



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

## UAE Monthly Monetary Survey November 2014

### Previous Monetary Surveys

- |                  |                  |
|------------------|------------------|
| - December 2013  | - January 2014   |
| - November 2013  | - February 2014  |
| - October 2013   | - March 2014     |
| - September 2013 | - April 2014     |
| - August 2013    | - May 2014       |
| - July 2013      | - June 2014      |
| - June 2013      | - July 2014      |
| - May 2013       | - August 2014    |
| - April 2013     | - September 2014 |
| - March 2013     | - October 2014   |

### Related Publications

- UAE Central Bank Quarterly Statistical Bulletin, September 2014
- UAE Monetary Developments Report, 3<sup>rd</sup> 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 <sup>(\*)</sup>

Money supply  $M_0$  increased by 5% during the month of November 2014, rising from AED 70 billion at the end of October to AED 73.5 billion at the end of November of the same year. This expansion was brought about by a 6.3% increase in Currency in Circulation (82.4% of  $M_0$ ) overshadowing the 0.8% decrease in Cash at Banks (17.6% of  $M_0$ ).

$M_1$  increased by 1.6%, growing from AED 435 billion at the end of October to AED 441.9 billion at the end of November 2014. This growth was attributed to 0.9% and 6.3% increase in Monetary Deposits (86.3% of  $M_1$ ) and Currency in Circulation (13.7% of  $M_1$ ) respectively.

At the end of November 2014,  $M_2$  also increased by 1.3%; rising from AED 1,125.6 billion at the end of October to AED 1,140.1 billion. This increase was due to an increase in Quasi-Monetary Deposits (61.2% of  $M_2$ ) by 1.1%, Monetary Deposits (33.4% of  $M_2$ ) by 0.9% and Currency in Circulation (5.3% of  $M_2$ ) by 6.3%.

Likewise,  $M_3$  increased slightly by 0.7%, rising from AED 1,348.2 billion at the end of October to AED 1,357.8 billion at the end of November 2014. This increase was brought about by an increase of 1.1%, 0.9% and 6.3% in Quasi-Monetary Deposits (51.4% of  $M_3$ ), Monetary Deposits (28.1% of  $M_3$ ) and Currency in Circulation (4.5% of  $M_3$ ), respectively. The combined increase in these three components of  $M_3$  overshadowed the 2.2% decrease in Government Deposits (16.0% of  $M_3$ ).

In principle, during the first eleven months of 2014, monetary aggregates  $M_0$ ,  $M_1$ ,  $M_2$  and  $M_3$  increased by 15%, 16.4%, 7.9% and 11.3%, 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 November 2014, the Monetary Base increased by 0.6%. This increase was due to significant increases in Currency in Circulation (21% percent of the Monetary Base) by 6.3% and Banks' Excess Reserves (5.9% of the Monetary Base) by 16.4%. The 1.6% and 2.5% decrease in Certificates of Deposits purchased by Banks (37.7% of the total Monetary Base) and Banks' Required Reserves (35.4% of total Monetary Base) respectively were offset by the rise in other components, resulting in an overall rise of the Monetary Base.

Compared to the end of October 2014, the multiplier of  $M_1$  increased from 1.52 to 1.53, the multiplier of  $M_2$  increased from 3.92 to 3.95 and the multiplier of  $M_3$  increased from 4.70 to 4.71 at the end of November of the same year. The increase in the money multipliers was due to an expansion in the relevant monetary aggregates that outpaced the corresponding increase in the Monetary Base by AED 1.6 billion, attributed to an increase in Banks' Excess Reserves by AED 2.4 billion and Currency in Circulation by AED 3.6 billion.

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

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

	December 2013	October 2014	November 2014	Change in November		Change during the first eleven months of 2014	
				In billions of Dirhams	% Change	In billions of Dirhams	% Change
<b>Money Supply M<sub>0</sub></b>	<b>63.9</b>	<b>70.0</b>	<b>73.5</b>	<b>3.5</b>	<b>5.0%</b>	<b>9.6</b>	<b>15.0%</b>
<i>of which:</i> Currency in Circulation	50.4	57.0	60.6	3.6	6.3%	10.2	20.2%
Cash at Banks	13.5	13.0	12.9	-0.1	-0.8%	-0.6	-4.4%
<b>Money Supply M<sub>1</sub></b>	<b>379.6</b>	<b>435.0</b>	<b>441.9</b>	<b>6.9</b>	<b>1.6%</b>	<b>62.3</b>	<b>16.4%</b>
<i>of which:</i> Monetary Deposits(*)	329.1	378.0	381.3	3.3	0.9%	52.2	15.9%
<b>Money Supply M<sub>2</sub></b>	<b>1,056.8</b>	<b>1,125.6</b>	<b>1,140.1</b>	<b>14.5</b>	<b>1.3%</b>	<b>83.3</b>	<b>7.9%</b>
<i>of which:</i> Quasi-Monetary Deposits(**)	677.2	690.6	698.2	7.6	1.1%	21.0	3.1%
<b>Money Supply M<sub>3</sub></b>	<b>1,219.9</b>	<b>1,348.2</b>	<b>1,357.8</b>	<b>9.6</b>	<b>0.7%</b>	<b>137.9</b>	<b>11.3%</b>
<i>of which:</i> Government Deposits	163.1	222.6	217.7	-4.9	-2.2%	54.6	33.5%

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

M<sub>0</sub> = Currency in Circulation + Cash at Banks

M<sub>1</sub> = Currency in Circulation + Monetary Deposits

M<sub>2</sub> = M<sub>1</sub> + Quasi-Monetary Deposits

M<sub>3</sub> = M<sub>2</sub> + 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		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>0</sub></b>	<b>63.9</b>	<b>70.0</b>	<b>73.5</b>	100.0%	<b>3.5</b>	<b>5.0%</b>		<b>9.6</b>	<b>15.0%</b>
Currency in Circulation	50.4	57.0	60.6	82.4%	3.6	6.3%	5.21%	10.2	20.2%
Cash at Banks	13.5	13.0	12.9	17.6%	-0.1	-0.8%	-0.14%	-0.6	-4.4%
<b>Money Supply M<sub>1</sub></b>	<b>379.6</b>	<b>435.0</b>	<b>441.9</b>	100.0%	<b>6.9</b>	<b>1.6%</b>		<b>62.3</b>	<b>16.4%</b>
Currency in Circulation	50.4	57.0	60.6	13.7%	3.6	6.3%	0.87%	10.2	20.2%
Monetary Deposits	329.1	378.0	381.3	86.3%	3.3	0.9%	0.75%	52.2	15.9%
<b>Money Supply M<sub>2</sub></b>	<b>1,056.8</b>	<b>1,125.6</b>	<b>1,140.1</b>	100.0%	<b>14.5</b>	<b>1.3%</b>		<b>83.3</b>	<b>7.9%</b>
Currency in Circulation	50.4	57.0	60.6	5.3%	3.6	6.3%	0.34%	10.2	20.2%
Monetary Deposits	329.1	378.0	381.3	33.4%	3.3	0.9%	0.29%	52.2	15.9%
Quasi-Monetary Deposits	677.2	690.6	698.2	61.2%	7.6	1.1%	0.67%	21.0	3.1%
<b>Money Supply M<sub>3</sub></b>	<b>1,219.9</b>	<b>1,348.2</b>	<b>1,357.8</b>	100.0%	<b>9.6</b>	<b>0.7%</b>		<b>137.9</b>	<b>11.3%</b>
Currency in Circulation	50.4	57.0	60.6	4.5%	3.6	6.3%	0.27%	10.2	20.2%
Monetary Deposits	329.1	378.0	381.3	28.1%	3.3	0.9%	0.24%	52.2	15.9%
Quasi-Monetary Deposits	677.2	690.6	698.2	51.4%	7.6	1.1%	0.56%	21.0	3.1%
Government Deposits	163.1	222.6	217.7	16.0%	-4.9	-2.2%	-0.36%	54.6	33.5%

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	Change in November 2014	
	2013	2014	2014	In billions of Dirhams	% Change
<b>Monetary Base</b>	<b>264.7</b>	<b>286.9</b>	<b>288.5</b>	<b>1.6</b>	<b>0.6%</b>
Currency in Circulation	50.4	57.0	60.6	3.6	6.3%
Banks' Required Reserves	87.8	104.6	102.0	-2.6	-2.5%
Banks' Excess Reserves	18.6	14.6	17.0	2.4	16.4%
Certificates of Deposit purchased by Banks (Net of Lending)	107.9	110.7	108.9	-1.8	-1.6%
Money Supply (M <sub>1</sub> )	379.6	435.0	441.9	6.9	1.6%
<b>Money Multiplier of M<sub>1</sub> (M<sub>1</sub>/Monetary Base)</b>	<b>1.43</b>	<b>1.52</b>	<b>1.53</b>	-	-
Money Supply (M <sub>2</sub> )	1,056.8	1,125.6	1,140.1	14.5	1.3%
<b>Money Multiplier of M<sub>2</sub> (M<sub>2</sub>/Monetary Base)</b>	<b>3.99</b>	<b>3.92</b>	<b>3.95</b>	-	-
Money Supply (M <sub>3</sub> )	1,219.9	1,348.2	1,357.8	9.6	0.7%
<b>Money Multiplier of M<sub>3</sub> (M<sub>3</sub>/Monetary Base)</b>	<b>4.61</b>	<b>4.70</b>	<b>4.71</b>	-	-

N.B. Figures for 2014 are subject to revision