



# UAE Monthly Monetary Survey December 2016

## Monetary Developments (\*)

**M<sub>1</sub>** increased by 0.3%, from AED 472.6 billion at the end of November to AED 474 billion at the end of December 2016. This increase was due to a 0.5% increase in Monetary Deposits (86.9% of **M<sub>1</sub>**), overshadowing a 0.8% decrease in Currency in Circulation outside Banks (13.1% of **M<sub>1</sub>**),

At the end of December 2016, **M<sub>2</sub>** increased by 1%, rising from AED 1212.9 billion at the end of November to AED 1225.5 billion. **M<sub>2</sub>** mainly rose due to an 11.2 billion or 1.5% increase, in Quasi- Monetary Deposits (61.3% of **M<sub>2</sub>**).

**M<sub>3</sub>** also increased by 1.8%, from AED 1385.8 billion at the end of November to AED 1411.4 billion at the end of December 2016. **M<sub>3</sub>** primarily increased because of increased **M<sub>1</sub>** and **M<sub>2</sub>** and 7.5% increase in Government Deposits (13.2% of **M<sub>3</sub>**).

In summary, during December 2016 **M<sub>1</sub>**, **M<sub>2</sub>** and **M<sub>3</sub>** increased by 0.3%, 1% and 1.8%, 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 December 2016, the Monetary Base expanded by 7.8%. The Monetary Base expanded due to increases in; Certificates of Deposits purchased by Banks (32% of the Monetary Base) by 12.6%, Banks & OFC's Excess Reserves (10.5% of the Monetary Base) by 52.6% and in Banks' Required Reserves (34.6% of the Monetary Base) by 0.5%. This combined rise overshadowed a decrease in Currency Issued (23% of the Monetary Base) by 0.5%.

From the end of November 2016 to the end of December 2016, the multipliers of **M<sub>1</sub>**, **M<sub>2</sub>** and **M<sub>3</sub>** decreased from 1.51 to 1.40, from 3.87 to 3.62 and from 4.42 to 4.17 respectively, reflecting a greater growth of the monetary base compared to the growth in the Monetary Aggregates.

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

**Table 1. UAE Monthly Monetary Survey (December 2016)**

(End of period, billions of Dirhams)

	Dec 2014	Mar 2015	Jun 2015	Sep 2015	Dec 2015	Mar 2016	Jun 2016	Sep 2016	Nov 2016	Dec <sup>1</sup> 2016	Change in December		Year on Year Change
											In billions of Dirhams	% Change	
<b>Money Supply M<sub>1</sub><sup>(*)</sup></b>	<b>436.1</b>	<b>456.9</b>	<b>464.1</b>	<b>453.6</b>	<b>456.9</b>	<b>490.3</b>	<b>481</b>	<b>472.5</b>	<b>472.6</b>	<b>474.0</b>	<b>1.4</b>	<b>0.3%</b>	<b>3.7%</b>
<i>of which:</i>													
Currency Issued	74.5	69.3	72.5	71	73.5	77.2	81.3	77.3	78.0	77.6	-0.4	-0.5%	5.6%
Cash at Banks	15.5	13.1	13.7	13.8	15.1	15.4	16.9	15.5	15.2	15.3	0.1	0.7%	1.3%
Currency in Circulation Outside Banks	59.0	56.2	58.8	57.2	58.4	61.8	64.4	61.8	62.8	62.3	-0.5	-0.8%	6.7%
Monetary Deposits <sup>(**)</sup>	377.1	400.7	405.3	396.4	398.5	428.5	416.6	410.7	409.8	411.7	1.9	0.5%	3.3%
<b>Money Supply M<sub>2</sub><sup>(*)</sup></b>	<b>1125.40</b>	<b>1162.50</b>	<b>1174.20</b>	<b>1158.30</b>	<b>1186.80</b>	<b>1218.40</b>	<b>1180.40</b>	<b>1200.20</b>	<b>1212.90</b>	<b>1225.50</b>	<b>12.6</b>	<b>1.0%</b>	<b>3.3%</b>
<i>of which:</i>													
Quasi-Monetary Deposits <sup>(***)</sup>	689.3	705.7	710.1	704.6	729.9	728.1	699.4	727.7	740.3	751.5	11.2	1.5%	3.0%
<b>Money Supply M<sub>3</sub><sup>(*)</sup></b>	<b>1314.50</b>	<b>1346.00</b>	<b>1337.60</b>	<b>1322.00</b>	<b>1342.80</b>	<b>1373.80</b>	<b>1364.80</b>	<b>1368.60</b>	<b>1385.80</b>	<b>1411.40</b>	<b>25.6</b>	<b>1.8%</b>	<b>5.1%</b>
<i>of which:</i>													
Government Deposits	189.1	183.5	163.4	163.7	156	155.4	184.4	168.4	172.9	185.9	13.0	7.5%	19.2%

<sup>1</sup> Estimates, subject to revision

<sup>(\*)</sup> M<sub>1</sub> = Currency in Circulation Outside Banks (Currency Issued - Cash at banks) + Monetary Deposits

M<sub>2</sub> = M<sub>1</sub> + Quasi-Monetary Deposits

M<sub>3</sub> = M<sub>2</sub> + Government Deposits

<sup>(\*\*)</sup> **Monetary Deposits:** All short term deposits on which bank customer can withdraw without prior notice

<sup>(\*\*\*)</sup> **Quasi-Monetary Deposits:** Resident Time and Savings Deposits in Dirham + Resident Deposits in Foreign Currencies

**Table 2. Contribution to Aggregate Money Supply**

	Dec. 2014	Dec. 2015	Mar- 16	Jun- 16	Sep- 16	Nov- 16	December <sup>1</sup> 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
<b>Money Supply M<sub>1</sub></b>	<b>436.1</b>	<b>456.9</b>	<b>490.3</b>	<b>481</b>	<b>472.5</b>	<b>472.6</b>	<b>474.0</b>		<b>1.4</b>	<b>0.3%</b>		<b>17.1</b>	<b>3.7%</b>
Currency in Circulation Outside Banks	59.0	58.4	61.8	64.4	61.8	62.8	62.3	13.1%	-0.5	-0.8%	-0.10%	3.9	6.7%
Monetary Deposits	377.1	398.5	428.5	416.6	410.7	409.8	411.7	86.9%	1.9	0.5%	0.40%	13.2	3.3%
<b>Money Supply M<sub>2</sub></b>	<b>1125.4</b>	<b>1186.8</b>	<b>1218.4</b>	<b>1180.4</b>	<b>1200.2</b>	<b>1212.9</b>	<b>1225.5</b>		<b>12.6</b>	<b>1.0%</b>		<b>38.7</b>	<b>3.3%</b>
Currency in Circulation Outside Banks	59.0	58.4	61.8	64.4	61.8	62.8	62.3	5.1%	-0.5	-0.8%	-0.04%	3.9	6.7%
Monetary Deposits	377.1	398.5	428.5	416.6	410.7	409.8	411.7	33.6%	1.9	0.5%	0.16%	13.2	3.3%
Quasi-Monetary Deposits	689.3	729.9	728.1	699.4	727.7	740.3	751.5	61.3%	11.2	1.5%	0.93%	21.6	3.0%
<b>Money Supply M<sub>3</sub></b>	<b>1314.5</b>	<b>1342.8</b>	<b>1373.8</b>	<b>1364.8</b>	<b>1368.6</b>	<b>1385.8</b>	<b>1411.4</b>		<b>25.6</b>	<b>1.8%</b>		<b>68.6</b>	<b>5.1%</b>
Currency in Circulation Outside Banks	59.0	58.4	61.8	64.4	61.8	62.8	62.3	4.4%	-0.5	-0.8%	-0.04%	3.9	6.7%
Monetary Deposits	377.1	398.5	428.5	416.6	410.7	409.8	411.7	29.2%	1.9	0.5%	0.14%	13.2	3.3%
Quasi-Monetary Deposits	689.3	729.9	728.1	699.4	727.7	740.3	751.5	53.2%	11.2	1.5%	0.81%	21.6	3.0%
Government Deposits	189.1	156	155.4	184.4	168.4	172.9	185.9	13.2%	13.0	7.5%	0.99%	29.9	19.2%

<sup>1</sup> 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

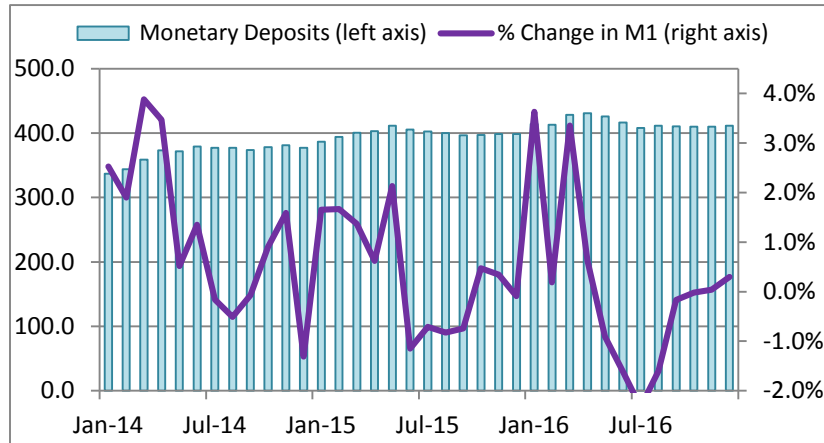
	December	December	March	June	Sep	Nov	Dec <sup>1</sup>	Change in December 2016	
	2014	2015	2016	2016	2016	2016	2016	In billions of Dirhams	% Change
<b>Monetary Base</b>	<b>309.2</b>	<b>365.2</b>	<b>329.5</b>	<b>328.6</b>	<b>325.5</b>	<b>313.6</b>	<b>338.1</b>	<b>24.5</b>	<b>7.8%</b>
Currency Issued*	74.5	73.5	77.2	81.3	77.3	78.0	77.6	-0.4	-0.5%
Banks' Required Reserves	104.1	111.9	113.5	118.5	118.2	116.3	116.9	0.6	0.5%
Banks & OFCs' Excess Reserves	31.1	40	23.4	19.7	26.2	23.2	35.4	12.2	52.6%
Certificates of Deposit purchased by Banks	99.5	139.8	115.4	109.1	103.8	96.1	108.2	12.1	12.6%
Money Supply (M <sub>1</sub> )	436.1	456.9	490.3	481	472.5	472.6	474.0	1.4	0.3%
<b>Money Multiplier of M<sub>1</sub> (M<sub>1</sub>/Monetary Base)</b>	<b>1.41</b>	<b>1.25</b>	<b>1.49</b>	<b>1.46</b>	<b>1.45</b>	<b>1.51</b>	<b>1.40</b>		
Money Supply (M <sub>2</sub> )	1125.4	1186.8	1218.4	1180.4	1200.2	1212.9	1225.5	12.6	1.0%
<b>Money Multiplier of M<sub>2</sub> (M<sub>2</sub>/Monetary Base)</b>	<b>3.64</b>	<b>3.25</b>	<b>3.7</b>	<b>3.59</b>	<b>3.69</b>	<b>3.87</b>	<b>3.62</b>		
Money Supply (M <sub>3</sub> )	1314.5	1342.8	1373.8	1364.8	1368.6	1385.8	1411.4	25.6	1.8%
<b>Money Multiplier of M<sub>3</sub> (M<sub>3</sub>/Monetary Base)</b>	<b>4.25</b>	<b>3.68</b>	<b>4.17</b>	<b>4.15</b>	<b>4.20</b>	<b>4.42</b>	<b>4.17</b>		

<sup>1</sup> Estimates, subject to revision

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

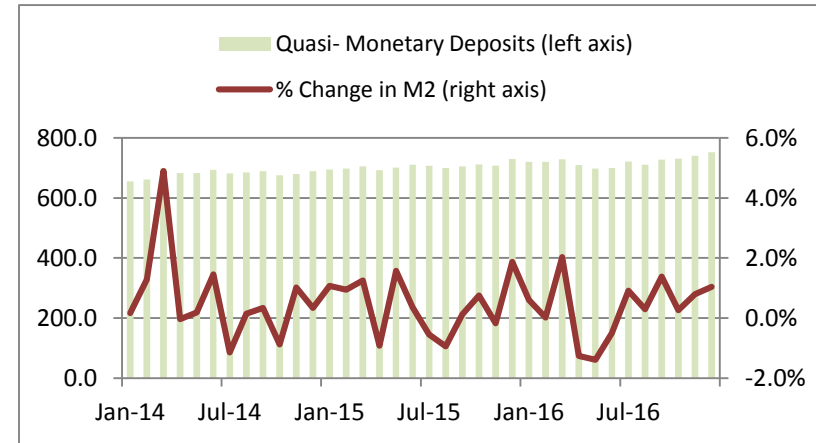
**Money Supply M<sub>1</sub> increased by 0.3%, driven by a 0.5% increase in Monetary Deposits.**

(bn. AED, % month-on-month)



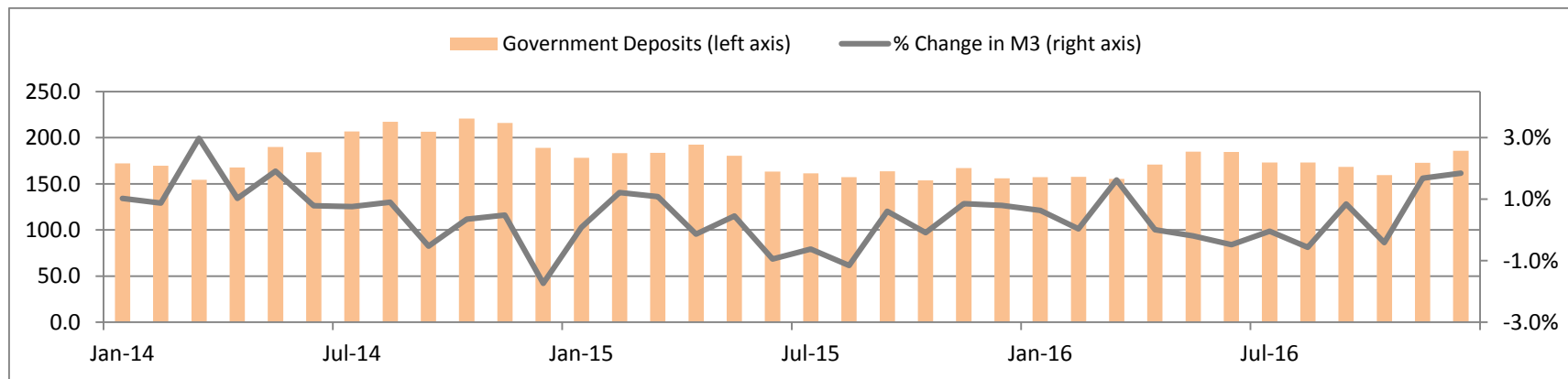
**Money Supply M<sub>2</sub> increased by 1%, due to an increase of 1.5% in Quasi-Monetary Deposits.**

(bn. AED, % month-on-month)



**Money Supply M<sub>3</sub> increased by 1.85% due to 7.5% increase in Government Deposits.**

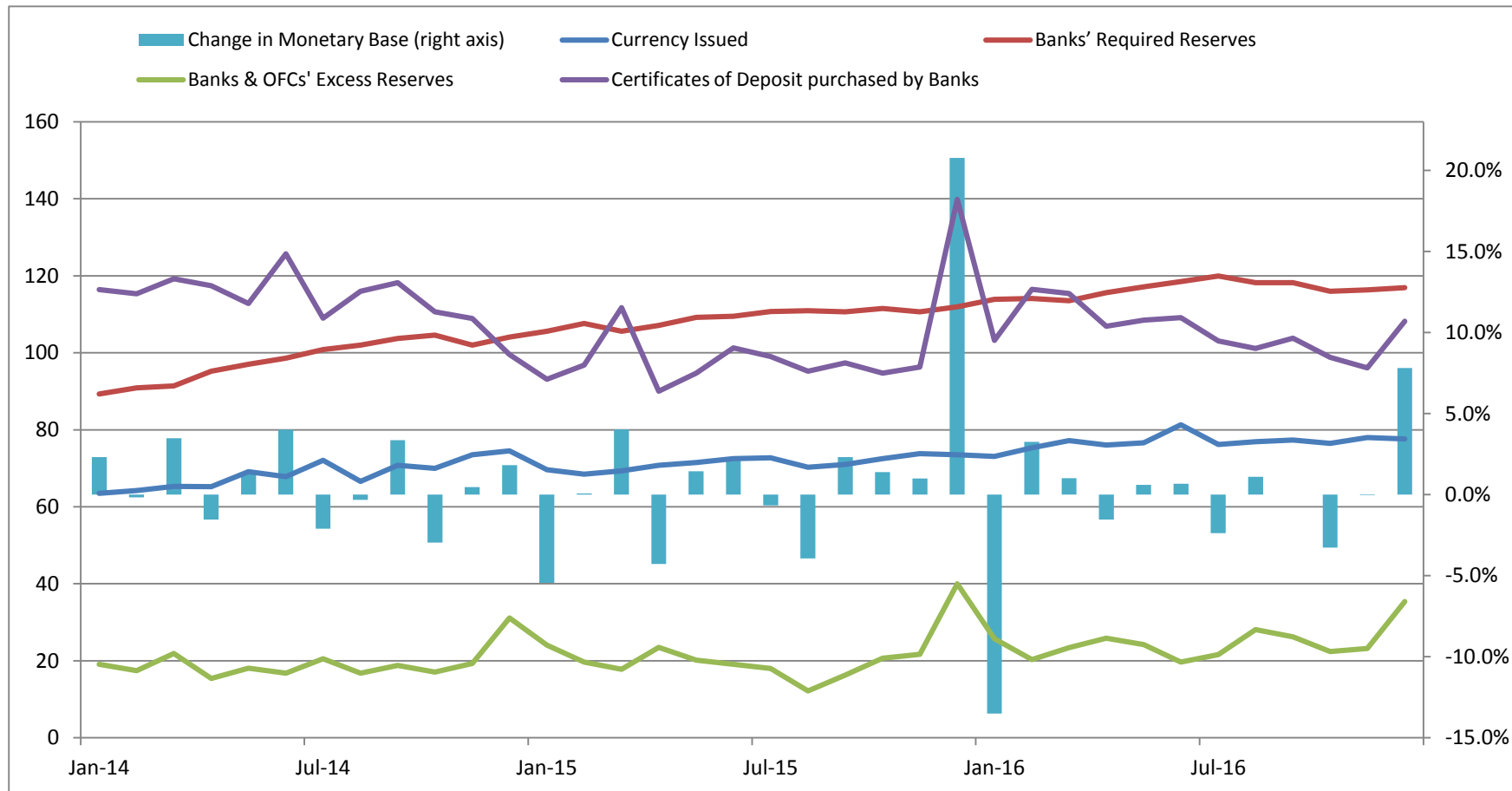
(bn. AED, % month-on-month)



Source: RSD - CBUAE

**Monetary Base** expanded by 7.8% during December 2016.

(bn. AED, % month-on-month)



Source: CBUAE