



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

UAE Monthly Monetary Survey January 2016

Monetary Developments (*)

M_1 increased by 3.6%, from AED 457.0 billion at the end of December 2015 to AED 473.5 billion at the end of January 2016. This increase was mainly due to a 1.7% increase in Currency in Circulation outside Banks (12.5% of M_1) and a 3.9% increase in Monetary Deposits (87.5% of M_1).

M_2 increased by 0.7 %, rising from AED 1,204.4 billion at the end of December 2015 to AED 1,212.5 billion at the end of January 2016. This increase in M_2 was mainly driven by the increase in M_1 .

M_3 also increased by 0.6%, rising from AED 1,363.6 billion at the end of December 2015 to AED 1,371.6 billion at the end of January 2016. The increase in M_3 was brought about by the increase in M_1 and M_2 , despite a decrease of 0.1% in Government Deposits (11.6% of M_3).

In January 2016, M_1 , M_2 and M_3 increased by 3.6%, 0.7% and 0.6%, 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 2).

During the month of January 2016, the Monetary Base contracted by 14.7% owing to a combined reduction in; Banks' Excess Reserves (6.7% of the Monetary Base) by 46.8%, Certificates of Deposits purchased by Banks – Net of Lending (33.2% of the Monetary Base) by 26.2% and Currency Issued (23.5% of the Monetary Base) by 0.5%. Whereas, Banks' Required Reserves (36.6% of the Monetary Base) increased by 1.8%.

From the end of December 2015 to the end of January 2016, the multipliers of M_1 , M_2 and M_3 increased from 1.25 to 1.52, from 3.30 to 3.90. and from 3.74 to 4.41, respectively.

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

Table 1. UAE Monthly Monetary Survey (January 2016)

(End of period, billions of Dirhams)

	December 2014	January 2015	March 2015	June 2015	September 2015	December 2015	January ¹ 2016	Change in Jan.		Year on Year Change
								In billions of Dirhams	% Change	
Money Supply M₁(*)	436.1	443.3	456.9	464.1	453.6	457.0	473.5	16.5	3.6%	6.8%
<i>of which:</i>										
Currency Issued	74.5	69.6	69.3	72.5	71.0	73.5	73.1	-0.4	-0.5%	5.0%
Cash at Banks	15.5	13.0	13.1	13.7	13.8	15.1	13.7	-1.4	-9.3%	5.4%
Currency in Circulation Outside Banks	59.0	56.6	56.2	58.8	57.2	58.4	59.4	1.0	1.7%	4.9%
Monetary Deposits(**)	377.1	386.7	400.7	405.3	396.4	398.6	414.1	15.5	3.9%	7.1%
Money Supply M₂	1,141.1	1,153.1	1,178.8	1,190.0	1,176.4	1,204.4	1,212.5	8.1	0.7%	5.2%
<i>of which:</i>										
Quasi-Monetary Deposits(***)	705.0	709.8	721.9	725.9	722.8	747.4	739.0	-8.4	-1.1%	4.1%
Money Supply M₃	1,332.0	1,333.0	1,364.1	1,355.1	1,341.9	1,363.6	1,371.6	8.0	0.6%	2.9%
<i>of which:</i>										
Government Deposits	190.9	179.9	185.3	165.1	165.5	159.2	159.1	-0.1	-0.1%	-11.6%

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	Sept. 2015	Dec. 2015	January 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		16.5	3.6%		16.5	3.6%
Currency in Circulation Outside Banks	50.4	59.0	56.2	58.8	57.2	58.4	59.4	12.5%	1.0	1.7%	0.2%	1.0	1.7%
Monetary Deposits	329.2	377.1	400.7	405.3	396.4	398.6	414.1	87.5%	15.5	3.9%	3.4%	15.5	3.9%
Money Supply M₂	1,056.8	1,141.1	1,178.8	1,190.0	1,176.4	1,204.4	1,212.5		8.1	0.7%		8.1	0.7%
Currency in Circulation Outside Banks	50.4	59.0	56.2	58.8	57.2	58.4	59.4	4.9%	1.0	1.7%	0.1%	1.0	1.7%
Monetary Deposits	329.2	377.1	400.7	405.3	396.4	398.6	414.1	34.2%	15.5	3.9%	1.3%	15.5	3.9%
Quasi-Monetary Deposits	677.2	705.0	721.9	725.9	722.8	747.4	739.0	60.9%	-8.4	-1.1%	-0.7%	-8.4	-1.1%
Money Supply M₃	1,219.9	1,332.0	1,364.1	1,355.1	1,341.9	1,363.6	1,371.6		8.0	0.6%		8.0	0.6%
Currency in Circulation Outside Banks	50.4	59.0	56.2	58.8	57.2	58.4	59.4	4.3%	1.0	1.7%	0.1%	1.0	1.7%
Monetary Deposits	329.2	377.1	400.7	405.3	396.4	398.6	414.1	30.2%	15.5	3.9%	1.2%	15.5	3.9%
Quasi-Monetary Deposits	677.2	705.0	721.9	725.9	722.8	747.4	739.0	53.9%	-8.4	-1.1%	-0.6%	-8.4	-1.1%
Government Deposits	163.1	190.9	185.3	165.1	165.5	159.2	159.1	11.6%	-0.1	-0.1%	0.0%	-0.1	-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)

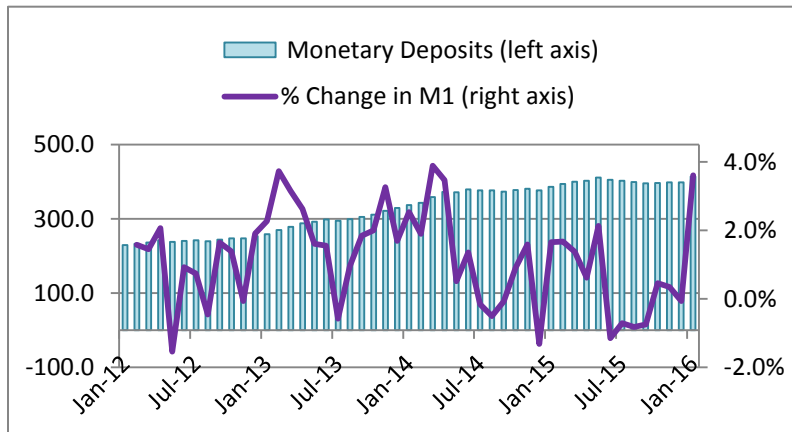
	December	December	March	June	September	October	November	December	January ¹	Change in January 2016	
	2013	2014	2015	2015	2015	2015	2015	2015	2016	In billions of Dirhams	% Change
Monetary Base	278.2	308.1	293.5	295.4	288.6	298.1	299.3	364.5	311.1	-53.4	-14.7%
Currency Issued*	63.9	74.5	69.3	72.5	71.0	72.5	73.8	73.5	73.1	-0.4	-0.5%
Banks' Required Reserves	87.8	104.1	105.6	109.5	110.6	111.5	110.6	111.9	113.9	2.0	1.8%
Banks' Excess Reserves	18.6	30.0	12.8	12.1	9.6	19.4	18.6	39.3	20.9	-18.4	-46.8%
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	-36.6	-26.2%
Money Supply (M ₁)	379.6	436.1	456.9	464.1	453.6	455.7	457.3	457.0	473.5	16.5	3.6%
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		
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	8.1	0.7%
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		
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	8.0	0.6%
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		

¹ Estimates, subject to revision

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

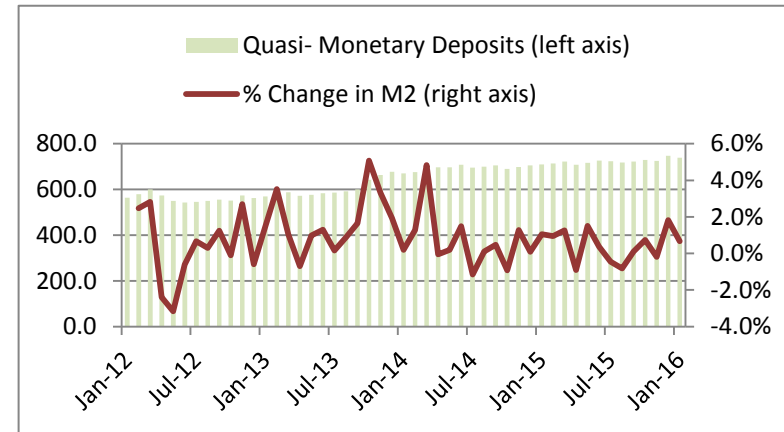
Money Supply M_1 increased by 3.6%, driven by a 1.7% & 3.9% increase in Currency in Circulation Outside Banks and Monetary Deposits, respectively.

(bn AED, % month-on-month)



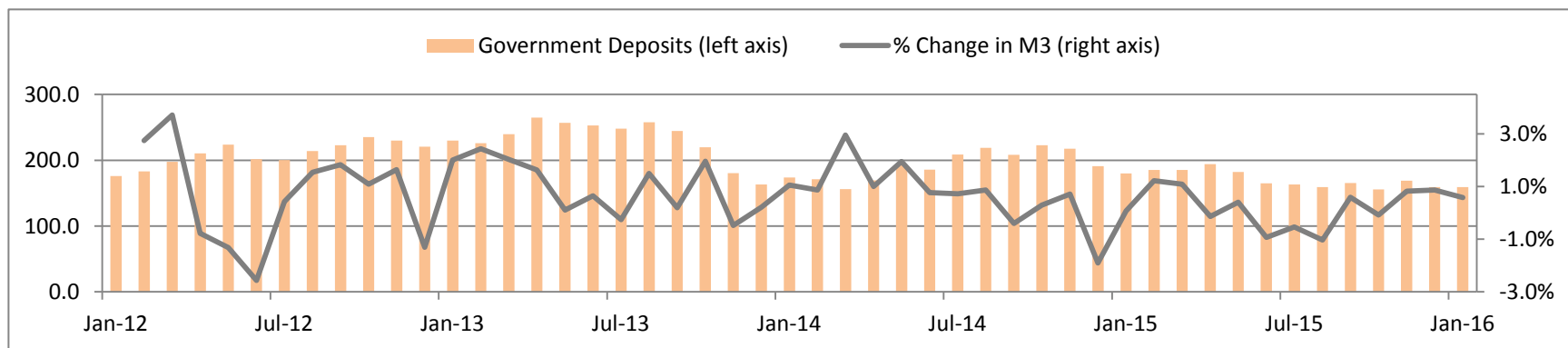
Money Supply M_2 rose by 0.7% due to an increase in M_1 .

(bn AED, % month-on-month)



Money Supply M_3 rose by 0.6%, owing to the increase in M_1 & M_2 .

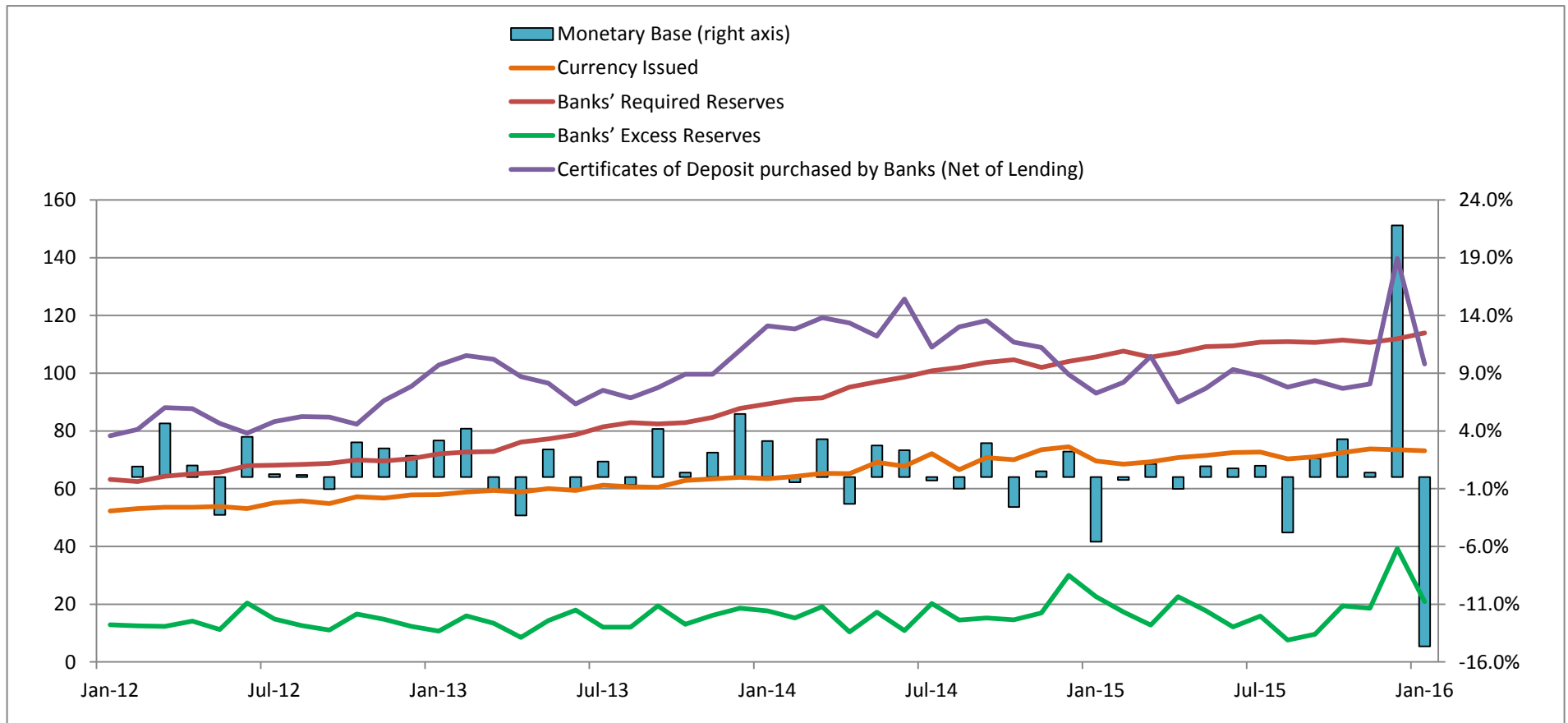
(bn AED, % month-on-month)



Source: RSD - CBUAE

Monetary Base contracted by 14.7% during January 2016.

(bn AED, % month-on-month)



Source: CBUAE