



**مصرف الإمارات العربية المتحدة**  
**Central Bank Of The United Arab Emirates**

**UAE Monthly Monetary Survey**  
**- October 2010 -**

**Previous Monetary Surveys**

- 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, August 2010
- UAE Monetary Developments Report, 2<sup>nd</sup> Quarter 2010 (Arabic)

## **Monetary developments**

After double-digit increases in the previous years, monetary aggregates in the UAE slowed down markedly in 2009. A trend that continued during the first 10 months of 2010. M1, increased by 3.5%, i.e., at an annualized rate of 4.3%, due mainly to an increase in monetary deposits. The more relevant aggregate M2 increased by 7.7%, i.e., at an annualized rate of 9.3%, which is in line with IMF estimates of GDP growth at current prices of 7.0% during this year. The slower increase in M3 by 5.4%, during this period, is to be explained by a decrease in government deposits by 2.8% .

## **The Money Multiplier**

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

This multiplier was equal to 4.4 at end October 2010 in the UAE. This is roughly the level observed in the developed countries. Its variation in the UAE during the recent years seems to be heavily influenced by the variation in Certificates of Deposits purchased by banks.

**Table 1. UAE Monthly Monetary Survey (October 2010)**  
**(End of period, in billions of Dirhams)**

	December 2009	October 2010	Change: December 2009 – October 2010		
			In billions of Dirhams	In %	Annualized in %
- Currency in Circulation	37.2	38.2	<b>1.0</b>	<b>2.7</b>	<b>3.2</b>
- Monetary Deposits(*)	186.3	193.2	<b>6.9</b>	<b>3.7</b>	<b>4.5</b>
<b>Money Supply (M1)</b>	<b>223.5</b>	<b>231.4</b>	<b>7.9</b>	<b>3.5</b>	<b>4.3</b>
- Quasi Monetary Deposits(**)	517.1	566.0	<b>48.9</b>	<b>9.5</b>	<b>11.5</b>
<b>Broad Money (M2)</b>	<b>740.6</b>	<b>797.4</b>	<b>56.8</b>	<b>7.7</b>	<b>9.3</b>
- Government Deposits	207.2	201.3	<b>-5.9</b>	<b>-2.8</b>	<b>-3.4</b>
<b>Broader Money supply (M3)</b>	<b>947.8</b>	<b>998.7</b>	<b>50.9</b>	<b>5.4</b>	<b>6.5</b>

(\*) **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  
(October 2010)**

	<b>In billions of Dirhams</b>
<b>Monetary Base</b>	<b>179.5</b>
- Currency in Circulation	38.2
- Reserve Requirements	52.6
- Banks Current Accounts at CBUAE (Net)	9.6
- Certificates of Deposits (Net of Lending)	79.1
Money Supply (M1)	231.4
<b>Money Multiplier of M1 (M1/Monetary Base)</b>	<b>1.3</b>
Broad Money Supply (M2)	797.4
<b>Money Multiplier of M2 (M2/Monetary Base)</b>	<b>4.4</b>