



UAE Monthly Monetary Survey January 2018

Monetary Developments (*)

M₁ increased by 1.1%, from AED 492.4 billion at the end of December 2017 to AED 498 billion at the end of January 2018. This increase was due to a 0.9% increase in Currency in Circulation outside Banks (13.7% of **M₁**) and a 1.2% increase in Monetary Deposits (86.3% of **M₁**).

At the end of January 2018, **M₂** also increased by 0.1%, rising from AED 1276.2 billion at the end of December 2017 to AED 1277.2 billion. **M₂** mainly increased due to an increased **M₁** overshadowing an AED 4.6 billion or 0.6% decrease in Quasi- Monetary Deposits (61.1% of **M₂**).

Consequently, **M₃** decreased by 0.4%, from AED 1487.1 billion at the end of December 2017 to AED 1480.9 billion at the end of January 2018. **M₃** decreased because of an AED 7.2 billion or 3.4% fall in Government Deposits (13.8% of **M₃**), overshadowing the increases in **M₁** and **M₂**.

In summary, during January 2018, **M₁** and **M₂** increased by 1.1% and 0.1%, respectively. Whereas, **M₃** decreased by 0.4%.

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 2018, the Monetary Base contracted by 5.1%. The Monetary Base contracted mainly due to decreases in; Currency Issued (23.2% of the Monetary Base) by 2.6%, Banks & OFC's Excess Reserves (5.9% of the Monetary Base) by 40.6% and Certificates of Deposits purchased by Banks (37% of the Monetary Base) by 2%. Banks' Required Reserves (33.9% of the Monetary Base) remained constant.

From the end of December 2017 to the end of January 2018, the multipliers of **M₁**, **M₂** and **M₃** increased from 1.30 to 1.39, from 3.38 to 3.57 and from 3.94 to 4.14, respectively.

The increases in the multipliers of **M₁** and **M₂** reflect faster increases in their respective Monetary Aggregates, in contrast to a contraction of the monetary base. The increase in the multiplier of **M₃** reflects smaller contraction in the Monetary Aggregate compared to the larger contraction 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 (January 2018)
(End of period, billions of Dirhams)

	Dec-14	Dec-15	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17 ¹	Jan ¹ 2018		MoM		Contribution to Aggregate Growth ²
								In billions of Dirhams	Shares of the Aggregates	In Billions of Dirhams	% Change	
Money Supply M₁*	436.1	456.9	474.1	504.4	507.1	488.9	492.4	498.0		5.6	1.1%	
Currency Issued	74.5	73.5	77.6	80.1	83.9	78.3	85.4	83.2		-2.2	-2.6%	
Cash at Banks	15.5	15.1	15.3	14.7	16.5	13.9	17.7	14.9		-2.8	-15.8%	
Currency in Circulation Outside Banks	59.0	58.4	62.3	65.4	67.4	64.4	67.7	68.3	13.7%	0.6	0.9%	0.12%
Monetary Deposits**	377.1	398.5	411.8	439.0	439.7	424.5	424.7	429.7	86.3%	5.0	1.2%	1.0%
Money Supply M₂*	1125.4	1186.8	1225.5	1272.2	1267.1	1257.2	1276.2	1277.2		1.0	0.1%	
Currency in Circulation Outside Banks	59.0	58.4	62.3	65.4	67.4	64.4	67.7	68.3	5.3%	0.6	0.9%	0.05%
Monetary Deposits**	377.1	398.5	411.8	439.0	439.7	424.5	424.7	429.7	33.6%	5.0	1.2%	0.4%
Quasi-Monetary Deposits***	689.3	729.9	751.4	767.8	760.0	768.3	783.8	779.2	61.1%	-4.6	-0.6%	-0.4%
Money Supply M₃*	1314.5	1342.8	1411.4	1465.8	1463.1	1458.0	1487.1	1480.9		-6.2	-0.4%	
Currency in Circulation Outside Banks	59.0	58.4	62.3	65.4	67.4	64.4	67.7	68.3	4.6%	0.6	0.9%	0.04%
Monetary Deposits	377.1	398.5	411.8	439.0	439.7	424.5	424.7	429.7	29.0%	5.0	1.2%	0.3%
Quasi-Monetary Deposits**	689.3	729.9	751.4	767.8	760.0	768.3	783.8	779.2	52.6%	-4.6	-0.6%	-0.3%
Government Deposits***	189.1	156.0	185.9	193.6	196.0	200.8	210.9	203.7	13.8%	-7.2	-3.4%	-0.5%

¹Figures are provisional and 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

³M₁ = Currency in Circulation Outside Banks (Currency Issued - Cash at banks) + Monetary Deposits

M₂ = M₁ + Quasi-Monetary Deposits

M₃ = M₂ + Government Deposits

⁴Monetary Deposits: All short term deposits on which bank customer can withdraw without prior notice

⁵Quasi-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)

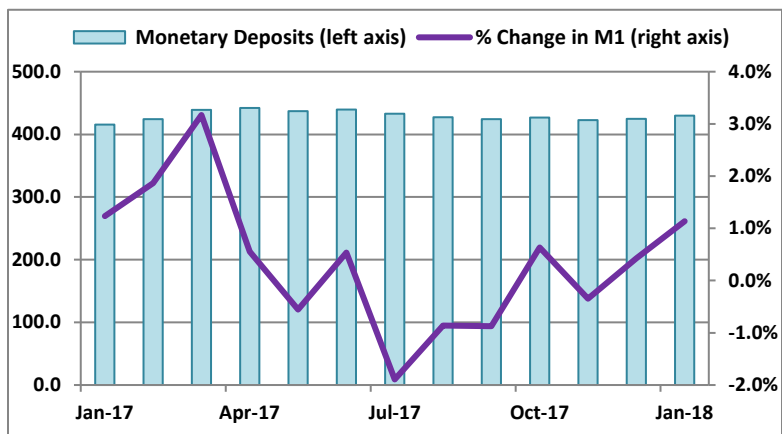
	Dec	Dec	Dec	March	June	Sep	Dec ¹	Jan ¹	Change in January 2018	
	2014	2015	2016	2017	2017	2017	2017	2018	In billions of Dirhams	% Change
Monetary Base	309.2	365.2	338.1	351.5	355.0	358.7	377.4	358.1	-19.3	-5.1%
Currency Issued*	74.5	73.5	77.6	80.1	83.9	78.3	85.4	83.2	-2.2	-2.6%
Banks' Required Reserves	104.1	111.9	116.9	119.9	125.5	122.4	121.4	121.4	0.0	0.0%
Banks & OFCs' Excess Reserves	31.1	40	35.4	36.2	42.8	31.4	35.5	21.1	-14.4	-40.6%
Certificates of Deposit purchased by Banks	99.5	139.8	108.2	115.3	102.9	126.6	135.1	132.4	-2.7	-2.0%
Money Supply (M ₁)	436.1	456.9	474.1	504.4	507.1	488.9	492.4	498.0	5.6	1.1%
Money Multiplier of M₁ (M₁/Monetary Base)	1.41	1.25	1.40	1.43	1.43	1.36	1.30	1.39		
Money Supply (M ₂)	1125.4	1186.8	1225.5	1272.2	1267.1	1257.2	1276.2	1277.2	1.0	0.1%
Money Multiplier of M₂ (M₂/Monetary Base)	3.64	3.25	3.62	3.62	3.57	3.50	3.38	3.57		
Money Supply (M ₃)	1314.5	1342.8	1411.4	1465.8	1463.1	1458.0	1487.1	1480.9	-6.2	-0.4%
Money Multiplier of M₃ (M₃/Monetary Base)	4.25	3.68	4.17	4.17	4.12	4.06	3.94	4.14		

¹ Figures are provisional and subject to revision

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

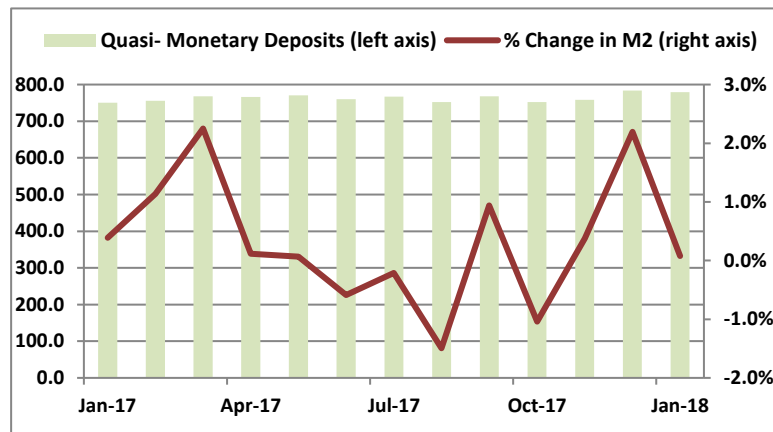
Money Supply M₁ increased by 1.1%, driven by 1.2% increase in Monetary Deposits.

(bn AED, % month-on-month)



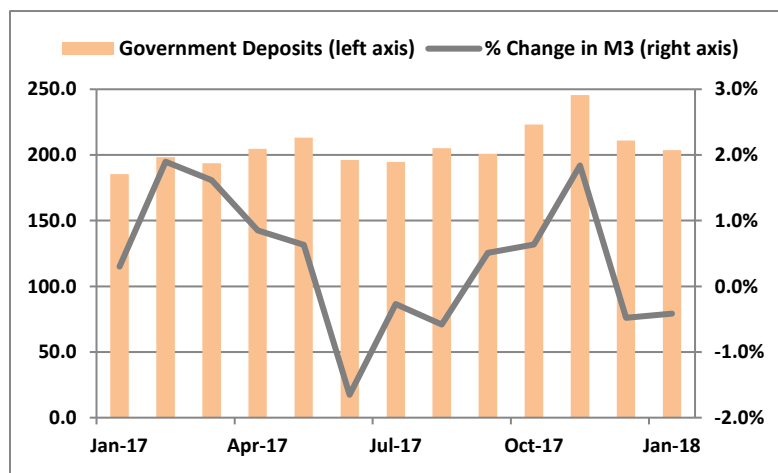
Money Supply M₂ increased by 0.1% due to an increased M₁, overshadowing the 0.6% reduction in Quasi-Monetary Deposits.

(bn AED, % month-on-month)



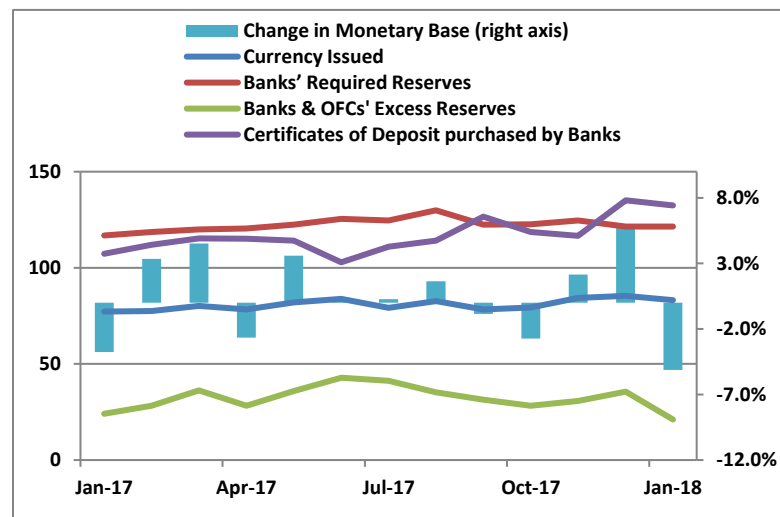
Money Supply M₃ decreased by 0.4%, due to a 3.4% fall in Government Deposits.

(bn AED, % month-on-month)



Monetary Base contracted by 5.1% during January 2018.

(bn AED, % month-on-month)



Source: CBUAE