



# UAE Monthly Monetary Survey January 2017

## Monetary Developments (\*)

**M<sub>1</sub>** increased by 1.3%, from AED 474 billion at the end of December to AED 479.9 billion at the end of January 2017. This increase was due to a 3.1% increase in Currency in Circulation outside Banks (13.4% of **M<sub>1</sub>**) and a 1% increase in Monetary Deposits (86.6% of **M<sub>1</sub>**).

At the end of January 2017, **M<sub>2</sub>** increased by 0.4%, rising from AED 1225.5 billion at the end of December to AED 1230.2 billion. **M<sub>2</sub>** mainly rose due to the increased **M<sub>1</sub>**, overshadowing an AED 1.2 billion or 0.2% decrease in Quasi- Monetary Deposits (61.0% of **M<sub>2</sub>**).

**M<sub>3</sub>** also increased by 0.3%, from AED 1411.4 billion at the end of December to AED 1415.6 billion at the end of January 2017. **M<sub>3</sub>** too increased because of a raised **M<sub>1</sub>**, dominating a reduction by AED 0.5 billion or 0.3% in Government Deposits (13.1% of **M<sub>3</sub>**).

In summary, during January 2017, **M<sub>1</sub>**, **M<sub>2</sub>** and **M<sub>3</sub>** increased by 1.3%, 0.4% and 0.3%, 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 January 2017, the Monetary Base contracted by 3.7%. The Monetary Base contracted due a combined reduction in; Currency Issued (23.7% of the Monetary Base) by 0.5%, Banks' Required Reserves (35.9% of the Monetary Base) by 0.1%, Banks & OFC's Excess Reserves (7.4% of the Monetary Base) by 32% and Certificates of Deposits purchased by Banks (33% of the Monetary Base) by 0.8%.

From the end of December 2016 to the end of January 2017, the multipliers of **M<sub>1</sub>**, **M<sub>2</sub>** and **M<sub>3</sub>** increased from 1.40 to 1.47, from 3.62 to 3.78 and from 4.17 to 4.35 respectively, reflecting a contraction 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 (January 2017)**

(End of period, billions of Dirhams)

	Dec 2014	Mar 2015	Jun 2015	Sep 2015	Dec 2015	Jan 2016	Mar 2016	Jun 2016	Sep 2016	Dec <sup>1</sup> 2016	Jan <sup>1</sup> 2017	Change in January		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>473.5</b>	<b>490.3</b>	<b>481</b>	<b>472.5</b>	<b>474.0</b>	<b>479.9</b>	<b>5.9</b>	<b>1.3%</b>	<b>1.4%</b>
<i>of which:</i>														
Currency Issued	74.5	69.3	72.5	71	73.5	73.1	77.2	81.3	77.3	77.6	77.2	-0.4	-0.5%	5.7%
Cash at Banks	15.5	13.1	13.7	13.8	15.1	13.7	15.4	16.9	15.5	15.3	13.0	-2.3	-15.0%	-5.1%
Currency in Circulation Outside Banks	59.0	56.2	58.8	57.2	58.4	59.4	61.8	64.4	61.8	62.3	64.2	1.9	3.1%	8.1%
Monetary Deposits <sup>(**)</sup>	377.1	400.7	405.3	396.4	398.5	414.1	428.5	416.6	410.7	411.7	415.7	4.0	1.0%	0.4%
<b>Money Supply M<sub>2</sub><sup>(*)</sup></b>	<b>1125.4</b>	<b>1162.5</b>	<b>1174.2</b>	<b>1158.3</b>	<b>1186.8</b>	<b>1194.0</b>	<b>1218.4</b>	<b>1180.4</b>	<b>1200.2</b>	<b>1225.5</b>	<b>1230.2</b>	<b>4.7</b>	<b>0.4%</b>	<b>3.0%</b>
<i>of which:</i>														
Quasi-Monetary Deposits <sup>(***)</sup>	689.3	705.7	710.1	704.6	729.9	720.5	728.1	699.4	727.7	751.5	750.3	-1.2	-0.2%	4.1%
<b>Money Supply M<sub>3</sub><sup>(*)</sup></b>	<b>1314.5</b>	<b>1346.0</b>	<b>1337.6</b>	<b>1322.0</b>	<b>1342.8</b>	<b>1351.3</b>	<b>1373.8</b>	<b>1364.8</b>	<b>1368.6</b>	<b>1411.4</b>	<b>1415.6</b>	<b>4.2</b>	<b>0.3%</b>	<b>4.8%</b>
<i>of which:</i>														
Government Deposits	189.1	183.5	163.4	163.7	156	157.3	155.4	184.4	168.4	185.9	185.4	-0.5	-0.3%	17.9%

<sup>1</sup> 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-14	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	January <sup>1</sup> 2017		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>474</b>	<b>479.9</b>		<b>5.9</b>	<b>1.3%</b>		<b>5.9</b>	<b>1.3%</b>
Currency in Circulation Outside Banks	59.0	58.4	61.8	64.4	61.8	62.3	64.2	13.4%	1.9	3.1%	0.4%	1.9	3.1%
Monetary Deposits	377.1	398.5	428.5	416.6	410.7	411.7	415.7	86.6%	4.0	1.0%	0.8%	4.0	1.0%
<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>1225.5</b>	<b>1230.2</b>		<b>4.7</b>	<b>0.4%</b>		<b>4.7</b>	<b>0.4%</b>
Currency in Circulation Outside Banks	59.0	58.4	61.8	64.4	61.8	62.3	64.2	5.2%	1.9	3.1%	0.2%	1.9	3.1%
Monetary Deposits	377.1	398.5	428.5	416.6	410.7	411.7	415.7	33.8%	4.0	1.0%	0.3%	4.0	1.0%
Quasi-Monetary Deposits	689.3	729.9	728.1	699.4	727.7	751.5	750.3	61.0%	-1.2	-0.2%	-0.1%	-1.2	-0.2%
<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>1411.4</b>	<b>1415.6</b>		<b>4.2</b>	<b>0.3%</b>		<b>4.2</b>	<b>0.3%</b>
Currency in Circulation Outside Banks	59.0	58.4	61.8	64.4	61.8	62.3	64.2	4.5%	1.9	3.1%	0.1%	1.9	3.1%
Monetary Deposits	377.1	398.5	428.5	416.6	410.7	411.7	415.7	29.4%	4.0	1.0%	0.3%	4.0	1.0%
Quasi-Monetary Deposits	689.3	729.9	728.1	699.4	727.7	751.5	750.3	53.0%	-1.2	-0.2%	-0.1%	-1.2	-0.2%
Government Deposits	189.1	156	155.4	184.4	168.4	185.9	185.4	13.1%	-0.5	-0.3%	-0.04%	-0.5	-0.3%

<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

**Table 3. Money Multiplier in the UAE**  
(End of period, billions of Dirhams)

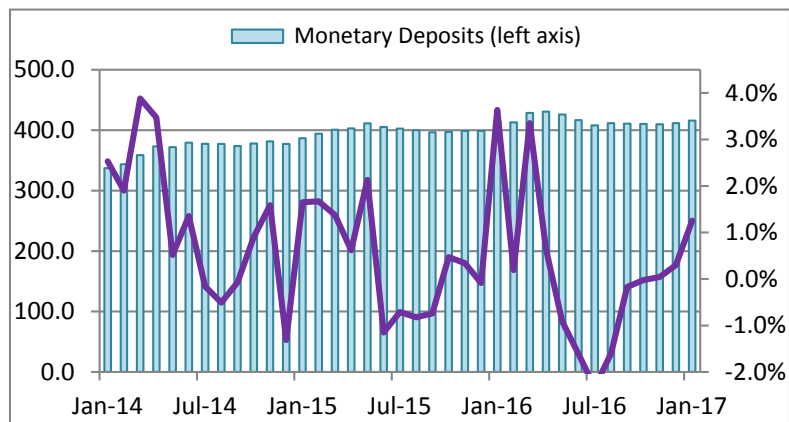
	Dec	Dec	March	June	Sep	Nov	Dec <sup>1</sup>	Jan <sup>1</sup>	Change in January 2017	
	2014	2015	2016	2016	2016	2016	2016	2017	In billions of Dirhams	% Change
<b>Monetary Base</b>	<b>309.2</b>	<b>365.2</b>	<b>329.5</b>	<b>328.6</b>	<b>325.5</b>	<b>313.6</b>	<b>338.1</b>	<b>325.4</b>	<b>-12.7</b>	<b>-3.7%</b>
Currency Issued*	74.5	73.5	77.2	81.3	77.3	78.0	77.6	77.2	-0.4	-0.5%
Banks' Required Reserves	104.1	111.9	113.5	118.5	118.2	116.3	116.9	116.8	-0.1	-0.1%
Banks & OFCs' Excess Reserves	31.1	40	23.4	19.7	26.2	23.2	35.4	24.1	-11.3	-32.0%
Certificates of Deposit purchased by Banks	99.5	139.8	115.4	109.1	103.8	96.1	108.2	107.3	-0.9	-0.8%
Money Supply (M <sub>1</sub> )	436.1	456.9	490.3	481	472.5	472.6	474.0	479.9	5.9	1.3%
<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>	<b>1.47</b>		
Money Supply (M <sub>2</sub> )	1125.4	1186.8	1218.4	1180.4	1200.2	1212.9	1225.5	1230.2	4.7	0.4%
<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>	<b>3.78</b>		
Money Supply (M <sub>3</sub> )	1314.5	1342.8	1373.8	1364.8	1368.6	1385.8	1411.4	1415.6	4.2	0.3%
<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>	<b>4.35</b>		

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

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

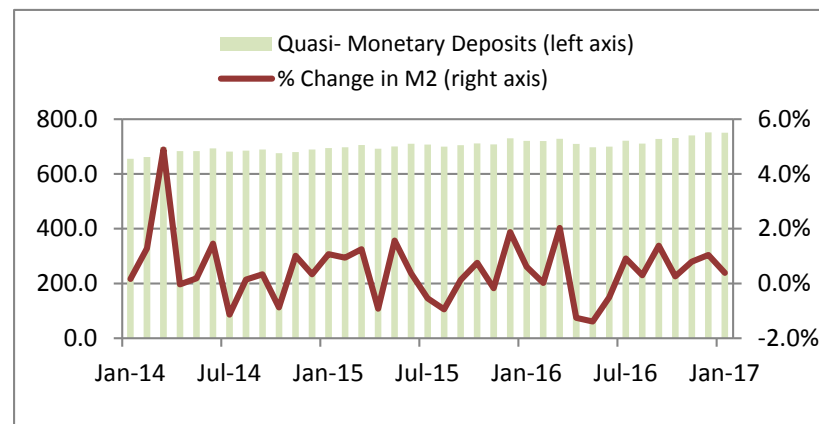
**Money Supply M<sub>1</sub> increased by 1.3%, driven by a 1% increase in Monetary Deposits.**

(bn AED, % month-on-month)



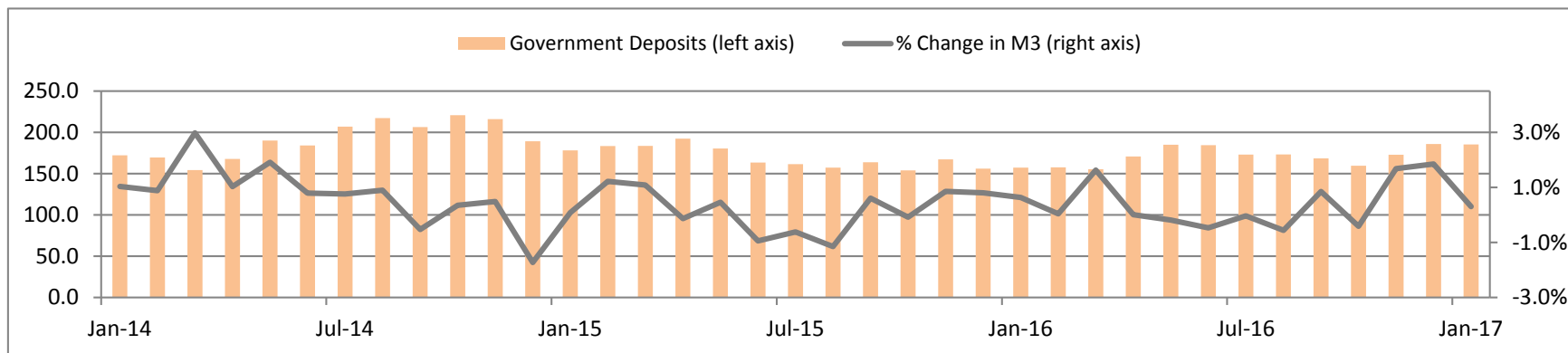
**Money Supply M<sub>2</sub> increased by 0.4%, due to an increase in M<sub>1</sub>.**

(bn AED, % month-on-month)



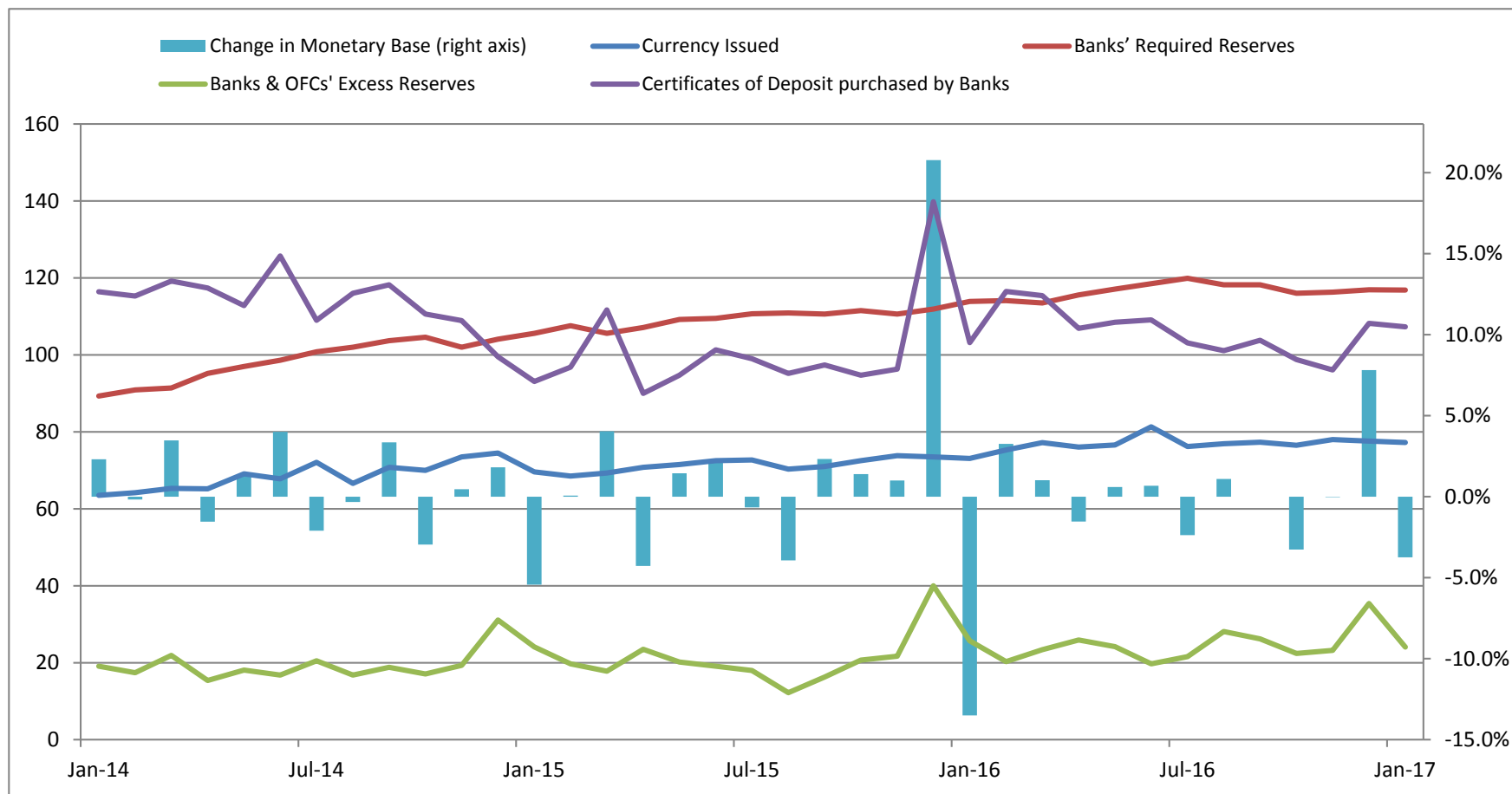
**Money Supply M<sub>3</sub> increased by 0.3%, due to an increase in M<sub>1</sub>.**

(bn AED, % month-on-month)



Source: RSD - CBUAE

**Monetary Base** contracted by 3.7% during January 2017.  
(bn AED, % month-on-month)



Source: CBUAE