



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

UAE Monthly Monetary Survey December 2014

Previous Monetary Surveys

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| - December 2013 | - January 2014 |
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Related Publications

- UAE Central Bank Quarterly Statistical Bulletin, September 2014
- UAE Monetary Developments Report, 3rd Quarter 2014 (English & 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 1.4% during the month of December, rising from AED 73.5 billion at the end of November to AED 74.5 billion at the end of December 2014. This expansion was mainly due to a 20.2% increase in Cash at Banks (20.8% of M_0), overshadowing the 2.6% decrease in Currency in Circulation (79.2% of M_0).

On the other hand, M_1 decreased by 0.8%, falling from AED 441.9 billion at the end of November to AED 438.5 billion at the end of December 2014. This reduction was attributed to 0.5% and 2.6% decrease in Monetary Deposits (86.5% of M_1) and Currency in Circulation (13.5% of M_1) respectively.

Due to the reduction in M_1 during December 2014, M_2 increased just by 0.1%; climbing from AED 1,140.1 billion at the end of November to AED 1,141.2 billion. This increase was brought about by a 0.6% increase in Quasi-Monetary Deposits (61.6% of M_2).

During December 2014, M_3 decreased by 1.9%, dipping from AED 1,357.8 billion at the end of November to AED 1,332.0 billion. This drop was brought about by the 12.3% decrease in Government Deposits (14.3% of M_3), which offset the moderate increase in M_2 .

All in all, during 2014, monetary aggregates M_0 , M_1 , M_2 and M_3 increased by 16.6%, 15.5%, 8% and 9.2%, 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 the sum of Currency in Circulation, Total Banks' Reserves at the Central Bank and Certificates of Deposits held by Banks (see Table 2).

During the month of December 2014, the Monetary Base increased by 1.4% owing to increases in Banks' Required Reserves (35.6% of total Monetary Base) by 2.1% and in Banks' Excess Reserves (10.2% of the Monetary Base) by 75.9%. The rise in these two components of the Monetary Base overshadowed the 2.6% and 8.6% fall in Currency in Circulation (20.2% of total Monetary Base) and Certificates of Deposits held by Banks (34% of total Monetary Base), resulting in an overall scaling of the Monetary Base.

In comparison, the multipliers of M_1 , M_2 , and M_3 decreased from 1.53 to 1.50, from 3.95 to 3.90 and from 4.71 to 4.55 from the end of November to the end of December 2014 respectively. The decrease in the money multipliers was mainly due to a faster increase in the monetary base, compared to the corresponding growth in monetary aggregates.

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

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

	December 2013	October 2014	November 2014	December 2014	Change in December		Change during 2014	
					In billions of Dirhams	% Change	In billions of Dirhams	% Change
Money Supply M₀	63.9	70.0	73.5	74.5	1.0	1.4%	10.6	16.6%
<i>of which:</i> Currency in Circulation	50.4	57.0	60.6	59.0	-1.6	-2.6%	8.6	17.1%
Cash at Banks	13.5	13.0	12.9	15.5	2.6	20.2%	2.0	14.8%
Money Supply M₁	379.6	435.0	441.9	438.5	-3.4	-0.8%	58.9	15.5%
<i>of which:</i> Monetary Deposits(*)	329.1	378.0	381.3	379.5	-1.8	-0.5%	50.4	15.3%
Money Supply M₂	1,056.8	1,125.6	1,140.1	1,141.2	1.1	0.1%	84.4	8.0%
<i>of which:</i> Quasi-Monetary Deposits(**)	677.2	690.6	698.2	702.7	4.5	0.6%	25.5	3.8%
Money Supply M₃	1,219.9	1,348.2	1,357.8	1,332.0	-25.8	-1.9%	112.1	9.2%
<i>of which:</i> Government Deposits	163.1	222.6	217.7	190.9	-26.8	-12.3%	27.8	17.0%

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. Contribution to Aggregate Money Supply

	December 2013	October 2014	November 2014	December 2014		MoM		Contribution to Aggregate Growth ¹	Year to Date	
				In billions of Dirhams	Shares of the Aggregate	In Billions of Dirhams	% Change		In Billions of Dirhams	% Change
Money Supply M₀	63.9	70.0	73.5	74.5		1.0	1.4%		10.6	16.6%
Currency in Circulation	50.4	57.0	60.6	59.0	79.2%	-1.6	-2.6%	-2.09%	8.6	17.1%
Cash at Banks	13.5	13.0	12.9	15.5	20.8%	2.6	20.2%	4.19%	2.0	14.8%
Money Supply M₁	379.6	435.0	441.9	438.5		-3.4	-0.8%		58.9	15.5%
Currency in Circulation	50.4	57.0	60.6	59.0	13.5%	-1.6	-2.6%	-0.36%	8.6	17.1%
Monetary Deposits	329.1	378.0	381.3	379.5	86.5%	-1.8	-0.5%	-0.41%	50.4	15.3%
Money Supply M₂	1,056.8	1,125.6	1,140.1	1,141.2		1.1	0.1%		84.4	8.0%
Currency in Circulation	50.4	57.0	60.6	59.0	5.2%	-1.6	-2.6%	-0.14%	8.6	17.1%
Monetary Deposits	329.1	378.0	381.3	379.5	33.3%	-1.8	-0.5%	-0.16%	50.4	15.3%
Quasi-Monetary Deposits	677.2	690.6	698.2	702.7	61.6%	4.5	0.6%	0.40%	25.5	3.8%
Money Supply M₃	1,219.9	1,348.2	1,357.8	1,332.0		-25.8	-1.9%		112.1	9.2%
Currency in Circulation	50.4	57.0	60.6	59.0	4.4%	-1.6	-2.6%	-0.12%	8.6	17.1%
Monetary Deposits	329.1	378.0	381.3	379.5	28.5%	-1.8	-0.5%	-0.13%	50.4	15.3%
Quasi-Monetary Deposits	677.2	690.6	698.2	702.7	52.8%	4.5	0.6%	0.34%	25.5	3.8%
Government Deposits	163.1	222.6	217.7	190.9	14.3%	-26.8	-12.3%	-1.76%	27.8	17.0%

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	October	November	December	Change in December 2014	
	2013	2014	2014	2014	In billions of Dirhams	% Change
Monetary Base	264.7	286.9	288.5	292.5	4.0	1.4%
Currency in Circulation	50.4	57.0	60.6	59.0	-1.6	-2.6%
Banks' Required Reserves	87.8	104.6	102.0	104.1	2.1	2.1%
Banks' Excess Reserves	18.6	14.6	17.0	29.9	12.9	75.9%
Certificates of Deposit purchased by Banks (Net of Lending)	107.9	110.7	108.9	99.5	-9.4	-8.6%
Money Supply (M ₁)	379.6	435.0	441.9	438.5	-3.4	-0.8%
Money Multiplier of M₁ (M₁/Monetary Base)	1.43	1.52	1.53	1.50		
Money Supply (M ₂)	1,056.8	1,125.6	1,140.1	1,141.2	1.1	0.1%
Money Multiplier of M₂ (M₂/Monetary Base)	3.99	3.92	3.95	3.90		
Money Supply (M ₃)	1,219.9	1,348.2	1,357.8	1,332.0	-25.8	-1.9%
Money Multiplier of M₃ (M₃/Monetary Base)	4.61	4.70	4.71	4.55		

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