



# UAE Monthly Monetary Survey July 2016

### Monetary Developments (\*)

$M_1$  decreased by 2.3%, from AED 481 billion at the end of June to AED 469.8 billion at the end of July 2016. This reduction was due to 3.7% and 2.1% decreases in Currency in Circulation Outside Banks (13.2% of  $M_1$ ) and Monetary Deposits (86.8% of  $M_1$ ), respectively. The fall in Monetary Deposits was mainly brought about by a reduction in Demand Deposits by AED 9.5 billion.

At the end of July 2016,  $M_2$  increased by 0.9%, rising from AED 1,180.4 billion at the end of June 2016 to AED 1,191.2 billion. The increase in  $M_2$  was attributed to a 22 billion i.e. 3.1% increase in Quasi- Monetary Deposits (60.6% of  $M_2$ ).

$M_3$  decreased from AED 1,364.8 billion at the end of June to AED 1,364.3 billion at the end of July 2016. The reduction in  $M_3$  was primarily brought about by reduced  $M_1$  and reduced Government Deposits by 6.1% (12.7% of  $M_3$ ).

In summary; during July 2016  $M_1$  and  $M_3$  decreased by 2.3% and 0.04%, respectively. However,  $M_2$  increased by 0.9%.

### 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 July 2016, the Monetary Base contracted by 2.4%, owing to a combined reduction in; Currency Issued (23.8% of the Monetary Base) by 6.3% and Certificates of Deposits purchased by Banks (32.1% of the Monetary Base) by 5.5%, overshadowing the 1.2% increase in Banks' Required Reserves (37.4% of the Monetary Base) and 9.6% increase in Banks & OFCs' Excess Reserves (6.7% of the Monetary Base), respectively.

From the end of June 2016 to the end of July 2016, the multipliers of  $M_2$  and  $M_3$  increased from 3.59 to 3.71 and from 4.15 to 4.25, respectively, reflecting that the growth of the monetary aggregates was faster than the growth of the Monetary Base. The multiplier of  $M_1$  remained constant at 1.46.

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

**Table 1. UAE Monthly Monetary Survey (July 2016)**

(End of period, billions of Dirhams)

	Dec. 2014	March 2015	June 2015	July 2015	Sept. 2015	Dec. 2015	March 2016	June 2016	July <sup>1</sup> 2016	Change in July		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>460.8</b>	<b>453.6</b>	<b>456.9</b>	<b>490.3</b>	<b>481.0</b>	<b>469.8</b>	<b>-11.2</b>	<b>-2.3%</b>	<b>2.0%</b>
<i>of which:</i>												
Currency Issued	74.5	69.3	72.5	72.7	71.0	73.5	77.2	81.3	76.2	-5.1	-6.3%	4.8%
Cash at Banks	15.5	13.1	13.7	14.4	13.8	15.1	15.4	16.9	14.2	-2.7	-16.0%	-1.4%
Currency in Circulation Outside Banks	59.0	56.2	58.8	58.3	57.2	58.4	61.8	64.4	62.0	-2.4	-3.7%	6.3%
Monetary Deposits <sup>(**)</sup>	377.1	400.7	405.3	402.5	396.4	398.5	428.5	416.6	407.8	-8.8	-2.1%	1.3%
<b>Money Supply M<sub>2</sub><sup>(*)</sup></b>	<b>1,125.4</b>	<b>1,162.5</b>	<b>1,174.2</b>	<b>1,167.8</b>	<b>1,158.3</b>	<b>1,186.8</b>	<b>1,218.4</b>	<b>1,180.4</b>	<b>1,191.2</b>	<b>10.8</b>	<b>0.9%</b>	<b>2.0%</b>
<i>of which:</i>												
Quasi-Monetary Deposits <sup>(***)</sup>	689.3	705.7	710.1	707.0	704.6	729.9	728.1	699.4	721.4	22.0	3.1%	2.0%
<b>Money Supply M<sub>3</sub><sup>(*)</sup></b>	<b>1,314.5</b>	<b>1,346.0</b>	<b>1,337.6</b>	<b>1,329.3</b>	<b>1,322.0</b>	<b>1,342.8</b>	<b>1,373.8</b>	<b>1,364.8</b>	<b>1,364.3</b>	<b>-0.5</b>	<b>-0.04%</b>	<b>2.6%</b>
<i>of which:</i>												
Government Deposits	189.1	183.5	163.4	161.5	163.7	156.0	155.4	184.4	173.1	-11.3	-6.1%	7.2%

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

<sup>(\*)</sup>  $M_1$  = 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

<sup>(\*\*)</sup> **Monetary Deposits:** all short term deposits on which bank customer can withdraw without prior notice

<sup>(\*\*\*)</sup> **Quasi-Monetary Deposits:** Resident Time and Savings Deposits in Dirham + Resident Deposits in Foreign Currencies

**Table 2. Contribution to Aggregate Money Supply**

	Dec. 2013	Dec. 2014	Dec. 2015	March 2016	June 2016	July <sup>1</sup> 2016		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>379.6</b>	<b>436.1</b>	<b>456.9</b>	<b>490.3</b>	<b>481.0</b>	<b>469.8</b>		<b>-11.2</b>	<b>-2.3%</b>		<b>12.9</b>	<b>2.8%</b>
Currency in Circulation Outside Banks	50.4	59.0	58.4	61.8	64.4	62.0	13.2%	-2.4	-3.7%	-0.5%	3.6	6.2%
Monetary Deposits	329.2	377.1	398.5	428.5	416.6	407.8	86.8%	-8.8	-2.1%	-1.8%	9.3	2.3%
<b>Money Supply M<sub>2</sub></b>	<b>1,043.0</b>	<b>1,125.4</b>	<b>1,186.8</b>	<b>1,218.4</b>	<b>1,180.4</b>	<b>1,191.2</b>		<b>10.8</b>	<b>0.9%</b>		<b>4.4</b>	<b>0.4%</b>
Currency in Circulation Outside Banks	50.4	59.0	58.4	61.8	64.4	62.0	5.2%	-2.4	-3.7%	-0.2%	3.6	6.2%
Monetary Deposits	329.2	377.1	398.5	428.5	416.6	407.8	34.2%	-8.8	-2.1%	-0.7%	9.3	2.3%
Quasi-Monetary Deposits	663.4	689.3	729.9	728.1	699.4	721.4	60.6%	22.0	3.1%	1.9%	-8.5	-1.2%
<b>Money Supply M<sub>3</sub></b>	<b>1,204.5</b>	<b>1,314.5</b>	<b>1,342.8</b>	<b>1,373.8</b>	<b>1,364.8</b>	<b>1,364.3</b>		<b>-0.5</b>	<b>-0.04%</b>		<b>21.5</b>	<b>1.6%</b>
Currency in Circulation Outside Banks	50.4	59.0	58.4	61.8	64.4	62.0	4.5%	-2.4	-3.7%	-0.2%	3.6	6.2%
Monetary Deposits	329.2	377.1	398.5	428.5	416.6	407.8	29.9%	-8.8	-2.1%	-0.6%	9.3	2.3%
Quasi-Monetary Deposits	663.4	689.3	729.9	728.1	699.4	721.4	52.9%	22.0	3.1%	1.7%	-8.5	-1.2%
Government Deposits	161.5	189.1	156.0	155.4	184.4	173.1	12.7%	-11.3	-6.1%	-0.8%	17.1	11.0%

<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)

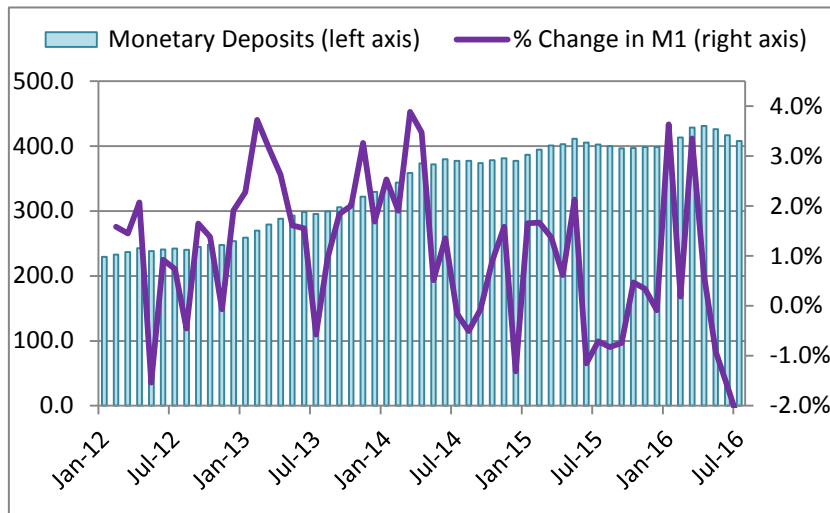
	December	December	December	March	April	May	June	July <sup>1</sup>	Change in July 2016	
	2013	2014	2015	2016	2016	2016	2016	2016	In billions of Dirhams	% Change
<b>Monetary Base</b>	<b>281.8</b>	<b>309.2</b>	<b>365.2</b>	<b>329.5</b>	<b>324.5</b>	<b>326.4</b>	<b>328.6</b>	<b>320.8</b>	<b>-7.8</b>	<b>-2.4%</b>
Currency Issued*	63.9	74.5	73.5	77.2	76.1	76.6	81.3	76.2	-5.1	-6.3%
Banks' Required Reserves	87.8	104.1	111.9	113.5	115.6	117.1	118.5	119.9	1.4	1.2%
Banks & OFCs' Excess Reserves	22.2	31.1	40.0	23.4	25.9	24.2	19.7	21.6	1.9	9.6%
Certificates of Deposit purchased by Banks	107.9	99.5	139.8	115.4	106.9	108.5	109.1	103.1	-6.0	-5.5%
Money Supply (M <sub>1</sub> )	379.6	436.1	456.9	490.3	493.4	488.9	481.0	469.8	-11.2	-2.3%
<b>Money Multiplier of M<sub>1</sub> (M<sub>1</sub>/Monetary Base)</b>	<b>1.35</b>	<b>1.41</b>	<b>1.25</b>	<b>1.49</b>	<b>1.52</b>	<b>1.50</b>	<b>1.46</b>	<b>1.46</b>		
Money Supply (M <sub>2</sub> )	1,043.0	1,125.4	1,186.8	1,218.4	1,203.1	1,186.4	1,180.4	1,191.2	10.8	0.9%
<b>Money Multiplier of M<sub>2</sub> (M<sub>2</sub>/Monetary Base)</b>	<b>3.70</b>	<b>3.64</b>	<b>3.25</b>	<b>3.70</b>	<b>3.71</b>	<b>3.63</b>	<b>3.59</b>	<b>3.71</b>		
Money Supply (M <sub>3</sub> )	1,204.5	1,314.5	1,342.8	1,373.8	1,373.9	1,371.3	1,364.8	1,364.3	-0.5	-0.04%
<b>Money Multiplier of M<sub>3</sub> (M<sub>3</sub>/Monetary Base)</b>	<b>4.27</b>	<b>4.25</b>	<b>3.68</b>	<b>4.17</b>	<b>4.23</b>	<b>4.20</b>	<b>4.15</b>	<b>4.25</b>		

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

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

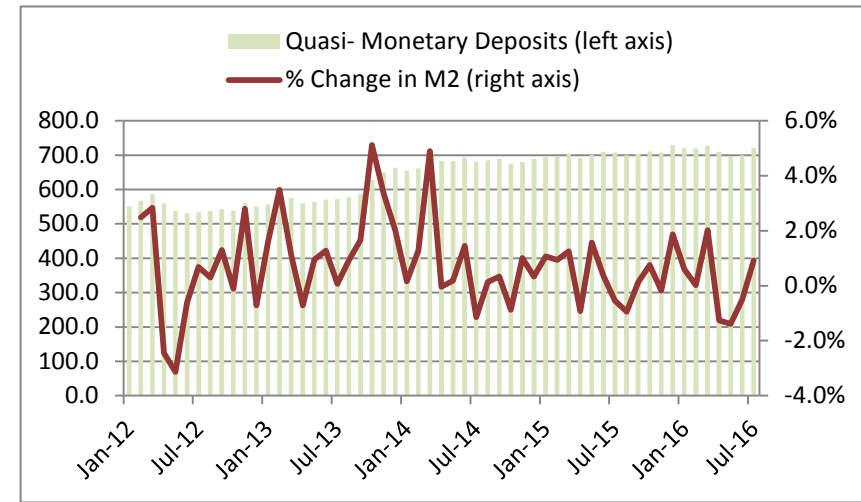
**Money Supply M<sub>1</sub> decreased by 2.3%, driven by a 2.1% reduction in Monetary Deposits.**

(bn AED, % month-on-month)



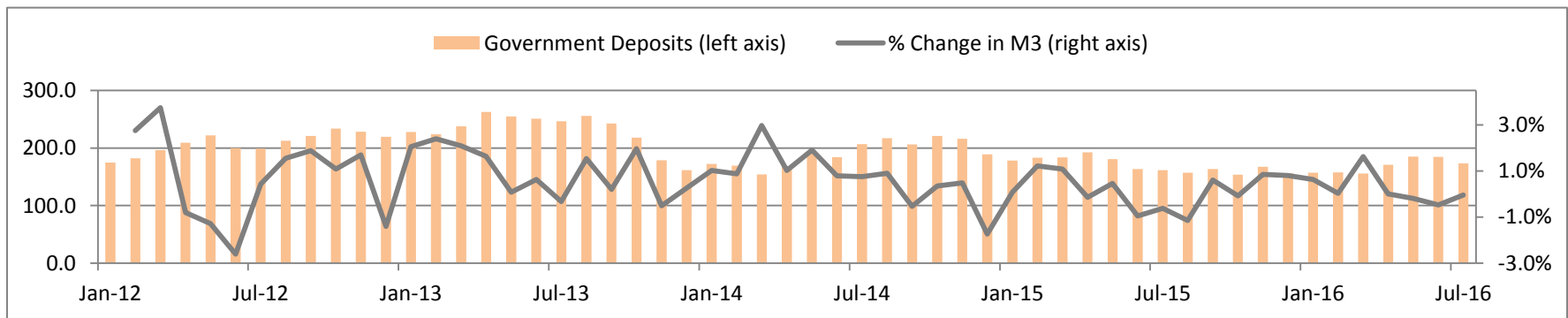
**Money Supply M<sub>2</sub> increased by 0.9%, due to an increase of 3.1% in Quasi-Monetary Deposits.**

(bn AED, % month-on-month)



**Money Supply M<sub>3</sub> decreased by 0.04% due to a 6.1% reduction in Government Deposits.**

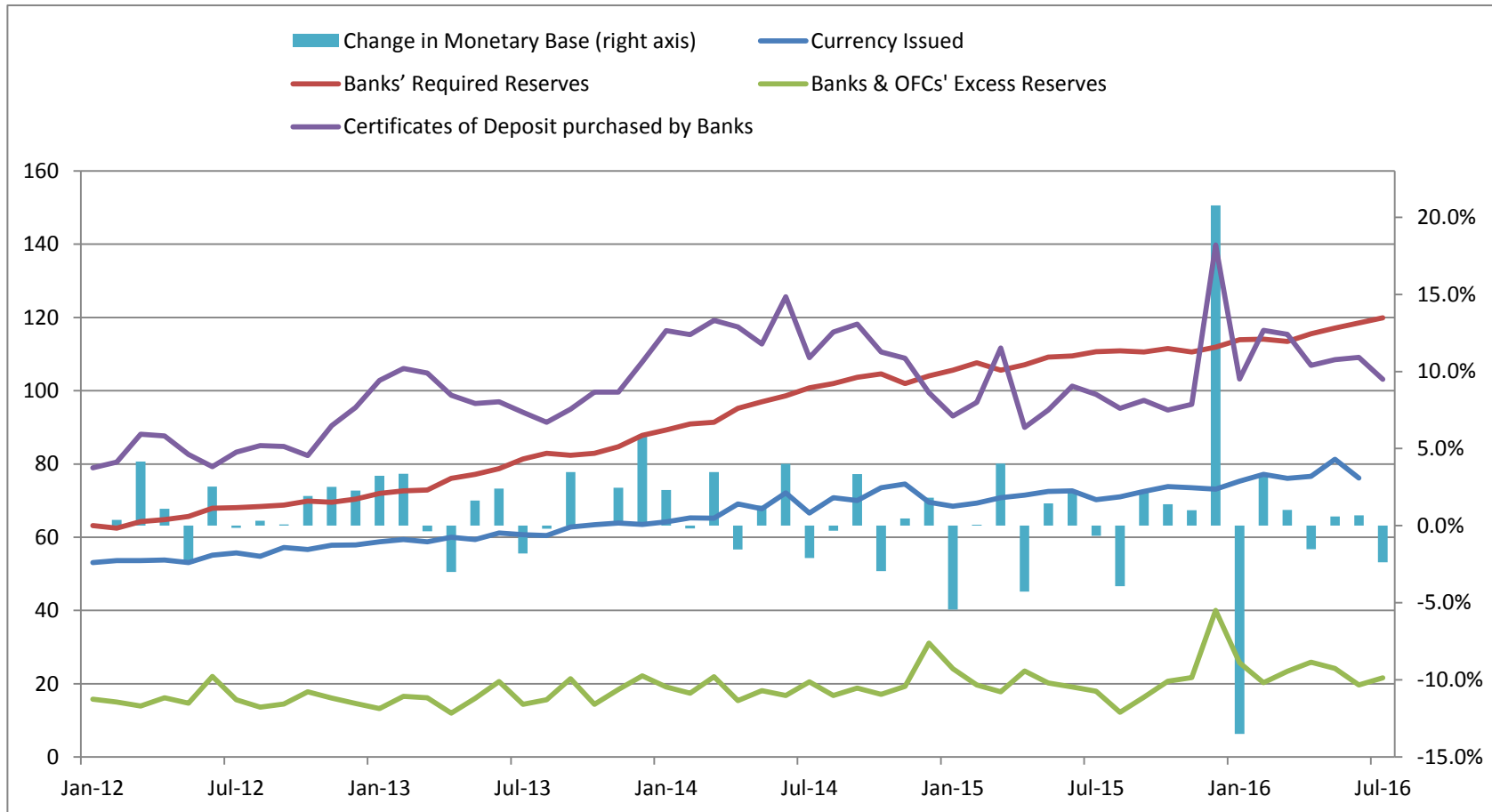
(bn AED, % month-on-month)



Source: RSD - CBUAE

**Monetary Base** contracted by 2.4% during July 2016.

(bn AED, % month-on-month)



Source: CBUAE