1,338.0	1,349.6	11.6	0.9	129.7	10.6
<i>of which:</i> Government Deposits	163.1	208.6	218.9	10.3	4.9	55.8	34.2

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

	December 2013	July 2014	August 2014	Change in August 2014	
				In billions of Dirhams	% Change
Monetary Base	264.7	286.2	286.6	0.4	0.1
– Currency in Circulation	50.4	56.2	54.1	-2.1	-3.7
– Banks' Required Reserves	87.8	100.8	102.0	1.2	1.2
– Banks' Excess Reserves	18.6	20.2	14.5	-5.7	-28.2
– Certificates of Deposit purchased by Banks (Net of Lending)	107.9	109.0	116.0	7.0	6.4
Money Supply (M ₁)	379.6	433.6	431.4	-2.2	-0.5
Money Multiplier of M₁ (M₁/Monetary Base)	1.43	1.52	1.51	-	-
Money Supply (M ₂)	1,056.8	1,129.4	1,130.7	1.3	0.1
Money Multiplier of M₂ (M₂/Monetary Base)	3.99	3.95	3.95	-	-
Money Supply (M ₃)	1,219.9	1,338.0	1,349.6	11.6	0.9
Money Multiplier of M₃ (M₃/Monetary Base)	4.61	4.68	4.71	-	-

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