



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

UAE Monthly Monetary Survey August 2015

Previous Monetary Surveys

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|------------------|-----------------|
| - January 2014 | - January 2015 |
| - February 2014 | - February 2015 |
| - March 2014 | - March 2015 |
| - April 2014 | - April 2015 |
| - May 2014 | - May 2015 |
| - June 2014 | - June 2015 |
| - July 2014 | - July 2015 |
| - August 2014 | |
| - September 2014 | |
| - October 2014 | |
| - November 2014 | |
| - December 2014 | |

Related Publications

- UAE Central Bank Monthly Statistical Bulletin, May 2015
- UAE Monetary Developments Report, 2nd Quarter 2015 (English & Arabic)

Monetary Developments ^(*)

M_1 decreased by 0.8%, from AED 460.8 billion at the end of July to AED 457 billion at the end of August 2015. This reduction was due to a 0.7% decrease in Monetary Deposits (87.5% of M_1) and a 1.9% decrease in Currency in Circulation outside Banks (12.5% of M_1).

M_2 also decreased by 0.8%, from AED 1,184.7 billion at the end of July, to AED 1,175 billion at the end of August 2015. In addition to the reduction in M_1 , the reduction in M_2 was reinforced by a 0.8% reduction in Quasi-Monetary Deposits (61.1% of M_2).

Following the same trend, M_3 also decreased by 1%, falling from AED 1,347.9 billion at the end of July to AED 1,334 billion at the end of August 2015. The reduction in M_3 was brought about by a reduced M_2 combined with a 2.6% decrease in Government Deposits (11.9% of M_3).

Although August 2015 witnessed an overall reduction in the monetary aggregates, a Year on Year analysis show a 5.9% and 3.9% rise in M_1 and M_2 , respectively. However, M_3 declined by 1.2%.

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 August 2015, the Monetary Base contracted by 4.8% owing to a combined reduction in Currency Issued (24.8% of the Monetary Base) by 3.3%, in Banks' Excess Reserves (2.7% of the Monetary Base) by 52.2% and in Certificates of Deposits purchased by Banks – Net of Lending (33.5% of the Monetary Base) by 3.8%. Banks' Required Reserves (39% of the Monetary Base) increased by 0.2% during August 2015.

From the end of July to the end of August, the multipliers of M_1 , M_2 and M_3 increased from 1.54 to 1.61, from 3.97 to 4.14 and from 4.52 to 4.70 respectively, indicating that the reduction in the Monetary Base exceeded the reduction in the corresponding monetary aggregates.

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

Table 1. UAE Monthly Monetary Survey (August 2015)

(End of period, billions of Dirhams)

	December 2013	August 2014	December 2014	March 2015	April 2015	May 2015	June 2015	July 2015	August ¹ 2015	Change in August		Aug 2014/Aug 2015 Change
										In billions of Dirhams	% Change	
Money Supply M₁(*)	379.6	431.4	436.1	456.9	459.7	469.5	464.1	460.8	457.0	-3.8	-0.8%	5.9%
<i>of which:</i>												
Currency Issued	63.9	66.6	74.5	69.3	70.8	71.5	72.5	72.7	70.3	-2.4	-3.3%	5.6%
Cash at Banks	13.5	12.5	15.5	13.1	13.9	13.3	13.7	14.4	13.1	-1.3	-9.0%	4.8%
Currency in Circulation Outside Banks	50.4	54.1	59	56.2	56.9	58.2	58.8	58.3	57.2	-1.1	-1.9%	5.7%
Monetary Deposits(**)	329.2	377.3	377.1	400.7	402.8	411.3	405.3	402.5	399.8	-2.7	-0.7%	6.0%
Money Supply M₂	1,056.8	1,130.7	1,141.1	1,178.8	1,168.0	1,185.6	1,190.0	1,184.7	1,175.0	-9.7	-0.8%	3.9%
<i>of which:</i>												
Quasi-Monetary Deposits(***)	677.2	699.3	705.0	721.9	708.3	716.1	725.9	723.9	718.0	-5.9	-0.8%	2.7%
Money Supply M₃	1,219.9	1,349.6	1,332.0	1,364.1	1,362.2	1,367.8	1,355.1	1,347.9	1,334.0	-13.9	-1.0%	-1.2%
<i>of which:</i>												
Government Deposits	163.1	218.9	190.9	185.3	194.2	182.2	165.1	163.2	159.0	-4.2	-2.6%	-27.4%

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 + Commercial Prepayments in Dirham + Resident Deposits in foreign currencies

Table 2. Contribution to Aggregate Money Supply

	Dec. 2013	Dec. 2014	March 2015	April 2015	May 2015	June 2015	July 2015	August 2015*		MoM		Contribution to Aggregate Growth ¹	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	459.7	469.5	464.1	460.8	457.0		-3.8	-0.8%		20.9	4.8%
Currency in Circulation Outside Banks	50.4	59.0	56.2	56.9	58.2	58.8	58.3	57.2	12.5%	-1.1	-1.9%	-0.24%	-1.8	-3.1%
Monetary Deposits	329.2	377.1	400.7	402.8	411.3	405.3	402.5	399.8	87.5%	-2.7	-0.7%	-0.59%	22.7	6.0%
Money Supply M₂	1,056.8	1,141.1	1,178.8	1,168.0	1,185.6	1,190.0	1,184.7	1,175.0		-9.7	-0.8%		33.9	3.0%
Currency in Circulation Outside Banks	50.4	59.0	56.2	56.9	58.2	58.8	58.3	57.2	4.9%	-1.1	-1.9%	-0.09%	-1.8	-3.1%
Monetary Deposits	329.2	377.1	400.7	402.8	411.3	405.3	402.5	399.8	34.0%	-2.7	-0.7%	-0.23%	22.7	6.0%
Quasi-Monetary Deposits	677.2	705.0	721.9	708.3	716.1	725.9	723.9	718.0	61.1%	-5.9	-0.8%	-0.50%	13.0	1.8%
Money Supply M₃	1,219.9	1,332.0	1,364.1	1,362.2	1,367.8	1,355.1	1,347.9	1,334.0		-13.9	-1.0%		2.0	0.2%
Currency in Circulation Outside Banks	50.4	59.0	56.2	56.9	58.2	58.8	58.3	57.2	4.3%	-1.1	-1.9%	-0.08%	-1.8	-3.1%
Monetary Deposits	329.2	377.1	400.7	402.8	411.3	405.3	402.5	399.8	30.0%	-2.7	-0.7%	-0.20%	22.7	6.0%
Quasi-Monetary Deposits	677.2	705.0	721.9	708.3	716.1	725.9	723.9	718.0	53.8%	-5.9	-0.8%	-0.44%	13.0	1.8%
Government Deposits	163.1	190.9	185.3	194.2	182.2	165.1	163.2	159.0	11.9%	-4.2	-2.6%	-0.31%	-31.9	-16.7%

* Estimates, subject to revision.

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 2013	December 2014	March 2015	April 2015	May 2015	June 2015	July 2015	August ¹⁾ 2015	Change in August 2015	
									In billions of Dirhams	% Change
Monetary Base	278.2	308.1	293.5	290.5	293.2	295.4	298.3	284.0	-14.3	-4.8%
Currency Issued*	63.9	74.5	69.3	70.8	71.5	72.5	72.7	70.3	-2.4	-3.3%
Banks' Required Reserves	87.8	104.1	105.6	107.1	109.2	109.5	110.7	110.9	0.2	0.2%
Banks' Excess Reserves	18.6	30.0	12.8	22.6	17.8	12.1	15.9	7.6	-8.3	-52.2%
Certificates of Deposit purchased by Banks (Net of Lending)	107.9	99.5	105.8	90.0	94.7	101.3	99.0	95.2	-3.8	-3.8%
Money Supply (M ₁)	379.6	436.1	456.9	459.7	469.5	464.1	460.8	457.0	-3.8	-0.8%
Money Multiplier of M₁ (M₁/Monetary Base)	1.36	1.42	1.56	1.58	1.60	1.57	1.54	1.61		
Money Supply (M ₂)	1,056.8	1,141.1	1,178.8	1,168.0	1,185.6	1,190.0	1,184.7	1,175.0	-9.7	-0.8%
Money Multiplier of M₂ (M₂/Monetary Base)	3.80	3.70	4.02	4.02	4.04	4.03	3.97	4.14		
Money Supply (M ₃)	1,219.9	1,332.0	1,364.1	1,362.2	1,367.8	1,355.1	1,347.9	1,334.0	-13.9	-1.0%
Money Multiplier of M₃ (M₃/Monetary Base)	4.38	4.32	4.65	4.69	4.67	4.59	4.52	4.70		

¹⁾ Estimates, subject to revision.

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