



## UAE Monthly Monetary Survey - January 2011 -

### Previous Monetary Surveys

- December 2010
- November 2010
- October 2010
- September 2010
- August 2010
- July 2010
- June 2010
- May 2010
- April 2010
- March 2010
- February 2010
- January 2010

### Related Publications

- Governor's Speech: First Annual World Islamic Banking Conference - Singapore, 14 June 2010
- Governor's Speech on "The Regulatory Partnerships for Sustained Growth in MENASA AREA" - Dubai, 24 May 2010
- UAE Central Bank Monthly Statistical Bulletin, November 2010
- UAE Monetary Developments Report, 3<sup>rd</sup> Quarter 2010 (Arabic)

## **Monetary Developments**

The money supply M0 decreased by 1.9% from AED 47.8 billion at the end of December 2010 to AED 46.9 billion at the end of January 2011. Meanwhile, there was an increase in the following areas: 1.7% for M1, 1.1% for M2 and 1.2% for M3 due to an increase of 1.8% in government deposits.

## **The Money Multiplier**

The money multiplier indicates by how much the money supply (M2) will grow following an increase of 1 billion Dirhams in the monetary base (currency in circulation + banks' reserves at the Central Bank + certificates of deposits).

This multiplier was equal to 4.1 at the end of January 2011 in the UAE. This is roughly the level observed in most developed countries. Its variation in the UAE, during recent years, seems to be influenced by the variation in the Central Bank's Certificates of Deposits purchased by banks.

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(\*) Monetary aggregates are defined in footnote of Table 1

**Table 1. UAE Monthly Monetary Survey (January 2011)**  
**(End of period, billions of Dirhams)**

	December 2010	January 2011	Change: December 2010 – January 2011		
			In billions of Dirhams	<b>In %</b>	Annualized in%
<b>M0</b>	47.8	46.9	-0.9	-1.9%	-20.4%
-Currency in Circulation	38.5	38.7	0.2	0.5%	6.4%
-Monetary Deposits(*)	194.4	198.2	3.8	2.0%	26.2%
<b>Money Supply (M1)</b>	232.9	236.9	4.0	1.7%	22.7%
-Quasi Monetary Deposits(**)	553.5	558.3	4.8	0.9%	10.9%
<b>Broad Money (M2)</b>	786.4	795.2	8.8	1.1%	14.3%
-Government Deposits	198.8	202.3	3.5	1.8%	23.3%
<b>Broader Money Supply (M3)</b>	985.2	997.5	12.3	1.2%	16.1%

**N.B. Data for December 2010 are estimates subject to revision**

M0 = Currency in Circulation + Currency 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. Money Multiplier in the UAE  
(End of period, billions of Dirhams)**

	December* 2010	January* 2011	Change in January 2010	
			In billions of Dirhams	% change
<b>Monetary Base</b>	<b>192.9</b>	<b>195.0</b>	<b>2.1</b>	<b>1.1%</b>
- Currency in Circulation	38.5	38.7	0.2	0.5%
- Reserve Requirements	54.0	55.9	1.9	3.5%
- Banks Current Accounts at CBUAE (Net)	6.4	11.4	5.0	78.1%
- Certificates of Deposits (Net of Lending)	94.0	89.0	-5.0	-5.3%
Money Supply (M1)	232.9	236.9	4.0	1.7%
<b>Money Multiplier of M1 (M1/Monetary Base)</b>	<b>1.2</b>	<b>1.2</b>	<b>-</b>	<b>-</b>
Broad Money Supply (M2)	786.4	795.2	8.8	1.1%
<b>Money Multiplier of M2 (M2/Monetary Base)</b>	<b>4.1</b>	<b>4.1</b>	<b>-</b>	<b>-</b>

\* Data for December 2010 and January 2011 are estimates subject to revision