



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

UAE Monthly Monetary Survey April 2016

Monetary Developments (*)

M₁ increased by 0.6%, from AED 490.3 billion at the end of March to AED 493.4 billion at the end of April 2016. This increase was due to a 1.5% increase in Currency in Circulation outside Banks (12.7% of **M₁**) and a 0.5% increase in Monetary Deposits (87.3% of **M₁**).

At the end of April 2016, **M₂** decreased by 1.3%, falling from AED 1,218.4 billion at the end of March to AED 1,203.1 billion. The reduction in **M₂** was attributed to a 2.5% decrease in Quasi- Monetary Deposits (59% of **M₂**).

M₃ increased marginally, rising from AED 1,373.8 billion at the end of March to AED 1,373.9 billion at the end of April 2016. The increase in **M₃** was brought about by an increased **M₁** and a 9.9% increase in Government Deposits (12.4% of **M₃**), overshadowing the reduction in **M₂**.

In summary, April 2016 witnessed **M₁** and **M₃** increase by 0.6% and 0.01%, respectively and **M₂** fall by 1.3%.

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 issued (Currency in circulation outside banks and cash at banks), Total Banks' Reserves at the Central Bank and Certificates of Deposits held by Banks (see Table 2).

During the month of April 2016, the Monetary Base contracted by 1.5% owing to a combined reduction in; Currency Issued (23.4% of the Monetary Base) by 1.4% and reduction in Certificates of Deposits purchased by Banks (32.9 % of the Monetary Base) by 7.4%, overshadowing the 1.9% increase in Banks' Required Reserves (35.6% of the Monetary Base) and the 10.7% increase in Banks & OFCs' Excess Reserves (8% of the Monetary Base).

From the end of March 2016 to the end of April 2016, the multipliers of **M₁**, **M₂** and **M₃** increased from 1.49 to 1.52, from 3.70 to 3.71 and from 4.17 to 4.23, respectively, reflecting that the growth of the monetary aggregates exceeded the growth of the monetary base.

(*) Monetary aggregates are defined in a footnote to Table 1

Table 1. UAE Monthly Monetary Survey (April 2016)

(End of period, billions of Dirhams)

| | Dec. 2014 | March 2015 | April 2015 | June 2015 | Sept. 2015 | Dec. 2015 | Jan. 2016 | Feb. 2016 | March 2016 | April ¹ 2016 | Change in April | | Year on Year Change |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------------------|---------------------------------|--------------|---------------------------|
| | | | | | | | | | | | In billions of Dirhams | % Change | |
| Money Supply M₁(*) | 436.1 | 456.9 | 459.7 | 464.1 | 453.6 | 456.9 | 473.5 | 474.4 | 490.3 | 493.4 | 3.1 | 0.6% | 7.3% |
| <i>of which:</i> | | | | | | | | | | | | | |
| Currency Issued | 74.5 | 69.3 | 70.8 | 72.5 | 71.0 | 73.5 | 73.1 | 75.3 | 77.2 | 76.1 | -1.1 | -1.4% | 7.5% |
| Cash at Banks | 15.5 | 13.1 | 13.9 | 13.7 | 13.8 | 15.1 | 13.7 | 13.9 | 15.4 | 13.4 | -2.0 | -13.0% | -3.6% |
| Currency in Circulation Outside Banks | 59.0 | 56.2 | 56.9 | 58.8 | 57.2 | 58.4 | 59.4 | 61.4 | 61.8 | 62.7 | 0.9 | 1.5% | 10.2% |
| Monetary Deposits(**) | 377.1 | 400.7 | 402.8 | 405.3 | 396.4 | 398.5 | 414.1 | 413.0 | 428.5 | 430.7 | 2.2 | 0.5% | 6.9% |
| Money Supply M₂ | 1,125.4 | 1,162.5 | 1,151.8 | 1,174.2 | 1,158.3 | 1,186.8 | 1,194.0 | 1,194.2 | 1,218.4 | 1,203.1 | -15.3 | -1.3% | 4.5% |
| <i>of which:</i> | | | | | | | | | | | | | |
| Quasi-Monetary Deposits(***) | 689.3 | 705.7 | 692.1 | 710.1 | 704.6 | 729.9 | 720.5 | 719.8 | 728.1 | 709.7 | -18.4 | -2.5% | 2.5% |
| Money Supply M₃ | 1,314.5 | 1,346.0 | 1,344.2 | 1,337.6 | 1,322.0 | 1,342.8 | 1,351.3 | 1,351.8 | 1,373.8 | 1,373.9 | 0.1 | 0.01% | 2.2% |
| <i>of which:</i> | | | | | | | | | | | | | |
| Government Deposits | 189.1 | 183.5 | 192.4 | 163.4 | 163.7 | 156.0 | 157.3 | 157.6 | 155.4 | 170.8 | 15.4 | 9.9% | -11.2% |

¹ Estimates, subject to revision

(*) M_1 = Currency in Circulation Outside Banks (Currency Issued - Cash at banks) + Monetary Deposits

M_2 = M_1 + Quasi-Monetary Deposits

M_3 = M_2 + 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 + Resident Deposits in Foreign Currencies

Table 2. Contribution to Aggregate Money Supply

| | Dec. 2013 | Dec. 2014 | Dec. 2015 | Jan. 2016 | Feb. 2016 | March 2016 | April ¹ 2016 | | MoM | | Contribution to Aggregate Growth* | Year to Date | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|------------------------------|-----------------------------|------------------------------|--------------|---|------------------------------|-------------|
| | | | | | | | In billions of Dirhams | Shares of the Aggregates | In Billions of Dirhams | % Change | | In Billions of Dirhams | % Change |
| | | | | | | | | | | | | | |
| Money Supply M₁ | 379.6 | 436.1 | 456.9 | 473.5 | 474.4 | 490.3 | 493.4 | | 3.1 | 0.6% | | 36.5 | 8.0% |
| Currency in Circulation Outside Banks | 50.4 | 59.0 | 58.4 | 59.4 | 61.4 | 61.8 | 62.7 | 12.7% | 0.9 | 1.5% | 0.2% | 4.3 | 7.4% |
| Monetary Deposits | 329.2 | 377.1 | 398.5 | 414.1 | 413.0 | 428.5 | 430.7 | 87.3% | 2.2 | 0.5% | 0.4% | 32.2 | 8.1% |
| Money Supply M₂ | 1,043.0 | 1,125.4 | 1,186.8 | 1,194.0 | 1,194.2 | 1,218.4 | 1,203.1 | | -15.3 | -1.3% | | 16.3 | 1.4% |
| Currency in Circulation Outside Banks | 50.4 | 59.0 | 58.4 | 59.4 | 61.4 | 61.8 | 62.7 | 5.2% | 0.9 | 1.5% | 0.1% | 4.3 | 7.4% |
| Monetary Deposits | 329.2 | 377.1 | 398.5 | 414.1 | 413.0 | 428.5 | 430.7 | 35.8% | 2.2 | 0.5% | 0.2% | 32.2 | 8.1% |
| Quasi-Monetary Deposits | 663.4 | 689.3 | 729.9 | 720.5 | 719.8 | 728.1 | 709.7 | 59.0% | -18.4 | -2.5% | -1.5% | -20.2 | -2.8% |
| Money Supply M₃ | 1,204.5 | 1,314.5 | 1,342.8 | 1,351.3 | 1,351.8 | 1,373.8 | 1,373.9 | | 0.1 | 0.01% | | 31.1 | 2.3% |
| Currency in Circulation Outside Banks | 50.4 | 59.0 | 58.4 | 59.4 | 61.4 | 61.8 | 62.7 | 4.6% | 0.9 | 1.5% | 0.1% | 4.3 | 7.4% |
| Monetary Deposits | 329.2 | 377.1 | 398.5 | 414.1 | 413.0 | 428.5 | 430.7 | 31.3% | 2.2 | 0.5% | 0.2% | 32.2 | 8.1% |
| Quasi-Monetary Deposits | 663.4 | 689.3 | 729.9 | 720.5 | 719.8 | 728.1 | 709.7 | 51.7% | -18.4 | -2.5% | -1.3% | -20.2 | -2.8% |
| Government Deposits | 161.5 | 189.1 | 156.0 | 157.3 | 157.6 | 155.4 | 170.8 | 12.4% | 15.4 | 9.9% | 1.2% | 14.8 | 9.5% |

¹ Estimates, subject to revision

*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)

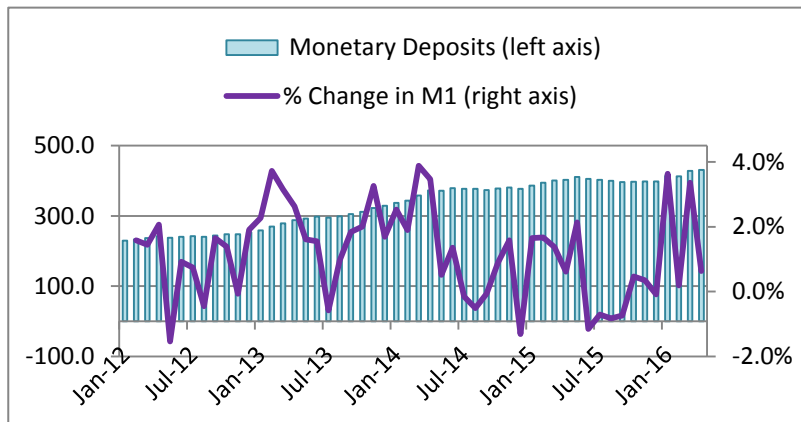
| | December | December | December | January | February | March | April ¹ | Change in April 2016 | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------------|------------------------|--------------|
| | 2013 | 2014 | 2015 | 2016 | 2016 | 2016 | 2016 | In billions of Dirhams | % Change |
| Monetary Base | 281.8 | 309.2 | 365.2 | 315.9 | 326.2 | 329.5 | 324.5 | -5.0 | -1.5% |
| Currency Issued* | 63.9 | 74.5 | 73.5 | 73.1 | 75.3 | 77.2 | 76.1 | -1.1 | -1.4% |
| Banks' Required Reserves | 87.8 | 104.1 | 111.9 | 113.9 | 114.1 | 113.5 | 115.6 | 2.1 | 1.9% |
| Banks & OFCs' Excess Reserves | 22.2 | 31.1 | 40.0 | 25.7 | 20.3 | 23.4 | 25.9 | 2.5 | 10.7% |
| Certificates of Deposit purchased by Banks | 107.9 | 99.5 | 139.8 | 103.2 | 116.5 | 115.4 | 106.9 | -8.5 | -7.4% |
| Money Supply (M ₁) | 379.6 | 436.1 | 456.9 | 473.5 | 474.4 | 490.3 | 493.4 | 3.1 | 0.6% |
| Money Multiplier of M₁ (M₁/Monetary Base) | 1.35 | 1.41 | 1.25 | 1.50 | 1.45 | 1.49 | 1.52 | | |
| Money Supply (M ₂) | 1,043.0 | 1,125.4 | 1,186.8 | 1,194.0 | 1,194.2 | 1,218.4 | 1,203.1 | -15.3 | -1.3% |
| Money Multiplier of M₂ (M₂/Monetary Base) | 3.70 | 3.64 | 3.25 | 3.78 | 3.66 | 3.70 | 3.71 | | |
| Money Supply (M ₃) | 1,204.5 | 1,314.5 | 1,342.8 | 1,351.3 | 1,351.8 | 1,373.8 | 1,373.9 | 0.1 | 0.01% |
| Money Multiplier of M₃ (M₃/Monetary Base) | 4.27 | 4.25 | 3.68 | 4.28 | 4.14 | 4.17 | 4.23 | | |

¹ Estimates, subject to revision

* Currency Issued = Currency in circulation outside Banks + Cash at Banks

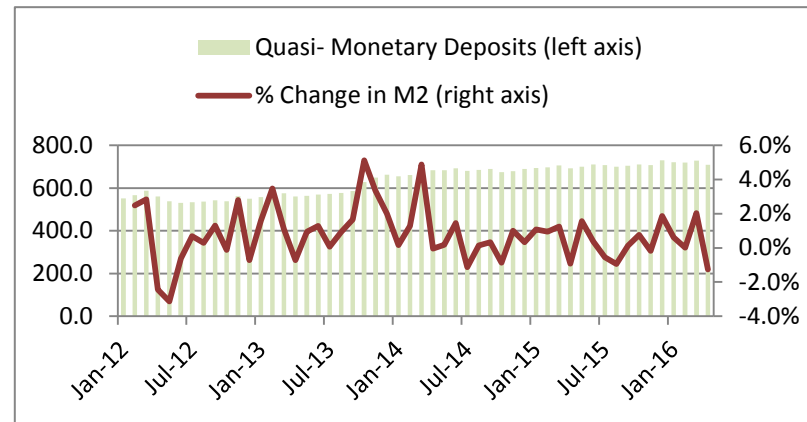
Money Supply M₁ increased by 0.6%, driven by a 1.5% rise in Currency in Circulation Outside Banks & a 0.5% rise in Monetary Deposits.

(bn AED, % month-on-month)



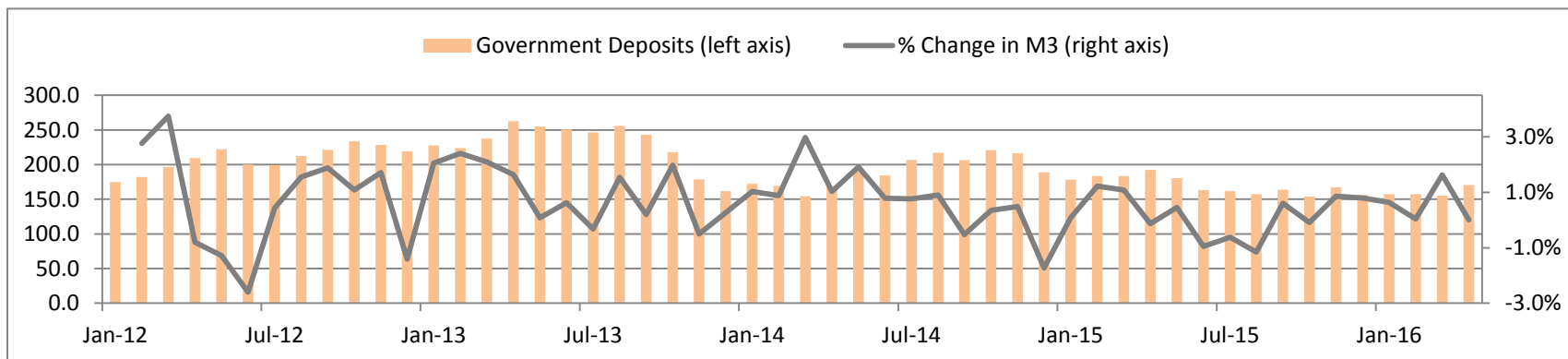
Money Supply M₂ decreased by 1.3%, due to a 2.5% reduction in Quasi-Monetary Deposits.

(bn AED, % month-on-month)



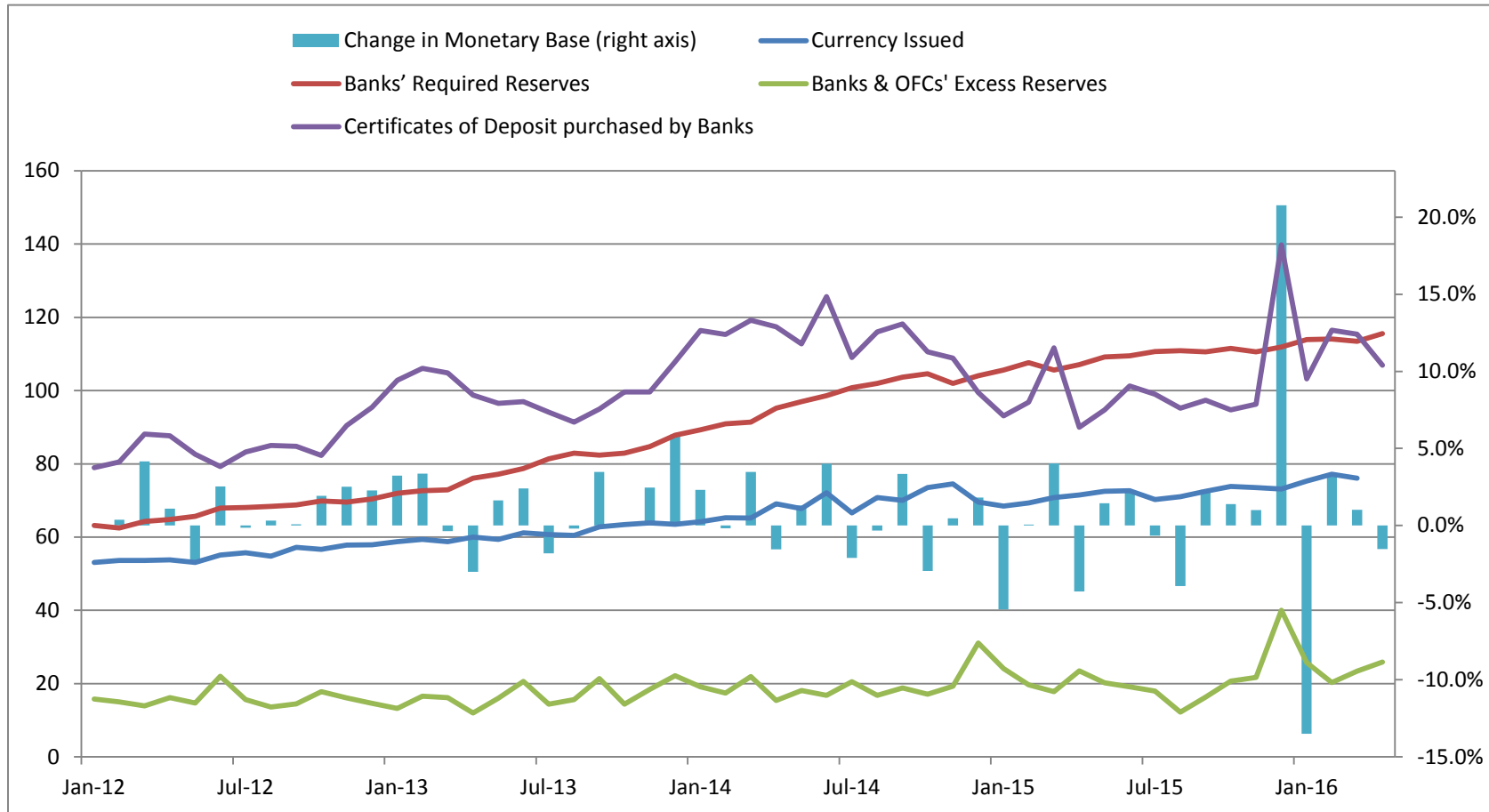
Money Supply M₃ increased by 0.01%, owing to a 9.9% increase in Government Deposits.

(bn AED, % month-on-month)



Source: RSD - CBUAE

Monetary Base contracted by 1.5% during April 2016.
(bn AED, % month-on-month)



Source: CBUAE