



UAE Monthly Monetary Survey December 2017

Monetary Developments (*)

M₁ increased by 0.4%, from AED 490.3 billion at the end of November 2017 to AED 492.4 billion at the end of December 2017. This increase was due to a 0.3% increase in Currency in Circulation outside Banks (13.7% of **M₁**) and a 0.4% increase in Monetary Deposits (86.3% of **M₁**).

At the end of December 2017, **M₂** also increased by 2.2%, rising from AED 1248.8 billion at the end of November to AED 1276.2 billion. **M₂** mainly increased due to an increased **M₁** and an AED 25.3 billion or 3.3% increase in Quasi- Monetary Deposits (61.4% of **M₂**).

M₃ decreased by 0.5%, from AED 1494.3 billion at the end of November 2017 to AED 1487.1 billion at the end of December 2017. **M₃** decreased because of an AED 34.6 billion or 14.1% fall in Government Deposits (14.2% of **M₃**), overshadowing the increases in **M₁** and **M₂**.

In summary, during December 2017, **M₁** and **M₂** increased by 0.4% and 2.2%, respectively. Whereas, **M₃** decreased by 0.5%.

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 December 2017, the Monetary Base expanded by 5.9%. The Monetary Base expanded mainly due to increases in; Currency Issued (22.6% of the Monetary Base) by 1.3%, Banks & OFC's Excess Reserves (9.4% of the Monetary Base) by 15.3% and Certificates of Deposits purchased by Banks (35.8% of the Monetary Base) by 15.9% , overshadowing reduction in Banks' Required Reserves (32.2% of the Monetary Base) by 2.6%.

From the end of November 2017 to the end of December 2017, the multipliers of **M₁**, **M₂** and **M₃** decreased from 1.38 to 1.30, from 3.50 to 3.38 and from 4.19 to 3.94, respectively.

The decreases in the multipliers of **M₁** and **M₂** reflect slower increases in their respective Monetary Aggregates, in contrast to the larger expansion of the monetary base. The decrease in the multiplier of **M₃** reflects reduction in its Monetary Aggregate and a greater expansion of the monetary base.

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

Table1. UAE Monthly Monetary Survey With Contribution to Aggregate Money Supply (December 2017)

(End of period, billions of Dirhams)

	Dec-14	Dec-15	Dec-16	Mar-17	Jun-17	Sep-17	Nov-17	Dec ¹ 2017		MoM		Contribution to Aggregate Growth ²	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	504.4	507.1	488.9	490.3	492.4		2.1	0.4%		18.3	3.9%
Currency Issued	74.5	73.5	77.6	80.1	83.9	78.3	84.3	85.4		1.1	1.3%		7.8	10.1%
Cash at Banks	15.5	15.1	15.3	14.7	16.5	13.9	16.8	17.7		0.9	5.4%		2.4	15.7%
Currency in Circulation Outside Banks	59.0	58.4	62.3	65.4	67.4	64.4	67.5	67.7	13.7%	0.2	0.3%	0.04%	5.4	8.7%
Monetary Deposits**	377.1	398.5	411.8	439.0	439.7	424.5	422.8	424.7	86.3%	1.9	0.4%	0.4%	12.9	3.1%
Money Supply M₂*	1125.4	1186.8	1225.5	1272.2	1267.1	1257.2	1248.8	1276.2		27.4	2.2%		50.7	4.1%
Currency in Circulation Outside Banks	59.0	58.4	62.3	65.4	67.4	64.4	67.5	67.7	5.3%	0.2	0.3%	0.02%	5.4	8.7%
Monetary Deposits**	377.1	398.5	411.8	439.0	439.7	424.5	422.8	424.7	33.3%	1.9	0.4%	0.1%	12.9	3.1%
Quasi-Monetary Deposits***	689.3	729.9	751.4	767.8	760.0	768.3	758.5	783.8	61.4%	25.3	3.3%	2.0%	32.4	4.3%
Money Supply M₃*	1314.5	1342.8	1411.4	1465.8	1463.1	1458.0	1494.3	1487.1		-7.2	-0.5%		75.7	5.4%
Currency in Circulation Outside Banks	59.0	58.4	62.3	65.4	67.4	64.4	67.5	67.7	4.6%	0.2	0.3%	0.01%	5.4	8.7%
Monetary Deposits	377.1	398.5	411.8	439.0	439.7	424.5	422.8	424.7	28.6%	1.9	0.4%	0.1%	12.9	3.1%
Quasi-Monetary Deposits**	689.3	729.9	751.4	767.8	760.0	768.3	758.5	783.8	52.7%	25.3	3.3%	1.8%	32.4	4.3%
Government Deposits***	189.1	156.0	185.9	193.6	196.0	200.8	245.5	210.9	14.2%	-34.6	-14.1%	-2.0%	25.0	13.4%

¹Estimates, subject to revision

²Contribution 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

^(*) 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. Money Multiplier in the UAE

(End of period, billions of Dirhams)

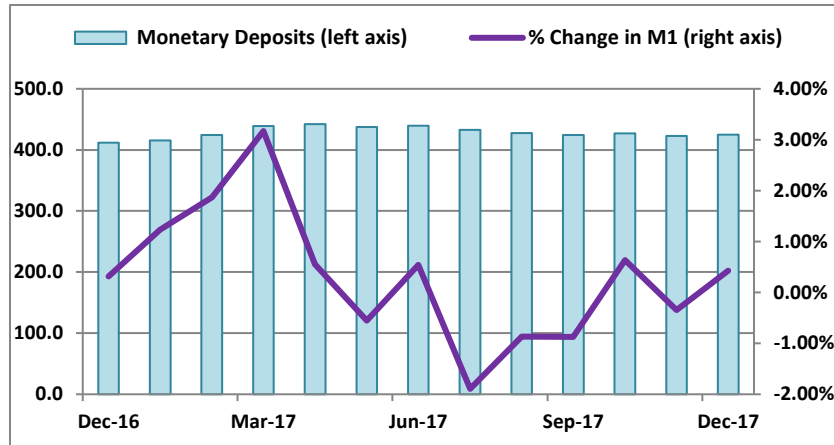
	Dec	Dec	Dec	March	June	Sep	Nov	Dec ¹	Change in December 2017	
	2014	2015	2016	2017	2017	2017	2017	2017	In billions of Dirhams	% Change
Monetary Base	309.2	365.2	338.1	351.5	355.0	358.7	356.4	377.4	21.0	5.9%
Currency Issued*	74.5	73.5	77.6	80.1	83.9	78.3	84.3	85.4	1.1	1.3%
Banks' Required Reserves	104.1	111.9	116.9	119.9	125.5	122.4	124.7	121.4	-3.3	-2.6%
Banks & OFCs' Excess Reserves	31.1	40	35.4	36.2	42.8	31.4	30.8	35.5	4.7	15.3%
Certificates of Deposit purchased by Banks	99.5	139.8	108.2	115.3	102.9	126.6	116.6	135.1	18.5	15.9%
Money Supply (M ₁)	436.1	456.9	474.1	504.4	507.1	488.9	490.3	492.4	2.1	0.4%
Money Multiplier of M₁ (M₁/Monetary Base)	1.41	1.25	1.40	1.43	1.43	1.36	1.38	1.30		
Money Supply (M ₂)	1125.4	1186.8	1225.5	1272.2	1267.1	1257.2	1248.8	1276.2	27.4	2.2%
Money Multiplier of M₂ (M₂/Monetary Base)	3.64	3.25	3.62	3.62	3.57	3.50	3.50	3.38		
Money Supply (M ₃)	1314.5	1342.8	1411.4	1465.8	1463.1	1458.0	1494.3	1487.1	-7.2	-0.5%
Money Multiplier of M₃ (M₃/Monetary Base)	4.25	3.68	4.17	4.17	4.12	4.06	4.19	3.94		

¹ Estimates, subject to revision

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

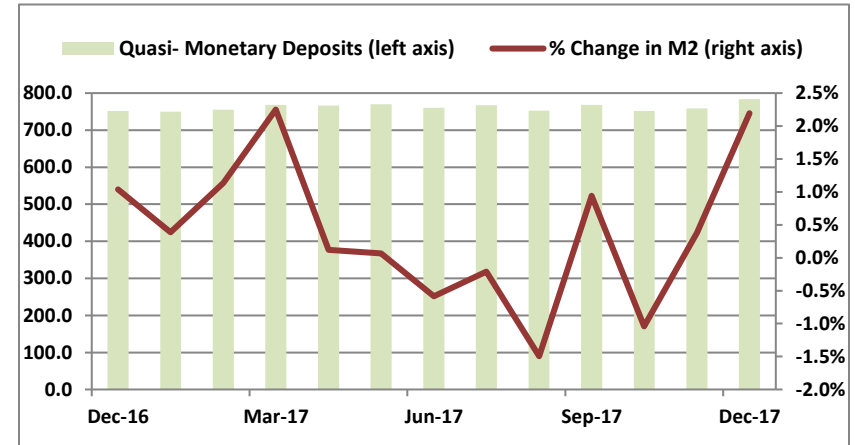
Money Supply M₁ increased by 0.4%, driven by 0.4% increase in Monetary Deposits.

(bn AED, % month-on-month)



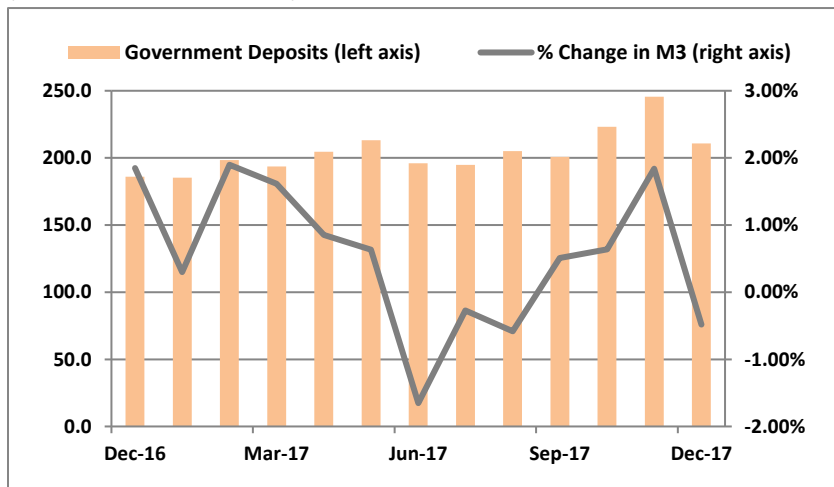
Money Supply M₂ increased by 2.2% due to an increased M₁ and 3.3% increase in Quasi-Monetary Deposits.

(bn AED, % month-on-month)



Money Supply M₃ decreased by 0.5%, due to a 14.1% fall in Government Deposits.

(bn AED, % month-on-month)



Monetary Base expanded by 5.9% during December 2017.

(bn AED, % month-on-month)

