



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

UAE Monthly Monetary Survey February 2016

Monetary Developments (*)

M_1 increased by 0.2%, from AED 473.5 billion at the end of January to AED 474.4 billion at the end of February 2016. This increase was mainly due to a 3.4% increase in Currency in Circulation outside Banks (12.9% of M_1), overshadowing a 0.3% reduction in Monetary Deposits (87.1% of M_1).

At the end of February 2016, M_2 remained constant at AED 1,212.5 billion.

M_3 also increased by 0.02%, rising from AED 1,371.6 billion at the end of January to AED 1,371.9 billion at the end of February 2016. The increase in M_3 was brought about by the increase in M_1 and an increase of 0.2% in Government Deposits (11.6% of M_3).

In February 2016, M_1 and M_3 increased by 0.2% and 0.02%, respectively, whereas, M_2 remained constant.

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 February 2016, the Monetary Base expanded by 3.1% owing to a combined increase in; Certificates of Deposits purchased by Banks – Net of Lending (36.3 % of the Monetary Base) by 12.9% , Currency Issued (23.5% of the Monetary Base) by 3% and Banks' Required Reserves (35.6% of the Monetary Base) increased by 0.2%. However, the 29.7% reduction in Banks' Excess Reserves (4.6% of the Monetary Base) somewhat restricted the Monetary Base expansion.

From the end of January 2016 to the end of February 2016, the multipliers of M_1 , M_2 and M_3 decreased from 1.52 to 1.48, from 3.90 to 3.78 and from 4.41 to 4.28, respectively, reflecting smaller growth of the monetary aggregates compared to the growth of the monetary base.

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

Table 1. UAE Monthly Monetary Survey (February 2016)

(End of period, billions of Dirhams)

	December 2014	January 2015	February 2015	March 2015	June 2015	September 2015	December 2015	January 2016	February ¹ 2016	Change in Feb.		Year on Year Change
										In billions of Dirhams	% Change	
Money Supply M₁(*)	436.1	443.3	450.7	456.9	464.1	453.6	457.0	473.5	474.4	0.9	0.2%	5.3%
<i>of which:</i>												
Currency Issued	74.5	69.6	68.5	69.3	72.5	71.0	73.5	73.1	75.3	2.2	3.0%	9.9%
Cash at Banks	15.5	13.0	12.0	13.1	13.7	13.8	15.1	13.7	13.9	0.2	1.5%	15.8%
Currency in Circulation Outside Banks	59.0	56.6	56.5	56.2	58.8	57.2	58.4	59.4	61.4	2.0	3.4%	8.7%
Monetary Deposits(**)	377.1	386.7	394.2	400.7	405.3	396.4	398.6	414.1	413.0	-1.1	-0.3%	4.8%
Money Supply M₂	1,141.1	1,153.1	1,164.1	1,178.8	1,190.0	1,176.4	1,204.4	1,212.5	1,212.5	0.0	0.00%	4.2%
<i>of which:</i>												
Quasi-Monetary Deposits(***)	705.0	709.8	713.4	721.9	725.9	722.8	747.4	739.0	738.1	-0.9	-0.1%	3.5%
Money Supply M₃	1,332.0	1,333.0	1,349.3	1,364.1	1,355.1	1,341.9	1,363.6	1,371.6	1,371.9	0.3	0.02%	1.7%
<i>of which:</i>												
Government Deposits	190.9	179.9	185.2	185.3	165.1	165.5	159.2	159.1	159.4	0.3	0.2%	-13.9%

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	June 2015	Sep. 2015	Dec. 2015	Jan. 2016	February ¹ 2016		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	379.6	436.1	456.9	464.1	453.6	457.0	473.5	474.4		0.9	0.2%		17.4	3.8%
Currency in Circulation Outside Banks	50.4	59.0	56.2	58.8	57.2	58.4	59.4	61.4	12.9%	2.0	3.4%	0.4%	3.0	5.1%
Monetary Deposits	329.2	377.1	400.7	405.3	396.4	398.6	414.1	413.0	87.1%	-1.1	-0.3%	-0.2%	14.4	3.6%
Money Supply M₂	1,056.8	1,141.1	1,178.8	1,190.0	1,176.4	1,204.4	1,212.5	1,212.5		0.0	0.0%		8.1	0.7%
Currency in Circulation Outside Banks	50.4	59.0	56.2	58.8	57.2	58.4	59.4	61.4	5.1%	2.0	3.4%	0.2%	3.0	5.1%
Monetary Deposits	329.2	377.1	400.7	405.3	396.4	398.6	414.1	413.0	34.0%	-1.1	-0.3%	-0.1%	14.4	3.6%
Quasi-Monetary Deposits	677.2	705.0	721.9	725.9	722.8	747.4	739.0	738.1	60.9%	-0.9	-0.1%	-0.1%	-9.3	-1.2%
Money Supply M₃	1,219.9	1,332.0	1,364.1	1,355.1	1,341.9	1,363.6	1,371.6	1,371.9		0.3	0.02%		8.3	0.6%
Currency in Circulation Outside Banks	50.4	59.0	56.2	58.8	57.2	58.4	59.4	61.4	4.5%	2.0	3.4%	0.2%	3.0	5.1%
Monetary Deposits	329.2	377.1	400.7	405.3	396.4	398.6	414.1	413.0	30.1%	-1.1	-0.3%	-0.1%	14.4	3.6%
Quasi-Monetary Deposits	677.2	705.0	721.9	725.9	722.8	747.4	739.0	738.1	53.8%	-0.9	-0.1%	-0.1%	-9.3	-1.2%
Government Deposits	163.1	190.9	185.3	165.1	165.5	159.2	159.1	159.4	11.6%	0.3	0.2%	0.02%	0.2	0.1%

¹ Estimates, subject to revision

² 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)

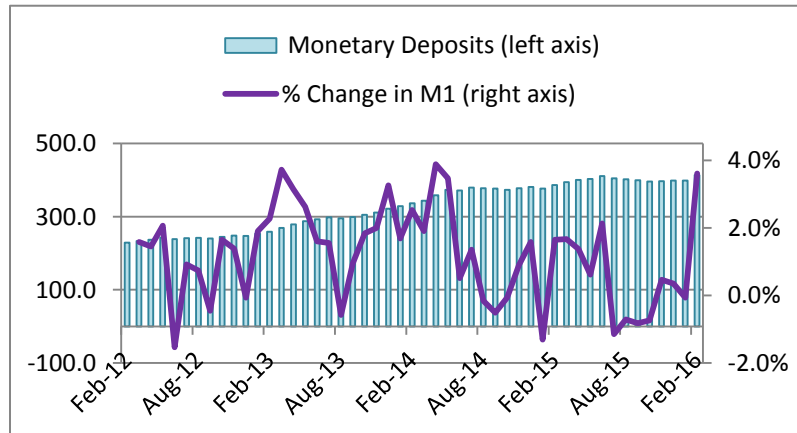
	December	December	March	June	September	October	November	December	January	February ¹	Change in February 2016	
	2013	2014	2015	2015	2015	2015	2015	2015	2016	2016	In billions of Dirhams	% Change
Monetary Base	278.2	308.1	293.5	295.4	288.6	298.1	299.3	364.5	311.1	320.6	9.5	3.1%
Currency Issued*	63.9	74.5	69.3	72.5	71.0	72.5	73.8	73.5	73.1	75.3	2.2	3.0%
Banks' Required Reserves	87.8	104.1	105.6	109.5	110.6	111.5	110.6	111.9	113.9	114.1	0.2	0.2%
Banks' Excess Reserves	18.6	30.0	12.8	12.1	9.6	19.4	18.6	39.3	20.9	14.7	-6.2	-29.7%
Certificates of Deposit purchased by Banks (Net of Lending)	107.9	99.5	105.8	101.3	97.4	94.7	96.3	139.8	103.2	116.5	13.3	12.9%
Money Supply (M ₁)	379.6	436.1	456.9	464.1	453.6	455.7	457.3	457.0	473.5	474.4	0.9	0.2%
Money Multiplier of M₁ (M₁/Monetary Base)	1.36	1.42	1.56	1.57	1.57	1.53	1.53	1.25	1.52	1.48		
Money Supply (M ₂)	1,056.8	1,141.1	1,178.8	1,190.0	1,176.4	1,185.1	1,182.9	1,204.4	1,212.5	1,212.5	0.0	0.0%
Money Multiplier of M₂ (M₂/Monetary Base)	3.80	3.70	4.02	4.03	4.08	3.98	3.95	3.30	3.90	3.78		
Money Supply (M ₃)	1,219.9	1,332.0	1,364.1	1,355.1	1,341.9	1,340.8	1,351.9	1,363.6	1,371.6	1,371.9	0.3	0.02%
Money Multiplier of M₃ (M₃/Monetary Base)	4.38	4.32	4.65	4.59	4.65	4.50	4.52	3.74	4.41	4.28		

¹ Estimates, subject to revision

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

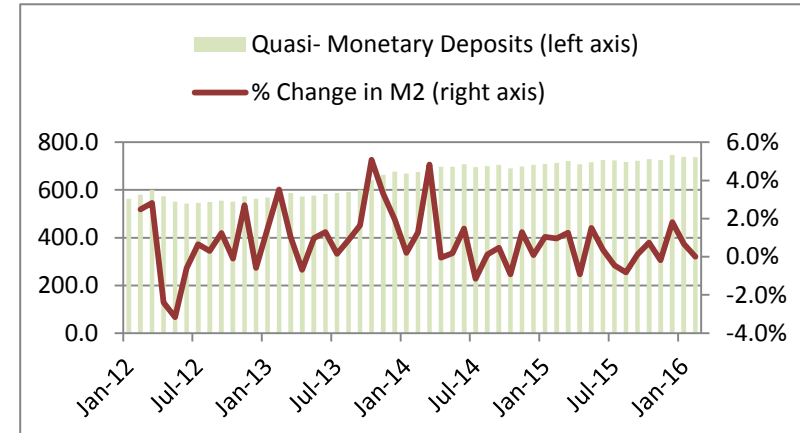
Money Supply M₁ increased by 0.2%, driven by a 3.4% rise in Currency in Circulation Outside Banks.

(bn AED, % month-on-month)



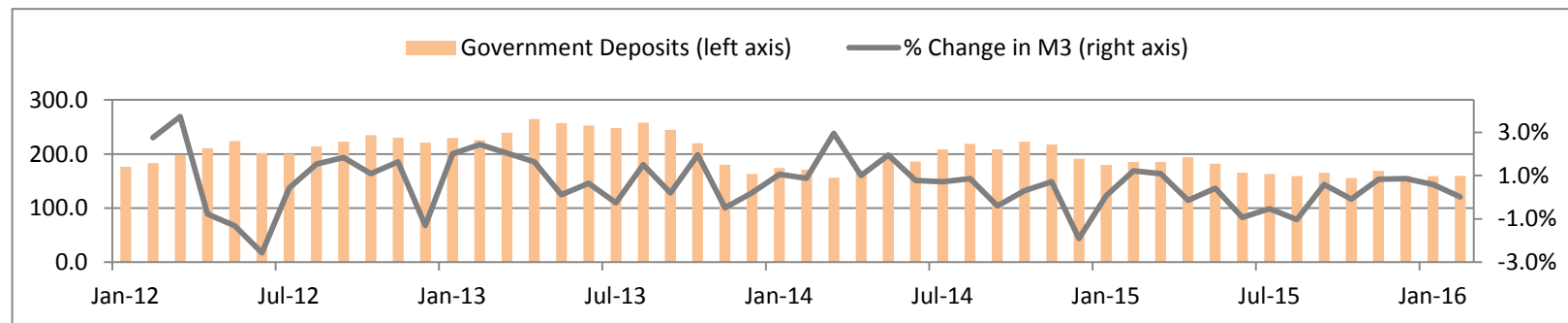
Money Supply M₂ remained constant.

(bn AED, % month-on-month)



Money Supply M₃ increased by 0.02%, owing to a 0.2% increase in Government Deposits.

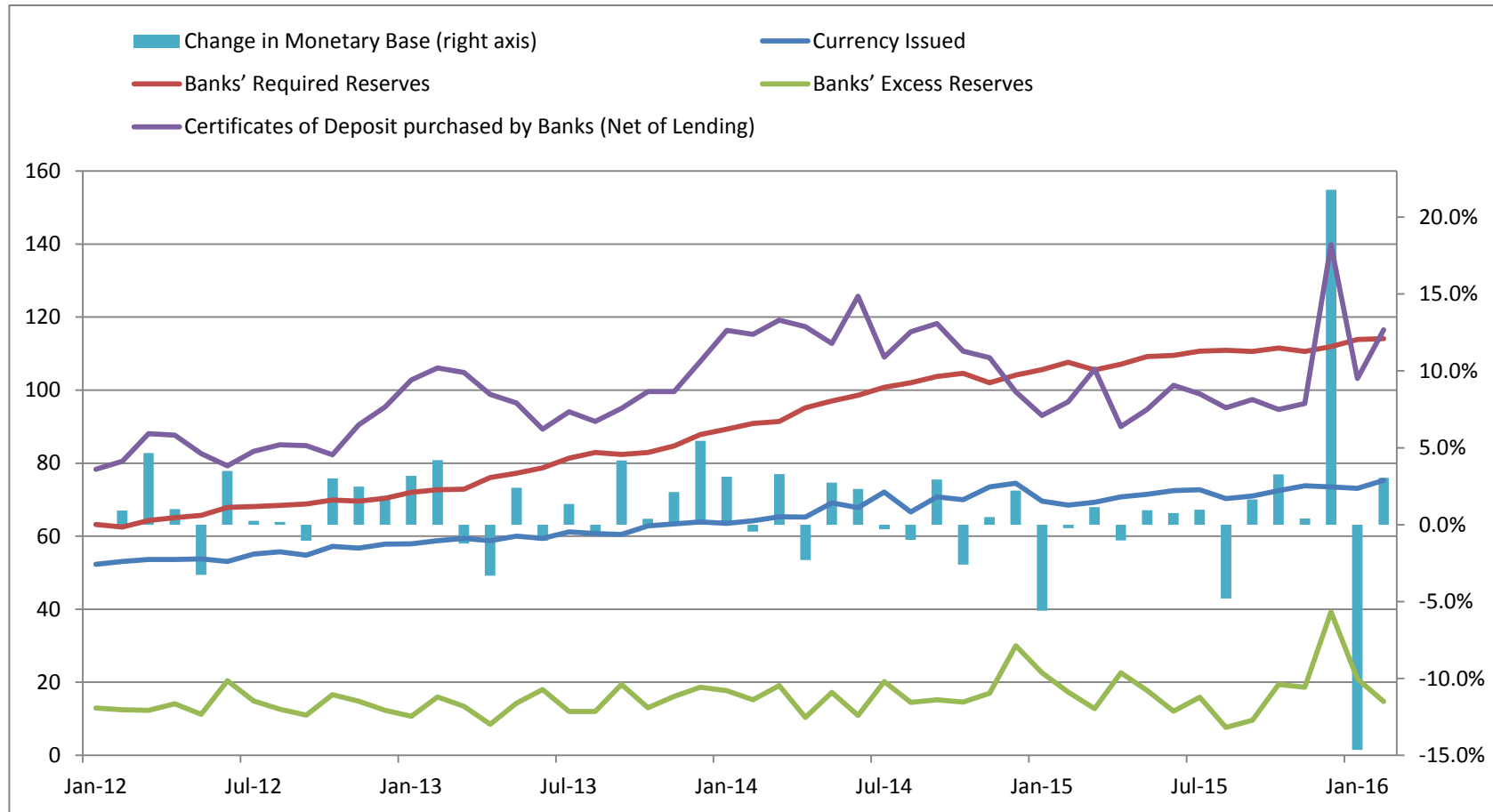
(bn AED, % month-on-month)



Source: RSD - CBUAE

Monetary Base expanded by 3.1% during February 2016.

(bn AED, % month-on-month)



Source: CBUAE