



UAE Monthly Monetary Survey April 2017

Monetary Developments (*)

M₁ increased by 0.6%, from AED 504.4 billion at the end of March 2017 to AED 507.2 billion at the end of April 2017. This increase was due to a 0.7% increase in Monetary Deposits (87.1% of **M₁**), which overshadowed a 0.3% reduction in Currency in Circulation outside Banks (12.9% of **M₁**).

At the end of April 2017, **M₂** increased by 0.1%, rising from AED 1272.2 billion at the end of March to AED 1273.7 billion. **M₂** mainly rose due to the increased **M₁**, offsetting an AED 1.3 billion or 0.2% fall in Quasi- Monetary Deposits (60.2% of **M₂**).

M₃ also increased by 0.9%, from AED 1465.8 billion at the end of March 2017 to AED 1478.3 billion at the end of April 2017. **M₃** increased because of a combined increase in **M₁** and an AED 11 billion or 5.7% rise in Government Deposits (13.8% of **M₃**).

In summary, during April 2017, **M₁**, **M₂** and **M₃** increased by 0.6%, 0.1% and 0.9%, 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 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 3).

During the month of April 2017, the Monetary Base contracted by 2.7%. The Monetary Base contracted due to a combined reduction in; Currency Issued (22.9% of the Monetary Base) by 2.2 %, Banks & OFC's Excess Reserves (8.3% of the Monetary Base) by 21.8% and Certificates of Deposits purchased by Banks (33.6% of the Monetary Base) by 0.2%. These reductions offset an increase in Banks' Required Reserves (35.2% of the Monetary Base) by 0.5%,

From the end of March 2017 to the end of April 2017, the multipliers of **M₁**, **M₂** and **M₃** increased from 1.43 to 1.48, from 3.62 to 3.72 and from 4.17 to 4.32 respectively, reflecting the growth in the Monetary Aggregates in contrast to the reduction of the monetary base.

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

Table 1. UAE Monthly Monetary Survey (April 2017)

(End of period, billions of Dirhams)

	Dec 2014	Dec 2015	Mar 2016	Apr 2016	Jun 2016	Sep 2016	Dec 2016	Jan 2017	Feb 2017	Mar 2017	Apr ¹ 2017	Change in April 2017		Year on Year Change
												In billions of Dirhams	% Change	
Money Supply M₁^(*)	436.1	456.9	490.3	493.4	481	472.5	474.1	479.9	488.9	504.4	507.2	2.8	0.6%	2.8%
<i>of which:</i>														
Currency Issued	74.5	73.5	77.2	76.1	81.3	77.3	77.6	77.2	77.5	80.1	78.3	-1.8	-2.2%	2.9%
Cash at Banks	15.5	15.1	15.4	13.4	16.9	15.5	15.3	13.0	13.0	14.7	13.1	-1.6	-10.9%	-2.2%
Currency in Circulation Outside Banks	59.0	58.4	61.8	62.7	64.4	61.8	62.3	64.2	64.5	65.4	65.2	-0.2	-0.3%	4.0%
Monetary Deposits ^(**)	377.1	398.5	428.5	430.7	416.6	410.7	411.8	415.7	424.4	439.0	442.0	3.0	0.7%	2.6%
Money Supply M₂^(*)	1125.4	1186.8	1218.4	1203.1	1180.4	1200.2	1225.5	1230.2	1244.2	1272.2	1273.7	1.5	0.1%	5.9%
<i>of which:</i>														
Quasi-Monetary Deposits ^(***)	689.3	729.9	728.1	709.7	699.4	727.7	751.4	750.3	755.3	767.8	766.5	-1.3	-0.2%	8.0%
Money Supply M₃^(*)	1314.5	1342.8	1373.8	1373.9	1364.8	1368.6	1411.4	1415.6	1442.5	1465.8	1478.3	12.5	0.9%	7.6%
<i>of which:</i>														
Government Deposits	189.1	156	155.4	170.8	184.4	168.4	185.9	185.4	198.3	193.6	204.6	11.0	5.7%	19.8%

¹ Estimates, subject to revision

^(*) M₁ = Currency in Circulation Outside Banks (Currency Issued - Cash at banks) + 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 + Resident Deposits in Foreign Currencies

Table 2. Contribution to Aggregate Money Supply

	Dec-14	Dec-15	Dec-16	Jan-17	Feb-17	Mar-17	April ¹ 2017		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	436.1	456.9	474.1	479.9	488.9	504.4	507.2		2.8	0.6%		33.1	7.0%
Currency in Circulation Outside Banks	59.0	58.4	62.3	64.2	64.5	65.4	65.2	12.9%	-0.2	-0.3%	-0.04%	2.9	4.7%
Monetary Deposits	377.1	398.5	411.8	415.7	424.4	439.0	442.0	87.1%	3.0	0.7%	0.6%	30.2	7.3%
Money Supply M₂	1125.4	1186.8	1225.5	1230.2	1244.2	1272.2	1273.7		1.5	0.1%		48.2	3.9%
Currency in Circulation Outside Banks	59.0	58.4	62.3	64.2	64.5	65.4	65.2	5.1%	-0.2	-0.3%	-0.02%	2.9	4.7%
Monetary Deposits	377.1	398.5	411.8	415.7	424.4	439.0	442.0	34.7%	3.0	0.7%	0.2%	30.2	7.3%
Quasi-Monetary Deposits	689.3	729.9	751.4	750.3	755.3	767.8	766.5	60.2%	-1.3	-0.2%	-0.1%	15.1	2.0%
Money Supply M₃	1314.5	1342.8	1411.4	1415.6	1442.5	1465.8	1478.3		12.5	0.9%		66.9	4.7%
Currency in Circulation Outside Banks	59.0	58.4	62.3	64.2	64.5	65.4	65.2	4.4%	-0.2	-0.3%	-0.01%	2.9	4.7%
Monetary Deposits	377.1	398.5	411.8	415.7	424.4	439.0	442.0	29.9%	3.0	0.7%	0.2%	30.2	7.3%
Quasi-Monetary Deposits	689.3	729.9	751.4	750.3	755.3	767.8	766.5	51.9%	-1.3	-0.2%	-0.1%	15.1	2.0%
Government Deposits	189.1	156.0	185.9	185.4	198.3	193.6	204.6	13.8%	11.0	5.7%	0.8%	18.7	10.1%

² 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)

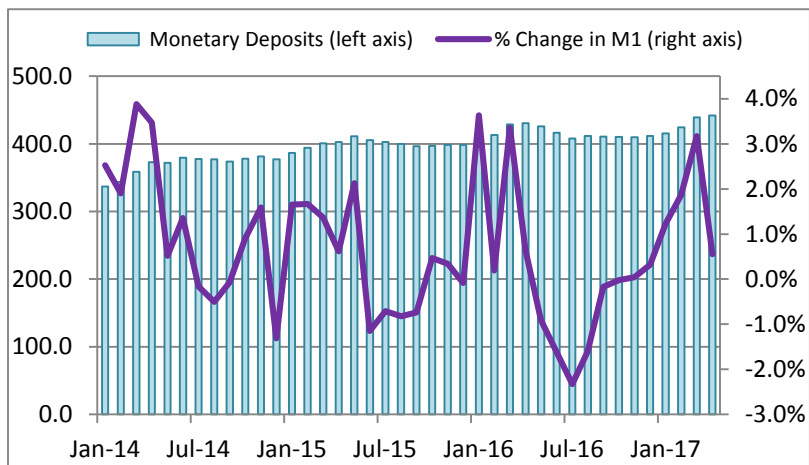
	Dec	Dec	Dec	Jan	Feb	March	April ¹	Change in April 2017	
	2014	2015	2016	2017	2017	2017	2017	In billions of Dirhams	% Change
Monetary Base	309.2	365.2	338.1	325.4	336.3	351.5	342.2	-9.3	-2.7%
Currency Issued*	74.5	73.5	77.6	77.2	77.5	80.1	78.3	-1.8	-2.2%
Banks' Required Reserves	104.1	111.9	116.9	116.8	118.7	119.9	120.5	0.6	0.5%
Banks & OFCs' Excess Reserves	31.1	40	35.4	24.1	28.2	36.2	28.3	-7.9	-21.8%
Certificates of Deposit purchased by Banks	99.5	139.8	108.2	107.3	111.9	115.3	115.1	-0.2	-0.2%
Money Supply (M ₁)	436.1	456.9	474.1	479.9	488.9	504.4	507.2	2.8	0.6%
Money Multiplier of M₁ (M₁/Monetary Base)	1.41	1.25	1.40	1.47	1.45	1.43	1.48		
Money Supply (M ₂)	1125.4	1186.8	1225.5	1230.2	1244.2	1272.2	1273.7	1.5	0.1%
Money Multiplier of M₂ (M₂/Monetary Base)	3.64	3.25	3.62	3.78	3.70	3.62	3.72		
Money Supply (M ₃)	1314.5	1342.8	1411.4	1415.6	1442.5	1465.8	1478.3	12.5	0.9%
Money Multiplier of M₃ (M₃/Monetary Base)	4.25	3.68	4.17	4.35	4.29	4.17	4.32		

¹ Estimates, subject to revision

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

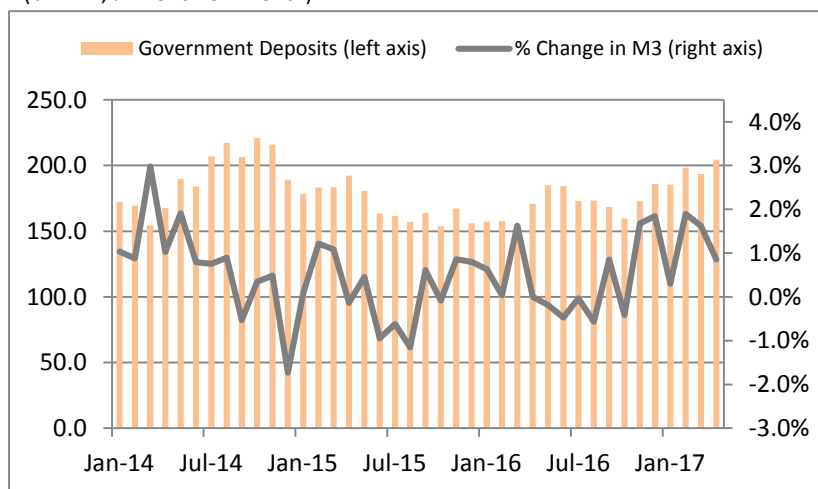
Money Supply M₁ increased by 0.6%, driven by a 0.7% increase in Monetary Deposits.

(bn AED, % month-on-month)



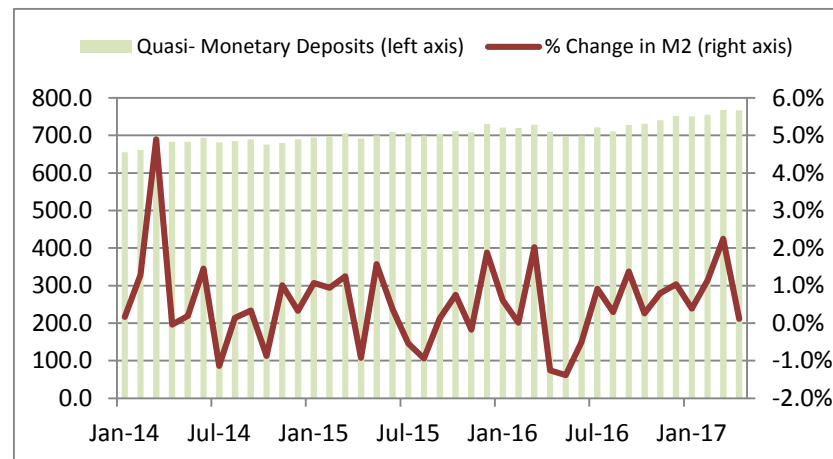
Money Supply M₃ increased by 0.9%, due to increased M₁ & a 5.7% increase in Government Deposits.

(bn AED, % month-on-month)



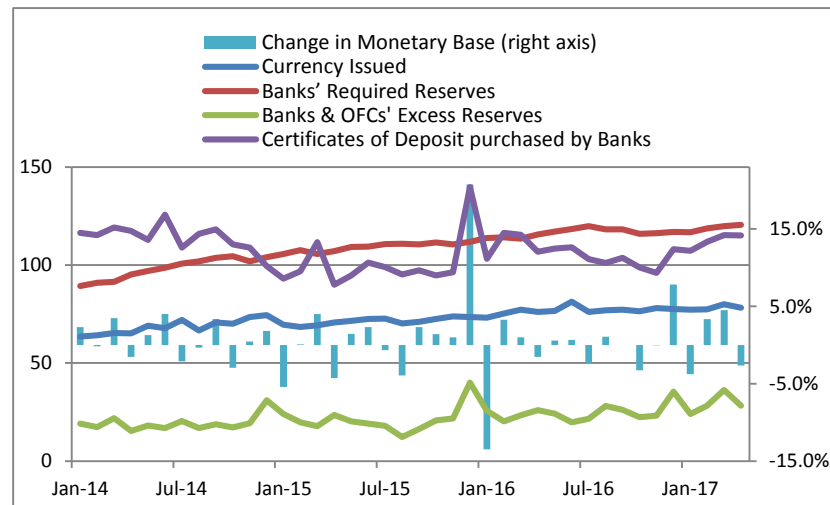
Money Supply M₂ increased by 0.1%, due to an increase in M₁, overshadowing a 0.2% reduction in Quasi-Monetary Deposits.

(bn AED, % month-on-month)



Monetary Base contracted by 2.7% during April 2017.

(bn AED, % month-on-month)



Source: CBUAE