



UAE Monthly Monetary Survey August 2016

Monetary Developments (*)

M₁ increased by 0.7%, from AED 469.8 billion at the end of July to AED 473.3 billion at the end of August 2016. This increase was due to a 0.9% increase in Monetary Deposits (87% of **M₁**), overshadowing a 0.5% decrease in Currency in Circulation Outside Banks (13 % of **M₁**).

At the end of August 2016, **M₂** decreased by 0.6%, falling from AED 1191.2 billion at the end of July 2016 to AED 1183.9 billion. The reduction in **M₂** was attributed to a 10.8 billion reduction, i.e., 1.5% decrease in Quasi- Monetary Deposits (60% of **M₂**).

M₃ also decreased from AED 1364.3 billion at the end of July to AED 1357.1 billion at the end of August 2016. The reduction in **M₃** was primarily brought about by a reduced **M₂**, overshadowing the 0.1% rise in Government Deposits (12.8% of **M₃**).

In summary; during August 2016 **M₁** increased by 0.7% whereas, **M₂** and **M₃** decreased by 0.6% and 0.5%, 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 August 2016, the Monetary Base expanded by 1.1%, owing to a combined increase in; Currency Issued (23.7% of the Monetary Base) by 0.9% and Banks & OFCs' Excess Reserves (8.7% of the Monetary Base) by 30.1%, overshadowing the 1.4% decrease in Banks' Required Reserves (36.4% of the Monetary Base) and 1.9% decrease in Certificates of Deposits purchased by Banks (31.2% of the Monetary Base).

From the end of July 2016 to the end of August 2016, the multipliers of **M₂** and **M₃** decreased from 3.71 to 3.65 and from 4.25 to 4.18, respectively, reflecting that the growth of the monetary aggregates was slower than the growth of the Monetary Base. The multiplier of **M₁** remained constant at 1.46.

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

Table 1. UAE Monthly Monetary Survey (August 2016)

(End of period, billions of Dirhams)

	Dec. 2014	March 2015	June 2015	August 2015	Sept. 2015	Dec. 2015	March 2016	June 2016	July 2016	Aug. ¹ 2016	Change in August		Year on Year Change
											In billions of Dirhams	% Change	
Money Supply M₁^(*)	436.1	456.9	464.1	457	453.6	456.9	490.3	481.0	469.8	473.3	3.5	0.7%	3.6%
<i>of which:</i>													
Currency Issued	74.5	69.3	72.5	70.3	71.0	73.5	77.2	81.3	76.2	76.9	0.7	0.9%	9.4%
Cash at Banks	15.5	13.1	13.7	13.1	13.8	15.1	15.4	16.9	14.2	15.2	1.0	7.0%	16.0%
Currency in Circulation Outside Banks	59.0	56.2	58.8	57.2	57.2	58.4	61.8	64.4	62.0	61.7	-0.3	-0.5%	7.9%
Monetary Deposits ^(**)	377.1	400.7	405.3	399.8	396.4	398.5	428.5	416.6	407.8	411.6	3.8	0.9%	3.0%
Money Supply M₂^(*)	1,125.4	1,162.5	1,174.2	1,156.8	1,158.3	1,186.8	1,218.4	1,180.4	1,191.2	1,183.9	-7.3	-0.6%	2.3%
<i>of which:</i>													
Quasi-Monetary Deposits ^(***)	689.3	705.7	710.1	699.8	704.6	729.9	728.1	699.4	721.4	710.6	-10.8	-1.5%	1.5%
Money Supply M₃^(*)	1,314.5	1,346.0	1,337.6	1,314.0	1,322.0	1,342.8	1,373.8	1,364.8	1,364.3	1,357.1	-7.2	-0.5%	3.3%
<i>of which:</i>													
Government Deposits	189.1	183.5	163.4	157.2	163.7	156.0	155.4	184.4	173.1	173.2	0.1	0.1%	10.2%

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	March 2016	June 2016	July 2016	August 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	490.3	481.0	469.8	473.3		3.5	0.7%		16.4	3.6%
Currency in Circulation Outside Banks	50.4	59.0	58.4	61.8	64.4	62.0	61.7	13.0%	-0.3	-0.5%	-0.1%	3.3	5.7%
Monetary Deposits	329.2	377.1	398.5	428.5	416.6	407.8	411.6	87.0%	3.8	0.9%	0.8%	13.1	3.3%
Money Supply M₂	1,043.0	1,125.4	1,186.8	1,218.4	1,180.4	1,191.2	1,183.9		-7.3	-0.6%		-2.9	-0.2%
Currency in Circulation Outside Banks	50.4	59.0	58.4	61.8	64.4	62.0	61.7	5.2%	-0.3	-0.5%	-0.03%	3.3	5.7%
Monetary Deposits	329.2	377.1	398.5	428.5	416.6	407.8	411.6	34.8%	3.8	0.9%	0.3%	13.1	3.3%
Quasi-Monetary Deposits	663.4	689.3	729.9	728.1	699.4	721.4	710.6	60.0%	-10.8	-1.5%	-0.9%	-19.3	-2.6%
Money Supply M₃	1,204.5	1,314.5	1,342.8	1,373.8	1,364.8	1,364.3	1,357.1		-7.2	-0.5%		14.3	1.1%
Currency in Circulation Outside Banks	50.4	59.0	58.4	61.8	64.4	62.0	61.7	4.5%	-0.3	-0.5%	-0.02%	3.3	5.7%
Monetary Deposits	329.2	377.1	398.5	428.5	416.6	407.8	411.6	30.3%	3.8	0.9%	0.3%	13.1	3.3%
Quasi-Monetary Deposits	663.4	689.3	729.9	728.1	699.4	721.4	710.6	52.4%	-10.8	-1.5%	-0.8%	-19.3	-2.6%
Government Deposits	161.5	189.1	156.0	155.4	184.4	173.1	173.2	12.8%	0.1	0.1%		17.2	11.0%

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)

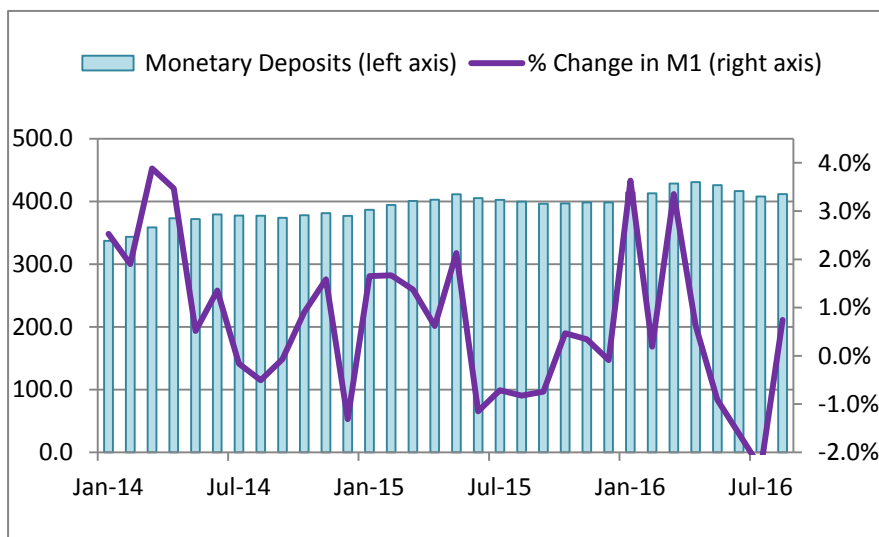
	December	December	December	March	June	July	August ¹	Change in August 2016	
	2013	2014	2015	2016	2016	2016	2016	In billions of Dirhams	% Change
Monetary Base	281.8	309.2	365.2	329.5	328.6	320.8	324.3	3.5	1.1%
Currency Issued*	63.9	74.5	73.5	77.2	81.3	76.2	76.9	0.7	0.9%
Banks' Required Reserves	87.8	104.1	111.9	113.5	118.5	119.9	118.2	-1.7	-1.4%
Banks & OFCs' Excess Reserves	22.2	31.1	40.0	23.4	19.7	21.6	28.1	6.5	30.1%
Certificates of Deposit purchased by Banks	107.9	99.5	139.8	115.4	109.1	103.1	101.1	-2.0	-1.9%
Money Supply (M ₁)	379.6	436.1	456.9	490.3	481.0	469.8	473.3	3.5	0.7%
Money Multiplier of M₁ (M₁/Monetary Base)	1.35	1.41	1.25	1.49	1.46	1.46	1.46		
Money Supply (M ₂)	1,043.0	1,125.4	1,186.8	1,218.4	1,180.4	1,191.2	1,183.9	-7.3	-0.6%
Money Multiplier of M₂ (M₂/Monetary Base)	3.70	3.64	3.25	3.70	3.59	3.71	3.65		
Money Supply (M ₃)	1,204.5	1,314.5	1,342.8	1,373.8	1,364.8	1,364.3	1,357.1	-7.2	-0.5%
Money Multiplier of M₃ (M₃/Monetary Base)	4.27	4.25	3.68	4.17	4.15	4.25	4.18		

¹ Estimates, subject to revision

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

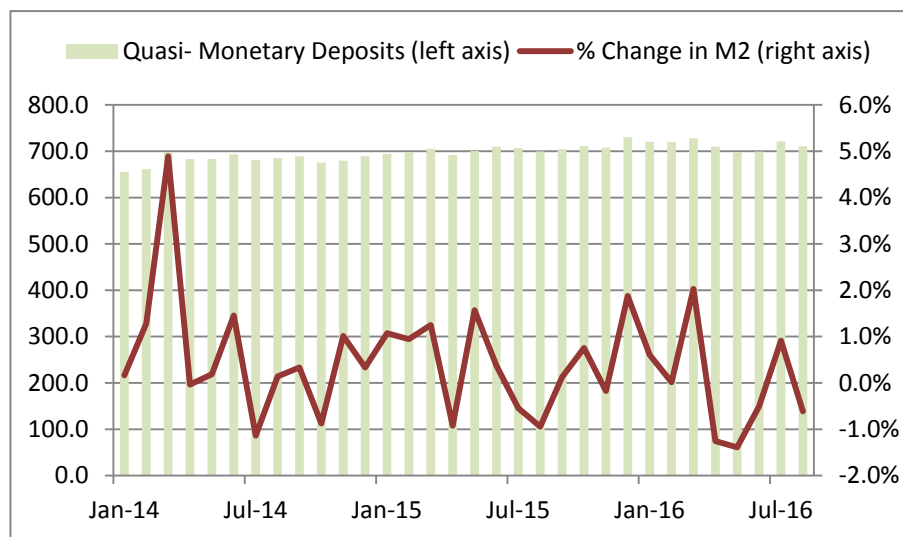
Money Supply M₁ increased by 0.7%, driven by a 0.9% increase in Monetary Deposits.

(bn AED, % month-on-month)



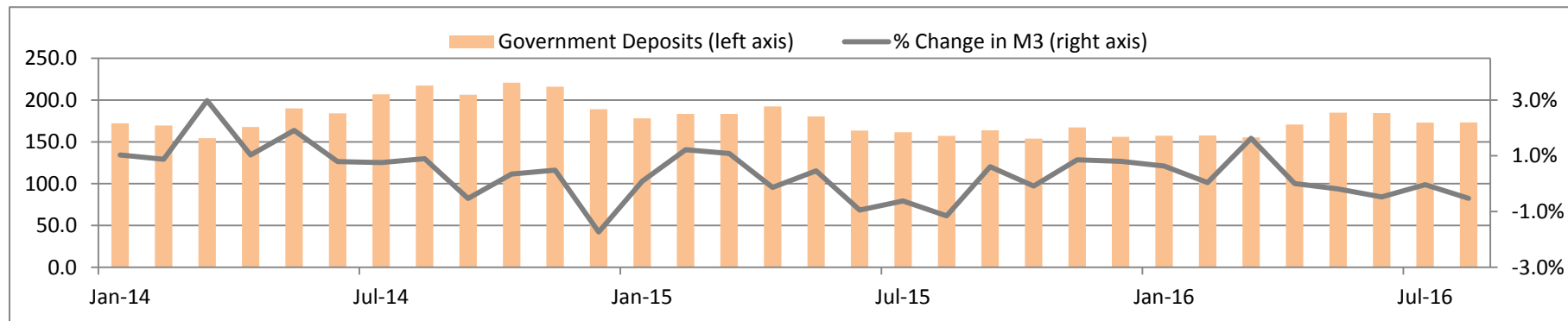
Money Supply M₂ decreased by 0.6%, due to a reduction of 1.5% in Quasi-Monetary Deposits.

(bn AED, % month-on-month)



Money Supply M₃ decreased by 0.5% due to a reduced M₂. However, Government Deposits increased by 0.1%.

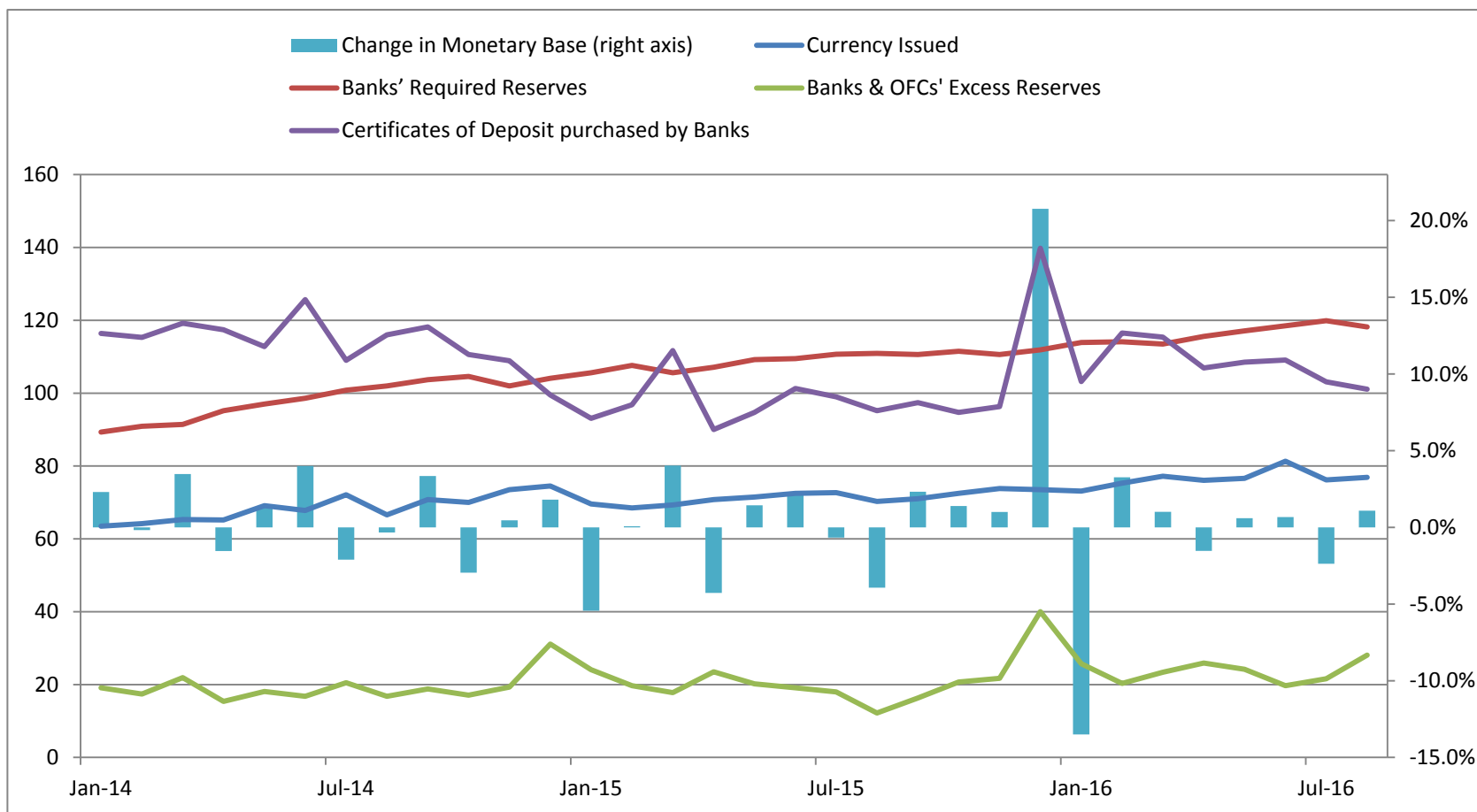
(bn AED, % month-on-month)



Source: RSD - CBUAE

Monetary Base expanded by 1.1% during August 2016.

(bn AED, % month-on-month)



Source: CBUAE